

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

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2020**

	Notes	Group		Bank	
		As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
ASSETS					
Cash and short-term funds		1,068,465	1,118,904	1,064,826	1,112,694
Financial investments at fair value through other comprehensive income ("FVOCI")	9	1,318,761	1,353,869	1,318,761	1,353,869
Financial investments at amortised cost	10	1,033,007	818,565	1,033,007	818,565
Loans, advances and financing	11	5,773,619	5,800,941	5,773,619	5,800,941
Other assets		9,055	13,525	49,421	112,606
Investment in associate		3,338	3,338	-	-
Property, plant and equipment		134,026	135,590	134,016	135,578
Right-of-use assets		14,620	15,474	14,620	15,474
Investment properties		393,563	393,062	393,563	393,062
Intangible assets		16,594	18,298	16,594	18,298
Tax recoverable		10,678	9,215	7,251	7,251
Deferred tax assets		104,454	104,456	104,454	104,456
TOTAL ASSETS		9,880,180	9,785,237	9,910,132	9,872,794
LIABILITIES					
Deposits from customers	12	3,535,144	3,168,209	3,540,700	3,233,536
Deposits from banks and other financial institutions	13	200,245	-	200,245	-
Islamic medium-term notes		1,355,794	1,768,072	1,355,794	1,768,072
Borrowings	14	1,866,779	1,875,212	1,866,779	1,875,212
Lease liabilities		15,008	15,797	15,008	15,797
Other liabilities		1,023,018	1,099,904	1,050,318	1,120,599
Government funds		366,748	354,053	366,748	354,053
TOTAL LIABILITIES		8,362,736	8,281,247	8,395,592	8,367,269
EQUITY					
Share capital		1,850,000	1,850,000	1,850,000	1,850,000
Accumulated lossess		(371,000)	(384,688)	(373,904)	(383,153)
Other reserves		38,444	38,678	38,444	38,678
TOTAL EQUITY		1,517,444	1,503,990	1,514,540	1,505,525
TOTAL LIABILITIES AND EQUITY		9,880,180	9,785,237	9,910,132	9,872,794
COMMITMENTS AND CONTINGENCIES		2,127,515	1,940,000	2,127,515	1,940,000

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

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

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

Group	Notes	First Quarter Ended		Three Months Ended	
		31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Interest income	15	2,224	5,638	2,224	5,638
Interest expense	16	(13,082)	(13,653)	(13,082)	(13,653)
Net interest expense		(10,858)	(8,015)	(10,858)	(8,015)
Gross income from Islamic banking business	22	90,143	101,803	90,143	101,803
Other operating income	17	755	1,883	755	1,883
Net income		80,040	95,671	80,040	95,671
Other operating expenses	18	(61,383)	(55,640)	(61,383)	(55,640)
Operating profit		18,657	40,031	18,657	40,031
(Allowances)/Writeback for impairment losses on :					
- loans, advances and financing	19	(3,162)	(22,673)	(3,162)	(22,673)
- commitments and contingencies		(223)	(199)	(223)	(199)
- financial investments at FVOCI	9	344	178	344	178
- financial investments at amortised cost	10	(129)	40	(129)	40
- other assets at amortised cost		(551)	(318)	(551)	(318)
Profit before tax expense and zakat		14,936	17,059	14,936	17,059
Tax expense		(248)	(292)	(248)	(292)
Zakat		(1,000)	(1,000)	(1,000)	(1,000)
Profit for the period		13,688	15,767	13,688	15,767
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		110	17,744	110	17,744
Changes in expected credit losses on financial investments at FVOCI		(344)	(178)	(344)	(178)
Other comprehensive (loss)/income for the period, net of tax		(234)	17,566	(234)	17,566
Total comprehensive income for the period, net of tax		13,454	33,333	13,454	33,333
Profit for the period attributable to owner of the Bank		13,688	15,767	13,688	15,767
Total comprehensive income attributable to owner of the Bank		13,454	33,333	13,454	33,333

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

**Small Medium Enterprise Development Bank Malaysia Berhad
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

Bank	Notes	First Quarter Ended		Three Months Ended	
		31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Interest income	15	2,224	5,638	2,224	5,638
Interest expense	16	(13,082)	(13,653)	(13,082)	(13,653)
Net interest expense		(10,858)	(8,015)	(10,858)	(8,015)
Gross income from Islamic banking business	22	92,311	98,548	92,311	98,548
Other operating income	17	366	1,883	366	1,883
Net income		81,819	92,416	81,819	92,416
Other operating expenses	18	(60,206)	(54,729)	(60,206)	(54,729)
Operating profit		21,613	37,687	21,613	37,687
Writeback/(Allowances) for impairment losses on :					
- loans, advances and financing	19	(7,338)	(24,018)	(7,338)	(24,018)
- commitments and contingencies		(223)	(199)	(223)	(199)
- financial investments at FVOCI	9	344	178	344	178
- financial investments at amortised cost	10	(129)	40	(129)	40
- other assets at amortised cost		(551)	(318)	(551)	(318)
- other assets at FVOCI		(3,219)	-	(3,219)	-
Profit before tax expense and zakat		10,497	13,370	10,497	13,370
Tax expense		(248)	(292)	(248)	(292)
Zakat		(1,000)	(1,000)	(1,000)	(1,000)
Profit for the period		9,249	12,078	9,249	12,078
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		110	17,744	110	17,744
Changes in expected credit losses on financial investments at FVOCI		(344)	(178)	(344)	(178)
Other comprehensive (loss)/income for the period, net of tax		(234)	17,566	(234)	17,566
Total comprehensive income for the period, net of tax		9,015	29,644	9,015	29,644
Profit for the period attributable to owner of the Bank		9,249	12,078	9,249	12,078
Total comprehensive income attributable to owner of the Bank		9,015	29,644	9,015	29,644

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

**Small Medium Enterprise Development Bank Malaysia Berhad
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

	<=====Attributable to the Owner of the Bank=====>				
	Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	Total RM'000
Group					
At 1 January 2020	1,850,000	28,564	10,114	(384,688)	1,503,990
Unrealised gain on revaluation of financial investments at FVOCI	-	110	-	-	110
Changes in expected credit losses of financial investments at FVOCI	-	(344)	-	-	(344)
Profit for the period	-	-	-	13,688	13,688
Total comprehensive (loss)/income for the period	-	(234)	-	13,688	13,454
At 31 March 2020	1,850,000	28,330	10,114	(371,000)	1,517,444
At 1 January 2019	1,850,000	(4,698)	10,114	(583,618)	1,271,798
Unrealised gain on revaluation of financial investments at FVOCI	-	30,278	-	-	30,278
Reclassification of gains included in profit or loss	-	8,870	-	-	8,870
Changes in expected credit losses of financial investments at FVOCI	-	3,508	-	-	3,508
Income tax relating to components of other comprehensive income	-	(9,394)	-	-	(9,394)
Profit for the year	-	-	-	198,930	198,930
Total comprehensive income for the year	-	33,262	-	198,930	232,192
At 31 December 2019	1,850,000	28,564	10,114	(384,688)	1,503,990

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

**Small Medium Enterprise Development Bank Malaysia Berhad
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

	<=====Attributable to the Owner of the Bank=====>				
	Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	Total RM'000
Bank					
At 1 January 2020	1,850,000	28,564	10,114	(383,153)	1,505,525
Unrealised gain on revaluation of financial investments at FVOCI	-	110	-	-	110
Changes in expected credit losses of financial investments at FVOCI	-	(344)	-	-	(344)
Profit for the period	-	-	-	9,249	9,249
Total comprehensive (loss)/income for the period	-	(234)	-	9,249	9,015
At 31 March 2020	1,850,000	28,330	10,114	(373,904)	1,514,540
At 1 January 2019	1,850,000	(4,698)	10,114	(589,358)	1,266,058
Unrealised gain on revaluation of financial investments at FVOCI	-	30,278	-	-	30,278
Reclassification of gains included in profit or loss	-	8,870	-	-	8,870
Changes in expected credit losses of financial investments at FVOCI	-	3,508	-	-	3,508
Income tax relating to components of other comprehensive income	-	(9,394)	-	-	(9,394)
Profit for the year	-	-	-	206,205	206,205
Total comprehensive income for the year	-	33,262	-	206,205	239,467
At 31 December 2019	1,850,000	28,564	10,114	(383,153)	1,505,525

