

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

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

	Note	Group		Bank	
		As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
ASSETS					
Cash and short term funds		680,838	423,032	678,422	418,981
Deposits and placements with banks and other financial institutions		183,295	182,013	183,295	182,013
Financial assets at fair value through other comprehensive income	10	2,202,950	-	2,202,950	-
Financial assets available-for-sale	11	-	2,108,422	-	2,108,422
Financial assets at amortised cost	12	579,835	-	579,835	-
Financial assets held-to-maturity	13	-	568,585	-	568,585
Loans, advances and financing	14	6,446,702	6,583,790	6,033,456	6,159,840
Other assets		35,504	27,614	560,279	526,956
Derivative financial assets		3,388	-	3,388	-
Investment in subsidiaries		-	-	3,582	3,582
Investment in associate		2,662	3,416	-	-
Property, plant and equipment		149,368	148,695	149,343	148,651
Investment properties		372,910	372,910	372,910	372,910
Intangible assets		10,407	11,830	10,363	11,733
Tax recoverable		27,517	27,136	25,002	26,034
Deferred tax assets		108,382	121,723	108,382	121,723
TOTAL ASSETS		10,803,757	10,579,166	10,911,207	10,649,430
LIABILITIES					
Deposits from customers	15	3,334,547	3,261,929	3,418,752	3,321,145
Deposits from banks and other financial institutions	16	436,486	100,172	436,486	100,172
Unrealised gain on revaluation of Medium-term notes		-	696	-	696
Borrowings	17	1,809,787	1,821,452	1,809,787	1,821,452
Other liabilities		1,996,491	2,036,006	1,996,491	2,036,006
Government funds	18	1,039,330	1,088,286	1,055,848	1,099,933
TOTAL LIABILITIES		8,942,088	8,593,590	9,042,811	8,664,453
EQUITY					
Share capital		1,850,000	1,850,000	1,850,000	1,850,000
Retained earnings		17,874	145,727	24,601	145,128
Other reserves		(6,205)	(10,151)	(6,205)	(10,151)
TOTAL EQUITY		1,861,669	1,985,576	1,868,396	1,984,977
TOTAL LIABILITIES AND EQUITY		10,803,757	10,579,166	10,911,207	10,649,430
COMMITMENTS AND CONTINGENCIES	24	1,324,272	1,393,634	1,324,272	1,393,634

(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 THIRD QUARTER ENDED 30 SEPTEMBER 2018**

Group	Note	Third Quarter Ended		Cumulative 9 Months Ended	
		30 Sept 2018 RM'000	30 Sept 2017 RM'000	30 Sept 2018 RM'000	30 Sept 2017 RM'000
Interest income	19	7,365	12,744	21,080	35,390
Interest expense	20	(13,989)	(14,245)	(41,700)	(43,677)
Net interest income		(6,624)	(1,501)	(20,620)	(8,287)
Gross income from Islamic banking business	26	98,255	81,861	283,472	247,238
Other operating income	21	1,788	1,368	5,100	6,370
Net income		93,419	81,728	267,952	245,321
Other operating expenses	22	(53,951)	(52,483)	(169,563)	(150,334)
Operating profit		39,468	29,245	98,389	94,987
Expected credit losses/ Allowances for impairment on :					
- loans, advances and financing	23	(45,987)	(42,248)	(78,432)	(79,566)
- commitment and contingencies		(160)	-	856	-
- financial assets		(5)	-	(614)	-
- other assets		(185)	-	(741)	-
		(6,869)	(13,003)	19,458	15,421
Share of loss after tax of associate		-	-	(754)	(383)
Profit before tax expense and zakat		(6,869)	(13,003)	18,704	15,038
Tax expense		(5,550)	(802)	(7,972)	(3,650)
Zakat		(1,000)	(1,000)	(3,000)	(3,000)
Profit for the period		(13,419)	(14,805)	7,732	8,388
Other comprehensive income/ (loss) item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of					
- available-for-sale financial investments		-	3,845	-	30,348
- investment securities measured at fair value through other comprehensive income ("FVOCI")		12,248	-	2,735	-
Changes in expected credit losses					
- investment securities measured at fair value through other comprehensive income ("FVOCI")		3	-	608	-
Income tax relating to components of other comprehensive income		-	417	-	(5,500)
Other comprehensive income for the period, net of tax		12,251	4,262	3,343	24,848
Total comprehensive income for the period, net of tax		(1,168)	(10,543)	11,075	33,236
Profit for the period attributable to owner of the Bank		(13,419)	(14,805)	7,732	8,388
Total comprehensive income attributable to owner of the Bank		(1,168)	(10,543)	11,075	33,236

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

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (CONT'D)**

Bank	Note	Third Quarter Ended		Cumulative 9 Months Ended	
		30 Sept 2018 RM'000	30 Sept 2017 RM'000	30 Sept 2018 RM'000	30 Sept 2017 RM'000
Interest income	19	6,481	7,413	19,361	24,182
Interest expense	20	(13,989)	(14,245)	(41,700)	(43,677)
Net interest income		(7,508)	(6,832)	(22,339)	(19,495)
Gross income from Islamic banking business	26	100,850	87,375	284,685	257,566
Other operating income	21	1,788	1,450	5,100	4,998
Net income		95,130	81,993	267,446	243,069
Other operating expenses	22	(51,729)	(49,362)	(162,485)	(146,863)
Operating profit		43,401	32,631	104,961	96,206
Expected credit losses/ Allowances for impairment on :					
- loans, advances and financing	23	(45,987)	(42,248)	(78,432)	(79,566)
- commitment and contingencies		(160)	-	856	-
- financial assets		(5)	-	(614)	-
- other assets		(185)	-	(741)	-
Profit before tax expense and zakat		(2,936)	(9,617)	26,030	16,640
Tax expense		(5,550)	(462)	(7,972)	(1,849)
Zakat		(1,000)	(1,000)	(3,000)	(3,000)
Profit for the period		(9,486)	(11,079)	15,058	11,791
Other comprehensive income/ (loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of					
- available-for-sale financial investments		-	3,845	-	30,348
- investment securities measured at fair value through other comprehensive income ("FVOCI")		12,248	-	2,735	-
Changes in expected credit losses					
- investment securities measured at fair value through other comprehensive income ("FVOCI")		3	-	608	-
Income tax relating to components of other comprehensive income		-	417	-	(5,500)
Other comprehensive income for the period, net of tax		12,251	4,262	3,343	24,848
Total comprehensive income for the period, net of tax		2,765	(6,817)	18,401	36,639
Profit for the period attributable to owner of the Bank		(9,486)	(11,079)	15,058	11,791
Total comprehensive income attributable to owner of the Bank		2,765	(6,817)	18,401	36,639

(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 THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

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

<u>Group</u>	Share capital RM'000	Fair value reserve RM'000	Distributable general reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2018 as previously stated	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)
At 1 January 2018 as restated	1,850,000	(19,662)	10,114	43,442	1,883,894
Fair value gain of debt securities measured at FVOCI, net of tax	-	2,735	-	-	2,735
Changes in expected credit losses of investment securities measured at FVOCI, net of tax	-	608	-	-	608
Profit for the period	-	-	-	7,732	7,732
Total comprehensive income for the period	-	3,343	-	7,732	11,075
Dividend	-	-	-	(33,300)	(33,300)
At 30 September 2018	1,850,000	(16,319)	10,114	17,874	1,861,669
At 1 January 2017	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	-	24,848	-	-	24,848
Profit for the period	-	-	-	8,388	8,388
Total comprehensive income for the period	-	24,848	-	8,388	33,236
Dividend	-	-	-	(16,200)	(16,200)
Unrealised gain on revaluation of At 30 September 2017	1,350,000	(11,830)	10,114	86,200	1,434,484

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (CONT'D.)**

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

	Share capital RM'000	Fair value reserve RM'000	Distributable general reserve RM'000	Retained earnings RM'000	Total RM'000
Bank					
At 1 January 2018 as previously stated	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)
At 1 January 2018 as restated	1,850,000	(19,662)	10,114	42,843	1,883,295
Fair value gain of debt securities measured at FVOCI	-	2,735	-	-	2,735
Changes in expected credit losses of investment securities measured at FVOCI	-	608	-	-	608
Profit for the period	-	-	-	15,058	15,058
Total comprehensive income for the period	-	3,343	-	15,058	18,401
Dividend	-	-	-	(33,300)	(33,300)
At 30 September 2018	1,850,000	(16,319)	10,114	24,601	1,868,396
At 1 January 2017	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	-	24,848	-	-	24,848
Profit for the period	-	-	-	11,791	11,791
Total comprehensive income for the period	-	24,848	-	11,791	36,639
Dividend	-	-	-	(16,200)	(16,200)
At 30 September 2017	1,350,000	(11,830)	10,114	78,749	1,427,033

