

**SMALL MEDIUM ENTERPRISE DEVELOPMENT
BANK MALAYSIA BERHAD**

Registration No.197901005290
(Incorporated in Malaysia)

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2024**

(In Ringgit Malaysia)

197901005290

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

Contents	Page
Directors' Report	1 - 5
Statement by Directors	6
Statutory Declaration	7
Shariah Committee's Report	8 - 9
Independent Auditors' Report	10 - 13
Financial Statements	
Statements of Financial Position	14
Statements of Comprehensive Income	15 - 16
Statements of Changes in Equity	17 - 20
Statements of Cash Flows	21 - 23
Notes to the Financial Statements	24 - 169

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

Directors' report

The directors of Small Medium Enterprise Development Bank Malaysia Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2024.

Principal activities

The principal activities of the Bank are those of development banking, both Islamic and conventional and related financial services.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the Bank in each subsidiary is as disclosed in Note 9 to the financial statements.

Financial results

The results of the Group and of the Bank for the financial year are as follows:

	Group RM'000	Bank RM'000
Profit before tax expense and zakat	109,928	100,497
Tax expense	(25,850)	(23,219)
Zakat	(1,935)	(1,935)
Profit for the year	<u>82,143</u>	<u>75,343</u>
Profit for the year attributable to the owner of the Bank	<u>82,143</u>	<u>75,343</u>

In the opinion of the directors, the results of operations of the Group and of the Bank during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The amount of dividend paid by the Bank since the end of the previous financial year is as follows:

In respect of the financial year ended 31 December 2023, a final single-tier dividend of 0.46 sen per share on 1,850,000,000 ordinary shares, amounting to RM8,512,000 was proposed, approved and declared at the Annual General Meeting held on 28 June 2024. The dividend was paid on 5 July 2024.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2024 of 0.41 sen per share on 1,850,000,000 ordinary shares, amounting to RM7,534,000 will be proposed for the shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the Shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2025.

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

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

Issue of shares and debentures

The Bank did not issue any new shares or debentures during the financial year.

Directors

The directors of the Bank in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Muslim bin Hussain
Datuk Ahmad Hizzad bin Baharuddin
Zulkiflee bin Hashim
Suharti binti Mohd Ali
Afidah Azwa binti Abdul Aziz
Datuk Wan Azhar bin Wan Ahmad (appointed on 1 February 2024)
Rozainah binti Awang (appointed on 1 January 2024)
Datuk Haji Zamri @ Fazillah bin Salleh (end of tenure on 31 January 2025)

The directors who are not the directors of the Bank who held office in the subsidiaries of the Bank during the financial year and up to the date of this report are:

Datuk Dr. Mohammad Hardee bin S.N Ibrahim
Samad Majid Zain bin Abdul Majid
Zarina Nor binti Ismail
Mohammad Azam bin Ahmad
Hairil Izwar bin Abd. Rahman
Shuhaibahtulaslamiah binti Hurmuzan
Zabidi bin Abdullah
Mohamad Nizam bin Matori (appointed on 1 September 2024)
Datuk Wira (Dr.) Aria Putera bin Ismail (resigned on 2 September 2024)
Mohd Fikri bin Abd Ghapar (resigned on 15 October 2024)

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

Directors' benefits

Since the end of the previous financial year, none of the directors of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of remuneration received or due and receivable by the director or the fixed salary of a full time employee of the Bank as disclosed below, by reason of a contract made by the Bank or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

During the financial year, the fees, salaries and other benefits received and receivable by the Directors of the Bank are as follows:-

Bank
RM'000

Non-Executive Directors:

- Directors' fee	476
- Directors salaries and other benefits	1,017
	<u>1,493</u>

During and at the end of the financial year, no arrangement subsisted to which the Bank is a party whereby directors of the Bank might acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate.

Directors' interests

None of the directors in office at the end of the financial year held shares or had a beneficial interest in the shares of the Bank or its related corporations during or at the beginning and end of the financial year.

Other statutory information

Before the financial statements of the Group and of the Bank were prepared, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Bank had been written down to an amount which the current assets might be expected so to realise.

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

Other statutory information (cont'd.)

At the date of this report, the directors are not aware of any circumstances:

- (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; or
- (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Bank misleading; or
- (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate; or
- (iv) not otherwise dealt with in this report of the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank in the financial year in which this report is made.

Indemnity and takaful for directors, officers and auditors

The Group and the Bank maintains Directors' and Officers' Liability Takaful for purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate takaful cover for the directors and officers of the Group and of the Bank. The amount of takaful coverage paid during the year amounted to RM129,591.

Save as disclosed above, there were no indemnity given to or takaful effected for auditors of the Group and of the Bank in accordance with Section 289 of the Companies Act, 2016.

Holding corporation

The directors regard Minister of Finance (Incorporated), a body corporate incorporated pursuant to the Minister of Finance (Incorporated) Act, 1957 (Revised 1989), as the Bank's immediate and ultimate holding corporation.

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

Auditors

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Auditors' remuneration

Auditors' remuneration of the Group and of the Bank for the financial year ended 31 December 2024 were as follows:

	Group RM'000	Bank RM'000
Auditors' remuneration		
- Statutory audit	1,092	1,015
- Regulatory related services	34	34
- Other assurance services	11	11
	1,137	1,060

The auditor's remuneration of the Group and of the Bank is as disclosed in Note 26 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 February 2025.



Dato' Muslim bin Hussain

Kuala Lumpur, Malaysia



Rozainah binti Awang

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

Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

The directors of Small Medium Enterprise Development Bank Malaysia Berhad state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2024 and of the financial performance and the cash flows of the Group and of the Bank for the year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 February 2025.



Dato' Muslim bin Hussain

Kuala Lumpur, Malaysia



Rozainah binti Awang

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

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act, 2016

We, Dato' Muslim bin Hussain and Datuk Dr. Mohammad Hardee bin S.N Ibrahim, being the Chairman and officer primarily responsible for the financial management of Small Medium Enterprise Development Bank Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements are, in our opinion, correct and we make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur in
the Federal Territory on 28 February 2025.



Dato' Muslim bin Hussain



Datuk Dr. Mohammad Hardee bin S.N Ibrahim

Before me,



Unit C-6-1, Megan Avenue II
No. 12, Jalan Yap Kwan Seng
50450 Kuala Lumpur

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

Shariah Committee's Report

Pursuant to Paragraph 22 of Shariah Governance Policy Document of Bank Negara Malaysia

In the Name of Allah, The Compassionate, The Most Merciful

Praise be to Allah and peace be upon His messenger, his family and his companions.

السلام عليكم ورحمة الله وبركاته

To the shareholder, depositors and customers of Small Medium Enterprise Development Bank Malaysia Berhad ("the Bank"):

In carrying out the roles and responsibilities of the Bank's Shariah Committee ("SC") as prescribed in the Shariah Governance Policy Document of Bank Negara Malaysia ("BNM"), we hereby submit the following report for the financial year ended 31 December 2024.

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the financial year ended 31 December 2024. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council ("SAC") of BNM, as well as Shariah decisions made by us.

The management of the Bank shall at all times be responsible for ensuring that the conducts of all its Islamic Banking operations, business, affairs and activities are in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the Islamic Banking operations of the Bank, and to report to you.

In discharging our duties effectively, we are supported by dedicated internal Shariah functions of the Bank, namely Group Shariah Division, Shariah Review under Group Compliance Division, Operational and Shariah Risk Management under Group Risk Division and Shariah Audit under Group Audit Division, whose roles and responsibilities as well as scope of duties are embedded in the Shariah Governance Policy Document of BNM and in the Bank's internal Shariah framework, policies and guidelines.

We had convened a total of fourteen (14) meetings during the financial year, in which we reviewed, inter alia, products, transactions, services, processes and documents of the Bank. All SC members have complied with the minimum requirement of 75% attendance of the Shariah Committee meetings held in the financial year, as laid down in the Shariah Governance Policy Document of BNM. In line with SC's focus on ensuring effective implementation of Shariah governance and best practices of corporate governance, five (5) engagement sessions were held with the Board of Directors of SME Bank.

As part of the initiatives towards strengthening capabilities of the SC members and to keep ourselves abreast with the latest development of the industry, we have attended the following programmes and events:

- a) Internal programmes
 - Briefing on Halal Masterplan 2030 held on 29 February 2024
 - GDTT Blueprint presented by Group Chief Digital & Transformation Technology held on 2 March 2024
 - Climate Risk Management by KPMG held on 12 July 2024
 - Sharing Session: Awareness on Cyber Security held on 12 July 2024
 - Cyber Security and Fraud by GDTT held on 5 September 2024.
- b) External programmes
 - Muzakarah Cendekiawan Syariah Nusantara (2024) Lombok, Indonesia held on 23 – 25 July 2024.
 - Invest Shariah Conference 2024 held on 15 August 2024.
 - International Shariah Scholar Roundtable (iSHAR) 2024 held on 23 – 24 September 2024

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

Shariah Committee's Report (cont'd.)

b) External programmes (cont'd.)

- International Shariah Scholars Forum (ISSF) held on 21 – 23 October 2024
- Kuala Lumpur Islamic Finance (KLIFF) 2024 held on 5 – 6 November 2024
- Muzakarah Penasihat Syariah Kewangan Islam KLIFF 2024 held on 7 November 2024

In compliance with Shariah Governance Policy Document of BNM, the SC undergoes the process of assessing the effectiveness of the individual members and the committee as a whole on a yearly basis. The SC annual assessment exercise is primarily based on a questionnaire distributed to the respective committee members and encompasses considerations on the effectiveness of the SC in discharging its duties.

In performing our roles and responsibilities, we had obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidences to give reasonable assurance that the Bank has complied with the Shariah rules and principles.

We also oversee the Shariah Risk function to systematically identify, measure, monitor and report any potential or actual Shariah non-compliance risks associated with the Bank's business and operations as per regulatory requirements.

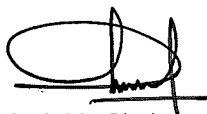
Apart from that, we had also assessed the Shariah Review and Shariah Audit reports based on their respective annual plans which have been approved by us. The outcomes of the reports were deliberated in our meetings to confirm that the Bank has complied with the applicable internal SC's decisions as well as the relevant resolutions and rulings issued by the SAC of BNM and SAC of Securities Commission for capital market related matters.

In our opinion:


- 1) The Islamic Banking's operations, business, affairs and activities of the Bank are in compliance with Shariah but it has come to the Shariah Committee's attention that two (2) Shariah non-compliance ("SNC") events have occurred i.e execution of Foreign Exchange Products and Settlement Services ("FXPS") without Wakalah agreement, resulting in SNC income of RM22,647.77; and profit overcharged on Commodity Murabahah Revolving Financing-i ("CMRF-i") resulting in SNC income of RM28,343.32, both of which have been purified in accordance with the Bank's internal guidelines. We were also informed of the causes of the incidences and noted that the Bank had taken necessary corrective and preventive measures to avoid the same incident from recurring in the future. We also confirmed that the SNC event and their corresponding rectification plans had been presented to us for endorsement; and
- 2) The calculation and distribution of zakat is in compliance with the Shariah principles.

We, Prof. Dr. Amir bin Shaharuddin and Dr. Shamsiah binti Mohamad, being two of the members of the SC of the Bank, do hereby confirm on behalf of the members of the SC that, in our level best, the Islamic Banking's operations, business, affairs and activities of the Bank for the financial year ended 31 December 2024 have been conducted in conformity with the Shariah principles.

We beg Allah the Almighty to grant us all the success and straight-forwardness and Allah knows best.



Prof. Dr. Amir bin Shaharuddin
Chairman of the Shariah Committee



Dr. Shamsiah binti Mohamad
Member of the Shariah Committee

Kuala Lumpur, Malaysia
28 February 2025



Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)
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**Independent auditors' report to the member of
Small Medium Enterprise Development Bank Malaysia Berhad
(Incorporated in Malaysia)**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BERHAD, which comprise the statements of financial position of the Group and of the Bank as at 31 December 2024, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 14 to 169.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2024, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Bank in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

(Forward)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors are responsible for the other information. The other information comprises the Directors' report, Statement of Risk Management and Internal Control and Shariah Committee's Report but does not include the financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and other information and reports included in the Annual Report are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information and reports included in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Plan and perform the group audit and obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

197901005290

Other Matter

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)



MAK WAI KIT
Partner - 03546/12/2026 J
Chartered Accountant

28 February 2025

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

Statements of financial position
As at 31 December 2024

		Group		Bank	
	Note	2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	4	1,104,069	1,558,746	1,101,013	1,558,045
Financial investments at fair value through other comprehensive income ("FVOCI")	5	1,983,647	1,482,674	1,983,647	1,482,674
Financial investments at amortised cost ("AC")	6	949,368	975,652	949,368	975,652
Loans, advances and financing	7	8,760,660	8,284,537	8,760,660	8,284,537
Other assets	8	21,805	24,199	91,419	117,678
Investment in subsidiaries	9	-	-	-	-
Investment in associate	10	-	-	-	-
Property, plant and equipment	11	126,486	124,395	126,486	124,395
Right-of-use assets	12	13,081	12,334	13,081	12,334
Investment properties	13	401,760	394,399	401,760	394,399
Intangible assets	14	31,758	41,503	31,758	41,503
Tax recoverable		4,931	5,942	1,629	2,692
Deferred tax assets	15	88,236	113,536	88,236	113,536
		<u>13,485,801</u>	<u>13,017,917</u>	<u>13,549,057</u>	<u>13,107,445</u>
Asset classified as held for sale	34	4,117	-	4,117	-
TOTAL ASSETS		<u>13,489,918</u>	<u>13,017,917</u>	<u>13,553,174</u>	<u>13,107,445</u>
LIABILITIES					
Deposits from customers	16	4,927,926	3,943,673	4,935,748	3,984,635
Deposits from banks and other financial institutions	17	210,037	140,056	210,037	140,056
Islamic medium-term notes/ commercial papers	18	2,723,365	3,506,937	2,723,365	3,506,937
Borrowings/Fundings	19	2,158,289	2,047,647	2,158,289	2,047,647
Lease liabilities	20	13,445	12,811	13,445	12,811
Other liabilities	21	1,182,176	1,118,449	1,234,118	1,156,723
Government funds	22	530,390	580,125	530,390	580,125
TOTAL LIABILITIES		<u>11,745,628</u>	<u>11,349,698</u>	<u>11,805,392</u>	<u>11,428,934</u>
EQUITY					
Share capital	23	1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses		(138,561)	(212,192)	(135,069)	(201,900)
Other reserves	24	32,851	30,411	32,851	30,411
TOTAL EQUITY		<u>1,744,290</u>	<u>1,668,219</u>	<u>1,747,782</u>	<u>1,678,511</u>
TOTAL LIABILITIES AND EQUITY		<u>13,489,918</u>	<u>13,017,917</u>	<u>13,553,174</u>	<u>13,107,445</u>
COMMITMENTS AND CONTINGENCIES	31	<u>1,594,078</u>	<u>1,969,272</u>	<u>1,594,078</u>	<u>1,969,272</u>

The accompanying notes form an integral part of the financial statements.

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

Statements of comprehensive income
For the financial year ended 31 December 2024

		Group		Bank	
		2024	2023	2024	2023
	Note	RM'000	RM'000	RM'000	RM'000
Interest income		292	114	292	114
Interest expense		(5,446)	(5,798)	(5,446)	(5,798)
Net interest expense		(5,154)	(5,684)	(5,154)	(5,684)
Gross income from Islamic banking business	38	526,675	524,242	518,168	517,332
Other operating income	25	21,064	11,781	17,541	10,708
Net income		542,585	530,339	530,555	522,356
Other operating expenses	26	(299,968)	(286,948)	(302,291)	(289,386)
Operating profit		242,617	243,391	228,264	232,970
(Allowances)/Writeback for impairment losses on :					
- loans, advances and financing	28	(134,888)	(164,277)	(168,882)	(189,346)
- commitments and contingencies	21(v)	(61)	(1,191)	(61)	(1,191)
- financial investments at FVOCI	5	2,114	(2,104)	2,114	(2,104)
- financial investments at AC	6	586	(786)	586	(786)
- other assets at AC	8(i)(b)	(440)	245	(440)	245
- other assets at FVOCI	8(ii)	-	-	38,916	60,700
- investments in subsidiaries	9	-	-	-	(24,883)
Profit before tax expense and zakat		109,928	75,278	100,497	75,605
Tax (expense)/credit	29	(25,850)	7,194	(23,219)	9,342
Zakat	29	(1,935)	170	(1,935)	170
Profit for the year		82,143	82,642	75,343	85,117
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI	24	3,754	18,735	3,754	18,735
Reclassification of gain included in profit or loss	24	2,238	36	2,238	36
Changes in expected credit losses on financial investments at FVOCI	24	(2,114)	2,104	(2,114)	2,104
Income tax relating to components of other comprehensive income	24	(1,438)	(4,505)	(1,438)	(4,505)
Other comprehensive gain for the year, net of tax		2,440	16,370	2,440	16,370
Total comprehensive income for the year, net of tax		84,583	99,012	77,783	101,487

(Forward)

The accompanying notes form an integral part of the financial statements.

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

Statements of comprehensive income
For the financial year ended 31 December 2024 (cont'd.)

	Note	Group		Bank	
		2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Profit for the year attributable to the owner of the Bank		<u>82,143</u>	<u>82,642</u>	<u>75,343</u>	<u>85,117</u>
Total comprehensive income attributable to the owner of the Bank		<u>84,583</u>	<u>99,012</u>	<u>77,783</u>	<u>101,487</u>
Earnings per share attributable to the owner of the Bank (sen)					
- Basic and diluted	30			<u>4.07</u>	<u>4.60</u>

The accompanying notes form an integral part of the financial statements.

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

Statements of changes in equity

For the financial year ended 31 December 2024

		<=====Attributable to the Owner of the Bank=====>				
		<=====Non-distributable=====>				
Group	Note	Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2024		1,850,000	20,297	10,114	(212,192)	1,668,219
Unrealised gain on revaluation of financial investments at FVOCI	24	-	3,754	-	-	3,754
Reclassification of gain included in profit or loss	24	-	2,238	-	-	2,238
Changes in expected credit losses of financial investments at FVOCI	24	-	(2,114)	-	-	(2,114)
Income tax relating to components of other comprehensive income	24	-	(1,438)	-	-	(1,438)
Profit for the year		-	-	-	82,143	82,143
Total comprehensive income for the year		-	2,440	-	82,143	84,583
Transaction with owner:						
Dividends	37	-	-	-	(8,512)	(8,512)
At 31 December 2024		<u>1,850,000</u>	<u>22,737</u>	<u>10,114</u>	<u>(138,561)</u>	<u>1,744,290</u>

(Forward)

The accompanying notes form an integral part of the financial statements.

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

Statements of changes in equity

For the financial year ended 31 December 2024 (cont'd.)

<=====Attributable to the Owner of the Bank=====>						
<=====Non-distributable=====>						
Group	Note	Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2023		1,850,000	3,927	10,114	(288,613)	1,575,428
Unrealised gain on revaluation of financial investments at FVOCI	24	-	18,735	-	-	18,735
Reclassification of gain included in profit or loss	24	-	36	-	-	36
Changes in expected credit losses of financial investments at FVOCI	24	-	2,104	-	-	2,104
Income tax relating to components of other comprehensive income	24	-	(4,505)	-	-	(4,505)
Profit for the year					82,642	82,642
Total comprehensive income for the year		-	16,370	-	82,642	99,012
Transaction with owner:						
Dividends	37	-	-	-	(6,221)	(6,221)
At 31 December 2023		1,850,000	20,297	10,114	(212,192)	1,668,219

(Forward)

The accompanying notes form an integral part of the financial statements.

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

Statements of changes in equity

For the financial year ended 31 December 2024 (cont'd.)

<=====Attributable to the Owner of the Bank=====>						
<=====Non-distributable=====>						
Bank	Note	Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2024		1,850,000	20,297	10,114	(201,900)	1,678,511
Unrealised gain on revaluation of financial investments at FVOCI	24	-	3,754	-	-	3,754
Reclassification of gain included in profit or loss	24	-	2,238	-	-	2,238
Changes in expected credit losses of financial investments at FVOCI	24	-	(2,114)	-	-	(2,114)
Income tax relating to components of other comprehensive income	24	-	(1,438)	-	-	(1,438)
Profit for the year		-	-	-	75,343	75,343
Total comprehensive income for the year		-	2,440	-	75,343	77,783
Transaction with owner:						
Dividends	37	-	-	-	(8,512)	(8,512)
At 31 December 2024		1,850,000	22,737	10,114	(135,069)	1,747,782

(Forward)

The accompanying notes form an integral part of the financial statements.

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

Statements of changes in equity

For the financial year ended 31 December 2024 (cont'd.)

		<=====Attributable to the Owner of the Bank=====>				
		<=====Non-distributable=====>				
Bank	Note	Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2023		1,850,000	3,927	10,114	(280,796)	1,583,245
Unrealised gain on revaluation of financial investments at FVOCI	24	-	18,735	-	-	18,735
Reclassification of gain included in profit or loss	24	-	36	-	-	36
Changes in expected credit losses of financial investments at FVOCI	24	-	2,104	-	-	2,104
Income tax relating to components of other comprehensive income	24	-	(4,505)	-	-	(4,505)
Profit for the year		-	-	-	85,117	85,117
Total comprehensive income for the year		-	16,370	-	85,117	101,487
Transaction with owner:						
Dividends	37	-	-	-	(6,221)	(6,221)
At 31 December 2023		<u>1,850,000</u>	<u>20,297</u>	<u>10,114</u>	<u>(201,900)</u>	<u>1,678,511</u>

The accompanying notes form an integral part of the financial statements.