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

**Small Medium Enterprise Development Bank Malaysia Berhad
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 March 2019 RM'000	As at 31 March 2020 RM'000	As at 31 March 2019 RM'000
Cash flows from/(used in) operating activities				
Profit before tax expense and zakat	14,936	17,059	10,497	13,370
Adjustments for:				
Net impairment loss on loans, advances and financing	10,279	22,872	14,455	24,018
Net impairment loss of commitment and contingencies	223	199	223	199
Net writeback on financial investment at FVOCI	(344)	(178)	(344)	(178)
Net impairment loss /(writeback) on financial investment at AC	129	(40)	129	(40)
Impairment loss on other assets at amortised cost	551	318	551	318
Impairment loss on other assets at FVOCI	-	-	3,219	-
Depreciation of property, plant and equipment	3,472	3,421	3,471	3,418
Depreciation of right-of-use assets	853	-	853	-
Amortisation of intangible assets	1,704	1,761	1,704	1,757
Government funds released	(889)	867	(889)	867
Income from financial investments at FVOCI	(13,554)	(21,323)	(13,554)	(21,323)
Income from financial investments at amortised cost	(8,706)	(4,173)	(8,706)	(4,173)
Profit expense on medium-term notes	16,301	17,436	16,301	17,436
Profit expense on borrowings	13,385	14,055	13,385	14,055
Finance cost on lease liabilities	147	-	147	-
Profit income on amount due from a subsidiary company	-	-	(3,219)	-
Operating profit before working capital changes	38,487	52,274	38,223	49,724
Changes in working capital:				
Net changes in operating assets	17,838	103,136	74,087	110,804
Net changes in operating liabilities	489,069	(235,223)	435,655	(239,147)
Cash generated from/(used in) operating activities	545,394	(79,813)	547,965	(78,619)
Interest and profit paid	(31,577)	(34,642)	(31,577)	(34,642)
Interest and profit received	48,775	42,315	48,775	42,315
Net cash generated from/(used in) operating activities	562,592	(72,140)	565,163	(70,946)
Cash flows from/(used in) investing activities				
Net proceeds/(purchase) from financial investment	(205,865)	122,880	(205,865)	122,880
Net purchase of property, plant and equipment	(1,909)	(4,936)	(1,909)	(4,935)
Net purchase of investment properties	(501)	-	(501)	-
Net purchase of intangible assets	-	(222)	-	(222)
Net cash (used in)/generated from investing activities	(208,275)	117,722	(208,275)	117,723
Cash flows from/(used in) financing activities				
Net (payments)/proceeds from Sukuk	(400,000)	200,000	(400,000)	200,000
Net payments of borrowings	(18,820)	(11,600)	(18,820)	(11,600)
Proceed from government funds	15,000	10,000	15,000	10,000
Payment of lease liabilities	(936)	-	(936)	-
Net cash (used in)/generated from financing activities	(404,756)	198,400	(404,756)	198,400
Net increase in cash and cash equivalents	(50,439)	243,982	(47,868)	245,177
Cash and cash equivalents at beginning of year	1,118,904	485,308	1,112,694	481,615
Cash and cash equivalents at end of year	1,068,465	729,290	1,064,826	726,792
Cash and cash equivalents comprise:				
- Cash and short term funds	1,068,465	729,290	1,064,826	726,792

**Small Medium Enterprise Development Bank Malaysia Berhad
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**Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134")
Interim Financial Reporting**

1. Basis of preparation

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

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

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

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

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

Amendments to References to the Conceptual Framework in MFRS Standards
Definition of a Business (Amendments to MFRS 3)
Definition of Material (Amendments to MFRS 101 and MFRS 108)

2. Summary of Significant Accounting Policies

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

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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 2019.

4. Auditors' report on preceding audited annual financial statements

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

5. Seasonal or cyclical factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the first quarter ended 31 March 2020.

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 the first quarter ended 31 March 2020.

7. Changes in estimates

There were no material changes in estimates that have a material effect in the first quarter ended 31 March 2020.

8. Dividends

No dividend has been proposed or paid for the first quarter ended 31 March 2020.

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9. Financial investments at FVOCI

	Group and Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	536,497	531,107
Non-money market instruments		
Equity securities		
- Private debt securities	30,875	30,392
- Unquoted shares	8,984	8,984
Debt securities		
- Private debt securities	742,405	783,386
	<u>782,264</u>	<u>822,762</u>
Total financial investment at FVOCI	<u>1,318,761</u>	<u>1,353,869</u>

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

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

	Group and Bank			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
At 1 January 2020	153	3,656	10,000	13,809
(Writeback)/Allowances made due to changes in credit risk	2	(342)	-	(340)
New financial investments originated	-	-	-	-
Financial investments derecognised	(4)	-	-	(4)
At 31 March 2020	<u>151</u>	<u>3,314</u>	<u>10,000</u>	<u>13,465</u>
At 1 January 2019	301	-	10,000	10,301
(Writeback)/Allowances made due to changes in credit risk	(125)	3,656	-	3,531
New financial investments originated	1	-	-	1
Financial investments derecognised	(24)	-	-	(24)
At 31 December 2019	<u>153</u>	<u>3,656</u>	<u>10,000</u>	<u>13,809</u>

The impairment losses by external rating grade are as follows:

<i>External rating grade</i>	Group and Bank			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
RAM AAA	2	-	-	2
MARC AAA	11	-	-	11
RAM AA	12	-	-	12
MARC AA	3	-	-	3
MARC AA-	123	-	-	123
RAM BB	-	3,314	-	3,314
RAM C^	-	-	10,000	10,000
At 31 March 2020	<u>151</u>	<u>3,314</u>	<u>10,000</u>	<u>13,465</u>

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

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

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

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

10. Financial investments at amortised cost

	Group and Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
At amortised cost		
Government securities		
Malaysian Government Investment Issues	<u>111,660</u>	<u>111,523</u>
Money market instruments		
Commercial papers	<u>622,309</u>	<u>393,959</u>
Non-money market instruments		
Private debt securities	<u>299,816</u>	<u>313,732</u>
	<u>1,033,785</u>	<u>819,214</u>
Less: Accumulated impairment losses	<u>(778)</u>	<u>(649)</u>
Total financial investment at amortised cost	<u><u>1,033,007</u></u>	<u><u>818,565</u></u>

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

	Group and Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Within one year	647,641	433,944
More than one year to three years	304,987	289,374
More than three years to five years	20,394	35,284
More than five years	60,763	60,612
	<u>1,033,785</u>	<u>819,214</u>

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

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
	Stage 1	Stage 1
At 1 January	649	63
Allowances made due to changes in credit risk	4	(20)
New financial investments originated or purchased	169	630
Financial investments derecognised	(44)	(24)
At 31 March / December	778	649

The impairment losses by external rating grade are as follows:

	Group and Bank	
	2020	2019
	RM'000	RM'000
	Stage 1	Stage 1
<i>External rating grade</i>		
MARC AAA	9	9
RAM AA	60	59
MARC AA	119	59
Non-rated	590	581
Total	778	708

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
Malaysian Government Investment Issues	113,357	112,812
Commercial papers	622,309	393,959
Private debt securities	304,639	318,675
	1,040,305	825,446

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11. Loans, advances and financing

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Term loans/ financing				
- Hire purchase	309,131	313,586	271,459	275,898
- Leasing	417	344	75	1
- Other term loans/ financing	5,035,007	5,092,236	4,623,094	4,664,917
Revolving loans/financing	1,480,562	1,435,649	1,457,455	1,423,789
Staff loans/financing	14,871	15,216	14,871	15,216
Gross loans, advances and financing	<u>6,839,988</u>	<u>6,857,031</u>	<u>6,366,954</u>	<u>6,379,821</u>
Less: Allowance for impairment losses on				
- Stage 1 (Note 11 (ix))	(45,506)	(48,065)	(45,506)	(48,065)
- Stage 2 (Note 11 (ix))	(52,482)	(32,696)	(52,482)	(32,696)
- Stage 3 (Note 11 (ix))	(968,381)	(975,329)	(495,347)	(498,119)
Net loans, advances and financing	<u>5,773,619</u>	<u>5,800,941</u>	<u>5,773,619</u>	<u>5,800,941</u>
Gross impaired loans, advances and financing (Note 11(viii))	<u>1,681,944</u>	<u>1,716,707</u>	<u>1,208,910</u>	<u>1,239,497</u>
Net impaired loans, advances and financing	<u>713,563</u>	<u>741,378</u>	<u>713,563</u>	<u>741,378</u>

Included in loans, advances and financing for the Group and the Bank are gross loans, advances and financing of RM67,034,000 (2019: RM65,538,000) financed by Government funds.