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

**Small Medium Enterprise Development Bank Malaysia Berhad
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**

	Group		Bank	
	30 Sept 2018 RM'000	30 Sept 2017 RM'000	30 Sept 2018 RM'000	30 Sept 2017 RM'000
Cash flows from/ (used in) operating activities				
Profit before tax expense and zakat	18,704	15,038	26,030	16,640
Adjustments for non-cash items:				
Net impairment loss on loan, advances and financing	78,432	79,566	78,432	79,566
Provision for debt instrument at FVOCI	614	-	614	-
Provision for debt instrument at amortised cost	741	-	741	-
Writeback of commitment and contingencies	(856)	-	(856)	-
Depreciation of property, plant and equipment	10,442	9,502	10,423	9,478
Amortisation of intangible assets	3,324	2,803	3,271	2,628
Government funds (writeback)/released, net	(2,638)	(4,687)	(2,638)	(4,687)
Share of loss of associates	754	-	-	-
Operating profit before working capital changes	109,517	102,222	116,017	103,625
Changes in working capital:				
Net changes in operating assets	(75,528)	(441,714)	(50,151)	(422,366)
Net changes in operating liabilities	415,788	1,059,257	385,546	1,049,787
Cash from operating activities	449,777	719,765	451,412	731,046
Tax paid	-	(2,912)	-	(1,618)
Net cash from operating activities	449,777	716,853	451,412	729,428
Cash flows used in investing activities				
Net proceed from financial assets	(94,528)	(86,661)	(94,528)	(86,661)
Purchase of property, plant and equipment	(12,963)	(10,575)	(12,963)	(10,575)
Net cash used in investing activities	(107,491)	(97,236)	(107,491)	(97,236)
Unrealised gain on revaluation of				
Dividend paid	(33,300)	(16,200)	(33,300)	(16,200)
Proceed from government grants	-	20,000	-	20,000
Issuance of sukuk	-	300,000	-	300,000
Net repayment of borrowings	(51,180)	(72,864)	(51,180)	(72,864)
Net cash from financing activities	(84,480)	230,936	(84,480)	230,936
Net increase in cash and cash equivalents	257,806	850,553	259,441	863,128
Cash and cash equivalents at beginning of year	423,032	841,897	418,981	827,988
Cash and cash equivalents at end of year	680,838	1,692,450	678,422	1,691,116
Cash and cash equivalents comprise:				
- Cash and short term funds	680,838	1,692,450	678,422	1,691,116

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(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 third quarter ended 30 September 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 third quarter ended 30 September 2018.

7. Changes in estimates

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

8. Dividends paid and distributed

During the period ended 30 September 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.

**Small Medium Enterprise Development Bank Malaysia Berhad
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9. Transition disclosures

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

Group	Fair value reserve RM'000	Distributable general reserve RM'000	Retained earnings RM'000	Total RM'000
Closing balance under MFRS 139 (31 December 2017)	(20,265)	10,114	145,727	135,576
Impact of adopting MFRS 9	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>
Bank	Fair value reserve RM'000	Distributable general reserve RM'000	Retained earnings RM'000	Total RM'000
Closing balance under MFRS 139 (31 December 2017)	(20,265)	10,114	145,128	134,977
Impact of adopting MFRS 9	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 aggregated opening loss impairment allowances under MFRS 139 and impairment 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.

Group	Loss provision under MFRS 139/ MFRS 7 at 31 December 2017 RM'000	Re- measurement RM'000	ECLs under MFRS 9 at 1 January 2018 RM'000
<u>Impairment allowances 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

	Loss provision under MFRS 139/ MFRS 7 at 31 December 2017 RM'000	Re- measurement RM'000	ECLs under MFRS 9 at 1 January 2018 RM'000
<u>Impairment allowances 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)
	349,974	95,826	445,800
Commitment and contingencies	-	6,459	6,459
	349,974	102,285	452,259

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

	Group and Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	700,938	-
Malaysian Government Securities	177,213	-
	878,151	-
Money market securities		
Commercial papers	129,275	-
Non-money market securities		
Equity securities:		
Quoted shares	131,827	-
Unquoted shares	3,123	-
Debt securities:		
Private debt securities	1,060,574	-
	1,195,524	-
	2,202,950	-
Total financial assets at FVOCI		

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 (Writeback)/Allowances made due to changes in credit risk	603	-	603
	(301)	909	608
At 30 September 2018	302	909	1,211

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	12	-	12
MARC AAA	21	-	21
RAM AA	63	-	63
MARC AA	5	-	5
MARC AA- RAM BB	201	-	201
	-	909	909
Total	302	909	1,211

11. Financial assets available-for-sale

	Group and Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	-	672,074
Malaysian Government Securities	-	177,021
	-	849,095
Money market securities		
Commercial papers	-	171,723
Non-money market securities		
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 at amortised cost

	Group and Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
At amortised cost		
Government securities		
Malaysian Government Investment Issues	111,814	-
Money market securities		
Commercial papers	118,474	-
Non-money market securities		
Debt securities:		
Private debt securities	349,632	-
Accumulated impairment losses	(85)	-
Total financial assets at amortised cost	579,835	-

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:

	Group and Bank RM'000
<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	7
At 30 September 2018	85

The impairment losses by external rating grade are as follows:

	Group and Bank As at 30 September 2018 RM'000
<u>Stage 1</u>	
<i>External rating grade</i>	
Performing	
RAM AAA	3
MARC AAA	13
RAM AA	48
MARC AA-	21
Total	85

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13. Financial assets held-to-maturity

	Group and Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
At amortised cost		
Government securities		
Malaysian Government Investment Issues	-	111,705
Non-money market securities		
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

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Term loans				
- Hire purchase	367,171	396,404	309,668	338,429
- Leasing	40,959	48,205	40,461	47,702
- Other term loans	5,539,494	5,635,464	5,071,139	5,156,936
Revolving credits	1,159,663	953,637	1,154,515	948,435
Staff loans	18,115	18,312	18,115	18,312
Gross loans, advances and financing	<u>7,125,402</u>	<u>7,052,022</u>	<u>6,593,898</u>	<u>6,509,814</u>
Less: Expected credit losses/ allowance for impairment losses				
- individual assessment allowance	(500,005)	(312,485)	(421,146)	(233,626)
- expected credit losses/ collective assessment allowance	<u>(178,695)</u>	<u>(155,747)</u>	<u>(139,296)</u>	<u>(116,348)</u>
Net loans, advances and financing	<u>6,446,702</u>	<u>6,583,790</u>	<u>6,033,456</u>	<u>6,159,840</u>
Gross impaired loans, advances and financing	<u>1,685,365</u>	<u>1,370,947</u>	<u>1,153,861</u>	<u>828,739</u>
Net impaired loans, advances and financing	<u>1,185,360</u>	<u>1,058,462</u>	<u>732,715</u>	<u>595,113</u>

Included in loans, advances and financing are gross loans, advances and financing of RM53,353,000 (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	As at 31	As at 30	As at 31
	September	December	September	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Within one year	1,131,295	1,005,104	824,067	691,665
More than one year to three years	1,036,870	723,073	1,008,040	694,299
More than three years to five years	1,039,762	1,308,847	979,156	1,247,580
More than five years	3,917,475	4,014,998	3,782,635	3,876,270
	<u>7,125,402</u>	<u>7,052,022</u>	<u>6,593,898</u>	<u>6,509,814</u>

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

	Group		Bank	
	As at 30	As at 31	As at 30	As at 31
	September	December	September	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprise	7,107,287	7,033,710	6,575,783	6,491,502
Individual	18,115	18,312	18,115	18,312
	<u>7,125,402</u>	<u>7,052,022</u>	<u>6,593,898</u>	<u>6,509,814</u>

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

	Group		Bank	
	As at 30	As at 31	As at 30	As at 31
	September	December	September	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Constructions	1,211,902	959,307	1,209,042	956,435
Education, health and others	640,680	1,156,537	592,632	1,103,915
Electricity, gas and water supply	146,112	36,396	146,112	36,396
Financial, insurance, real estate and business services	1,008,765	860,355	1,004,837	856,274
Manufacturing	1,176,421	1,234,191	1,065,164	1,121,292
Mining and quarrying	50,122	29,856	48,126	27,860
Primary agriculture	5,788	4,270	5,541	4,030
Transportation, storage and communication	950,521	799,913	887,034	736,442
Wholesale, retail trade, restaurants and hotels	1,916,976	1,952,885	1,617,295	1,648,858
Others	18,115	18,312	18,115	18,312
	<u>7,125,402</u>	<u>7,052,022</u>	<u>6,593,898</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:

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	615,572	77,123	168,408	152,516	74,399	123,884	1,211,902
Education, health and others	410,619	45,102	54,188	84,367	22,802	23,602	640,680
Electricity, gas and water supply	138,983	1,881	76	3,886	437	849	146,112
Financial, insurance, real estate and business services	680,168	52,707	110,085	26,134	87,845	51,826	1,008,765
Manufacturing	636,717	113,137	198,573	132,146	50,070	45,778	1,176,421
Mining and quarrying	9,561	-	1,007	11,636	25,668	2,250	50,122
Primary agriculture	1,253	-	607	56	3,872	-	5,788
Transportation, storage and communication	470,974	108,255	92,419	139,406	44,337	95,130	950,521
Wholesale, retail trade, restaurants and hotels	1,024,813	178,442	99,714	235,395	286,833	91,779	1,916,976
Others	18,115	-	-	-	-	-	18,115
At 30 September 2018	4,006,775	576,647	725,077	785,542	596,263	435,098	7,125,402

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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.):

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

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14. 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	612,712	77,123	168,408	152,516	74,399	123,884	1,209,042
Education, health and others	362,571	45,102	54,188	84,367	22,802	23,602	592,632
Electricity, gas and water supply	138,983	1,881	76	3,886	437	849	146,112
Financial, insurance, real estate and business services	676,240	52,707	110,085	26,134	87,845	51,826	1,004,837
Manufacturing	525,460	113,137	198,573	132,146	50,070	45,778	1,065,164
Mining and quarrying	7,565	-	1,007	11,636	25,668	2,250	48,126
Primary agriculture	1,006	-	607	56	3,872	-	5,541
Transportation, storage and communication	407,487	108,255	92,419	139,406	44,337	95,130	887,034
Wholesale, retail trade, restaurants and hotels	725,132	178,442	99,714	235,395	286,833	91,779	1,617,295
Others	18,115	-	-	-	-	-	18,115
At 30 September 2018	3,475,271	576,647	725,077	785,542	596,263	435,098	6,593,898

