

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

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018**

	Note	Group		Bank	
		As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
<b>ASSETS</b>					
Cash and short term funds		14,578	423,032	12,959	418,981
Deposits and placements with banks and other financial institutions		914,268	182,013	914,268	182,013
Financial assets at fair value through other other comprehensive income	10	2,280,603	-	2,280,603	-
Financial assets available-for-sale	11	-	2,108,422	-	2,108,422
Financial assets at amortised cost	12	462,735	-	462,735	-
Financial assets held-to-maturity	13	-	568,585	-	568,585
Loans, advances and financing	14	6,475,152	6,583,790	6,053,821	6,159,840
Other assets		21,246	27,614	541,737	526,956
Derivative financial asset		-	-	-	-
Investment in subsidiaries		-	-	3,582	3,582
Investment in associate		2,662	3,416	-	-
Property, plant and equipment		149,515	148,695	149,484	148,651
Investment properties		372,910	372,910	372,910	372,910
Intangible assets		11,507	11,830	11,446	11,733
Tax recoverable		27,611	27,136	25,346	26,034
Deferred tax assets		119,987	121,723	119,987	121,723
<b>TOTAL ASSETS</b>		<b>10,852,774</b>	<b>10,579,166</b>	<b>10,948,878</b>	<b>10,649,430</b>
<b>LIABILITIES</b>					
Deposits from customers	15	3,257,816	3,261,929	3,337,557	3,321,145
Deposits from banks and other financial institutions	16	551,088	100,172	551,088	100,172
Derivative financial liability		4	696	4	696
Medium-term notes		1,821,449	1,821,452	1,821,449	1,821,452
Borrowings	17	2,006,314	2,036,006	2,006,314	2,036,006
Other liabilities		1,067,225	1,088,286	1,080,794	1,099,933
Government funds	18	286,041	285,049	286,041	285,049
<b>TOTAL LIABILITIES</b>		<b>8,989,937</b>	<b>8,593,590</b>	<b>9,083,247</b>	<b>8,664,453</b>
<b>EQUITY</b>					
Share capital		1,850,000	1,850,000	1,850,000	1,850,000
Retained earnings		31,293	145,727	34,087	145,128
Other reserves		(18,456)	(10,151)	(18,456)	(10,151)
<b>TOTAL EQUITY</b>		<b>1,862,837</b>	<b>1,985,576</b>	<b>1,865,631</b>	<b>1,984,977</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,852,774</b>	<b>10,579,166</b>	<b>10,948,878</b>	<b>10,649,430</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	24	<b>1,310,311</b>	<b>1,393,634</b>	<b>1,310,311</b>	<b>1,393,634</b>

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

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

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

<b>Group</b>	<b>Note</b>	<b>Second Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
		<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
Interest income	19	7,248	13,063	13,715	22,646
Interest expense	20	(13,994)	(14,783)	(27,711)	(29,432)
<b>Net interest income</b>		<b>(6,746)</b>	<b>(1,720)</b>	<b>(13,996)</b>	<b>(6,786)</b>
Gross income from Islamic banking business	26	89,813	82,837	185,217	165,377
Other operating income	21	1,608	2,541	3,312	5,002
<b>Net income</b>		<b>84,675</b>	<b>83,658</b>	<b>174,533</b>	<b>163,593</b>
Other operating expenses	22	(59,503)	(46,214)	(116,168)	(97,850)
<b>Operating profit</b>		<b>25,172</b>	<b>37,444</b>	<b>58,365</b>	<b>65,743</b>
Expected credit losses/ Allowances for impairment on :					
-loans, advances and financing	23	(17,045)	(29,571)	(32,445)	(37,318)
-commitment and contingencies		(217)	-	1,016	-
-financial assets at amortised cost		-	-	(4)	-
-financial assets at fair value through other comprehensive income		242	-	(605)	-
		8,152	7,873	26,327	28,425
Share of loss after tax of associate		(754)	-	(754)	(383)
<b>Profit before tax expense and zakat</b>		<b>7,398</b>	<b>7,873</b>	<b>25,573</b>	<b>28,042</b>
Tax (expense)/credit		(2,078)	(1,320)	(2,422)	(2,848)
Zakat		(1,000)	(1,000)	(2,000)	(2,000)
<b>Profit for the period</b>		<b>4,320</b>	<b>5,553</b>	<b>21,151</b>	<b>23,194</b>
<b>Other comprehensive income/ (loss)</b>					
<b>Item that may be reclassified to profit or loss:</b>					
Unrealised gain/ (loss) on revaluation of					
- available-for-sale financial investments		-	2,409	-	26,503
- investment securities measured at fair value through other comprehensive income ("FVOCI")		(8,841)	-	(9,513)	-
Changes in expected credit losses					
- investment securities measured at fair value through other comprehensive income ("FVOCI")		(242)	-	605	-
<b>Other comprehensive (loss)/ income for the period, net of tax</b>		<b>(9,083)</b>	<b>2,409</b>	<b>(8,908)</b>	<b>26,503</b>
<b>Total comprehensive (loss)/ income for the period, net of tax</b>		<b>(4,763)</b>	<b>7,962</b>	<b>12,243</b>	<b>49,697</b>
Profit for the period attributable to owner of the Bank		4,320	5,553	21,151	23,194
Total comprehensive (loss)/ income attributable to owner of the Bank		(4,763)	7,962	12,243	49,697

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
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**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE SECOND QUARTER ENDED 30 JUNE 2018 9 (CONT'D)**

<b>Bank</b>	<b>Note</b>	<b>Second Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
		<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
Interest income	19	6,413	8,205	12,880	16,769
Interest expense	20	(13,994)	(14,783)	(27,711)	(29,432)
<b>Net interest income</b>		<b>(7,581)</b>	<b>(6,578)</b>	<b>(14,831)</b>	<b>(12,663)</b>
Gross income from Islamic banking business	26	90,852	85,283	183,835	170,191
Other operating income	21	1,608	1,869	3,312	3,548
<b>Net income</b>		<b>84,879</b>	<b>80,574</b>	<b>172,316</b>	<b>161,076</b>
Other operating expenses	22	(55,917)	(46,401)	(111,312)	(97,501)
<b>Operating profit</b>		<b>28,962</b>	<b>34,173</b>	<b>61,004</b>	<b>63,575</b>
Expected credit losses/ Allowances for impairment on :					
-loans, advances and financing	23	(17,045)	(29,571)	(32,445)	(37,318)
-commitment and contingencies		(217)	-	1,016	-
-financial assets at amortised cost		-	-	(4)	-
-financial assets at fair value through other comprehensive income		242	-	(605)	-
<b>Profit before tax expense and zakat</b>		<b>11,942</b>	<b>4,602</b>	<b>28,966</b>	<b>26,257</b>
Tax expense/(credit)		(2,078)	(693)	(2,422)	(1,387)
Zakat		(1,000)	(1,000)	(2,000)	(2,000)
<b>Profit for the period</b>		<b>8,864</b>	<b>2,909</b>	<b>24,544</b>	<b>22,870</b>
<b>Other comprehensive income/ (loss)</b>					
<b>Item that may be reclassified to profit or loss:</b>					
Unrealised gain/ (loss) on revaluation of					
- available-for-sale financial investments		-	2,409	-	26,503
- investment securities measured at fair value through other comprehensive income ("FVOCI")		(8,841)	-	(9,513)	-
Changes in expected credit losses					
- investment securities measured at fair value through other comprehensive income ("FVOCI")		(242)	-	605	-
<b>Other comprehensive (loss)/ income for the period, net of tax</b>		<b>(9,083)</b>	<b>2,409</b>	<b>(8,908)</b>	<b>26,503</b>
<b>Total comprehensive (loss)/ income for the period, net of tax</b>		<b>(219)</b>	<b>5,318</b>	<b>15,636</b>	<b>49,373</b>
Profit for the period attributable to owner of the Bank		8,864	2,909	24,544	22,870
Total comprehensive (loss)/ income attributable to owner of the Bank		(219)	5,318	15,636	49,373

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
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**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR SECOND QUARTER ENDED 30 JUNE 2018**

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

<b>Group</b>	<b>Share capital RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Distributable general reserve RM'000</b>	<b>Retained earnings RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2018 as previously stated</b>	1,850,000	(20,265)	10,114	145,727	1,985,576
Impact of adopting MFRS 9 at 1 January 2018 (Note 9)	-	603	-	(102,285)	(101,682)
<b>At 1 January 2018 as restated</b>	1,850,000	(19,662)	10,114	43,442	1,883,894
Fair value loss of debt securities measured at FVOCI, net of tax	-	(9,513)	-	-	(9,513)
Changes in expected credit losses of investment securities measured at FVOCI, net of tax	-	605	-	-	605
Profit for the period	-	-	-	21,151	21,151
Total comprehensive income for the period	-	(8,908)	-	21,151	12,243
Dividend	-	-	-	(33,300)	(33,300)
<b>At 30 June 2018</b>	1,850,000	(28,570)	10,114	31,293	1,862,837
<b>At 1 January 2017</b>	1,350,000	(36,678)	10,114	94,012	1,417,448
Conversion of borrowing	500,000	-	-	-	500,000
Unrealised gain on revaluation of financial assets available-for-sale, net of tax	-	16,413	-	-	16,413
Profit for the period	-	-	-	23,194	23,194
Total comprehensive income for the period	-	16,413	-	23,194	39,607
Dividend	-	-	-	(16,200)	(16,200)
<b>At 30 June 2017</b>	1,350,000	(20,265)	10,114	101,006	1,440,855

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**Small Medium Enterprise Development Bank Malaysia Berhad  
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**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR SECOND QUARTER ENDED 30 JUNE 2018 (CONT'D.)**

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

<b>Bank</b>	<b>Share RM'000</b>	<b>Fair value RM'000</b>	<b>Distributable general RM'000</b>	<b>Retained RM'000</b>	<b>RM'000</b>
<b>At 1 January 2018 as previously stated</b>	1,850,000	(20,265)	10,114	145,128	1,984,977
Impact of adopting MFRS 9 at 1 January 2018 (Note 9)	-	603	-	(102,285)	(101,682)
<b>At 1 January 2018 as restated</b>	1,850,000	(19,662)	10,114	42,843	1,883,295
Fair value loss of debt securities measured at FVOCI	-	(9,513)	-	-	(9,513)
Changes in expected credit losses of investment securities measured at FVOCI	-	605	-	-	605
Profit for the period	-	-	-	24,544	24,544
Total comprehensive income for the period	-	(8,908)	-	24,544	15,636
Dividend	-	-	-	(33,300)	(33,300)
<b>At 30 June 2018</b>	1,850,000	(28,570)	10,114	34,087	1,865,631
<b>At 1 January 2017</b>	1,350,000	(36,678)	10,114	83,158	1,406,594
Conversion of borrowing	500,000	-	-	-	500,000
Unrealised gain on revaluation of financial assets available-for-sale, net of tax	-	20,586	-	-	20,586
Profit for the period	-	-	-	22,870	22,870
Total comprehensive income for the period	-	20,586	-	22,870	43,456
Dividend	-	-	-	(16,200)	(16,200)
<b>At 30 June 2017</b>	1,350,000	(16,092)	10,114	89,828	1,433,850

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**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CASH FLOW  
FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