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Within one year	1,423,298	1,312,721	1,073,906	987,769
More than one year to three years	786,784	825,377	722,880	782,827
More than three years to five years	994,439	1,039,415	983,621	979,101
More than five years	3,635,467	3,679,518	3,586,547	3,630,124
	<u>6,839,988</u>	<u>6,857,031</u>	<u>6,366,954</u>	<u>6,379,821</u>

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

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Domestic business enterprise	6,825,117	6,841,815	6,352,083	6,364,605
Individual	14,871	15,216	14,871	15,216
	<u>6,839,988</u>	<u>6,857,031</u>	<u>6,366,954</u>	<u>6,379,821</u>

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Constructions	1,234,954	1,264,185	1,232,098	1,261,329
Education, health and others	618,905	601,421	571,093	553,552
Electricity, gas and water supply	35,150	34,526	35,150	34,526
Financial, insurance, real estate and business services	995,854	1,059,269	992,921	1,056,332
Manufacturing	1,171,358	1,143,719	1,071,937	1,053,236
Mining and quarrying	76,166	77,883	74,170	75,887
Primary agriculture	5,804	5,980	5,553	5,729
Transportation, storage and communication	832,193	822,351	786,088	776,124
Wholesale, retail trade, restaurants and hotels	1,854,733	1,832,481	1,583,073	1,547,890
Others	14,871	15,216	14,871	15,216
	<u>6,839,988</u>	<u>6,857,031</u>	<u>6,366,954</u>	<u>6,379,821</u>

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

(iv) 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	638,366	34,403	262,660	71,602	67,854	160,069	1,234,954
Education, health and others	417,396	24,856	61,652	71,614	21,373	22,014	618,905
Electricity, gas and water supply	29,870	-	437	2,523	1,874	446	35,150
Financial, insurance, real estate and business services	692,972	58,152	109,663	15,938	73,622	45,507	995,854
Manufacturing	628,380	156,207	165,973	138,297	44,270	38,231	1,171,358
Mining and quarrying	34,552	-	7,338	14,775	16,281	3,220	76,166
Primary agriculture	644	2	491	16	4,579	72	5,804
Transportation, storage and communication	429,168	135,865	63,007	87,346	39,901	76,906	832,193
Wholesale, retail trade, restaurants and hotels	963,004	200,892	108,588	209,257	245,853	127,139	1,854,733
Others	14,871	-	-	-	-	-	14,871
At 31 March 2020	3,849,223	610,377	779,809	611,368	515,607	473,604	6,839,988

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

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

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

(iv) 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	635,510	34,403	262,660	71,602	67,854	160,069	1,232,098
Education, health and others	369,584	24,856	61,652	71,614	21,373	22,014	571,093
Electricity, gas and water supply	29,870	-	437	2,523	1,874	446	35,150
Financial, insurance, real estate and business services	690,039	58,152	109,663	15,938	73,622	45,507	992,921
Manufacturing	528,959	156,207	165,973	138,297	44,270	38,231	1,071,937
Mining and quarrying	32,556	-	7,338	14,775	16,281	3,220	74,170
Primary agriculture	393	2	491	16	4,579	72	5,553
Transportation, storage and communication	383,063	135,865	63,007	87,346	39,901	76,906	786,088
Wholesale, retail trade, restaurants and hotels	691,344	200,892	108,588	209,257	245,853	127,139	1,583,073
Others	14,871	-	-	-	-	-	14,871
At 31 March 2020	3,376,189	610,377	779,809	611,368	515,607	473,604	6,366,954

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

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

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

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Fixed rate:				
- Staff loan/financing	14,871	15,216	14,871	15,216
- Hire purchase	199,488	212,519	162,693	175,708
- Leasing	417	344	75	1
- Other term loans/financing	1,357,376	1,451,579	1,086,583	1,166,844
- Revolving loans/financing	230,032	213,649	206,983	201,847
Variable rate				
- Hire purchase receivables	109,643	101,067	108,766	100,190
- Other term loans/financing	3,677,631	3,640,657	3,536,511	3,498,073
- Revolving loans/financing	1,250,530	1,222,000	1,250,472	1,221,942
	<u>6,839,988</u>	<u>6,857,031</u>	<u>6,366,954</u>	<u>6,379,821</u>

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Constructions	158,923	178,370	156,067	175,514
Education, health and others	157,297	156,718	109,485	108,849
Financial, insurance, real estate and business services	232,985	231,441	230,052	228,504
Manufacturing	343,099	336,485	243,678	246,002
Mining and quarrying	4,575	4,140	2,579	2,144
Primary agriculture	525	523	274	272
Transportation, storage and communication	178,510	185,204	132,405	138,977
Wholesale, retail trade, restaurants and hotels	606,030	623,826	334,370	339,235
	<u>1,681,944</u>	<u>1,716,707</u>	<u>1,208,910</u>	<u>1,239,497</u>

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

(vii) 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	98,612	2,093	15,412	9,308	8,309	25,189	158,923
Education, health and others	108,728	3,139	18,222	19,288	7,057	863	157,297
Financial, insurance, real estate and business services	209,569	7,576	7,937	3,333	4,423	147	232,985
Manufacturing	229,554	14,944	45,071	42,115	6,348	5,067	343,099
Mining and quarrying	4,293	-	-	282	-	-	4,575
Primary agriculture	251	-	65	-	209	-	525
Transportation, storage and communication	127,754	6,906	12,052	12,484	8,917	10,397	178,510
Wholesale, retail trade, restaurants and hotels	413,008	29,787	28,226	49,194	80,380	5,435	606,030
At 31 March 2020	1,191,769	64,445	126,985	136,004	115,643	47,098	1,681,944

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

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

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

(vii) 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	95,756	2,093	15,412	9,308	8,309	25,189	156,067
Education, health and others	60,916	3,139	18,222	19,288	7,057	863	109,485
Financial, insurance, real estate and business services	206,636	7,576	7,937	3,333	4,423	147	230,052
Manufacturing	130,133	14,944	45,071	42,115	6,348	5,067	243,678
Mining and quarrying	2,297	-	-	282	-	-	2,579
Primary agriculture	-	-	65	-	209	-	274
Transportation, storage and communication	81,649	6,906	12,052	12,484	8,917	10,397	132,405
Wholesale, retail trade, restaurants and hotels	141,348	29,787	28,226	49,194	80,380	5,435	334,370
At 31 March 2020	<u>718,735</u>	<u>64,445</u>	<u>126,985</u>	<u>136,004</u>	<u>115,643</u>	<u>47,098</u>	<u>1,208,910</u>

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

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

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

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
At 1 January	1,716,707	2,005,646	1,239,497	1,482,802
-Transfers to Stage 1	(8,036)	(68,261)	(8,036)	(68,261)
-Transfers to Stage 2	(342)	(27,161)	(342)	(27,161)
-Transfers to Stage 3	8,052	198,176	8,052	198,176
	<u>1,716,381</u>	<u>2,108,400</u>	<u>1,239,171</u>	<u>1,585,556</u>
Settlement/additional drawdown	(13,400)	119,103	(9,224)	119,103
New financial assets originated	421	88,913	421	88,913
Financial assets derecognised	(21,458)	(291,848)	(21,458)	(246,214)
Write-off/Write-down	-	(307,861)	-	(307,861)
	<u>1,681,944</u>	<u>1,716,707</u>	<u>1,208,910</u>	<u>1,239,497</u>

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2020	48,065	32,696	975,329	1,056,090
-Transfers to Stage 1	7,519	(5,133)	(2,386)	-
-Transfers to Stage 2	(2,645)	2,695	(50)	-
-Transfers to Stage 3	(6)	(732)	738	-
	<u>4,868</u>	<u>(3,170)</u>	<u>(1,698)</u>	<u>-</u>
Net remeasurement of allowances	(8,434)	23,041	1,483	16,090
New financial assets originated	5,318	102	-	5,420
Financial assets derecognised	(4,311)	(187)	(6,733)	(11,231)
At 31 March 2020	<u>45,506</u>	<u>52,482</u>	<u>968,381</u>	<u>1,066,369</u>
At 1 January 2019	42,799	55,642	1,246,237	1,344,678
-Transfers to Stage 1	39,963	(22,361)	(17,602)	-
-Transfers to Stage 2	(1,780)	14,452	(12,672)	-
-Transfers to Stage 3	(885)	(11,501)	12,386	-
	<u>37,298</u>	<u>(19,410)</u>	<u>(17,888)</u>	<u>-</u>
Net remeasurement of allowances	(39,039)	618	68,482	30,061
New financial assets originated	15,575	2,442	63,635	81,652
Financial assets derecognised	(8,568)	(6,596)	(77,276)	(92,440)
Amount written off	-	-	(307,861)	(307,861)
At 31 December 2019	<u>48,065</u>	<u>32,696</u>	<u>975,329</u>	<u>1,056,090</u>

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

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

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2020	48,065	32,696	498,119	578,880
-Transfers to Stage 1	7,519	(5,133)	(2,386)	-
-Transfers to Stage 2	(2,645)	2,695	(50)	-
-Transfers to Stage 3	(6)	(732)	738	-
	4,868	(3,170)	(1,698)	-
Net remeasurement of allowances	(8,434)	23,041	5,659	20,266
New financial assets originated	5,318	102	-	5,420
Financial assets derecognised	(4,311)	(187)	(6,733)	(11,231)
At 31 March 2020	45,506	52,482	495,347	593,335
At 1 January 2019	42,799	55,642	723,393	821,834
-Transfers to Stage 1	39,963	(22,361)	(17,602)	-
-Transfers to Stage 2	(1,780)	14,452	(12,672)	-
-Transfers to Stage 3	(885)	(11,501)	12,386	-
	37,298	(19,410)	(17,888)	-
Net remeasurement of allowances	(39,039)	618	114,116	75,695
New financial assets originated	15,575	2,442	63,635	81,652
Financial assets derecognised	(8,568)	(6,596)	(77,276)	(92,440)
Amount written off	-	-	(307,861)	(307,861)
At 31 December 2019	48,065	32,696	498,119	578,880

