

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

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Notes	Group		Bank	
		As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
ASSETS					
Cash and short term funds		1,479,531	485,308	1,470,092	481,615
Deposits and placements with banks		30,571	151,878	30,571	151,878
Financial assets	9	2,332,579	2,722,241	2,332,579	2,722,241
Loans, advances and financing	10	5,474,014	5,657,732	5,474,014	5,657,732
Other assets		36,752	14,903	49,197	132,218
Derivative financial assets		-	2,816	-	2,816
Investment in subsidiaries		-	-	-	-
Investment in associate		3,548	3,548	-	-
Property, plant and equipment		138,644	139,517	138,629	139,497
Investment properties		373,214	373,214	373,214	373,214
Intangible assets		18,682	17,785	18,666	17,759
Tax recoverable		26,032	29,857	25,597	26,083
Deferred tax assets		120,059	120,059	120,059	120,059
TOTAL ASSETS		10,033,626	9,718,858	10,032,618	9,825,112
LIABILITIES					
Deposits from customers	11	3,097,787	2,974,984	3,113,966	3,071,441
Deposits from banks and other financial institutions	12	315,088	301,417	315,088	301,417
Medium-term notes		2,023,398	1,821,436	2,023,398	1,821,436
Borrowings	13	1,905,218	1,982,921	1,905,218	1,982,921
Other liabilities		1,007,910	1,039,958	1,005,808	1,055,495
Government funds		341,513	326,344	341,513	326,344
TOTAL LIABILITIES		8,690,914	8,447,060	8,704,991	8,559,054
EQUITY					
Share capital		1,850,000	1,850,000	1,850,000	1,850,000
Accumulated Losses		(541,628)	(583,618)	(556,713)	(589,358)
Other reserves		34,340	5,416	34,340	5,416
TOTAL EQUITY		1,342,712	1,271,798	1,327,627	1,266,058
TOTAL LIABILITIES AND EQUITY		10,033,626	9,718,858	10,032,618	9,825,112
COMMITMENTS AND CONTINGENCIES		1,589,523	1,675,103	1,589,523	1,675,103

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

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

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

Group	Notes	Second Quarter Ended		Cumulative 6 Months Ended	
		As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Interest income	14	5,240	7,248	10,878	13,715
Interest expense	15	(13,563)	(13,994)	(27,216)	(27,711)
Net interest income		(8,323)	(6,746)	(16,338)	(13,996)
Gross income from Islamic banking business	21	93,032	89,813	194,835	185,217
Other operating income	16	2,461	1,608	4,344	3,312
Net income		87,170	84,675	182,841	174,533
Other operating expenses	17	(25,360)	(59,207)	(81,000)	(115,612)
Operating profit		61,810	25,468	101,841	58,921
Net impairment loss on financial assets :					
- loans, advances and financing	18	(30,743)	(17,045)	(53,416)	(32,445)
- commitment and contingencies	10(xi)	223	(217)	24	1,016
- debt instruments at FVOCI	9(a)	(3,502)	242	(3,324)	(605)
- debt instruments at AC	9(c)	(27)	-	13	(4)
- other assets		(245)	(296)	(563)	(556)
		27,516	8,152	44,575	26,327
Share of loss after tax of associate		-	(754)	-	(754)
Profit before tax expense and zakat		27,516	7,398	44,575	25,573
Tax expense		(293)	(2,078)	(585)	(2,422)
Zakat		(1,000)	(1,000)	(2,000)	(2,000)
Profit for the period		26,223	4,320	41,990	21,151
Other comprehensive income/(loss) item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of					
- debt instruments at FVOCI		10,337	(8,841)	33,684	(9,513)
Changes in expected credit losses of					
- debt instruments at FVOCI		3,502	(242)	3,324	605
Income tax expense relating to components of other comprehensive income		(2,481)	-	(8,084)	-
Other comprehensive income for the period, net of tax		11,358	(9,083)	28,924	(8,908)
Total comprehensive income for the period, net of tax		37,581	(4,763)	70,914	12,243
Profit for the period attributable to owner of the Bank		26,223	4,320	41,990	21,151
Total comprehensive income attributable to owner of the Bank		37,581	(4,763)	70,914	12,243

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

**Small Medium Enterprise Development Bank Malaysia Berhad
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2019 (CONT'D)**

Bank	Notes	Second Quarter Ended		Cumulative 6 Months Ended	
		As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Interest income	14	5,240	6,413	10,878	12,880
Interest expense	15	(13,563)	(13,994)	(27,216)	(27,711)
Net interest income		(8,323)	(7,581)	(16,338)	(14,831)
Gross income from Islamic banking business	21	86,007	90,852	184,555	183,835
Other operating income	16	2,461	1,608	4,344	3,312
Net income		80,145	84,879	172,561	172,316
Other operating expenses	17	(24,885)	(55,621)	(79,614)	(110,756)
Operating profit		55,260	29,258	92,947	61,560
Net impairment loss on financial assets :					
- loans, advances and financing	18	(29,849)	(17,045)	(53,867)	(32,445)
- commitment and contingencies	10(xi)	223	(217)	24	1,016
- debt instruments at FVOCI	9(a)	(3,502)	242	(3,324)	(605)
- debt instruments at AC	9(c)	(27)	-	13	(4)
- other assets		(245)	(296)	(563)	(556)
Profit before tax expense and zakat		21,860	11,942	35,230	28,966
Tax expense		(293)	(2,078)	(585)	(2,422)
Zakat		(1,000)	(1,000)	(2,000)	(2,000)
Profit for the period		20,567	8,864	32,645	24,544
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of					
- debt instruments at FVOCI		10,337	(8,841)	33,684	(9,513)
Changes in expected credit losses of					
- debt instruments at FVOCI		3,502	(242)	3,324	605
Income tax expense/(credit) relating to components of other comprehensive income		(2,481)	-	(8,084)	-
Other comprehensive income for the period, net of tax		11,358	(9,083)	28,924	(8,908)
Total comprehensive income for the period, net of tax		31,925	(219)	61,569	15,636
Profit for the period attributable to owner of the Bank		20,567	8,864	32,645	24,544
Total comprehensive income attributable to owner of the Bank		31,925	(219)	61,569	15,636

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

**Small Medium Enterprise Development Bank Malaysia Berhad
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

Group	<=====Attributable to the Owner of the Bank=====>				
	Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019	1,850,000	(4,698)	10,114	(583,618)	1,271,798
Unrealised loss on revaluation of debt instruments at FVOCI	-	33,684	-	-	33,684
Changes in expected credit losses of debt instruments at FVOCI	-	3,324	-	-	3,324
Income tax relating to components of other comprehensive income	-	(8,084)	-	-	(8,084)
Profit for the period	-	-	-	41,990	41,990
Total comprehensive income for the period	-	28,924	-	41,990	70,914
At 30 June 2019	1,850,000	24,226	10,114	(541,628)	1,342,712
At 1 January 2018	1,850,000	(12,601)	10,114	5,810	1,853,323
Unrealised loss on revaluation of debt instruments at FVOCI	-	(2,362)	-	-	(2,362)
Changes in expected credit losses of debt instruments at FVOCI	-	9,698	-	-	9,698
Income tax relating to components of other comprehensive income	-	567	-	-	567
Loss for the year	-	-	-	(556,128)	(556,128)
Total comprehensive loss for the year	-	7,903	-	(556,128)	(548,225)
Dividends	-	-	-	(33,300)	(33,300)
At 31 December 2018	1,850,000	(4,698)	10,114	(583,618)	1,271,798

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

**Small Medium Enterprise Development Bank Malaysia Berhad
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2019 (CONT'D)**

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

	Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Retained earnings RM'000	Total RM'000
Bank					
At 1 January 2019	1,850,000	(4,698)	10,114	(589,358)	1,266,058
Unrealised loss on revaluation of debt instruments at FVOCI	-	33,684	-	-	33,684
Changes in expected credit losses of debt instruments at FVOCI	-	3,324	-	-	3,324
Income tax relating to components of other comprehensive income	-	(8,084)	-	-	(8,084)
Profit for the period	-	-	-	32,645	32,645
Total comprehensive income for the period	-	28,924	-	32,645	61,569
At 30 June 2019	1,850,000	24,226	10,114	(556,713)	1,327,627
At 1 January 2018	1,850,000	(12,601)	10,114	(56,556)	1,790,957
Unrealised loss on revaluation of debt instruments at FVOCI	-	(2,362)	-	-	(2,362)
Changes in expected credit losses of debt instruments at FVOCI	-	9,698	-	-	9,698
Income tax relating to components of other comprehensive income	-	567	-	-	567
Loss for the year	-	-	-	(499,502)	(499,502)
Total comprehensive income for the year	-	7,903	-	(499,502)	(491,599)
Dividend	-	-	-	(33,300)	(33,300)
At 31 December 2018	1,850,000	(4,698)	10,114	(589,358)	1,266,058