	Group		Bank	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Note	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from/(used in) operating activities</b>				
Profit before tax expense and zakat	25,573	28,042	28,966	26,257
Adjustments for non-cash items:				
Net impairment loss on loan, advances and financing	32,445	28,641	32,445	28,641
Provision for debt instrument at FVOCI	605	-	605	-
Provision for debt instrument at amortised cost	4	-	4	-
Writeback of commitment and contingencies	(1,016)	-	(1,016)	-
Depreciation of property, plant and equipment	7,121	6,084	7,108	6,069
Amortisation of intangible assets	1,965	1,949	1,930	1,886
Government funds (writeback)/released, net	(1,749)	(4,998)	(1,749)	(4,998)
Share of loss of associates	754	383	-	-
<b>Operating profit before working capital changes</b>	<b>65,702</b>	<b>60,101</b>	<b>68,293</b>	<b>57,855</b>
Changes in working capital:				
Net changes in operating assets	(647,404)	269,460	(670,045)	619,969
Net changes in operating liabilities	426,469	505,680	448,964	170,314
<b>Cash used in operating activities</b>	<b>(155,233)</b>	<b>835,241</b>	<b>(152,788)</b>	<b>848,138</b>
Tax paid	-	(583)	-	(583)
<b>Net cash (used in)/ from operating activities</b>	<b>(155,233)</b>	<b>834,658</b>	<b>(152,788)</b>	<b>847,555</b>
<b>Cash flows used in investing activities</b>				
Net proceed from financial assets	(182,298)	(29,676)	(182,298)	(29,676)
Purchase of property, plant and equipment	(7,928)	(44,711)	(7,941)	(44,711)
<b>Net cash used in from investing activities</b>	<b>(190,226)</b>	<b>(74,387)</b>	<b>(190,239)</b>	<b>(74,387)</b>
<b>Cash flows used in financing activities</b>				
Dividend paid	(33,300)	(16,200)	(33,300)	(16,200)
Net repayment of borrowings	(29,695)	(38,733)	(29,695)	(38,733)
<b>Net cash used in financing activities</b>	<b>(62,995)</b>	<b>(54,933)</b>	<b>(62,995)</b>	<b>(54,933)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(408,454)</b>	<b>705,338</b>	<b>(406,022)</b>	<b>718,235</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>423,032</b>	<b>841,897</b>	<b>418,981</b>	<b>827,988</b>
<b>Cash and cash equivalents at end of year</b>	<b>14,578</b>	<b>1,547,235</b>	<b>12,959</b>	<b>1,546,223</b>
<b>Cash and cash equivalents comprise:</b>				
- Cash and short term funds	14,578	1,547,235	12,959	1,546,223

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

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

**1. Basis of preparation**

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

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

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

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

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

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

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

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

**2. Summary of Significant Accounting Policies**

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

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**3. Significant Accounting Estimates and Judgements**

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

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

**4. Auditors' report on preceding audited annual financial statements**

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

**5. Seasonal or cyclical factors**

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the Second quarter ended 30 June 2018.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank in Second quarter ended 30 June 2018.

**7. Changes in estimates**

There were no material changes in estimates that have a material effect in the Second quarter ended 30 June 2018.

**8. Dividends paid and distributed**

During the 2nd quarter ended 30 June 2018, a single tier dividend in respect of the financial year ended 31 December 2017 of 1.80 sen per share on 1,850,000,000 ordinary shares amounting to RM33,300,000 was paid on 29 June 2018.



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**9. Transition disclosures**

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

<b>Group</b>	<b>Fair value reserve RM'000</b>	<b>Distributable general reserve RM'000</b>	<b>Retained earnings RM'000</b>	<b>Total RM'000</b>
Closing balance under MFRS 139 (31 December 2017)	(20,265)	10,114	145,727	135,576
Impact of adopting MFRS 9	603	-	(102,285)	(101,682)
Opening balance under MFRS 9 (1 January 2018)	<u>(19,662)</u>	<u>10,114</u>	<u>43,442</u>	<u>33,894</u>
<b>Bank</b>	<b>Fair value reserve RM'000</b>	<b>Distributable general reserve RM'000</b>	<b>Retained earnings RM'000</b>	<b>Total RM'000</b>
Closing balance under MFRS 139 (31 December 2017)	(20,265)	10,114	145,128	134,977
Impact of adopting MFRS 9	603	-	(102,285)	(101,682)
Opening balance under MFRS 9 (1 January 2018)	<u>(19,662)</u>	<u>10,114</u>	<u>42,843</u>	<u>33,295</u>

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

<b>Group</b>	<b>Loss provision under MFRS 139/ MFRS 7 at 31 December 2017 RM'000</b>	<b>Re- measurement RM'000</b>	<b>ECLs under MFRS 9 at 1 January 2018 RM'000</b>
<u>Impairment allowance for</u>			
Loans, financing and advances as per MFRS 139/ Loans, financing and advances measured at amortised cost under MFRS 9	468,232	95,149	563,381
Held-to-maturity financial assets as per MFRS 139/ Debt securities measured at amortised cost under MFRS 9	-	78	78
Available-for-sale financial assets as per MFRS 139/ Debt securities measured at FVOCI under MFRS 9	-	603	603
Other assets as per MFRS 139/Other assets measured at amortised cost under MFRS 9	-	(4)	(4)
	<u>468,232</u>	<u>95,826</u>	<u>564,058</u>
Commitment and contingencies	-	6,459	6,459
	<u>468,232</u>	<u>102,285</u>	<u>570,517</u>

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**9. Transition disclosures (cont'd)**

**Bank**

	<b>Loss provision under MFRS 139/ MFRS 7 at 31 December 2017 RM'000</b>	<b>Re- measurement RM'000</b>	<b>ECLs under MFRS 9 at 1 January 2018 RM'000</b>
<u>Impairment allowance for</u>			
Loans, financing and advances as per MFRS 139/ Loans, financing and advances measured at amortised cost under MFRS 9	349,974	95,149	445,123
Held-to-maturity financial assets as per MFRS 139/ Debt securities measured at amortised cost under MFRS 9	-	78	78
Available-for-sale financial assets as per MFRS 139/ Debt securities measured at FVOCI under MFRS 9	-	603	603
Other assets as per MFRS 139/Other assets measured at amortised cost under MFRS 9	-	(4)	(4)
	<u>349,974</u>	<u>95,826</u>	<u>445,800</u>
Commitment and contingencies	-	6,459	6,459
	<u>349,974</u>	<u>102,285</u>	<u>452,259</u>

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

	<b>Group and Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>At fair value</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	594,154	-
Malaysian Government Securities	154,042	-
	<u>748,196</u>	<u>-</u>
<b>Money market securities</b>		
Commercial papers	208,051	-
<b>Non-money market securities</b>		
Equity securities:		
Quoted shares	136,975	-
Unquoted shares	3,123	-
Debt securities:		
Private debt securities	1,184,258	-
	<u>1,324,356</u>	<u>-</u>
Total financial assets at FVOCI	<u>2,280,603</u>	<u>-</u>

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

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

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

	Group and Bank		Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	
At 1 January 2018	-	-	-
Effects of changes in accounting policies	603	-	603
At 1 January 2018, as restated	603	-	603
(Writeback)/Allowances made due to changes in credit risk	(303)	908	605
At 30 June 2018	300	908	1,208

The impairment losses by external rating grade are as follows:

	Group and Bank		Total RM'000
	Stage1 RM'000	Stage 2 RM'000	
<i>External rating grade</i>			
Performing			
RAM AAA	7	-	7
MARC AAA	25	-	25
RAM AA	65	-	65
MARC AA-	203	-	203
RAM BB	-	908	908
Total	300	908	1,208

**11. Financial assets available-for-sale**

	Group and Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
<b>At fair value</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	-	672,074
Malaysian Government Securities	-	177,021
	-	849,095
<b>Money market securities</b>		
Commercial papers	-	171,723
<b>Non-money market securities</b>		
Equity securities:		
Unquoted shares	-	3,123
Debt securities:		
Private debt securities	-	1,084,481
	-	1,087,604
Total financial assets available-for-sale	-	2,108,422

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

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**12. Financial assets available-for-sale**

	<b>Group and Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>At amortised cost</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	92,584	-
<b>Non-money market securities</b>		
Debt securities:		
Private debt securities	370,233	-
Accumulated impairment losses	(82)	-
Total financial assets at amortised cost	<u>462,735</u>	<u>-</u>

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

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

	<b>Group and Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	
<u>Stage 1</u>		
At 1 January 2018		-
Impact of adopting MFRS 9		78
At 1 January 2018, as restated		78
Allowance made due to changes in credit risk		4
At 30 June 2018		<u>82</u>

The impairment losses by external rating grade are as follows:

	<b>Group and Bank</b>	
	<b>As at 30 June 2018 Stage1 RM'000</b>	
<i>External rating grade</i>		
Performing		
MARC AAA		13
RAM AA		48
MARC AA-		21
Total		<u>82</u>

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**13. Financial assets held-to-maturity**

	<b>Group and Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>At amortised cost</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	-	111,705
<b>Non-money market securities</b>		
Debt securities:		
Private debt securities	-	456,880
Total financial assets held-to-maturity	-	568,585

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

**14. Loans, advances and financing**

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

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Term loans				
- Hire purchase	373,982	396,404	316,436	338,429
- Leasing	44,438	48,205	43,938	47,702
- Other term loans	5,563,128	5,635,464	5,093,719	5,156,936
Revolving credits	1,090,524	953,637	1,085,316	948,435
Staff loans	20,192	18,312	20,192	18,312
Gross loans, advances and financing	7,092,264	7,052,022	6,559,601	6,509,814
Less: Expected credit losses/ allowance for impairment losses				
- individual assessment allowance	(522,746)	(312,485)	(411,414)	(233,626)
- expected credit losses/ collective assessment allowance	(94,366)	(155,747)	(94,366)	(116,348)
Net loans, advances and financing	6,475,152	6,583,790	6,053,821	6,159,840
Gross impaired loans, advances and financing	1,579,612	1,370,947	1,046,949	828,739
Net impaired loans, advances and financing	1,056,866	1,058,462	635,535	595,113

Included in loans, advances and financing are gross loans, advances and financing of RM39,826,000 (2017: RM43,757,000) financed by the Government funds.