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Net impaired loans, advances and financing as a percentage	12.15%	12.60%	12.15%	12.60%

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12. Deposits from customers

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Term deposit:				
- Commodity Murabahah/Tawarruq	3,535,144	3,168,209	3,540,700	3,233,536

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Government and statutory bodies	1,757,159	1,600,048	1,757,159	1,600,048
Business enterprise	1,777,985	1,568,161	1,783,541	1,633,488
	3,535,144	3,168,209	3,540,700	3,233,536

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Less than three months	2,230,308	2,450,807	2,232,534	2,466,105
Three months to six months	731,603	256,697	734,933	304,519
Six months to one year	573,233	460,705	573,233	462,912
	3,535,144	3,168,209	3,540,700	3,233,536

13. Deposits from banks and other financial institutions

	Group and Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Licensed banks and other financial institutions	200,245	-

The deposits maturity structure is as follows:

	Group and Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Less than three months	200,245	-

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14. Borrowings

	Group and Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Unsecured borrowings	1,866,779	1,875,212

The maturity structure of the borrowings is as follows:

	Group and Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Within one year	120,102	112,477
More than one year to five years	1,042,744	996,584
More than five years	703,933	766,151
	1,866,779	1,875,212

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

		Group and Bank	
	Note	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Borrowings from:			
- Government of Malaysia	(i)	1,018,884	1,029,800
- Other institutions	(ii)	847,895	845,412
		1,866,779	1,875,212

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14. Borrowings (cont'd.)

(i) Borrowings from Government of Malaysia

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

	Group and Bank	
	As at 31	As at 31
	March	December
	2020	2019
	RM'000	RM'000
Maturity structure:		
Within one year	42,155	41,266
More than one year to five years	622,796	622,383
More than five years	353,933	366,151
	<u>1,018,884</u>	<u>1,029,800</u>

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

(ii) Borrowings from other institutions

	Group and Bank	
	As at 31	As at 31
	March	December
	2020	2019
	RM'000	RM'000
Bank Negara Malaysia	82,591	89,305
Employee Provident Fund	765,304	756,107
	<u>847,895</u>	<u>845,412</u>

The borrowings from other institutions are repayable as follows:

	Group and Bank	
	As at 31	As at 31
	March	December
	2020	2019
	RM'000	RM'000
Maturity structure:		
Within one year	77,946	71,211
More than one year to five years	419,949	374,201
More than five years	350,000	400,000
	<u>847,895</u>	<u>845,412</u>

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

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15. Interest income

Group and Bank	First Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	2,224	3,861	2,224	3,861
- Debt instruments at FVOCI	-	1,661	-	1,661
- Derivative at FVTPL	-	116	-	116
	<u>2,224</u>	<u>5,638</u>	<u>2,224</u>	<u>5,638</u>

16. Interest expense

Group and Bank	First Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Term loans	13,082	13,653	13,082	13,653

17. Other operating income

Group	First Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Fee income	-	18	-	18
Other income:				
Recovery income	389	-	389	-
Government fund released	-	867	-	867
Government compensation	-	605	-	605
Others	366	393	366	393
	<u>755</u>	<u>1,865</u>	<u>755</u>	<u>1,865</u>
Total other operating income	<u>755</u>	<u>1,883</u>	<u>755</u>	<u>1,883</u>
Bank				
Fee income	-	18	-	18
Other income:				
Government fund released	-	867	-	867
Government compensation	-	605	-	605
Others	366	393	366	393
	<u>366</u>	<u>1,865</u>	<u>366</u>	<u>1,865</u>
Total other operating income	<u>366</u>	<u>1,883</u>	<u>366</u>	<u>1,883</u>

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18. Other operating expenses

Group	Note	First Quarter Ended		Three Months Ended	
		31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Personnel expenses	(i)	43,552	38,916	43,552	38,916
Establishment related expenses	(ii)	10,127	10,595	10,127	10,595
Promotion and marketing expenses	(iii)	806	887	806	887
Administration and general expenses	(iv)	6,898	5,242	6,898	5,242
		<u>61,383</u>	<u>55,640</u>	<u>61,383</u>	<u>55,640</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		34,567	31,675	34,567	31,675
Group President/ Chief Executive Officer and Directors' fees and remuneration		429	233	429	233
Social security cost		247	219	247	219
Contribution to Employee Provident Fund		4,308	3,361	4,308	3,361
Other staff related expenses		4,001	3,428	4,001	3,428
		<u>43,552</u>	<u>38,916</u>	<u>43,552</u>	<u>38,916</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,472	3,421	3,472	3,421
Depreciation of right-of-use assets		853	-	853	-
Amortisation of intangible assets		1,704	1,761	1,704	1,761
Rental expenses		21	950	21	950
Repairs and maintenance of property, plant and equipment		4,077	4,463	4,077	4,463
		<u>10,127</u>	<u>10,595</u>	<u>10,127</u>	<u>10,595</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		806	887	806	887
(iv) Administration and general expenses					
Administrative expenses		1,992	1,682	1,992	1,682
Auditors' remuneration		236	212	236	212
General expenses		4,670	3,348	4,670	3,348
		<u>6,898</u>	<u>5,242</u>	<u>6,898</u>	<u>5,242</u>

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18. Other operating expenses (cont'd.)

Bank	Note	First Quarter Ended		Three Months Ended	
		31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Personnel expenses	(i)	42,798	37,905	42,798	37,905
Establishment related expenses	(ii)	10,116	10,574	10,116	10,574
Promotion and marketing expenses	(iii)	871	947	871	947
Administration and general expenses	(iv)	6,421	5,303	6,421	5,303
		60,206	54,729	60,206	54,729
(i) Personnel expenses					
Salaries, allowances and bonuses		33,944	30,720	33,944	30,720
Group President/ Chief Executive Officer and Directors' fees and remuneration		429	233	429	233
Social security cost		243	216	243	216
Contribution to Employee Provident Fund		4,228	3,310	4,228	3,310
Other staff related expenses		3,954	3,426	3,954	3,426
		42,798	37,905	42,798	37,905
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,471	3,418	3,471	3,418
Depreciation of right-of-use assets		853	-	853	-
Amortisation of intangible assets		1,704	1,757	1,704	1,757
Rental expenses		21	950	21	950
Repairs and maintenance of property, plant and equipment		4,067	4,449	4,067	4,449
		10,116	10,574	10,116	10,574
(iii) Promotion and marketing expenses					
Advertisement and publicity		871	947	871	947
(iv) Administration and general expenses					
Administrative expenses		1,978	1,777	1,978	1,777
Auditors' remuneration		225	200	225	200
General expenses		4,218	3,326	4,218	3,326
		6,421	5,303	6,421	5,303

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19. Allowances for impairment on loans, advances and financing

Group	First Quarter Ended		Three Months Ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Allowance for/(writeback of) impairment losses on loans, advances and financing made during the period:				
- Stage 1, net (Note 11(ix))	(2,559)	(2,061)	(2,559)	(2,061)
- Stage 2, net (Note 11(ix))	19,786	19,304	19,786	19,304
- Stage 3, net (Note 11(ix))	(6,948)	9,112	(6,948)	9,112
	<u>10,279</u>	<u>26,355</u>	<u>10,279</u>	<u>26,355</u>
Impaired loans, advances and financing recovered	<u>(7,117)</u>	<u>(3,682)</u>	<u>(7,117)</u>	<u>(3,682)</u>
Total allowances for impairment on loans, advances and financing	<u>3,162</u>	<u>22,673</u>	<u>3,162</u>	<u>22,673</u>
Bank				
Allowance for/(writeback of) impairment losses on loans, advances and financing made during the period:				
- Stage 1, net (Note 11(ix))	(2,559)	(2,061)	(2,559)	(2,061)
- Stage 2, net (Note 11(ix))	19,786	19,304	19,786	19,304
- Stage 3, net (Note 11(ix))	(2,772)	10,457	(2,772)	10,457
	<u>14,455</u>	<u>27,700</u>	<u>14,455</u>	<u>27,700</u>
Impaired loan, advances and financing recovered	<u>(7,117)</u>	<u>(3,682)</u>	<u>(7,117)</u>	<u>(3,682)</u>
Total allowances for impairment on loans, advances and financing	<u>7,338</u>	<u>24,018</u>	<u>7,338</u>	<u>24,018</u>

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20. Commitment and contingencies

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

	Group and Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Direct credit substitutes	168,268	160,753
Transaction-related-contingent items	79,673	106,581
Irrevocable commitments to extend credit with maturity exceeding one year	1,876,062	1,670,833
	<u>2,124,003</u>	<u>1,938,167</u>

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

	Group and Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Approved and contracted for Information technology system	3,512	1,833
	<u>3,512</u>	<u>1,833</u>
Total commitments and contingencies	<u>2,127,515</u>	<u>1,940,000</u>

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

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21. Capital adequacy (cont'd.)