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

**Small Medium Enterprise Development Bank Malaysia Berhad
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

	Group		Bank	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Notes	RM'000	RM'000	RM'000	RM'000
Cash flows from/ (used in) operating activities				
Profit before tax expense and zakat	44,575	25,573	35,230	28,966
Adjustments for:				
Impairment loss on loans, advances and financing	60,841	32,445	61,292	32,445
Impairment writeback of commitment and contingencies	(24)	(1,016)	(24)	(1,016)
Impairment (writeback)/ loss on debt instruments at AC	(13)	4	(13)	4
Impairment loss on debt instruments at FVOCI	3,324	605	3,324	605
Net impairment loss on other assets	563	-	563	-
Depreciation of property, plant and equipment	6,827	7,121	6,822	7,108
Amortisation of intangible assets	3,437	1,965	3,427	1,930
Government funds writeback, net	(1,719)	(1,749)	(1,719)	(1,749)
Interest income on financial assets at FVOCI	(15,676)	-	(15,676)	-
Interest income on financial assets at AC	(38,014)	-	(38,014)	-
Profit expense on medium term note	37,013	-	37,013	-
Profit expense on borrowings	27,996	-	27,996	-
Share of loss of associate	-	754	-	-
Operating profit before working capital changes	129,130	65,702	120,221	68,293
Changes in working capital:				
Net changes in operating assets	234,130	(15,194)	328,931	(37,835)
Net changes in operating liabilities	128,636	426,469	36,998	448,964
Cash from operating activities	491,896	476,977	486,150	479,422
Interest and profit paid	(59,081)	-	(59,081)	-
Interest and profit received	23,365	-	23,365	-
Net cash from operating activities	456,180	476,977	450,434	479,422
Cash flows from/ (used in) investing activities				
Net proceeds/ (purchase) from financial assets	420,000	(182,298)	420,000	(182,298)
Net purchase of property, plant and equipment	(5,954)	(7,928)	(5,954)	(7,941)
Net purchase of intangible assets	(4,334)	-	(4,334)	-
Net cash from/ (used in) investing activities	409,712	(190,226)	409,712	(190,239)
Cash flows from/ (used in) financing activities				
Net proceeds from Sukuk	200,000	-	200,000	-
Net repayments of borrowings	(81,669)	(29,695)	(81,669)	(29,695)
Proceed from government funds	10,000	-	10,000	-
Dividend paid	-	(33,300)	-	(33,300)
Net cash from/ (used in) financing activities	128,331	(62,995)	128,331	(62,995)
Net increase in cash and cash equivalents	994,223	223,756	988,477	226,188
Cash and cash equivalents at beginning of year	485,308	423,032	481,615	418,981
Cash and cash equivalents at end of year	1,479,531	646,788	1,470,092	645,169
Cash and cash equivalents comprise:				
- Cash and short term funds	1,479,531	646,788	1,470,092	645,169

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

1. Basis of preparation

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

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

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2018. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the year ended 31 December 2018.

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

The accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2018 except for adoption of the following amendments to Malaysian Financial Reporting Standards ("MFRS") and annual improvements to MFRSs, effective for annual periods beginning on or after 1 January 2019:-

- Leases (MFRS 16)
- Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)
- Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)
- Uncertainty over Income Tax Treatments (IC Interpretation 23)
- Annual improvements to MFRSs 2015-2017 cycle (Amendments to MFRSs)

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

2. Summary of Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018 were prepared in accordance with MFRS and International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2018.

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3. Significant Accounting Estimates and Judgements

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the financial year ended 31 December 2018.

4. Auditors' report on preceding audited annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2018 was not qualified.

5. Seasonal or cyclical factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the second quarter ended 30 June 2019.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank in second quarter ended 30 June 2019.

7. Changes in estimates

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

8. Dividends

No dividend has been proposed or paid for the second quarter ended 30 June 2019.

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9. Financial assets

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

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
(a) Debt instruments at FVOCI	1,607,839	1,904,721
(b) Equity instruments at FVOCI	141,803	143,387
(c) Debt instruments at AC	582,937	674,133
	<u>2,332,579</u>	<u>2,722,241</u>

(a) Debt instruments at FVOCI

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Government securities		
Malaysian Government Investment Issues	649,386	710,577
Malaysian Government Securities	-	175,323
	<u>649,386</u>	<u>885,900</u>
Non-money market securities		
Private debt securities	958,453	1,018,821
	<u>958,453</u>	<u>1,018,821</u>
Total debt instruments at FVOCI	<u>1,607,839</u>	<u>1,904,721</u>

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

	Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	301	-	10,000	10,301
New remeasurement of allowances	(173)	3,512	-	3,339
New financial assets originated or purchased	1	-	-	1
Financial assets derecognised	(16)	-	-	(16)
At 30 June 2019	<u>113</u>	<u>3,512</u>	<u>10,000</u>	<u>13,625</u>

The impairment losses by external rating grade are as follows:

	Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
RAM AAA	2	-	-	2
MARC AAA	6	-	-	6
RAM AA	15	-	-	15
MARC AA	3	-	-	3
MARC AA-	87	-	-	87
RAM BB	-	3,512	-	3,512
RAM C	-	-	10,000	10,000
Total	<u>113</u>	<u>3,512</u>	<u>10,000</u>	<u>13,625</u>

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9. Financial assets (cont'd.)

(b) Equity instruments at FVOCI

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Non-money market instruments		
Private debt securities	132,921	134,504
Unquoted shares	8,882	8,883
Total Equity instruments at FVOCI	141,803	143,387

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

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Government securities		
Malaysian Government Investment Issues	111,571	111,631
Money market securities		
Commercial papers	253,304	243,076
Non-money market securities		
Private debt securities	218,112	319,489
Total	582,987	674,196
Accumulated impairment losses		
Money market securities		
Commercial papers	(36)	(56)
Non-money market securities		
Private debt securities	(14)	(7)
Total	(50)	(63)
Total Debt instruments at AC	582,937	674,133

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9. Financial assets (cont'd.)

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

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

	Group and Bank Stage 1 RM'000
At 1 January 2019	63
New remeasurement of allowances	(25)
New financial assets originated or purchased	36
Financial assets derecognised	(24)
At 30 June 2019	<u>50</u>

The impairment losses by external rating grade are as follows:

	Group and Bank Stage 1 RM'000
MARC AAA	5
RAM AA	30
MARC AA	15
Total	<u>50</u>

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

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Within one year	267,905	344,418
More than one year to three years	152,517	95,101
More than three years to five years	122,176	194,277
More than five years	40,389	40,400
	<u>582,987</u>	<u>674,196</u>

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10. Loans, advances and financing

Total financial assets as at 30 June are as below:

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
(a) At AC	5,462,340	5,645,449	5,462,340	5,645,449
(b) At FVTPL	11,674	12,283	11,674	12,283
	<u>5,474,014</u>	<u>5,657,732</u>	<u>5,474,014</u>	<u>5,657,732</u>

(a) At AC

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Term loans				
- Hire purchase	334,336	373,469	296,303	335,424
- Leasing	347	363	1	15
- Other term loans	5,293,962	5,456,488	4,823,365	4,985,567
Revolving credits	1,245,919	1,166,536	1,232,502	1,153,006
Gross loans, advances and financing	<u>6,874,564</u>	<u>6,996,856</u>	<u>6,352,171</u>	<u>6,474,012</u>
Less: Allowance for impairment losses				
- Stage 1	(39,877)	(42,799)	(39,877)	(42,799)
- Stage 2	(63,775)	(55,642)	(63,775)	(55,642)
- Stage 3	(1,301,867)	(1,246,237)	(779,474)	(723,393)
- Commitment and contingencies	(6,705)	(6,729)	(6,705)	(6,729)
Net loans, advances and financing	<u>5,462,340</u>	<u>5,645,449</u>	<u>5,462,340</u>	<u>5,645,449</u>
Gross impaired loans, advances and financing	<u>2,158,894</u>	<u>2,005,646</u>	<u>1,636,501</u>	<u>1,482,802</u>
Net impaired loans, advances and financing	<u>857,027</u>	<u>759,409</u>	<u>857,027</u>	<u>759,409</u>
(b) At FVTPL				
Staff loan/financing	11,674	12,283	11,674	12,283

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

(a) At AC (cont'd.)