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

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Within one year	1,077,265	1,005,104	769,527	691,665
More than one year to three years	862,087	723,073	833,278	694,299
More than three years to five years	1,205,920	1,308,847	1,145,319	1,247,580
More than five years	3,946,992	4,014,998	3,811,477	3,876,270
	<u>7,092,264</u>	<u>7,052,022</u>	<u>6,559,601</u>	<u>6,509,814</u>

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Domestic business enterprise	7,072,072	7,033,710	6,539,409	6,491,502
Individual	20,192	18,312	20,192	18,312
	<u>7,092,264</u>	<u>7,052,022</u>	<u>6,559,601</u>	<u>6,509,814</u>

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Constructions	1,197,683	959,307	1,194,823	956,435
Education, health and others	663,369	1,156,537	615,279	1,103,915
Electricity, gas and water supply	147,802	36,396	147,802	36,396
Financial, insurance, real estate and business services	1,071,446	860,355	1,067,494	856,274
Manufacturing	1,170,177	1,234,191	1,058,017	1,121,292
Mining and quarrying	46,841	29,856	44,845	27,860
Primary agriculture	5,969	4,270	5,729	4,030
Transportation, storage and communication	867,521	799,913	804,045	736,442
Wholesale, retail trade, restaurants and hotels	1,901,264	1,952,885	1,601,375	1,648,858
Others	20,192	18,312	20,192	18,312
	<u>7,092,264</u>	<u>7,052,022</u>	<u>6,559,601</u>	<u>6,509,814</u>

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

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

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	635,100	78,758	151,747	140,107	73,753	118,218	1,197,683
Education, health and others	422,102	44,859	54,368	95,069	21,500	25,471	663,369
Electricity, gas and water supply	140,772	1,961	81	4,176	439	373	147,802
Financial, insurance, real estate and business services	736,884	54,949	115,177	21,938	91,567	50,931	1,071,446
Manufacturing	612,842	119,014	200,631	135,616	50,206	51,868	1,170,177
Mining and quarrying	6,578	-	-	10,730	27,167	2,366	46,841
Primary agriculture	1,372	-	612	63	3,922	-	5,969
Transportation, storage and communication	390,808	109,928	88,943	137,873	43,146	96,823	867,521
Wholesale, retail trade, restaurants and hotels	999,444	179,896	105,484	235,974	283,465	97,001	1,901,264
Others	20,192	-	-	-	-	-	20,192
At 30 June 2018	<u>3,966,094</u>	<u>589,365</u>	<u>717,043</u>	<u>781,546</u>	<u>595,165</u>	<u>443,051</u>	<u>7,092,264</u>

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

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

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	469,240	117,434	134,713	63,913	84,585	89,422	959,307
Education, health and others	665,796	66,779	122,845	193,151	42,672	65,294	1,156,537
Electricity, gas and water supply	30,918	1,178	-	3,863	437	-	36,396
Financial, insurance, real estate and business services	645,326	16,733	104,368	35,362	52,297	6,269	860,355
Manufacturing	733,411	122,679	186,083	98,480	41,737	51,801	1,234,191
Mining and quarrying	14,614	1,879	-	10,617	-	2,746	29,856
Primary agriculture	1,021	-	655	76	2,518	-	4,270
Transportation, storage and communication	366,942	113,231	61,564	110,099	66,787	81,290	799,913
Wholesale, retail trade, restaurants and hotels	891,003	242,706	129,559	303,541	308,615	77,461	1,952,885
Others	18,312	-	-	-	-	-	18,312
At 31 December 2017	<b>3,836,583</b>	<b>682,619</b>	<b>739,787</b>	<b>819,102</b>	<b>599,648</b>	<b>374,283</b>	<b>7,052,022</b>



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

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

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	632,240	78,758	151,747	140,107	73,753	118,218	1,194,823
Education, health and others	374,012	44,859	54,368	95,069	21,500	25,471	615,279
Electricity, gas and water supply	140,772	1,961	81	4,176	439	373	147,802
Financial, insurance, real estate and business services	732,932	54,949	115,177	21,938	91,567	50,931	1,067,494
Manufacturing	500,682	119,014	200,631	135,616	50,206	51,868	1,058,017
Mining and quarrying	4,582	-	-	10,730	27,167	2,366	44,845
Primary agriculture	1,132	-	612	63	3,922	-	5,729
Transportation, storage and communication	327,332	109,928	88,943	137,873	43,146	96,823	804,045
Wholesale, retail trade, restaurants and hotels	699,555	179,896	105,484	235,974	283,465	97,001	1,601,375
Others	20,192	-	-	-	-	-	20,192
At 30 June 2018	<b>3,433,431</b>	<b>589,365</b>	<b>717,043</b>	<b>781,546</b>	<b>595,165</b>	<b>443,051</b>	<b>6,559,601</b>

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

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

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	466,368	117,434	134,713	63,913	84,585	89,422	956,435
Education, health and others	613,174	66,779	122,845	193,151	42,672	65,294	1,103,915
Electricity, gas and water supply	30,918	1,178	-	3,863	437	-	36,396
Financial, insurance, real estate and business services	641,245	16,733	104,368	35,362	52,297	6,269	856,274
Manufacturing	620,512	122,679	186,083	98,480	41,737	51,801	1,121,292
Mining and quarrying	12,618	1,879	-	10,617	-	2,746	27,860
Primary agriculture	781	-	655	76	2,518	-	4,030
Transportation, storage and communication	303,471	113,231	61,564	110,099	66,787	81,290	736,442
Wholesale, retail trade, restaurants and hotels	586,976	242,706	129,559	303,541	308,615	77,461	1,648,858
Others	18,312	-	-	-	-	-	18,312
At 31 December 2017	<b>3,294,375</b>	<b>682,619</b>	<b>739,787</b>	<b>819,102</b>	<b>599,648</b>	<b>374,283</b>	<b>6,509,814</b>

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

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Fixed rate:				
- Staff loan/financing	20,192	18,312	20,192	18,312
- Hire purchase receivables	297,159	328,527	239,613	270,552
- Leasing	38,599	45,025	38,100	44,522
- Revolving credits	252,651	262,086	247,497	256,938
- Other term loans/financing	2,053,238	2,183,760	1,663,617	1,789,863
Variable rate:				
- Hire purchase receivables	76,822	67,877	76,822	67,877
- Leasing	5,838	3,180	5,838	3,180
- Revolving credits	837,873	691,551	837,819	691,497
- Other term loans/financing	3,509,892	3,451,704	3,430,103	3,367,073
	<b>7,092,264</b>	<b>7,052,022</b>	<b>6,559,601</b>	<b>6,509,814</b>

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Constructions	122,874	58,688	120,014	55,816
Education, health and others	127,399	193,317	79,309	140,695
Electricity, gas and water supply	17,840	54	17,840	54
Financial, insurance, real estate and business services	100,221	40,030	96,269	35,949
Manufacturing	334,836	311,067	222,676	198,168
Mining and quarrying	2,385	2,373	389	377
Primary agriculture	500	537	260	296
Transportation, storage and communication	268,597	207,387	205,121	143,917
Wholesale, retail trade, restaurants and hotels	604,960	557,494	305,071	253,467
	<b>1,579,612</b>	<b>1,370,947</b>	<b>1,046,949</b>	<b>828,739</b>

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

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

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	31,879	3,673	63,504	7,746	7,732	8,340	122,874
Education, health and others	105,939	3,410	5,559	10,722	1,120	649	127,399
Electricity, gas and water supply	17,840	-	-	-	-	-	17,840
Financial, insurance, real estate and business services	86,374	1,076	4,843	2,906	4,830	192	100,221
Manufacturing	209,646	26,939	59,825	28,671	6,028	3,727	334,836
Mining and quarrying	1,996	-	-	389	-	-	2,385
Primary agriculture	240	-	60	-	200	-	500
Transportation, storage and communication	158,738	5,865	21,877	49,164	4,635	28,318	268,597
Wholesale, retail trade, restaurants and hotels	423,609	15,364	21,358	46,587	93,330	4,712	604,960
At 30 June 2018	<u>1,036,261</u>	<u>56,327</u>	<u>177,026</u>	<u>146,185</u>	<u>117,875</u>	<u>45,938</u>	<u>1,579,612</u>

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

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

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	23,623	3,526	25,688	494	3,345	2,012	58,688
Education, health and others	134,438	6,260	7,495	43,084	1,210	830	193,317
Electricity, gas and water supply	54	-	-	-	-	-	54
Financial, insurance, real estate and business services	33,711	464	3,738	1,974	-	143	40,030
Manufacturing	218,663	31,882	45,298	13,688	1,254	282	311,067
Mining and quarrying	1,996	-	-	377	-	-	2,373
Primary agriculture	241	-	95	-	201	-	537
Transportation, storage and communication	118,629	1,293	14,644	47,996	1,611	23,214	207,387
Wholesale, retail trade, restaurants and hotels	376,077	16,015	51,776	31,500	80,571	1,555	557,494
At 31 December 2017	<u>907,432</u>	<u>59,440</u>	<u>148,734</u>	<u>139,113</u>	<u>88,192</u>	<u>28,036</u>	<u>1,370,947</u>

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

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

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	29,019	3,673	63,504	7,746	7,732	8,340	120,014
Education, health and others	57,849	3,410	5,559	10,722	1,120	649	79,309
Electricity, gas and water supply	17,840	-	-	-	-	-	17,840
Financial, insurance, real estate and business services	82,422	1,076	4,843	2,906	4,830	192	96,269
Manufacturing	97,486	26,939	59,825	28,671	6,028	3,727	222,676
Mining and quarrying	-	-	-	389	-	-	389
Primary agriculture	-	-	60	-	200	-	260
Transportation, storage and communication	95,262	5,865	21,877	49,164	4,635	28,318	205,121
Wholesale, retail trade, restaurants and hotels	123,720	15,364	21,358	46,587	93,330	4,712	305,071
At 30 June 2018	503,598	56,327	177,026	146,185	117,875	45,938	1,046,949

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

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

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	20,751	3,526	25,688	494	3,345	2,012	55,816
Education, health and others	81,816	6,260	7,495	43,084	1,210	830	140,695
Electricity, gas and water supply	54	-	-	-	-	-	54
Financial, insurance, real estate and business services	29,630	464	3,738	1,974	-	143	35,949
Manufacturing	105,764	31,882	45,298	13,688	1,254	282	198,168
Mining and quarrying	-	-	-	377	-	-	377
Primary agriculture	-	-	95	-	201	-	296
Transportation, storage and communication	55,159	1,293	14,644	47,996	1,611	23,214	143,917
Wholesale, retail trade, restaurants and hotels	72,050	16,015	51,776	31,500	80,571	1,555	253,467
At 31 December 2017	<b>365,224</b>	<b>59,440</b>	<b>148,734</b>	<b>139,113</b>	<b>88,192</b>	<b>28,036</b>	<b>828,739</b>

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

(xi) Movement in expected credit losses/ allowance for impairment on loans, advances and financing are as follow:

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
<b>Expected credit losses/ Collective Assessment Allowance</b>				
At 1 January	155,747	143,261	116,348	106,430
Impact of adopting MFRS 9	(50,121)	-	(50,121)	-
At 1 January, as restated	105,626	143,261	66,227	106,430
Amount transfer to individual assessment allowance	(9,452)	(12,163)	(9,452)	(12,163)
Allowance made during the period/ year	44,484	111,785	44,484	105,130
Writeback made during the period/ year	(8,474)	(87,136)	(8,474)	(83,049)
New financial assets originated	6,927	-	6,927	-
Amount settled	(44,745)	-	(5,346)	-
Closing balance	94,366	155,747	94,366	116,348

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

Group	Stage1 RM'000	Stage 2 RM'000	Total RM'000
At 1 January 2018	-	-	155,747
Impact of adopting MFRS 9	-	-	(50,121)
At 1 January 2018, as restated	49,397	-	105,626
Changes due to loans, advances and financing recognised as at 1 January 2018:			
-Transfers to Stage 1	1,804	(4,006)	(2,202)
-Transfers to Stage 2	(4,468)	42,680	38,212
-Transfers to Stage 3	(837)	(8,615)	(9,452)
	(3,501)	30,059	26,558
New financial assets originated	6,555	372	6,927
Amount settled	(4,398)	(40,347)	(44,745)
At 30 June 2018	48,053	(9,916)	94,366
<b>Bank</b>	<b>Stage1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Total RM'000</b>
<b>Collective Assessment Allowance</b>			
At 1 January 2018	-	-	116,348
Impact of adopting MFRS 9	-	-	(50,121)
At 1 January 2018, as restated	49,397	16,830	66,227
Changes due to loans, advances and financing recognised as at 1 January 2018:			
-Transfers to Stage 1	1,804	(4,006)	(2,202)
-Transfers to Stage 2	(4,468)	42,680	38,212
-Transfers to Stage 3	(837)	(8,615)	(9,452)
	(3,501)	30,059	26,558
New financial assets originated	6,555	372	6,927
Amount settled	(4,398)	(948)	(5,346)
At 30 June 2018	48,053	46,313	94,366



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

- (xi) Movement in expected credit losses/ allowance for impairment on loans, advances and financing are as follow:  
(cont'd.)