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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.):

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

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

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

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Fixed rate:				
- Staff loan/financing	18,115	18,312	18,115	18,312
- Hire purchase receivables	287,709	328,527	230,206	270,552
- Leasing	35,312	45,025	34,814	44,522
- Revolving credits	242,063	262,086	236,969	256,938
- Other term loans/financing	1,975,248	2,183,760	1,586,081	1,789,863
Variable rate:				
- Hire purchase receivables	79,461	67,877	79,461	67,877
- Leasing	5,647	3,180	5,647	3,180
- Revolving credits	917,599	691,551	917,545	691,497
- Other term loans/financing	3,564,248	3,451,704	3,485,060	3,367,073
	<u>7,125,402</u>	<u>7,052,022</u>	<u>6,593,898</u>	<u>6,509,814</u>

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

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Constructions	121,535	58,688	118,675	55,816
Education, health and others	132,038	193,317	83,990	140,695
Electricity, gas and water supply	18,194	54	18,194	54
Financial, insurance, real estate and business services	101,387	40,030	97,459	35,949
Manufacturing	339,405	311,067	228,148	198,168
Mining and quarrying	2,389	2,373	393	377
Primary agriculture	504	537	257	296
Transportation, storage and communication	305,377	207,387	241,890	143,917
Wholesale, retail trade, restaurants and hotels	664,536	557,494	364,855	253,467
	<u>1,685,365</u>	<u>1,370,947</u>	<u>1,153,861</u>	<u>828,739</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:

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	34,086	4,746	64,291	1,406	8,384	8,622	121,535
Education, health and others	106,400	3,629	8,447	11,738	1,166	658	132,038
Electricity, gas and water supply	18,194	-	-	-	-	-	18,194
Financial, insurance, real estate and business services	88,309	900	2,830	2,808	6,365	175	101,387
Manufacturing	215,660	27,700	57,883	27,902	6,010	4,250	339,405
Mining and quarrying	1,996	-	-	393	-	-	2,389
Primary agriculture	247	-	60	-	197	-	504
Transportation, storage and communication	192,930	7,306	21,792	49,890	4,595	28,864	305,377
Wholesale, retail trade, restaurants and hotels	434,880	54,458	21,312	52,489	96,605	4,792	664,536
At 30 September 2018	<u>1,092,702</u>	<u>98,739</u>	<u>176,615</u>	<u>146,626</u>	<u>123,322</u>	<u>47,361</u>	<u>1,685,365</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.):

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

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14. 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	31,226	4,746	64,291	1,406	8,384	8,622	118,675
Education, health and others	58,352	3,629	8,447	11,738	1,166	658	83,990
Electricity, gas and water supply	18,194	-	-	-	-	-	18,194
Financial, insurance, real estate and business services	84,381	900	2,830	2,808	6,365	175	97,459
Manufacturing	104,403	27,700	57,883	27,902	6,010	4,250	228,148
Mining and quarrying	-	-	-	393	-	-	393
Primary agriculture	-	-	60	-	197	-	257
Transportation, storage and communication	129,443	7,306	21,792	49,890	4,595	28,864	241,890
Wholesale, retail trade, restaurants and hotels	135,199	54,458	21,312	52,489	96,605	4,792	364,855
At 30 September 2018	561,198	98,739	176,615	146,626	123,322	47,361	1,153,861

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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.):

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

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

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

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
<u>Expected credit losses/ Collective Assessment Allowance</u>				
At 1 January	155,747	143,261	116,348	106,430
Impact of adopting MFRS 9	(19,106)	-	(19,106)	-
At 1 January, as restated	136,641	143,261	97,242	106,430
Amount transfer to individual assessment allowance	-	(12,163)	-	(12,163)
Allowance made during the period/ year	229,440	111,785	229,440	105,130
Writeback made during the period/ year	(187,386)	(87,136)	(187,386)	(83,049)
Closing balance	178,695	155,747	139,296	116,348

Movement in collective assessment allowances which reflect the ECL model in impairment are as follows:

Group	Stage1 RM'000	Stage1 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2018	60,688	8,393	86,666	155,747
Impact of adopting MFRS 9	(11,291)	8,437	(16,252)	(19,106)
At 1 January 2018, as restated	49,397	16,830	70,414	136,641
Changes due to loans, advances and financing recognised as at 1 January 2018:				
-Transfers to Stage 1	333	51,021	3,938	55,292
-Transfers to Stage 2	(6,153)	(141)	2,612	(3,682)
-Transfers to Stage 3	(1,574)	(6,795)	(2,282)	(10,651)
	(7,394)	44,085	4,268	40,959
New financial assets originated	8,505	244	158	8,907
Amount settled	(5,163)	(2,067)	(582)	(7,812)
At 30 September 2018	45,345	59,092	74,258	178,695
Bank	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2018	60,688	8,393	47,267	116,348
Impact of adopting MFRS 9	(11,291)	8,437	(16,252)	(19,106)
At 1 January 2018, as restated	49,397	16,830	31,015	97,242
Changes due to loans, advances and financing recognised as at 1 January 2018:				
-Transfers to Stage 1	333	51,021	3,938	55,292
-Transfers to Stage 2	(6,153)	(141)	2,612	(3,682)
-Transfers to Stage 3	(1,574)	(6,795)	(2,282)	(10,651)
	(7,394)	44,085	4,268	40,959
New financial assets originated	8,505	244	158	8,907
Amount settled	(5,163)	(2,067)	(582)	(7,812)
At 30 September 2018	45,345	59,092	34,859	139,296

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

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

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Individual Assessment Allowance				
At 1 January	312,485	261,699	233,626	189,973
Impact of adopting MFRS 9 Adjustment	114,255 15,877	- -	114,255 15,877	- -
At 1 January, as restated	442,617	261,699	363,758	189,973
Net amount transfer from collective assessment allowance	-	12,163	-	12,163
Allowance made during the period	149,837	204,767	149,837	192,666
Amount written back in respect of recoveries	(92,449)	(97,138)	(92,449)	(92,170)
Amount written off	-	(69,006)	-	(69,006)
Amount settled	-	-	-	-
New accounts	-	-	-	-
Closing balance	500,005	312,485	421,146	233,626

- (x) Movements in gross impaired loans, advances and financing ("impaired loans") - Comparative information under MFRS 139 are as follows:

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 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	430,184	307,804	430,184	307,804
Reclassified as non-impaired	(82,991)	(77,602)	(72,287)	(77,602)
Offsetted against other payables	-	(8,808)	-	(8,808)
Amount recovered	(32,775)	(89,034)	(32,775)	(74,181)
Amount write-off	-	(79,917)	-	(79,917)
Closing balance	1,685,365	1,370,947	1,153,861	828,739

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

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Net impaired loans	17.89%	15.75%	11.87%	9.51%

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15. Deposits from customers

	Group		Bank	
	As at 30	As at 31	As at 30	As at 31
	September	December	September	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Term deposit:				
- Commodity murabahah/Tawarruq	3,334,547	3,261,929	3,418,752	3,321,145

(i) By types of customers

	Group		Bank	
	As at 30	As at 31	As at 30	As at 31
	September	December	September	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	2,238,855	2,051,954	2,238,854	2,051,954
Business enterprise	637,627	501,839	721,833	561,055
Others	458,065	708,136	458,065	708,136
	<u>3,334,547</u>	<u>3,261,929</u>	<u>3,418,752</u>	<u>3,321,145</u>

(ii) The maturity structure

	Group		Bank	
	As at 30	As at 31	As at 30	As at 31
	September	December	September	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Less than three months	2,248,901	2,453,571	2,323,981	2,511,711
Three months to six months	906,384	736,520	908,125	737,596
More than six months to one year	179,262	71,838	186,646	71,838
	<u>3,334,547</u>	<u>3,261,929</u>	<u>3,418,752</u>	<u>3,321,145</u>

16. Deposits from banks and other financial institutions

	Group and Bank	
	As at 30	As at 31
	September	December
	2018	2017
	RM'000	RM'000
At amortised cost		
Licensed banks and other financial institutions	436,486	100,172

The deposits maturity structure is as follows:

	Group and Bank	
	As at 30	As at 31
	September	December
	2018	2017
	RM'000	RM'000
Less than three months	436,486	100,172

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17. Borrowings

	Group and Bank	
	As at 30	As at 31
	September	December
	2018	2017
	RM'000	RM'000
Unsecured borrowings	1,996,491	2,036,006

The maturity structure of the borrowings are as follows:

	Group and Bank	
	As at 30	As at 31
	September	December
	2018	2017
	RM'000	RM'000
Within twelve months	230,105	219,727
More than twelve months	1,766,386	1,816,279
	<u>1,996,491</u>	<u>2,036,006</u>

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

	Note	Group and Bank	
		As at 30	As at 31
		September	December
		2018	2017
		RM'000	RM'000
Borrowings from:			
- Government of Malaysia	(i)	1,046,440	1,057,979
- Other financial institutions	(ii)	950,051	978,027
		<u>1,996,491</u>	<u>2,036,006</u>

(i) Borrowing from Government of Malaysia

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

	Group and Bank	
	As at 30	As at 31
	September	December
	2018	2017
	RM'000	RM'000
Maturity structure:		
Within twelve months	162,443	174,398
More than twelve months	883,997	883,581
	<u>1,046,440</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

