

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Notes	Group		Bank	
		31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
ASSETS					
Cash and short-term funds		1,096,641	1,628,091	1,095,457	1,626,827
Financial investments at fair value through through profit or loss ("FVTPL")	9	266,112	-	266,112	-
Financial investments at fair value through other comprehensive income ("FVOCI")	10	1,349,880	1,436,121	1,349,880	1,436,121
Financial investments at amortised cost ("AC")	11	941,770	934,753	941,770	934,753
Loans, advances and financing	12	7,809,335	7,838,869	7,809,335	7,838,869
Other assets		31,672	25,210	90,352	121,889
Investment in associate		-	2,335	-	-
Property, plant and equipment		151,738	146,131	151,706	146,098
Right-of-use assets		13,924	14,821	13,924	14,821
Investment properties		377,231	377,231	377,231	377,231
Intangible assets		15,377	17,698	15,377	17,698
Tax recoverable		2,422	5,203	215	2,997
Deferred tax assets		108,089	108,089	108,089	108,089
TOTAL ASSETS		12,164,191	12,534,552	12,219,448	12,625,393
LIABILITIES					
Deposits from customers	13	4,095,113	4,503,909	4,106,733	4,553,795
Deposits from banks and other financial institutions	14	150,114	150,208	150,114	150,208
Islamic medium-term notes/commercial notes		2,730,269	2,622,297	2,730,269	2,622,297
Borrowings/Fundings	15	1,971,174	1,949,473	1,971,174	1,949,473
Lease liabilities		14,285	15,137	14,285	15,137
Other liabilities		979,834	1,028,511	1,013,383	1,061,649
Government funds		594,978	602,785	594,978	602,785
TOTAL LIABILITIES		10,535,767	10,872,320	10,580,936	10,955,344
EQUITY					
Share capital		1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses		(247,891)	(201,809)	(237,803)	(193,992)
Other reserves		26,315	14,041	26,315	14,041
TOTAL EQUITY		1,628,424	1,662,232	1,638,512	1,670,049
TOTAL LIABILITIES AND EQUITY		12,164,191	12,534,552	12,219,448	12,625,393
COMMITMENTS AND CONTINGENCIES	21	1,952,757	2,255,710	1,952,757	2,255,710

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these financial statements.)

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2023

Group	Notes	First Quarter Ended		Three Months Ended	
		31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Interest income	16	16	283	16	283
Interest expense	17	(1,468)	(3,711)	(1,468)	(3,711)
Net interest expense		(1,452)	(3,428)	(1,452)	(3,428)
Gross income from Islamic banking business	23	116,081	104,935	116,081	104,935
Other operating income	18	935	506	935	506
Net income		115,564	102,013	115,564	102,013
Other operating expenses	19	(70,932)	(67,652)	(70,932)	(67,652)
Operating profit		44,632	34,361	44,632	34,361
(Allowances)/Writeback for impairment losses on:					
- loans, advances and financing	20	(23,419)	(16,477)	(23,419)	(16,477)
- commitments and contingencies		(312)	(177)	(312)	(177)
- financial investments at FVOCI	10	27	71	27	71
- financial investments at AC	11	-	(7)	-	(7)
- other assets at AC		(435)	(566)	(435)	(566)
Profit before tax expense and zakat		20,493	17,205	20,493	17,205
Tax expense		(3,108)	(233)	(3,108)	(233)
Zakat		(375)	(750)	(375)	(750)
Profit for the period		17,010	16,222	17,010	16,222
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		12,301	5,859	12,301	5,859
Changes in expected credit loss on financial investments at FVOCI		(27)	(71)	(27)	(71)
Other comprehensive income for the period		12,274	5,788	12,274	5,788
Total comprehensive income for the period		29,284	22,010	29,284	22,010
Profit for the period attributable to owner of the Bank		17,010	16,222	17,010	16,222
Total comprehensive income attributable to owner of the Bank		29,284	22,010	29,284	22,010

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these financial statements.)

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2023

Bank	Notes	First Quarter Ended		Three Months Ended	
		31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Interest income	16	16	283	16	283
Interest expense	17	(1,468)	(3,711)	(1,468)	(3,711)
Net interest expense		(1,452)	(3,428)	(1,452)	(3,428)
Gross income from Islamic banking business	23	117,754	103,020	117,754	103,020
Other operating income	18	169	243	169	243
Net income		116,471	99,835	116,471	99,835
Other operating expenses	19	(69,915)	(65,204)	(69,915)	(65,204)
Operating profit		46,556	34,631	46,556	34,631
(Allowances)/Writeback for impairment losses on:					
- loans, advances and financing	20	(27,647)	(17,653)	(27,647)	(17,653)
- commitments and contingencies		(312)	(177)	(312)	(177)
- financial investments at FVOCI	10	27	71	27	71
- financial investments at AC	11	-	(7)	-	(7)
- other assets at AC		(435)	(566)	(435)	(566)
- other assets at FVOCI		4,401	(2,149)	4,401	(2,149)
Profit before tax expense and zakat		22,590	14,150	22,590	14,150
Tax expense		(2,934)	(180)	(2,934)	(180)
Zakat		(375)	(750)	(375)	(750)
Profit for the period		19,281	13,220	19,281	13,220
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		12,301	5,859	12,301	5,859
Changes in expected credit loss on financial investments at FVOCI		(27)	(71)	(27)	(71)
Other comprehensive income for the period		12,274	5,788	12,274	5,788
Total comprehensive income for the period		31,555	19,008	31,555	19,008
Profit for the period attributable to owner of the Bank		19,281	13,220	19,281	13,220
Total comprehensive income attributable to owner of the Bank		31,555	19,008	31,555	19,008

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these financial statements.)

Small Medium Enterprise Development Bank Malaysia Berhad
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2023

Group	Note	<=====Attributable to the Owner of the Bank=====>				Total RM'000
		Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	
At 1 January 2023, as previously stated		1,850,000	3,927	10,114	(201,809)	1,662,232
Impact of adopting the modified accounting treatment		-	-	-	(63,092)	(63,092)
At 1 January 2023 as restated		1,850,000	3,927	10,114	(264,901)	1,599,140
Unrealised gain on revaluation of financial investments at FVOCI		-	12,301	-	-	12,301
Changes in expected credit losses of financial investments at FVOCI	10	-	(27)	-	-	(27)
Profit for the period		-	-	-	17,010	17,010
Total comprehensive income for the period		-	12,274	-	17,010	29,284
At 31 March 2023		1,850,000	16,201	10,114	(247,891)	1,628,424
At 1 January 2022		1,850,000	7,652	10,114	(262,346)	1,605,420
Unrealised loss on revaluation of financial investments at FVOCI		-	(17,325)	-	-	(17,325)
Reclassification of gain included in profit or loss		-	12,566	-	-	12,566
Changes in expected credit losses of financial investments at FVOCI		-	(108)	-	-	(108)
Income tax relating to components of other comprehensive income		-	1,142	-	-	1,142
Profit for the year		-	-	-	65,543	65,543
Total comprehensive (loss)/income for the year		-	(3,725)	-	65,543	61,818
Transaction with owner: Dividends		-	-	-	(5,006)	(5,006)
At 31 December 2022		1,850,000	3,927	10,114	(201,809)	1,662,232

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these financial statements.)

**Small Medium Enterprise Development Bank Malaysia Berhad
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2023**

Bank	Note	<=====Attributable to the Owner of the Bank=====>				Total RM'000
		Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	
At 1 January 2023, as previously stated		1,850,000	3,927	10,114	(193,992)	1,670,049
Impact of adopting the modified accounting treatment		-	-	-	(63,092)	(63,092)
At 1 January 2023 as restated		1,850,000	3,927	10,114	(257,084)	1,606,957
Unrealised loss on revaluation of financial investments at FVOCI		-	12,301	-	-	12,301
Changes in expected credit losses of financial investments at FVOCI	10	-	(27)	-	-	(27)
Profit for the period		-	-	-	19,281	19,281
Total comprehensive income for the period		-	12,274	-	19,281	31,555
At 31 March 2023		1,850,000	16,201	10,114	(237,803)	1,638,512
At 1 January 2022		1,850,000	7,652	10,114	(251,195)	1,616,571
Unrealised loss on revaluation of financial investments at FVOCI		-	(17,325)	-	-	(17,325)
Reclassification of gain included in profit or loss		-	12,566	-	-	12,566
Changes in expected credit losses of financial investments at FVOCI		-	(108)	-	-	(108)
Income tax relating to components of other comprehensive income		-	1,142	-	-	1,142
Profit for the year		-	-	-	62,209	62,209
Total comprehensive (loss)/income for the year		-	(3,725)	-	62,209	58,484
Transaction with owner: Dividends		-	-	-	(5,006)	(5,006)
At 31 December 2022		1,850,000	3,927	10,114	(193,992)	1,670,049

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these financial statements.)

Small Medium Enterprise Development Bank Malaysia Berhad
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2023