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
<b>Individual Assessment Allowance</b>				
At 1 January	312,485	261,699	233,626	189,973
Impact of adopting MFRS 9	145,270	-	145,270	-
Adjustment	15,877	-	15,877	-
At 1 January, as restated	328,362	261,699	394,773	189,973
Net amount transfer from collective assessment allowance	34,763	12,163	34,763	12,163
Allowance made during the period	71,359	204,767	38,886	192,666
Amount written back in respect of recoveries	(46,299)	(97,138)	(46,299)	(92,170)
Amount written off		(69,006)	-	(69,006)
Amount settled	(12,742)	-	(12,742)	-
New accounts	2,034	-	2,034	-
Closing balance	377,476	312,485	411,414	233,626

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
At 1 January	1,370,947	1,318,504	828,739	761,443
Impaired during the period/year	309,673	307,804	309,673	307,804
Reclassified as non-impaired	(64,469)	(77,602)	(64,469)	(77,602)
Offsetted against other payables	-	(8,808)	-	(8,808)
Amount recovered	(36,539)	(89,034)	(26,994)	(74,181)
Amount write-off	-	(79,917)	-	(79,917)
Closing balance	1,579,612	1,370,947	1,046,949	828,739

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Net impaired loans	16.09%	15.75%	10.34%	9.51%

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**15. Deposits from customers**

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
<b>At amortised cost</b>				
Term deposit:				
- Commodity murabahah/Tawarruq	3,257,816	3,261,929	3,337,557	3,321,145

(i) By types of customers

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Government and statutory bodies	2,149,679	2,051,954	2,149,679	2,051,954
Business enterprise	517,085	501,839	596,826	561,055
Others	591,052	708,136	591,052	708,136
	<u>3,257,816</u>	<u>3,261,929</u>	<u>3,337,557</u>	<u>3,321,145</u>

(ii) The maturity structure

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Less than three months	2,806,662	2,453,571	2,810,287	2,511,711
Three months to six months	184,068	736,520	247,484	737,596
More than six months to one year	267,086	71,838	279,786	71,838
	<u>3,257,816</u>	<u>3,261,929</u>	<u>3,337,557</u>	<u>3,321,145</u>

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

	Group and Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
<b>At amortised cost</b>		
Licensed banks and other financial institutions	551,088	100,172

The deposits maturity structure is as follows:

	Group and Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Less than three months	551,088	100,172

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**17. Borrowings**

	<b>Group and Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Unsecured borrowings	2,006,314	2,036,006

The maturity structure of the borrowings are as follows:

	<b>Group and Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Within twelve months	246,571	219,727
More than twelve months	1,759,743	1,816,279
	<u>2,006,314</u>	<u>2,036,006</u>

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

		<b>Group and Bank</b>	
	<b>Note</b>	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Borrowings from:			
- Government of Malaysia	(i)	1,058,505	1,057,979
- Other financial institutions	(ii)	947,809	978,027
		<u>2,006,314</u>	<u>2,036,006</u>

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

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

	<b>Group and Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>Maturity structure:</b>		
Within twelve months	174,510	174,398
More than twelve months	883,995	883,581
	<u>1,058,505</u>	<u>1,057,979</u>

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

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

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

	<b>Group and Bank</b>	
	<b>As at 30</b>	<b>As at 31</b>
	<b>June</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	141,716	171,903
Employee Provident Fund	806,093	806,124
	<u>947,809</u>	<u>978,027</u>

The loans from other financial institutions are repayable as follows:

	<b>Group and Bank</b>	
	<b>As at 30</b>	<b>As at 31</b>
	<b>June</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Maturity structure:</b>		
Within twelve months	72,061	45,329
More than twelve months	875,748	932,698
	<u>947,809</u>	<u>978,027</u>

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

**18. Government funds**

	<b>Note</b>	<b>Group and Bank</b>	
		<b>As at 30</b>	<b>As at 31</b>
		<b>June</b>	<b>December</b>
		<b>2018</b>	<b>2017</b>
		<b>RM'000</b>	<b>RM'000</b>
To finance:			
Purchase of investment properties	(a)	120,740	122,487
Loans, advances and financing	(b)	165,301	162,562
		<u>286,041</u>	<u>285,049</u>

(a) To finance the purchase of investment properties:

<b>Group and Bank</b>	<b>Kompleks Kilang Bimbingan</b>			
	<b>Nursery</b>	<b>Nursery</b>	<b>Nursery</b>	<b>Total</b>
	<b>Factory</b>	<b>Factory</b>	<b>Factory</b>	
	<b>Scheme</b>	<b>Scheme</b>	<b>Scheme</b>	
<b>(RMK7)</b>	<b>(RMK8)</b>	<b>(RMK9)</b>		
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2018	66,071	22,067	34,349	122,487
Government fund released	(117)	(1,442)	(188)	(1,747)
At 30 June 2018	<u>65,954</u>	<u>20,625</u>	<u>34,161</u>	<u>120,740</u>
At 1 January 2017	66,307	24,979	34,729	126,015
Government fund released	(236)	(2,912)	(380)	(3,528)
At 31 December 2017	<u>66,071</u>	<u>22,067</u>	<u>34,349</u>	<u>122,487</u>

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

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

<b>Group and Bank</b>	<b>Soft Loan Scheme RM'000</b>	<b>Tabung Usahawan Pahang RM'000</b>	<b>Tabung Inkubator Pertanian Kelantan RM'000</b>	<b>Tabung Usahawan Siswazah RM'000</b>	<b>Dana Usahawan Negeri Terengganu RM'000</b>	<b>Program dan Skim Usahawan Batik RM'000</b>	<b>Balance c/f RM'000</b>
At 1 January 2018	36,406	288	2,669	17,821	4,516	4,168	65,868
Recoveries from loans and financing written off	4	-	-	476	82	-	562
Muqasah	-	-	-	-	(23)	-	(23)
At 30 June 2018	36,410	288	2,669	18,297	4,575	4,168	66,407

	<b>Balance b/f RM'000</b>	<b>Basis Capital Scheme (SMA) RM'000</b>	<b>Perusahaan Kapal Tradisional RM'000</b>	<b>Skim dan Skim Usahawan Kraf RM'000</b>	<b>Program Skim Anjakan Usahawan RM'000</b>	<b>Total RM'000</b>
At 1 January 2018	65,868	30,090	3,000	4,756	58,848	162,562
Recoveries from loans and financing written off	562	2,200	-	-	-	2,762
Muqasah	(23)	-	-	-	-	(23)
At 30 June 2018	66,407	32,290	3,000	4,756	58,848	165,301

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

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

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

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

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

Summary of the government funds are as follows:

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

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

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

Summary of the performance of the government funds:

**30 June 2018**

<b>Types of funds</b>	<b>Outstanding loan/financing RM'000</b>	<b>No. of borrowers assisted</b>
(a) Soft Loan Scheme	7,401	117
(b) Tabung Usahawan Pahang	-	-
(c) Tabung Inkubator Pertanian Kelantan	-	-
(d) Tabung Usahawan Siswazah (TUS)	5,762	153
(e) Dana Usahawan Negeri Terengganu	5,157	68
(f) Program dan Skim Usahawan Batik	-	-
(g) Basic Capital Scheme (SMA)	11,827	86
(h) Skim Perusahaan Kapal Tradisional	-	-
(i) Program dan Skim Usahawan Kraf	89	1
(j) Kompleks Kilang Bimbingan	156,333	-
(k) Skim Anjakan Ushawan	9,589	208



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

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

**31 December 2017**

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

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**19. Interest income**

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

Group	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
Loans, advances and financing	5,464	11,060	10,065	18,433
Deposits and placements with banks and other financial institutions	-	163	-	251
Investment securities at FVOCI	1,679	-	3,408	-
Available-for-sale financial assets	-	1,840	-	3,660
Investment securities at amortised cost	-	-	-	-
Held-to-maturity financial assets	-	-	-	302
Derivative forex	105	-	242	-
	<b>7,248</b>	<b>13,063</b>	<b>13,715</b>	<b>22,646</b>

  

Bank	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
Loans, advances and financing	4,629	6,202	9,230	12,556
Deposits and placements with banks and other financial institutions	-	163	-	251
Investment securities at FVOCI	1,679	-	3,408	-
Available-for-sale financial assets	-	1,840	-	3,660
Investment securities at amortised cost	-	-	-	-
Held-to-maturity financial assets	-	-	-	302
Derivative forex	105	-	242	-
	<b>6,413</b>	<b>8,205</b>	<b>12,880</b>	<b>16,769</b>

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**20. Interest expense**

	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
<b>Group and Bank</b>				
Term loans	13,994	14,783	27,711	29,432

**21. Other operating income**

	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
<b>Group</b>				
<b>Fee income</b>	38	713	199	1,889
<b>Other income:</b>				
Gain on disposal of property, plant and equipment	-	2	-	3
Gross dividend income	-	655	-	655
Government fund released	880	-	1,749	-
Government compensation	631	1,065	1,261	2,137
Others	59	106	103	318
	1,570	1,828	3,113	3,113
Total other operating income	1,608	2,541	3,312	5,002

	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
<b>Bank</b>				
<b>Fee income</b>	38	46	199	440
<b>Other income:</b>				
Gain on disposal of property, plant and equipment	-	2	-	3
Gross dividend income	-	655	-	655
Government fund released	880	(1,072)	1,749	-
Government compensation	631	2,138	1,261	2,138
Others	59	100	103	312
	1,570	1,823	3,113	3,108
Total other operating income	1,608	1,869	3,312	3,548

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**22. Other operating expenses**

Group	Note	Second Quarter Ended		Cumulative 6 Months Ended	
		As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
Personnel expenses	(i)	37,038	32,436	73,688	65,971
Establishment related expenses	(ii)	10,693	7,994	21,838	17,272
Promotion and marketing expenses	(iii)	1,632	525	3,058	2,167
Administration and general expenses	(iv)	10,140	5,259	17,584	12,440
		<b>59,503</b>	<b>46,214</b>	<b>116,168</b>	<b>97,850</b>
<b>(i) Personnel expenses</b>					
Salaries, allowances and bonuses		29,267	25,888	59,296	52,865
Social security cost		220	207	416	426
Contribution to Employee Provident Fund		3,494	3,295	6,521	6,392
Other staff related expenses		4,057	3,046	7,455	6,288
		<b>37,038</b>	<b>32,436</b>	<b>73,688</b>	<b>65,971</b>
<b>(ii) Establishment related expenses</b>					
Depreciation of property, plant and equipment		3,446	2,293	7,121	6,084
Amortisation of intangible assets		1,166	943	1,965	1,949
Rental of premises		942	989	1,945	2,029
Repairs and maintenance of property, plant and equipment		5,139	3,769	10,807	7,211
		<b>10,693</b>	<b>7,994</b>	<b>21,838</b>	<b>17,273</b>
<b>(iii) Promotion and marketing expenses</b>					
Advertisement and publicity		1,632	526	3,058	2,167
<b>(iv) Administration and general expenses</b>					
Administrative expenses		2,672	1,932	4,396	3,854
Auditors' remuneration		146	135	290	270
General expenses		7,322	3,192	12,898	8,316
		<b>10,140</b>	<b>5,259</b>	<b>17,584</b>	<b>12,440</b>