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	4,153,556	837,654	2,005,646	6,996,856
- Transfer to Stage 1	227,206	(197,412)	(29,794)	-
- Transfer to Stage 2	(354,488)	361,586	(7,098)	-
- Transfer to Stage 3	(84,463)	(116,518)	200,981	-
(Partial repayment)/ additional drawdown	(265,908)	(42,455)	9,826	(298,537)
New financial assets originated	636,351	30,126	4,934	671,411
Financial assets derecognised	(432,036)	(37,529)	(25,601)	(495,166)
At 30 June 2019	3,880,218	835,452	2,158,894	6,874,564
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Bank				
At 1 January 2019	4,153,556	837,654	1,482,802	6,474,012
- Transfer to Stage 1	227,206	(197,412)	(29,794)	-
- Transfer to Stage 2	(354,488)	361,586	(7,098)	-
- Transfer to Stage 3	(84,463)	(116,518)	200,981	-
(Partial repayment)/ additional drawdown	(265,908)	(42,455)	10,277	(298,086)
New financial assets originated	636,351	30,126	4,934	671,411
Financial assets derecognised	(432,036)	(37,529)	(25,601)	(495,166)
At 30 June 2019	3,880,218	835,452	1,636,501	6,352,171

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Within one year	1,359,621	1,188,541	937,788	843,653
More than one year to three years	973,535	1,004,449	953,184	987,876
More than three years to five years	831,681	975,451	776,103	909,282
More than five years	3,709,727	3,828,415	3,685,096	3,733,201
	6,874,564	6,996,856	6,352,171	6,474,012

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

(a) At AC (cont'd.)

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Domestic business enterprise	6,874,564	6,996,856	6,352,171	6,474,012

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Constructions	1,176,490	1,346,818	1,173,631	1,343,958
Education, health and others	633,951	584,409	585,942	536,376
Electricity, gas and water supply	20,496	1,306	20,496	1,306
Financial, insurance, real estate and business services	1,014,886	1,026,569	1,011,784	1,023,412
Manufacturing	1,212,674	1,182,571	1,103,128	1,071,990
Mining and quarrying	78,958	46,701	76,962	44,705
Primary agriculture	6,334	6,693	6,084	6,446
Transportation, storage and communication	882,311	919,112	825,698	862,747
Wholesale, retail trade, restaurants and hotels	1,848,464	1,882,677	1,548,446	1,583,072
	<u>6,874,564</u>	<u>6,996,856</u>	<u>6,352,171</u>	<u>6,474,012</u>

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	603,408	33,939	246,861	86,063	76,696	129,523	1,176,490
Education, health and others	423,278	25,786	56,417	83,104	22,920	22,446	633,951
Electricity, gas and water supply	18,184	-	-	2,244	-	68	20,496
Financial, insurance, real estate and business services	618,195	55,817	187,346	23,786	81,988	47,754	1,014,886
Manufacturing	673,671	150,783	191,623	112,704	42,112	41,781	1,212,674
Mining and quarrying	30,714	-	8,833	14,494	21,660	3,257	78,958
Primary agriculture	878	-	678	36	4,742	-	6,334
Transportation, storage and communication	423,438	101,057	76,886	134,958	41,081	104,891	882,311
Wholesale, retail trade, restaurants and hotels	1,009,380	159,742	78,458	218,687	285,726	96,471	1,848,464
At 30 June 2019	3,801,146	527,124	847,102	676,076	576,925	446,191	6,874,564

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

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

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

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	600,549	33,939	246,861	86,063	76,696	129,523	1,173,631
Education, health and others	375,269	25,786	56,417	83,104	22,920	22,446	585,942
Electricity, gas and water supply	18,184	-	-	2,244	-	68	20,496
Financial, insurance, real estate and business services	615,093	55,817	187,346	23,786	81,988	47,754	1,011,784
Manufacturing	564,125	150,783	191,623	112,704	42,112	41,781	1,103,128
Mining and quarrying	28,718	-	8,833	14,494	21,660	3,257	76,962
Primary agriculture	628	-	678	36	4,742	-	6,084
Transportation, storage and communication	366,825	101,057	76,886	134,958	41,081	104,891	825,698
Wholesale, retail trade, restaurants and hotels	709,362	159,742	78,458	218,687	285,726	96,471	1,548,446
At 30 June 2019	3,278,753	527,124	847,102	676,076	576,925	446,191	6,352,171

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	709,825	77,295	188,015	162,472	81,066	125,285	1,343,958
Education, health and others	324,713	24,405	55,933	84,409	23,721	23,195	536,376
Electricity, gas and water supply	-	-	-	1,306	-	-	1,306
Financial, insurance, real estate and business services	702,715	53,546	107,363	23,655	84,924	51,209	1,023,412
Manufacturing	543,159	113,248	194,678	132,462	44,807	43,636	1,071,990
Mining and quarrying	3,414	-	700	14,467	24,155	1,969	44,705
Primary agriculture	785	-	798	50	4,813	-	6,446
Transportation, storage and communication	382,843	104,997	88,268	134,692	42,906	109,041	862,747
Wholesale, retail trade, restaurants and hotels	729,667	146,685	92,320	232,787	285,604	96,009	1,583,072
At 31 December 2018	3,397,121	520,176	728,075	786,300	591,996	450,344	6,474,012

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

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Fixed rate:				
- Hire purchase receivables	255,518	287,849	218,362	250,681
- Leasing receivables	347	363	1	15
- Revolving credits	251,320	255,001	237,960	241,529
- Other term loans/financing	1,694,953	1,824,045	1,385,022	1,513,380
Variable rate:				
- Hire purchase receivables	78,818	85,620	77,941	84,743
- Revolving credits	994,599	911,535	994,542	911,477
- Other term loans/financing	3,599,009	3,632,443	3,438,343	3,472,187
	<u>6,874,564</u>	<u>6,996,856</u>	<u>6,352,171</u>	<u>6,474,012</u>

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Constructions	204,302	202,178	201,443	199,318
Education, health and others	196,861	160,824	148,852	112,791
Financial, insurance, real estate and business services	204,596	187,301	201,494	184,144
Manufacturing	427,557	416,512	318,011	305,931
Mining and quarrying	4,572	3,045	2,576	1,049
Primary agriculture	518	507	268	260
Transportation, storage and communication	317,483	299,457	260,870	243,092
Wholesale, retail trade, restaurants and hotels	803,005	735,822	502,987	436,217
	<u>2,158,894</u>	<u>2,005,646</u>	<u>1,636,501</u>	<u>1,482,802</u>

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	107,468	4,122	67,401	7,506	8,861	8,944	204,302
Education, health and others	133,491	3,666	26,730	25,126	7,029	819	196,861
Financial, insurance, real estate and business services	169,743	7,490	4,526	11,104	10,352	1,381	204,596
Manufacturing	260,809	29,809	73,730	50,800	7,423	4,986	427,557
Mining and quarrying	2,668	-	-	1,904	-	-	4,572
Primary agriculture	250	-	64	-	204	-	518
Transportation, storage and communication	176,674	7,357	28,239	53,332	20,942	30,939	317,483
Wholesale, retail trade, restaurants and hotels	525,417	57,190	26,756	66,512	121,565	5,565	803,005
At 30 June 2019	1,376,520	109,634	227,446	216,284	176,376	52,634	2,158,894

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	115,609	4,273	67,654	2,804	8,027	3,811	202,178
Education, health and others	135,257	3,608	5,442	13,698	2,151	668	160,824
Financial, insurance, real estate and business services	153,407	8,109	3,224	10,852	10,167	1,542	187,301
Manufacturing	257,223	32,237	68,932	48,677	5,744	3,699	416,512
Mining and quarrying	2,648	-	-	397	-	-	3,045
Primary agriculture	247	-	60	-	200	-	507
Transportation, storage and communication	172,477	6,988	30,516	50,447	9,166	29,863	299,457
Wholesale, retail trade, restaurants and hotels	498,043	39,424	24,345	56,571	112,690	4,749	735,822
At 31 December 2018	1,334,911	94,639	200,173	183,446	148,145	44,332	2,005,646

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

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

Bank	Central	Northern	Southern	East	Sabah	Sarawak	Total
	Region	Region	Region	Coast	Region	Region	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Constructions	104,609	4,122	67,401	7,506	8,861	8,944	201,443
Education, health and others	85,482	3,666	26,730	25,126	7,029	819	148,852
Financial, insurance, real estate and business services	166,641	7,490	4,526	11,104	10,352	1,381	201,494
Manufacturing	151,263	29,809	73,730	50,800	7,423	4,986	318,011
Mining and quarrying	672	-	-	1,904	-	-	2,576
Primary agriculture	-	-	64	-	204	-	268
Transportation, storage and communication	120,061	7,357	28,239	53,332	20,942	30,939	260,870
Wholesale, retail trade, restaurants and hotels	225,399	57,190	26,756	66,512	121,565	5,565	502,987
At 30 June 2019	854,127	109,634	227,446	216,284	176,376	52,634	1,636,501