	Group		Bank	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Cash flows from operating activities				
Profit before tax expense and zakat	20,493	17,205	22,590	14,150
Adjustments for:				
Net impairment loss on loans, advances and financing	28,163	19,311	32,391	20,487
Net impairment loss of commitment and contingencies	312	177	312	177
Net impairment writeback on financial investment at FVOCI	(27)	(71)	(27)	(71)
Net impairment loss on financial investment at AC	-	7	-	7
Impairment loss on other assets at AC	435	566	435	566
Impairment writeback on other assets at FVOCI	-	-	(4,401)	2,149
Depreciation of property, plant and equipment	3,370	2,766	3,370	2,766
Depreciation of right-of-use assets	897	887	897	887
Amortisation of intangible assets	1,846	2,042	1,846	2,042
Government funds released	(7,807)	(6,717)	(7,807)	(6,717)
Income from financial investments at FVOCI	(11,933)	(11,427)	(11,933)	(11,427)
Income from financial investments at FVTPL	(1,123)	(761)	(1,123)	(761)
Income from financial investments at AC	(8,845)	(4,036)	(8,845)	(4,036)
Profit expense on medium-term notes/commercial papers	22,812	22,006	22,812	22,006
Profit expense on borrowings/fundings	10,519	9,272	10,519	9,272
Finance cost on lease liabilities	133	123	133	123
Profit income on amount due from a subsidiary company	-	-	(599)	(2,149)
Gain on disposal of associate	(3,465)	-	(5,800)	-
Operating profit before working capital changes	55,780	51,350	54,770	49,471
Changes in working capital:				
Net changes in operating assets	(68,142)	(102,640)	(29,371)	(66,120)
Net changes in operating liabilities	(458,375)	299,672	(496,229)	271,075
Cash (used in)/generated from operating activities	(470,737)	248,382	(470,830)	254,426
Interest and profit received	22,315	14,858	22,315	14,858
Tax and zakat (paid)/refund	(207)	72	(34)	(377)
Net cash (used in)/generated from operating activities	(448,629)	263,312	(448,549)	268,907
Cash flows from investing activities				
Net proceed from purchase of financial investment	(175,000)	(50,033)	(175,000)	(50,033)
Net purchase of property, plant and equipment	(8,978)	(15,559)	(8,978)	(15,559)
Net cash used in investing activities	(183,978)	(65,592)	(183,978)	(65,592)
Cash flows from financing activities				
Net disburse of medium-term notes/commercial papers	85,160	(80,194)	85,160	(80,194)
Net disburse of borrowings/fundings	11,183	157,032	11,183	157,032
Proceeds from government funds	-	10,037	-	10,037
Payment of lease liabilities	(986)	(944)	(986)	(944)
Proceeds from disposal of associate	5,800	-	5,800	-
Net cash generated from financing activities	101,157	85,931	101,157	85,931
Net (decrease)/increase in cash and cash equivalents	(531,450)	283,651	(531,370)	289,246
Cash and cash equivalents at beginning of year	1,628,091	1,254,962	1,626,827	1,246,606
Cash and cash equivalents at end of period	1,096,641	1,538,613	1,095,457	1,535,852
Cash and cash equivalents comprise:				
- Cash and short term funds	1,096,641	1,538,613	1,095,457	1,535,852

**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: financial investments at fair value through other comprehensive income (FVOCI), financial investments at fair value through profit or loss (FVTPL) 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 2022. 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 2022.

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

The accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2022 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 2023:-

Disclosure of Accounting Policies (Amendments to MFRS 101)
Definition of Accounting Estimates (Amendments to MFRS 108)
Deferred Tax related to Assets and Liabilities arising from a Single
Transaction (Amendments to MFRS 112)

The adoption of the Amendments to MFRSs above did not have any material impact on the financial statements of the Group and the Bank in current financial period.

2. Summary of Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2022 were prepared in accordance with MFRS, as modified by Bank Negara Malaysia 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 2022.

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 2022.

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 2022 was not qualified.

5. Seasonal or cyclical factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the first quarter and three months period ended 31 March 2023.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank in the first quarter and three months period ended 31 March 2023.

7. Changes in estimates

There were no material changes in estimates that have a material effect in the first quarter and three months period ended 31 March 2023.

8. Dividends

No dividend has been proposed or paid for the first quarter ended 31 March 2023.

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9. Financial investments at FVTPL

	Group and Bank	
	31 March 2023	31 December 2022
	RM'000	RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	101,263	-
Money market instruments		
Commercial papers	164,849	-
	<u>266,112</u>	<u>-</u>

10. Financial investments at FVOCI

	Group and Bank	
	31 March 2023	31 December 2022
	RM'000	RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	<u>976,027</u>	<u>1,059,078</u>
Non-money market instruments		
Equity securities		
- Private debt securities	31,398	30,618
- Unquoted shares	10,062	10,062
Debt securities		
- Private debt securities	<u>332,393</u>	<u>336,363</u>
	<u>373,853</u>	<u>377,043</u>
	<u>1,349,880</u>	<u>1,436,121</u>

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

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

	Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2023	1	198	10,000	10,199
Writeback made due to changes in credit risk	-	(27)	-	(27)
At 31 March 2023	<u>1</u>	<u>171</u>	<u>10,000</u>	<u>10,172</u>
At 1 January 2022	89	218	10,000	10,307
Allowance made due to changes in credit risk	(40)	-	-	(40)
New financial investments originated	1	198	-	199
Financial investments derecognised	(49)	(218)	-	(267)
At 31 December 2022	<u>1</u>	<u>198</u>	<u>10,000</u>	<u>10,199</u>

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

The impairment losses by external rating grade are as follows:

<i>External rating grade</i>	Group and Bank			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
RAM A	-	171	-	171
MARC AA	1	-	-	1
RAM D [^]	-	-	10,000	10,000
At 31 March 2023	1	171	10,000	10,172

<i>External rating grade</i>	Group and Bank			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
RAM A	-	198	-	198
MARC AA-	1	-	-	1
RAM D [^]	-	-	10,000	10,000
At 31 December 2022	1	198	10,000	10,199

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

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11. Financial investments at AC

	Group and Bank	
	31 March 2023 RM'000	31 December 2022 RM'000
At amortised cost		
Government securities		
Malaysian Government Investment Issues	230,336	199,429
Money market instruments		
Commercial papers	64,730	64,140
Non-money market instruments		
Private debt securities	646,705	671,185
	941,771	934,754
Less: Accumulated impairment losses	(1)	(1)
	<u>941,770</u>	<u>934,753</u>

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

	Group and Bank	
	31 March 2023 RM'000	31 December 2022 RM'000
Within one year	393,733	416,607
More than one year to three years	227,253	196,574
More than three years to five years	305,532	281,172
More than five years	15,253	40,401
	<u>941,771</u>	<u>934,754</u>

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11. Financial investments at AC (cont'd.)

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

	Group and Bank	
	31 March	31 December
	2023	2022
	RM'000	RM'000
	Stage 1	Stage 1
At 1 January	1	278
Allowance made due to changes in credit risk	-	(32)
New financial investments originated or purchased	-	1
Financial investments derecognised	-	(246)
At 31 December	1	1

The impairment losses by external rating grade are as follows:

	Group and Bank	
	31 March	31 December
	2023	2022
	RM'000	RM'000
	Stage 1	Stage 1
<i>External rating grade</i>		
RAM AA	1	1

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

	Group and Bank	
	31 March	31 December
	2023	2022
	RM'000	RM'000
Malaysian Government Investment Issues	231,556	199,428
Commercial papers	64,730	64,140
Private debt securities	649,072	670,110
	945,358	933,678

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12. Loans, advances and financing

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Term loans/financing				
- Hire purchase	385,453	391,041	350,196	355,560
- Leasing	345	345	-	-
- Other term loans/financing	6,376,368	6,401,094	6,066,093	6,086,815
Revolving loans/financing	2,020,211	1,991,084	2,000,225	1,971,098
Staff loans/financing	10,807	10,991	10,807	10,991
Gross loans, advances and financing	<u>8,793,184</u>	<u>8,794,555</u>	<u>8,427,321</u>	<u>8,424,464</u>
Less: Allowance for impairment losses on				
- Stage 1 (Note 12(ix))	(95,890)	(93,965)	(95,890)	(93,965)
- Stage 2 (Note 12(ix))	(44,077)	(45,769)	(44,077)	(45,769)
- Stage 3 (Note 12(ix))	(843,882)	(815,952)	(478,019)	(445,861)
Net loans, advances and financing	<u>7,809,335</u>	<u>7,838,869</u>	<u>7,809,335</u>	<u>7,838,869</u>
Gross impaired loans, advances and financing (Note 12(viii))	<u>1,502,108</u>	<u>1,484,710</u>	<u>1,136,245</u>	<u>1,114,619</u>
Net impaired loans, advances and financing	<u>658,226</u>	<u>668,758</u>	<u>658,226</u>	<u>668,758</u>

Included in loans, advances and financing for the Group and the Bank are gross loans, advances and financing of RM108,478,000 (2022: RM107,062,000) financed by Government funds.

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Within one year	2,080,932	1,969,780	1,805,006	1,690,385
More than one year to three years	805,286	701,591	759,098	673,821
More than three years to five years	1,284,668	1,406,664	1,270,345	1,373,667
More than five years	4,622,298	4,716,520	4,592,872	4,686,591
	<u>8,793,184</u>	<u>8,794,555</u>	<u>8,427,321</u>	<u>8,424,464</u>

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

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Domestic business enterprise	8,782,377	8,783,564	8,416,514	8,413,473
Individual	10,807	10,991	10,807	10,991
	<u>8,793,184</u>	<u>8,794,555</u>	<u>8,427,321</u>	<u>8,424,464</u>

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Constructions	1,443,632	1,448,561	1,440,808	1,445,737
Education, health and others	619,425	637,094	575,894	593,221
Electricity, gas and water supply	154,238	162,564	154,238	162,564
Financial, insurance/takaful, real estate and business services	1,132,860	1,143,111	1,130,753	1,140,395
Manufacturing	1,611,714	1,623,674	1,543,593	1,555,435
Mining and quarrying	115,807	113,441	113,811	111,445
Primary agriculture	7,247	7,432	6,978	7,163
Transportation, storage and communication	1,118,333	1,099,517	1,080,241	1,061,215
Wholesale, retail trade, restaurants and hotels	2,579,121	2,548,170	2,370,198	2,336,298
Others	10,807	10,991	10,807	10,991
	<u>8,793,184</u>	<u>8,794,555</u>	<u>8,427,321</u>	<u>8,424,464</u>

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	997,414	29,772	52,920	47,091	100,696	215,739	1,443,632
Education, health and others	445,600	20,635	20,874	85,261	35,651	11,404	619,425
Electricity, gas and water supply	146,392	984	1,403	1,805	2,922	732	154,238
Financial, insurance/takaful, real estate and business services	769,299	111,260	66,730	43,123	67,203	75,245	1,132,860
Manufacturing	915,690	244,463	210,862	98,764	49,328	92,607	1,611,714
Mining and quarrying	60,610	-	16,414	34,325	1,770	2,688	115,807
Primary agriculture	1,353	-	217	238	3,990	1,449	7,247
Transportation, storage and communication	735,228	88,604	43,818	109,139	70,135	71,409	1,118,333
Wholesale, retail trade, restaurants and hotels	1,299,978	319,518	107,418	335,772	307,790	208,645	2,579,121
Others	10,807	-	-	-	-	-	10,807
At 31 March 2023	5,382,371	815,236	520,656	755,518	639,485	679,918	8,793,184