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

	Note	Second Quarter Ended		Cumulative 6 Months Ended	
		As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
<b>Bank</b>					
Personnel expenses	(i)	35,821	31,409	71,232	63,699
Establishment related expenses	(ii)	10,659	7,906	21,768	17,104
Promotion and marketing expenses	(iii)	1,535	509	3,031	2,140
Administration and general expenses	(iv)	7,902	6,577	15,281	14,558
		<u>55,917</u>	<u>46,401</u>	<u>111,312</u>	<u>97,501</u>
<b>(i) Personnel expenses</b>					
Salaries, allowances and bonuses		28,553	25,107	57,168	51,056
Social security cost		213	188	402	375
Contribution to Employee Provident Fund		3,388	3,944	6,301	6,939
Other staff related expenses		3,667	2,170	7,361	5,329
		<u>35,821</u>	<u>31,409</u>	<u>71,232</u>	<u>63,699</u>
<b>(ii) Establishment related expenses</b>					
Depreciation of property, plant and equipment		3,458	2,286	7,108	6,069
Amortisation of intangible assets		1,149	882	1,930	1,833
Rental of premises		942	989	1,945	2,029
Repairs and maintenance of property, plant and equipment		5,110	3,749	10,785	7,173
		<u>10,659</u>	<u>7,906</u>	<u>21,768</u>	<u>17,104</u>
<b>(iii) Promotion and marketing expenses</b>					
Advertisement and publicity		1,535	509	3,031	2,140
<b>(iv) Administration and general expenses</b>					
Administrative expenses		2,156	1,931	3,875	3,853
Auditors' remuneration		133	122	267	243
General expenses		5,613	4,524	11,139	10,462
		<u>7,902</u>	<u>6,577</u>	<u>15,281</u>	<u>14,558</u>

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**23. Expected credit losses/ Allowances for impairment on loans, advances and financing**

Group	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
Expected credit losses/Allowances for impairment on loans, advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	61,396	24,184	124,205	51,399
- Individual assesment allowance	54,686	41,690	111,038	72,646
	<u>116,082</u>	<u>65,874</u>	<u>235,243</u>	<u>124,045</u>
Impairment reversal for loans, advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	(48,784)	(21,120)	(101,508)	(38,146)
- Individual assesment allowance	(45,908)	(16,113)	(94,397)	(39,911)
	<u>(94,692)</u>	<u>(37,233)</u>	<u>(195,905)</u>	<u>(78,057)</u>
Impaired loan, advances and financing recovered	(4,345)	930	(6,893)	(8,670)
<b>Total expected credit losses/ allowances for impairment on loans, advances and financing</b>	<u>17,045</u>	<u>29,571</u>	<u>32,445</u>	<u>37,318</u>
Bank	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
Expected credit losses/Allowances for impairment on loans, advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	61,396	24,184	124,205	51,399
- Individual assesment allowance	54,686	41,690	111,038	72,646
	<u>116,082</u>	<u>65,874</u>	<u>235,243</u>	<u>124,045</u>
Impairment reversal for loans, advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	(48,784)	(21,120)	(101,508)	(38,146)
- Individual assesment allowance	(45,908)	(16,113)	(94,397)	(39,911)
	<u>(94,692)</u>	<u>(37,233)</u>	<u>(195,905)</u>	<u>(78,057)</u>
Impaired loan, advances and financing recovered	(4,345)	930	(6,893)	(8,670)
<b>Total expected credit losses/ allowances for impairment on loans, advances and financing</b>	<u>17,045</u>	<u>29,571</u>	<u>32,445</u>	<u>37,318</u>

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**24. Commitment and contingencies**

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

	<b>Group and Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Direct credit substitutes	136,970	183,276
Transaction-related-contingent items	173,372	171,364
Irrevocable commitments to extend credit:		
- maturity exceeding one year	136,434	136,812
- maturity not exceeding one year	502,187	539,028
Profit rate related contract	350,000	350,000
	<b>1,298,963</b>	<b>1,380,480</b>

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

	<b>Group and Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Approved and contracted for:		
Property, plant and equipment	4,563	4,563
Information technology system	6,747	8,553
Kompleks Kilang Bimbingan construction	38	38
	<b>11,348</b>	<b>13,154</b>
Total commitments and contingencies	<b>1,310,311</b>	<b>1,393,634</b>

**25. Capital adequacy**

**Capital management**

Capital policy

The overall objective of capital management is to maintain a strong capital position in order to provide opportunities for business growth and able to provide cushion for any potential losses. In line with this objective, the Bank views capital position as an important key barometer of financial health.

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

Regulatory capital

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

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

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

	<b>Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<u>Tier I Capital</u>		
Paid-up share capital	1,850,000	1,850,000
Retained earnings *	145,128	145,128
General reserves	10,114	10,114
Less: Deferred tax	(119,987)	(121,723)
Less: Property revaluation reserve	(212,229)	(212,229)
Total Tier I capital	<u>1,673,026</u>	<u>1,671,290</u>
<u>Tier II Capital</u>		
Collective allowance for loans, advances and financing **	95,520	70,207
Property revaluation reserve <sup>^</sup>	106,115	106,115
Government funds	286,041	285,049
Total Tier II capital	<u>487,676</u>	<u>461,371</u>
Total capital	2,160,702	2,132,661
Less: Investment in subsidiaries	(3,582)	(3,582)
Total capital base	<u>2,157,120</u>	<u>2,129,079</u>

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

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

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



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

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

	<b>Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
20%	182,983	114,197
50%	41,348	42,884
100%	8,743,570	8,783,849
	<u>8,967,901</u>	<u>8,940,930</u>

Before deducting proposed dividends:

Core capital ratio	18.66%	18.69%
Risk-weighted capital ratio	<u>24.05%</u>	<u>23.81%</u>

Capital monitoring

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

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**26. Islamic banking business**

The state of affairs as at 30 June 2018 and results for the financial period then ended under the Islamic Banking business of the Bank and included in the Group's and the Bank's financial statements are summarised as follows:-

**Unaudited Statements of Financial Position  
As at 30 June 2018**

	Note	Group		Bank	
		As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
<b>Assets</b>					
Cash and short-term funds		14,421	421,706	12,676	417,655
Deposits and placements with financial institutions		914,268	182,013	914,268	182,013
Financial assets at fair value through other other comprehensive income	26(a)	2,104,041	-	2,104,041	-
Financial assets available-for-sale	26(b)	-	1,913,133	-	1,913,133
Financial assets at amortised cost	26(c)	462,735	-	462,735	-
Financial assets held-to-maturity	26(d)	-	568,585	-	568,585
Advances and financing	26(e)	5,780,233	5,854,132	5,701,782	5,785,507
Other assets		3,545	5,612	525,275	510,945
Derivative financial asset		-	-	-	-
Investment in subsidiaries		-	-	3,582	3,582
Property and equipment		76,517	75,965	76,486	75,921
Investment properties		372,910	372,910	372,910	372,910
Deferred tax		118,066	118,066	118,066	118,066
<b>Total assets</b>		<b>9,846,736</b>	<b>9,512,122</b>	<b>10,291,821</b>	<b>9,948,317</b>
<b>Liabilities</b>					
Deposit from customer	26(f)	3,257,816	3,261,929	3,337,557	3,321,145
Deposits from other financial institutions	26(g)	551,088	100,172	551,088	100,172
Derivative financial liability		4	696	4	696
Medium term notes		1,821,449	1,821,452	1,821,449	1,821,452
Term financing	26(h)	303,938	326,489	303,938	326,489
Other liabilities		1,022,222	1,018,536	997,639	1,009,833
Amount due to conventional operations		1,301,091	1,331,084	1,647,350	1,674,712
Government funds	26(i)	154,901	152,164	154,901	152,164
<b>Total liabilities</b>		<b>8,412,509</b>	<b>8,012,522</b>	<b>8,813,926</b>	<b>8,406,663</b>
Islamic general fund		1,434,227	1,499,600	1,477,895	1,541,654
<b>Total liabilities and Islamic banking funds</b>		<b>9,846,736</b>	<b>9,512,122</b>	<b>10,291,821</b>	<b>9,948,317</b>
<b>Commitments</b>	26(o)	<b>1,298,313</b>	<b>1,379,323</b>	<b>1,298,313</b>	<b>1,379,323</b>

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**26. Islamic banking business**

**Unaudited Statements of Comprehensive Income  
For the Second quarter ended 30 June 2018**

Group	Note	Second Quarter Ended		Cumulative 6 Months Ended	
		30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Income from Islamic banking business	26(j)	142,634	143,015	292,844	276,078
Profit expense attributable to Islamic banking business	26(l)	(52,821)	(60,178)	(107,627)	(110,701)
<b>Gross income from Islamic banking business</b>		<u>89,813</u>	<u>82,837</u>	<u>185,217</u>	<u>165,377</u>
Other operating expenses	26(m)	(53,788)	(42,735)	(107,098)	(87,145)
<b>Operating profit</b>		<u>36,025</u>	<u>40,102</u>	<u>78,119</u>	<u>78,232</u>
Expected credit losses/ Allowances for impairment on :					
-loans, advances and financing	26(n)	(17,238)	(31,868)	(33,136)	(42,500)
-commitment and contingencies		(208)	-	965	-
-financial assets at amortised cost		-	-	(4)	-
-financial assets at fair value through other comprehensive income		242	-	(605)	-
		<u>18,821</u>	<u>8,234</u>	<u>45,339</u>	<u>35,732</u>
Tax (expense)/credit		-	-	-	-
Zakat		(1,000)	(1,000)	(2,000)	(2,000)
<b>Net profit for the period</b>		<u>17,821</u>	<u>7,234</u>	<u>43,339</u>	<u>33,732</u>
<b>Other comprehensive income</b>					
<b>Item that may be reclassified to profit or loss:</b>					
Unrealised gain/ (loss) on revaluation of					
- available-for-sale financial investments		-	305	-	15,735
- investment securities measured at fair value through other comprehensive income ("FVOCI")		(5,898)	-	(6,094)	-
Changes in expected credit losses					
- investment securities measured at fair value through other comprehensive income ("FVOCI")		(242)	-	605	-
<b>Other comprehensive income for the period, net of tax</b>		<u>(6,140)</u>	<u>305</u>	<u>(5,489)</u>	<u>15,735</u>
<b>Total comprehensive income for the period, net of tax</b>		<u>11,681</u>	<u>7,539</u>	<u>37,850</u>	<u>49,467</u>
Profit for the period attributable to owner of the Bank		<u>17,821</u>	<u>7,234</u>	<u>43,339</u>	<u>33,732</u>
Total comprehensive income attributable to owner of the Bank		<u>11,681</u>	<u>7,539</u>	<u>37,850</u>	<u>49,467</u>