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	112,749	4,273	67,654	2,804	8,027	3,811	199,318
Education, health and others	87,224	3,608	5,442	13,698	2,151	668	112,791
Financial, insurance, real estate and business services	150,250	8,109	3,224	10,852	10,167	1,542	184,144
Manufacturing	146,642	32,237	68,932	48,677	5,744	3,699	305,931
Mining and quarrying	652	-	-	397	-	-	1,049
Primary agriculture	-	-	60	-	200	-	260
Transportation, storage and communication	116,112	6,988	30,516	50,447	9,166	29,863	243,092
Wholesale, retail trade, restaurants and hotels	198,438	39,424	24,345	56,571	112,690	4,749	436,217
At 31 December 2018	812,067	94,639	200,173	183,446	148,145	44,332	1,482,802

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

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	42,799	55,642	1,246,237	1,344,678
-Transfers to Stage 1	21,931	(18,431)	(3,500)	-
-Transfers to Stage 2	(3,440)	6,758	(3,318)	-
-Transfers to Stage 3	(1,100)	(9,071)	10,171	-
Net remeasurement of allowances	(21,631)	29,007	62,370	69,746
New financial assets originated	7,104	1,189	2,452	10,745
Financial assets derecognised	(5,786)	(1,319)	(12,545)	(19,650)
At 30 June 2019	39,877	63,775	1,301,867	1,405,519

Bank	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	42,799	55,642	723,393	821,834
-Transfers to Stage 1	21,931	(18,431)	(3,500)	-
-Transfers to Stage 2	(3,440)	6,758	(3,318)	-
-Transfers to Stage 3	(1,100)	(9,071)	10,171	-
Net remeasurement of allowances	(21,631)	29,007	62,821	70,197
New financial assets originated	7,104	1,189	2,452	10,745
Financial assets derecognised	(5,786)	(1,319)	(12,545)	(19,650)
At 30 June 2019	39,877	63,775	779,474	883,126

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Net impaired loans, advances and financing as a percentage	15.38%	13.21%	15.38%	13.21%

	Group and Bank Stage1 RM'000
(xi) Commitment and Contingencies	
At 1 January 2019	6,729
Changes to inputs used in ECL computation	(274)
New financial assets originated	1,073
Amount settled	(823)
At 30 June 2019	6,705

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11. Deposits from customers

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Term deposit:				
- Commodity Murabahah/Tawarruq	3,097,787	2,974,984	3,113,966	3,071,441

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Government and statutory bodies	1,980,480	2,253,186	1,980,480	2,253,186
Business enterprise	990,017	643,188	1,006,196	739,645
Others	127,290	78,610	127,290	78,610
	<u>3,097,787</u>	<u>2,974,984</u>	<u>3,113,966</u>	<u>3,071,441</u>

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Less than three months	2,559,979	2,526,180	2,562,326	2,557,124
Three months to six months	261,422	369,604	274,601	377,057
More than six months to one year	276,386	79,200	277,039	137,260
	<u>3,097,787</u>	<u>2,974,984</u>	<u>3,113,966</u>	<u>3,071,441</u>

12. Deposits from banks and other financial institutions

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Licensed banks and other financial institutions	315,088	301,417

The deposits maturity structure is as follows:

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Less than three months	315,088	301,417

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13. Borrowings

	Group and Bank	
	As at 30	As at 31
	June	December
	2019	2018
	RM'000	RM'000
Unsecured borrowings	1,905,218	1,982,921

The maturity structure of the borrowings are as follows:

	Group and Bank	
	As at 30	As at 31
	June	December
	2019	2018
	RM'000	RM'000
Within one year	114,329	98,880
Within one year to five years	947,292	789,842
More than five years	843,597	1,094,199
	<u>1,905,218</u>	<u>1,982,921</u>

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

	Note	Group and Bank	
		As at 30	As at 31
		June	December
		2019	2018
		RM'000	RM'000
Borrowings from:			
- Government of Malaysia	(i)	1,042,639	1,050,185
- Other institutions	(ii)	862,579	932,736
		<u>1,905,218</u>	<u>1,982,921</u>

(i) Borrowings from Government of Malaysia

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

	Group and Bank	
	As at 30	As at 31
	June	December
	2019	2018
	RM'000	RM'000
Maturity structure:		
Within one year	42,246	29,113
Within one year to five years	606,796	570,459
More than five years	393,597	450,613
	<u>1,042,639</u>	<u>1,050,185</u>

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

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13. Borrowings (cont'd.)

(ii) Borrowings from other institutions

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Bank Negara Malaysia	106,646	126,590
Employee Provident Fund	755,933	806,146
	<u>862,579</u>	<u>932,736</u>

The borrowings from other institutions are repayable as follows:

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Maturity structure:		
Within one year	72,083	69,766
Within one year to five years	340,496	219,384
More than five years	450,000	643,586
	<u>862,579</u>	<u>932,736</u>

The interest rates on the borrowings from other institutions range from 0% to 5.23% (2018: 0% to 5.00%) per annum during the year.

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14. Interest income

Group	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	June	June	June	June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	3,589	5,464	7,450	10,065
- Debt instruments at FVOCI	1,539	1,679	3,200	3,408
- Derivative at FVTPL	112	105	228	242
	5,240	7,248	10,878	13,715

Bank	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	June	June	June	June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	3,589	4,629	7,450	9,230
- Debt instruments at FVOCI	1,539	1,679	3,200	3,408
- Derivative at FVTPL	112	105	228	242
	5,240	6,413	10,878	12,880

15. Interest expense

Group and Bank	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	June	June	June	June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Term loans	13,563	13,994	27,216	27,711

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16. Other operating income

Group	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	June	June	June	June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fee income	52	38	70	186
Commission fee income	-	-	-	13
	<u>52</u>	<u>38</u>	<u>70</u>	<u>199</u>
Other income:				
Government fund released	852	880	1,719	1,749
Government compensation	605	631	1,210	1,261
Others	952	59	1,345	103
	<u>2,409</u>	<u>1,570</u>	<u>4,274</u>	<u>3,113</u>
Total other operating income	<u>2,461</u>	<u>1,608</u>	<u>4,344</u>	<u>3,312</u>

Bank	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	June	June	June	June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fee income	52	38	70	186
Commission fee income	-	-	-	13
	<u>52</u>	<u>38</u>	<u>70</u>	<u>199</u>
Other income:				
Government fund released	852	880	1,719	1,749
Government compensation	605	631	1,210	1,261
Others	952	59	1,345	103
	<u>2,409</u>	<u>1,570</u>	<u>4,274</u>	<u>3,113</u>
Total other operating income	<u>2,461</u>	<u>1,608</u>	<u>4,344</u>	<u>3,312</u>

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17. Other operating expenses

Group	Note	Second Quarter Ended		Cumulative 6 Months Ended	
		As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Personnel expenses	(i)	10,416	37,038	49,332	73,688
Establishment related expenses	(ii)	10,167	10,693	20,762	21,838
Promotion and marketing expenses	(iii)	853	1,632	1,740	3,058
Administration and general expenses	(iv)	3,924	9,844	9,166	17,028
		<u>25,360</u>	<u>59,207</u>	<u>81,000</u>	<u>115,612</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		1,969	28,890	33,644	58,464
Non-executive Directors fees and Remuneration		369	377	602	832
Social security cost		145	220	364	416
Contribution to Employee Provident Fund		3,638	3,494	6,999	6,521
Other staff related expenses		4,295	4,057	7,723	7,455
		<u>10,416</u>	<u>37,038</u>	<u>49,332</u>	<u>73,688</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,406	3,446	6,827	7,121
Amortisation of intangible assets		1,676	1,166	3,437	1,965
Rental of premises		3,182	942	4,132	1,945
Repairs and maintenance of property, plant and equipment		1,903	5,139	6,366	10,807
		<u>10,167</u>	<u>10,693</u>	<u>20,762</u>	<u>21,838</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		853	1,632	1,740	3,058
(iv) Administration and general expenses					
Administrative expenses		1,763	2,672	3,445	4,396
Auditors' remuneration		212	146	424	290
General expenses		1,949	7,026	5,297	12,342
		<u>3,924</u>	<u>9,844</u>	<u>9,166</u>	<u>17,028</u>

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17. Other operating expenses (cont'd.)