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	996,097	29,440	53,465	48,247	100,650	220,662	1,448,561
Education, health and others	463,010	19,958	21,389	84,370	36,666	11,701	637,094
Electricity, gas and water supply	155,074	578	1,518	2,009	3,052	333	162,564
Financial, insurance/takaful, real estate and business services	777,863	113,857	67,676	40,570	65,667	77,478	1,143,111
Manufacturing	920,762	246,930	213,044	104,020	53,865	85,053	1,623,674
Mining and quarrying	57,086	-	18,680	33,316	1,847	2,512	113,441
Primary agriculture	1,371	-	231	240	4,074	1,516	7,432
Transportation, storage and communication	702,036	91,204	44,366	115,228	72,076	74,607	1,099,517
Wholesale, retail trade, restaurants and hotels	1,277,617	317,984	107,490	324,439	309,823	210,817	2,548,170
Others	10,991	-	-	-	-	-	10,991
At 31 December 2022	5,361,907	819,951	527,859	752,439	647,720	684,679	8,794,555

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	994,590	29,772	52,920	47,091	100,696	215,739	1,440,808
Education, health and others	402,069	20,635	20,874	85,261	35,651	11,404	575,894
Electricity, gas and water supply	146,392	984	1,403	1,805	2,922	732	154,238
Financial, insurance/takaful, real estate and business services	767,192	111,260	66,730	43,123	67,203	75,245	1,130,753
Manufacturing	847,569	244,463	210,862	98,764	49,328	92,607	1,543,593
Mining and quarrying	58,614	-	16,414	34,325	1,770	2,688	113,811
Primary agriculture	1,084	-	217	238	3,990	1,449	6,978
Transportation, storage and communication	697,136	88,604	43,818	109,139	70,135	71,409	1,080,241
Wholesale, retail trade, restaurants and hotels	1,091,055	319,518	107,418	335,772	307,790	208,645	2,370,198
Others	10,807	-	-	-	-	-	10,807
At 31 March 2023	5,016,508	815,236	520,656	755,518	639,485	679,918	8,427,321

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	993,273	29,440	53,465	48,247	100,650	220,662	1,445,737
Education, health and others	419,137	19,958	21,389	84,370	36,666	11,701	593,221
Electricity, gas and water supply	155,074	578	1,518	2,009	3,052	333	162,564
Financial, insurance/takaful, real estate and business services	775,147	113,857	67,676	40,570	65,667	77,478	1,140,395
Manufacturing	852,523	246,930	213,044	104,020	53,865	85,053	1,555,435
Mining and quarrying	55,090	-	18,680	33,316	1,847	2,512	111,445
Primary agriculture	1,102	-	231	240	4,074	1,516	7,163
Transportation, storage and communication	663,734	91,204	44,366	115,228	72,076	74,607	1,061,215
Wholesale, retail trade, restaurants and hotels	1,065,745	317,984	107,490	324,439	309,823	210,817	2,336,298
Others	10,991	-	-	-	-	-	10,991
At 31 December 2022	4,991,816	819,951	527,859	752,439	647,720	684,679	8,424,464

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

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Fixed rate:				
- Staff loan/financing	10,807	10,991	10,807	10,991
- Hire purchase	165,275	167,742	130,884	133,127
- Leasing	345	345	-	-
- Other term loans/financing	2,166,504	2,200,288	1,959,810	1,989,885
- Revolving loans/financing	1,403,402	1,173,510	1,383,477	1,153,585
Variable rate				
- Hire purchase	220,178	223,299	219,312	222,433
- Other term loans/financing	4,209,864	4,200,806	4,106,283	4,096,930
- Revolving loans/financing	616,809	817,574	616,748	817,513
	<u>8,793,184</u>	<u>8,794,555</u>	<u>8,427,321</u>	<u>8,424,464</u>

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Constructions	132,423	131,438	129,599	128,614
Education, health and others	151,796	145,096	108,265	101,223
Electricity, gas and water supply	50,059	54,833	50,059	54,833
Financial, insurance/takaful, real estate and business services	183,933	182,439	181,826	179,723
Manufacturing	290,029	288,267	221,908	220,028
Mining and quarrying	7,204	7,162	5,208	5,166
Primary agriculture	486	486	217	217
Transportation, storage and communication	122,150	106,906	84,058	68,604
Wholesale, retail trade, restaurants and hotels	564,028	568,083	355,105	356,211
	<u>1,502,108</u>	<u>1,484,710</u>	<u>1,136,245</u>	<u>1,114,619</u>

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	107,036	710	2,342	2,760	10,253	9,322	132,423
Education, health and others	107,895	500	8,008	28,069	6,505	819	151,796
Electricity, gas and water supply	50,059	-	-	-	-	-	50,059
Financial, insurance/takaful, real estate and business services	166,912	7,341	1,490	3,854	2,985	1,351	183,933
Manufacturing	188,861	12,747	56,082	25,704	1,093	5,542	290,029
Mining and quarrying	6,890	-	-	314	-	-	7,204
Primary agriculture	314	-	-	-	172	-	486
Transportation, storage and communication	80,927	7,655	6,869	10,835	9,218	6,646	122,150
Wholesale, retail trade, restaurants and hotels	381,000	67,276	18,045	42,541	47,607	7,559	564,028
At 31 March 2023	<u>1,089,894</u>	<u>96,229</u>	<u>92,836</u>	<u>114,077</u>	<u>77,833</u>	<u>31,239</u>	<u>1,502,108</u>

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	107,382	700	2,035	3,271	10,272	7,778	131,438
Education, health and others	100,775	461	7,969	28,237	6,837	817	145,096
Electricity, gas and water supply	54,833	-	-	-	-	-	54,833
Financial, insurance/takaful, real estate and business services	165,956	7,449	1,507	3,712	3,067	748	182,439
Manufacturing	186,873	13,445	55,737	25,637	1,179	5,396	288,267
Mining and quarrying	6,839	-	-	323	-	-	7,162
Primary agriculture	315	-	-	-	171	-	486
Transportation, storage and communication	56,485	7,586	9,830	13,939	11,494	7,572	106,906
Wholesale, retail trade, restaurants and hotels	388,659	66,789	15,450	43,858	46,241	7,086	568,083
At 31 December 2022	1,068,117	96,430	92,528	118,977	79,261	29,397	1,484,710

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	104,212	710	2,342	2,760	10,253	9,322	129,599
Education, health and others	64,364	500	8,008	28,069	6,505	819	108,265
Electricity, gas and water supply	50,059	-	-	-	-	-	50,059
Financial, insurance/takaful, real estate and business services	164,805	7,341	1,490	3,854	2,985	1,351	181,826
Manufacturing	120,740	12,747	56,082	25,704	1,093	5,542	221,908
Mining and quarrying	4,894	-	-	314	-	-	5,208
Primary agriculture	45	-	-	-	172	-	217
Transportation, storage and communication	42,835	7,655	6,869	10,835	9,218	6,646	84,058
Wholesale, retail trade, restaurants and hotels	172,077	67,276	18,045	42,541	47,607	7,559	355,105
At 31 March 2023	<u>724,031</u>	<u>96,229</u>	<u>92,836</u>	<u>114,077</u>	<u>77,833</u>	<u>31,239</u>	<u>1,136,245</u>

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	104,558	700	2,035	3,271	10,272	7,778	128,614
Education, health and others	56,902	461	7,969	28,237	6,837	817	101,223
Electricity, gas and water supply	54,833	-	-	-	-	-	54,833
Financial, insurance/takaful, real estate and business services	163,240	7,449	1,507	3,712	3,067	748	179,723
Manufacturing	118,634	13,445	55,737	25,637	1,179	5,396	220,028
Mining and quarrying	4,843	-	-	323	-	-	5,166
Primary agriculture	46	-	-	-	171	-	217
Transportation, storage and communication	18,183	7,586	9,830	13,939	11,494	7,572	68,604
Wholesale, retail trade, restaurants and hotels	176,787	66,789	15,450	43,858	46,241	7,086	356,211
At 31 December 2022	698,026	96,430	92,528	118,977	79,261	29,397	1,114,619

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

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
At 1 January	1,484,710	1,526,505	1,114,619	1,132,690
-Transfers to Stage 1	(14,071)	(61,315)	(9,843)	(61,315)
-Transfers to Stage 2	(1,643)	(29,203)	(1,643)	(29,203)
-Transfers to Stage 3	57,436	282,994	57,436	282,994
	<u>1,526,432</u>	<u>1,718,981</u>	<u>1,160,569</u>	<u>1,325,166</u>
Changes due to change in credit risk	(17,067)	(75,305)	(17,067)	(51,581)
New financial assets originated	1,199	7,196	1,199	7,196
Financial assets derecognised	(8,456)	(62,258)	(8,456)	(62,258)
Amount written-off	-	(103,904)	-	(103,904)
At 31 March/31 December	<u>1,502,108</u>	<u>1,484,710</u>	<u>1,136,245</u>	<u>1,114,619</u>

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2023	93,965	45,769	815,952	955,686
-Transfers to Stage 1	7,988	(4,358)	(3,630)	-
-Transfers to Stage 2	(1,225)	2,027	(802)	-
-Transfers to Stage 3	(38)	(6,391)	6,429	-
	<u>6,725</u>	<u>(8,722)</u>	<u>1,997</u>	<u>-</u>
Changes due to change in credit risk (Note 20)	(7,810)	7,208	27,308	26,706
New financial assets originated (Note 20)	8,646	102	848	9,596
Financial assets derecognised (Note 20)	(5,636)	(280)	(2,223)	(8,139)
At 31 March 2023	<u>95,890</u>	<u>44,077</u>	<u>843,882</u>	<u>983,849</u>
At 1 January 2022	97,559	16,634	765,939	880,132
-Transfers to Stage 1	12,517	(4,190)	(8,327)	-
-Transfers to Stage 2	(9,713)	16,850	(7,137)	-
-Transfers to Stage 3	(8,976)	(4,293)	13,269	-
	<u>(6,172)</u>	<u>8,367</u>	<u>(2,195)</u>	<u>-</u>
Changes due to change in credit risk	(4,706)	20,009	169,111	184,414
New financial assets originated	20,208	933	2,113	23,254
Financial assets derecognised	(12,924)	(174)	(18,088)	(31,186)
Amount written off	-	-	(100,928)	(100,928)
At 31 December 2022	<u>93,965</u>	<u>45,769</u>	<u>815,952</u>	<u>955,686</u>