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

**Unaudited Statements of Comprehensive Income  
For the Second quarter ended 30 June 2018 (cont'd.)**

	Note	Second Quarter Ended		Cumulative 6 Months Ended	
		30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Bank</b>					
Income from Islamic banking business	26(j)	144,691	146,444	292,787	282,687
Profit expense attributable to Islamic banking business	26(l)	(53,839)	(61,161)	(108,952)	(112,496)
<b>Gross income from Islamic banking business</b>		90,852	85,283	183,835	170,191
Other operating expenses	26(m)	(52,072)	(43,183)	(104,102)	(89,386)
<b>Operating profit</b>		38,780	42,100	79,733	80,805
Expected credit losses/ Allowances for impairment on :					
-loans, advances and financing	26(n)	(17,238)	(31,868)	(33,136)	(42,500)
-commitment and contingencies		(208)	-	965	-
-financial assets at amortised cost		-	-	(4)	-
-financial assets at fair value through other comprehensive income		242	-	(605)	-
<b>Profit before tax expense and zakat</b>		21,576	10,232	46,953	38,305
Tax (expense)/credit		-	-	-	-
Zakat		(1,000)	-	(2,000)	(1,000)
<b>Net profit for the period</b>		20,576	10,232	44,953	37,305
<b>Other comprehensive income</b>					
<b>Item that may be reclassified to profit or loss:</b>					
Unrealised (loss)/ gain on revaluation of					
- available-for-sale financial investments		-	305	-	15,735
- investment securities measured at fair value through other comprehensive income ("FVOCI")		(5,898)	-	(6,094)	-
Changes in expected credit losses					
- investment securities measured at fair value through other comprehensive income ("FVOCI")		(242)	-	605	-
<b>Other comprehensive income for the period, net of tax</b>		(6,140)	305	(5,489)	15,735
<b>Total comprehensive income for the period, net of tax</b>		14,436	10,537	39,464	53,040
Profit for the period attributable to owner of the Bank		20,576	10,232	44,953	37,305
Total comprehensive income attributable to owner of the Bank		14,436	10,537	39,464	53,040

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

**Statements of changes in Islamic General Funds  
For the Second quarter ended 30 June 2018**

<b>Group</b>	<b>Capital funds RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Retained earnings RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2018 as previously stated</b>	1,050,564	(17,688)	466,724	1,499,600
Impact of adopting MFRS 9 at 1 January 2018		603	(103,826)	(103,223)
<b>At 1 January 2018 as restated</b>	1,050,564	(17,085)	362,898	1,396,377
Fair value loss of debt securities measured at FVOCI	-	(6,094)	-	(6,094)
Changes in expected credit losses of investment securities measured at FVOCI	-	605	-	605
Net profit for the period	-	-	43,339	43,339
<b>Total comprehensive income for the period</b>	-	(5,489)	43,339	37,850
<b>At 30 June 2018</b>	<b>1,050,564</b>	<b>(22,574)</b>	<b>406,237</b>	<b>1,434,227</b>
<b>At 1 January 2017, as previously stated</b>	550,564	(28,790)	404,644	926,418
Conversion of term financing	500,000	-	-	500,000
Unrealised gain on revaluation of available-for-sale financial investment	-	9,295	-	9,295
Unrealised loss on revaluation of ICRA	-	4,898	-	4,898
Profit for the period	-	-	33,732	33,732
<b>Total comprehensive income for the period</b>	-	14,193	33,732	47,925
<b>At 30 June 2017</b>	<b>1,050,564</b>	<b>(14,597)</b>	<b>438,376</b>	<b>974,343</b>

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

**Statements of changes in Islamic General Funds  
For the Second quarter ended 30 June 2018 (cont'd.)**

<b>Bank</b>	<b>Capital funds RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Retained earnings RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2018 as previously stated</b>	1,050,564	(17,688)	508,778	1,541,654
Impact of adopting MFRS 9 at 1 January 2018	-	603	(103,826)	(103,223)
<b>At 1 January 2018 as restated</b>	1,050,564	(17,085)	404,952	1,438,431
Fair value loss of debt securities measured at FVOCI	-	(6,094)	-	(6,094)
Changes in expected credit losses of investment securities measured at FVOCI	-	605	-	605
Net profit for the period	-	-	44,953	44,953
<b>Total comprehensive income for the period</b>	-	(5,489)	44,953	39,464
<b>At 30 June 2018</b>	<b>1,050,564</b>	<b>(22,574)</b>	<b>449,905</b>	<b>1,477,895</b>
<b>At 1 January 2017, as previously stated</b>	550,564	(28,790)	428,442	950,216
Unrealised gain on revaluation of available-for-sale financial investment	-	9,295	-	9,295
Unrealised loss on revaluation of ICRA	-	4,898	-	4,898
Profit for the period	-	-	37,305	37,305
<b>Total comprehensive income for the period</b>	-	14,193	37,305	51,498
<b>At 30 June 2017</b>	<b>550,564</b>	<b>(14,597)</b>	<b>465,747</b>	<b>1,001,714</b>

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

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

	<b>Group and Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>At fair value</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	594,154	-
	<hr/>	<hr/>
<b>Money market securities</b>		
Commercial papers	208,051	-
	<hr/>	<hr/>
<b>Non-money market securities</b>		
Equity securities:		
Quoted shares	136,975	-
Debt securities:		
Private debt securities	1,164,861	-
	<hr/>	<hr/>
	1,301,836	-
	<hr/>	<hr/>
Total financial assets at FVOCI	2,104,041	-
	<hr/>	<hr/>

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

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

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

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

	<b>Group and Bank</b>		
	<b>Stage1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Total RM'000</b>
At 1 January 2018	-	-	-
Effects of changes in accounting policies	603	-	603
At 1 January 2018, as restated	603	-	603
(Writeback)/Allowances made due to changes in credit risk	(303)	908	605
At 30 June 2018	<u>300</u>	<u>908</u>	<u>1,208</u>

The impairment losses by external rating grade are as follows:

	<b>Group and Bank</b>		
	<b>Stage1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Total RM'000</b>
<i>External rating grade</i>			
Performing			
RAM AAA	7	-	7
MARC AAA	25	-	25
RAM AA	65	-	65
MARC AA-	203	-	203
RAM BB	-	908	908
Total	<u>300</u>	<u>908</u>	<u>1,208</u>



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

**(b) Financial assets available-for-sale**

	<b>Group and Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>At fair value</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	-	672,074
<b>Money market securities</b>		
Commercial papers	-	171,723
<b>Non-money market securities</b>		
Debt securities:		
Private debt securities	-	1,069,336
Total financial assets available-for-sale	-	1,913,133

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

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

	<b>Group and Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>At amortised cost</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	92,584	-
<b>Non-money market securities</b>		
Debt securities:		
Private debt securities	370,233	-
Accumulated impairment losses	(82)	-
Total financial assets at amortised cost	462,735	-

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

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

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

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

	<b>Group and Bank</b>
	<b>RM'000</b>
<u>Stage 1</u>	
At 1 January 2018	-
Impact of adopting MFRS 9	78
At 1 January 2018, as restated	78
Allowance made due to changes in credit risk	4
At 30 June 2018	<u>82</u>

The impairment losses by external rating grade are as follows:

	<b>Group and Bank</b>
	<b>Stage1</b>
	<b>RM'000</b>
<i>External rating grade</i>	
Performing	
MARC AAA	13
RAM AA	48
MARC AA-	21
Total	<u>82</u>

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

	<b>Group and Bank</b>	
	<b>As at 30</b>	<b>As at 31</b>
	<b>June</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	-	111,705
<b>Non-money market securities</b>		
Debt securities:		
Private debt securities	-	456,880
Total financial assets held-to-maturity	<u>-</u>	<u>568,585</u>

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

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

**(e) Advances and financing**

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Bai' Bithaman Ajil	1,660,880	1,839,631	1,596,711	1,771,725
Bai' Murabahah	554,271	953,699	554,011	947,512
Bai' Istisna	586,617	692,226	579,219	684,699
Ijarah	463,557	488,660	452,051	476,851
Ijarah Thumma Al-Bai	404,011	424,991	347,690	367,861
Bai' Dayn	121,303	63,930	118,358	63,930
Tawwaruq	2,382,161	1,402,269	2,375,272	1,402,269
Bai' Inah	80,185	33,655	80,185	33,488
Wakalah	77,309	364,254	76,337	363,276
Gross advances and financing	6,330,294	6,263,315	6,179,834	6,111,611
Less: Expected credit losses/ allowance for impairment losses				
- individual assessment allowances	(459,167)	(271,193)	(387,158)	(214,997)
- expected credit losses/ collective assessment allowances	(90,894)	(137,990)	(90,894)	(111,107)
Net advances and financing	5,780,233	5,854,132	5,701,782	5,785,507
Gross impaired advances and financing	1,060,773	877,541	910,313	725,837
Net impaired advances and financing	601,606	606,348	523,155	510,840

Included in advances and financing are gross advances and financing of RM39,826,000 (2017: RM43,757,000) financed by the Government funds.

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

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

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Maturity within one year	855,822	775,519	746,518	664,940
More than one year to three years	821,072	691,632	807,669	678,259
More than three years to five years	1,125,935	1,229,309	1,108,638	1,212,012
More than five years	3,527,465	3,566,855	3,517,009	3,556,400
	<u>6,330,294</u>	<u>6,263,315</u>	<u>6,179,834</u>	<u>6,111,611</u>

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Domestic business enterprise	6,312,149	6,247,745	6,161,689	6,096,041
Individual	18,145	15,570	18,145	15,570
	<u>6,330,294</u>	<u>6,263,315</u>	<u>6,179,834</u>	<u>6,111,611</u>

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Constructions	1,166,764	950,129	1,164,799	948,164
Education, health and others	630,212	1,097,575	594,033	1,061,327
Electricity, gas and water supply	147,802	36,396	147,802	36,396
Financial, insurance, real estate and business services	1,051,167	857,930	1,047,754	854,469
Manufacturing	1,104,517	1,172,496	1,042,675	1,110,201
Mining and quarrying	44,845	27,860	44,845	27,860
Primary agriculture	5,729	4,030	5,729	4,030
Transportation, storage and communication	781,229	722,535	748,627	689,936
Wholesale, retail trade, restaurants and hotels	1,379,884	1,378,794	1,365,425	1,363,658
Others	18,145	15,570	18,145	15,570
	<u>6,330,294</u>	<u>6,263,315</u>	<u>6,179,834</u>	<u>6,111,611</u>

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

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

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

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	634,204	78,758	121,725	140,107	73,752	118,218	1,166,764
Education, health and others	391,358	44,606	52,666	95,069	21,042	25,471	630,212
Electricity, gas and water supply	140,772	1,961	81	4,176	439	373	147,802
Financial, insurance, real estate and business services	733,310	53,161	100,260	21,938	91,567	50,931	1,051,167
Manufacturing	550,355	118,469	200,096	133,720	50,009	51,868	1,104,517
Mining and quarrying	4,582	-	-	10,730	27,167	2,366	44,845
Primary agriculture	1,132	-	612	63	3,922	-	5,729
Transportation, storage and communication	329,190	101,458	81,514	129,100	43,143	96,824	781,229
Wholesale, retail trade, restaurants and hotels	684,037	128,507	94,069	166,919	209,683	96,669	1,379,884
Others	18,145	-	-	-	-	-	18,145
At 30 June 2018	<b>3,487,085</b>	<b>526,920</b>	<b>651,023</b>	<b>701,822</b>	<b>520,724</b>	<b>442,720</b>	<b>6,330,294</b>