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

Statements of cash flows

For the financial year ended 31 December 2024

		Group		Bank	
	Note	2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before tax expense and zakat		109,928	75,278	100,497	75,605
Adjustments for:					
Net impairment loss on loans, advances and financing	28	134,888	164,277	168,882	189,346
Net impairment loss of commitment and contingencies	21(v)	61	1,191	61	1,191
Net impairment (writeback)/loss on financial investments at FVOCI	5	(2,114)	2,104	(2,114)	2,104
Net impairment (writeback)/loss on financial investments at AC	6	(586)	786	(586)	786
Impairment loss/(gain) on other asset at AC	8(i)(b)	440	(245)	440	(245)
Impairment gain on other asset at FVOCI	8(ii)	-	-	(38,916)	(60,700)
Impairment loss on investment in subsidiaries	9	-	-	-	24,883
Capital contribution to a subsidiary	9	-	-	-	(24,883)
Modification of Bai' Inah facility	8(ii)	-	-	-	24,883
Depreciation of property, plant and equipment	26(ii)	12,261	12,800	12,261	12,800
Depreciation of right-of-use assets	26(ii)	4,059	3,713	4,059	3,713
Amortisation of intangible assets	26(ii)	9,865	10,530	9,865	10,530
Fair value gain on investment properties	38(h)	(12,651)	(17,168)	(12,651)	(17,168)
Government funds released, net	38(h)	(43,128)	(36,202)	(43,128)	(36,202)
Modification gain arising from loans, advances and financing		-	(1,437)	-	(1,437)
Income from financial investments at FVOCI	38(f)	(67,871)	(49,029)	(67,871)	(49,029)
Income from financial investments at FVTPL	38(f)	(7,533)	(5,807)	(7,533)	(5,807)
Income from financial investments at AC	38(f)	(36,569)	(40,301)	(36,569)	(40,301)
Interest/Profit expense on borrowings/fundings	38(g)	51,787	47,350	51,787	47,350
Profit expense on medium-term notes/ commercial papers	38(g)	104,907	109,997	104,907	109,997
Finance cost on lease liabilities	38(g)	477	498	477	498
Profit income on amount due from a subsidiary company	38(h)	-	-	(6,084)	(7,183)
Gain on disposal of property, plant and equipment		(208)		(208)	-
Gain on modification of leases		(221)	(7)	(221)	(7)
Gain on disposal of associate		-	(3,465)	-	(5,800)
Fair value loss of assets held for sale	38(h)	990	-	990	-
Operating profit before working capital changes		258,782	274,863	238,345	254,924
Changes in working capital:					
Loans, advances and financing		(611,012)	(695,311)	(647,924)	(720,381)
Other assets		2,218	6,236	71,085	52,402
Deposits from customers		984,254	(560,237)	951,113	(569,160)
Deposits from banks and other financial institutions		69,980	(10,152)	69,980	(10,152)
Other liabilities		58,928	89,995	75,512	95,132
Cash generated from/(used in) operating activities		763,150	(894,606)	758,111	(897,235)

(Forward)

The accompanying notes form an integral part of the financial statements.

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

Statements of cash flows

For the financial year ended 31 December 2024 (cont'd)

		Group		Bank	
	Note	2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Cash flow from operating activities (cont'd.)					
Income tax paid		(2,791)	(3,676)	(43)	(305)
Income tax refunded		1,911	179	1,847	-
Zakat paid		(435)	(1,330)	(435)	(1,330)
Zakat refunded		225	289	225	289
Net cash generated from/(used in) operating activities		762,060	(899,144)	759,705	(898,581)
Cash flows from investing activities					
Net purchase of financial investments at FVOCI		(485,000)	(33,130)	(485,000)	(33,130)
Net proceeds from redemption/maturity					
/(purchase) of financial investments at AC		25,000	(40,000)	25,000	(40,000)
Profit received from financial investments at FVOCI		57,889	54,378	57,889	54,378
Profit received from financial investments at FVTPL		7,533	5,807	7,533	5,807
Profit received from financial investments at AC		38,438	38,618	38,438	38,618
Proceeds from disposal of associate		-	5,800	-	5,800
Proceeds from disposal of property, plant and equipment		500	-	500	-
Purchase of property, plant and equipment	11	(14,644)	(20,475)	(14,644)	(20,475)
Purchase of intangible assets	14	(200)	(9,908)	(200)	(9,908)
Net cash (used in)/generated from investing activities		(370,484)	1,090	(370,484)	1,090
Cash flows from financing activities					
Net disburse of borrowings/fundings		89,520	81,007	89,520	81,007
Net (payment)/disburse of Islamic medium-term notes/commercial papers		(780,000)	880,000	(780,000)	880,000
Interest/Profit paid on borrowings/fundings		(7,563)	(16,679)	(7,563)	(16,679)
Profit paid on Islamic medium-term notes/commercial papers		(108,479)	(105,357)	(108,479)	(105,357)
Refund of government funds	22(ii)	(26,791)	-	(26,791)	-
Payment of lease liabilities		(4,428)	(4,041)	(4,428)	(4,041)
Dividend paid		(8,512)	(6,221)	(8,512)	(6,221)
Net cash (used in)/generated from financing activities		(846,253)	828,709	(846,253)	828,709
Net decrease in cash and cash equivalents		(454,677)	(69,345)	(457,032)	(68,782)
Cash and cash equivalents at beginning of year		1,558,746	1,628,091	1,558,045	1,626,827
Cash and cash equivalents at end of year		1,104,069	1,558,746	1,101,013	1,558,045
Cash and cash equivalents comprise of:					
- Cash and short-term funds	4	1,104,069	1,558,746	1,101,013	1,558,045

(Forward)

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

Statements of cash flows

For the financial year ended 31 December 2024 (cont'd)

Note:

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Bank's statements of cash flows from financing activities.

Group and Bank		<=====Non-cash changes=====>							31 December RM'000
			Financing cash flows (i) RM'000	Interest/profit accrual (Note 38(g)) RM'000	Others RM'000	Reclassification from other liabilities (Note 22) RM'000	Government funds released (Note 38(h)) RM'000	Effect of benefit derived from below market profit rate (Note 22) RM'000	
2024	Note	1 January RM'000							
Islamic medium-term notes/ commercial papers	18	3,506,937	(888,479)	104,907	-	-	-	-	2,723,365
Borrowings/Fundings	19	2,047,647	81,957	51,787	-	-	-	(23,102)	2,158,289
Lease liabilities	20	12,811	(4,428)	477	4,585	-	-	-	13,445
Government funds	22	580,125	(26,791)	-	(2,918)	-	(43,128)	23,102	530,390
		6,147,520	(837,741)	157,171	1,667	-	(43,128)	-	5,425,489
2023									
Islamic medium-term notes/ commercial papers	18	2,622,297	774,643	109,997	-	-	-	-	3,506,937
Borrowings/Fundings	19	1,949,473	64,328	47,350	-	-	-	(13,504)	2,047,647
Lease liabilities	20	15,137	(4,041)	498	1,217	-	-	-	12,811
Government funds	22	602,785	-	-	-	38	(36,202)	13,504	580,125
		5,189,692	834,930	157,845	1,217	38	(36,202)	-	6,147,520

- (i) The cash flows from Islamic medium-term notes, borrowings/fundings, government funds and lease liabilities make up the net amount of proceeds and payments of Islamic medium-term notes, borrowings/fundings and lease liabilities, interest/profit payment on Islamic medium-term notes, borrowings/fundings and lease liabilities and receipt of government fund in the statements of cash flows.

The accompanying notes form an integral part of the financial statements.

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

Notes to the financial statements
31 December 2024

1. Corporate information

Small Medium Enterprise Development Bank Malaysia Berhad ("the Bank") is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Bank is at Level 22, Menara SME Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The immediate and ultimate holding company of the Bank during the financial year is Minister of Finance Incorporated. The Bank is principally engaged in development banking, both Islamic and conventional and related financial services. The principal activities of the subsidiaries is described in Note 9 to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 February 2025.

2. Summary of material accounting policies

2.1 Statement of compliance and basis of preparation

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Bank are presented in Ringgit Malaysia ("RM") and values are rounded to the nearest thousand (RM'000) except when otherwise stated.

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated in the summary of material accounting policies below. The Group and the Bank present the statements of financial position in order of liquidity.

2.2 Changes in accounting policies and disclosures

Amendments to MFRSs

In the current financial year, the Group and the Bank have adopted all Amendments to MFRS issued by the Malaysian Accounting Standard Board ("MASB") that are relevant to the operations and effective for accounting period that begins on or after 1 January 2024.

Amendments to:

MFRS 7 and MFRS 107	Supplier Finance Arrangements
MFRS 16	Lease Liability in a Sale and Leaseback
MFRS 101	Classification of Liabilities as Current and Non-Current
MFRS 101	Non-current Liabilities with Covenants

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 year.

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

2. Summary of material accounting policies (cont'd.)

2.3 New MFRSs and Amendments to MFRSs in issue but not effective

At the date of the authorisation for issue of these financial statements, new MFRSs and the Amendments to MFRSs that are relevant to the the Group and the Bank which were in issue but not yet effective and not early adopted by the the Group and the Bank are as listed below:

MFRS 18	Presentation and Disclosure in Financial Statements ³
MFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to:	
MFRS 121	Lack of Exchangeability ¹
MFRS 7 and MFRS 9	Classification and Measurement of Financial Instruments ²
MFRS 1, MFRS 7, MFRS 9, MFRS 10 and MFRS 107	Annual Improvements - Volume 11 ²
MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures ⁴

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ Effective date deferred to a date to be announced by MASB

The Directors anticipate that the abovementioned new MFRSs and the Amendments to MFRSs will be adopted in the annual financial statements of the Group and of the Bank when they become effective and is of the view that the adoption of the applicable new MFRSs and the Amendments to MFRSs will have no material impact on the financial statements of the Group and of the Bank in the period of initial application.

2.4 Basis of preparation

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated in the summary of material accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group and the Bank take into account the characteristics of the asset or liability if market participant would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of MFRS 102, leasing transactions that are within the scope of MFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the input to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than unquoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

2. Summary of material accounting policies (cont'd.)

2.5 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries. Control is achieved when the Bank has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its return.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2.6 Subsidiaries

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policy.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained profit and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9, when applicable, the cost on initial recognition of an investment in an associate or joint venture. Investment in subsidiaries which are eliminated on consolidation, are stated at cost less accumulated impairment losses, if any, in the Bank's separate financial statements.

On disposal of such investments, the difference between net disposal proceeds and their carrying amount is included in profit or loss.

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

2. Summary of material accounting policies (cont'd.)

2.7 Property, plant and equipment and depreciation

Land and buildings comprise mainly branches and offices. All property, plant and equipment used by the Group and the Bank are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Freehold land has indefinite useful life and therefore is not depreciated. Construction work-in-progress is not depreciated as this asset is also not available for use. Depreciation of other property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Building	50 years
Furniture and equipment	3 - 10 years
Renovation	3 years
Motor vehicles	5 years
Electrical and machinery	10 - 15 years

The leasehold land are amortised on a straight-line basis over the remaining lease terms, ranging from 11 to 900 years (2023 : 12 to 901 years).

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gains and losses arising on disposals are determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

2. Summary of material accounting policies (cont'd.)

2.8 Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Bank assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Bank allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Bank are lessees, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Bank recognise a right-of-use asset at the date of initial application for leases previously classified as operating lease. The right-of-use asset and a corresponding lease liability are recognised with respect to all lease arrangements in which the group and the Bank are the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The right-of-use asset is initially measured at an amount equal to the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are presented as a separate line in the statements of financial position.

The lease liability is initially measured at the present value of the remaining lease payments at the date of initial application, discounted using the Group's and the Bank's incremental borrowing rate. The lease liability is presented as a separate line in the statements of financial position.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

2. Summary of material accounting policies (cont'd.)

2.8 Leases (cont'd.)

(ii) Recognition and initial measurement (cont'd.)

(a) As a lessee (cont'd.)

The Group and the Bank exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Bank have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group and the Bank recognise the lease payments associated with these leases as an operating expense over the lease term.

As a practical expedient, MFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group and the Bank have not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group and the Bank allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) As a lessor

The Group and the Bank enter into lease agreements as a lessor with respect to their properties. When the Group and the Bank act as a lessor, they determine at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Bank make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Bank apply MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the date of initial application to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group and the Bank apply MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Whenever the Group and the Bank incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137.

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

2. Summary of material accounting policies (cont'd.)

2.8 Leases (cont'd.)

(iii) Subsequent measurement (cont'd.)

(a) As a lessee (cont'd.)

The lease liability is measured by increasing the carrying amount to reflect profit on the lease liability and reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group and the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Bank change its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group and the Bank remeasure the lease liability whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating profit/interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group and the Bank did not make any such adjustments during the current financial year.

(b) As a lessor

The Group and the Bank recognise lease payment from operating leases as income on a straight-line basis. The Group and the Bank also recognise cost, including depreciation, incurred in earning the lease income as an expense.

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

2. Summary of material accounting policies (cont'd.)

2.9 Investment properties

Investment properties of the Group and the Bank are properties held to earn rentals and/or for capital appreciation (including property under construction for such purpose). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which property is derecognised.

2.10 Intangible assets

Intangible assets with indefinite lives are not amortised but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

2. Summary of material accounting policies (cont'd.)

2.11 Impairment of non-financial assets

At the end of each reporting period, the Group and the Bank review the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Bank estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.12 Financial instruments

Initial recognition

Financial assets and liabilities, with the exception of loans, advances and financing to customers, are initially recognised on the trade date, i.e., the date that the Group and the Bank become a party to the contractual provisions of the instrument. Loans, advances and financing to customers are recognised when funds are transferred to the customers' accounts.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group and the Bank account for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group and the Bank recognise the difference between the transaction price and fair value in statements of comprehensive income.

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

2. Summary of material accounting policies (cont'd.)

2.12 Financial instruments (cont'd.)

Measurement categories of financial assets and liabilities

The Group and the Bank classify all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- AC
- FVOCI
- Fair Value Through Profit or Loss ("FVTPL")

The Group and the Bank classify and measures its derivative at FVTPL. The Group and the Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Business model assessment

The Group and the Bank determine their business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's and the Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Group's and Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated financial assets going forward.

The SPPI test

As a second step of its classification process, the Group and the Bank assess the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are payments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending/financing arrangement are typically the consideration for the time value of money and credit risk. To perform the SPPI assessment, the Group and the Bank apply judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

2. Summary of material accounting policies (cont'd.)

2.12 Financial instruments (cont'd.)

Financial investment at AC

The Group and the Bank measure debt instruments at AC when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved solely by collecting contractual cash flows
- The contractual terms of the financial asset meet the SPPI test

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Debt instruments at FVOCI

The Group and the Bank measure debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Profit income are recognised in profit or loss in the same manner as for financial assets measured at AC as explained in Note 2.20. The expected credit loss ("ECL") calculation for Debt instruments at FVOCI is explained in Note 2.13. Where the Group and the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Group and the Bank elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Gains and losses arising from changes in fair value on these equity instruments are recorded in OCI and accumulated revaluation reserve. The cumulative fair value gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends are recognised in profit or loss as other operating income when the right of the payment has been established.

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

2. Summary of material accounting policies (cont'd.)

2.12 Financial instruments (cont'd.)

Financial guarantees, letters of credit and undrawn loan/undisbursed financing

The Group and the Bank issue financial guarantees, letters of credit and loan/financing commitments. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's and the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss.

The premium received is recognised in profit or loss in fees and commission income, on a straight line basis over the life of the guarantee.

Undrawn loan/undisbursed financing and letters of credits are commitments under which, over the duration of the commitment, the Group and the Bank are required to provide a financing with pre-specified terms to the customer. A provision is made if there is any onerous contract under the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan/undisbursed financing, where the loan/financing agreed to be provided is on market terms, are not recorded in the Statements of Financial Position.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Group and the Bank derecognise a financial asset, such as a financing to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financing, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised financing are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise a financing to a customer, amongst others, the Group and the Bank consider the following factors:

- Change in currency of the loans, advances and financing
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in substantial change in cash flows, thus, the modification does not result in derecognition. The Group and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognise a modification gain or loss in the income statements. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EPR/EIR.

Derecognition other than for substantial modification

The Group and the Bank derecognise a financial asset when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and the Bank recognise their retained interest in the asset and an associated liability for amounts they may have to pay. If the Group and the Bank retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Bank continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

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

2. Summary of material accounting policies (cont'd.)

2.13 Impairment of financial assets

Overview of the ECL principles

With respect to financing loss impairment method, the Group and the Bank have applied a forward-looking ECL approach.

Through this approach, the Group and the Bank have recorded the allowance for ECL for all loans, advances and financing and other debt financial assets not held at FVTPL, together with loans, advances and financing commitments and financial guarantee contracts (all referred to as 'financial instruments' in this section). Equity instruments are not subject to impairment under MFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's and the Bank's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the end of the reporting period. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of the financial instruments.

The Group and the Bank have established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group and the Bank groups its loans, advances and financing into Stage 1, Stage 2 and Stage 3, as described below:

- | | |
|---------|--|
| Stage 1 | When loans, advances and financing are first recognised, the Group and the Bank recognise an allowance based on 12mECLs. Stage 1 loans, advances and financing also include facilities where the credit risk has improved and the loans, advances and financing has been reclassified from Stage 2. |
| Stage 2 | When a loans, advances and financing has shown a significant increase in credit risk since origination, the Group and the Bank record an allowance for the LTECLs. Stage 2 loans, advances and financing also include facilities, where the credit risk has improved and the loans, advances and financing has been reclassified from Stage 3. |
| Stage 3 | Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. |

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

2. Summary of material accounting policies (cont'd.)

2.13 Impairment of financial assets (cont'd)

Significant increase in credit risk

At the end of each reporting period, the Group and the Bank assess whether there has been a significant increase in credit risk for exposures since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL. This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. When determining whether the risk of default has increased significantly since initial recognition, the Group and the Bank consider both quantitative and qualitative information and analysis based on the Group's and the Bank's historical experience and credit risk assessment, including forward-looking information.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative factors such as delinquency, historical delinquency trend, changes in credit ratings and qualitative factors as well as a backstop based on delinquency.

A financial asset is considered to have experienced a significant increase in credit risk if the financial asset is more than 30 days past due on its contractual payments. In addition, the Group and the Bank may determine that an exposure has demonstrated a significant increase in credit risk based on certain qualitative factors using its expert credit judgment and, where possible, relevant historical experience that are considered to be indicative of such increase and whose effect may not otherwise be fully reflected in its quantitative factors.

The calculation of ECLs

The Group and the Bank calculate ECLs based on multiple scenarios to measure the expected cash shortfalls, which are discounted using the EIR/EPR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The PD rates are derived from latest 7-years historical data on Months-in-Arrears ("MIA") of an instrument in accordance to its SME Category.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the end of the reporting period, including payments of principal and interest/profit and accrued interest/profit from missed payments.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group and the Bank would expect to receive, including from the realisation of any collateral.

The mechanics of the ECL method are summarised below:

Stage 1	The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the end of the reporting period. The Group and the Bank calculate the 12mECL allowance based on the expectation of a default occurring in the 12 months following the end of the reporting period. These expected 12-month default probabilities are applied to EAD and multiplied by the expected LGD and discounted by applying the original EIR/EPR.
Stage 2	For exposures where there has been a significant increase in credit risk since initial recognition, the Group and the Bank record an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by applying the original EIR/EPR.
Stage 3	For financial assets that are considered as credit-impaired, the Group and the Bank recognise the lifetime expected credit losses. The method is similar to that for Stage 2 assets, with the PD set at 100% for any instrument with MIA more than 2 months. For exposure on loans, advances and financing under this category with significant EAD, i.e. more than RM1.0 million, assessments are made on individual basis.

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

2. Summary of material accounting policies (cont'd.)

2.13 Impairment of financial assets (cont'd)

Overlays and adjustments for expected credit losses

The Group and the Bank continue to factor in the impact through application of management overlay in the ECL calculations. The management overlay has been prudently incorporated within the ECL mechanism taking into account the heightened uncertainty surrounding the determination of estimates in the current environment and to preserve sound provisioning buffers.

As the current MFRS 9 models are not expected to generate levels of ECL's with sufficient reliability in view of the novel risks, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2024.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults for sectors and customers deemed to be at high risk and vulnerable.

The overlays and post-model adjustments of RM77,369,000 (2023: RM39,896,000) involved significant level of judgement and reflect the management's views of possible severities the forward-looking assessment for ECL estimation.

The Group and the Bank have updated the related parameters for ECL computation and the current Macro Economics Variables ("MEV") for both loans, advances and financing and the financial investment portfolio. The Group and the Bank have taken the latest forecasted numbers published by Bloomberg in deriving the final PD rates. The Bank has revised its probability-weighted ratio i.e. (upside, baseline and downside) to 10% - 70% - 20% (2023 : 10% - 75% -15%). LGD has been updated to take into accounts post default loss pathways and recovery cost into the recovery rates.