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

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

Bank	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2023	93,965	45,769	445,861	585,595
-Transfers to Stage 1	7,988	(4,358)	(3,630)	-
-Transfers to Stage 2	(1,225)	2,027	(802)	-
-Transfers to Stage 3	(38)	(6,391)	6,429	-
	6,725	(8,722)	1,997	-
Changes due to change in credit risk (Note 20)	(7,810)	7,208	31,536	30,934
New financial assets originated (Note 20)	8,646	102	848	9,596
Financial assets derecognised (Note 20)	(5,636)	(280)	(2,223)	(8,139)
At 31 March 2023	95,890	44,077	478,019	617,986
At 1 January 2022	97,559	16,634	372,124	486,317
-Transfers to Stage 1	12,517	(4,190)	(8,327)	-
-Transfers to Stage 2	(9,713)	16,850	(7,137)	-
-Transfers to Stage 3	(8,976)	(4,293)	13,269	-
	(6,172)	8,367	(2,195)	-
Changes due to change in credit risk	(4,706)	20,009	192,835	208,138
New financial assets originated	20,208	933	2,113	23,254
Financial assets derecognised	(12,924)	(174)	(18,088)	(31,186)
Amount written off	-	-	(100,928)	(100,928)
At 31 December 2022	93,965	45,769	445,861	585,595

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

	Group		Bank	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Net impaired loans, advances and financing in percentage	8.29%	8.39%	8.29%	8.39%

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13. Deposits from customers

	Group		Bank	
	31 March	31 December	31 March	31 December
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Term deposit:				
- Commodity Murabahah/Tawarruq	4,095,113	4,503,909	4,106,733	4,553,795

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

	Group		Bank	
	31 March	31 December	31 March	31 December
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Government bodies	1,014,863	1,614,767	1,014,863	1,614,767
Statutory bodies	705,379	870,527	705,379	870,527
Business enterprise	1,172,331	1,443,003	1,183,951	1,492,889
Others	1,202,540	575,612	1,202,540	575,612
	4,095,113	4,503,909	4,106,733	4,553,795

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

	Group		Bank	
	31 March	31 December	31 March	31 December
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Within three months	3,591,931	3,797,935	3,603,551	3,847,821
More than three months to six months	386,985	466,222	386,985	466,222
More than six months to one year	116,197	239,752	116,197	239,752
	4,095,113	4,503,909	4,106,733	4,553,795

The deposits from customers carried weighted average profit rate of 3.41% (2022: 3.28%) per annum.

14. Deposits from banks and other financial institutions

	Group and Bank	
	31 March	31 December
	2023	2022
	RM'000	RM'000
Licensed banks and other financial institutions	150,114	150,208

The deposits maturity structure is as follows:

	Group and Bank	
	31 March	31 December
	2023	2022
	RM'000	RM'000
Less than three months	150,114	150,208

The deposits from banks and other financial institutions carried weighted average profit rate of 2.88% (2022: 2.98%) per annum.

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15. Borrowings/Fundings

	Group and Bank	
	31 March 2023 RM'000	31 December 2022 RM'000
Unsecured borrowings/fundings	1,971,174	1,949,473

(i) The maturity structure of the borrowings/fundings is as follows:

	Group and Bank	
	31 March 2023 RM'000	31 December 2022 RM'000
Within one year	49,572	44,001
More than one year to five years	800,377	911,363
More than five years	1,121,225	994,109
	<u>1,971,174</u>	<u>1,949,473</u>

(ii) The unsecured borrowings/fundings denominated in RM are sourced from the following:

		Group and Bank	
	Note	31 March 2023 RM'000	31 December 2022 RM'000
Government of Malaysia	(a)	931,067	941,916
Other institutions	(b)	1,040,107	1,007,557
		<u>1,971,174</u>	<u>1,949,473</u>

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15. Borrowings/Fundings (cont'd.)

(a) Borrowings/fundings from Government of Malaysia

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

	Group and Bank	
	31 March 2023 RM'000	31 December 2022 RM'000
Maturity structure:		
Within one year	39,119	33,266
More than one year to five years	279,605	453,647
More than five years	612,343	455,003
	<u>931,067</u>	<u>941,916</u>

The weighted average interest/profit rate on the borrowings/fundings from the Government of Malaysia range from 0% to 2.75% (2022: 0% to 2.75%) per annum.

(b) Borrowings/fundings from other institutions

	Group and Bank	
	31 March 2023 RM'000	31 December 2022 RM'000
Bank Negara Malaysia	<u>1,040,107</u>	<u>1,007,557</u>

The borrowings/fundings from other institutions are repayable as follows:

	Group and Bank	
	31 March 2023 RM'000	31 December 2022 RM'000
Maturity structure:		
Within one year	10,453	10,735
More than one year to five years	520,772	457,716
More than five years	508,882	539,106
	<u>1,040,107</u>	<u>1,007,557</u>

The weighted average profit rates on the borrowings/fundings from other institutions range from 0% to 1.5% (2022: 0% to 1.5%) per annum.

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16. Interest income

Group and Bank	First Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	16	283	16	283

17. Interest expense

Group and Bank	First Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Term loans	1,468	3,711	1,468	3,711

18. Other operating income

Group	First Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Fee income	3	5	3	5
	3	5	3	5
Other income:				
Recovery income	766	263	766	263
Compensation on late payment charges	166	238	166	238
	932	501	932	501
Total other operating income	935	506	935	506
Bank				
Fee income	3	5	3	5
	3	5	3	5
Other income:				
Compensation on late payment charges	166	238	166	238
	166	238	166	238
Total other operating income	169	243	169	243

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19. Other operating expenses

Group	Note	First Quarter Ended		Three Months Ended	
		31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Personnel expenses	(i)	43,691	44,870	43,691	44,870
Establishment related expenses	(ii)	13,335	11,340	13,335	11,340
Promotion and marketing expenses	(iii)	2,412	1,528	2,412	1,528
Administration and general expenses	(iv)	11,494	9,914	11,494	9,914
		<u>70,932</u>	<u>67,652</u>	<u>70,932</u>	<u>67,652</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		33,833	34,709	33,833	34,709
Group President/ Chief Executive Officer and Directors' fees and remuneration		369	530	369	530
Social security cost		288	516	288	516
Contribution to Employee Provident Fund		4,240	4,245	4,240	4,245
Other staff related expenses		4,961	4,870	4,961	4,870
		<u>43,691</u>	<u>44,870</u>	<u>43,691</u>	<u>44,870</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,370	2,766	3,370	2,766
Depreciation of right-of-use assets		897	887	897	887
Amortisation of intangible assets		1,846	2,042	1,846	2,042
Rental expenses		39	30	39	30
Repairs and maintenance of property, plant and equipment		7,183	5,615	7,183	5,615
		<u>13,335</u>	<u>11,340</u>	<u>13,335</u>	<u>11,340</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		2,412	1,528	2,412	1,528
(iv) Administration and general expenses					
Administrative expenses		1,928	1,923	1,928	1,923
Auditors' remuneration		317	281	317	281
General expenses		9,249	7,710	9,249	7,710
		<u>11,494</u>	<u>9,914</u>	<u>11,494</u>	<u>9,914</u>

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19. Other operating expenses (cont'd.)

Bank	Note	First Quarter Ended		Three Months Ended	
		31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Personnel expenses	(i)	42,654	43,818	42,654	43,818
Establishment related expenses	(ii)	13,318	11,329	13,318	11,329
Promotion and marketing expenses	(iii)	2,412	1,526	2,412	1,526
Administration and general expenses	(iv)	11,531	8,531	11,531	8,531
		<u>69,915</u>	<u>65,204</u>	<u>69,915</u>	<u>65,204</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		32,998	33,789	32,998	33,789
Group President/ Chief Executive Officer and Directors' fees and remuneration		369	530	369	530
Social security cost		281	511	281	511
Contribution to Employee Provident Fund		4,144	4,176	4,144	4,176
Other staff related expenses		4,862	4,812	4,862	4,812
		<u>42,654</u>	<u>43,818</u>	<u>42,654</u>	<u>43,818</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,370	2,766	3,370	2,766
Depreciation of right-of-use assets		897	887	897	887
Amortisation of intangible assets		1,846	2,042	1,846	2,042
Rental expenses		39	30	39	30
Repairs and maintenance of property, plant and equipment		7,166	5,604	7,166	5,604
		<u>13,318</u>	<u>11,329</u>	<u>13,318</u>	<u>11,329</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		2,412	1,526	2,412	1,526
(iv) Administration and general expenses					
Administrative expenses		1,923	1,918	1,923	1,918
Auditors' remuneration		300	265	300	265
General expenses		9,308	6,348	9,308	6,348
		<u>11,531</u>	<u>8,531</u>	<u>11,531</u>	<u>8,531</u>

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20. Allowances for impairment on loans, advances and financing

Group	First Quarter Ended		Three Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
(Writeback)/Allowance for impairment losses on loans, advances and financing made during the period:				
- Stage 1, net (Note 12(ix))	(4,800)	(8,041)	(4,800)	(8,041)
- Stage 2, net (Note 12(ix))	7,030	15,387	7,030	15,387
- Stage 3, net (Note 12(ix))	25,933	11,965	25,933	11,965
	<u>28,163</u>	<u>19,311</u>	<u>28,163</u>	<u>19,311</u>
Impaired loans, advances and financing recovered	<u>(4,744)</u>	<u>(2,926)</u>	<u>(4,744)</u>	<u>(2,926)</u>
Impaired loans, advances and financing written off	<u>-</u>	<u>92</u>	<u>-</u>	<u>92</u>
Total allowance for impairment on loans, advances and financing	<u>23,419</u>	<u>16,477</u>	<u>23,419</u>	<u>16,477</u>
Bank				
(Writeback)/Allowance for impairment losses on loans, advances and financing made during the period:				
- Stage 1, net (Note 12(ix))	(4,800)	(8,041)	(4,800)	(8,041)
- Stage 2, net (Note 12(ix))	7,030	15,387	7,030	15,387
- Stage 3, net (Note 12(ix))	30,161	13,141	30,161	13,141
	<u>32,391</u>	<u>20,487</u>	<u>32,391</u>	<u>20,487</u>
Impaired loans, advances and financing recovered	<u>(4,744)</u>	<u>(2,926)</u>	<u>(4,744)</u>	<u>(2,926)</u>
Impaired loans, advances and financing written off	<u>-</u>	<u>92</u>	<u>-</u>	<u>92</u>
Total allowance for impairment on loans, advances and financing	<u>27,647</u>	<u>17,653</u>	<u>27,647</u>	<u>17,653</u>

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21. Commitment and contingencies

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

	Group and Bank	
	31 March 2023 RM'000	31 December 2022 RM'000
Direct credit substitutes	159,598	178,521
Transaction-related-contingent items	174,543	167,106
Undisbursed loans/financing		
- original maturity up to one year	277,053	226,071
- original maturity more than one year	1,318,931	1,667,262
	1,930,125	2,238,960

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

	Group and Bank	
	31 March 2023 RM'000	31 December 2022 RM'000
Approved and contracted for Information technology system	22,632	16,750
Total commitments and contingencies	1,952,757	2,255,710

22. Capital adequacy

Capital management

Capital policy

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

Regulatory capital

In order to support its mandated roles, the Bank has strong and adequate capital to support its business activities on an on-going basis. Bank Negara Malaysia ("BNM") has imposed several regulatory capital requirements whereby, the Bank is required to maintain a 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 the Bank are computed in accordance with the requirements of BNM's Capital Framework for Development Financial Institutions, which is based on the Basel I capital adequacy framework requirements.