	Note	Second Quarter Ended		Cumulative 6 Months Ended	
		As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Bank					
Personnel expenses	(i)	10,008	35,821	47,913	71,232
Establishment related expenses	(ii)	10,149	10,659	20,723	21,768
Promotion and marketing expenses	(iii)	927	1,535	1,874	3,031
Administration and general expenses	(iv)	3,801	7,606	9,104	14,725
		<u>24,885</u>	<u>55,621</u>	<u>79,614</u>	<u>110,756</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		1,826	28,176	32,546	56,336
Non-executive Directors fees and Remuneration		369	377	602	832
Social security cost		137	213	353	402
Contribution to Employee Provident Fund		3,503	3,388	6,813	6,301
Other staff related expenses		4,173	3,667	7,599	7,361
		<u>10,008</u>	<u>35,821</u>	<u>47,913</u>	<u>71,232</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,404	3,458	6,822	7,108
Amortisation of intangible assets		1,670	1,149	3,427	1,930
Rental of premises		3,182	942	4,132	1,945
Repairs and maintenance of property, plant and equipment		1,893	5,110	6,342	10,785
		<u>10,149</u>	<u>10,659</u>	<u>20,723</u>	<u>21,768</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		927	1,535	1,874	3,031
(iv) Administration and general expenses					
Administrative expenses		1,752	2,156	3,529	3,875
Auditors' remuneration		200	133	400	267
General expenses		1,849	5,317	5,175	10,583
		<u>3,801</u>	<u>7,606</u>	<u>9,104</u>	<u>14,725</u>

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18. Allowances for impairment on loans, advances and financing

	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Group				
Allowance for/(writeback of) impairment losses on loans, advances and financing:				
- Stage 1, net (Note 10(ix))	(861)	(2,164)	(2,922)	(6,787)
- Stage 2, net (Note 10(ix))	(11,171)	14,775	8,133	29,483
- Stage 3, net (Note 10(ix))	46,518	8,779	55,630	16,642
	<u>34,486</u>	<u>21,390</u>	<u>60,841</u>	<u>39,338</u>
Impaired loan, advances and financing recovered	(3,743)	(4,345)	(7,425)	(6,893)
Total allowances for impairment on loans, advances and financing	<u>30,743</u>	<u>17,045</u>	<u>53,416</u>	<u>32,445</u>
	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Bank				
Allowance for/(writeback of) impairment losses on loans, advances and financing:				
- Stage 1, net (Note 10(ix))	(861)	(2,164)	(2,922)	(6,787)
- Stage 2, net (Note 10(ix))	(11,171)	14,775	8,133	29,483
- Stage 3, net (Note 10(ix))	45,624	8,779	56,081	16,642
	<u>33,592</u>	<u>21,390</u>	<u>61,292</u>	<u>39,338</u>
Impaired loan, advances and financing recovered	(3,743)	(4,345)	(7,425)	(6,893)
Total allowances for impairment on loans, advances and financing	<u>29,849</u>	<u>17,045</u>	<u>53,867</u>	<u>32,445</u>

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19. Commitment and contingencies

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

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Direct credit substitutes	133,825	190,108
Transaction-related-contingent items	99,994	138,014
Irrevocable commitments to extend credit:		
- maturity exceeding one year	1,352,658	1,140,227
Profit rate related contract	-	200,000
	1,586,477	1,668,349

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

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Approved and contracted for:		
Information technology system	3,046	6,716
Kompleks Kilang Bimbingan construction	-	38
	3,046	6,754
Total commitments and contingencies	1,589,523	1,675,103

20. Capital adequacy

Capital management

Capital policy

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

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20. Capital adequacy (cont'd.)

Regulatory capital

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

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

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
<u>Tier I Capital</u>				
Paid-up share capital	1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses	(583,618)	(583,618)	(589,358)	(589,358)
General reserves	10,114	10,114	10,114	10,114
Less: Deferred tax assets	(120,059)	(120,059)	(120,059)	(120,059)
Less: Property revaluation reserve	(212,533)	(212,533)	(212,533)	(212,533)
Total Tier I capital	943,904	943,904	938,164	938,164
<u>Tier II Capital</u>				
General provision for loans, advances and financing*	110,358	105,170	110,358	105,170
Property revaluation reserve [^]	106,267	106,267	106,267	106,267
Government funds	384,533	375,113	384,533	375,113
Total Tier II capital	601,158	586,550	601,158	586,550
Total capital base	1,545,062	1,530,454	1,539,322	1,524,714

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

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

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20. Capital adequacy (cont'd.)

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
20%	317,594	143,338	317,594	143,338
50%	345,827	291,347	345,827	291,347
100%	7,443,622	7,727,764	7,445,289	7,837,710
	<u>8,107,043</u>	<u>8,162,449</u>	<u>8,108,710</u>	<u>8,272,395</u>

Before deducting proposed dividends:

Core capital ratio	11.643%	11.564%	11.570%	11.341%
Risk-weighted capital ratio	<u>19.058%</u>	<u>18.750%</u>	<u>18.984%</u>	<u>18.431%</u>

Capital monitoring

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

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21. Islamic banking business

The state of affairs as at 30 June 2019 and results for the financial period then ended under the Islamic Banking business of the Bank and included in the Group's and the Bank's financial statements are summarised as follows:-

**Unaudited Statements of Financial Position
As at 30 June 2019**

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Assets				
Cash and short-term funds	1,470,389	484,082	1,460,950	480,389
Deposits and placements with bank	30,571	151,878	30,571	151,878
Financial investment	21(a) 2,323,697	2,538,035	2,323,697	2,538,035
Advances and financing	21(b) 5,208,823	5,357,110	5,208,823	5,357,110
Other assets	24,371	7,172	37,268	123,865
Derivative financial assets	-	2,816	-	2,816
Property, plant and equipment	64,102	67,126	64,071	67,080
Investment properties	373,214	373,214	373,214	373,214
Deferred tax assets	117,393	117,393	117,393	117,393
Total assets	9,612,560	9,098,826	9,615,987	9,211,780
Liabilities				
Deposits from customers	11 3,097,787	2,974,984	3,113,966	3,071,441
Deposits from banks and other financial institutions	12 315,088	301,417	315,088	301,417
Medium term notes	2,023,398	1,821,436	2,023,398	1,821,436
Term financing	21(c) 263,782	283,309	263,782	283,309
Other liabilities	950,586	967,534	951,806	980,470
Amount due to conventional operations	1,454,812	1,352,932	1,764,655	1,659,113
Government funds	213,874	196,985	213,874	196,985
Total liabilities	8,319,327	7,898,597	8,646,569	8,314,171
Islamic general fund	1,293,233	1,200,229	969,418	897,609
Total liabilities and Islamic banking funds	9,612,560	9,098,826	9,615,987	9,211,780
Commitments	1,570,730	1,658,473	1,570,730	1,658,473

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

**Unaudited Statements of Comprehensive Income
For the second quarter ended 30 June 2019**

Group	Note	Second Quarter Ended		Cumulative 6 Months Ended	
		As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Income from Islamic banking business	21(d)	133,226	137,475	274,419	281,712
Profit expense attributable to Islamic banking business	21(f)	(48,185)	(52,821)	(95,152)	(107,627)
Gross income from Islamic banking business		85,041	84,654	179,267	174,085
Other income	21(e)	7,991	5,159	15,568	11,132
Other operating expenses	21(g)	(23,747)	(53,492)	(76,364)	(106,542)
Operating profit		69,285	36,321	118,471	78,675
Net impairment loss on financial assets :					
- advances and financing		(19,681)	(17,238)	(44,725)	(33,136)
- commitment and contingencies	21(xii)	223	(208)	27	965
- debt instruments at FVOCI	9(a)	(3,502)	242	(3,324)	(605)
- debt instruments at AC	9(c)	(27)	-	13	(4)
- other asset		(245)	(296)	(563)	(556)
		46,053	18,821	69,899	45,339
Zakat		(1,000)	(1,000)	(2,000)	(2,000)
Net profit for the period		45,053	17,821	67,899	43,339
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of					
- debt instruments at FVOCI		8,984	(5,898)	28,660	(6,094)
Changes in expected credit losses					
- debt instruments at FVOCI		3,502	(242)	3,324	605
Income tax relating to components of other comprehensive income		(2,157)	-	(6,879)	-
Other comprehensive income for the period, net of tax		10,329	(6,140)	25,105	(5,489)
Total comprehensive income for the period, net of tax		55,382	11,681	93,004	37,850
Profit for the period attributable to owner of the bank		45,053	17,821	67,899	43,339
Total comprehensive income attributable to owner of the Bank		55,382	11,681	93,004	37,850

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21. Islamic banking business (cont'd.)