In addition, the Group and the Bank have imposed applying lifetime ECL to all Stage 1 accounts and MIA 2 ECL for Stage 2 accounts, for customer undertake multiple modification within two years. Meanwhile overlay to the industries deemed to be vulnerable, namely glove manufacturing industry is maintained.

Debt instruments measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statements of financial position, which remains at fair value. The calculation of ECLs for debt instruments are describe in Note 2.14, the calculation of ECLs.

Instead, an amount equal to the allowance that would arise if the assets were measured at Amortised Cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Forward-looking information

The Group and the Bank use multiple scenarios, i.e. Baseline, Upside and Downside, to model the non-linear impact of assumptions about macroeconomic factors on ECL. The Group and the Bank apply probabilities to the forecast scenarios identified. In their ECL models, the Group and the Bank rely on a broad range of forward-looking information, such as:

- Consumer Price Index (CPI)
- BRENT crude oil price
- USD MYR

The forward-looking information of the Group and the Bank are subject to change on an annual basis. The use of these macroeconomic factors have been determined as appropriate based on the annual assessment made by the Group and the Bank.

Write-offs

The Group's and the Bank's financial assets are written off either partially or in their entirety only when the Group and the Bank has stopped pursuing the recovery or become uncollectible.

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

2. Summary of material accounting policies (cont'd.)

2.14 Financial liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at AC using the effective interest/profit method. The Group and the Bank do not have any non-derivative financial liabilities designated at FVTPL. Financial liabilities at AC include deposits from customers, deposits and placements from banks and financial institutions, other liabilities, Islamic medium-term notes, borrowings/fundings and lease liabilities.

The effective interest/profit method is a method of calculating the AC of a financial liability and of allocating interest/profit expense over the relevant period. The effective interest/profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

(a) Other financial liabilities

The Group's and the Bank's other financial liabilities include deposits from customers, deposits from other financial institutions, medium term notes, borrowings/fundings and other liabilities.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at AC using the EIR/EPR method.

(b) Derecognition

The Group and the Bank derecognise financial liabilities when, and only when, the Group's and the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

2.15 Cash and cash equivalents

The Group and the Bank adopt the indirect method in the preparation of statements of cash flows.

Cash and cash equivalents, which comprise cash and balances with banks and other financial institutions and money at call and deposit placements maturing within three month, are short-term, highly liquid investments with maturities of three month or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

2.16 Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of past events, when it is probable that the Group and the Bank will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

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

2. Summary of material accounting policies (cont'd.)

2.17 Government funds

Government funds are meant for the following purposes:

- (i) To finance the purchase of investment properties. The funds are initially recognised at their fair values in the statements of financial position as deferred income when there is reasonable assurance that the funds will be received and all attaching conditions will be complied with. Government funds that compensate the Group and the Bank for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government funds that compensate the Group and the Bank for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.
- (ii) To finance loans, advances and financing for specific projects and utilise against credit losses and charges arising from the financing of these projects. The government funds are recognised at the fair value of the consideration received in the statements of financial position. Any credit losses or charges as a result of defaulted loans/financing on the loans/financing financed by the government funds are recognised and utilised against the funds.

2.18 Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. Short-term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leaves are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Bank pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

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

2. Summary of material accounting policies (cont'd.)

2.19 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group and the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, the Group and the Bank use the following valuation techniques in determining the fair values:

- A market approach premised on the current realisable values of the net assets for unquoted shares.
- A market approach using indicative market value published by pricing agencies in Malaysia as reference for Malaysian Government Investment Issues, Malaysian Government Securities and private debt securities.
- An income approach premised on the future cash flows and expected recoveries, discounted using the prevailing market rates at the end of the reporting period for deposits and placements with banks, Bai' Inah facility granted to SMEB Asset Management Sdn. Bhd. ("SAM") and derivative financial assets and liabilities.

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the significant unobservable inputs are as follows:

Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
<i>Unquoted shares</i>	
- Current realisable values	- Increase in realisable value will result in higher fair value, and vice versa

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determine whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

2. Summary of material accounting policies (cont'd.)

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Under MFRS 15, the Group's and the Bank's revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract.

(a) The EIR/EPR method

Under MFRS 9, interest/profit income is recorded using the EIR/EPR method for all financial instruments measured at Amortised Cost and financial instruments designated at FVTPL. The EIR/EPR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR/EPR (and therefore, the AC of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR/EPR. The Group and the Bank recognise profit income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financing. Hence, it recognises the effect of potentially different interest/profit rates charged at various stages, and other characteristics of the product life cycle (including payments, penalty interest/compensation (ta'widh) and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statements of financial position with an increase or reduction in interest income. The adjustment is subsequently amortised through profit and similar income in profit or loss.

(b) Interest/profit income

The Group and the Bank calculate interest/profit income by applying the EIR/EPR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group and the Bank calculate interest/profit income by applying the EIR/EPR to the net Amortised Cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group and the Bank revert to calculating interest/profit income on a gross basis.

Interest/profit income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest/profit rate in net trading income and net gains/(losses) on financial assets at fair value through profit or loss, respectively.

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

2. Summary of material accounting policies (cont'd.)

2.20 Revenue (cont'd.)

(c) Islamic income recognition by type of Shariah contract

(i) Bai' contracts

Bai' Bithaman Ajil

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Income shall be recognised based on agreed profit rate over the expected life of the contract.

Murabahah

A contract of sale of assets at a mark-up price, which includes a profit margin as agreed by the contracting parties. The price, costs and profit margin in Murabahah shall be made transparent and agreed upon between buyer and seller. Income shall be recognised based on agreed profit rate over the financing tenure.

Istisna'

A contract which a seller sells to a purchaser an asset which is yet to be constructed, built or manufactured according to agreed specifications and delivered on an agreed specified future date at an agreed pre-determined price. Income shall be recognised based on agreed profit rate over the financing tenure.

Tawarruq

Arrangement that involves a purchase of an asset/commodity based on musawamah or murabahah contract on deferred term and a subsequent sale of the same asset to a third party in order to obtain cash. Income shall be recognised based on agreed profit rate over the financing tenure.

Bai' Inah

A contract of sale and purchase of an asset whereby the seller sells to buyer in cash and subsequently buy back the asset at a marked up and deferred. Income shall be recognised based on agreed profit rate over the financing tenure.

(ii) Ijarah contracts

A lease contract that transfers the ownership of a usufruct of an asset to another party for a specified period in exchange for a rental. Ijarah contract may end with the transfer of the legal title of the leased asset to the lessee is called Ijarah Muntahia bi al-Tamlik (IMBT). Effective transfer of the legal title is consequent to the conclusion of the lease arrangement that can be in the form of a sale or a gift of the asset to the lessee. Al-Ijarah Thumma al-Bai (AITAB) is a form of Ijarah Muntahia bi al-Tamlik where the sale of asset to the lessee is executed at the completion of the lease period. Income is recognised based on agreed profit rate basis over the lease term.

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

2. Summary of material accounting policies (cont'd.)

2.20 Revenue (cont'd.)

(c) Islamic income recognition by type of Shariah contract (cont'd.)

(iii) Loan contracts

Qard

A contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No income from this contract shall be generated from the transactions.

(d) Dividend income

Dividend income is recognised when the Group's and the Bank's right to receive payment are established.

(e) Fee income

Fee income from bank guarantee arrangements and letters of credit is recognised on an accrual basis.

(f) Rental income

Rental income is accounted for on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.21 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

2. Summary of material accounting policies (cont'd.)

2.21 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax entity and the same tax authority.

2.22 Zakat

In computing for zakat, the Group and the Bank is based on the growth capital method which apply the rate of 2.5% which are on owner's equity, long term liabilities, net of fixed assets and non-current assets, and subjected to allowable adjustments.

It is an obligatory amount payable on the business on behalf of the shareholder(s) and/or business entity depending on the ownership characteristics.

Zakat is distributed according to Shariah principles and being extended through Islamic Religious Council of the respective states and other rightful beneficiaries or Asnaf.

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

2. Summary of material accounting policies (cont'd.)

2.23 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Bank's functional currency.

2.24 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Bank after deducting all of its liabilities. Ordinary share is an equity instrument.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.25 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and the Bank.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Bank.

3. Significant accounting judgement and estimates

The preparation of the Group's and of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Group's and the Bank's accounting policies, the management have made the following judgements and estimates which has the most significant effect on the amounts recognised in the financial statements.

(a) Impairment losses on financial assets and loans, advances and financing

The measurement of impairment losses both under MFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's and the Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's and the Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
- A set of post model overlays were considered to reflect the effect of novel risks to ensure sufficient ECL were allocated.

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

4. Cash and short-term funds

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	115,293	73,001	112,237	72,300
Short-term deposits and maturing within three months:				
- Licensed banks	988,776	1,485,745	988,776	1,485,745
	<u>1,104,069</u>	<u>1,558,746</u>	<u>1,101,013</u>	<u>1,558,045</u>

Cash at banks is placed in non-profit bearing accounts. Short-term deposit placements are made between one day to three months depending on the Group's and the Bank's cash requirements, and earn profit at the respective short-term deposit rates. The weighted average effective profit rate and weighted average remaining maturity as at 31 December 2024 for the Group and the Bank was 3.45% per annum and 28 days (2023: 3.38% per annum and 15 days) respectively.

5. Financial investments at FVOCI

	Group and Bank	
	2024	2023
	RM'000	RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	<u>1,709,781</u>	<u>1,108,183</u>
Non-money market instruments		
Equity securities		
- Private debt securities	52,632	51,221
- Unquoted shares	11,141	10,693
- Other investment	3,718	-
Debt securities		
- Private debt securities	<u>206,375</u>	<u>312,577</u>
	<u>273,866</u>	<u>374,491</u>
	<u>1,983,647</u>	<u>1,482,674</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 (Note 24).

Movements in allowances for impairment losses which reflects the ECL model on impairment, recognised in profit or loss and 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 2024	446	1,857	10,000	12,303
Writeback made due to changes in credit risk (Note 24)	(368)	(1,857)	-	(2,225)
New financial investments originated (Note 24)	155	-	-	155
Financial investments derecognised (Note 24)	(44)	-	-	(44)
At 31 December 2024	<u>189</u>	<u>-</u>	<u>10,000</u>	<u>10,189</u>
At 1 January 2023	1	198	10,000	10,199
Allowance made due to changes in credit risk (Note 24)	445	1,659	-	2,104
At 31 December 2023	<u>446</u>	<u>1,857</u>	<u>10,000</u>	<u>12,303</u>

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

5. 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 AAA	3	-	-	3
MARC AAA	1	-	-	1
MARC AA	3	-	-	3
RAM A	155	-	-	155
MARC AA-	27	-	-	27
RAM D^	-	-	10,000	10,000
At 31 December 2024	189	-	10,000	10,189
RAM AAA	14	-	-	14
MARC AAA	48	-	-	48
RAM A*	-	1,857	-	1,857
MARC AA-	384	-	-	384
RAM D^	-	-	10,000	10,000
At 31 December 2023	446	1,857	10,000	12,303

* The private debt securities was maintained at Stage 2 due to qualitative factors.

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

6. Financial investments at AC

At amortised cost	Group and Bank	
	2024 RM'000	2023 RM'000
Government securities		
Malaysian Government Investment Issues	201,072	292,369
Money market instruments		
Commercial papers	198,783	138,890
Non-money market instruments		
Private debt securities	549,714	545,180
	949,569	976,439
Less: Accumulated impairment losses	(201)	(787)
	949,368	975,652

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

	Group and Bank	
	2024 RM'000	2023 RM'000
Within one year	632,219	321,506
More than one year to three years	291,986	373,587
More than three years to five years	25,364	266,306
More than five years	-	15,040
	949,569	976,439

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

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

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

	Group and Bank	
	2024	2023
	RM'000	RM'000
	Stage 1	Stage 1
At 1 January	787	1
(Writeback)/Allowance made due to changes in credit risk	(157)	199
New financial investments originated or purchased	113	587
Financial investments derecognised	(542)	-
At 31 December	<u>201</u>	<u>787</u>

The impairment losses by external rating grade are as follows:

	Group and Bank	
	2024	2023
	Stage 1	Stage 1
	RM'000	RM'000
<i>External rating grade</i>		
RAM AAA	13	26
MARC AAA	1	26
RAM AA	117	354
MARC AA	70	381
	<u>201</u>	<u>787</u>

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

	Group and Bank	
	2024	2023
	RM'000	RM'000
Malaysian Government Investment Issues	202,239	293,515
Commercial papers	198,783	138,890
Private debt securities	553,008	549,680
	<u>954,030</u>	<u>982,085</u>

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

7. Loans, advances and financing

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Term loans/financing				
- Hire purchase receivables	291,056	330,085	280,678	319,715
- Leasing	146	225	-	-
- Other term loans/financing	5,563,143	6,406,039	5,375,188	6,184,151
Revolving loans/financing	3,754,237	2,397,789	3,753,655	2,397,217
Staff loans/financing	8,733	9,798	8,733	9,798
Gross loans, advances and financing	9,617,315	9,143,936	9,418,254	8,910,881
Less: Allowance for impairment losses on				
- Stage 1 (Note 7(ix))	(90,155)	(105,085)	(90,155)	(105,085)
- Stage 2 (Note 7(ix))	(123,270)	(63,292)	(123,270)	(63,292)
- Stage 3 (Note 7(ix))	(643,230)	(691,022)	(444,169)	(457,967)
Net loans, advances and financing	8,760,660	8,284,537	8,760,660	8,284,537
Gross impaired loans, advances and financing (Note 7(vii))	1,323,054	1,347,439	1,123,993	1,114,384
Net impaired loans, advances and financing	679,824	656,417	679,824	656,417

Included in loans, advances and financing for the Group and the Bank are gross loans, advances and financing of RM134,429,000 (2023: RM124,160,000) financed by Government funds. The treatment of credit losses incurred for these loans, advances and financing is as disclosed in Note 2.17(ii).

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

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

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Within one year	3,125,161	2,610,292	2,950,102	2,421,238
More than one year to three years	974,299	940,745	965,650	922,926
More than three years to five years	1,651,765	1,377,271	1,651,765	1,369,904
More than five years	3,866,090	4,215,628	3,850,737	4,196,813
	9,617,315	9,143,936	9,418,254	8,910,881

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprise	9,608,582	9,134,138	9,409,521	8,901,083
Individual	8,733	9,798	8,733	9,798
	9,617,315	9,143,936	9,418,254	8,910,881

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Construction	1,707,403	1,619,022	1,706,633	1,618,252
Education, health and others	566,634	600,806	559,687	593,052
Electricity, gas and water supply	154,900	162,567	154,900	162,567
Financial, insurance/takaful, real estate and business services	1,083,828	1,081,271	1,083,166	1,080,609
Manufacturing	1,821,887	1,654,468	1,796,723	1,628,889
Mining and quarrying	132,794	114,979	132,794	114,979
Primary agriculture	8,079	10,153	8,049	10,123
Transportation, storage and communication	1,349,425	1,261,432	1,332,875	1,244,816
Wholesale, retail trade, restaurants and hotels	2,783,632	2,629,440	2,634,694	2,447,796
Others	8,733	9,798	8,733	9,798
	9,617,315	9,143,936	9,418,254	8,910,881

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

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

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

Group 2024	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
Construction	1,148,696	43,502	131,898	71,965	100,758	210,584	1,707,403
Education, health and others	430,858	21,280	11,266	60,382	30,679	12,169	566,634
Electricity, gas and water supply	142,598	2,835	2,421	1,768	2,416	2,862	154,900
Financial, insurance/takaful, real estate and business services	725,154	124,265	78,805	35,405	47,313	72,886	1,083,828
Manufacturing	941,882	237,540	260,519	101,213	48,946	231,787	1,821,887
Mining and quarrying	64,640	-	7,421	34,685	18,607	7,441	132,794
Primary agriculture	1,233	-	146	184	3,411	3,105	8,079
Transportation, storage and communication	1,022,955	92,534	39,795	98,324	67,299	28,518	1,349,425
Wholesale, retail trade, restaurants and hotels	1,444,807	343,185	129,680	339,805	304,244	221,911	2,783,632
Others	8,733	-	-	-	-	-	8,733
	5,931,556	865,141	661,951	743,731	623,673	791,263	9,617,315

(Forward)

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

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

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

Group 2023	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
Construction	1,139,986	36,311	65,985	59,038	102,993	214,709	1,619,022
Education, health and others	448,628	23,298	14,605	68,100	35,132	11,043	600,806
Electricity, gas and water supply	150,695	3,618	1,675	1,601	2,898	2,080	162,567
Financial, insurance/takaful, real estate and business services	721,595	115,065	68,804	36,076	63,965	75,766	1,081,271
Manufacturing	878,126	261,026	232,140	99,949	50,589	132,638	1,654,468
Mining and quarrying	53,238	-	15,058	35,166	7,033	4,484	114,979
Primary agriculture	4,805	-	185	219	3,625	1,319	10,153
Transportation, storage and communication	899,844	85,396	42,895	94,856	72,854	65,587	1,261,432
Wholesale, retail trade, restaurants and hotels	1,323,006	330,948	119,390	331,979	302,776	221,341	2,629,440
Others	9,798	-	-	-	-	-	9,798
	5,629,721	855,662	560,737	726,984	641,865	728,967	9,143,936

(Forward)

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

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

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

Bank 2024	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
Construction	1,147,926	43,502	131,898	71,965	100,758	210,584	1,706,633
Education, health and others	423,911	21,280	11,266	60,382	30,679	12,169	559,687
Electricity, gas and water supply	142,598	2,835	2,421	1,768	2,416	2,862	154,900
Financial, insurance/takaful, real estate and business services	724,492	124,265	78,805	35,405	47,313	72,886	1,083,166
Manufacturing	916,718	237,540	260,519	101,213	48,946	231,787	1,796,723
Mining and quarrying	64,640	-	7,421	34,685	18,607	7,441	132,794
Primary agriculture	1,203	-	146	184	3,411	3,105	8,049
Transportation, storage and communication	1,006,405	92,534	39,795	98,324	67,299	28,518	1,332,875
Wholesale, retail trade, restaurants and hotels	1,295,869	343,185	129,680	339,805	304,244	221,911	2,634,694
Others	8,733	-	-	-	-	-	8,733
	5,732,495	865,141	661,951	743,731	623,673	791,263	9,418,254

(Forward)

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

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

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

Bank 2023	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
Construction	1,139,216	36,311	65,985	59,038	102,993	214,709	1,618,252
Education, health and others	440,874	23,298	14,605	68,100	35,132	11,043	593,052
Electricity, gas and water supply	150,695	3,618	1,675	1,601	2,898	2,080	162,567
Financial, insurance/takaful, real estate and business services	720,933	115,065	68,804	36,076	63,965	75,766	1,080,609
Manufacturing	852,547	261,026	232,140	99,949	50,589	132,638	1,628,889
Mining and quarrying	53,238	-	15,058	35,166	7,033	4,484	114,979
Primary agriculture	4,775	-	185	219	3,625	1,319	10,123
Transportation, storage and communication	883,228	85,396	42,895	94,856	72,854	65,587	1,244,816
Wholesale, retail trade, restaurants and hotels	1,141,362	330,948	119,390	331,979	302,776	221,341	2,447,796
Others	9,798	-	-	-	-	-	9,798
	5,396,666	855,662	560,737	726,984	641,865	728,967	8,910,881

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

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

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Staff loan/financing	8,733	9,798	8,733	9,798
- Hire purchase receivables	101,165	121,355	91,350	111,548
- Leasing	146	225	-	-
- Other term loans/financing	1,621,399	2,173,061	1,522,000	2,044,081
- Revolving loans/financing	2,731,792	1,947,655	2,731,275	1,947,138
Variable rate				
- Hire purchase receivables	189,891	208,730	189,328	208,167
- Other term loans/financing	3,941,744	4,232,978	3,853,188	4,140,070
- Revolving loans/financing	1,022,445	450,134	1,022,380	450,079
	9,617,315	9,143,936	9,418,254	8,910,881

(vi) Impaired loans, advances and financing analysed by industry are as follows:

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Construction	144,645	135,787	143,875	135,017
Education, health and others	66,289	56,615	59,342	48,861
Electricity, gas and water supply	35,375	55,383	35,375	55,383
Financial, insurance/takaful, real estate and business services	127,655	174,500	126,993	173,838
Manufacturing	261,805	247,623	236,641	222,044
Mining and quarrying	16,871	7,818	16,871	7,818
Primary agriculture	870	528	840	498
Transportation, storage and communication	101,502	95,954	84,952	79,338
Wholesale, retail trade, restaurants and hotels	568,042	573,231	419,104	391,587
	1,323,054	1,347,439	1,123,993	1,114,384