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22. Capital adequacy (cont'd.)

Regulatory capital (cont'd.)

Pursuant to BNM's Policy Document on Transitional Arrangements for Regulatory Capital Treatment of Account Provisions for Development Financial Institutions, the Bank had elected to apply the transitional arrangements where the Bank are allowed to add back a portion of the Stage 1 and Stage 2 provisions for ECL to Common Equity Tier 1 Capital over a four-year period beginning from financial year 2020.

The Bank is allowed to add back the amount of loss allowance measured at an amount equal to 12-month ("12mECL") and lifetime ECL ("LTECL") to the extent they are ascribed to non-credit-impaired exposures to Tier 1 Capital.

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
<u>Tier I Capital</u>				
Paid-up share capital	1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses ¹	(264,901)	(201,809)	(257,084)	(193,992)
General reserves	10,114	10,114	10,114	10,114
General provision for loans, advances and financing ²	28,920	42,971	28,920	42,971
Less: Deferred tax assets	(108,089)	(108,089)	(108,089)	(108,089)
Less: Property revaluation reserve	(231,766)	(231,765)	(231,766)	(231,765)
Total Tier I capital	1,284,278	1,361,422	1,292,095	1,369,239
<u>Tier II Capital</u>				
General provision for loans, advances and financing ²	116,083	101,487	116,083	101,487
Property revaluation reserve ³	115,883	115,883	115,883	115,883
Government funds	432,738	433,432	432,738	433,432
Total Tier II capital	664,704	650,802	664,704	650,802
Total capital	1,948,982	2,012,224	1,956,799	2,020,041
Less: Investment in subsidiaries	-	-	-	-
Total capital base	1,948,982	2,012,224	1,956,799	2,020,041

¹ Included in accumulated losses for the Group and the Bank are the impact of adopting the modified accounting treatment of RM63,092,000 for current financial period.

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

³ The eligible amount for Tier II Capital is only limited to 50% of property revaluation reserves.

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22. Capital adequacy (cont'd.)

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
20%	248,086	351,705	248,086	351,705
50%	5,000	5,121	5,000	5,121
100%	10,196,960	10,243,324	10,253,402	10,335,414
	10,450,046	10,600,150	10,506,488	10,692,240

Before deducting dividends:

Core capital ratio	12.290%	12.843%	12.298%	12.806%
Risk-weighted capital ratio	18.650%	18.983%	18.625%	18.893%

After deducting dividends:

Core capital ratio	12.230%	12.785%	12.239%	12.748%
Risk-weighted capital ratio	18.591%	18.924%	18.565%	18.834%

Capital monitoring

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

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23. Islamic banking business

The state of affairs as at 31 March 2023 and results for the financial period then ended under the Islamic Banking business of the Bank and included in the Group's and the Bank's financial statements are summarised as follows:-

**Unaudited Statements of Financial Position
As at 31 March 2023**

	Note	Group		Bank	
		31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Assets					
Cash and short-term funds		1,095,285	1,627,108	1,095,041	1,626,341
Financial investments at FVTPL	9	266,112	-	266,112	-
Financial investments at FVOCI	23(a)	1,339,818	1,426,059	1,339,818	1,426,059
Financial investments at AC	11	941,770	934,753	941,770	934,753
Advances and financing	23(b)	7,797,011	7,823,198	7,797,011	7,823,198
Other assets		31,672	25,210	90,351	121,889
Property, plant and equipment		151,738	146,131	151,706	146,098
Right-of-use assets		13,924	14,821	13,924	14,821
Investment properties		377,231	377,231	377,231	377,231
Intangible assets		15,377	17,698	15,377	17,698
Tax recoverables		2,422	5,203	215	2,997
Deferred tax assets		108,089	108,089	108,089	108,089
Total assets		12,140,449	12,505,501	12,196,645	12,599,174
Liabilities					
Deposits from customers	13	4,095,113	4,503,909	4,106,733	4,553,795
Deposits from banks and other financial institutions	14	150,114	150,208	150,114	150,208
Islamic medium-term notes/ commercial notes		2,730,269	2,622,297	2,730,269	2,622,297
Term financing/fundings	23(c)	1,479,964	1,445,256	1,479,964	1,445,256
Other liabilities		979,404	1,031,893	1,012,955	1,065,071
Lease liabilities		14,285	15,137	14,285	15,137
Amount due to conventional operations		601,606	604,967	754,560	763,711
Government funds		594,978	602,785	594,978	602,785
Total liabilities		10,645,733	10,976,452	10,843,858	11,218,260
Islamic general funds		1,494,716	1,529,049	1,352,787	1,380,914
Total liabilities and Islamic banking funds		12,140,449	12,505,501	12,196,645	12,599,174
Commitments	23(i)	2,225,046	2,236,532	2,225,046	2,236,532

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these financial statements.)

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23. Islamic banking business (cont'd.)

Unaudited Statements of Comprehensive Income
For the first quarter ended 31 March 2023

Group	Note	First Quarter Ended		Three Months Ended	
		31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Income from Islamic banking business	23(d)	160,193	132,807	160,193	132,807
Profit expense attributable to Islamic banking business	23(e)	(68,427)	(47,277)	(68,427)	(47,277)
Gross income from Islamic banking business		91,766	85,530	91,766	85,530
Other operating income	23(f)	24,315	19,405	24,315	19,405
Other operating expenses	23(g)	(70,901)	(67,393)	(70,901)	(67,393)
Operating profit		45,180	37,542	45,180	37,542
(Allowances)/Writeback for impairment losses on:					
- advances and financing	23(h)	(24,491)	(17,774)	(24,491)	(17,774)
- commitments		(313)	(797)	(313)	(797)
- financial investments at FVOCI	10	27	71	27	71
- financial investments at AC	11	-	(7)	-	(7)
- other assets at AC		(435)	(566)	(435)	(566)
Profit before tax expense and zakat		19,968	18,469	19,968	18,469
Tax expense		(3,108)	(233)	(3,108)	(233)
Zakat		(375)	(750)	(375)	(750)
Profit for the period		16,485	17,486	16,485	17,486
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain/(loss) on revaluation of financial investments at FVOCI		12,301	(34,303)	12,301	(34,303)
Changes in expected credit loss on financial investments at FVOCI		(27)	(71)	(27)	(71)
Other comprehensive income/(loss) for the period/year		12,274	(34,374)	12,274	(34,374)
Total comprehensive income/(loss) for the period/year		28,759	(16,888)	28,759	(16,888)

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these financial statements.)

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23. Islamic banking business (cont'd.)

Unaudited Statements of Comprehensive Income
For the first quarter ended 31 March 2023 (cont'd.)

Bank	Note	First Quarter Ended		Three Months Ended	
		31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Income from Islamic banking business	23(d)	160,193	132,807	160,193	132,807
Profit expense attributable to Islamic banking business	23(e)	(68,564)	(47,322)	(68,564)	(47,322)
Gross income from Islamic banking business		91,629	85,485	91,629	85,485
Other operating income	23(f)	26,125	17,535	26,125	17,535
Other operating expenses	23(g)	(69,885)	(64,947)	(69,885)	(64,947)
Operating profit		47,869	38,073	47,869	38,073
(Allowances)/Writeback for impairment losses on:					
- advances and financing	23(h)	(25,549)	(18,874)	(25,549)	(18,874)
- commitments and contingencies		(313)	(797)	(313)	(797)
- financial investments at FVOCI	10	27	71	27	71
- financial investments at AC	11	-	(7)	-	(7)
- other assets at AC		(435)	(566)	(435)	(566)
- other assets at FVOCI		4,401	(2,149)	4,401	(2,149)
Profit before tax expense and zakat		26,000	15,751	26,000	15,751
Tax expense		(2,934)	(180)	(2,934)	(180)
Zakat		(375)	(750)	(375)	(750)
Profit for the period		22,691	14,821	22,691	14,821
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain/(loss) on revaluation of financial investments at FVOCI		12,301	(34,303)	12,301	(34,303)
Changes in expected credit loss on financial investments at FVOCI		(27)	(71)	(27)	(71)
Other comprehensive income/(loss) for the period		12,274	(34,374)	12,274	(34,374)
Total comprehensive income/(loss) for the period		34,965	(19,553)	34,965	(19,553)

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these financial statements.)

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23. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
For the first quarter ended 31 March 2023**

Group	Note	<=====Non-distributable=====>		Distributable retained earnings RM'000	Total RM'000
		Share capital RM'000	Fair value reserve RM'000		
At 1 January 2023, as previously stated		1,050,564	(1,348)	479,833	1,529,049
Impact of adopting the modified accounting treatment		-	-	(63,092)	(63,092)
At 1 January 2023 as restated		1,050,564	(1,348)	416,741	1,465,957
Unrealised gain on revaluation of financial investments at FVOCI		-	12,301	-	12,301
Changes in expected credit losses of financial investments at FVOCI	10	-	(27)	-	(27)
Profit for the period		-	-	16,485	16,485
Total comprehensive income for the period At 31 March 2023		-	12,274	16,485	28,759
		1,050,564	10,926	433,226	1,494,716
At 1 January 2022		1,050,564	2,278	460,955	1,513,797
Unrealised loss on revaluation of financial investments at FVOCI		-	(17,195)	-	(17,195)
Reclassification of gain included in profit or loss		-	12,566	-	12,566
Changes in expected credit losses of financial investments at FVOCI		-	(108)	-	(108)
Income tax relating to components of other comprehensive income		-	1,111	-	1,111
Profit for the year		-	-	23,884	23,884
Total comprehensive (loss)/income for the year		-	(3,626)	23,884	20,258
Transaction with owner: Dividends		-	-	(5,006)	(5,006)
At 31 December 2022		1,050,564	(1,348)	479,833	1,529,049

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these financial statements.)

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23. Islamic banking business (cont'd.)