Regulatory capital

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

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

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
<u>Tier I Capital</u>				
Paid-up share capital	1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses	(384,688)	(384,688)	(383,153)	(383,153)
General reserves	10,114	10,114	10,114	10,114
Less: Deferred tax assets	(104,454)	(104,456)	(104,454)	(104,456)
Less: Property revaluation reserve	(232,381)	(232,381)	(232,381)	(232,381)
Total Tier I capital	1,138,591	1,138,589	1,140,126	1,140,124
<u>Tier II Capital</u>				
General provision for loans, advances and financing*	104,613	87,163	104,613	87,163
Property revaluation reserve [^]	116,191	116,191	116,191	116,191
Government funds [#]	408,177	392,980	408,177	392,980
Total Tier II capital	628,981	596,334	628,981	596,334
Total capital	1,767,572	1,734,923	1,769,107	1,736,458
Less: Investment in subsidiaries	-	-	-	-
Total capital base	1,767,572	1,734,923	1,769,107	1,736,458

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

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

[#] An amount of RM41,429,000 (2019: RM38,927,000) for Teraju Facilitation fund was channelled as placement with profit sharing of 70:30 between the Group and the Bank; and Teraju.

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21. Capital adequacy (cont'd.)

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
20%	229,574	239,011	229,574	239,011
50%	476,228	425,057	476,228	425,057
100%	7,924,760	7,770,823	7,958,489	7,864,591
	<u>8,630,562</u>	<u>8,434,891</u>	<u>8,664,291</u>	<u>8,528,659</u>

Before deducting dividends:

Core capital ratio	13.193%	13.499%	13.159%	13.368%
Risk-weighted capital ratio	<u>20.480%</u>	<u>20.568%</u>	<u>20.418%</u>	<u>20.360%</u>

After deducting dividends:

Core capital ratio	12.764%	13.060%	12.732%	12.934%
Risk-weighted capital ratio	<u>20.052%</u>	<u>20.130%</u>	<u>19.991%</u>	<u>19.926%</u>

Capital monitoring

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

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22. Islamic banking business

The state of affairs as at 31 March 2020 and results for the financial period then ended under the Islamic Banking business of the Bank and included in the Group's and the Bank's financial statements are summarised as follows:-

**Unaudited Statements of Financial Position
As at 31 March 2020**

		Group		Bank	
		As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Assets					
Cash and short-term funds		1,066,138	1,118,166	1,062,514	1,111,978
Financial investments at FVOCI	22(a)	1,309,777	1,344,885	1,309,777	1,344,885
Financial investments at amortised cost	10	1,033,007	818,565	1,033,007	818,565
Advances and financing	22(b)	5,560,538	5,554,595	5,560,538	5,554,595
Other assets		6,688	5,525	48,891	104,444
Property, plant and equipment		134,026	63,199	134,016	63,161
Right-of-use assets		14,620	15,474	14,620	15,474
Investment properties		393,563	393,062	393,563	393,062
Intangible assets		16,594	-	16,594	-
Deferred tax assets		104,454	104,456	104,454	104,456
Total assets		9,639,405	9,417,927	9,677,974	9,510,620
Liabilities					
Deposits from customers	12	3,535,144	3,168,209	3,540,700	3,233,536
Deposits from banks and other financial institutions	13	200,245	-	200,245	-
Islamic medium-term notes		1,355,794	1,768,072	1,355,794	1,768,072
Term financing	22(c)	240,364	246,867	240,364	246,867
Other liabilities		1,030,302	1,034,300	1,048,624	1,041,486
Lease liabilities		15,008	15,797	15,008	15,797
Amount due to conventional operations		1,471,487	1,552,877	1,733,198	1,818,567
Government funds		366,748	228,220	366,748	228,220
Total liabilities		8,215,092	8,014,342	8,500,681	8,352,545
Islamic general funds		1,424,313	1,403,585	1,177,293	1,158,075
Total liabilities and Islamic banking funds		9,639,405	9,417,927	9,677,974	9,510,620
Commitments		2,095,227	1,927,435	2,095,227	1,927,435

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

**Small Medium Enterprise Development Bank Malaysia Berhad
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22. Islamic banking business

**Unaudited Statements of Comprehensive Income
For the first quarter ended 31 March 2020**

Group	Note	First Quarter Ended		Three Months Ended	
		31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Income from Islamic banking business	22(d)	127,832	138,986	127,832	138,986
Profit expense attributable to Islamic banking business	22(f)	(47,151)	(46,967)	(47,151)	(46,967)
Gross income from Islamic banking business		80,681	92,019	80,681	92,019
Other operating income	22(e)	9,462	9,784	9,462	9,784
Other operating expenses	22(g)	(59,025)	(52,617)	(59,025)	(52,617)
Operating profit		31,118	49,186	31,118	49,186
(Allowances)/Writeback for impairment losses on :					
- advances and financing	22(h)	(8,604)	(25,044)	(8,604)	(25,044)
- commitments and contingencies		(219)	(196)	(219)	(196)
- financial investments at FVOCI	9	344	178	344	178
- financial investments at amortised cost	10	(129)	40	(129)	40
- other assets at amortised cost		(551)	(318)	(551)	(318)
Profit before tax expense and zakat		21,959	23,846	21,959	23,846
Zakat		(1,000)	(1,000)	(1,000)	(1,000)
Net profit for the period		20,959	22,846	20,959	22,846
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		113	14,954	113	14,954
Changes in expected credit losses on financial investments at FVOCI		(344)	(178)	(344)	(178)
Other comprehensive (loss)/income for the period, net of tax		(231)	14,776	(231)	14,776
Total comprehensive income for the period, net of tax		20,728	37,622	20,728	37,622

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

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22. Islamic banking business (cont'd.)

**Unaudited Statements of Comprehensive Income
For the first quarter ended 31 March 2020 (cont'd.)**

Bank	Note	First Quarter Ended		Three Months Ended	
		31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Income from Islamic banking business	22(d)	127,832	138,986	127,832	138,986
Profit expense attributable to Islamic banking business	22(f)	(47,206)	(47,736)	(47,206)	(47,736)
Gross income from Islamic banking business		80,626	91,250	80,626	91,250
Other operating income	22(e)	11,685	7,298	11,685	7,298
Other operating expenses	22(g)	(58,137)	(51,706)	(58,137)	(51,706)
Operating profit		34,174	46,842	34,174	46,842
(Allowances)/Writeback for impairment losses on :					
- advances and financing		(9,951)	(25,854)	(9,951)	(25,854)
- commitments and contingencies		(219)	(196)	(219)	(196)
- financial investments at FVOCI	9	344	178	344	178
- financial investments at amortised cost	10	(129)	40	(129)	40
- other assets at amortised cost		(551)	(318)	(551)	(318)
- other assets at FVOCI		(3,219)	-	(3,219)	-
Profit before tax expense and zakat		20,449	20,692	20,449	20,692
Tax expense		-	-	-	-
Zakat		(1,000)	(1,000)	(1,000)	(1,000)
Net profit for the period		19,449	19,692	19,449	19,692
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		113	14,954	113	14,954
Changes in expected credit losses on financial investments at FVOCI		(344)	(178)	(344)	(178)
Other comprehensive (loss)/income for the period, net of tax		(231)	14,776	(231)	14,776
Total comprehensive income for the period, net of tax		19,218	34,468	19,218	34,468

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

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22. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
For the first quarter ended 31 March 2020**

Group	Share capital RM'000	Non- distributable fair value reserve RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2020	1,050,564	24,107	328,914	1,403,585
Unrealised gain on revaluation of financial investments at FVOCI	-	113	-	113
Changes in expected credit losses of financial investments at FVOCI	-	(344)	-	(344)
Profit for the period	-	-	20,959	20,959
Total comprehensive (loss)/income for the period	-	(231)	20,959	20,728
At 31 March 2020	1,050,564	23,876	349,873	1,424,313
At 1 January 2019	1,050,564	(5,257)	154,922	1,200,229
Unrealised gain on revaluation of financial investments at FVOCI	-	30,177	-	30,177
Reclassification of gains included in profit or loss	-	3,844	-	3,844
Changes in expected credit losses of financial investments at FVOCI	-	3,508	-	3,508
Income tax relating to components of other comprehensive income	-	(8,165)	-	(8,165)
Profit for the year	-	-	173,992	173,992
Total comprehensive income for the period	-	29,364	173,992	203,356
At 31 December 2019	1,050,564	24,107	328,914	1,403,585

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

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22. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
For the first quarter ended 31 March 2020 (cont'd.)**

Bank	Share capital RM'000	Non- distributable fair value reserve RM'000	(Accumulated losses)/ Distributable retained earnings RM'000	Total RM'000
At 1 January 2020	1,050,564	24,107	83,404	1,158,075
Unrealised gain on revaluation of financial investments at FVOCI	-	113	-	113
Changes in expected credit losses of financial investments at FVOCI	-	(344)	-	(344)
Profit for the period	-	-	19,449	19,449
Total comprehensive (loss)/income for the period	-	(231)	19,449	19,218
At 31 March 2020	1,050,564	23,876	102,853	1,177,293
At 1 January 2019	1,050,564	(5,257)	(147,698)	897,609
Unrealised gain on revaluation of financial investments at FVOCI	-	30,177	-	30,177
Reclassification of gains included in profit or loss	-	3,844	-	3,844
Changes in expected credit losses of financial investments at FVOCI	-	3,508	-	3,508
Income tax relating to components of other comprehensive income	-	(8,165)	-	(8,165)
Profit for the year	-	-	231,102	231,102
Total comprehensive income for the period	-	29,364	231,102	260,466
At 31 December 2019	1,050,564	24,107	83,404	1,158,075

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

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22. Islamic banking business (cont'd.)