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

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

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

Group 2024	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
Construction	104,665	173	3,828	10,363	19,559	6,057	144,645
Education, health and others	49,722	281	3,517	5,982	1,407	5,380	66,289
Electricity, gas and water supply	35,280	-	-	95	-	-	35,375
Financial, insurance/takaful, real estate and business services	100,229	8,342	2,281	3,369	10,593	2,841	127,655
Manufacturing	162,446	2,823	53,308	15,601	24,502	3,125	261,805
Mining and quarrying	12,689	-	146	3,135	373	528	16,871
Primary agriculture	779	-	91	-	-	-	870
Transportation, storage and communication	65,765	1,723	13,852	9,313	8,482	2,367	101,502
Wholesale, retail trade, restaurants and hotels	390,183	71,560	12,412	41,837	46,739	5,311	568,042
	921,758	84,902	89,435	89,695	111,655	25,609	1,323,054

(Forward)

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

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

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

Group 2023	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
Construction	107,987	162	3,099	5,755	9,509	9,275	135,787
Education, health and others	44,730	320	1,847	7,311	1,783	624	56,615
Electricity, gas and water supply	55,383	-	-	-	-	-	55,383
Financial, insurance/takaful, real estate and business services	155,283	7,524	2,477	4,314	3,111	1,791	174,500
Manufacturing	138,880	7,170	52,573	19,440	22,933	6,627	247,623
Mining and quarrying	4,903	-	454	2,157	-	304	7,818
Primary agriculture	528	-	-	-	-	-	528
Transportation, storage and communication	59,857	6,894	13,481	5,147	8,303	2,272	95,954
Wholesale, retail trade, restaurants and hotels	406,427	65,445	11,255	39,410	45,673	5,021	573,231
	973,978	87,515	85,186	83,534	91,312	25,914	1,347,439

(Forward)

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

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

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

Bank 2024	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
Construction	103,895	173	3,828	10,363	19,559	6,057	143,875
Education, health and others	42,775	281	3,517	5,982	1,407	5,380	59,342
Electricity, gas and water supply	35,280	-	-	95	-	-	35,375
Financial, insurance/takaful, real estate and business services	99,567	8,342	2,281	3,369	10,593	2,841	126,993
Manufacturing	137,282	2,823	53,308	15,601	24,502	3,125	236,641
Mining and quarrying	12,689	-	146	3,135	373	528	16,871
Primary agriculture	749	-	91	-	-	-	840
Transportation, storage and communication	49,215	1,723	13,852	9,313	8,482	2,367	84,952
Wholesale, retail trade, restaurants and hotels	241,245	71,560	12,412	41,837	46,739	5,311	419,104
	722,697	84,902	89,435	89,695	111,655	25,609	1,123,993

(Forward)

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

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

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

Bank 2023	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
Construction	107,217	162	3,099	5,755	9,509	9,275	135,017
Education, health and others	36,976	320	1,847	7,311	1,783	624	48,861
Electricity, gas and water supply	55,383	-	-	-	-	-	55,383
Financial, insurance/takaful, real estate and business services	154,621	7,524	2,477	4,314	3,111	1,791	173,838
Manufacturing	113,301	7,170	52,573	19,440	22,933	6,627	222,044
Mining and quarrying	4,903	-	454	2,157	-	304	7,818
Primary agriculture	498	-	-	-	-	-	498
Transportation, storage and communication	43,241	6,894	13,481	5,147	8,303	2,272	79,338
Wholesale, retail trade, restaurants and hotels	224,783	65,445	11,255	39,410	45,673	5,021	391,587
	740,923	87,515	85,186	83,534	91,312	25,914	1,114,384

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

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

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,347,439	1,472,816	1,114,384	1,102,725
-Transfers to Stage 1	(6,088)	(54,736)	(6,088)	(54,736)
-Transfers to Stage 2	(34,131)	(13,500)	(34,131)	(13,500)
-Transfers to Stage 3	275,618	250,199	275,618	250,199
	<u>1,582,838</u>	<u>1,654,779</u>	<u>1,349,783</u>	<u>1,284,688</u>
Changes due to change in credit risk	(95,496)	(50,624)	(61,502)	(25,555)
New financial assets originated	31,541	51,555	31,541	51,555
Financial assets derecognised	(58,197)	(58,183)	(58,197)	(58,183)
Amount written-off	(137,632)	(250,088)	(137,632)	(138,121)
At 31 December	<u>1,323,054</u>	<u>1,347,439</u>	<u>1,123,993</u>	<u>1,114,384</u>

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

Group	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2024	105,085	63,292	691,022	859,399
-Transfers to Stage 1	7,395	(5,990)	(1,405)	-
-Transfers to Stage 2	(4,312)	13,334	(9,022)	-
-Transfers to Stage 3	(2,142)	(15,570)	17,712	-
	<u>941</u>	<u>(8,226)</u>	<u>7,285</u>	<u>-</u>
Changes due to change in credit risk (Note 28)	(26,072)	67,249	84,149	125,326
New financial assets originated (Note 28)	30,900	1,606	4,840	37,346
Financial assets derecognised (Note 28)	(20,699)	(651)	(10,916)	(32,266)
Amount written-off	-	-	(133,150)	(133,150)
At 31 December 2024	<u>90,155</u>	<u>123,270</u>	<u>643,230</u>	<u>856,655</u>
At 1 January 2023	91,586	45,182	808,748	945,516
-Transfers to Stage 1	30,096	(6,313)	(23,783)	-
-Transfers to Stage 2	(3,631)	7,387	(3,756)	-
-Transfers to Stage 3	(1,294)	(12,638)	13,932	-
	<u>25,171</u>	<u>(11,564)</u>	<u>(13,607)</u>	<u>-</u>
Changes due to change in credit risk (Note 28)	(28,688)	28,076	150,027	149,415
New financial assets originated (Note 28)	27,852	1,866	7,102	36,820
Financial assets derecognised (Note 28)	(10,836)	(268)	(15,183)	(26,287)
Amount written-off	-	-	(246,065)	(246,065)
At 31 December 2023	<u>105,085</u>	<u>63,292</u>	<u>691,022</u>	<u>859,399</u>

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

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

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

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2024	105,085	63,292	457,967	626,344
-Transfers to Stage 1	7,395	(5,990)	(1,405)	-
-Transfers to Stage 2	(4,312)	13,334	(9,022)	-
-Transfers to Stage 3	(2,142)	(15,570)	17,712	-
	941	(8,226)	7,285	-
Changes due to change in credit risk (Note 28)	(26,072)	67,249	118,143	159,320
New financial assets originated (Note 28)	30,900	1,606	4,840	37,346
Financial assets derecognised (Note 28)	(20,699)	(651)	(10,916)	(32,266)
Amount written-off	-	-	(133,150)	(133,150)
At 31 December 2024	90,155	123,270	444,169	657,594
At 1 January 2023	91,586	45,182	438,657	575,425
-Transfers to Stage 1	30,096	(6,313)	(23,783)	-
-Transfers to Stage 2	(3,631)	7,387	(3,756)	-
-Transfers to Stage 3	(1,294)	(12,638)	13,932	-
	25,171	(11,564)	(13,607)	-
Changes due to change in credit risk (Note 28)	(28,688)	28,076	175,096	174,484
New financial assets originated (Note 28)	27,852	1,866	7,102	36,820
Financial assets derecognised (Note 28)	(10,836)	(268)	(15,183)	(26,287)
Amount written-off	-	-	(134,098)	(134,098)
At 31 December 2023	105,085	63,292	457,967	626,344
	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Net impaired loans, advances and financing as a percentage	7.58%	7.77%	7.58%	7.77%

In ensuring the sufficient level of ECL, the overlay of RM77,383,000 (2023: RM39,896,000) as at 31 December 2024, were estimated at customer level and adjusted on top of ECL model based on the requirements of MFRS 9.

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

8. Other assets

		Group	
	Note	2024 RM'000	2023 RM'000
At AC			
Other receivables		7,695	12,340
Rental receivables	(i)	766	993
		<u>8,461</u>	<u>13,333</u>
Prepayments		13,344	10,866
		<u>21,805</u>	<u>24,199</u>
Bank			
		2024 RM'000	2023 RM'000
At FVOCI			
Amount due from a subsidiary company	(ii)	-	35,800
At AC			
Amount due from subsidiary companies	(iii)	66,930	57,791
Other receivables		10,379	12,239
Rental receivables	(i)	766	993
		<u>78,075</u>	<u>71,023</u>
Prepayments		13,344	10,855
		<u>91,419</u>	<u>117,678</u>

(i) The movement of gross rental receivables and loss allowances which reflect the ECL model on impairment are as follows:

(a) The movement of gross rental receivables:

	Non-credit impaired RM'000	Credit impaired RM'000	Total RM'000
At 1 January 2024	689	9,999	10,688
Transfer to non-credit impaired	48	(48)	-
Transfer to credit impaired	(177)	177	-
Changes due to change in credit risk	(230)	443	213
Amount written-off	-	(7,561)	(7,561)
At 31 December 2024	<u>330</u>	<u>3,010</u>	<u>3,340</u>
At 1 January 2023	616	10,847	11,463
Transfer to non-credit impaired	1,009	(1,009)	-
Transfer to credit impaired	(98)	98	-
Changes due to change in credit risk	(838)	63	(775)
At 31 December 2023	<u>689</u>	<u>9,999</u>	<u>10,688</u>

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

8. Other assets (cont'd.)

(b) Movement in loss allowances which reflect the ECL model on impairment:

	Non-credit impaired RM'000	Credit impaired RM'000	Total RM'000
At 1 January 2024	(18)	(9,677)	(9,695)
Writeback/(Allowance) made during the year	9	(449)	(440)
Amount written-off	-	7,561	7,561
At 31 December 2024	(9)	(2,565)	(2,574)
At 1 January 2023	(25)	(9,915)	(9,940)
Writeback made during the year	7	238	245
At 31 December 2023	(18)	(9,677)	(9,695)

- (ii) On 15 December 2014, the Bank issued an unsecured Bai' Inah facility to its subsidiary, SMEB Asset Management Sdn. Bhd. ("SAM") amounting to RM510,000,000. This facility bears a step-up rate at 2.75% for year 2015 and 2016, 3.50% for 2017 and an increase of 100 basis points every 2 years thereafter, and is payable over 8 annual instalments commencing 15 December 2017.

The Bank, via its Board resolution dated 30 August 2022 approved the rescheduling of the intercompany unsecured Bai'Inah facility to SAM by extending the facility for another 7 years from its original maturity date, from 15 December 2024 to 31 December 2031, effective 1 January 2023. The rescheduling terms resulted in no additional profit charged for the facility, hence the updated effective profit rate is lower than market rates. Therefore, RM24,883,000 fair value impact has been classified as an Investment in Subsidiaries in 2023 as disclosed in Note 9.

Movements in allowances for impairment which reflects the ECL model on impairment, recognised in profit or loss and other comprehensive income are as follows:

	Bank	
	2024 RM'000	2023 RM'000
At 1 January	(173,022)	(233,722)
Allowance made during the year	(6,084)	(7,183)
Writeback during the year	45,000	67,883
At 31 December	(134,106)	(173,022)

- (iii) The amounts due from subsidiaries are non-trade, interest-free, unsecured and repayable on demand.

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

9. Investment in subsidiaries

	Bank	
	2024	2023
	RM'000	RM'000
Unquoted shares		
At cost	3,582	3,582
Additional capital contribution due to rescheduling of facility (Note 8(ii))	24,883	24,883
	28,465	28,465
Allowances for impairment loss	(28,465)	(28,465)
Carrying amount	-	-

Movements in allowances for impairment loss recognised in profit or loss are as follows:

	Bank	
	2024	2023
	RM'000	RM'000
As at 1 January	28,465	3,582
Allowance made during the year	-	24,883
As at 31 December	28,465	28,465

The subsidiaries, all of which are incorporated and having their principal place of business in Malaysia are as follows:

Name of companies	Principal activities	Proportion of Ownership Interest and Voting Power Held by the Group (%)	
		2024	2023
Held by the Bank:			
SMEB Asset Management Sdn. Bhd. ("SAM")	Asset management company, debts recovery agents, advisory and consultancy provider on distressed loans/financing and debt recovery	100	100
Centre for Entrepreneur Development and Research Sdn. Bhd. ("CEDAR")	Providing training, consultancy services, research, development and publication	100	100
BI Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100

The subsidiaries are consolidated based on the respective management accounts and all intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

10. Investment in associate

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Unquoted shares				
At cost	-	6,826	-	6,826
Share of post-acquisition reserves	-	2,335	-	-
	-	9,161	-	6,826
Less: Accumulated impairment losses	-	(6,826)	-	(6,826)
Less: Disposal of investment	-	(2,335)	-	-
	-	-	-	-

On 21 February 2023, the Group and the Bank completed the sale of its entire 30% shareholding in Capatronics (M) Sdn. Bhd. with a total proceeds of RM5,800,000. The disposal has the following effects on the results of the Group and the Bank:

	Group	Bank
	2023	2023
	RM'000	RM'000
Proceeds of disposal	5,800	5,800
Net carrying amount	(2,335)	-
Gain on disposal (Note 38(h))	3,465	5,800

The associate company was incorporated and having its principal place of business in Malaysia. The details of the associate company is as follows:

Name of company	Principal activity	Proportion of Ownership Interest and Voting Power Held by the Group (%)		Accounting model applied
		2024	2023	
Held by the Bank:				
Capatronics (M) Sdn. Bhd.	Manufacturing of ceramic capacitors	-	-	Equity method

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

11. Property, plant and equipment

Group	Freehold land RM'000	Long-term leasehold land RM'000	Building RM'000	Furniture and equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Electrical and machinery RM'000	Work-in progress RM'000	Total RM'000
Cost									
At 1 January 2024	4,083	36,658	86,108	35,442	63,930	1,567	8,098	9,260	245,146
Additions	-	-	-	1,439	5,554	-	268	7,383	14,644
Disposals	-	(370)	-	(144)	-	-	-	-	(514)
At 31 December 2024	4,083	36,288	86,108	36,737	69,484	1,567	8,366	16,643	259,276
Accumulated depreciation									
At 1 January 2024	-	6,293	33,056	21,056	51,096	1,427	7,823	-	120,751
Charge for the year (Note 26(ii))	-	75	2,445	3,861	5,669	49	162	-	12,261
Disposals	-	(78)	-	(144)	-	-	-	-	(222)
At 31 December 2024	-	6,290	35,501	24,773	56,765	1,476	7,985	-	132,790
Net carrying amount									
At 31 December 2024	4,083	29,998	50,607	11,964	12,719	91	381	16,643	126,486

(Forward)

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

11. Property, plant and equipment (cont'd.)

Group	Freehold land RM'000	Long-term leasehold land RM'000	Building RM'000	Furniture and equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Electrical and machinery RM'000	Work-in progress RM'000	Total RM'000
Cost									
At 1 January 2023	4,083	36,663	86,108	52,779	59,593	1,757	8,042	26,535	275,560
Additions	-	-	-	6,157	4,369	-	56	9,893	20,475
Disposals	-	-	-	(23,080)	(14)	(195)	-	(589)	(23,878)
Write-offs	-	-	-	(373)	(18)	-	-	-	(391)
Adjustment	-	(5)	-	(41)	-	5	-	(520)	(561)
Reclassification to intangible assets (Note 14)	-	-	-	-	-	-	-	(26,059)	(26,059)
At 31 December 2023	4,083	36,658	86,108	35,442	63,930	1,567	8,098	9,260	245,146
Accumulated depreciation									
At 1 January 2023	-	6,212	30,611	37,946	45,385	1,573	7,702	-	129,429
Charge for the year (Note 26(ii))	-	81	2,445	4,342	5,762	49	121	-	12,800
Disposals	-	-	-	(20,867)	-	(195)	-	-	(21,062)
Write-offs	-	-	-	(368)	(18)	-	-	-	(386)
Adjustment	-	-	-	3	(33)	-	-	-	(30)
At 31 December 2023	-	6,293	33,056	21,056	51,096	1,427	7,823	-	120,751
Net carrying amount									
At 31 December 2023	4,083	30,365	53,052	14,386	12,834	140	275	9,260	124,395

Included in property, plant and equipment of the Group are fully depreciated assets at a total cost of RM51,454,000 (2023: RM38,020,000), which are still in use by the Group.

(Forward)

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

11. Property, plant and equipment (cont'd.)

Bank	Freehold land RM'000	Long-term leasehold land RM'000	Building RM'000	Furniture and equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Electrical and machinery RM'000	Work-in progress RM'000	Total RM'000
Cost									
At 1 January 2024	4,083	36,658	86,108	35,309	63,930	1,562	8,098	9,260	245,008
Additions	-	-	-	1,439	5,554	-	268	7,383	14,644
Disposals	-	(370)	-	(144)	-	-	-	-	(514)
At 31 December 2024	4,083	36,288	86,108	36,604	69,484	1,562	8,366	16,643	259,138
Accumulated depreciation									
At 1 January 2024	-	6,293	33,056	20,923	51,096	1,422	7,823	-	120,613
Charge for the year (Note 26(ii))	-	75	2,445	3,861	5,669	49	162	-	12,261
Disposals	-	(78)	-	(144)	-	-	-	-	(222)
At 31 December 2024	-	6,290	35,501	24,640	56,765	1,471	7,985	-	132,652
Net carrying amount									
At 31 December 2024	4,083	29,998	50,607	11,964	12,719	91	381	16,643	126,486

(Forward)

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

11. Property, plant and equipment (cont'd.)

Bank	Freehold land RM'000	Long-term leasehold land RM'000	Building RM'000	Furniture and equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Electrical and machinery RM'000	Work-in progress RM'000	Total RM'000
Cost									
At 1 January 2023	4,083	36,663	86,108	52,611	59,593	1,757	8,042	26,535	275,392
Additions	-	-	-	6,157	4,369	-	56	9,893	20,475
Disposals	-	-	-	(23,080)	(14)	(195)	-	(589)	(23,878)
Write-offs	-	-	-	(373)	(18)	-	-	-	(391)
Adjustment	-	(5)	-	(6)	-	-	-	(520)	(531)
Reclassification to intangible assets (Note 14)	-	-	-	-	-	-	-	(26,059)	(26,059)
At 31 December 2023	4,083	36,658	86,108	35,309	63,930	1,562	8,098	9,260	245,008
Accumulated depreciation									
At 1 January 2023	-	6,212	30,611	37,816	45,385	1,568	7,702	-	129,294
Charge for the year (Note 26(ii))	-	81	2,445	4,342	5,762	49	121	-	12,800
Disposals	-	-	-	(20,867)	-	(195)	-	-	(21,062)
Write-offs	-	-	-	(368)	(18)	-	-	-	(386)
Adjustment	-	-	-	-	(33)	-	-	-	(33)
At 31 December 2023	-	6,293	33,056	20,923	51,096	1,422	7,823	-	120,613
Net carrying amount									
At 31 December 2023	4,083	30,365	53,052	14,386	12,834	140	275	9,260	124,395

Included in property, plant and equipment of the Bank are fully depreciated assets at a total cost of RM51,317,000 (2023: RM37,883,000), which are still in use by the Bank.

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

12. Right-of-use assets

Group and Bank	Enterprise Centre RM'000	Motor Vehicles RM'000	Total RM'000
Cost			
At 1 January 2024	24,942	5,070	30,012
Gain on modification of leases	4,343	463	4,806
At 31 December 2024	29,285	5,533	34,818
Accumulated depreciation			
At 1 January 2024	13,767	3,911	17,678
Charge for the year (Note 26(ii))	2,975	1,084	4,059
At 31 December 2024	16,742	4,995	21,737
Carrying amount			
At 31 December 2024	12,543	538	13,081
Cost			
At 1 January 2023	24,425	4,361	28,786
Additions	517	1,932	2,449
Contract expiry	-	(1,223)	(1,223)
At 31 December 2023	24,942	5,070	30,012
Accumulated depreciation			
At 1 January 2023	10,827	3,138	13,965
Charge for the year (Note 26(ii))	2,940	773	3,713
At 31 December 2023	13,767	3,911	17,678
Carrying amount			
At 31 December 2023	11,175	1,159	12,334

The Group and the Bank lease a number of premises and motor vehicles with lease term ranges between 3-6 years (2023: 3-6 years), with an option for renewal. The leased assets are utilised to carry out the Bank's operational activities.

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

13. Investment properties

	Group and Bank	
	2024	2023
	RM'000	RM'000
At fair value		
At 1 January	394,399	377,231
Transfer to asset classified as held for sale (Note 34)	(5,290)	-
Fair value adjustment (Note 38(h))	12,651	17,168
At 31 December	<u>401,760</u>	<u>394,399</u>

The following investment properties are held under freehold and leasehold:

Group and Bank	Freehold	Long-term leasehold	Total
	RM'000	RM'000	RM'000
2024			
At fair value			
Building	29,230	179,020	208,250
Land	<u>89,900</u>	<u>103,610</u>	<u>193,510</u>
	<u>119,130</u>	<u>282,630</u>	<u>401,760</u>
2023			
At fair value			
Building	25,189	179,300	204,489
Land	<u>89,000</u>	<u>100,910</u>	<u>189,910</u>
	<u>114,189</u>	<u>280,210</u>	<u>394,399</u>

The investment properties comprise of land and building which was financed by government funds. The fair value of the Group's and of the Bank's investment properties as of 31 December 2024 have been arrived at on the basis of valuation carried out by independent valuers, who are not related to the Group and to the Bank on 10 December 2021. In the current year, a desktop valuation was performed to update the valuation inputs for current year movements. The independent valuers have appropriate qualifications and recent experience in the valuation of properties in the respective locations. The fair value was determined using the cost and comparison approach. The fair values determined under this approach are derived by comparing and adopting as yardstick, recent transactions and sale evidences involving other similar properties in the vicinity. Due consideration is given for such factors including location, plot size, improvements made, if any, surrounding developments, facilities and amenities available.