	Group and Bank	
	As at 30	As at 31
	September	December
	2018	2017
	RM'000	RM'000
Bank Negara Malaysia	133,838	171,903
Employee Provident Fund	816,213	806,124
	<u>950,051</u>	<u>978,027</u>

The loans from other financial institutions are repayable as follows:

	Group and Bank	
	As at 30	As at 31
	September	December
	2018	2017
	RM'000	RM'000
Maturity structure:		
Within twelve months	67,662	45,329
More than twelve months	882,389	932,698
	<u>950,051</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

	Note	Group and Bank	
		As at 30	As at 31
		September	December
		2018	2017
		RM'000	RM'000
To finance:			
Purchase of investment properties	(a)	119,849	122,487
Loans, advances and financing	(b)	205,598	162,562
		<u>325,447</u>	<u>285,049</u>

(a) To finance the purchase of investment properties:

Group and Bank	Kompleks Kilang Bimbingan			
	Nursery	Nursery	Nursery	Total
	Factory	Factory	Factory	
	Scheme	Scheme	Scheme	
(RMK7)	(RMK8)	(RMK9)		
	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	66,071	22,067	34,349	122,487
Government fund released	(176)	(2,178)	(284)	(2,638)
At 30 September 2018	<u>65,895</u>	<u>19,889</u>	<u>34,065</u>	<u>119,849</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:

Group and Bank	Tabung Soft Loan Scheme RM'000	Tabung Usahawan Pahang RM'000	Tabung Inkubator Pertanian Kelantan RM'000	Tabung Usahawan Siswazah RM'000	Dana Usahawan Negeri Terengganu RM'000	Program dan Skim Usahawan Batik RM'000	Balance c/f RM'000
At 1 January 2018	36,406	288	2,669	17,821	4,516	4,168	65,868
Recoveries from loans and financing written off	5	-	-	593	104	-	702
Muqasah	-	-	-	-	(26)	-	(26)
At 30 September 2018	36,411	288	2,669	18,414	4,594	4,168	66,544

	Balance b/f RM'000	Basis Capital Scheme (SMA) RM'000	Skim Perusahaan Kapal Tradisional RM'000	Program dan Skim Usahawan Kraf RM'000	Skim Anjakan Usahawan RM'000	Total RM'000
At 1 January 2018	65,868	30,090	3,000	4,756	58,848	162,562
Addition during the year	-	-	-	-	40,000	40,000
Recoveries from loans and financing written off	702	2,360	-	-	-	3,062
Muqasah	(26)	-	-	-	-	(26)
At 30 September 2018	66,544	32,450	3,000	4,756	98,848	205,598

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18. Government funds (cont'd.)

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

Group and Bank	Tabung Soft Loan Scheme RM'000	Tabung Inkubator Usahawan Pahang RM'000	Pertanian Kelantan RM'000	Tabung Usahawan Siswazah RM'000	Dana Usahawan Negeri Terengganu RM'000	Program dan Skim Usahawan Batik RM'000	Balance c/f RM'000
At 1 January 2017	36,796	288	2,669	22,741	5,442	4,147	72,083
Write-off	(436)	-	-	(5,606)	(1,101)	-	(7,143)
Recoveries from 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

	Balance b/f RM'000	Basis Capital Scheme (SMA) RM'000	Skim Pembangunan Ekonomi Desa RM'000	Skim Perusahaan Kapal Tradisional RM'000	Program dan Skim Usahawan Kraf RM'000	Skim Anjakan Usahawan RM'000	Total RM'000
At 1 January 2017	72,083	31,393	48,194	3,000	4,755	19,604	179,029
Proceeds	-	-	-	-	-	40,000	40,000
Written-off	(7,143)	(3,879)	-	-	-	-	(11,022)
Recoveries from loans 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:

	Types of funds	Purpose of funds	Source	Allocation Received RM'000
(a)	Soft Loan Scheme	To provide soft loans to Bumiputera entrepreneurs	Ministry of International Trade and Industry (MITI)	34,400
(b)	Tabung Usahawan Pahang	To provide loans for furniture industry in Termerloh, Pahang	Pahang State Government	1,000
(c)	Tabung Inkubator Pertanian Kelantan	To support the business expansion of livestock industry in Jeli, Kelantan	Ministry of International Trade and Industry (MITI)	2,992
(d)	Tabung Usahawan Siswazah	To encourage graduates into entrepreneurship	Ministry of International Trade and Industry (MITI)	62,000
(e)	Dana Usahawan Negeri Terengganu	To promote Bumiputera entrepreneurs in Terengganu	Ministry of International Trade and Industry (MITI)	30,000
(f)	Program dan Skim Usahawan Batik	To promote Bumiputera entrepreneurs in the batik industry	Ministry of International Trade and Industry (MITI)	5,000
(g)	Basic Capital Scheme	To promote Bumiputera entrepreneurs with basic capital	Ministry of International Trade and Industry (MITI)	75,835
(h)	Skim Perusahaan Kapal Tradisional	To promote ship making in Terengganu	Ministry of International Trade and Industry (MITI)	3,000
(i)	Program dan Skim Usahawan Kraf	To promote Bumiputera entrepreneurs in the craft industry	Ministry of International Trade and Industry (MITI)	5,000
(j)	Kompleks Kilang Bimbingan	To provide premises for Bumiputera entrepreneurs	Ministry of International Trade and Industry (MITI)	220,775
(k)	Skim Anjakan Usahawan	To promote business expansion for Bumiputera entrepreneur	Ministry of International Trade and Industry (MITI)	100,000

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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 September 2018

Types of funds	Outstanding loan, advances and financing RM'000	No. of borrowers assisted
(a) Soft Loan Scheme	6,990	116
(b) Tabung Usahawan Pahang	-	-
(c) Tabung Inkubator Pertanian Kelantan	-	-
(d) Tabung Usahawan Siswazah (TUS)	11,237	257
(e) Dana Usahawan Negeri Terengganu	5,186	67
(f) Program dan Skim Usahawan Batik	-	-
(g) Basic Capital Scheme (SMA)	17,314	220
(h) Skim Perusahaan Kapal Tradisional	-	-
(i) Program dan Skim Usahawan Kraf	89	1
(j) Kompleks Kilang Bimbingan	-	-
(k) Skim Anjakan Ushawan	12,536	7

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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, advances and 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	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	September	September	September	September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	5,593	10,570	15,658	29,003
Deposits and placements with banks and other financial institutions	-	323	-	574
Investment securities at FVOCI	1,687	-	5,095	-
Available-for-sale financial assets	-	1,851	-	5,511
Held-to-maturity financial assets	-	-	-	302
Derivative forex	85	-	327	-
	<u>7,365</u>	<u>12,744</u>	<u>21,080</u>	<u>35,390</u>

Bank	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	September	September	September	September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	4,709	5,239	13,939	17,795
Deposits and placements with banks and other financial institutions	-	323	-	574
Investment securities at FVOCI	1,687	-	5,095	-
Available-for-sale financial assets	-	1,851	-	5,511
Held-to-maturity financial assets	-	-	-	302
Derivative forex	85	-	327	-
	<u>6,481</u>	<u>7,413</u>	<u>19,361</u>	<u>24,182</u>

20. Interest expense

Group and Bank	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	September	September	September	September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Term loans	13,989	14,245	41,700	43,677

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21. Other operating income

Group	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000
	Fee income	230	13	429
Other income:				
Gain on disposal of property, plant and equipment	-	22	-	25
Gross dividend income	-	-	-	655
Government fund released	889	-	2,638	-
Government compensation	634	947	1,895	3,084
Others	35	386	138	704
	<u>1,558</u>	<u>1,355</u>	<u>4,671</u>	<u>4,468</u>
Total other operating income	1,788	1,368	5,100	6,370

Bank	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000
	Fee income	230	91	429
Other income:				
Gain on disposal of property, plant and equipment	-	22	-	25
Gross dividend income	-	-	-	655
Government fund released	889	-	2,638	-
Government compensation	634	947	1,895	3,084
Others	35	390	138	703
	<u>1,558</u>	<u>1,359</u>	<u>4,671</u>	<u>4,467</u>
Total other operating income	1,788	1,450	5,100	4,998

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22. Other operating expenses

Group	Note	Third Quarter Ended		Cumulative 9 Months Ended	
		As at 30 September 2018	As at 30 September 2017	As at 30 September 2018	As at 30 September 2017
		RM'000	RM'000	RM'000	RM'000
Personnel expenses	(i)	36,519	34,245	110,207	100,216
Establishment related expenses	(ii)	11,192	9,170	33,030	26,443
Promotion and marketing expenses	(iii)	1,780	997	4,838	3,164
Administration and general expenses	(iv)	4,460	8,071	21,488	20,511
		<u>53,951</u>	<u>52,483</u>	<u>169,563</u>	<u>150,334</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		29,186	28,990	88,482	81,855
Social security cost		217	154	633	580
Contribution to Employee Provident Fund		3,306	3,221	9,827	9,613
Other staff related expenses		3,810	1,880	11,265	8,168
		<u>36,519</u>	<u>34,245</u>	<u>110,207</u>	<u>100,216</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,321	3,418	10,442	9,502
Amortisation of intangible assets		1,359	854	3,324	2,803
Rental of premises		1,208	1,014	3,153	3,043
Repairs and maintenance of property, plant and equipment		5,304	3,884	-	11,095
		<u>11,192</u>	<u>9,170</u>	<u>33,030</u>	<u>26,443</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		1,780	997	4,838	3,164
(iv) Administration and general expenses					
Administrative expenses		2,062	1,791	6,458	5,645
Auditors' remuneration		177	120	467	390
General expenses		2,221	6,160	14,563	14,476
		<u>4,460</u>	<u>8,071</u>	<u>21,488</u>	<u>20,511</u>

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22. Other operating expenses (cont'd.)