(a) Financial investments at FVOCI

	Group and Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	536,497	531,107
Non-money market instruments		
Equity securities - Private debt securities	30,875	30,392
Debt securities - Private debt securities	742,405	783,386
	<u>773,280</u>	<u>813,778</u>
Total financial investment at FVOCI	<u>1,309,777</u>	<u>1,344,885</u>

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

(b) Advances and financing

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Bai' Bithaman Ajil	1,509	1,509	-	-
Murabahah	1,787,025	1,937,358	1,718,509	1,868,535
Istisna'	130,590	140,998	121,242	131,640
Ijarah	84	84	-	-
Ijarah Thumma Al-Bai	350,335	357,413	286,790	292,838
Bai' Dayn	9,676	8,424	9,676	8,424
Tawarruq	3,954,323	3,768,903	3,954,318	3,768,898
Bai' Inah	47,819	48,037	46,541	46,759
Gross advances and financing	<u>6,281,361</u>	<u>6,262,726</u>	<u>6,137,076</u>	<u>6,117,094</u>
Less: Allowance for impairment losses on				
- Stage 1 (Note 22(b)(x))	(45,281)	(47,627)	(45,281)	(47,627)
- Stage 2 (Note 22(b)(x))	(49,189)	(30,559)	(49,189)	(30,559)
- Stage 3 (Note 22(b)(x))	(626,353)	(629,945)	(482,068)	(484,313)
Net advances and financing	<u>5,560,538</u>	<u>5,554,595</u>	<u>5,560,538</u>	<u>5,554,595</u>
Gross impaired advances and financing (Note 22(b)(vii))	<u>1,259,347</u>	<u>1,276,942</u>	<u>1,115,062</u>	<u>1,131,310</u>
Net impaired advances and financing	<u>632,994</u>	<u>646,997</u>	<u>632,994</u>	<u>646,997</u>

Included in advances and financing are gross advances and financing amounting to RM67,034,000 (2019: RM65,538,000) financed by the Government funds.

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22. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Maturity within one year	1,188,788	1,089,603	1,060,730	971,539
More than one year to three years	712,772	783,841	702,789	763,712
More than three years to five years	966,961	946,895	966,956	945,706
More than five years	3,412,840	3,442,387	3,406,601	3,436,137
	6,281,361	6,262,726	6,137,076	6,117,094

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Domestic business enterprise	6,266,717	6,247,863	6,122,432	6,102,231
Individual	14,644	14,863	14,644	14,863
	6,281,361	6,262,726	6,137,076	6,117,094

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Constructions	1,229,067	1,245,497	1,227,553	1,243,983
Education, health and others	600,053	579,777	564,129	543,801
Electricity, gas and water supply	35,150	34,525	35,150	34,525
Financial, insurance, real estate and business services	993,700	1,045,021	991,879	1,043,192
Manufacturing	1,125,862	1,105,905	1,067,238	1,046,143
Mining and quarrying	74,170	75,887	74,170	75,887
Primary agriculture	5,553	5,729	5,553	5,729
Transportation, storage and communication	775,797	766,109	743,713	734,033
Wholesale, retail trade, restaurants and hotels	1,427,365	1,389,413	1,413,047	1,374,938
Others	14,644	14,863	14,644	14,863
	6,281,361	6,262,726	6,137,076	6,117,094

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22. Islamic banking business (cont'd.)

(b) 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	637,025	34,403	258,115	71,602	67,853	160,069	1,229,067
Education, health and others	400,070	24,856	60,553	71,614	20,946	22,014	600,053
Electricity, gas and water supply	29,870	-	437	2,523	1,874	446	35,150
Financial, insurance, real estate and business services	691,858	58,149	108,626	15,938	73,622	45,507	993,700
Manufacturing	585,888	155,684	165,973	135,816	44,270	38,231	1,125,862
Mining and quarrying	32,556	-	7,338	14,775	16,281	3,220	74,170
Primary agriculture	393	2	491	16	4,579	72	5,553
Transportation, storage and communication	383,629	129,078	58,940	87,346	39,898	76,906	775,797
Wholesale, retail trade, restaurants and hotels	679,974	177,327	107,624	147,331	187,970	127,139	1,427,365
Others	14,644	-	-	-	-	-	14,644
At 31 March 2020	3,455,907	579,499	768,097	546,961	457,293	473,604	6,281,361

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21. Islamic banking business (cont'd.)

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

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

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

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21. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	635,511	34,403	258,115	71,602	67,853	160,069	1,227,553
Education, health and others	364,146	24,856	60,553	71,614	20,946	22,014	564,129
Electricity, gas and water supply	29,870	-	437	2,523	1,874	446	35,150
Financial, insurance, real estate and business services	690,037	58,149	108,626	15,938	73,622	45,507	991,879
Manufacturing	527,264	155,684	165,973	135,816	44,270	38,231	1,067,238
Mining and quarrying	32,556	-	7,338	14,775	16,281	3,220	74,170
Primary agriculture	393	2	491	16	4,579	72	5,553
Transportation, storage and communication	351,545	129,078	58,940	87,346	39,898	76,906	743,713
Wholesale, retail trade, restaurants and hotels	665,656	177,327	107,624	147,331	187,970	127,139	1,413,047
Others	14,644	-	-	-	-	-	14,644
At 31 March 2020	3,311,622	579,499	768,097	546,961	457,293	473,604	6,137,076

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21. Islamic banking business (cont'd.)

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

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

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

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21. Islamic banking business (cont'd.)

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

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

Group	Hire purchase RM'000	Leasing RM'000	Other term financing RM'000	Revolving financing RM'000	Staff financing RM'000	Total RM'000
Bai' Bithaman Ajil	-	-	389	1,120	-	1,509
Murabahah	-	-	1,690,388	81,993	14,644	1,787,025
Istisna'	-	-	130,590	-	-	130,590
Ijarah	-	84	-	-	-	84
Ijarah Thumma Al-Bai	307,336	-	27,788	15,211	-	350,335
Bai' Dayn	-	-	-	9,676	-	9,676
Tawarruq	-	-	2,601,471	1,352,852	-	3,954,323
Bai' Inah	-	-	47,819	-	-	47,819
At 31 March 2020	307,336	84	4,498,445	1,460,852	14,644	6,281,361
Bai' Bithaman Ajil	-	-	389	1,120	-	1,509
Murabahah	-	-	1,831,617	90,878	14,863	1,937,358
Istisna'	-	-	140,998	-	-	140,998
Ijarah	-	84	-	-	-	84
Ijarah Thumma Al-Bai	311,796	-	28,857	16,760	-	357,413
Bai' Dayn	-	-	-	8,424	-	8,424
Tawarruq	-	-	2,461,417	1,307,486	-	3,768,903
Bai' Inah	-	-	48,037	-	-	48,037
At 31 December 2019	311,796	84	4,511,315	1,424,668	14,863	6,262,726

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21. Islamic banking business (cont'd.)