Rental income earned from investment properties during the year amounted to RM11,777,000 (2023: RM11,505,000). Direct operating expenses arising from the investment properties during the year amounting to RM3,769,000 (2023: RM3,492,000).

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

14. Intangible assets

	Group		Software		Bank	
	2024	2023	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At cost						
At 1 January	119,459	85,367	118,807	84,715		
Additions	200	9,908	200	9,908		
Disposals/Write-offs	-	(1,875)	-	(1,875)		
Adjustment	(80)	-	(80)	-		
Reclassification from property, plant and equipment (Note 11)	-	26,059	-	26,059		
At 31 December	<u>119,579</u>	<u>119,459</u>	<u>118,927</u>	<u>118,807</u>		
Accumulated amortisation						
At 1 January	77,956	67,669	77,304	67,017		
Charge for the year (Note 26(ii))	9,865	10,530	9,865	10,530		
Disposals/Write-offs	-	(243)	-	(243)		
At 31 December	<u>87,821</u>	<u>77,956</u>	<u>87,169</u>	<u>77,304</u>		
Carrying amount						
At 31 December	<u>31,758</u>	<u>41,503</u>	<u>31,758</u>	<u>41,503</u>		

15. Deferred tax assets

	Group and Bank	
	2024	2023
	RM'000	RM'000
At 1 January	113,536	108,089
Recognised in profit or loss (Note 29)	(23,862)	9,952
Recognised in other comprehensive income (Note 24)	(1,438)	(4,505)
At 31 December	<u>88,236</u>	<u>113,536</u>
Presented before appropriate offsetting as follows:		
Deferred tax assets	120,361	142,603
Deferred tax liabilities	(32,125)	(29,067)
	<u>88,236</u>	<u>113,536</u>

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

15. Deferred tax assets (cont'd.)

The components and movement of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group and of the Bank:

	Loans, advances and financing RM'000	Unutilised business losses and unabsorbed capital allowance RM'000	Provisions RM'000	Financial investments at AC RM'000	Financial investments at FVOCI RM'000	Other assets RM'000	Right-of- use assets and lease liabilities RM'000	Total RM'000
At 1 January 2024	40,411	46,831	10,776	189	429	43,852	115	142,603
Recognised in profit or loss	10,811	(27,222)	5,815	(141)	(429)	(11,049)	(27)	(22,242)
Recognised in other comprehensive income	-	-	-	-	-	-	-	-
At 31 December 2024	51,222	19,609	16,591	48	-	32,803	88	120,361
At 1 January 2023	33,536	34,610	11,761	-	5,312	51,471	76	136,766
Recognised in profit or loss	6,875	12,221	(985)	189	(378)	(7,619)	39	10,342
Recognised in other comprehensive income	-	-	-	-	(4,505)	-	-	(4,505)
At 31 December 2023	40,411	46,831	10,776	189	429	43,852	115	142,603

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

15. Deferred tax assets (cont'd.)

Deferred tax liabilities of the Group and of the Bank:

	Financial investments at FVOCI RM'000	Investment properties RM'000	Property plant and equipment RM'000	Intangible assets RM'000	Total RM'000
At 1 January 2024	-	(19,943)	(5,703)	(3,421)	(29,067)
Recognised in profit or loss	(78)	(1,052)	971	(1,461)	(1,620)
Recognised in other comprehensive income	(1,438)	-	-	-	(1,438)
At 31 December 2024	(1,516)	(20,995)	(4,732)	(4,882)	(32,125)
At 1 January 2023	-	(18,226)	(3,868)	(6,583)	(28,677)
Recognised in profit or loss	-	(1,717)	(1,835)	3,162	(390)
At 31 December 2023	-	(19,943)	(5,703)	(3,421)	(29,067)

Deferred tax assets have not been recognised in respect of the following items:

As mentioned in Note 2.21, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised.

Under the current tax legislation, the unabsorbed tax losses will expire whereas the unutilised capital allowances do not expire. As of 31 December 2024, the deductible temporary differences and unused tax losses for which deferred tax assets has not been recognised in the financial statements due to uncertainty of its realisation, are as follows:

	Group		Bank	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Temporary differences arising from:				
Impairment on debts purchased	168,811	170,760	-	-
Others	29,765	29,576	28,465	28,465
	198,576	200,336	28,465	28,465

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the unutilised tax losses with no expiry period will be imposed with a time limit of utilisation. Effective from year of assessment 2019, unutilised tax losses in a year of assessment can only be carried for a maximum period of 7 consecutive years of assessment.

Subsequently, pursuant to the guidelines issued by the Malaysian tax authorities on 29 October 2021, a transitional provision was introduced to cater for any unutilised business losses accumulated up to year of assessment 2018 can be carried forward for a maximum of 10 years, up to year of assessment 2028.

Expiry date of the Group's and the Bank's tax losses are summarised as below:

	Group and Bank	
	2024 RM'000	2023 RM'000
Expiring in year assessment ("YA") 2028	78,199	180,986
Expiring in YA2030	779	779
Expiring in YA2031	2,656	2,656
	81,634	184,421

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

16. Deposits from customers

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Term deposit:				
- Commodity Murabahah/Tawarruq	4,927,926	3,943,673	4,935,748	3,984,635

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Government bodies (Note 33(c))	1,345,268	1,052,155	1,345,268	1,052,155
Statutory bodies	625,330	532,591	625,330	532,591
Business enterprise	1,850,668	1,244,995	1,858,490	1,285,957
Others	1,106,660	1,113,932	1,106,660	1,113,932
	<u>4,927,926</u>	<u>3,943,673</u>	<u>4,935,748</u>	<u>3,984,635</u>

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Within three months	2,270,873	2,283,720	2,276,292	2,322,100
More than three months to six months	1,187,234	482,628	1,189,637	485,210
More than six months to one year	1,469,819	1,177,325	1,469,819	1,177,325
	<u>4,927,926</u>	<u>3,943,673</u>	<u>4,935,748</u>	<u>3,984,635</u>

The deposits from customers carried weighted average profit rate of 3.48% (2023: 3.48%) per annum.

17. Deposits from banks and other financial institutions

	Group and Bank	
	2024	2023
	RM'000	RM'000
Licensed banks and other financial institutions	<u>210,037</u>	<u>140,056</u>

The deposits maturity structure are as follows:

	Group and Bank	
	2024	2023
	RM'000	RM'000
Less than three months	<u>210,037</u>	<u>140,056</u>

The deposits from banks and other financial institutions carried weighted average profit rate of 3.20% (2023: 3.13%) per annum.

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

18. Islamic medium-term notes/commercial papers

	Note	Group and Bank	
		2024	2023
		RM'000	RM'000
Islamic medium-term notes ("IMTNs")	(i)	2,723,365	3,127,748
Islamic commercial papers ("ICPs")		-	379,189
		<u>2,723,365</u>	<u>3,506,937</u>

(i) The IMTNs' details of issuance as of 31 December 2024 are as follows:

	Issuance Date
Guaranteed by the Government of Malaysia ("GOM"):	
RM200,000,000 4.10% maturing on 20 March 2026	22 March 2019
RM250,000,000 3.02% maturing on 23 April 2025	23 April 2020
RM250,000,000 3.30% maturing on 23 April 2027	23 April 2020
Rated:	
RM500,000,000 3.10% maturing on 31 July 2026	2 August 2021
RM500,000,000 4.04% maturing on 4 August 2025	4 August 2022
RM1,000,000,000 4.05% maturing on 30 May 2028	30 May 2023

(ii) The maturity structure of IMTNs and ICPs are as follows:

	Group and Bank	
	2024	2023
	RM'000	RM'000
Within one year	773,365	806,937
More than one year to three years	950,000	1,450,000
More than three years to five years	1,000,000	1,250,000
	<u>2,723,365</u>	<u>3,506,937</u>

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

19. Borrowings/Fundings

	Group and Bank	
	2024	2023
	RM'000	RM'000
Unsecured borrowings/fundings	2,158,289	2,047,647

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

	Group and Bank	
	2024	2023
	RM'000	RM'000
Within one year	75,217	59,107
More than one year to five years	1,551,820	813,300
More than five years	531,252	1,175,240
	<u>2,158,289</u>	<u>2,047,647</u>

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

		Group and Bank	
		2024	2023
	Note	RM'000	RM'000
GOM (Note 33(c))	(a)	872,685	911,000
Other institutions	(b)	1,285,604	1,136,647
		<u>2,158,289</u>	<u>2,047,647</u>

(a) Borrowings/Fundings from GOM

The borrowings/fundings from the GOM are payable as follows:

	Group and Bank	
	2024	2023
	RM'000	RM'000
Within one year	69,662	53,238
More than one year to five years	556,952	316,970
More than five years	246,071	540,792
	<u>872,685</u>	<u>911,000</u>

The interest/profit rates on the borrowings/fundings from the GOM range from 0% to 2.75% (2023: 0% to 2.75%) per annum.

The benefit of borrowing/fundings at a below-market rate of profit is treated as a government grant. The borrowing/fundings are recognised as a financial liability, and measured in accordance with MFRS 9. The government grant for borrowing/fundings are measured at inception as the difference between the initial carrying value of the borrowing/fundings determined in accordance with MFRS 9 and the proceeds received is disclosed in Note 22.

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

19. Borrowings/Fundings (cont'd.)

(b) Borrowings/Fundings from other institutions

	Group and Bank	
	2024	2023
	RM'000	RM'000
Bank Negara Malaysia ("BNM")	1,285,604	1,136,647

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

	Group and Bank	
	2024	2023
	RM'000	RM'000
Within one year	5,555	5,869
More than one year to five years	994,868	496,330
More than five years	285,181	634,448
	1,285,604	1,136,647

The interest/profit rates on the borrowings/fundings from other institutions range from 0% to 0.5% (2023: 0% to 1.5%) per annum.

The benefit of borrowing/fundings at a below-market rate of profit is treated as a government grant. The borrowing/fundings are recognised as a financial liability, and measured in accordance with MFRS 9. The government grant for borrowing/fundings are measured at inception as the difference between the initial carrying value of the borrowing/fundings determined in accordance with MFRS 9 and the proceeds received is disclosed in Note 22.

20. Lease liabilities

	Group and Bank	
	2024	2023
	RM'000	RM'000
Lease liabilities	13,445	12,811

The Group and the Bank lease a number of premises and motor vehicles with lease term ranges between 3-6 years (2023: 3-6 years), with options for renewal. The weighted average of discount rates of the Group and of the Bank range between 3.00% to 3.42% (2023: 3.00% to 3.42%) per annum.

The maturity structure based on undiscounted contractual cash flows is as follows:

	Group and Bank	
	2024	2023
	RM'000	RM'000
Within one year	3,911	4,066
More than one year to five years	10,112	9,689
More than five years	537	-
	14,560	13,755
Less: Future finance cost	(1,115)	(944)
	13,445	12,811

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

21. Other liabilities

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Other payables and accruals (Note i)	809,415	558,555	816,908	565,329
Islamic margin account (Note ii)	270,128	340,743	270,076	340,690
Guarantee payable (Note iii)	54,342	161,914	54,342	161,914
Amount due to subsidiaries (Note iv)	-	-	45,523	32,390
Sinking fund	403	403	403	403
Rental and security deposits	3,412	3,457	3,412	3,457
Provision for zakat	2,073	2,304	2,073	2,304
Allowance for impairment on commitments and contingencies (Note v)	5,976	5,915	5,976	5,915
Other provisions	36,427	45,158	35,405	44,321
	1,182,176	1,118,449	1,234,118	1,156,723

- (i) Included in other payables and accruals are undisbursed funds amounting to RM37,876,000 (2023: RM16,927,000) provided by Small and Medium Enterprise Corporation Malaysia ("SME Corp"). Under the arrangement with SME Corp, the Bank acts as an agent to administer the said funds to be channelled as financial assistance to the small and medium sized companies.

Also included in other payables and accruals are fund balance under Skim Pinjaman Ekonomi Desa ("SPED") amounting to RM9,410,000 (2023: RM10,820,000). Under the agreement with SPED, the Bank acts as an agent to execute and channel the said fund as financial assistance to the small and medium sized companies.

- (ii) Islamic margin account refers to the cash collateral pledged by the Islamic banking customers of the Bank. The amount will be repaid to the customers at the end of the financing tenure or will be offset with any overdue amount. The Bank will pay a hibah/profit rate at 0.25% (2023: 0.25%) per annum to the customers.
- (iii) Guarantee payable refers to the guarantee extended by Teraju which applies to companies classified as Small Medium Enterprise ("SMEs") companies as defined by the terms of the Teraju Program. The guarantee payable will be liquidated in the event of financing accounts under Teraju guarantee is exhausted.
- (iv) The amounts due to subsidiaries are non-trade, interest-free, unsecured and repayable on demand.

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

21. Other liabilities (cont'd.)

(v) Movement in loss allowances for impairment on financing commitments and contingencies are as follows:

	Group and Bank	
	2024	2023
	RM'000	RM'000
	Stage 1	Stage 1
Commitments and Contingencies		
At 1 January	5,915	4,724
Changes due to change in credit risk	(455)	378
New financial assets originated	3,476	3,261
Derecognition	(2,960)	(2,448)
At 31 December	<u>5,976</u>	<u>5,915</u>

(vi) During the financial year, an amount of RM51,000 (2023: RM12,000) has been purified in accordance with Bank's internal guidelines.

22. Government funds

	Note	Group and Bank	
		2024	2023
		RM'000	RM'000
To finance:			
Purchase of investment properties	(i)	97,834	101,361
Loans, advances and financing	(ii)	<u>432,556</u>	<u>478,764</u>
		<u>530,390</u>	<u>580,125</u>

(i) To finance the purchase of investment properties:

	Kompleks Kilang Bimbingan			
	Nursery Factory Scheme (RMK7) RM'000	Nursery Factory Scheme (RMK8) RM'000	Nursery Factory Scheme (RMK9) RM'000	Total RM'000
Group and Bank				
At 1 January 2024	64,643	4,648	32,070	101,361
Government fund released (Note 38(h))	(236)	(2,911)	(380)	(3,527)
At 31 December 2024	<u>64,407</u>	<u>1,737</u>	<u>31,690</u>	<u>97,834</u>
At 1 January 2023	64,892	7,512	32,450	104,854
Government fund released (Note 38(h))	(249)	(2,864)	(380)	(3,493)
At 31 December 2023	<u>64,643</u>	<u>4,648</u>	<u>32,070</u>	<u>101,361</u>

(ii) To finance loans, advances and financing:

The Government of Malaysia has allocated RM300 million for the Lestari Bumi Financing ("LBF") program, utilising the existing funds, including the government funds. The Bank has rationalised its seven (7) existing government funds and repurposed them for the LBF program, aimed at enhancing the capacity of micro and small entrepreneurs to elevate their businesses in terms of production capacity, market reach and business competitiveness.

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

22. Government funds (cont'd.)

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

Group and Bank	Tabung Usahawan Pahang RM'000	Skim Perusahaan Kapal Tradisional RM'000	Skim Anjakan Usahawan RM'000	Teraju Facilitation Fund RM'000	Program Strategik Memperkasa Rakyat dan Ekonomi RM'000	Lestari Bumi Financing RM'000	Tabung Usahawan Siswazah^ RM'000	Special Relief Facility^ RM'000	Penjana Tourism Financing^ RM'000	Balance c/f RM'000
At 1 January 2024	288	3,000	140,416	50,000	30,488	102,424	816	33,140	7,881	368,453
Refund	-	-	-	(26,791)	-	-	-	-	-	(26,791)
Additions^/Reclassification	-	-	-	-	-	(2,918)	167	-	-	(2,751)
Recoveries from loan/financing written-off (Note 38(h))	-	-	(3,453)	-	-	1,098	-	-	-	(2,355)
Utilised to offset expenses (Note 38(h))	-	-	-	-	-	(4,536)	-	-	-	(4,536)
Amortisation (Note 38(h))	-	-	-	-	-	-	(330)	(13,263)	(1,513)	(15,106)
At 31 December 2024	288	3,000	136,963	23,209	30,488	96,068	653	19,877	6,368	316,914

	Balance b/f RM'000	Targeted Relief and Recovery Facility^ RM'000	High Tech and Green Facility^ RM'000	Disaster Relief Facility^ RM'000	SME Automation and Digita- -lisation Facility^ RM'000	Agrofood Facility^ RM'000	Low Carbon Transition Facility^ RM'000	All Economic Sectors^ RM'000	Total RM'000
At 1 January 2024	368,453	84,522	4,844	2,032	16,360	2,282	271	-	478,764
Proceeds	(26,791)	-	-	-	-	-	-	-	(26,791)
Additions^/Reclassification	(2,751)	958	2,510	69	9,501	1,953	243	7,701	20,184
Recoveries from loan/financing written-off (Note 38(h))	(2,355)	-	-	-	-	-	-	-	(2,355)
Utilised to offset expenses (Note 38(h))	(4,536)	-	-	-	-	-	-	-	(4,536)
Amortisation (Note 38(h))	(15,106)	(13,787)	(618)	(330)	(1,924)	(370)	(27)	(548)	(32,710)
At 31 December 2024	316,914	71,693	6,736	1,771	23,937	3,865	487	7,153	432,556

(Forward)

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

22. Government funds (cont'd.)

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

Group and Bank	Tabung Usahawan Pahang RM'000	Skim Perusahaan Kapal Tradisional RM'000	Skim Anjakan Usahawan RM'000	Teraju Facilitation Fund RM'000	Program Strategik Memperkasa Rakyat dan Ekonomi RM'000	Lestari Bumi Financing RM'000	Tabung Usahawan Siswazah^ RM'000	Special Relief Facility^ RM'000	Balance c/ RM'000
At 1 January 2023	288	3,000	140,378	50,000	30,488	104,424	-	46,366	374,944
Additions^/Reclassification	-	-	-	-	-	-	983	-	983
Deposit matured	-	-	38	-	-	-	-	-	38
Recoveries from loan/financing written-off (Note 38(h))	-	-	-	-	-	(2,000)	-	-	(2,000)
Amortisation (Note 38(h))	-	-	-	-	-	-	(167)	(13,226)	(13,393)
At 31 December 2023	288	3,000	140,416	50,000	30,488	102,424	816	33,140	360,572

	SME								Total RM'000
	Balance b/ RM'000	Penjana Tourism Financing^ RM'000	Targeted Relief and Recovery Facility^ RM'000	High Tech and Green Facility^ RM'000	Disaster Relief Facility^ RM'000	Automation and Digita- -lisation Facility^ RM'000	Agrofood Facility^ RM'000	Low Carbon Transition Facility^ RM'000	
At 1 January 2023	374,944	9,390	99,230	11,467	2,900	-	-	-	497,931
Additions^/Reclassification	983	-	(958)	(6,225)	(597)	17,525	2,505	271	13,504
Deposit matured	38	-	-	-	-	-	-	-	38
Recoveries from loan/financing written-off (Note 38(h))	(2,000)	-	-	-	-	-	-	-	(2,000)
Amortisation (Note 38(h))	(13,393)	(1,509)	(13,750)	(398)	(271)	(1,165)	(223)	-	(30,709)
At 31 December 2023	360,572	7,881	84,522	4,844	2,032	16,360	2,282	271	478,764

^ The amount represent the benefits derived from the below-market interest element of the borrowings/fundings obtained from BNM as mentioned in Note 19.

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

22. Government funds (cont'd.)

Summary of the government funds are as follows:

Types of fund	Purpose of fund	Source	Grant received RM'000
(a) Tabung Usahawan Pahang	To provide loans/financing for furniture industry in Temerloh, Pahang	Pahang State Government	1,000
(b) Skim Perusahaan Kapal Tradisional	To promote ship making in Terengganu	Ministry of International Trade and Industry ("MITI")	3,000
(c) Skim Anjakan Usahawan	To promote business expansion for Bumiputera entrepreneur	MITI	140,000
(d) Teraju Facilitation Fund	To finance project cost and acquisition of machinery for Bumiputera entrepreneur	Teraju Bumiputera Corporation ("TERAJU")	50,000
(e) Program Strategik Memperkasa Rakyat dan Ekonomi ("PEMERKASA")	To assist SMEs in the acquisition of machinery/equipment to encourage automation and reduce dependency on foreign workers	Ministry of Finance ("MOF")	30,488
(f) Lestari Bumi Financing ("LBF")^	To provide financial assistance to micro and small enterprises to elevate their business to a higher level in terms of production capacity, market penetration and and competitiveness.	MITI	215,227
(g) Kompleks Kilang Bimbingan	To provide premises for Bumiputera entrepreneurs industry	MITI	220,775

^ Seven (7) funds that has undergone rationalisations and repurposed them for the LBF program inclusive of Soft Loan Scheme, Tabung Inkubator Pertanian Kelantan, Tabung Usahawan Siswazah, Dana Usahawan Negeri Terengganu, Program dan Skim Usahawan Batik, Basic Capital Scheme and Program dan Skim Usahawan Kraf.

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

22. Government funds (cont'd.)

Summary of the government funds are as follows: (cont'd.)