	Note	Third Quarter Ended		Cumulative 9 Months Ended	
		As at 30 September 2018 RM'000	As at 30 September 2017 RM'000	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000
Bank					
Personnel expenses	(i)	35,287	32,889	106,519	96,588
Establishment related expenses	(ii)	10,912	9,090	32,680	26,194
Promotion and marketing expenses	(iii)	1,750	1,226	4,781	3,366
Administration and general expenses	(iv)	3,780	6,157	18,505	20,715
		<u>51,729</u>	<u>49,362</u>	<u>162,485</u>	<u>146,863</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		28,119	27,708	85,287	78,764
Social security cost		211	185	613	560
Contribution to Employee Provident Fund		3,202	2,307	9,503	9,246
Other staff related expenses		3,755	2,689	11,116	8,018
		<u>35,287</u>	<u>32,889</u>	<u>106,519</u>	<u>96,588</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,315	3,409	10,423	9,478
Amortisation of intangible assets		1,341	795	3,271	2,628
Rental of premises		967	1,014	2,912	3,043
Repairs and maintenance of property, plant and equipment		5,289	3,872	16,074	11,045
		<u>10,912</u>	<u>9,090</u>	<u>32,680</u>	<u>26,194</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		1,750	1,226	4,781	3,366
(iv) Administration and general expenses					
Administrative expenses		1,906	1,774	5,781	5,627
Auditors' remuneration		133	121	400	364
General expenses		1,741	4,262	12,324	14,724
		<u>3,780</u>	<u>6,157</u>	<u>18,505</u>	<u>20,715</u>

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

Group	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000
Expected credit losses/ Allowances for impairment on loans, advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	57,146	26,358	181,351	77,757
- Individual assesment allowance	81,285	60,161	192,323	132,807
	<u>138,431</u>	<u>86,519</u>	<u>373,674</u>	<u>210,564</u>
Impairment reversal for loans, advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	(47,235)	(22,908)	(148,743)	(61,054)
- Individual assesment allowance	(36,694)	(15,756)	(131,091)	(55,667)
	<u>(83,929)</u>	<u>(38,664)</u>	<u>(279,834)</u>	<u>(116,721)</u>
Impaired loan, advances and financing recovered	(8,515)	(5,607)	(15,408)	(14,277)
Total expected credit losses/ allowances for impairment on loans, advances and financing	<u>45,987</u>	<u>42,248</u>	<u>78,432</u>	<u>79,566</u>
Bank	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000
Expected credit losses/Allowances for impairment on loans, advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	57,146	26,358	181,351	77,757
- Individual assesment allowance	81,285	60,161	192,323	132,807
	<u>138,431</u>	<u>86,519</u>	<u>373,674</u>	<u>210,564</u>
Impairment reversal for loans, advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	(47,235)	(22,908)	(148,743)	(61,054)
- Individual assesment allowance	(36,694)	(15,756)	(131,091)	(55,667)
	<u>(83,929)</u>	<u>(38,664)</u>	<u>(279,834)</u>	<u>(116,721)</u>
Impaired loan, advances and financing recovered	(8,515)	(5,607)	(15,408)	(14,277)
Total expected credit losses/ allowances for impairment on loans, advances and financing	<u>45,987</u>	<u>42,248</u>	<u>78,432</u>	<u>79,566</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:

	Group and Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Direct credit substitutes	196,157	183,276
Transaction-related-contingent items	139,042	171,364
Irrevocable commitments to extend credit:		
- maturity exceeding one year	155,417	136,812
- maturity not exceeding one year	478,358	539,028
Profit rate related contract	350,000	350,000
	<u>1,318,974</u>	<u>1,380,480</u>

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

	Group and Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Approved and contracted for:		
Property, plant and equipment	-	4,563
Information technology system	5,260	8,553
Kompleks Kilang Bimbingan construction	38	38
	<u>5,298</u>	<u>13,154</u>
Total commitments and contingencies	<u>1,324,272</u>	<u>1,393,634</u>

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:

	Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
<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	(108,382)	(121,723)
Less: Property revaluation reserve	(212,229)	(212,229)
Total Tier I capital	<u>1,684,631</u>	<u>1,671,290</u>
<u>Tier II Capital</u>		
Collective allowance for loans, advances and financing **	104,437	70,207
Property revaluation reserve^	106,115	106,115
Government funds	325,447	285,049
Total Tier II capital	<u>535,999</u>	<u>461,371</u>
Total capital	2,220,630	2,132,661
Less: Investment in subsidiaries	(3,582)	(3,582)
Total capital base	<u>2,217,048</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.

^ 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:

	Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
20%	170,461	114,197
50%	45,398	42,884
100%	8,848,919	8,783,849
	<u>9,064,778</u>	<u>8,940,930</u>

Before deducting proposed dividends:

Core capital ratio	18.58%	18.69%
Risk-weighted capital ratio	<u>24.46%</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 September 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 September 2018**

	Note	Group		Bank	
		As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Assets					
Cash and short-term funds		680,838	421,706	677,334	417,655
Deposits and placements with financial institutions		183,295	182,013	183,295	182,013
Financial assets at fair value through other other comprehensive income	26(a)	2,022,614	-	2,022,614	-
Financial assets available-for-sale	26(b)	-	1,913,133	-	1,913,133
Financial assets at amortised cost	26(c)	579,835	-	579,835	-
Financial assets held-to-maturity	26(d)	-	568,585	-	568,585
Advances and financing	26(e)	5,760,705	5,854,132	5,694,079	5,785,507
Other assets		19,888	5,612	546,090	510,945
Derivative financial asset		3,388	-	3,388	-
Investment in subsidiaries		-	-	3,582	3,582
Property and equipment		76,419	75,965	76,351	75,921
Investment properties		372,910	372,910	372,910	372,910
Deferred tax		112,480	118,066	112,480	118,066
Total assets		9,812,372	9,512,122	10,271,958	9,948,317
Liabilities					
Deposit from customer	26(f)	3,334,547	3,261,929	3,418,752	3,321,145
Deposits from other financial institutions	26(g)	436,486	100,172	436,486	100,172
Derivative financial liability		-	696	-	696
Medium term notes		1,809,787	1,821,452	1,809,787	1,821,452
Term financing	26(h)	290,191	326,489	290,191	326,489
Other liabilities		955,189	1,018,536	967,551	1,009,833
Amount due to conventional operations		1,351,100	1,331,084	1,666,153	1,674,712
Government funds	26(i)	195,197	152,164	195,197	152,164
Total liabilities		8,372,497	8,012,522	8,784,117	8,406,663
Islamic general fund		1,439,875	1,499,600	1,487,841	1,541,654
Total liabilities and Islamic banking funds		9,812,372	9,512,122	10,271,958	9,948,317
Commitments	26(o)	1,318,624	1,379,323	1,318,624	1,379,323

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26. Islamic banking business

**Unaudited Statements of Comprehensive Income
For the third quarter ended 30 September 2018**

Group	Note	Third Quarter Ended		Cumulative 9 Months Ended	
		30 Sept 2018 RM'000	30 Sept 2017 RM'000	30 Sept 2018 RM'000	30 Sept 2017 RM'000
Income from Islamic banking business	26(j)	156,276	144,255	449,120	420,333
Profit expense attributable to Islamic banking business	26(l)	(58,021)	(62,394)	(165,648)	(173,095)
Gross income from Islamic banking business		<u>98,255</u>	<u>81,861</u>	<u>283,472</u>	<u>247,238</u>
Other operating expenses	26(m)	(50,313)	(51,573)	(156,855)	(138,718)
Operating profit		<u>47,942</u>	<u>30,288</u>	<u>126,617</u>	<u>108,520</u>
Expected credit losses/ Allowances for impairment on :					
- advances and financing	26(n)	(51,989)	(44,074)	(85,125)	(86,574)
- commitment and contingencies		(164)	-	801	-
- financial assets		(5)	-	(614)	-
- other asset		(185)	-	(741)	-
		<u>(4,401)</u>	<u>(13,786)</u>	<u>40,938</u>	<u>21,946</u>
Tax expense		-	-	-	-
Zakat		(1,000)	(1,000)	(3,000)	(3,000)
Net profit for the period		<u>(5,401)</u>	<u>(14,786)</u>	<u>37,938</u>	<u>18,946</u>
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of					
- available-for-sale financial investments		-	3,853	-	13,148
- investment securities measured at fair value through other comprehensive income ("FVOCI")		11,046	-	4,952	-
Changes in expected credit losses					
- investment securities measured at fair value through other comprehensive income ("FVOCI")		3	-	608	-
Other comprehensive income for the period, net of tax		<u>11,049</u>	<u>3,853</u>	<u>5,560</u>	<u>13,148</u>
Total comprehensive income for the period, net of tax		<u>5,648</u>	<u>(10,933)</u>	<u>43,498</u>	<u>32,094</u>
Profit for the period attributable to owner of the Bank		<u>(5,401)</u>	<u>(14,786)</u>	<u>37,938</u>	<u>18,946</u>
Total comprehensive income attributable to owner of the Bank		<u>5,648</u>	<u>(10,933)</u>	<u>43,498</u>	<u>32,094</u>

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26. Islamic banking business (cont'd.)