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

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

Bank	Hire purchase RM'000	Other term financing RM'000	Revolving financing RM'000	Staff financing RM'000	Total RM'000
Murabahah	-	1,635,263	68,602	14,644	1,718,509
Istisna'	-	121,242	-	-	121,242
Ijarah Thumma Al-Bai	271,459	120	15,211	-	286,790
Bai' Dayn	-	-	9,676	-	9,676
Tawarruq	-	2,601,466	1,352,852	-	3,954,318
Bai' Inah	-	46,541	-	-	46,541
At 31 March 2020	<u>271,459</u>	<u>4,404,632</u>	<u>1,446,341</u>	<u>14,644</u>	<u>6,137,076</u>
Murabahah	-	1,776,270	77,402	14,863	1,868,535
Istisna'	-	131,640	-	-	131,640
Ijarah Thumma Al-Bai	275,897	181	16,760	-	292,838
Bai' Dayn	-	-	8,424	-	8,424
Tawarruq	-	2,461,412	1,307,486	-	3,768,898
Bai' Inah	-	46,759	-	-	46,759
At 31 December 2019	<u>275,897</u>	<u>4,416,262</u>	<u>1,410,072</u>	<u>14,863</u>	<u>6,117,094</u>

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22. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Fixed rate				
- Staff financing	14,644	14,863	14,644	14,863
- Hire purchase	197,705	210,736	162,693	175,707
- Leasing	84	84	-	-
- Other term financing	976,784	1,041,552	888,673	952,210
- Revolving financing	213,728	208,028	199,275	193,490
Variable rate				
- Hire purchase	109,636	101,060	108,766	100,190
- Other term financing	3,521,656	3,469,763	3,515,959	3,464,052
- Revolving financing	1,247,124	1,216,640	1,247,066	1,216,582
	6,281,361	6,262,726	6,137,076	6,117,094

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Constructions	153,063	159,711	151,549	158,197
Education, health and others	142,745	142,093	106,821	106,117
Financial, insurance, real estate and business services	231,873	230,333	230,052	228,504
Manufacturing	299,189	301,471	240,565	241,709
Mining and quarrying	2,579	2,144	2,579	2,144
Primary agriculture	274	272	274	272
Transportation, storage and communication	129,305	136,286	97,221	104,210
Wholesale, retail trade, restaurants and hotels	300,319	304,632	286,001	290,157
	1,259,347	1,276,942	1,115,062	1,131,310

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22. Islamic banking business (cont'd.)

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

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

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	97,269	2,093	10,895	9,308	8,309	25,189	153,063
Education, health and others	94,176	3,139	18,222	19,288	7,057	863	142,745
Financial, insurance, real estate and business services	208,457	7,576	7,937	3,333	4,423	147	231,873
Manufacturing	188,644	14,421	45,071	39,638	6,348	5,067	299,189
Mining and quarrying	2,297	-	-	282	-	-	2,579
Primary agriculture	-	-	65	-	209	-	274
Transportation, storage and communication	82,593	6,906	8,011	12,484	8,914	10,397	129,305
Wholesale, retail trade, restaurants and hotels	148,723	29,367	28,109	32,411	56,274	5,435	300,319
At 31 March 2020	<u>822,159</u>	<u>63,502</u>	<u>118,310</u>	<u>116,744</u>	<u>91,534</u>	<u>47,098</u>	<u>1,259,347</u>

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22. Islamic banking business (cont'd.)

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

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

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

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22. Islamic banking business (cont'd.)

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

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

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	95,755	2,093	10,895	9,308	8,309	25,189	151,549
Education, health and others	58,252	3,139	18,222	19,288	7,057	863	106,821
Financial, insurance, real estate and business services	206,636	7,576	7,937	3,333	4,423	147	230,052
Manufacturing	130,020	14,421	45,071	39,638	6,348	5,067	240,565
Mining and quarrying	2,297	-	-	282	-	-	2,579
Primary agriculture	-	-	65	-	209	-	274
Transportation, storage and communication	50,509	6,906	8,011	12,484	8,914	10,397	97,221
Wholesale, retail trade, restaurants and hotels	134,405	29,367	28,109	32,411	56,274	5,435	286,001
At 31 March 2020	677,874	63,502	118,310	116,744	91,534	47,098	1,115,062

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22. Islamic banking business (cont'd.)

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

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

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

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22. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
At 1 January	1,276,942	1,492,925	1,131,310	1,344,872
-Transfers to Stage 1	(7,692)	(68,261)	(7,692)	(68,261)
-Transfers to Stage 2	(342)	(27,161)	(342)	(27,161)
-Transfers to Stage 3	8,052	184,757	8,052	184,757
	<u>1,276,960</u>	<u>1,582,260</u>	<u>1,131,328</u>	<u>1,434,207</u>
Settlement/additional drawdown	1,133	104,208	2,480	106,629
New financial assets originated	421	88,913	421	88,913
Financial assets derecognised	(19,167)	(227,379)	(19,167)	(227,379)
Write-off/Write-down	-	(271,060)	-	(271,060)
	<u>1,259,347</u>	<u>1,276,942</u>	<u>1,115,062</u>	<u>1,131,310</u>

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

Group	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2020	47,627	30,559	629,945	708,131
-Transfers to Stage 1	7,492	(5,119)	(2,373)	-
-Transfers to Stage 2	(2,510)	2,560	(50)	-
-Transfers to Stage 3	(6)	(732)	738	-
	<u>4,976</u>	<u>(3,291)</u>	<u>(1,685)</u>	<u>-</u>
Net remeasurement of allowances (Note 22(h))	(8,321)	22,006	3,905	17,590
Net financial assets originated (Note 22(h))	5,310	102	-	5,412
Financial assets derecognised (Note 22(h))	(4,311)	(187)	(5,812)	(10,310)
At 31 March 2020	<u>45,281</u>	<u>49,189</u>	<u>626,353</u>	<u>720,823</u>
At 1 January 2019	42,207	51,522	826,154	919,883
-Transfers to Stage 1	39,788	(22,186)	(17,602)	-
-Transfers to Stage 2	(1,776)	14,447	(12,671)	-
-Transfers to Stage 3	(885)	(10,851)	11,736	-
	<u>37,127</u>	<u>(18,590)</u>	<u>(18,537)</u>	<u>-</u>
Net remeasurement of allowances	(38,733)	1,708	103,039	66,014
Net financial assets originated	15,522	2,441	63,635	81,598
Financial assets derecognised	(8,496)	(6,522)	(73,286)	(88,304)
Amount written off	-	-	(271,060)	(271,060)
At 31 December 2019	<u>47,627</u>	<u>30,559</u>	<u>629,945</u>	<u>708,131</u>

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22. Islamic banking business (cont'd.)

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

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

Bank	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2020	47,627	30,559	484,313	562,499
-Transfers to Stage 1	7,492	(5,119)	(2,373)	-
-Transfers to Stage 2	(2,510)	2,560	(50)	-
-Transfers to Stage 3	(6)	(732)	738	-
	4,976	(3,291)	(1,685)	-
Net remeasurement of allowances (Note 22(h))	(8,321)	22,006	5,252	18,937
Net financial assets originated (Note 22(h))	5,310	102	-	5,412
Financial assets derecognised (Note 22(h))	(4,311)	(187)	(5,812)	(10,310)
At 31 March 2020	45,281	49,189	482,068	576,538
At 1 January 2019	42,207	51,522	678,101	771,830
-Transfers to Stage 1	39,788	(22,186)	(17,602)	-
-Transfers to Stage 2	(1,776)	14,447	(12,671)	-
-Transfers to Stage 3	(885)	(10,851)	11,736	-
	37,127	(18,590)	(18,537)	-
Net remeasurement of allowances	(38,733)	1,708	105,460	68,435
Net financial assets originated	15,522	2,441	63,635	81,598
Financial assets derecognised	(8,496)	(6,522)	(73,286)	(88,304)
Amount written off	-	-	(271,060)	(271,060)
At 31 December 2019	47,627	30,559	484,313	562,499

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Net impaired advances and financing as a percentage	11.19%	11.49%	11.19%	11.49%

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22. Islamic banking business (cont'd.)

(c) Term financing

	Group and Bank	
	As at 31	As at 31
	March	December
	2020	2019
	RM'000	RM'000
Unsecured term financing	240,364	246,867

The maturity structure of the term financing is as follows:

	Group and Bank	
	As at 31	As at 31
	March	December
	2020	2019
	RM'000	RM'000
Within one year	21,045	23,295
More than one year to five years	125,000	129,253
More than five years	94,319	94,319
	<u>240,364</u>	<u>246,867</u>

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

	Group and Bank	
	As at 31	As at 31
	March	December
	2020	2019
	RM'000	RM'000
Financing from:		
- Government of Malaysia	157,413	157,562
- Bank Negara Malaysia ("BNM")	82,951	89,305
	<u>240,364</u>	<u>246,867</u>

The profit rates on the financing from the Government of Malaysia is 0% - 4% (2019: 0% - 4%) per annum. The rate for financing from BNM ranges from 4% - 5.23% (2019: 4% - 5.23%) per annum.

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22. Islamic banking business (cont'd.)