The following funds are channelled from GOM and BNM to the Group and the Bank to assist selected eligible SMEs. The funds received at below market rate were fair valued at inception using the market profit rate. The difference between the proceeds received and the fair value of the financing was recognised as government grants.

Types of fund	Purpose of fund	Outstanding balances	
		2024 RM'000	2023 RM'000
(h) Tabung Usahawan Siswazah	To encourage graduates into entrepreneurship	653	816
(i) Special Relief Facility	To help alleviate the short-term cash flow problems faced by SMEs adversely affected by the COVID-19 outbreak	19,877	33,140
(j) Penjana Tourism Financing	To support SMEs in the tourism sector	6,368	7,881
(k) Targeted Relief and Recovery Facility ("TRRF")	To provide relief and support recovery for SMEs in the services sector affected by reintroduction of containment measures, except tourism and tourism related subsectors	71,693	84,522
(l) High Tech and Green Facility ("HTGF")	To help SMEs and innovative start-ups to grow their businesses and invest in strategic sectors and technologies fields (digital tech, green tech and biotech) for a sustainable and entrenched economic recovery	6,736	4,844
(m) Disaster Relief Facility	To alleviate the financial burden of SMEs affected by the recent floods and facilitate the resumption of their business operations	1,771	2,032
(n) SME Automation & Digitalisation Facility ("ADF")	To enhance productivity and efficiency by purchase of equipment, machinery, computer hardware and software, IT solutions and services, technology support services, and other intangible assets	23,937	16,360
(o) Agrofood Facility	To support development of agrofood projects on capital expenditures and/or working capital	3,865	2,282
(p) Low Carbon Transition Facility ("LCTF")	To encourage and support SMEs to adopt sustainable practices for business resilience	487	271
(q) All Economic Sectors	To enhance access to financing for SMEs to support growth on capital expenditures and/or working capital	7,153	-

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

22. Government funds (cont'd.)

All the government grants are non-repayable and the credit risk pertaining to loans, advances and financing financed by the government grants are borne by the GOM.

Summary of utilisation of the government funds are as follows:

31 December 2024

Types of funds	Outstanding loans, advances and financing RM'000	No. of customers assisted
(a) Tabung Usahawan Pahang	-	-
(b) Skim Perusahaan Kapal Tradisional	-	-
(c) Skim Anjakan Usahawan	79,775	38
(d) Teraju Facilitation Fund	12,651	8
(e) PEMERKASA	24,754	177
(f) Lestari Bumi Financing	6,590	51
Total	<u>123,770</u>	

	Fair value RM'000	No. of tenants assisted
(g) Kompleks Kilang Bimbingan	<u>401,760</u> (Note 13)	134

31 December 2023

(a) Tabung Usahawan Pahang	-	-
(b) Skim Perusahaan Kapal Tradisional	-	-
(c) Skim Anjakan Usahawan	86,977	43
(d) Teraju Facilitation Fund	12,326	8
(e) PEMERKASA	14,985	97
(f) Lestari Bumi Financing	9,872	95
Total	<u>124,160</u>	

	Fair value RM'000	No. of tenants assisted
(g) Kompleks Kilang Bimbingan	<u>394,399</u> (Note 13)	399

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

23. Share capital

	Number of ordinary shares		Amount	
	2024	2023	2024	2023
Group and Bank	Unit '000	Unit '000	RM'000	RM'000
Issued and fully paid	1,850,000	1,850,000	1,850,000	1,850,000

24. Other reserves

Group and Bank	Fair value reserve RM'000	Distributable general reserve RM'000	Total RM'000
At 1 January 2024	20,297	10,114	30,411
Unrealised gain on revaluation of debt instrument at FVOCI	3,320	-	3,320
Unrealised gain on revaluation of equity instrument at FVOCI	434	-	434
Reclassification of loss included in profit or loss	2,238	-	2,238
Changes in expected credit losses of financial investments at FVOCI (Note 5)	(2,114)	-	(2,114)
Income tax relating to components of other comprehensive income (Note 15)	(1,438)	-	(1,438)
At 31 December 2024	22,737	10,114	32,851
At 1 January 2023	3,927	10,114	14,041
Unrealised loss on revaluation of debt instrument at FVOCI	18,087	-	18,087
Unrealised loss on revaluation of equity instrument at FVOCI	648	-	648
Reclassification of loss included in profit or loss	36	-	36
Changes in expected credit losses of financial investments at FVOCI (Note 5)	2,104	-	2,104
Income tax relating to components of other comprehensive income (Note 15)	(4,505)	-	(4,505)
At 31 December 2023	20,297	10,114	30,411

(a) Fair value reserve

Unrealised FVOCI reserve represents the cumulative fair value changes and allowance for expected credit loss, net of tax, of FVOCI financial assets until they are disposed of or impaired. Included in financial investments at FVOCI are equity instruments which the Group and the Bank have elected at initial recognition to measure the fair value changes in OCI whose fair value amounted to RM63,773,000 (2023: RM61,914,000).

(b) Distributable general reserve

Distributable general reserves arose from the rationalisation process between Bank Pembangunan dan Infrastruktur Malaysia Berhad and Bank Industri dan Teknologi Malaysia Berhad in 2005, of which eventually led to the commencement of operations of Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank).

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

25. Other operating income

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Fee income	-	925	-	925
Commission fee income	-	2	-	2
	-	927	-	927
Other income:				
Recoveries from financing written off	20,743	10,433	17,220	9,360
Compensation on late payment charges	321	421	321	421
	21,064	10,854	17,541	9,781
Total other operating income	21,064	11,781	17,541	10,708

26. Other operating expenses

		Group		Bank	
		2024	2023	2024	2023
	Note	RM'000	RM'000	RM'000	RM'000
Personnel expenses	(i)	202,362	183,318	198,318	179,783
Establishment related expenses	(ii)	52,281	52,003	52,248	51,977
Promotion and marketing expenses	(iii)	10,122	5,039	10,079	5,012
Administration and general expenses	(iv)	35,203	46,588	41,646	52,614
		299,968	286,948	302,291	289,386
(i) Personnel expenses					
Salaries, allowances and bonuses		157,878	140,174	154,726	137,475
Group President/ Chief Executive Officer and Directors' fees and remuneration	27	3,582	3,044	3,582	3,044
Shariah Committees' fees and remuneration	27	355	347	355	347
Social security cost		1,278	1,187	1,244	1,157
Contribution to Employee Provident Fund		19,192	17,851	18,776	17,461
Other staff related expenses		20,077	20,715	19,635	20,299
		202,362	183,318	198,318	179,783

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

26. Other operating expenses (cont'd.)

	Note	Group		Bank	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
(ii) Establishment related expenses					
Depreciation of property, plant and equipment	11	12,261	12,800	12,261	12,800
Depreciation of right-of-use assets	12	4,059	3,713	4,059	3,713
Amortisation of intangible assets	14	9,865	10,530	9,865	10,530
Rental expenses		(107)	(2)	(107)	(2)
Repairs and maintenance of property, plant and equipment		26,203	24,962	26,170	24,936
		<u>52,281</u>	<u>52,003</u>	<u>52,248</u>	<u>51,977</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		10,122	5,039	10,079	5,012
(iv) Administration and general expenses					
Administrative expenses		6,346	6,559	6,343	6,515
Auditors' remuneration					
- Statutory audit		1,092	898	1,015	825
- Regulatory related services		34	34	34	34
- Other assurance services		11	121	11	121
General expenses		27,720	38,976	34,243	45,119
		<u>35,203</u>	<u>46,588</u>	<u>41,646</u>	<u>52,614</u>

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

27. Group President/Chief Executive Officer, Directors' and Shariah Committees' fees and remuneration

2024

Group President/Chief Executive Officer ("GP/CEO"):

Datuk Dr. Mohammad Hardee bin S.N. Ibrahim*
Datuk Wira (Dr.) Aria Putera bin Ismail

Non-Executive Directors:

Dato' Muslim bin Hussain
Datuk Ahmad Hizzad bin Baharuddin
Zulkiflee bin Hashim
Datuk Wan Azhar bin Wan Ahmad
Suharti binti Mohd Ali
Afidah Azwa binti Abdul Aziz
Datuk Haji Zamri @ Fazillah bin Salleh
Rozainah binti Awang

Shariah Committees:

Dr. Shamsiah binti Mohamad
Dr. Ahmad Sufian bin Che Abdullah
Prof. Dr. Amir bin Shahrudin
Ahmad Husni bin Abd Rahman
Faizal bin Jaafar
Assoc. Prof. Dr. Ahmad Zaki bin Salleh

← Remuneration received from the Bank →							Remuneration received from subsidiaries			
Salary	Fees	Bonus	Pension cost	Other emoluments	Benefits-in-kind	Bank Total	Fees	Other emoluments	Benefits-in-kind	Group Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
267	-	-	55	154	-	476	-	-	-	476
666	-	256	164	527	-	1,613	-	-	-	1,613
933	-	256	219	681	-	2,089	-	-	-	2,089
-	144	-	-	93	-	237	-	-	-	237
-	48	-	-	135	-	183	-	-	-	183
-	48	-	-	188	-	236	-	-	-	236
-	44	-	-	151	-	195	-	-	-	195
-	48	-	-	143	-	191	-	-	-	191
-	48	-	-	92	-	140	-	-	-	140
-	48	-	-	72	-	120	-	-	-	120
-	48	-	-	143	-	191	-	-	-	191
-	476	-	-	1,017	-	1,493	-	-	-	1,493
933	476	256	219	1,698	-	3,582	-	-	-	3,582
-	51	-	-	-	-	51	-	-	-	51
-	53	-	-	-	-	53	-	-	-	53
-	78	-	-	14	-	92	-	-	-	92
-	53	-	-	-	-	53	-	-	-	53
-	53	-	-	-	-	53	-	-	-	53
-	53	-	-	-	-	53	-	-	-	53
-	341	-	-	14	-	355	-	-	-	355

*Appointed as Acting GP/CEO effective 3 September 2024.

^Bonus payment is based on actual payout

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

27. Group President/Chief Executive Officer, Directors' and Shariah Committees' fees and remuneration (cont'd.)

2023

Group President/Chief Executive Officer:

Datuk Wira (Dr.) Aria Putera bin Ismail

Non-Executive Directors:

Dato' Muslim bin Hussain
Datuk Ahmad Hizzad bin Baharuddin
Zulkiflee bin Hashim
Wan Abdul Rahman bin Wan Abu Bakar
Suharti binti Mohd Ali
Dato' Sharkawi bin Alis
Afidah Azwa binti Abdul Aziz
Datuk Haji Zamri @ Fazillah bin Salleh

Shariah Committees:

Dr. Asmak binti Ab Rahman
Dr. Shamsiah binti Mohamad
Dr. Ahmad Sufian bin Che Abdullah
Prof. Dr. Amir bin Shaharuddin
Ahmad Husni bin Abd Rahman
Faizal bin Jaafar
Assoc. Prof. Dr. Ahmad Zaki bin Salleh

← Remuneration received from the Bank →							Remuneration received from subsidiaries			
Salary	Fees	Bonus	Pension cost	Other emoluments	Benefits-in-kind	Bank Total	Fees	Other emoluments	Benefits-in-kind	Group Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
990	-	165	207	491	-	1,853	-	-	-	1,853
990	-	165	207	491	-	1,853	-	-	-	1,853
-	72	-	-	175	-	247	-	-	-	247
-	48	-	-	134	-	182	-	-	-	182
-	48	-	-	199	-	247	-	-	-	247
-	1	-	-	2	-	3	-	-	-	3
-	48	-	-	156	-	204	-	-	-	204
-	14	-	-	35	-	49	-	-	-	49
-	44	-	-	88	-	132	-	-	-	132
-	44	-	-	83	-	127	-	-	-	127
-	319	-	-	872	-	1,191	-	-	-	1,191
990	319	165	207	1,363	-	3,044	-	-	-	3,044
-	9	-	-	5	-	14	-	-	-	14
-	36	-	-	14	-	50	-	-	-	50
-	36	-	-	15	-	51	-	-	-	51
-	54	-	-	26	-	80	-	-	-	80
-	36	-	-	15	-	51	-	-	-	51
-	36	-	-	14	-	50	-	-	-	50
-	36	-	-	15	-	51	-	-	-	51
-	243	-	-	104	-	347	-	-	-	347

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

27. Group President/Chief Executive Officer, Directors' and Shariah Committees' fees and remuneration (cont'd.)

The number of chief executives and directors of the Group and of the Bank whose total remuneration fell within the following bands are analysed below:

	Group and Bank	
	2024	2023
	RM'000	RM'000
Number of Chief Executives:		
RM1,000,001 to RM2,000,000	1	-
RM400,001 to RM500,000	1	1
	<u>2</u>	<u>1</u>
Number of Non-Executive Directors:		
RM200,001 to RM400,000	2	3
RM100,001 to RM200,000	6	3
RM1 to RM100,000	-	2
	<u>8</u>	<u>8</u>

28. Allowance/(Writeback) for impairment loss on loans, advances and financing

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Allowance/(Writeback) for impairment losses on loans, advances and financing made during the year				
- Stage 1, net (Note 7(ix))	(15,871)	(11,672)	(15,871)	(11,672)
- Stage 2, net (Note 7(ix))	68,204	29,674	68,204	29,674
- Stage 3, net (Note 7(ix))	78,073	141,946	112,067	167,015
	<u>130,406</u>	<u>159,948</u>	<u>164,400</u>	<u>185,017</u>
Impaired loans, advances and financing written off	<u>4,482</u>	<u>4,329</u>	<u>4,482</u>	<u>4,329</u>
Total allowance for impairment losses on loans, advances and financing	<u>134,888</u>	<u>164,277</u>	<u>168,882</u>	<u>189,346</u>

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

29. Tax expense/(credit) and zakat

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Tax expense for the year	3,559	3,448	518	1,315
Overprovision in prior years	(1,669)	(690)	(1,259)	(705)
	<u>1,890</u>	<u>2,758</u>	<u>(741)</u>	<u>610</u>
Deferred tax (Note 15):				
Origination or reversal of temporary differences	23,829	(4,691)	23,829	(4,691)
Under/(Over) provision in prior years	33	(5,261)	33	(5,261)
	<u>23,862</u>	<u>(9,952)</u>	<u>23,862</u>	<u>(9,952)</u>
Provision on real property gain tax	98	-	98	-
Total tax expense/(credit) for the year	<u>25,850</u>	<u>(7,194)</u>	<u>23,219</u>	<u>(9,342)</u>

The reconciliation between tax expense and accounting profit of the Group and of the Bank multiplied by the applicable corporate tax rate is as follows:

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Profit before tax expense and zakat	<u>109,928</u>	<u>75,278</u>	<u>100,497</u>	<u>75,605</u>
Tax expenses at Malaysian tax rate of 24% (2023: 24%)	26,383	18,067	24,119	18,145
Tax effects of:				
Non-deductible expenses	1,686	10,741	278	8,515
Non-taxable income	(259)	(182)	(50)	(182)
Day-1 modification loss	-	(20,833)	-	(20,833)
Utilisation of deferred tax previously not recognised	(422)	(9,036)	-	(9,021)
Deferred tax assets not recognised	-	-	-	-
Provision on real property gain tax	98	-	98	-
Overprovision of current tax in prior years	(1,669)	(690)	(1,259)	(705)
Overprovision of deferred tax in prior years	33	(5,261)	33	(5,261)
Total tax expense/(credit) for the year	<u>25,850</u>	<u>(7,194)</u>	<u>23,219</u>	<u>(9,342)</u>

	Group and Bank	
	2024	2023
	RM'000	RM'000
Zakat:		
Zakat expense for the year	2,000	1,500
Overprovision in prior years	(65)	(1,670)
	<u>1,935</u>	<u>(170)</u>

The Group and the Bank's zakat provision is based on the growth capital method which apply the rate of 2.5% (2023: 2.5%) which are on owner's equity, long term liabilities, net of fixed assets and non-current assets, and subjected to allowable adjustments.

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

30. Earnings per share

The basic and diluted earnings per share amount is calculated by dividing profit for the year net of tax, by the weighted average number of ordinary shares outstanding during the financial year as follows:

	Bank	
	2024	2023
	RM'000	RM'000
Profit for the year	75,343	85,117
Earnings per share (sen)		
- Basic and diluted	4.07	4.60
Weighted average number of ordinary shares for basic earnings per share computation	1,850,000	1,850,000

31. Commitments and contingencies

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

	Group and Bank	
	2024	2023
	RM'000	RM'000
Direct credit substitutes	91,181	149,032
Transaction-related-contingent items	286,035	251,229
Undisbursed loans/financing		
- original maturity up to one year	487,930	340,257
- original maturity more than one year	711,891	1,215,945
	1,577,037	1,956,463

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

	Group and Bank	
	2024	2023
	RM'000	RM'000
Approved and contracted for:		
Information technology system	17,041	12,809
	17,041	12,809
Total commitments and contingencies	1,594,078	1,969,272

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

32. 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 must have an absolute minimum capital of RM300,000,000 and a minimum Risk Weighted Capital Ratio ("RWCR") of 8% at all times. The minimum capital funds refer to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act, 2002.

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

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	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	(138,561)	(212,192)	(135,069)	(201,900)
General reserves	10,114	10,114	10,114	10,114
General provision for loans, advances and financing ¹	-	43,564	-	43,564
Less: Deferred tax assets	(88,236)	(113,536)	(88,236)	(113,536)
Less: Property revaluation reserve	(258,517)	(248,933)	(258,517)	(248,933)
Total Tier I capital	<u>1,374,800</u>	<u>1,329,017</u>	<u>1,378,292</u>	<u>1,339,309</u>
<u>Tier II Capital</u>				
General provision for loans, advances and financing ¹	219,401	130,728	219,401	130,728
Property revaluation reserve ²	129,259	124,467	129,259	124,467
Government funds	387,849	427,977	387,849	427,977
Total Tier II capital	<u>736,509</u>	<u>683,172</u>	<u>736,509</u>	<u>683,172</u>
Total capital	2,111,309	2,012,189	2,114,801	2,022,481
Less: Investment in subsidiaries	-	-	-	-
Total capital base	<u>2,111,309</u>	<u>2,012,189</u>	<u>2,114,801</u>	<u>2,022,481</u>

¹ 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.

² The eligible amount for Tier II Capital is only limited to 50% of property revaluation reserves.

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

32. Capital adequacy (cont'd.)

Capital management (cont'd.)

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
20%	242,006	320,673	246,387	320,673
50%	3,964	4,501	3,964	4,501
100%	9,326,387	10,553,908	9,370,795	10,644,139
	9,572,357	10,879,082	9,621,146	10,969,313

	Group		Bank	
	2024	2023	2024	2023
Before deducting proposed dividends:				
Core capital ratio	14.362%	12.216%	14.326%	12.210%
Risk-weighted capital ratio	22.056%	18.496%	21.981%	18.438%

After deducting proposed dividends:

Core capital ratio	14.283%	12.138%	14.247%	12.132%
Risk-weighted capital ratio	21.978%	18.418%	21.902%	18.360%

Capital monitoring

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

Transitional arrangements

Pursuant to BNM's Policy Document on Transitional Arrangements ("TA") for Regulatory Capital Treatment of Account Provisions for Development Financial Institutions, the Bank had elected to apply the transitional arrangements where the Bank is 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 from financial year beginning 2020.

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

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

32. Capital adequacy (cont'd.)

Capital management (cont'd.)

Transitional arrangement	Group		Bank	
	Before RM'000	After RM'000	Before RM'000	After RM'000
2024				
Total Tier I capital	1,374,800	1,374,800	1,378,292	1,378,292
of which: Total Add-back	-	-	-	-
Total Additional Tier I capital	<u>1,374,800</u>	<u>1,374,800</u>	<u>1,378,292</u>	<u>1,378,292</u>
Total Tier II capital	736,509	736,509	736,509	736,509
of which: Loss provisions	219,401	219,401	219,401	219,401
Total Risk Weighted Assets	<u>9,572,357</u>	<u>9,572,357</u>	<u>9,621,146</u>	<u>9,621,146</u>
Core capital ratio	14.362%	14.362%	14.326%	14.326%
Risk-weighted capital adequacy ratio	<u>22.056%</u>	<u>22.056%</u>	<u>21.981%</u>	<u>21.981%</u>
2023				
Total Tier I capital	1,285,453	1,285,453	1,295,745	1,295,745
of which: Total Add-back	-	43,564	-	43,564
Total Additional Tier I capital	<u>1,285,453</u>	<u>1,329,017</u>	<u>1,295,745</u>	<u>1,339,309</u>
Total Tier II capital	726,736	683,172	726,736	683,172
of which: Loss provisions	174,292	130,728	174,292	130,728
Total Risk Weighted Assets	<u>10,879,082</u>	<u>10,879,082</u>	<u>10,969,313</u>	<u>10,969,313</u>
Core capital ratio	11.816%	12.216%	11.812%	12.210%
Risk-weighted capital adequacy ratio	<u>18.496%</u>	<u>18.496%</u>	<u>18.438%</u>	<u>18.438%</u>

33. Related party transactions

(a) Parent entity

The Bank is a Government Linked Corporation, with all shares held by the Minister of Finance Incorporated and is incorporated on behalf of the GOM. GOM and entities directly controlled by GOM are collectively referred to as government-related-entities to the Group and the Bank.