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

	Bank	Note	Second Quarter Ended		Cumulative 6 Months Ended	
			As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Income from Islamic banking business		21(d)	126,425	135,640	265,411	275,269
Profit expense attributable to Islamic banking business		21(f)	(48,309)	(53,839)	(96,045)	(108,952)
Gross income from Islamic banking business			78,116	81,801	169,366	166,317
Other income		21(e)	7,891	9,051	15,189	17,518
Other operating expenses		21(g)	(23,272)	(51,776)	(74,978)	(103,546)
Operating profit			62,735	39,076	109,577	80,289
Net impairment loss on financial assets :						
- advances and financing			(31,172)	(17,238)	(57,026)	(33,136)
- commitment and contingencies		21(xii)	223	(208)	27	965
- debt instruments at FVOCI		9(a)	(3,502)	242	(3,324)	(605)
- debt instruments at AC		9(c)	(27)	-	13	(4)
- other asset			(245)	(296)	(563)	(556)
Profit before tax expense and zakat			28,012	21,576	48,704	46,953
Tax expense			-	-	-	-
Zakat			(1,000)	(1,000)	(2,000)	(2,000)
Net profit for the period			27,012	20,576	46,704	44,953
Other comprehensive income						
Item that may be reclassified to profit or loss:						
Unrealised gain on revaluation of						
- debt instruments at FVOCI			8,984	(5,898)	28,660	(6,094)
Changes in expected credit losses						
- debt instruments at FVOCI			3,502	(242)	3,324	605
Income tax relating to components of other comprehensive income			(2,157)	-	(6,879)	-
Other comprehensive income for the period, net of tax			10,329	(6,140)	25,105	(5,489)
Total comprehensive income for the period, net of tax			37,341	14,436	71,809	39,464
Profit for the period attributable to owner of the bank			27,012	20,576	46,704	44,953
Total comprehensive income attributable to owner of the Bank			37,341	14,436	71,809	39,464

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

**Statements of changes in Islamic General Funds
for the second quarter ended 30 June 2019**

Group	Capital funds RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019	1,050,564	(5,257)	154,922	1,200,229
Unrealised loss on revaluation of debt instruments at FVOCI	-	28,660	-	28,660
Changes in expected credit losses of debt instruments at FVOCI	-	3,324	-	3,324
Income tax relating to components of other comprehensive income	-	(6,879)	-	(6,879)
Profit for the period	-	-	67,899	67,899
Total comprehensive income for the period	-	25,105	67,899	93,004
At 30 June 2019	1,050,564	19,848	222,821	1,293,233
At 1 January 2018	1,050,564	(14,283)	334,805	1,371,086
Unrealised loss on revaluation of debt instruments at FVOCI	-	(884)	-	(884)
Changes in expected credit losses of debt instruments at FVOCI	-	9,698	-	9,698
Income tax relating to components of other comprehensive income	-	212	-	212
Loss for the year	-	-	(179,883)	(179,883)
Total comprehensive income for the year	-	9,026	(179,883)	(170,857)
At 31 December 2018	1,050,564	(5,257)	154,922	1,200,229

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(Incorporated in Malaysia)**

21. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
for the second quarter ended 30 June 2019**

Bank	Capital funds RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019	1,050,564	(5,257)	(147,698)	897,609
Unrealised loss on revaluation of debt instruments at FVOCI	-	28,660	-	28,660
Changes in expected credit losses of debt instruments at FVOCI	-	3,324	-	3,324
Income tax relating to components of other comprehensive income	-	(6,879)	-	(6,879)
Profit for the period	-	-	46,704	46,704
Total comprehensive income for the period	-	25,105	46,704	71,809
At 30 June 2019	1,050,564	19,848	(100,994)	969,418
At 1 January 2018	1,050,564	(14,283)	315,092	1,351,373
Unrealised loss on revaluation of debt instruments at FVOCI	-	(884)	-	(884)
Changes in expected credit losses of debt instruments at FVOCI	-	9,698	-	9,698
Income tax relating to components of other comprehensive income	-	212	-	212
Loss for the year	-	-	(462,790)	(462,790)
Total comprehensive income for the year	-	9,026	(462,790)	(453,764)
At 31 December 2018	1,050,564	(5,257)	(147,698)	897,609

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21. Islamic banking business (cont'd.)

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

	Group and Bank	
	As at 30	As at 31
	June	December
	2019	2018
	RM'000	RM'000
(i) Debt instruments at FVOCI (Note 9(a))	1,607,839	1,729,398
(ii) Equity instruments at FVOCI	132,921	134,504
(iii) Debt instruments at AC (Note 9(c))	582,937	674,133
	<u>2,323,697</u>	<u>2,538,035</u>

(i) Debt instruments at FVOCI

	Group and Bank	
	As at 30	As at 31
	June	December
	2019	2018
	RM'000	RM'000
Government securities		
Malaysian Government Investment Issues	649,386	710,577
Non-money market securities		
Private debt securities	958,453	1,018,821
Total debt instruments at FVOCI	<u>1,607,839</u>	<u>1,729,398</u>

(ii) Equity instruments at FVOCI

	Group and Bank	
	As at 30	As at 31
	June	December
	2019	2018
	RM'000	RM'000
Non-money market instruments		
Private debt securities	132,921	134,504
Total Equity instruments at FVOCI	<u>132,921</u>	<u>134,504</u>

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21. Islamic banking business (cont'd.)

(b) Advances and financing

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
(ba) At AC	5,197,539	5,346,602	5,197,539	5,346,602
(bb) At FVTPL	11,284	10,508	11,284	10,508
	<u>5,208,823</u>	<u>5,357,110</u>	<u>5,208,823</u>	<u>5,357,110</u>

(ba) At AC

(i) Gross advances and financing analysed by type;

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Bai' Bithaman Ajil	1,509	1,509	-	-
Bai' Murabahah	2,330,274	2,589,418	2,272,249	2,524,519
Bai' Istisna	162,624	162,651	152,671	162,611
Ijarah	84	84	-	-
Ijarah Thumma Al-Bai	386,590	410,721	321,692	363,667
Bai' Dayn	11,674	7,397	11,674	7,397
Tawwaruq	3,234,127	3,080,882	3,234,122	3,047,075
Bai' Inah	44,464	20,444	43,186	19,784
Gross advances and financing	<u>6,171,346</u>	<u>6,273,106</u>	<u>6,035,594</u>	<u>6,125,053</u>
Less: Allowance for impairment losses on				
- Stage 1	(39,435)	(42,207)	(39,435)	(42,207)
- Stage 2	(61,213)	(51,522)	(61,213)	(51,522)
- Stage 3	(866,565)	(826,154)	(730,813)	(678,101)
- Commitment and contingencies	(6,594)	(6,621)	(6,594)	(6,621)
Net advances and financing	<u>5,197,539</u>	<u>5,346,602</u>	<u>5,197,539</u>	<u>5,346,602</u>
Gross impaired advances and financing	<u>1,621,891</u>	<u>1,492,925</u>	<u>1,486,139</u>	<u>1,344,872</u>
Net impaired advances and financing	<u>755,326</u>	<u>666,771</u>	<u>755,326</u>	<u>666,771</u>
(bb) At FVTPL				
Staff loan/financing	<u>11,284</u>	<u>10,508</u>	<u>11,284</u>	<u>10,508</u>

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21. Islamic banking business (cont'd.)

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

(ba) At AC (cont'd.)

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	4,029,113	751,068	1,492,925	6,273,106
- Transfer to Stage 1	227,206	(197,413)	(29,793)	-
- Transfer to Stage 2	(338,846)	345,800	(6,954)	-
- Transfer to Stage 3	(83,609)	(102,394)	186,003	-
Partial (repayment)/additional drawdown	(249,151)	(36,006)	(3,726)	(288,883)
New financial assets originated	632,716	29,894	4,934	667,544
Financial asset derecognised	(427,792)	(31,131)	(21,498)	(480,421)
At 30 June 2019	3,789,637	759,818	1,621,891	6,171,346

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	4,029,113	751,068	1,344,872	6,125,053
- Transfer to Stage 1	227,206	(197,413)	(29,793)	-
- Transfer to Stage 2	(338,846)	345,800	(6,954)	-
- Transfer to Stage 3	(83,609)	(102,394)	186,003	-
Partial (repayment)/additional drawdown	(249,151)	(36,006)	8,575	(276,582)
New financial assets originated	632,716	29,894	4,934	667,544
Financial asset derecognised	(427,792)	(31,131)	(21,498)	(480,421)
At 30 June 2019	3,789,637	759,818	1,486,139	6,035,594

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Maturity within one year	1,036,521	941,018	922,294	816,559
More than one year to three years	935,799	960,543	929,490	958,558
More than three years to five years	745,952	883,724	737,152	869,041
More than five years	3,453,074	3,487,821	3,446,658	3,480,895
	6,171,346	6,273,106	6,035,594	6,125,053

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21. Islamic banking business (cont'd.)

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

(ba) At AC (cont'd.)

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Domestic business enterprise	6,171,346	6,273,106	6,035,594	6,125,053

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Constructions	1,143,253	1,314,444	1,141,739	1,312,930
Education, health and others	605,516	552,812	569,396	516,680
Electricity, gas and water supply	20,496	1,306	20,496	1,306
Financial, insurance, real estate and business services	996,907	1,007,608	994,900	1,005,035
Manufacturing	1,144,642	1,118,262	1,095,581	1,057,836
Mining and quarrying	76,962	44,705	76,962	44,705
Primary agriculture	6,084	6,446	6,084	6,446
Transportation, storage and communication	807,381	841,759	775,079	809,120
Wholesale, retail trade, restaurants and hotels	1,370,105	1,385,764	1,355,357	1,370,995
	<u>6,171,346</u>	<u>6,273,106</u>	<u>6,035,594</u>	<u>6,125,053</u>

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21. Islamic banking business (cont'd.)