Statements of changes in Islamic General Funds
For the first quarter ended 31 March 2023 (cont'd.)

Bank	Note	<=====Non-distributable=====>		Distributable	Total RM'000
		Share capital RM'000	Fair value reserve RM'000	retained earnings RM'000	
At 1 January 2023, as previously stated		1,050,564	(1,348)	331,698	1,380,914
Impact of adopting the modified accounting treatment		-	-	(63,092)	(63,092)
At 1 January 2023 as restated		1,050,564	(1,348)	268,606	1,317,822
Unrealised gain on revaluation of financial investments at FVOCI		-	12,301	-	12,301
Changes in expected credit losses of financial investments at FVOCI	10	-	(27)	-	(27)
Profit for the period		-	-	22,691	22,691
Total comprehensive income for the period		-	12,274	22,691	34,965
At 31 March 2023		1,050,564	10,926	291,297	1,352,787
At 1 January 2022		1,050,564	2,278	287,190	1,340,032
Unrealised loss on revaluation of financial investments at FVOCI		-	(17,195)	-	(17,195)
Reclassification of gain included in profit or loss		-	12,566	-	12,566
Changes in expected credit losses of financial investments at FVOCI		-	(108)	-	(108)
Income tax relating to components of other comprehensive income		-	1,111	-	1,111
Profit for the year		-	-	49,514	49,514
Total comprehensive (loss)/income for the year		-	(3,626)	49,514	45,888
Transaction with owner:					
Dividends		-	-	(5,006)	(5,006)
At 31 December 2022		1,050,564	(1,348)	331,698	1,380,914

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these financial statements.)

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23. Islamic banking business (cont'd.)

(a) Financial investments at FVOCI

	Group and Bank	
	31 March 2023 RM'000	31 December 2022 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	976,027	1,059,078
Non-money market instruments		
Equity securities		
- Private debt securities	31,398	30,618
Debt securities		
- Private debt securities	332,393	336,363
	<u>363,791</u>	<u>366,981</u>
	<u>1,339,818</u>	<u>1,426,059</u>

No loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve. The movement in allowances for impairment which reflects the ECL model on impairment are as disclosed in Note 10.

(b) Advances and financing

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Bai' Bithaman Aji	1,509	1,509	-	-
Murabahah	1,074,261	1,111,712	1,027,454	1,064,315
Istisna'	68,579	79,134	65,998	76,312
Ijarah	227	84	143	-
Ijarah Thumma Al-Bai	415,482	421,095	361,534	366,920
Tawarruq	6,936,608	6,880,691	6,936,603	6,880,686
Bai' Inah	13,784	14,233	12,553	13,002
Gross advances and financing	<u>8,510,450</u>	<u>8,508,458</u>	<u>8,404,285</u>	<u>8,401,235</u>
Less: Allowance for impairment losses on				
- Stage 1 (Note 23(b)(x))	(95,889)	(93,965)	(95,889)	(93,965)
- Stage 2 (Note 23(b)(x))	(44,070)	(45,761)	(44,070)	(45,761)
- Stage 3 (Note 23(b)(x))	(573,480)	(545,534)	(467,315)	(438,311)
Net advances and financing	<u>7,797,011</u>	<u>7,823,198</u>	<u>7,797,011</u>	<u>7,823,198</u>
Gross impaired advances and financing (Note 23(b)(vii))	<u>1,221,505</u>	<u>1,200,785</u>	<u>1,115,340</u>	<u>1,093,562</u>
Net impaired advances and financing	<u>648,025</u>	<u>655,251</u>	<u>648,025</u>	<u>655,251</u>

Included in advances and financing are gross advances and financing amounting to RM108,478,000 (2022: RM107,062,000) financed by Government funds.

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23. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Maturity within one year	1,907,322	1,792,987	1,804,373	1,689,760
More than one year to three years	754,377	674,638	753,474	673,485
More than three years to five years	1,267,909	1,367,673	1,266,812	1,366,564
More than five years	4,580,842	4,673,160	4,579,626	4,671,426
	8,510,450	8,508,458	8,404,285	8,401,235

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Domestic business enterprise	8,499,643	8,497,468	8,393,478	8,390,245
Individual	10,807	10,990	10,807	10,990
	8,510,450	8,508,458	8,404,285	8,401,235

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Constructions	1,442,289	1,447,218	1,440,807	1,445,736
Education, health and others	607,659	625,327	575,759	593,087
Electricity, gas and water supply	154,238	162,564	154,238	162,564
Financial, insurance/takaful, real estate and business services	1,132,016	1,142,153	1,130,752	1,140,394
Manufacturing	1,575,418	1,587,000	1,543,478	1,555,062
Mining and quarrying	113,811	111,445	113,811	111,445
Primary agriculture	6,978	7,163	6,978	7,163
Transportation, storage and communication	1,104,581	1,085,754	1,077,500	1,058,480
Wholesale, retail trade, restaurants and hotels	2,362,653	2,328,844	2,350,155	2,316,314
Others	10,807	10,990	10,807	10,990
	8,510,450	8,508,458	8,404,285	8,401,235

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23. Islamic banking business (cont'd.)

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	996,072	29,772	52,920	47,091	100,695	215,739	1,442,289
Education, health and others	433,834	20,635	20,874	85,261	35,651	11,404	607,659
Electricity, gas and water supply	146,392	984	1,403	1,805	2,922	732	154,238
Financial, insurance/takaful, real estate and business services	768,455	111,260	66,730	43,123	67,203	75,245	1,132,016
Manufacturing	879,394	244,463	210,862	98,764	49,328	92,607	1,575,418
Mining and quarrying	58,614	-	16,414	34,325	1,770	2,688	113,811
Primary agriculture	1,084	-	217	238	3,990	1,449	6,978
Transportation, storage and communication	721,480	88,604	43,818	109,139	70,131	71,409	1,104,581
Wholesale, retail trade, restaurants and hotels	1,095,707	316,079	107,418	328,700	306,104	208,645	2,362,653
Others	10,807	-	-	-	-	-	10,807
At 31 March 2023	5,111,839	811,797	520,656	748,446	637,794	679,918	8,510,450

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23. Islamic banking business (cont'd.)

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	994,755	29,440	53,465	48,247	100,649	220,662	1,447,218
Education, health and others	451,243	19,958	21,389	84,370	36,666	11,701	625,327
Electricity, gas and water supply	155,074	578	1,518	2,009	3,052	333	162,564
Financial, insurance/takaful, real estate and business services	776,905	113,857	67,676	40,570	65,667	77,478	1,142,153
Manufacturing	884,088	246,930	213,044	104,020	53,865	85,053	1,587,000
Mining and quarrying	55,090	-	18,680	33,316	1,847	2,512	111,445
Primary agriculture	1,102	-	231	240	4,074	1,516	7,163
Transportation, storage and communication	688,276	91,204	44,366	115,228	72,073	74,607	1,085,754
Wholesale, retail trade, restaurants and hotels	1,070,727	314,515	107,490	317,221	308,074	210,817	2,328,844
Others	10,990	-	-	-	-	-	10,990
At 31 December 2022	5,088,250	816,482	527,859	745,221	645,967	684,679	8,508,458

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23. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	994,590	29,772	52,920	47,091	100,695	215,739	1,440,807
Education, health and others	401,934	20,635	20,874	85,261	35,651	11,404	575,759
Electricity, gas and water supply	146,392	984	1,403	1,805	2,922	732	154,238
Financial, insurance/takaful, real estate and business services	767,191	111,260	66,730	43,123	67,203	75,245	1,130,752
Manufacturing	847,454	244,463	210,862	98,764	49,328	92,607	1,543,478
Mining and quarrying	58,614	-	16,414	34,325	1,770	2,688	113,811
Primary agriculture	1,084	-	217	238	3,990	1,449	6,978
Transportation, storage and communication	694,399	88,604	43,818	109,139	70,131	71,409	1,077,500
Wholesale, retail trade, restaurants and hotels	1,083,209	316,079	107,418	328,700	306,104	208,645	2,350,155
Others	10,807	-	-	-	-	-	10,807
At 31 March 2023	5,005,674	811,797	520,656	748,446	637,794	679,918	8,404,285

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23. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	993,273	29,440	53,465	48,247	100,649	220,662	1,445,736
Education, health and others	419,003	19,958	21,389	84,370	36,666	11,701	593,087
Electricity, gas and water supply	155,074	578	1,518	2,009	3,052	333	162,564
Financial, insurance/takaful, real estate and business services	775,146	113,857	67,676	40,570	65,667	77,478	1,140,394
Manufacturing	852,150	246,930	213,044	104,020	53,865	85,053	1,555,062
Mining and quarrying	55,090	-	18,680	33,316	1,847	2,512	111,445
Primary agriculture	1,102	-	231	240	4,074	1,516	7,163
Transportation, storage and communication	661,002	91,204	44,366	115,228	72,073	74,607	1,058,480
Wholesale, retail trade, restaurants and hotels	1,058,197	314,515	107,490	317,221	308,074	210,817	2,316,314
Others	10,990	-	-	-	-	-	10,990
At 31 December 2022	4,981,027	816,482	527,859	745,221	645,967	684,679	8,401,235

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23. Islamic banking business (cont'd.)

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

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

Group	Hire purchase RM'000	Leasing RM'000	Other term financing RM'000	Revolving financing RM'000	Staff financing RM'000	Total RM'000
Bai' Bithaman Ajil	-	-	389	1,120	-	1,509
Murabahah	122	-	1,039,021	24,311	10,807	1,074,261
Istisna'	-	-	68,579	-	-	68,579
Ijarah	143	84	-	-	-	227
Ijarah Thumma Al-Bai	383,393	-	32,089	-	-	415,482
Bai' Dayn	-	-	-	-	-	-
Tawarruq	5	-	4,947,441	1,989,162	-	6,936,608
Bai' Inah	-	-	13,784	-	-	13,784
At 31 March 2023	383,663	84	6,101,303	2,014,593	10,807	8,510,450
Bai' Bithaman Ajil	-	-	389	1,120	-	1,509
Murabahah	-	-	1,073,582	27,140	10,990	1,111,712
Istisna'	-	-	79,134	-	-	79,134
Ijarah	-	84	-	-	-	84
Ijarah Thumma Al-Bai	389,246	-	31,849	-	-	421,095
Bai' Dayn	-	-	-	-	-	-
Tawarruq	5	-	4,923,738	1,956,948	-	6,880,691
Bai' Inah	-	-	14,233	-	-	14,233
At 31 December 2022	389,251	84	6,122,925	1,985,208	10,990	8,508,458

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23. Islamic banking business (cont'd.)