(b) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly. Other than Directors as disclosed in Note 27, the key management personnel of the Group and of the Bank include members of senior management as follows:

	Group and Bank	
	2024 RM'000	2023 RM'000
Salaries and other emoluments	12,229	11,036
Defined contribution plan	1,550	1,466
	<u>13,779</u>	<u>12,502</u>

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

33. Related party transactions (cont'd.)

(c) Related party transactions

The significant outstanding balances of the Group and of the Bank with its related parties are as follows:

	Group and Bank	
	2024	2023
	RM'000	RM'000
Long-term loans/financing from MOF (Note 19)	857,793	903,222
Interest/Profit payable to MOF (Note 19)	14,892	7,778
Deposit acceptance from government agencies (Note 16(ii))	1,324,970	1,037,428
Interest/Profit payable to government agencies (Note 16(i))	20,298	14,727
Government fund from MITI (Note 22)	333,865	347,201
Government fund from Ministry of Entrepreneur Development and Cooperatives ("MEDAC")	5,810	6,325
	2,557,628	2,316,681

The significant related parties credits/(charges) within the Group, which were determined based on terms agreed between the parties are as follows:

	Bank	
	2024	2023
	RM'000	RM'000
Profit income on amount due from a subsidiary company (Note 38(h))	6,084	7,183
Profit expense on Commodity Murabahah to subsidiary companies (Note 38(g)(i))	(799)	(719)
Service fee charged by a subsidiary company	(11,231)	(10,177)
Training fee charged by a subsidiary company	(5,344)	(727)
	(11,290)	(4,440)

(d) Connected parties

	Group and Bank			
	Total	Total	Total	
	number of	exposure	financing	
	connected	(total	exposure	
	party	outstanding	which	
	account/	plus	is non-	
	counter-	unutilised	performing	
	party	limit)	or in default	
	Total	RM'000	RM'000	
31 December 2024	outstanding			
	RM'000			
Loans/financing facility (except guarantee)	134,705	2	134,705	134,104
Off-balance sheet exposure	-	-	-	-
Equities and private debt securities held	73,314	2	73,314	-
	208,019	4	208,019	134,104
Total exposure to connected parties as % of total capital			9.8%	6.3%
Total exposure to connected parties as % of total outstanding exposure			1.7%	1.1%

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

33. Related party transactions (cont'd.)

(d) Connected parties (cont'd)

	Total outstanding RM'000	Group and Bank		Total financing exposure which is non- performing or in default RM'000
		Total number of connected party account/ counter- party	Total exposure (total outstanding plus unutilised limit) RM'000	
31 December 2023				
Loans/financing facility (except guarantee)	400,341	6	400,341	232,994
Off-balance sheet exposure	-	-	-	-
Equities and private debt securities held	128,652	5	128,652	-
	528,993	11	528,993	232,994
Total exposure to connected parties as % of total capital			26.2%	11.5%
Total exposure to connected parties as % of total outstanding exposure			4.2%	1.9%

The connected parties refers to parties involved in a related-party transaction relating to a deal or arrangement made between the said two parties who are joined by a pre-existing business relationship or common interest. The Bank connected parties transactions relate to any loans/financing facility (except guarantee) and equities and private debt securities held.

34. Asset classified as held for sale

	Group and Bank	
	2024 RM'000	2023 RM'000
At 1 January	-	-
Transfer from investment properties (Note 13)	4,117	-
At 31 December	4,117	-

In accordance with MFRS 5, the assets held for sale were stated at the lower of carrying amount and fair value less cost to sell. As at 31 December 2024, the investment properties held for sale that were stated at fair value less cost to sell of RM183,000 was RM4,117,000.

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

35. Fair value of financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents best estimates of fair value of financial instruments at the end of the reporting period.

For loans, advances and financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair value of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding the risk characteristics of various financial instruments, discount rates, estimates of future cash flows, historical loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and of the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction at the end of the reporting period. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and of the Bank as a going concern.

The estimated fair value of those on-balance sheet financial assets and financial liabilities as at the end of the reporting period approximate their carrying amounts as shown in the statements of financial position, except for the following financial assets and financial liabilities:

	Group and Bank	
	Carrying amount RM'000	Fair value RM'000
31 December 2024		
Financial assets:		
Debt instruments at AC	949,368	954,030
Loans, advances and financing	<u>8,760,660</u>	<u>7,901,372</u>
Financial liabilities:		
IMTNs/ICPs	2,723,365	2,650,639
Borrowings/Fundings	2,158,289	2,000,720
Lease liabilities	<u>13,445</u>	<u>13,181</u>
31 December 2023		
Financial assets:		
Debt instruments at AC	975,652	982,085
Loans, advances and financing	<u>8,284,537</u>	<u>7,288,629</u>
Financial liabilities:		
Islamic medium-term notes/commercial papers	3,506,937	3,402,926
Borrowings/Fundings	2,047,647	1,876,152
Lease liabilities	<u>12,811</u>	<u>12,203</u>

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

35. Fair value of financial instruments (cont'd.)

The methods and assumptions used in estimating the fair values of the financial instruments are as follows:

(a) Debt instruments at AC

The fair values of private debt securities, Malaysian Government Investment Issues and Commercial papers are determined by reference to the market value of these instruments published by pricing agencies in Malaysia.

(b) Equity instruments at FVOCI

The fair values of private debt securities are determined by reference to the market value of these instruments published by pricing agencies in Malaysia. While the fair value of unquoted shares is based on the adjusted net assets method of respective investee company.

(c) Loans, advances and financing

The fair values of variable and fixed rate loans/financing with remaining maturity of less than one year are estimated to approximate their carrying values. For variable and fixed rate loans, advances and financing with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at end of the reporting period offered for similar loans/financing to new borrowers/customers with similar credit profiles, where applicable. For impaired loans/financing, the fair values are deemed to approximate the carrying values, net of impairment allowance.

(d) Islamic medium-term notes/commercial notes, borrowings/fundings and lease liabilities

The fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at the end of the reporting period obtained for similar loans/financing with similar maturities, where applicable.

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

35. Fair value of financial instruments (cont'd.)

The following table provides the fair value measurement hierarchy of the Group's and of the Bank's financial assets and financial liabilities other than those short-term or on demand financial assets and financial liabilities whose carrying amounts are reasonable approximation of their fair values.

	Group and Bank			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
2024				
<u>Financial assets and financial liabilities</u>				
<u>measured at fair value:</u>				
Financial assets:				
Debt instruments at FVOCI	-	1,916,156	-	1,916,156
Equity instruments at FVOCI	-	52,632	14,859	67,491
<u>Financial assets and financial liabilities</u>				
<u>not measured at fair value for</u>				
<u>which fair values are disclosed:</u>				
Financial assets:				
Debt instruments at AC	-	954,030	-	954,030
Loans, advances and financing	-	-	7,901,372	7,901,372
Financial liabilities:				
Islamic medium-term notes/commercial papers	-	2,650,639	-	2,650,639
Borrowings/Fundings	-	2,000,720	-	2,000,720
Lease liabilities	-	13,181	-	13,181
2023				
<u>Financial assets and financial liabilities</u>				
<u>measured at fair value:</u>				
Financial assets:				
Debt instruments at FVOCI	-	1,420,760	-	1,420,760
Equity instruments at FVOCI	-	51,221	10,693	61,914
<u>Financial assets and financial liabilities</u>				
<u>not measured at fair value for</u>				
<u>which fair values are disclosed:</u>				
Financial assets:				
Debt instruments at AC	-	982,085	-	982,085
Loans, advances and financing	-	-	7,288,629	7,288,629
Financial liabilities:				
Islamic medium-term notes/commercial papers	-	3,402,926	-	3,402,926
Borrowings/Fundings	-	1,876,152	-	1,876,152
Lease liabilities	-	12,203	-	12,203

(Forward)

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

36. Financial risk management objectives and policies

The Group's and the Bank's financial risk management frameworks and policies have been established with the objective to enhance shareholder's value. The Group and the Bank focus on the enterprise wide risk exposure, which include the major risk arising from credit risk, liquidity risk, market risk, non-financial risk, climate risk etc and seeks to minimise potential adverse effects on the financial performance of the Group and the Bank.

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management principles and strategies. Separate independent bodies and functions have been established and are responsible in assisting the Board of Directors in managing and monitoring risks, which are elaborated as follows:

(a) Board Risk Management Committee ("BRMC")

The BRMC has the overall responsibilities for the development of the risk strategies and implementing principles, frameworks, policies and limits. The BRMC is responsible for managing risk decisions and monitoring risk levels.

(b) Group Risk and Group Compliance

The Group Risk undertakes an integrated risk management approach to create continuous risk awareness and understanding of procedures and controls, thus enhancing the overall control environment. Throughout the year, risk management policies and processes were reviewed and enhance to reflect changes in the markets, products and regulatory environment to ensure that the policies remain relevant and that the Group's risk profile remains prudent and within the Group's risk appetite.

(c) Assets and Liability Management

Treasury and Finance are responsible for managing the Bank's assets and liabilities and the overall financial structure. Treasury and Finance are also responsible for the funding and liquidity of the Bank.

(d) Internal Audit

The Group Audit serves as the third line of defence by providing independent and objective assurance on the overall effectiveness of the financial risk management process. This involves performing independent review and periodic validation of the relevant financial risk policies and processes, as well as regularly reviewing the implementation of financial risk tools by the respective business units. Internal Audit function also provides advisory services and insights for areas of improvement based on the acceptable best practices, conducts investigative audits and ensures the implementation of remedial and corrective actions.

Audit engagements are carried out based on the Annual Audit Plan ("AAP") approved by the Board Audit Committee ("BAC") and take into consideration feedback from the Management. Internal Audit's assessment on the adequacy and effectiveness of governance structure, processes and internal controls will involve understanding, documenting, evaluating and testing the overall Group's and the Bank's internal control system.

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems

Monitoring and controlling risks are primarily performed based on limits established by the Group and the Bank. These limits reflect the business strategy, market environment and regulatory requirements towards the Group and the Bank via Risk Appetite Statements ("RAS"). In addition, the Group's and the Bank's policies and procedures are to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and actions.

Information obtained from all critical and non-critical business functions were assessed and processed in order to analyse, control and identify risks on a timely basis. This information is presented to various committees such as Compliance and Risk Management Committee ("CRMC"), Asset & Liability Management Committee ("ALCO") and Information Technology Steering Committee ("ITSC") at management level before submission to the Shariah Committee ("SC"), BRMC and Board of Directors respectively. The BRMC receives a comprehensive risk report which is designed to provide all the necessary information to assess and conclude on the risks of the Bank. In discharging its roles and responsibilities, BRMC is supported by a number of management committees such as CRMC, ALCO and ITSC. These Management Committees are generally accountable for the effectiveness of the day-to-day risk assessment and controls, in an effort to balance the Group's risk and return as well as maintain its competitive advantage.

The main areas of financial risks faced by the Group and the Bank are set out as follows:

(a) Credit risk

Credit risk is the potential loss arising from customers or counterparties failing to meet their financial contractual obligations. Management of credit risk is principally through financing directions and policies, which are instituted based on prevailing business and economic conditions. Credit processes are also structured to ensure adherence of credit policies and to establish impartiality in financing origination, approval, documentation, disbursement, monitoring and settlement.

The Group's and the Bank's Credit Risk Management manages and reviews asset quality, reviews concentration limits, according to various categories such as customer, economic sector and product types and monitors credit portfolio risk. Industry risk is also evaluated and monitored as dynamic changes in the economic environment have a direct impact on the Group's and the Bank's asset quality.

The internal credit risk rating system has been established to measure the credit worthiness of each customer. The primary objectives are to provide a consistent approach in risk grading of the Group's and the Bank's customers.

The Group and the Bank adopt best practices as set out in BNM Guidelines on Best Practices for the Management of Credit Risk for Development Financial Institutions and Credit Risk Policy Document.

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

Credit assessments on financing applications will be performed before the applications are being approved by the approving authorities. Credit Division has been established to review all financing to be submitted for approval by the respective approving authorities at Management and Board level.

(i) Credit exposure

The gross credit risk exposure of the Group and the Bank at the end of the reporting period are as follows:

	Group	
	2024	2023
	RM'000	RM'000
On balance sheet:		
Cash and short-term funds	1,104,069	1,558,746
Debt instrument at FVOCI (Note 5)	1,916,156	1,420,760
Debt instrument at AC	949,569	976,439
Loans, advances and financing (Note 7)	9,617,315	9,143,936
Other receivables and rental receivables (Note 8)	11,035	23,028
	<u>13,598,144</u>	<u>13,122,909</u>
Off balance sheet:		
Commitments and contingencies (Note 31 (i))	1,577,037	1,956,463
	<u>15,175,181</u>	<u>15,079,372</u>

	Bank	
	2024	2023
	RM'000	RM'000
On balance sheet:		
Cash and short-term funds	1,101,013	1,558,045
Debt instrument at FVOCI (Note 5)	1,916,156	1,420,760
Debt instrument at AC	949,569	976,439
Loans, advances and financing (Note 7)	9,418,254	8,910,881
Amount due from subsidiaries, other receivables and rental receivables (Note 8)	214,755	289,540
	<u>13,599,747</u>	<u>13,155,665</u>
Off balance sheet:		
Commitments and contingencies (Note 31 (i))	1,577,037	1,956,463
	<u>15,176,784</u>	<u>15,112,128</u>

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(ii) Gross loans, advances and financing rated based on internal rating by the Bank:

Group	Stage 1	Stage 2	Stage 3	Total
31 December 2024	RM'000	RM'000	RM'000	RM'000
Risk rating category				
Highest safety*	4,113,953	214,218	-	4,328,171
Moderate safety**	2,722,321	326,359	-	3,048,680
High risk***	607,278	298,885	-	906,163
Non-rated	10,849	398	-	11,247
Impaired	-	-	1,323,054	1,323,054
	<u>7,454,401</u>	<u>839,860</u>	<u>1,323,054</u>	<u>9,617,315</u>
Group	Stage 1	Stage 2	Stage 3	Total
31 December 2023	RM'000	RM'000	RM'000	RM'000
Risk rating category				
Highest safety*	4,008,176	102,104	-	4,110,280
Moderate safety**	2,681,428	292,949	-	2,974,377
High risk***	446,764	251,300	-	698,064
Non-rated	13,038	738	-	13,776
Impaired	-	-	1,347,439	1,347,439
	<u>7,149,406</u>	<u>647,091</u>	<u>1,347,439</u>	<u>9,143,936</u>

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(ii) Gross loans, advances and financing are rated based on internal rating by the Bank: (cont'd.)

Bank	Stage 1	Stage 2	Stage 3	Total
31 December 2024	RM'000	RM'000	RM'000	RM'000
Risk rating category				
Highest safety*	4,113,953	214,218	-	4,328,171
Moderate safety**	2,722,321	326,359	-	3,048,680
High risk***	607,278	298,885	-	906,163
Non-rated	10,849	398	-	11,247
Impaired	-	-	1,123,993	1,123,993
	<u>7,454,401</u>	<u>839,860</u>	<u>1,123,993</u>	<u>9,418,254</u>
Bank	Stage 1	Stage 2	Stage 3	Total
31 December 2023	RM'000	RM'000	RM'000	RM'000
Risk rating category				
Highest safety*	4,008,176	102,104	-	4,110,280
Moderate safety**	2,681,428	292,949	-	2,974,377
High risk***	446,764	251,300	-	698,064
Non-rated	13,038	738	-	13,776
Impaired	-	-	1,114,384	1,114,384
	<u>7,149,406</u>	<u>647,091</u>	<u>1,114,384</u>	<u>8,910,881</u>

* Strong capacity to meet financial commitments

** Moderate capacity to meet financial commitments

*** Poor credit quality and high risk of default

It is the Bank's practices to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(iii) The following table sets out the credit risk concentration by industry sector (gross balances):

Group	Short-term funds and placements with financial institutions RM'000	Debt instrument at FVOCI RM'000	Debt instrument at AC RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
2024							
Government	-	1,814,686	396,838	-	-	2,211,524	-
Construction	-	81,420	76,207	1,707,403	-	1,865,030	608,055
Education, health and others	-	-	-	566,634	-	566,634	38,545
Electricity, gas and water supply	-	-	39,907	154,900	-	194,807	56,085
Financial, insurance/takaful, real estate and business services	1,104,069	10,155	385,663	1,083,828	-	2,583,715	140,793
Manufacturing	-	-	30,562	1,821,887	-	1,852,449	271,650
Mining and quarrying	-	-	-	132,794	-	132,794	54,839
Primary agriculture	-	-	20,392	8,079	-	28,471	1
Transportation, storage and communication	-	-	-	1,349,425	-	1,349,425	168,802
Wholesale, retail trade, restaurants and hotels	-	-	-	2,783,632	-	2,783,632	238,267
Others	-	9,895	-	8,733	11,035	29,663	-
Gross total	1,104,069	1,916,156	949,569	9,617,315	11,035	13,598,144	1,577,037

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(iii) The following table sets out the credit risk concentration by industry sector (gross balances)(cont'd.):

Group	Short-term funds and placements with financial institutions RM'000	Debt instrument at FVOCI RM'000	Debt instrument at AC RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
2023							
Government	-	1,213,986	483,785	-	-	1,697,771	-
Construction	-	130,917	135,279	1,619,022	-	1,885,218	737,018
Education, health and others	-	-	-	600,806	-	600,806	92,940
Electricity, gas and water supply	-	-	-	162,567	-	162,567	34,434
Financial, insurance/takaful, real estate and business services	1,558,746	65,962	306,419	1,081,271	-	3,012,398	105,153
Manufacturing	-	-	30,569	1,654,468	-	1,685,037	292,180
Mining and quarrying	-	-	-	114,979	-	114,979	68,572
Primary agriculture	-	-	20,387	10,153	-	30,540	811
Transportation, storage and communication	-	-	-	1,261,432	-	1,261,432	254,838
Wholesale, retail trade, restaurants and hotels	-	-	-	2,629,440	-	2,629,440	370,517
Others	-	9,895	-	9,798	23,028	42,721	-
Gross total	1,558,746	1,420,760	976,439	9,143,936	23,028	13,122,909	1,956,463

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(iii) The following table sets out the credit risk concentration by industry sector (gross balances)(cont'd.):

Bank	Short-term funds and placements with financial institutions RM'000	Debt instrument at FVOCI RM'000	Debt instrument at AC RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
2024							
Government	-	1,814,686	396,838	-	-	2,211,524	-
Construction	-	81,420	76,207	1,706,633	-	1,864,260	608,055
Education, health and others	-	-	-	559,687	-	559,687	38,545
Electricity, gas and water supply	-	-	39,907	154,900	-	194,807	56,085
Financial, insurance/takaful, real estate and business services	1,101,013	10,155	385,663	1,083,166	134,106	2,714,103	140,793
Manufacturing	-	-	30,562	1,796,723	-	1,827,285	271,650
Mining and quarrying	-	-	-	132,794	-	132,794	54,839
Primary agriculture	-	-	20,392	8,049	-	28,441	1
Transportation, storage and communication	-	-	-	1,332,875	-	1,332,875	168,802
Wholesale, retail trade, restaurants and hotels	-	-	-	2,634,694	-	2,634,694	238,267
Others	-	9,895	-	8,733	80,649	99,277	-
Gross total	1,101,013	1,916,156	949,569	9,418,254	214,755	13,599,747	1,577,037

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(iii) The following table sets out the credit risk concentration by industry sector (gross balances)(cont'd.):

Bank	Short-term funds and placements with financial institutions RM'000	Debt instrument at FVOCI RM'000	Debt instrument at AC RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
2023							
Government	-	1,213,986	483,785	-	-	1,697,771	-
Construction	-	130,917	135,279	1,618,252	-	1,884,448	737,018
Education, health and others	-	-	-	593,052	-	593,052	92,940
Electricity, gas and water supply	-	-	-	162,567	-	162,567	34,434
Financial, insurance/takaful, real estate and business services	1,558,045	65,962	306,419	1,080,609	208,822	3,219,857	105,153
Manufacturing	-	-	30,569	1,628,889	-	1,659,458	292,180
Mining and quarrying	-	-	-	114,979	-	114,979	68,572
Primary agriculture	-	-	20,387	10,123	-	30,510	811
Transportation, storage and communication	-	-	-	1,244,816	-	1,244,816	254,838
Wholesale, retail trade, restaurants and hotels	-	-	-	2,447,796	-	2,447,796	370,517
Others	-	9,895	-	9,798	80,718	100,411	-
Gross total	1,558,045	1,420,760	976,439	8,910,881	289,540	13,155,665	1,956,463

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(iv) Credit risk exposure analysis of the Group and the Bank are as follows:

Group	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2024	RM'000	RM'000	RM'000	RM'000
Short-term funds and placements				
with financial institutions	1,104,069	-	-	1,104,069
Debt instrument at FVOCI	1,906,156	-	10,000	1,916,156
Debt instrument at AC	949,569	-	-	949,569
Loans, advances and financing:				
Term loans/financing				
- Hire purchase receivables	243,204	14,649	33,203	291,056
- Leasing	-	-	146	146
- Other term loans/financing	3,851,124	706,620	1,005,399	5,563,143
Revolving loans/financing	3,351,340	118,591	284,306	3,754,237
Staff loans/financing	8,733	-	-	8,733
Other assets	8,025	-	3,010	11,035
	11,422,220	839,860	1,336,064	13,598,144
	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2023	RM'000	RM'000	RM'000	RM'000
Short-term funds and placements				
with financial institutions	1,558,746	-	-	1,558,746
Debt instrument at FVOCI	1,383,293	27,467	10,000	1,420,760
Debt instrument at AC	976,439	-	-	976,439
Loans, advances and financing:				
Term loans/financing				
- Hire purchase receivables	281,392	20,674	28,019	330,085
- Leasing	-	-	225	225
- Other term loans/financing	4,756,470	557,489	1,092,080	6,406,039
Revolving loans/financing	2,101,745	68,929	227,115	2,397,789
Staff loans/financing	9,798	-	-	9,798
Other assets	13,029	-	9,999	23,028
	11,080,912	674,559	1,367,438	13,122,909

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(iv) Credit risk exposure analysis of the Group and the Bank are as follows (cont'd.):

Bank	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2024	RM'000	RM'000	RM'000	RM'000
Short-term funds and placements				
with financial institutions	1,101,013	-	-	1,101,013
Debt instrument at FVOCI	1,906,156	-	10,000	1,916,156
Debt instrument at AC	949,569	-	-	949,569
Loans, advances and financing:				
Term loans/financing				
- Hire purchase	243,204	14,649	22,825	280,678
- Other term loans/financing	3,851,124	706,620	817,444	5,375,188
Revolving loans/financing	3,351,340	118,591	283,724	3,753,655
Staff loans/financing	8,733	-	-	8,733
Other assets	77,639	-	137,116	214,755
	11,488,778	839,860	1,271,109	13,599,747
	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2023	RM'000	RM'000	RM'000	RM'000
Short-term funds and placements				
with financial institutions	1,558,045	-	-	1,558,045
Debt instrument at FVOCI	1,383,293	27,467	10,000	1,420,760
Debt instrument at AC	976,439	-	-	976,439
Loans, advances and financing:				
Term loans/financing				
- Hire purchase	281,392	20,674	17,649	319,715
- Other term loans/financing	4,756,470	557,489	870,192	6,184,151
Revolving loans/financing	2,101,745	68,929	226,543	2,397,217
Staff loans/financing	9,798	-	-	9,798
Other assets	70,719	-	218,821	289,540
	11,137,901	674,559	1,343,205	13,155,665

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(v) Collateral and credit enhancement

The amount and type of collateral required depends on assessment of the credit risk of the counterparty. Guidelines are implemented on areas relating to the acceptability of collateral types and valuation parameters.