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

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

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

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	468,333	117,430	126,447	63,913	84,584	89,422	950,129
Education, health and others	625,945	66,001	104,975	193,151	42,209	65,294	1,097,575
Electricity, gas and water supply	30,918	1,178	-	3,863	437	-	36,396
Financial, insurance, real estated and business services	644,668	14,966	104,368	35,362	52,297	6,269	857,930
Manufacturing	675,228	122,087	185,411	96,510	41,459	51,801	1,172,496
Mining and quarrying	12,618	1,879	-	10,617	-	2,746	27,860
Primary agriculture	781	-	655	76	2,518	-	4,030
Transportation, storage and communication	306,829	104,213	61,494	101,925	66,784	81,290	722,535
Wholesale, retail trade, restaurants and hotels	561,667	189,410	85,626	232,748	232,511	76,832	1,378,794
Others	15,570	-	-	-	-	-	15,570
At 31 December 2017	<b>3,342,557</b>	<b>617,164</b>	<b>668,976</b>	<b>738,165</b>	<b>522,799</b>	<b>373,654</b>	<b>6,263,315</b>

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

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

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

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	632,239	78,758	121,725	140,107	73,752	118,218	1,164,799
Education, health and others	355,179	44,606	52,666	95,069	21,042	25,471	594,033
Electricity, gas and water supply	140,772	1,961	81	4,176	439	373	147,802
Financial, insurance, real estate and business services	729,897	53,161	100,260	21,938	91,567	50,931	1,047,754
Manufacturing	488,513	118,469	200,096	133,720	50,009	51,868	1,042,675
Mining and quarrying	4,582	-	-	10,730	27,167	2,366	44,845
Primary agriculture	1,132	-	612	63	3,922	-	5,729
Transportation, storage and communication	296,588	101,458	81,514	129,100	43,143	96,824	748,627
Wholesale, retail trade, restaurants and hotels	669,578	128,507	94,069	166,919	209,683	96,669	1,365,425
Others	18,145	-	-	-	-	-	18,145
<b>At 30 June 2018</b>	<b>3,336,625</b>	<b>526,920</b>	<b>651,023</b>	<b>701,822</b>	<b>520,724</b>	<b>442,720</b>	<b>6,179,834</b>

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

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

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

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	466,368	117,430	126,447	63,913	84,584	89,422	948,164
Education, health and others	589,697	66,001	104,975	193,151	42,209	65,294	1,061,327
Electricity, gas and water supply	30,918	1,178	-	3,863	437	-	36,396
Financial, insurance, real estate and business services	641,207	14,966	104,368	35,362	52,297	6,269	854,469
Manufacturing	612,933	122,087	185,411	96,510	41,459	51,801	1,110,201
Mining and quarrying	12,618	1,879	-	10,617	-	2,746	27,860
Primary agriculture	781	-	655	76	2,518	-	4,030
Transportation, storage and communication	274,230	104,213	61,494	101,925	66,784	81,290	689,936
Wholesale, retail trade, restaurants and hotels	546,531	189,410	85,626	232,748	232,511	76,832	1,363,658
Others	15,570	-	-	-	-	-	15,570
<b>At 31 December 2017</b>	<b>3,190,853</b>	<b>617,164</b>	<b>668,976</b>	<b>738,165</b>	<b>522,799</b>	<b>373,654</b>	<b>6,111,611</b>



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

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

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Fixed rate				
- Staff financing	18,145	15,570	18,145	15,570
- Hire purchase receivables	296,320	327,678	239,613	270,548
- Leasing	38,140	44,535	38,056	44,451
- Revolving credits	239,682	248,508	236,593	245,425
- Other term financing	1,449,758	1,561,855	1,359,921	1,471,401
Variable rate				
- Hire purchase receivables	76,822	67,878	76,822	67,878
- Leasing	5,839	3,180	5,839	3,180
- Revolving credits	828,913	682,773	828,913	682,773
- Other term financing	3,376,675	3,311,338	3,375,932	3,310,385
	<u>6,330,294</u>	<u>6,263,315</u>	<u>6,179,834</u>	<u>6,111,611</u>

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Constructions	91,957	57,781	89,992	55,816
Education, health and others	107,149	168,956	70,970	132,708
Electricity, gas and water supply	17,840	54	17,840	54
Financial, insurance, real estate and business services	99,682	39,410	96,269	35,949
Manufacturing	282,276	258,322	220,438	196,026
Mining and quarrying	389	377	389	377
Primary agriculture	260	296	260	296
Transportation, storage and communication	200,737	168,277	168,135	135,678
Wholesale, retail trade, restaurants and hotels	260,483	184,068	246,020	168,933
	<u>1,060,773</u>	<u>877,541</u>	<u>910,313</u>	<u>725,837</u>

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

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

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

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	30,983	3,673	33,483	7,746	7,732	8,340	91,957
Education, health and others	85,689	3,410	5,559	10,722	1,120	649	107,149
Electricity, gas and water supply	17,840	-	-	-	-	-	17,840
Financial, insurance, real estate and business services	85,835	1,076	4,843	2,906	4,830	192	99,682
Manufacturing	157,631	26,394	59,825	28,671	6,028	3,727	282,276
Mining and quarrying	-	-	-	389	-	-	389
Primary agriculture	-	-	60	-	200	-	260
Transportation, storage and communication	99,651	5,865	21,877	40,394	4,632	28,318	200,737
Wholesale, retail trade, restaurants and hotels	128,969	8,187	16,716	34,439	67,460	4,712	260,483
At 30 June 2018	<u>606,598</u>	<u>48,605</u>	<u>142,363</u>	<u>125,267</u>	<u>92,002</u>	<u>45,938</u>	<u>1,060,773</u>

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

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

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

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	22,716	3,526	25,688	494	3,345	2,012	57,781
Education, health and others	110,077	6,260	7,495	43,084	1,210	830	168,956
Electricity, gas and water supply	54	-	-	-	-	-	54
Financial, insurance, real estate and business services	33,091	464	3,738	1,974	-	143	39,410
Manufacturing	166,510	31,290	45,298	13,688	1,254	282	258,322
Mining and quarrying	-	-	-	377	-	-	377
Primary agriculture	-	-	95	-	201	-	296
Transportation, storage and communication	87,696	1,293	14,644	39,822	1,608	23,214	168,277
Wholesale, retail trade, restaurants and hotels	78,054	8,489	13,905	26,658	55,407	1,555	184,068
At 31 December 2017	498,198	51,322	110,863	126,097	63,025	28,036	877,541

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

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

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

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	29,018	3,673	33,483	7,746	7,732	8,340	89,992
Education, health and others	49,510	3,410	5,559	10,722	1,120	649	70,970
Electricity, gas and water supply	17,840	-	-	-	-	-	17,840
Financial, insurance, real estate and business services	82,422	1,076	4,843	2,906	4,830	192	96,269
Manufacturing	95,793	26,394	59,825	28,671	6,028	3,727	220,438
Mining and quarrying	-	-	-	389	-	-	389
Primary agriculture	-	-	60	-	200	-	260
Transportation, storage and communication	67,049	5,865	21,877	40,394	4,632	28,318	168,135
Wholesale, retail trade, restaurants and hotels	114,506	8,187	16,716	34,439	67,460	4,712	246,020
At 30 June 2018	456,138	48,605	142,363	125,267	92,002	45,938	910,313

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

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

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

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	20,751	3,526	25,688	494	3,345	2,012	55,816
Education, health and others	73,829	6,260	7,495	43,084	1,210	830	132,708
Electricity, gas and water supply	54	-	-	-	-	-	54
Financial, insurance, real estate and business services	29,630	464	3,738	1,974	-	143	35,949
Manufacturing	104,214	31,290	45,298	13,688	1,254	282	196,026
Mining and quarrying	-	-	-	377	-	-	377
Primary agriculture	-	-	95	-	201	-	296
Transportation, storage and communication	55,097	1,293	14,644	39,822	1,608	23,214	135,678
Wholesale, retail trade, restaurants and hotels	62,919	8,489	13,905	26,658	55,407	1,555	168,933
At 31 December 2017	<u>346,494</u>	<u>51,322</u>	<u>110,863</u>	<u>126,097</u>	<u>63,025</u>	<u>28,036</u>	<u>725,837</u>

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

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

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
<b><u>Collective Assessment Allowance</u></b>				
At 1 January	137,990	121,476	111,107	98,430
Impact of adopting MFRS 9	(47,130)	-	(47,130)	-
At 1 January, as restated	90,860	121,476	63,977	98,430
Amount transfer to individual assessment allowance	(8,387)	(12,105)	(8,387)	(12,105)
Allowance made during the period/year	41,832	106,802	41,832	101,990
Writeback made during the period/year	(8,129)	(78,183)	(8,129)	(77,208)
New financial assets originated	6,858	-	6,858	-
Amount settled	(32,141)	-	(5,258)	-
Closing balance	90,894	137,990	90,894	111,107

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

Group	Stage1 RM'000	Stage 2 RM'000	Total RM'000
At 1 January 2018	-	-	137,990
Impact of adopting MFRS 9	-	-	(74,013)
At 1 January 2018, as restated	48,151	15,827	63,977
Changes due to loans, advances and financing recognised as at 1 January 2018:			
-Transfers to Stage 1	1,739	(4,000)	(2,261)
-Transfers to Stage 2	(4,129)	40,093	35,964
-Transfers to Stage 3	(758)	(7,629)	(8,387)
	(3,148)	28,464	25,316
New financial assets originated	6,486	372	6,858
Amount settled	(4,321)	(936)	(5,258)
At 30 June 2018	47,167	43,726	90,894

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

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

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

<b>Bank</b>	<b>Stage1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Total RM'000</b>
At 1 January 2018	-	-	111,107
Impact of adopting MFRS 9	-	-	(47,130)
At 1 January 2018, as restated	48,151	15,827	63,977
Changes due to loans, advances and financing recognised as at 1 January 2018:			
-Transfers to Stage 1	1,739	(4,000)	(2,261)
-Transfers to Stage 2	(4,129)	40,093	35,964
-Transfers to Stage 3	(758)	(7,629)	(8,387)
	(3,148)	28,464	25,316
New financial assets originated	6,486	372	6,858
Amount settled	(4,321)	(936)	(5,258)
At 30 June 2018	47,167	43,726	90,894

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b><u>Individual Assessment Allowance</u></b>				
At 1 January	271,193	233,283	214,997	178,752
Impact of adopting MFRS 9	157,330	-	157,330	-
At 1 January, as restated	428,523	233,283	372,327	178,752
Net amount transfer from collective assessment allowance	32,944	12,105	32,944	12,105
Allowance made during the period	53,148	184,820	37,335	180,476
Amount written back in respect of recoveries	(44,740)	(90,009)	(44,740)	(87,330)
Amount written off	-	(69,006)	-	(69,006)
Amount settled	(12,742)	-	(12,742)	-
New financial assets originated	2,034	-	2,034	-
Closing balance	459,167	271,193	387,158	214,997

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

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
At 1 January	877,541	757,978	725,837	602,962
Impaired during the period/year	271,407	303,025	271,407	303,025
Reclassified as non-impaired	(63,014)	(39,148)	(63,014)	(39,148)
Offsetted against other payables	-	(8,808)	-	(8,808)
Amount recovered	(25,161)	(55,604)	(23,917)	(52,292)
Amount write-off	-	(79,902)	-	(79,902)
(ix) Closing balance	1,060,773	877,541	910,313	725,837

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

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

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Net impaired loans	10.25%	15.75%	9.03%	9.51%

**(f) Deposit from customer**

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Term deposit:				
- Commodity Murabahah	3,257,816	3,261,929	3,337,557	3,321,145
	<u>3,257,816</u>	<u>3,261,929</u>	<u>3,337,557</u>	<u>3,321,145</u>