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

(v) Gross advances and financing by types and Shariah contracts are as follows (cont'd.):

Bank	Hire purchase RM'000	Other term financing RM'000	Revolving financing RM'000	Staff financing RM'000	Total RM'000
Murabahah	122	1,005,484	11,041	10,807	1,027,454
Istisna'	-	65,998	-	-	65,998
Ijarah	143	-	-	-	143
Ijarah Thumma Al-Bai Bai' Dayn	349,931	11,603	-	-	361,534
Tawarruq Bai' Inah	-	-	-	-	-
	-	4,947,441	1,989,162	-	6,936,603
	-	12,553	-	-	12,553
At 31 March 2023	350,196	6,043,079	2,000,203	10,807	8,404,285
Murabahah	-	1,039,455	13,870	10,990	1,064,315
Istisna'	-	76,312	-	-	76,312
Ijarah Thumma Al-Bai Bai' Dayn	355,560	11,360	-	-	366,920
Tawarruq Bai' Inah	-	-	-	-	-
	-	4,923,738	1,956,948	-	6,880,686
	-	13,002	-	-	13,002
At 31 December 2022	355,560	6,063,867	1,970,818	10,990	8,401,235

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23. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Fixed rate				
- Staff financing	10,807	10,990	10,807	10,990
- Hire purchase	163,492	165,960	130,884	133,127
- Leasing	84	84	-	-
- Other term financing	1,992,912	2,023,634	1,938,471	1,968,362
- Revolving financing	1,397,784	1,167,634	1,383,455	1,153,305
Variable rate				
- Hire purchase	220,171	223,291	219,312	222,433
- Other term financing	4,108,391	4,099,291	4,104,608	4,095,505
- Revolving financing	616,809	817,574	616,748	817,513
	<u>8,510,450</u>	<u>8,508,458</u>	<u>8,404,285</u>	<u>8,401,235</u>

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Constructions	131,080	130,096	129,598	128,614
Education, health and others	140,030	133,329	108,130	101,089
Electricity, gas and water supply	50,059	54,833	50,059	54,833
Financial, insurance/takaful, real estate and business services	183,090	181,482	181,826	179,723
Manufacturing	253,753	251,870	221,813	219,932
Mining and quarrying	5,208	5,166	5,208	5,166
Primary agriculture	217	217	217	217
Transportation, storage and communication	108,397	93,143	81,316	65,869
Wholesale, retail trade, restaurants and hotels	349,671	350,649	337,173	338,119
	<u>1,221,505</u>	<u>1,200,785</u>	<u>1,115,340</u>	<u>1,093,562</u>

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23. Islamic banking business (cont'd.)

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	105,694	710	2,342	2,760	10,252	9,322	131,080
Education, health and others	96,129	500	8,008	28,069	6,505	819	140,030
Electricity, gas and water supply	50,059	-	-	-	-	-	50,059
Financial, insurance/takaful, real estate and business services	166,069	7,341	1,490	3,854	2,985	1,351	183,090
Manufacturing	152,585	12,747	56,082	25,704	1,093	5,542	253,753
Mining and quarrying	4,894	-	-	314	-	-	5,208
Primary agriculture	45	-	-	-	172	-	217
Transportation, storage and communication	67,178	7,655	6,869	10,835	9,214	6,646	108,397
Wholesale, retail trade, restaurants and hotels	178,836	63,839	18,045	35,470	45,922	7,559	349,671
At 31 March 2023	821,489	92,792	92,836	107,006	76,143	31,239	1,221,505

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23. Islamic banking business (cont'd.)

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	106,041	700	2,035	3,271	10,271	7,778	130,096
Education, health and others	89,008	461	7,969	28,237	6,837	817	133,329
Electricity, gas and water supply	54,833	-	-	-	-	-	54,833
Financial, insurance/takaful, real estate and business services	164,999	7,449	1,507	3,712	3,067	748	181,482
Manufacturing	150,476	13,445	55,737	25,637	1,179	5,396	251,870
Mining and quarrying	4,843	-	-	323	-	-	5,166
Primary agriculture	46	-	-	-	171	-	217
Transportation, storage and communication	42,725	7,586	9,830	13,939	11,491	7,572	93,143
Wholesale, retail trade, restaurants and hotels	183,657	63,323	15,450	36,641	44,492	7,086	350,649
At 31 December 2022	796,628	92,964	92,528	111,760	77,508	29,397	1,200,785

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23. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	104,212	710	2,342	2,760	10,252	9,322	129,598
Education, health and others	64,229	500	8,008	28,069	6,505	819	108,130
Electricity, gas and water supply	50,059	-	-	-	-	-	50,059
Financial, insurance/takaful, real estate and business services	164,805	7,341	1,490	3,854	2,985	1,351	181,826
Manufacturing	120,645	12,747	56,082	25,704	1,093	5,542	221,813
Mining and quarrying	4,894	-	-	314	-	-	5,208
Primary agriculture	45	-	-	-	172	-	217
Transportation, storage and communication	40,097	7,655	6,869	10,835	9,214	6,646	81,316
Wholesale, retail trade, restaurants and hotels	166,338	63,839	18,045	35,470	45,922	7,559	337,173
At 31 March 2023	715,324	92,792	92,836	107,006	76,143	31,239	1,115,340

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23. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	104,559	700	2,035	3,271	10,271	7,778	128,614
Education, health and others	56,768	461	7,969	28,237	6,837	817	101,089
Electricity, gas and water supply	54,833	-	-	-	-	-	54,833
Financial, insurance/takaful, real estate and business services	163,240	7,449	1,507	3,712	3,067	748	179,723
Manufacturing	118,538	13,445	55,737	25,637	1,179	5,396	219,932
Mining and quarrying	4,843	-	-	323	-	-	5,166
Primary agriculture	46	-	-	-	171	-	217
Transportation, storage and communication	15,451	7,586	9,830	13,939	11,491	7,572	65,869
Wholesale, retail trade, restaurants and hotels	171,127	63,323	15,450	36,641	44,492	7,086	338,119
At 31 December 2022	689,405	92,964	92,528	111,760	77,508	29,397	1,093,562

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23. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
At 1 January	1,200,785	1,186,610	1,093,562	1,075,078
-Transfers to Stage 1	(9,843)	(61,315)	(9,843)	(61,315)
-Transfers to Stage 2	(1,643)	(27,287)	(1,643)	(27,287)
-Transfers to Stage 3	57,436	282,975	57,436	282,975
	<u>1,246,735</u>	<u>1,380,983</u>	<u>1,139,512</u>	<u>1,269,451</u>
Changes due to change in credit risk	(17,973)	(22,156)	(16,915)	(17,847)
New financial assets originated	1,199	7,196	1,199	7,196
Financial assets derecognised	(8,456)	(61,751)	(8,456)	(61,751)
Amount written-off	-	(103,487)	-	(103,487)
At 31 March/31 December	<u>1,221,505</u>	<u>1,200,785</u>	<u>1,115,340</u>	<u>1,093,562</u>

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2023	93,965	45,761	545,534	685,260
-Transfers to Stage 1	7,988	(4,358)	(3,630)	-
-Transfers to Stage 2	(1,225)	2,027	(802)	-
-Transfers to Stage 3	(38)	(6,391)	6,429	-
	<u>6,725</u>	<u>(8,722)</u>	<u>1,997</u>	<u>-</u>
Changes due to change in credit risk (Note 23(h))	(7,811)	7,209	27,324	26,722
Net financial assets originated (Note 23(h))	8,646	102	848	9,596
Financial assets derecognised (Note 23(h))	(5,636)	(280)	(2,223)	(8,139)
Amount written-off	-	-	-	-
At 31 March 2023	<u>95,889</u>	<u>44,070</u>	<u>573,480</u>	<u>713,439</u>
At 1 January 2022	97,559	16,634	474,964	589,157
-Transfers to Stage 1	12,517	(4,190)	(8,327)	-
-Transfers to Stage 2	(9,713)	16,850	(7,137)	-
-Transfers to Stage 3	(8,976)	(4,293)	13,269	-
	<u>(6,172)</u>	<u>8,367</u>	<u>(2,195)</u>	<u>-</u>
Changes due to change in credit risk	(4,706)	20,001	189,089	204,384
Net financial assets originated	20,208	933	2,113	23,254
Financial assets derecognised	(12,924)	(174)	(17,926)	(31,024)
Amount written-off	-	-	(100,511)	(100,511)
At 31 December 2022	<u>93,965</u>	<u>45,761</u>	<u>545,534</u>	<u>685,260</u>

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23. Islamic banking business (cont'd.)

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

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

Bank	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2023	93,965	45,761	438,311	578,037
-Transfers to Stage 1	7,988	(4,358)	(3,630)	-
-Transfers to Stage 2	(1,225)	2,027	(802)	-
-Transfers to Stage 3	(38)	(6,391)	6,429	-
	6,725	(8,722)	1,997	-
Changes due to change in credit risk (Note 23(h))	(7,811)	7,209	28,382	27,780
Net financial assets originated (Note 23(h))	8,646	102	848	9,596
Financial assets derecognised (Note 23(h))	(5,636)	(280)	(2,223)	(8,139)
Amount written-off	-	-	-	-
At 31 March 2023	95,889	44,070	467,315	607,274
At 1 January 2022	97,559	16,634	363,432	477,625
-Transfers to Stage 1	12,517	(4,190)	(8,327)	-
-Transfers to Stage 2	(9,713)	16,850	(7,137)	-
-Transfers to Stage 3	(8,976)	(4,293)	13,269	-
	(6,172)	8,367	(2,195)	-
Changes due to change in credit risk	(4,706)	20,001	193,398	208,693
Net financial assets originated	20,208	933	2,113	23,254
Financial assets derecognised	(12,924)	(174)	(17,926)	(31,024)
Amount written-off	-	-	(100,511)	(100,511)
At 31 December 2022	93,965	45,761	438,311	578,037

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Net impaired advances and financing as a percentage	8.18%	8.24%	8.18%	8.24%

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23. Islamic banking business (cont'd.)