(d) Income from Islamic banking business

Group and Bank	First Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Income from advances and financing				
- Bai' Murabahah	30,753	41,384	30,753	41,384
- Bai' Istisna	1,868	2,657	1,868	2,657
- Ijarah Thumma Al-Bai	4,824	5,826	4,824	5,826
- Bai' Dayn	110	148	110	148
- Tawarruq	58,071	52,875	58,071	52,875
- Bai' Inah	679	339	679	339
Total income from advances and financing	96,305	103,229	96,305	103,229
Tawarruq deposit placements	9,190	5,696	9,190	5,696
Derivative financial asset	77	4,217	77	4,217
Financial investments at FVOCI	13,554	21,671	13,554	21,671
Financial investments at amortised cost	8,706	4,173	8,706	4,173
Total income from Islamic banking business	127,832	138,986	127,832	138,986

(e) Other operating income

Group	First Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Fee income	1,991	2,258	1,991	2,258
Commission fee income	180	457	180	457
Rental income	2,564	2,534	2,564	2,534
Government fund released	889	-	889	-
Government compensation	1,326	-	1,326	-
Recovery income	384	2,207	384	2,207
Compensation on late payment charges	1,257	1,152	1,257	1,152
Others	871	1,176	871	1,176
	9,462	9,784	9,462	9,784

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22. Islamic banking business (cont'd.)

(e) Other operating income (cont'd.)

	First Quarter Ended		Three Months Ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Bank	RM'000	RM'000	RM'000	RM'000
Fee income	1,336	1,841	1,336	1,841
Commission fee income	180	457	180	457
Rental income	2,564	2,569	2,564	2,569
Government fund released	889	-	889	-
Government compensation	1,326	-	1,326	-
Management fees	45	105	45	105
Profit income on amount owing by subsidiary company	3,219	-	3,219	-
Compensation on late payment charges	1,257	1,152	1,257	1,152
Others	869	1,174	869	1,174
	11,685	7,298	11,685	7,298

(f) Profit expense attributable to Islamic banking business

	First Quarter Ended		Three Months Ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Group	RM'000	RM'000	RM'000	RM'000
Deposits from customers	28,716	26,739	28,716	26,739
Islamic medium-term notes	16,301	17,436	16,301	17,436
Term financing	303	402	303	402
Deposits from banks and other financial institutions	498	1,895	498	1,895
Others	1,333	495	1,333	495
	47,151	46,967	47,151	46,967

	First Quarter Ended		Three Months Ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Bank	RM'000	RM'000	RM'000	RM'000
Deposits from customers	28,771	27,508	28,771	27,508
Islamic medium-term notes	16,301	17,436	16,301	17,436
Term financing	303	402	303	402
Deposits from banks and other financial institutions	498	1,895	498	1,895
Others	1,333	495	1,333	495
	47,206	47,736	47,206	47,736

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22. Islamic banking business (cont'd.)

(g) Other operating expenses

Group	First Quarter Ended		Three Months Ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Personnel expenses	41,918	36,907	41,918	36,907
Establishment related expenses	9,988	10,057	9,988	10,057
Promotion and marketing expenses	772	837	772	837
Administration and general expenses	6,347	4,816	6,347	4,816
	<u>59,025</u>	<u>52,617</u>	<u>59,025</u>	<u>52,617</u>

Bank	First Quarter Ended		Three Months Ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Personnel expenses	41,164	35,897	41,164	35,897
Establishment related expenses	9,977	10,037	9,977	10,037
Promotion and marketing expenses	838	897	838	897
Administration and general expenses	6,158	4,875	6,158	4,875
	<u>58,137</u>	<u>51,706</u>	<u>58,137</u>	<u>51,706</u>

(h) Allowances for impairment on advances and financing

Group	First Quarter Ended		Three Months Ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Net allowance for impairment losses on advances, and financing made during the period:				
- Stage 1 (Note 22(b)(x))	(2,346)	(2,015)	(2,346)	(2,015)
- Stage 2 (Note 22(b)(x))	18,630	18,114	18,630	18,114
- Stage 3 (Note 22(b)(x))	(3,592)	10,407	(3,592)	10,407
	<u>12,692</u>	<u>26,506</u>	<u>12,692</u>	<u>26,506</u>
Impaired advances and financing recovered	<u>(4,088)</u>	<u>(1,462)</u>	<u>(4,088)</u>	<u>(1,462)</u>
Total allowances for impairment on advances and financing	<u>8,604</u>	<u>25,044</u>	<u>8,604</u>	<u>25,044</u>

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22. Islamic banking business (cont'd.)

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

Bank	First Quarter Ended		Three Months Ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Net allowance for impairment losses on advances, and financing made during the period:				
- Stage 1 (Note 22(b)(x))	(2,346)	(2,015)	(2,346)	(2,015)
- Stage 2 (Note 22(b)(x))	18,630	18,114	18,630	18,114
- Stage 3 (Note 22(b)(x))	(2,245)	11,217	(2,245)	11,217
	14,039	27,316	14,039	27,316
Impaired advances and financing recovered	(4,088)	(1,462)	(4,088)	(1,462)
Total allowances for impairment on advances and financing	9,951	25,854	9,951	25,854

(i) Commitments

	Group and Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Direct credit substitutes	168,268	160,753
Transaction-related-contingent items	79,673	106,581
Irrevocable commitments to extend credit:		
- maturity exceeding one year	1,847,286	1,660,101
	2,095,227	1,927,435

(j) Capital adequacy

Capital management

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

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

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22. Islamic banking business (cont'd.)

(j) Capital adequacy (cont'd.)

Capital management (cont'd.)

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Tier II Capital				
General provision for advances and financing*	101,067	84,565	101,067	84,565
Property revaluation reserve [^]	116,191	116,191	116,191	116,191
Government funds [#]	408,177	267,147	408,177	267,147
Total Tier II capital	625,435	467,903	625,435	467,903
Total capital	1,668,077	1,510,543	1,422,567	1,265,033
Less: Investment in subsidiaries	-	-	-	-
Total capital base	1,668,077	1,510,543	1,422,567	1,265,033

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

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

[#] An amount of RM41,429,000 (2019: RM38,927,000) for Teraju Facilitation fund was channelled as placement with profit sharing of 70:30 between the Group and the Bank; and Teraju.

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

	Group		Bank	
	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
20%	228,847	238,285	228,847	238,285
50%	468,963	422,273	468,963	422,273
100%	7,684,243	7,405,514	7,728,838	7,504,398
	8,382,053	8,066,072	8,426,648	8,164,956

Before deducting dividends:

Core capital ratio	12.439%	12.926%	9.460%	9.763%
Risk-weighted capital ratio	19.901%	18.727%	16.882%	15.493%

After deducting dividends:

Core capital ratio	11.998%	12.468%	9.021%	9.310%
Risk-weighted capital ratio	19.459%	18.268%	16.443%	15.040%

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23. Analysis of financial performance

Current Year-to-date vs. Previous Year-to-date

	GROUP			
	31 March 2020		Three months ended 31 March 2019	
Key Profit or Loss item:	RM'000	RM'000	Variances	
			RM'000	%
Profit before tax expense and zakat	14,936	17,059	(2,123)	(12.4%)
Ratio of profit before tax to average shareholders' funds	1.0%	1.3%	-	(0.3%)
Ratio of profit before tax to average total assets	0.2%	0.2%	-	(0.0%)

	GROUP			
	31 March 2020		As at 31 March 2019	
Key Balance Sheet	RM'000	RM'000	Variances	
			RM'000	%
Gross loans, advances and financing	6,839,988	7,010,799	(170,811)	(2.4%)
Gross impaired loans, advances and financing (%)	24.6%	29.1%	-	4.5%
Deposits from customers	3,535,144	3,137,279	397,865	12.7%

SME Bank Group (the "Group") reported pre-tax profit of RM14.94 million for the first quarter of financial year 2020 ("Q1FY20"). It was lower by RM2.12 million or 12.4% mainly due to lower income recognised from loans, advances and financing and investment securities.

Income from loans, advances and financing for the three months period ended 31 March 2020 dropped in comparison to 31 March 2019. This was consistent with the smaller gross financing portfolio of RM6.84 billion as at 31 March 2020 as compared to RM7.01 billion as at 31 March 2019.

In addition, income from investment securities was lesser due to the disposal of investment securities held at FVOCI which lead to the decline of investment portfolio from RM2.00 billion as at 31 March 2019 to RM1.32 billion as at 31 March 2020.

Nevertheless, allowances for impairment on loans, advances and financing has reduce significantly to RM3.16 million from RM22.67 million in the same corresponding period last year. This was mainly attributable to impairment writeback recorded for Stage 3 financing of RM6.95 million in comparison to impairment allowances of RM9.11 million recorded in same period last year and higher recovery from impaired loans of RM7.12 million compared to RM3.68 million.

Ratio of PBT to average shareholders' funds and ratio of PBT to average total assets was calculated at 1.0% and 0.1% respectively as at 31 March 2020.

The Group's total assets strengthened to RM9.88 billion as at 31 March 2020 as compared to RM9.81 billion as at 31 March 2019. This was linked higher cash and deposits placement coupled with higher value of investment properties by RM203 million and RM20 million respectively.

The Group's gross impaired ratio was lower to 24.6% as at 31 March 2020 from 29.1% as at 31 March 2019. As at 31 March 2020, the Group's Risk-Weighted Capital Ratio stood at 20.48% while its Core Capital Ratio stood at 13.19%.