**Unaudited Statements of Comprehensive Income
for the third quarter ended 30 September 2018 (cont'd.)**

Bank	Note	Third Quarter Ended		Cumulative 9 Months Ended	
		30 Sept 2018 RM'000	30 Sept 2017 RM'000	30 Sept 2018 RM'000	30 Sept 2017 RM'000
Income from Islamic banking business	26(j)	159,411	147,974	452,198	430,661
Profit expense attributable to Islamic banking business	26(l)	(58,561)	(60,599)	(167,513)	(173,095)
Gross income from Islamic banking business		100,850	87,375	284,685	257,566
Other operating expenses	26(m)	(48,610)	(45,861)	(152,156)	(135,247)
Operating profit		52,240	41,514	132,529	122,319
Expected credit losses/ Allowances for impairment on :					
- advances and financing	26(n)	(51,989)	(44,074)	(85,125)	(86,574)
- commitment and contingencies		(164)	-	801	-
- financial assets		(5)	-	(614)	-
- other asset		(185)	-	(741)	-
Profit before tax expense and zakat		(103)	(2,560)	46,850	35,745
Tax expense		-	-	-	-
Zakat		(1,000)	(2,000)	(3,000)	(3,000)
Net profit for the period		(1,103)	(4,560)	43,850	32,745
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of					
- available-for-sale financial investments		-	3,853	-	13,148
- investment securities measured at fair value through other comprehensive income ("FVOCI")		11,046	-	4,952	-
Changes in expected credit losses					
- investment securities measured at fair value through other comprehensive income ("FVOCI")		3	-	608	-
Other comprehensive income for the period, net of tax		11,049	3,853	5,560	13,148
Total comprehensive income for the period, net of tax		9,946	(707)	49,410	45,893
Profit for the period attributable to owner of the Bank		(1,103)	(4,560)	43,850	32,745
Total comprehensive income attributable to owner of the Bank		9,946	(707)	49,410	45,893

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

**Statements of changes in Islamic General Funds
for the third quarter ended 30 September 2018**

Group	Capital funds RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2018 as previously stated	1,050,564	(17,688)	466,724	1,499,600
Impact of adopting MFRS 9 at 1 January 2018	-	603	(103,826)	(103,223)
At 1 January 2018 as restated	1,050,564	(17,085)	362,898	1,396,377
Fair value gain of debt securities measured at FVOCI	-	4,952	-	4,952
Changes in expected credit losses of investment securities measured at FVOCI	-	608	-	608
Net profit for the period	-	-	37,938	37,938
Total comprehensive income for the period	-	5,560	37,938	43,498
At 30 September 2018	1,050,564	(11,525)	400,836	1,439,875
At 1 January 2017, as previously stated	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	-	-	-	-
Unrealised loss on revaluation of ICRA	-	-	-	-
Profit for the period	-	-	18,946	18,946
Total comprehensive income for the period	-	-	18,946	18,946
At 30 September 2017	1,050,564	(28,790)	423,590	1,445,364

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(Incorporated in Malaysia)**

26. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
for the third quarter ended 30 September 2018 (cont'd.)**

Bank	Capital funds RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2018 as previously stated	1,050,564	(17,688)	508,778	1,541,654
Impact of adopting MFRS 9 at 1 January 2018	-	603	(103,826)	(103,223)
At 1 January 2018 as restated	1,050,564	(17,085)	404,952	1,438,431
Fair value gain of debt securities measured at FVOCI	-	4,952	-	4,952
Changes in expected credit losses of investment securities measured at FVOCI	-	608	-	608
Net profit for the period	-	-	43,850	43,850
Total comprehensive income for the period	-	5,560	43,850	49,410
At 30 September 2018	<u>1,050,564</u>	<u>(11,525)</u>	<u>448,802</u>	<u>1,487,841</u>
At 1 January 2017, as previously stated	550,564	(28,790)	428,442	950,216
Unrealised gain on revaluation of available-for-sale financial investment	-	-	-	-
Unrealised loss on revaluation of ICRA	-	-	-	-
Profit for the period	-	-	32,745	32,745
Total comprehensive income for the period	-	-	32,745	32,745
At 30 September 2017	<u>550,564</u>	<u>(28,790)</u>	<u>461,187</u>	<u>982,961</u>

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26. Islamic banking business (cont'd.)

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

	Group and Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	700,938	-
	<hr/>	<hr/>
Money market securities		
Commercial papers	129,275	-
	<hr/>	<hr/>
Non-money market securities		
Equity securities:		
Quoted shares	131,827	-
Debt securities:		
Private debt securities	1,060,574	-
	<hr/>	<hr/>
	1,192,401	-
	<hr/>	<hr/>
Total financial assets at FVOCI	2,022,614	-

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:

	Group and Bank		
	Stage1 RM'000	Stage 2 RM'000	Total 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	(301)	909	608
At 30 September 2018	<u>302</u>	<u>909</u>	<u>1,211</u>

The impairment losses by external rating grade are as follows:

	Group and Bank		
	Stage1 RM'000	Stage 2 RM'000	Total RM'000
<i>External rating grade</i>			
Performing			
RAM AAA	12	-	12
MARC AAA	21	-	21
RAM AA	63	-	63
MARC AA	5	-	5
MARC AA-	201	-	201
RAM BB	-	909	909
Total	<u>302</u>	<u>-</u>	<u>1,211</u>

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26. Islamic banking business (cont'd.)

(b) Financial assets available-for-sale

	Group and Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	-	672,074
Money market securities		
Commercial papers	-	171,723
Non-money market securities		
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

	Group and Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
At amortised cost		
Government securities		
Malaysian Government Investment Issues	111,814	-
Money market securities		
Commercial papers	118,474	171,723
Non-money market securities		
Debt securities:		
Private debt securities	349,632	-
Accumulated impairment losses	(85)	-
Total financial assets at amortised cost	579,835	-

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:

	Group and Bank
	RM'000
<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	7
At 30 September 2018	<u>85</u>

The impairment losses by external rating grade are as follows:

	Group and Bank
	As at 30
	September
	2018
	RM'000
<u>Stage 1</u>	
<i>External rating grade</i>	
Performing	
RAM AAA	3
MARC AAA	13
RAM AA	48
MARC AA-	21
Total	<u>85</u>

(d) Financial assets held-to-maturity

	Group and Bank	
	As at 30	As at 31
	September	December
	2018	2017
	RM'000	RM'000
At amortised cost		
Government securities		
Malaysian Government Investment Issues	-	111,705
Non-money market securities		
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 advances and financing analysed by type

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Bai' Bithaman Ajil	1,622,603	1,839,631	1,554,680	1,771,725
Bai' Murabahah	550,194	953,699	544,246	947,512
Bai' Istisna	552,167	692,226	544,807	684,699
Ijarah	435,151	488,660	423,527	476,851
Ijarah Thumma Al-Bai	395,446	424,991	338,774	367,861
Bai' Dayn	79,197	63,930	79,197	63,930
Tawwaruq	2,660,301	1,402,269	2,660,301	1,402,269
Bai' Inah	79,926	33,655	79,748	33,488
Wakalah	-	364,254	-	363,276
Gross advances and financing	6,374,985	6,263,315	6,225,280	6,111,611
Less: Expected credit losses/ allowance for impairment losses				
- individual assessment allowances	(452,193)	(271,193)	(395,997)	(214,997)
- expected credit losses/ collective assessment allowances	(162,087)	(137,990)	(135,204)	(111,107)
Net advances and financing	5,760,705	5,854,132	5,694,079	5,785,507
Gross impaired advances and financing	1,170,570	877,541	1,020,865	725,837
Net impaired advances and financing	718,377	606,348	624,868	510,840

Included in advances and financing are gross advances and financing of RM53,353,000 (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 advances and financing analysed by residual contractual maturity

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Maturity within one year	909,533	775,519	800,370	664,940
More than one year to three years	992,868	691,632	979,447	678,259
More than three years to five years	952,542	1,229,309	935,245	1,212,012
More than five years	3,520,042	3,566,855	3,510,218	3,556,400
	<u>6,374,985</u>	<u>6,263,315</u>	<u>6,225,280</u>	<u>6,111,611</u>

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

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Domestic business enterprise	6,358,703	6,247,745	6,208,998	6,096,041
Individual	16,282	15,570	16,282	15,570
	<u>6,374,985</u>	<u>6,263,315</u>	<u>6,225,280</u>	<u>6,111,611</u>

(iv) Gross advances and financing analysed by industry

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Constructions	1,180,354	950,129	1,178,389	948,164
Education, health and others	608,205	1,097,575	572,058	1,061,327
Electricity, gas and water supply	146,112	36,396	146,112	36,396
Financial, insurance, real estate and business services	989,030	857,930	985,640	854,469
Manufacturing	1,111,696	1,172,496	1,050,552	1,110,201
Mining and quarrying	48,126	27,860	48,126	27,860
Primary agriculture	5,541	4,030	5,541	4,030
Transportation, storage and communication	865,199	722,535	832,578	689,936
Wholesale, retail trade, restaurants and hotels	1,404,440	1,378,794	1,390,002	1,363,658
Others	16,282	15,570	16,282	15,570
	<u>6,374,985</u>	<u>6,263,315</u>	<u>6,225,280</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:

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	614,678	77,123	137,755	152,516	74,398	123,884	1,180,354
Education, health and others	380,491	44,863	52,537	84,367	22,345	23,602	608,205
Electricity, gas and water supply	138,983	1,881	76	3,886	437	849	146,112
Financial, insurance, real estate and business services	676,742	50,930	95,553	26,134	87,845	51,826	989,030
Manufacturing	575,033	112,590	198,096	130,301	49,898	45,778	1,111,696
Mining and quarrying	7,565	-	1,007	11,636	25,668	2,250	48,126
Primary agriculture	1,006	-	607	56	3,872	-	5,541
Transportation, storage and communication	410,288	99,938	85,077	130,432	44,334	95,130	865,199
Wholesale, retail trade, restaurants and hotels	710,190	128,638	93,108	166,717	214,191	91,596	1,404,440
Others	16,282	-	-	-	-	-	16,282
At 30 September 2018	3,531,258	515,963	663,816	706,045	522,988	434,915	6,374,985

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(Incorporated in Malaysia)**

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.):

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

**Small Medium Enterprise Development Bank Malaysia Berhad
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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.):

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	612,713	77,123	137,755	152,516	74,398	123,884	1,178,389
Education, health and others	344,344	44,863	52,537	84,367	22,345	23,602	572,058
Electricity, gas and water supply	138,983	1,881	76	3,886	437	849	146,112
Financial, insurance, real estate and business services	673,352	50,930	95,553	26,134	87,845	51,826	985,640
Manufacturing	513,889	112,590	198,096	130,301	49,898	45,778	1,050,552
Mining and quarrying	7,565	-	1,007	11,636	25,668	2,250	48,126
Primary agriculture	1,006	-	607	56	3,872	-	5,541
Transportation, storage and communication	377,667	99,938	85,077	130,432	44,334	95,130	832,578
Wholesale, retail trade, restaurants and hotels	695,752	128,638	93,108	166,717	214,191	91,596	1,390,002
Others	16,282	-	-	-	-	-	16,282
At 30 September 2018	3,381,553	515,963	663,816	706,045	522,988	434,915	6,225,280

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(Incorporated in Malaysia)**

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.):

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

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26. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Fixed rate				
- Staff financing	16,282	15,570	16,282	15,570
- Hire purchase receivables	286,878	327,678	230,206	270,548
- Leasing	34,864	44,535	34,780	44,451
- Revolving credits	1,294,254	248,508	1,291,219	245,425
- Other term financing	316,803	1,561,855	226,958	1,471,401
Variable rate				
- Hire purchase receivables	79,461	67,878	79,461	67,878
- Leasing	5,647	3,180	5,647	3,180
- Revolving credits	3,432,952	682,773	3,432,952	682,773
- Other term financing	907,844	3,311,338	907,775	3,310,385
	6,374,985	6,263,315	6,225,280	6,111,611

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

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Constructions	89,988	57,781	88,023	55,816
Education, health and others	111,744	168,956	75,597	132,708
Electricity, gas and water supply	18,193	54	18,193	54
Financial, insurance, real estate and business services	100,849	39,410	97,459	35,949
Manufacturing	287,322	258,322	226,178	196,026
Mining and quarrying	393	377	393	377
Primary agriculture	257	296	257	296
Transportation, storage and communication	236,864	168,277	204,243	135,678
Wholesale, retail trade, restaurants and hotels	324,960	184,068	310,522	168,933
	1,170,570	877,541	1,020,865	725,837
	-	-	-	-

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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:

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	33,192	4,746	33,638	1,406	8,384	8,622	89,988
Education, health and others	86,106	3,629	8,447	11,738	1,166	658	111,744
Electricity, gas and water supply	18,193	-	-	-	-	-	18,193
Financial, insurance, real estate and business services	87,771	900	2,830	2,808	6,365	175	100,849
Manufacturing	164,123	27,154	57,883	27,902	6,010	4,250	287,322
Mining and quarrying	-	-	-	393	-	-	393
Primary agriculture	-	-	60	-	197	-	257
Transportation, storage and communication	133,395	7,306	21,792	40,915	4,592	28,864	236,864
Wholesale, retail trade, restaurants and hotels	140,368	47,817	21,202	40,396	70,385	4,792	324,960
At 30 September 2018	663,148	91,552	145,852	125,558	97,099	47,361	1,170,570

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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.) :

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

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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.) :

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	31,227	4,746	33,638	1,406	8,384	8,622	88,023
Education, health and others	49,959	3,629	8,447	11,738	1,166	658	75,597
Electricity, gas and water supply	18,193	-	-	-	-	-	18,193
Financial, insurance, real estate and business services	84,381	900	2,830	2,808	6,365	175	97,459
Manufacturing	102,979	27,154	57,883	27,902	6,010	4,250	226,178
Mining and quarrying	-	-	-	393	-	-	393
Primary agriculture	-	-	60	-	197	-	257
Transportation, storage and communication	100,774	7,306	21,792	40,915	4,592	28,864	204,243
Wholesale, retail trade, restaurants and hotels	125,930	47,817	21,202	40,396	70,385	4,792	310,522
At 30 September 2018	<u>513,443</u>	<u>91,552</u>	<u>145,852</u>	<u>125,558</u>	<u>97,099</u>	<u>47,361</u>	<u>1,020,865</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.) :

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

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26. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
<u>Expected credit losses/ Collective Assessment Allowance</u>				
At 1 January	137,990	121,476	111,107	98,430
Impact of adopting MFRS 9	(16,643)	-	(16,643)	-
At 1 January, as restated	121,347	121,476	94,464	98,430
Amount transfer to individual assessment allowance	-	(12,105)	-	(12,105)
Allowance made during the period/year	216,248	106,802	216,248	101,990
Writeback made during the period/year	(175,508)	(78,183)	(175,508)	(77,208)
Closing balance	162,087	137,990	135,204	111,107

Movement in collective assessment allowances 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 2018	58,720	7,662	71,608	137,990
Impact of adopting MFRS 9	(10,586)	8,165	(14,222)	(16,643)
At 1 January 2018, as restated	48,134	15,827	57,386	121,347
Changes due to advances and financing recognised as at 1 January 2018:				
-Transfers to Stage 1	377	48,318	3,783	52,478
-Transfers to Stage 2	(5,824)	(139)	2,554	(3,409)
-Transfers to Stage 3	(1,487)	(5,808)	(2,232)	(9,527)
	(6,934)	42,371	4,105	39,542
New financial assets originated	8,431	244	156	8,831
Amount settled	(5,077)	(2,056)	(500)	(7,633)
At 30 September 2018	44,554	56,386	61,147	162,087

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26. Islamic banking business (cont'd.)

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

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

Bank	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2018	58,720	7,662	44,725	111,107
Impact of adopting MFRS 9	(10,586)	8,165	(14,222)	(16,643)
At 1 January 2018, as restated	48,134	15,827	30,503	94,464
Changes due to advances and financing recognised as at 1 January 2018:				
-Transfers to Stage 1	377	48,318	3,783	52,478
-Transfers to Stage 2	(5,824)	(139)	2,554	(3,409)
-Transfers to Stage 3	(1,487)	(5,808)	(2,232)	(9,527)
	(6,934)	42,371	4,105	39,542
New financial assets originated	8,431	244	156	8,831
Amount settled	(5,077)	(2,056)	(500)	(7,633)
At 30 September 2018	44,554	56,386	34,264	135,204

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
<u>Individual Assessment Allowance</u>				
At 1 January	271,193	233,283	214,997	178,752
Impact of adopting MFRS 9	112,630	-	112,630	-
At 1 January, as restated	14,197	-	14,197	-
Net amount transfer from collective assessment allowance	398,020	233,283	341,824	178,752
Allowance made during the period	-	12,105	-	12,105
Amount written back in respect of recoveries	145,183	184,820	145,183	180,476
	-	-	-	-
Amount written off	(91,010)	(90,009)	(91,010)	(87,330)
Amount settled	-	(69,006)	-	(69,006)
At 30 September 2018	452,193	271,193	395,997	214,997

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

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
At 1 January	877,541	757,978	725,837	602,962
Impaired during the period/year	390,287	303,025	390,287	303,025
Reclassified as non-impaired	(67,000)	(39,148)	(65,001)	(39,148)
Offsetted against other payables	-	(8,808)	-	(8,808)
Amount recovered	(30,258)	(55,604)	(30,258)	(52,292)
Amount write-off	-	(79,902)	-	(79,902)
Closing balance	1,170,570	877,541	1,020,865	725,837

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26. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Net impaired advances and financing	12.13%	15.75%	10.72%	9.51%

(f) Deposit from customer

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Term deposit: - Commodity Murabahah	3,334,547	3,261,929	3,418,752	3,321,145

(i) By types of customers

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Government and statutory bodies	2,238,855	2,051,954	2,238,854	2,051,954
Business enterprises	637,627	501,839	721,833	561,055
Others	458,065	708,136	458,065	708,136
	<u>3,334,547</u>	<u>3,261,929</u>	<u>3,418,752</u>	<u>3,321,145</u>

(ii) The maturity structure

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Less than three months	2,248,901	2,453,571	2,323,981	2,511,711
Three months to six months	906,384	736,520	908,125	737,596
Six months to one year	179,262	71,838	186,646	71,838
	<u>3,334,547</u>	<u>3,261,929</u>	<u>3,418,752</u>	<u>3,321,145</u>

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26. Islamic banking business (cont'd.)