(i) By types of customers

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Government and statutory bodies	2,149,679	2,051,954	2,149,679	2,051,954
Business enterprises	517,085	501,839	596,826	561,055
Others	591,052	708,136	591,052	708,136
	<u>3,257,816</u>	<u>3,261,929</u>	<u>3,337,557</u>	<u>3,321,145</u>

(ii) The maturity structure

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Less than three months	2,806,662	2,453,571	2,810,287	2,511,711
Three months to six months	184,068	736,520	247,484	737,596
Six months to one year	267,086	71,838	279,786	71,838
	<u>3,257,816</u>	<u>3,261,929</u>	<u>3,337,557</u>	<u>3,321,145</u>



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

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

	<b>Group and Bank</b>	
	<b>As at 30</b>	<b>As at 31</b>
	<b>June</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	551,088	100,172

The deposits maturity structure are as follows:

	<b>Group and Bank</b>	
	<b>As at 30</b>	<b>As at 31</b>
	<b>June</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Less than three months	551,088	100,172

**(h) Term financing**

	<b>Group and Bank</b>	
	<b>As at 30</b>	<b>As at 31</b>
	<b>June</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Unsecured term financing	303,938	326,489

The maturity structure of the term financing are as follows:

	<b>Group and Bank</b>	
	<b>As at 30</b>	<b>As at 31</b>
	<b>June</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Within twelve months	65,968	37,909
More than twelve months	237,970	288,580
	<u>303,938</u>	<u>326,489</u>

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

	<b>Group and Bank</b>	
	<b>As at 30</b>	<b>As at 31</b>
	<b>June</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Financing from:		
- Government of Malaysia	156,297	155,882
- Bank Negara Malaysia ("BNM")	147,641	170,607
	<u>303,938</u>	<u>326,489</u>

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

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

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

## To finance advances and financing:

Group and Bank	Soft Loan Scheme RM'000	Program dan Skim Usahawan Batik RM'000	Soft Loan Scheme (SMA) RM'000	Tabung Usahawan Siswazah (TUS) RM'000	Dana Usahawan Negeri Terengganu RM'000	Program dan Skim Usahawan Kraf RM'000	Skim Anjakan Usahawan RM'000	Total RM'000
At 1 January 2018	36,406	4,168	30,090	13,380	4,516	4,756	58,848	152,164
Financing written-off recoverable Muqasah	4	-	2,200	475	81	-	-	2,760
	-	-	-	-	(23)	-	-	(23)
At 30 June 2018	36,410	4,168	32,290	13,855	4,574	4,756	58,848	154,901

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

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

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

Group	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	June 2018	June 2017	June 2018	June 2017
	RM'000	RM'000	RM'000	RM'000
Income from advances and financing				
- Bai' Bithaman Ajil	25,613	28,526	54,873	63,089
- Bai' Murabahah	15,284	12,449	18,312	21,513
- Bai' Istisna	8,693	10,514	19,381	24,314
- Ijarah	7,318	3,926	15,315	16,648
- Ijarah Thumma Al-Bai	7,240	3,479	13,348	7,934
- Bai' Dayn	2,841	2,076	4,008	4,473
- Tawwaruq	32,127	26,906	78,703	44,483
- Bai' Inah	1,639	298	2,649	815
- Wakalah	1,763	-	2,554	-
Total income from advances and financing	102,519	88,174	209,144	183,269
Mudharabah deposit acceptance	6,899	17,691	16,801	28,424
Derivative financial asset	1,215	861	3,178	1,733
Financial asset at fair value through other comprehensive income	21,928	-	42,805	-
Financial asset at amortised cost	4,914	-	9,784	-
Financial asset available-for-sale	-	19,010	-	34,532
Financial asset held-to-maturity	-	6,502	-	12,902
Other income (Note (k))	5,159	10,777	11,132	15,218
	142,634	143,015	292,844	276,078

Bank	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	June 2018	June 2017	June 2018	June 2017
	RM'000	RM'000	RM'000	RM'000
Income from advances and financing				
- Bai' Bithaman Ajil	24,267	27,647	52,373	61,683
- Bai' Murabahah	15,264	12,812	18,172	21,837
- Bai' Istisna	8,733	10,555	18,999	24,383
- Ijarah	7,145	3,838	14,827	16,243
- Ijarah Thumma Al-Bai	5,537	3,335	11,404	7,220
- Bai' Dayn	2,761	2,119	3,882	4,540
- Tawwaruq	33,573	26,286	77,910	44,085
- Bai' Inah	1,660	457	2,630	826
- Wakalah	1,744	-	2,504	-
Total income from advances and financing	100,684	87,049	202,701	180,817
Mudharabah deposit acceptance	6,899	17,691	16,801	28,424
Derivative financial asset	1,215	861	3,178	1,733
Financial asset at fair value through other comprehensive income	21,928	-	42,805	-
Financial asset at amortised cost	4,914	-	9,784	-
Financial asset available-for-sale	-	19,010	-	34,532
Financial asset held-to-maturity	-	6,502	-	12,902
Other income (Note (k))	9,051	15,331	17,518	24,279
	144,691	146,444	292,787	282,687

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

**(k) Other income**

	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
<b>Group</b>				
Fee income	2,110	2,068	5,425	4,962
Rental income	2,588	2,517	5,129	5,029
Government fund release/(writeback)	-	3,822	-	2,732
Others	461	2,370	578	2,495
	<u>5,159</u>	<u>10,777</u>	<u>11,132</u>	<u>15,218</u>

	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
<b>Bank</b>				
Fee income	1,979	2,067	3,852	4,962
Rental income	2,588	2,517	5,129	5,029
Government fund release/(writeback)	-	3,822	-	2,732
Management fees	104	105	209	210
Profit income on amount owing by subsidiaries companies	3,928	-	7,762	-
Others	452	6,820	566	11,346
	<u>9,051</u>	<u>15,331</u>	<u>17,518</u>	<u>24,279</u>

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

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

<b>Group</b>	<b>Second Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 30 June 2017 RM'000</b>	<b>As at 30 June 2018 RM'000</b>	<b>As at 30 June 2017 RM'000</b>
Commodity murabahah	29,808	40,627	61,105	72,938
Medium term notes	17,563	16,627	34,933	29,869
Long term financing	759	970	1,542	1,961
Deposits from bank and other financial institutions	3,148	1,011	7,090	2,257
Others	1,543	943	2,957	3,676
	<b>52,821</b>	<b>60,178</b>	<b>107,627</b>	<b>110,701</b>

<b>Bank</b>	<b>Second Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 30 June 2017 RM'000</b>	<b>As at 30 June 2018 RM'000</b>	<b>As at 30 June 2017 RM'000</b>
Commodity murabahah	30,826	41,608	62,430	74,731
Medium term notes	17,563	16,627	34,933	29,869
Long term financing	759	970	1,542	1,961
Deposits from bank and other financial institutions	3,148	1,012	7,090	2,258
Others	1,543	944	2,957	3,677
	<b>53,839</b>	<b>61,161</b>	<b>108,952</b>	<b>112,496</b>

**(m) Other operating expenses**

<b>Group</b>	<b>Second Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 30 June 2017 RM'000</b>	<b>As at 30 June 2018 RM'000</b>	<b>As at 30 June 2017 RM'000</b>
Personnel expenses	35,015	29,102	69,495	58,841
Establishment related expenses	9,307	7,288	19,792	15,194
Promotion and marketing expenses	1,538	476	2,880	1,978
Administration and general expenses	7,928	5,869	14,931	11,132
	<b>53,788</b>	<b>42,735</b>	<b>107,098</b>	<b>87,145</b>

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

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

	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
<b>Bank</b>				
Personnel expenses	33,740	29,102	67,039	58,841
Establishment related expenses	9,829	7,286	19,722	15,192
Promotion and marketing expenses	1,445	477	2,852	1,979
Administration and general expenses	7,058	6,318	14,489	13,374
	<u>52,072</u>	<u>43,183</u>	<u>104,102</u>	<u>89,386</u>

**(n) Expected credit losses/Allowances for impairment on advances and financing**

	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
<b>Group</b>				
Expected credit losses/ Allowances for impairment on advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	57,280	23,538	116,131	49,960
- Individual assesment allowance	51,799	38,665	106,129	64,671
	<u>109,079</u>	<u>62,203</u>	<u>222,260</u>	<u>114,631</u>
Impairment reversal for loans, advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	(44,882)	(19,259)	(94,549)	(35,315)
- Individual assesment allowance	(44,412)	(13,462)	(91,298)	(35,758)
	<u>(89,294)</u>	<u>(32,721)</u>	<u>(185,847)</u>	<u>(71,073)</u>
Impaired advances and financing recovered	<u>(2,547)</u>	<u>2,386</u>	<u>(3,277)</u>	<u>(1,058)</u>
<b>Total expected credit losses/ allowances for impairment on advances and financing</b>	<u>17,238</u>	<u>31,868</u>	<u>33,136</u>	<u>42,500</u>

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

**(n) Expected credit losses/Allowances for impairment on advances and financing (cont'd)**

	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
<b>Bank</b>				
Expected credit losses/ Allowances for impairment on advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	57,280	23,538	116,131	49,960
- Individual assesment allowance	51,799	38,665	106,129	64,671
	<u>109,079</u>	<u>62,203</u>	<u>222,260</u>	<u>114,631</u>
Impairment reversal for loans, advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	(44,882)	(19,259)	(94,549)	(35,315)
- Individual assesment allowance	(44,412)	(13,462)	(91,298)	(35,758)
	<u>(89,294)</u>	<u>(32,721)</u>	<u>(185,847)</u>	<u>(71,073)</u>
Impaired advances and financing recovered	<u>(2,547)</u>	<u>2,386</u>	<u>(3,277)</u>	<u>(1,058)</u>
<b>Total expected credit losses/ allowances for impairment on advances and financing</b>	<u>17,238</u>	<u>31,868</u>	<u>33,136</u>	<u>42,500</u>

**(o) Commitments**

	Group and Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Direct credit substitutes	136,470	182,276
Transaction-related-contingent items	173,222	171,207
Irrevocable commitments to extend credit:		
- maturity exceeding one year	136,434	136,812
- maturity not exceeding one year	502,187	539,028
Profit rate related contract	350,000	350,000
	<u>1,298,313</u>	<u>1,379,323</u>

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

**(p) Capital adequacy**

**Capital management**

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

	<b>Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<u>Tier I Capital</u>		
Capital funds	1,050,564	1,050,564
Retained profit*	508,778	508,778
Less: Deferred tax	(118,066)	(118,066)
Less: Property revaluation reserves	(212,229)	(212,229)
Total Tier I capital	<u>1,229,047</u>	<u>1,229,047</u>
<u>Tier II Capital</u>		
Expected credit losses/ collective allowances for advances and financing**	92,064	67,508
Property revaluation reserves	106,115	106,115
Government funds	154,901	152,164
Total Tier II capital	<u>353,080</u>	<u>325,787</u>
Total capital	1,582,127	1,554,834
Less: Investment in subsidiaries	(3,582)	(3,582)
Total capital base	<u>1,578,545</u>	<u>1,551,252</u>

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

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

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

	<b>Bank</b>	
	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
20%	182,924	114,037
50%	40,368	41,590
100%	8,267,024	8,267,405
	<u>8,490,316</u>	<u>8,423,032</u>

Before deducting proposed dividends:

Core capital ratio	14.48%	14.59%
Risk-weighted capital ratio	<u>18.59%</u>	<u>18.42%</u>