(c) Term financing/Fundings

	Group and Bank	
	31 March	31 December
	2023	2022
	RM'000	RM'000
Unsecured term financing/fundings	1,479,964	1,445,256

The maturity structure of the term financing/fundings is as follows:

	Group and Bank	
	31 March	31 December
	2023	2022
	RM'000	RM'000
Within one year	12,612	10,736
More than one year to five years	520,772	627,613
More than five years	946,580	806,907
	<u>1,479,964</u>	<u>1,445,256</u>

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

	Group and Bank	
	31 March	31 December
	2023	2022
	RM'000	RM'000
Financing from:		
- Government of Malaysia	439,857	437,699
- Bank Negara Malaysia ("BNM")	1,040,107	1,007,557
	<u>1,479,964</u>	<u>1,445,256</u>

The weighted average profit rates on the term financing/fundings from Government of Malaysia is at 2.0% (2022: 2.0%) and Bank Negara Malaysia range from 0% to 1.5% (2022: 0% to 1.5%) per annum.

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23. Islamic banking business (cont'd.)

(d) Income from Islamic banking business

Group and Bank	First Quarter Ended		Three Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Income from advances and financing				
- Murabahah	14,903	15,253	14,903	15,253
- Istisna'	1,250	1,280	1,250	1,280
- Ijarah Thumma Al-Bai	5,862	5,234	5,862	5,234
- Bai' Dayn	-	47	-	47
- Tawarruq	107,625	88,556	107,625	88,556
- Bai' Inah	224	274	224	274
Total income from advances and financing	129,864	110,644	129,864	110,644
Tawarruq deposit placements	8,428	5,939	8,428	5,939
Financial investments at FVTPL	1,123	761	1,123	761
Financial investments at FVOCI	11,933	11,427	11,933	11,427
Financial investments at AC	8,845	4,036	8,845	4,036
Total income from Islamic banking business	160,193	132,807	160,193	132,807

Included in income from advances and financing is unwinding of modification loss amounting to RM1,678,000.

(e) Profit expense attributable to Islamic banking business

Group	First Quarter Ended		Three Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Deposits from customers	35,413	19,008	35,413	19,008
Deposits from banks and other financial institutions	783	159	783	159
Islamic medium-term notes/commercial notes	22,812	22,006	22,812	22,006
Term financing/fundings	9,051	5,561	9,051	5,561
Others	368	543	368	543
	68,427	47,277	68,427	47,277

Bank	First Quarter Ended		Three Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Deposits from customers	35,550	19,053	35,550	19,053
Deposits from banks and other financial institutions	783	159	783	159
Islamic medium-term notes/commercial notes	22,812	22,006	22,812	22,006
Term financing/fundings	9,051	5,561	9,051	5,561
Others	368	543	368	543
	68,564	47,322	68,564	47,322

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23. Islamic banking business (cont'd.)

(f) Other operating income

Group	First Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Fee income	2,521	3,825	2,521	3,825
Commission fee income	384	204	384	204
Rental income	2,911	2,557	2,911	2,557
Government fund released	7,807	6,717	7,807	6,717
Government compensation	2,947	2,071	2,947	2,071
Gain on disposal of associate	3,465	-	3,465	-
Recovery income	478	2,637	478	2,637
Ta'widh/Compensation on late payment charges	1,692	733	1,692	733
Others	2,110	661	2,110	661
	<u>24,315</u>	<u>19,405</u>	<u>24,315</u>	<u>19,405</u>

Bank	First Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Fee income	1,847	2,354	1,847	2,354
Commission fee income	384	204	384	204
Rental income	2,911	2,557	2,911	2,557
Government fund released	7,807	6,717	7,807	6,717
Government compensation	2,947	2,071	2,947	2,071
Management fees	98	98	98	98
Gain on disposal of associate	5,800	-	5,800	-
Profit income on amount owing by subsidiary company	599	2,149	599	2,149
Ta'widh/Compensation on late payment charges	1,692	733	1,692	733
Others	2,040	652	2,040	652
	<u>26,125</u>	<u>17,535</u>	<u>26,125</u>	<u>17,535</u>

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23. Islamic banking business (cont'd.)

(g) Other operating expenses

Group	First Quarter Ended		Three Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Personnel expenses	43,691	44,870	43,691	44,870
Establishment related expenses	13,335	11,340	13,335	11,340
Promotion and marketing expenses	2,412	1,528	2,412	1,528
Administration and general expenses	11,463	9,655	11,463	9,655
	<u>70,901</u>	<u>67,393</u>	<u>70,901</u>	<u>67,393</u>

Bank	First Quarter Ended		Three Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Personnel expenses	42,654	43,818	42,654	43,818
Establishment related expenses	13,318	11,329	13,318	11,329
Promotion and marketing expenses	2,412	1,526	2,412	1,526
Administration and general expenses	11,501	8,274	11,501	8,274
	<u>69,885</u>	<u>64,947</u>	<u>69,885</u>	<u>64,947</u>

(h) Allowances for impairment on advances and financing

Group	First Quarter Ended		Three Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
(Writeback)/Allowance for impairment losses on advances and financing made during the period:				
- Stage 1 (Note 23(b)(x))	(4,801)	(8,043)	(4,801)	(8,043)
- Stage 2 (Note 23(b)(x))	7,031	15,387	7,031	15,387
- Stage 3 (Note 23(b)(x))	25,949	12,223	25,949	12,223
	<u>28,179</u>	<u>19,567</u>	<u>28,179</u>	<u>19,567</u>
Impaired advances and financing recovered	(3,688)	(1,885)	(3,688)	(1,885)
Impaired advances and financing written off	-	92	-	92
Total allowance for impairment on advances and financing	<u>24,491</u>	<u>17,774</u>	<u>24,491</u>	<u>17,774</u>

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23. Islamic banking business (cont'd.)

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

Bank	First Quarter Ended		Three Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
(Writeback)/Allowance for impairment losses on advances and financing made during the period:				
- Stage 1 (Note 23(b)(x))	(4,801)	(8,043)	(4,801)	(8,043)
- Stage 2 (Note 23(b)(x))	7,031	15,387	7,031	15,387
- Stage 3 (Note 23(b)(x))	27,007	13,323	27,007	13,323
	29,237	20,667	29,237	20,667
Impaired advances and financing recovered	(3,688)	(1,885)	(3,688)	(1,885)
Impaired advances and financing written off	-	92	-	92
Total allowance for impairment on advances and financing	25,549	18,874	25,549	18,874

(i) Commitments

	Group and Bank	
	31 March 2023 RM'000	31 December 2022 RM'000
Direct credit substitutes	159,598	178,521
Transaction-related-contingent items	174,543	167,106
Undisbursed financing		
- original maturity up to one year	226,071	226,071
- original maturity more than one year	1,664,834	1,664,834
	2,225,046	2,236,532

(j) Capital adequacy

Capital management

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Tier I Capital				
Capital funds	1,050,564	1,050,564	1,050,564	1,050,564
Retained earnings ¹	416,741	479,833	268,606	331,698
General provision for advances and financing ²	30,215	44,912	30,215	44,912
Less: Deferred tax assets	(108,089)	(108,089)	(108,089)	(108,089)
Less: Property revaluation reserves	(231,766)	(231,765)	(231,766)	(231,765)
Total Tier I capital	1,157,665	1,235,455	1,009,530	1,087,320

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23. Islamic banking business (cont'd.)

(j) Capital adequacy (cont'd.)

Capital management (cont'd.)

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Tier II Capital				
General provision for advances and financing ²	114,780	99,536	114,780	99,536
Property revaluation reserve ³	115,883	115,883	115,883	115,883
Government funds	432,738	433,432	432,738	433,432
Total Tier II capital	663,401	648,851	663,401	648,851
Total capital	1,821,066	1,884,306	1,672,931	1,736,171
Less: Investment in subsidiaries	-	-	-	-
Total capital base	1,821,066	1,884,306	1,672,931	1,736,171

¹ Included in retained earnings for the Group and the Bank are the impact of adopting the modified accounting treatment of RM63,092,000 during current financial period.

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

³ The eligible amount for Tier II Capital is only limited to 50% of property revaluation reserves.

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

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
20%	247,262	350,881	247,262	350,881
50%	4,999	5,120	4,999	5,120
100%	10,178,686	10,218,138	10,235,127	10,312,578
	10,430,947	10,574,139	10,487,388	10,668,579

Before deducting dividends:

Core capital ratio	11.098%	11.684%	9.626%	10.192%
Risk-weighted capital ratio	17.458%	17.820%	15.952%	16.274%

After deducting dividends:

Core capital ratio	11.039%	11.625%	9.567%	10.133%
Risk-weighted capital ratio	17.399%	17.761%	15.893%	16.215%

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24. Analysis of financial performance

Current Full Period vs. Previous Full Period

Key Profit or Loss item:	GROUP			
	Three months ended			
	31 March 2023 RM'000	31 March 2022 RM'000	Variances	
		RM'000	%	
Profit before tax expense and zakat	20,493	17,205	3,288	19.1%
Profit after tax expense and zakat	17,010	16,222	788	4.9%
Ratio of profit before tax to average shareholders' funds	1.25%	1.06%	-	0.18%
Ratio of profit before tax to average total assets	0.17%	0.15%	-	0.02%

Key Balance Sheet	GROUP			
	As at			
	31 March 2023 RM'000	31 December 2022 RM'000	Variances	
		RM'000	%	
Total assets	12,164,191	12,534,552	(370,361)	(2.95%)
Gross loans, advances and financing	8,793,184	8,794,555	(1,371)	(0.02%)
Gross impaired loans, advances and financing (%)	17.10%	16.90%	-	(0.20%)
Deposits from customers	4,095,113	4,503,909	(408,796)	(9.08%)

SME Bank Group ("Group") reported profit before tax expense and zakat of RM20.49 million for the financial period ended 31 March 2023. The result is higher by RM3.29 million from the same period last year of RM17.21 million largely due to the higher gross income recognised from Islamic banking business amounting to RM116.08 million compared to RM104.94 million in the preceding financial period, which was mainly contributed from the larger financing portfolio.

Ratio of PBT to average shareholders' funds and ratio of PBT to average total assets came in at 1.25% and 0.17% respectively, which is an improvement during the current period under review compared to 1.06% and 0.15% recorded in the previous corresponding quarter.

The Group's total assets however decreased to RM12.16 billion as at 31 March 2023 compared to RM12.53 billion as at 31 December 2022. This was primarily contributed by lower cash and short term funds of RM1.10 billion compared to RM1.63 billion in the previous financial year end.

The Group's gross impaired ratio increased slightly to 17.10% in the current financial period in comparison to 16.90% in the preceding financial year end. The Group's Risk-Weighted Capital Ratio stood at 18.65% while its Core Capital Ratio stood at 12.29% compared to 18.98% and 12.84% respectively as at 31 December 2022.