(g) Deposits from other financial institutions

	Group and Bank	
	As at 30	As at 31
	September	December
	2018	2017
	RM'000	RM'000
Licensed banks	436,486	100,172

The deposits maturity structure are as follows:

	Group and Bank	
	As at 30	As at 31
	September	December
	2018	2017
	RM'000	RM'000
Less than three months	436,486	100,172

(h) Term financing

	Group and Bank	
	As at 30	As at 31
	September	December
	2018	2017
	RM'000	RM'000
Unsecured term financing	290,191	326,489

The maturity structure of the term financing are as follows:

	Group and Bank	
	As at 30	As at 31
	September	December
	2018	2017
	RM'000	RM'000
Within twelve months	51,591	37,909
More than twelve months	238,600	288,580
	290,191	326,489

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

	Group and Bank	
	As at 30	As at 31
	September	December
	2018	2017
	RM'000	RM'000
Financing from:		
- Government of Malaysia	156,299	155,882
- Bank Negara Malaysia ("BNM")	133,892	170,607
	290,191	326,489

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	Tabung 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
Addition during the year	-	-	-	-	-	-	40,000	40,000
Financing written-off recoverable Muqasah	5	-	2,360	590	104	-	-	3,059
	-	-	-	-	(26)	-	-	(26)
At 30 September 2018	36,411	4,168	32,450	13,970	4,594	4,756	98,848	195,197

Group and Bank	Tabung 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	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30 September 2018	As at 30 September 2017	As at 30 September 2018	As at 30 September 2017
	RM'000	RM'000	RM'000	RM'000
Income from advances and financing				
- Bai' Bithaman Ajil	25,602	27,456	80,476	90,545
- Bai' Murabahah	6,301	31,763	27,167	83,276
- Bai' Istisna	8,005	9,094	27,386	33,408
- Ijarah	6,267	7,182	21,582	23,830
- Ijarah Thumma Al-Bai	6,265	12,735	19,613	20,669
- Bai' Dayn	41	2,196	4,049	6,669
- Tawwaruq	53,240	4,096	131,943	18,579
- Bai' Inah	1,315	674	3,964	1,488
- Wakalah	-	-	-	-
Total income from advances and financing	107,036	95,196	316,180	278,464
Mudharabah deposit acceptance	11,654	14,174	28,455	42,599
Derivative financial asset	3,825	967	7,003	2,700
Financial asset at fair value through other comprehensive income	22,477	-	65,282	-
Financial asset at amortised cost	4,947	-	14,731	-
Financial asset available-for-sale	-	19,333	-	53,865
Financial asset held-to-maturity	-	6,537	-	19,439
Other income (Note (k))	6,337	8,048	17,469	23,266
	<u>156,276</u>	<u>144,255</u>	<u>449,120</u>	<u>420,333</u>

Bank	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30 September 2018	As at 30 September 2017	As at 30 September 2018	As at 30 September 2017
	RM'000	RM'000	RM'000	RM'000
Income from advances and financing				
- Bai' Bithaman Ajil	24,647	27,999	77,020	89,682
- Bai' Murabahah	6,286	33,422	26,962	85,259
- Bai' Istisna	7,991	9,458	26,990	33,841
- Ijarah	6,155	7,615	20,982	23,858
- Ijarah Thumma Al-Bai	5,379	11,315	16,783	18,535
- Bai' Dayn	41	1,845	3,923	6,385
- Tawwaruq	53,884	4,937	131,794	19,022
- Bai' Inah	1,321	693	3,951	1,519
- Wakalah	-	-	-	-
Total income from advances and financing	105,704	97,284	308,405	278,101
Mudharabah deposit acceptance	11,654	14,534	28,455	42,958
Derivative financial asset	3,825	967	7,003	2,700
Financial asset at fair value through other comprehensive income	22,477	-	65,282	-
Financial asset at amortised cost	4,947	-	14,731	-
Financial asset available-for-sale	-	19,333	-	53,865
Financial asset held-to-maturity	-	6,537	-	19,439
Other income (Note (k))	10,804	9,319	28,322	33,598
	<u>159,411</u>	<u>147,974</u>	<u>452,198</u>	<u>430,661</u>

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26. Islamic banking business (cont'd.)

(k) Other income

Group	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	September	September	September	September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fee income	2,526	1,703	7,951	6,665
Rental income	2,614	2,534	7,743	7,563
Government fund release/(writeback)	-	1,955	-	4,687
Others	1,197	1,856	1,775	4,351
	6,337	8,048	17,469	23,266

Bank	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30	As at 30	As at 30	As at 30
	September	September	September	September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fee income	2,095	1,702	5,947	6,664
Rental income	2,614	2,534	7,743	7,563
Government fund release/(writeback)	-	1,955	-	4,687
Management fees	105	104	314	314
Profit income on amount owing by subsidiaries companies	5,007	-	12,769	-
Others	983	3,024	1,549	14,370
	10,804	9,319	28,322	33,598

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26. Islamic banking business (cont'd.)

(l) Profit expense attributable to Islamic banking business

Group	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30 September 2018	As at 30 September 2017	As at 30 September 2018	As at 30 September 2017
	RM'000	RM'000	RM'000	RM'000
Commodity murabahah	31,252	40,879	92,357	113,817
Medium term notes	17,756	17,691	52,689	47,560
Long term financing	720	914	2,262	2,875
Deposits from bank and other financial institutions	6,732	1,791	13,822	4,048
Others	1,561	1,119	4,518	4,795
	58,021	62,394	165,648	173,095

Bank	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30 September 2018	As at 30 September 2017	As at 30 September 2018	As at 30 September 2017
	RM'000	RM'000	RM'000	RM'000
Commodity murabahah	31,792	39,086	94,222	113,817
Medium term notes	17,756	17,691	52,689	47,560
Long term financing	720	914	2,262	2,875
Deposits from bank and other financial institutions	6,732	1,790	13,822	4,048
Others	1,561	1,118	4,518	4,795
	58,561	60,599	167,513	173,095

(m) Other operating expenses

Group	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30 September 2018	As at 30 September 2017	As at 30 September 2018	As at 30 September 2017
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	34,540	34,207	104,035	93,048
Establishment related expenses	10,043	8,721	29,835	23,915
Promotion and marketing expenses	1,680	939	4,560	2,917
Administration and general expenses	4,051	7,706	18,426	18,838
	50,313	51,573	156,855	138,718

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26. Islamic banking business (cont'd.)

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

	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000
Bank				
Personnel expenses	33,307	30,579	100,346	89,420
Establishment related expenses	10,004	8,474	29,726	23,666
Promotion and marketing expenses	1,651	1,140	4,503	3,119
Administration and general expenses	3,648	5,668	17,581	19,042
	<u>48,610</u>	<u>45,861</u>	<u>152,156</u>	<u>135,247</u>

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

	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000
Group				
Expected credit losses/ Allowances for impairment on advances and financing made during the period				
- Expected credit losses/ Collective assesment allowance	54,067	25,330	170,198	75,290
- Individual assesment allowance	79,588	59,562	185,717	124,233
	<u>133,655</u>	<u>84,892</u>	<u>355,915</u>	<u>199,523</u>
Impairment reversal for advances and financing made during the period				
- Expected credit losses/ Collective assesment allowance	(44,187)	(21,083)	(138,736)	(56,398)
- Individual assesment allowance	(36,484)	(15,733)	(127,782)	(51,491)
	<u>(80,671)</u>	<u>(36,816)</u>	<u>(266,518)</u>	<u>(107,889)</u>
Impaired advances and financing recovered	(995)	(4,002)	(4,272)	(5,060)
Total expected credit losses/ allowances for impairment on advances and financing	<u>51,989</u>	<u>44,074</u>	<u>85,125</u>	<u>86,574</u>

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26. Islamic banking business (cont'd.)

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

	Third Quarter Ended		Cumulative 9 Months Ended	
	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000
Bank				
Expected credit losses/ Allowances for impairment on advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	54,067	25,329	170,198	75,290
- Individual assesment allowance	79,588	59,561	185,717	124,233
	<u>133,655</u>	<u>84,890</u>	<u>355,915</u>	<u>199,523</u>
Impairment reversal for advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	(44,187)	(21,083)	(138,736)	(56,398)
- Individual assesment allowance	(36,484)	(15,732)	(127,782)	(51,491)
	<u>(80,671)</u>	<u>(36,815)</u>	<u>(266,518)</u>	<u>(107,889)</u>
Impaired advances and financing recovered	(995)	(4,001)	(4,272)	(5,060)
Total expected credit losses/ allowances for impairment on advances and financing	<u>51,989</u>	<u>44,074</u>	<u>85,125</u>	<u>86,574</u>

(o) Commitments

	Group and Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Direct credit substitutes	195,807	182,276
Transaction-related-contingent items	139,042	171,207
Irrevocable commitments to extend credit:		
- maturity exceeding one year	155,417	136,812
- maturity not exceeding one year	478,358	539,028
Profit rate related contract	350,000	350,000
	<u>1,318,624</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:

	Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
<u>Tier I Capital</u>		
Capital funds	1,050,564	1,050,564
Retained profit*	508,778	508,778
Less: Deferred tax	(112,480)	(118,066)
Less: Property revaluation reserves	(212,229)	(212,229)
Total Tier I capital	<u>1,234,633</u>	<u>1,229,047</u>
<u>Tier II Capital</u>		
Expected credit losses/ collective allowances for advances and financing**	100,955	67,508
Property revaluation reserves	106,115	106,115
Government funds	195,197	152,164
Total Tier II capital	<u>402,267</u>	<u>325,787</u>
Total capital	1,636,900	1,554,834
Less: Investment in subsidiaries	(3,582)	(3,582)
Total capital base	<u>1,633,318</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:

	Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
20%	170,461	114,037
50%	44,545	41,590
100%	<u>8,385,239</u>	<u>8,267,405</u>
	<u>8,600,245</u>	<u>8,423,032</u>

Before deducting proposed dividends:

Core capital ratio	14.36%	14.59%
Risk-weighted capital ratio	<u>18.99%</u>	<u>18.42%</u>