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	602,063	33,939	214,970	86,063	76,695	129,523	1,143,253
Education, health and others	396,842	25,588	55,061	83,104	22,475	22,446	605,516
Electricity, gas and water supply	18,184	-	-	2,244	-	68	20,496
Financial, insurance, real estate and business services	614,662	54,074	174,643	23,786	81,988	47,754	996,907
Manufacturing	608,665	150,233	191,303	110,592	42,068	41,781	1,144,642
Mining and quarrying	28,718	-	8,833	14,494	21,660	3,257	76,962
Primary agriculture	628	-	678	36	4,742	-	6,084
Transportation, storage and communication	369,455	93,692	72,721	125,544	41,078	104,891	807,381
Wholesale, retail trade, restaurants and hotels	695,715	132,731	77,396	151,530	216,279	96,454	1,370,105
At 30 June 2019	3,334,932	490,257	795,605	597,393	506,985	446,174	6,171,346

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21. Islamic banking business (cont'd.)

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	711,339	77,295	156,989	162,472	81,064	125,285	1,314,444
Education, health and others	343,350	24,185	54,401	84,409	23,272	23,195	552,812
Electricity, gas and water supply	-	-	-	1,306	-	-	1,306
Financial, insurance, real estated and business services	702,607	51,792	93,421	23,655	84,924	51,209	1,007,608
Manufacturing	592,322	112,700	194,260	130,667	44,677	43,636	1,118,262
Mining and quarrying	3,414	-	700	14,466	24,156	1,969	44,705
Primary agriculture	785	-	798	50	4,813	-	6,446
Transportation, storage and communication	386,195	96,952	81,021	125,647	42,903	109,041	841,759
Wholesale, retail trade, restaurants and hotels	715,572	103,982	91,214	164,955	214,050	95,991	1,385,764
At 31 December 2018	3,455,584	466,906	672,804	707,627	519,859	450,326	6,273,106

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21. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	600,549	33,939	214,970	86,063	76,695	129,523	1,141,739
Education, health and others	360,722	25,588	55,061	83,104	22,475	22,446	569,396
Electricity, gas and water supply	18,184	-	-	2,244	-	68	20,496
Financial, insurance, real estate and business services	612,655	54,074	174,643	23,786	81,988	47,754	994,900
Manufacturing	559,604	150,233	191,303	110,592	42,068	41,781	1,095,581
Mining and quarrying	28,718	-	8,833	14,494	21,660	3,257	76,962
Primary agriculture	628	-	678	36	4,742	-	6,084
Transportation, storage and communication	337,153	93,692	72,721	125,544	41,078	104,891	775,079
Wholesale, retail trade, restaurants and hotels	680,967	132,731	77,396	151,530	216,279	96,454	1,355,357
At 30 June 2019	3,199,180	490,257	795,605	597,393	506,985	446,174	6,035,594

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21. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	709,825	77,295	156,989	162,472	81,064	125,285	1,312,930
Education, health and others	307,218	24,185	54,401	84,409	23,272	23,195	516,680
Electricity, gas and water supply	-	-	-	1,306	-	-	1,306
Financial, insurance, real estate and business services	700,034	51,792	93,421	23,655	84,924	51,209	1,005,035
Manufacturing	531,896	112,700	194,260	130,667	44,677	43,636	1,057,836
Mining and quarrying	3,414	-	700	14,466	24,156	1,969	44,705
Primary agriculture	785	-	798	50	4,813	-	6,446
Transportation, storage and communication	353,556	96,952	81,021	125,647	42,903	109,041	809,120
Wholesale, retail trade, restaurants and hotels	700,803	103,982	91,214	164,955	214,050	95,991	1,370,995
At 31 December 2018	3,307,531	466,906	672,804	707,627	519,859	450,326	6,125,053

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21. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Fixed rate				
- Hire purchase receivables	253,735	286,066	218,362	250,680
- Leasing receivables	84	84	-	-
- Revolving credits	1,131,669	244,078	1,128,544	231,015
- Other term financing	319,770	1,326,787	229,259	1,234,758
Variable rate				
- Hire purchase receivables	78,811	85,613	77,941	84,743
- Revolving credits	990,411	903,007	990,354	902,949
- Other term financing	3,396,866	3,427,471	3,391,134	3,420,908
	<u>6,171,346</u>	<u>6,273,106</u>	<u>6,035,594</u>	<u>6,125,053</u>

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Constructions	171,067	169,805	169,553	168,291
Education, health and others	175,737	137,179	139,617	101,047
Financial, insurance, real estate and business services	203,501	186,716	201,494	184,143
Manufacturing	362,842	364,207	313,781	303,781
Mining and quarrying	2,576	1,049	2,576	1,049
Primary agriculture	268	260	268	260
Transportation, storage and communication	250,626	231,413	218,324	198,774
Wholesale, retail trade, restaurants and hotels	455,274	402,296	440,526	387,527
	<u>1,621,891</u>	<u>1,492,925</u>	<u>1,486,139</u>	<u>1,344,872</u>

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21. Islamic banking business (cont'd.)

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	106,124	4,122	35,510	7,506	8,861	8,944	171,067
Education, health and others	112,367	3,666	26,730	25,126	7,029	819	175,737
Financial, insurance, real estate and business services	168,648	7,490	4,526	11,104	10,352	1,381	203,501
Manufacturing	198,756	29,259	73,730	48,688	7,423	4,986	362,842
Mining and quarrying	672	-	-	1,904	-	-	2,576
Primary agriculture	-	-	64	-	204	-	268
Transportation, storage and communication	123,298	7,357	24,073	44,019	20,940	30,939	250,626
Wholesale, retail trade, restaurants and hotels	229,663	56,776	26,643	45,481	91,146	5,565	455,274
At 30 June 2019	939,528	108,670	191,276	183,828	145,955	52,634	1,621,891

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21. Islamic banking business (cont'd.)

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

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

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

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21. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	104,610	4,122	35,510	7,506	8,861	8,944	169,553
Education, health and others	76,247	3,666	26,730	25,126	7,029	819	139,617
Financial, insurance, real estate and business services	166,641	7,490	4,526	11,104	10,352	1,381	201,494
Manufacturing	149,695	29,259	73,730	48,688	7,423	4,986	313,781
Mining and quarrying	672	-	-	1,904	-	-	2,576
Primary agriculture	-	-	64	-	204	-	268
Transportation, storage and communication	90,996	7,357	24,073	44,019	20,940	30,939	218,324
Wholesale, retail trade, restaurants and hotels	214,915	56,776	26,643	45,481	91,146	5,565	440,526
At 30 June 2019	803,776	108,670	191,276	183,828	145,955	52,634	1,486,139

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

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	112,749	4,273	36,627	2,804	8,027	3,811	168,291
Education, health and others	75,480	3,608	5,442	13,698	2,151	668	101,047
Financial, insurance, real estate and business services	150,249	8,109	3,224	10,852	10,167	1,542	184,143
Manufacturing	145,040	31,689	68,932	48,677	5,744	3,699	303,781
Mining and quarrying	652	-	-	397	-	-	1,049
Primary agriculture	-	-	60	-	200	-	260
Transportation, storage and communication	87,972	6,988	23,284	41,503	9,164	29,863	198,774
Wholesale, retail trade, restaurants and hotels	189,030	39,000	24,234	44,396	86,118	4,749	387,527
At 31 December 2018	761,172	93,667	161,803	162,327	121,571	44,332	1,344,872

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21. Islamic banking business (cont'd.)

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

(x) Movement in allowance for impairment losses on advances and financing which reflect the ECL model in impairment are as follows:

Group	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	42,207	51,522	826,154	919,883
-Transfers to Stage 1	21,931	(18,431)	(3,500)	-
-Transfers to Stage 2	(3,411)	6,710	(3,299)	-
-Transfers to Stage 3	(1,100)	(8,410)	9,510	-
Net remeasurement of allowances	(21,546)	29,897	45,165	53,516
New financial assets originated	7,075	1,190	2,451	10,716
Financial assets derecognised	(5,721)	(1,265)	(9,916)	(16,902)
At 30 June 2019	39,435	61,213	866,565	967,213
Bank	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	42,207	51,522	678,101	771,830
-Transfers to Stage 1	21,931	(18,431)	(3,500)	-
-Transfers to Stage 2	(3,411)	6,710	(3,299)	-
-Transfers to Stage 3	(1,100)	(8,410)	9,510	-
Net remeasurement of allowances	(21,546)	29,897	57,466	65,817
New financial assets originated	7,075	1,190	2,451	10,716
Financial assets derecognised	(5,721)	(1,265)	(9,916)	(16,902)
At 30 June 2019	39,435	61,213	730,813	831,461

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Net impaired advances and financing as a percentage	14.24%	12.24%	14.24%	12.24%

(xii) **Commitment and Contingencies**

	Group and Bank Stage1 RM'000
At 1 January 2019	6,621
Changes to inputs used in ECL computation	(270)
New financial assets originated	1,062
Amount settled	(819)
At 30 June 2019	6,594

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21. Islamic banking business (cont'd.)

(c) Term financing

	Group and Bank	
	As at 30	As at 31
	June	December
	2019	2018
	RM'000	RM'000
Unsecured term financing	263,782	283,309

The maturity structure of the term financing are as follows:

	Group and Bank	
	As at 30	As at 31
	June	December
	2019	2018
	RM'000	RM'000
Within one year	23,915	15,230
More than one year to five years	134,820	45,684
More than five years	105,047	222,395
	<u>263,782</u>	<u>283,309</u>

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

	Group and Bank	
	As at 30	As at 31
	June	December
	2019	2018
	RM'000	RM'000
Financing from:		
- Government of Malaysia	157,136	156,719
- Bank Negara Malaysia	106,646	126,590
	<u>263,782</u>	<u>283,309</u>

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21. Islamic banking business (cont'd.)

(d) Income from Islamic banking business

Group	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Income from advances and financing measured at AC				
- Bai' Bithaman Ajil	27	25,613	52	54,873
- Bai' Murabahah	37,579	15,284	79,934	18,312
- Bai' Istisna	2,927	8,693	5,578	19,381
- Ijarah	2	7,318	3	15,315
- Ijarah Thumma Al-Bai	6,662	7,240	13,261	13,348
- Bai' Dayn	253	2,841	400	4,008
- Tawwaruq	57,630	32,128	110,939	78,704
- Bai' Inah	1,176	1,639	1,525	2,649
- Wakalah	-	1,763	-	2,554
Total income from advances and financing	106,256	102,519	211,692	209,144
Mudharabah deposit acceptance	8,295	6,899	13,991	16,801
Derivative financial asset	(5,971)	1,215	(1,754)	3,178
Financial assets at amortised cost	33,841	4,914	38,014	9,784
Financial assets at FVOCI	(9,195)	21,928	12,476	42,805
Other income (Note 21 (e))	7,991	5,159	15,568	11,132
Total income from Islamic banking business	141,217	142,634	289,987	292,844

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21. Islamic banking business (cont'd.)

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

Bank	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Income from advances and financing measured at AC				
- Bai' Bithaman Ajil	-	24,267	-	52,373
- Bai' Murabahah	34,921	15,264	76,305	18,172
- Bai' Istisna	2,470	8,733	5,127	18,999
- Ijarah	-	7,145	-	14,827
- Ijarah Thumma Al-Bai	4,977	5,537	10,803	11,404
- Bai' Dayn	244	2,761	392	3,882
- Tawwaruq	55,732	33,573	108,607	77,910
- Bai' Inah	1,111	1,660	1,450	2,630
- Wakalah	-	1,744	-	2,504
Total income from advances and financing	99,455	100,684	202,684	202,701
Mudharabah deposit acceptance	8,295	6,899	13,991	16,801
Derivative financial asset	(5,971)	1,215	(1,754)	3,178
Financial assets at amortised cost	33,841	4,914	38,014	9,784
Financial assets at FVOCI	(9,195)	21,928	12,476	42,805
Other income (Note 21 (e))	7,891	9,051	15,189	17,518
Total income from Islamic banking business	134,316	144,691	280,600	292,787

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21. Islamic banking business (cont'd.)

(e) Other income

Group	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	June	June	June	June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fee income	1,778	1,837	4,036	4,609
Commission fee	503	273	960	816
Rental income	2,595	2,588	5,129	5,129
Others	3,115	461	5,443	578
	7,991	5,159	15,568	11,132

Bank	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	June	June	June	June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fee income	1,656	1,706	3,497	3,036
Commission fee	503	273	960	816
Rental income	2,631	2,588	5,200	5,129
Management fees	(16)	104	89	209
Profit income on amount owing by subsidiary company	-	3,928	-	7,762
Others	3,117	452	5,443	566
	7,891	9,051	15,189	17,518

(f) Profit expense attributable to Islamic banking business

Group	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	June	June	June	June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Commodity murabahah	27,512	29,808	54,251	61,105
Medium term notes	19,577	17,563	37,013	34,933
Long term financing	378	759	780	1,542
Deposits from banks and other financial institutions	696	3,148	2,591	7,090
Others	22	1,543	517	2,957
	48,185	52,821	95,152	107,627

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21. Islamic banking business (cont'd.)

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

	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Bank				
Commodity murabahah	27,636	30,826	55,144	62,430
Medium term notes	19,577	17,563	37,013	34,933
Long term financing	378	759	780	1,542
Deposits from banks and other financial institutions	696	3,148	2,591	7,090
Others	22	1,543	517	2,957
	<u>48,309</u>	<u>53,839</u>	<u>96,045</u>	<u>108,952</u>

(g) Other operating expenses

	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Group				
Personnel expenses	9,904	35,015	46,811	69,495
Establishment related expenses	9,328	9,307	19,385	19,792
Promotion and marketing expenses	805	1,538	1,642	2,880
Administration and general expenses	3,710	7,632	8,526	14,375
	<u>23,747</u>	<u>53,492</u>	<u>76,364</u>	<u>106,542</u>

	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Bank				
Personnel expenses	9,495	33,740	45,392	67,039
Establishment related expenses	9,309	9,829	19,346	19,722
Promotion and marketing expenses	879	1,445	1,776	2,852
Administration and general expenses	3,589	6,762	8,464	13,933
	<u>23,272</u>	<u>51,776</u>	<u>74,978</u>	<u>103,546</u>

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21. Islamic banking business (cont'd.)

(h) Allowances for impairment on advances and financing

Group	Second Quarter Ended		Cumulative 6 Months Ended	
	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Net allowance for impairment losses on advances, and financing made during the period				
- Stage 1 (Note 21(b)(x))	(757)	(1,900)	(2,772)	(6,318)
- Stage 2 (Note 21(b)(x))	(8,423)	14,298	9,691	27,900
- Stage 3 (Note 21(b)(x))	30,004	7,387	40,411	14,831
	<u>20,824</u>	<u>19,785</u>	<u>47,330</u>	<u>36,413</u>
Impaired advances and financing recovered	<u>(1,143)</u>	<u>(2,547)</u>	<u>(2,605)</u>	<u>(3,277)</u>
Total allowances for impairment on advances and financing	<u>19,681</u>	<u>17,238</u>	<u>44,725</u>	<u>33,136</u>
Bank				
Net allowance for impairment losses on advances, and financing made during the period				
- Stage 1 (Note 21(b)(x))	(757)	(1,900)	(2,772)	(6,318)
- Stage 2 (Note 21(b)(x))	(8,423)	14,298	9,691	27,900
- Stage 3 (Note 21(b)(x))	41,495	7,387	52,712	14,831
	<u>32,315</u>	<u>19,785</u>	<u>59,631</u>	<u>36,413</u>
Impaired advances and financing recovered	<u>(1,143)</u>	<u>(2,547)</u>	<u>(2,605)</u>	<u>(3,277)</u>
Total allowances for impairment on advances and financing	<u>31,172</u>	<u>17,238</u>	<u>57,026</u>	<u>33,136</u>

(i) Commitments

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Direct credit substitutes	133,825	189,758
Transaction-related-contingent items	99,994	138,014
Irrevocable commitments to extend credit:		
- maturity exceeding one year	1,336,911	1,130,701
Profit rate related contract	-	200,000
	<u>1,570,730</u>	<u>1,658,473</u>

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21. Islamic banking business (cont'd.)

(j) Capital adequacy

Capital management

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
<u>Tier I Capital</u>				
Capital funds	1,050,564	1,050,564	1,050,564	1,050,564
Retained earning/ (Accumulated loss)	154,922	154,922	(147,698)	(147,698)
Less: Deferred tax assets	(117,393)	(117,393)	(117,393)	(117,393)
Less: Property revaluation reserves	(212,533)	(212,533)	(212,533)	(212,533)
Total Tier I capital	875,560	875,560	572,940	572,940
<u>Tier II Capital</u>				
General provision for advances and financing*	107,258	100,350	107,258	100,350
Property revaluation reserves	106,267	106,267	106,267	106,267
Government funds	256,894	245,754	256,894	245,754
Total Tier II capital	470,419	452,371	470,419	452,371
Total capital base	1,345,979	1,327,931	1,043,359	1,025,311

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

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
20%	317,242	142,986	317,242	142,986
50%	341,774	288,143	341,774	288,143
100%	7,033,968	7,290,007	7,039,359	7,407,015
	7,692,984	7,721,136	7,698,375	7,838,144

Before deducting proposed dividends:

Core capital ratio	11.381%	11.340%	7.442%	7.310%
Risk-weighted capital ratio	17.496%	17.199%	13.553%	13.081%