The main types of acceptable collateral and credit enhancement obtained are stated in the Bank's Collateral Policy.

Management monitors the market value of collateral and ascertains the market value of collateral obtained during its review to ensure the adequacy of impairment losses.

(vi) Collateral and credit enhancement for loans, advances and financing

Collateral represents the asset pledged by a customer and/or a third party on behalf of the customer, in whole or in part, to secure credit exposure and/or potential credit exposure with the Group and the Bank.

The Group and the Bank will only accept high quality collateral by considering its marketability, legal enforceability, value of collateral, identification and security position. The estimated fair value of collaterals over gross financing held by the Group and the Bank for respective industry sector are as follows:

Group	Gross loans, advances and financing RM'000	Estimated fair value of collateral (%)
31 December 2024		
Construction	1,707,403	62.55
Education, health and others	566,634	82.12
Electricity, gas and water supply	154,900	55.83
Financial, insurance/takaful, real estate and business services	1,083,828	77.37
Manufacturing	1,821,887	69.74
Mining and quarrying	132,794	83.47
Primary agriculture	8,079	91.57
Transportation, storage and communication	1,349,425	57.53
Wholesale, retail trade, restaurants and hotels	2,783,632	76.20
Others	8,733	-
	<u>9,617,315</u>	

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(vi) Collateral and credit enhancement for loans, advances and financing (cont'd.)

Group	Gross loans, advances and financing RM'000	Estimated fair value of collateral (%)
31 December 2023		
Construction	1,619,022	64.5
Education, health and others	600,806	82.4
Electricity, gas and water supply	162,567	59.9
Financial, insurance/takaful, real estate and business services	1,081,271	73.4
Manufacturing	1,654,468	69.2
Mining and quarrying	114,979	88.7
Primary agriculture	10,153	97.4
Transportation, storage and communication	1,261,432	58.9
Wholesale, retail trade, restaurants and hotels	2,629,440	80.7
Others	9,798	-
	<u>9,143,936</u>	
Bank	Gross loans, advances and financing RM'000	Estimated fair value of collateral (%)
31 December 2024		
Construction	1,706,633	62.6
Education, health and others	559,687	83.1
Electricity, gas and water supply	154,900	55.8
Financial, insurance/takaful, real estate and business services	1,083,166	77.4
Manufacturing	1,796,723	70.7
Mining and quarrying	132,794	83.5
Primary agriculture	8,049	91.9
Transportation, storage and communication	1,332,875	58.2
Wholesale, retail trade, restaurants and hotels	2,634,694	79.5
Others	8,733	-
	<u>9,418,254</u>	

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(vi) Collateral and credit enhancement for loans, advances and financing (cont'd.)

Bank	Gross loans, advances and financing RM'000	Estimated fair value of collateral (%)
31 December 2023		
Construction	1,618,252	64.6
Education, health and others	593,052	83.3
Electricity, gas and water supply	162,567	59.9
Financial, insurance/takaful, real estate and business services	1,080,609	73.4
Manufacturing	1,628,889	70.2
Mining and quarrying	114,979	88.7
Primary agriculture	10,123	97.7
Transportation, storage and communication	1,244,816	59.7
Wholesale, retail trade, restaurants and hotels	2,447,796	84.0
Others	9,798	-
	<u>8,910,881</u>	

(vii) Restructured financing

Restructured financing refer to the financial assets that would otherwise be past due or impaired, where there is fundamental revision in the principal terms and conditions of the facility. Restructuring is considered when the customer's business is still viable and is expected to remain viable after the restructuring. Total gross restructured financing held by the Group and the Bank at the end of the reporting period stood at RM3,352 million (2023: RM3,762 million).

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(viii) Credit quality for treasury credit risk exposures

The table below shows treasury credit risk exposures by the current counterparty's rating:

Group and Bank

Financial investments:

	Rating agency	Credit rating	Nominal value 2024 RM'000	Nominal value 2023 RM'000
Corporate sukuk	RAM	AAA	330,000	245,000
Corporate sukuk	MARC	AAA	35,000	85,000
Corporate sukuk	RAM	AA1	40,000	110,000
Corporate sukuk	RAM	AA2	-	15,000
Corporate sukuk	MARC	AA	5,000	-
Corporate sukuk	RAM	AA3	105,000	125,000
Corporate sukuk	RAM	A1	25,709	-
Corporate sukuk	RAM	A2	-	25,709
Corporate sukuk	MARC	AA-	50,000	55,000
Corporate sukuk	RAM	D	10,000	10,000
Malaysian Government				
Investment Issues	Not applicable	Not applicable	1,883,130	1,383,130
Government Guarantee sukuk	Not applicable	Not applicable	140,000	170,000
Commercial papers	RAM	P1	70,000	30,000
Commercial papers	MARC	-1	130,000	110,000
Non-rated			50,000	50,000
Total			2,873,839	2,413,839

Deposits and placements with banks and other financial institutions:

Rating for counterparty	Total principal outstanding 2024 RM'000	Total principal outstanding 2023 RM'000
AAA	337,100	570,000
AA	649,400	535,000
A	-	270,000
Non-rated	-	108,000
Total	986,500	1,483,000

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(ix) Impairment assessment

The Group and the Bank consider that a financial instrument has defaulted and, therefore, is placed under Stage 3 (credit-impaired) for ECL calculations in all cases, when the customer of loans/financing portfolio is due for 3 MIA on its contractual payments. The Group and the Bank consider treasury as defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Group and the Bank also consider variety of instances that may indicate unlikeliness to pay. When such events occur, the Group and the Bank carefully consider whether the event should result in treatment of the customer as defaulted and, therefore, assessed as Stage 3 for ECL calculations, or Stage 2 as appropriate. Such events include:

- Imminent closure/discontinuation of customer's operation
- Legal action initiated/taken against the customer by a third party
- The customer files for bankruptcy application/protection
- Significant/major adverse reports on customer's business

Restructure and Reschedule

It is the Group's and the Bank's policy to consider a financial instrument as 'cured' and, therefore, re-classified out of Stage 3 when there are sufficient cash inflows. The 'cured' rate for restructure and reschedule financial instrument is measured through 6 months continuous adherence to the revised payment schedule and customer no longer exhibits signs of significant increase in credit risk ("SICR").

Probability of Default ("PD") estimation

The PD model was devised on observation of delinquency rate. Financing, Undisbursed Commitments ("UDC") and Trade Finance share similar PD model which was developed via statistical method. Marginal PD is assigned to accounts with significant increase in credit risk/Stage 2.

The PD model for Treasury was devised through similar statistical method but was based on default study papers published by external rating agencies/ External Credit Assessment Institution ("ECAI").

PD is adjusted to incorporate forward looking information and is assessed for updates on a quarterly basis. The suitability of MEVs are assessed and applied as appropriate on similar intervals.

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(x) Commitment and guarantees

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statements of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Group and the Bank. The table below shows the Group's and the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group and the Bank could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a financing commitment is the full amount of the commitment.

	Group and Bank	
	2024	2023
	RM'000	RM'000
Financial guarantees, Corporate Guarantee Schemes, Letters of Credit and others	91,181	149,032
Performance guarantees	286,035	251,229
Undisbursed commitments	1,199,821	1,556,202
	<u>1,577,037</u>	<u>1,956,463</u>

(b) Market risk

Market and Liquidity Risk Governance

The management of market risk is principally carried out by using sets of policies and guidelines recommended by the Management through CRMC and Board via BRMC respectively, guided by the Board approved RAS. The Market and Liquidity Risk is the independent risk control function that is responsible for the developing and reviewing the Group's and the Bank's market risk management guidelines and policies, monitoring tools, behavioural assumptions and limit setting methodologies which are reviewed periodically.

(i) Market risk

Market risk is the risk that a loss to the Group and the Bank may be incurred as a result of adverse movements in the level or volatility of market prices/rates include foreign exchange risk. The objective is to manage market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Group's and the Bank's approved risk appetite.

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Rate of return risk

Rate of return risk (or also known as profit rate risk) refers to the risk of the Group and the Bank suffering deterioration in financial position (economic value loss) or financial losses due to the impact of changes in benchmark rates over time on their banking book exposure arising from activities such as deposit taking, lending from fund providers, financing, investment etc.

Rate of return exposure arises from differences in the maturities and repricing dates of rate-sensitive components towards assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall rate of return risk management process which is conducted in accordance with the Group's and the Bank's RAS.

The Group and the Bank may be exposed to a loss in earnings due to the rate of return structure in the statements of financial position arising from rate of return and yield curve changes. The sensitivity to rate of return arises from the mismatches in the repricing rates, cash flows and other characteristics of the assets and their corresponding liability funding. The Group and the Bank manage their rate of return risk exposure through the use of fixed and floating rate financing, investments, deposit acceptance, fundings etc.

The table below shows the Group's and the Bank's earning sensitivity based on possible parallel shift in rate of return.

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Impact on variable				
rate loans,				
advances and				
financing				
+ 50 basis points	25,770	24,459	25,324	23,992
- 50 basis points	(25,770)	(24,459)	(25,324)	(23,992)

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Rate of return risk (cont'd.)

The following table indicates the EIR/EPR at the end of the reporting period and the Group's and the Bank's sensitivity to the interest/profit rate of return by time band based on the earlier of contractual repricing date and maturity date.

Group	<----- Non-trading book ----->						Trading book	Total	Weighted average effective interest/profit rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-interest/profit sensitive			
31 December 2024	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short-term funds	733,370	255,406	-	-	-	115,293	-	1,104,069	3.45
Debt instrument at FVOCI	9,895	-	269,308	1,127,978	508,975	-	-	1,916,156	3.96
Equity instrument at FVOCI	-	-	-	-	-	67,491	-	67,491	-
Debt instrument at AC	129,610	55,134	447,299	317,325	-	-	-	949,368	4.01
Loans, advances and financing									
- non-credit impaired	30,323	34,527	142,452	1,324,618	2,828,368	3,933,973	-	8,294,261	6.48
- credit impaired*	-	-	-	-	-	466,399	-	466,399	-
Other assets (Note 8)	-	-	-	-	-	8,461	-	8,461	-
Total assets	903,198	345,067	859,059	2,769,921	3,337,343	4,591,617	-	12,806,205	

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 from the outstanding gross impaired loans, advances and financing.

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Rate of return risk (cont'd.)

Group	<----- Non-trading book ----->						Trading book	Total	Weighted average effective interest/profit rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-interest/profit sensitive			
31 December 2024 (cont'd)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Liabilities									
Deposits from customers	1,067,938	1,202,935	2,657,053	-	-	-	-	4,927,926	3.48
Deposits from banks and other financial institutions	210,037	-	-	-	-	-	-	210,037	3.20
IMTNs/ICPs	-	16,827	756,538	1,950,000	-	-	-	2,723,365	3.71
Borrowings/Fundings	8,847	15,275	51,095	1,551,820	531,252	-	-	2,158,289	0.75
Lease liabilities (Note 20)	336	671	2,497	9,420	521	-	-	13,445	3.08
Other liabilities (Note 21)	-	-	-	-	-	1,137,700	-	1,137,700	-
Total liabilities	1,287,158	1,235,708	3,467,183	3,511,240	531,773	1,137,700	-	11,170,762	
On-balance sheet interest/profit sensitivity gap	(383,960)	(890,641)	(2,608,124)	(741,319)	2,805,570	3,453,917	-		
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	(1,577,037)	-		
Total interest/profit sensitivity gap	(383,960)	(890,641)	(2,608,124)	(741,319)	2,805,570	1,876,880	-		

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Rate of return risk (cont'd.)

Group	----- Non-trading book ----->						Trading book	Total	Weighted average effective interest/profit rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-interest/profit sensitive			
31 December 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short-term funds	1,365,468	120,277	-	-	-	73,001	-	1,558,746	3.38
Debt instrument at FVOCI	37,362	-	520,796	798,004	64,598	-	-	1,420,760	4.01
Equity instrument at FVOCI	-	-	-	-	-	61,914	-	61,914	-
Debt instrument at AC	29,928	49,592	241,443	639,649	15,040	-	-	975,652	4.19
Loans, advances and financing									
- non-credit impaired	26,389	8,751	275,527	1,022,369	2,703,821	3,759,640	-	7,796,497	7.48
- credit impaired*	-	-	-	-	-	488,040	-	488,040	-
Other assets (Note 8)	-	-	-	-	-	13,333	-	13,333	-
Total assets	1,459,147	178,620	1,037,766	2,460,022	2,783,459	4,395,928	-	12,314,942	

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 from the outstanding gross impaired loans, advances and financing.

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Rate of return risk (cont'd.)

Group	<----- Non-trading book ----->						Trading book	Total	Weighted average effective interest/profit rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-interest/profit sensitive			
31 December 2023 (cont'd)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Liabilities									
Deposits from customers	1,182,698	1,101,022	1,659,953	-	-	-	-	3,943,673	3.48
Deposits from banks and other financial institutions	140,056	-	-	-	-	-	-	140,056	3.13
IMTNs/ICPs	299,771	421,321	85,845	2,700,000	-	-	-	3,506,937	3.73
Borrowings/Fundings	222	15,405	43,480	813,300	1,175,240	-	-	2,047,647	0.84
Lease liabilities (Note 20)	300	601	2,774	9,136	-	-	-	12,811	3.04
Other liabilities (Note 21)	-	-	-	-	-	1,065,072	-	1,065,072	-
Total liabilities	1,623,047	1,538,349	1,792,052	3,522,436	1,175,240	1,065,072	-	10,716,196	
On-balance sheet interest/profit sensitivity gap	(163,900)	(1,359,729)	(754,286)	(1,062,414)	1,608,219	3,330,856	-		
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	(1,956,463)	-		
Total interest/profit sensitivity gap	(163,900)	(1,359,729)	(754,286)	(1,062,414)	1,608,219	1,374,393	-		

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Rate of return risk (cont'd.)

Bank	----- Non-trading book ----->						Trading book	Total	Weighted average effective interest/profit rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-interest/profit sensitive			
31 December 2024	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short-term funds	733,370	255,406	-	-	-	112,237	-	1,101,013	3.45
Debt instrument at FVOCI	9,895	-	269,308	1,127,978	508,975	-	-	1,916,156	3.96
Equity instrument at FVOCI	-	-	-	-	-	67,491	-	67,491	-
Debt instrument at AC	129,610	55,134	447,299	317,325	-	-	-	949,368	4.01
Loans, advances and financing									
- non-credit impaired	30,323	34,527	142,452	1,324,618	2,828,368	3,933,973	-	8,294,261	6.48
- credit impaired*	-	-	-	-	-	466,399	-	466,399	-
Other assets (Note 8)	-	-	-	-	-	78,075	-	78,075	-
Total assets	903,198	345,067	859,059	2,769,921	3,337,343	4,658,175	-	12,872,763	

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 from the outstanding gross impaired loans, advances and financing.

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Rate of return risk (cont'd.)

Bank 31 December 2024 (cont'd)	<----- Non-trading book ----->						Trading book RM'000	Total RM'000	Weighted average effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000			
Liabilities									
Deposits from customers	1,068,834	1,207,458	2,659,456	-	-	-	-	4,935,748	3.48
Deposits from banks and other financial institutions	210,037	-	-	-	-	-	-	210,037	3.20
IMTNs/ICPs	-	16,827	756,538	1,950,000	-	-	-	2,723,365	3.71
Borrowings/Fundings	8,847	15,275	51,095	1,551,820	531,252	-	-	2,158,289	0.75
Lease liabilities (Note 20)	336	671	2,497	9,420	521	-	-	13,445	3.08
Other liabilities (Note 21)	-	-	-	-	-	1,190,664	-	1,190,664	-
Total liabilities	1,288,054	1,240,231	3,469,586	3,511,240	531,773	1,190,664	-	11,231,548	
On-balance sheet interest/ profit sensitivity gap	(384,856)	(895,164)	(2,610,527)	(741,319)	2,805,570	3,467,511	-		
Off-balance sheet interest/ profit sensitivity gap	-	-	-	-	-	(1,577,037)	-		
Total interest/profit sensitivity gap	(384,856)	(895,164)	(2,610,527)	(741,319)	2,805,570	1,890,474	-		

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Rate of return risk (cont'd.)

	Non-trading book								Weighted average effective interest/profit rate %
Bank	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-interest/profit sensitive	Trading book	Total	
31 December 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short-term funds	1,365,468	120,277	-	-	-	72,300	-	1,558,045	3.38
Debt instrument at FVOCI	37,362	-	520,796	798,004	64,598	-	-	1,420,760	4.01
Equity instrument at FVOCI	-	-	-	-	-	61,914	-	61,914	-
Debt instrument at AC	29,928	49,592	241,443	639,649	15,040	-	-	975,652	4.19
Loans, advances and financing								-	
- non-credit impaired	26,389	8,751	275,527	1,022,369	2,703,821	3,759,640	-	7,796,497	7.48
- credit impaired*	-	-	-	-	-	488,040	-	488,040	-
Other assets (Note 8)	35,800	-	-	-	-	71,023	-	106,823	-
Total assets	1,494,947	178,620	1,037,766	2,460,022	2,783,459	4,452,917	-	12,407,731	

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 from the outstanding gross impaired loans, advances and financing.

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Rate of return risk (cont'd.)

Bank 31 December 2023 (cont'd)	<----- Non-trading book ----->						Trading book RM'000	Total RM'000	Weighted average effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000			
Liabilities									
Deposits from customers	1,220,368	1,101,732	1,662,535	-	-	-	-	3,984,635	3.48
Deposits from banks and other financial institutions	140,056	-	-	-	-	-	-	140,056	3.13
IMTNs/ICPs	299,771	421,321	85,845	2,700,000	-	-	-	3,506,937	3.73
Borrowings/Fundings	222	15,405	43,480	813,300	1,175,240	-	-	2,047,647	0.84
Lease liabilities (Note 20)	300	601	2,774	9,136	-	-	-	12,811	3.04
Other liabilities (Note 21)	-	-	-	-	-	1,104,183	-	1,104,183	-
Total liabilities	1,660,717	1,539,059	1,794,634	3,522,436	1,175,240	1,104,183	-	10,796,269	
On-balance sheet interest/ profit sensitivity gap	(165,770)	(1,360,439)	(756,868)	(1,062,414)	1,608,219	3,348,734	-		
Off-balance sheet interest/ profit sensitivity gap	-	-	-	-	-	(1,956,463)	-		
Total interest/profit sensitivity gap	(165,770)	(1,360,439)	(756,868)	(1,062,414)	1,608,219	1,392,271	-		

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(c) Liquidity risk

The liquidity risk arises when the Bank may be unable to meet its short-term financial commitments when they fall due. In general, liquidity risk can be divided into two (2) components i.e. Funding Liquidity Risk and Market Liquidity Risk.

The Group and the Bank manage their liquidity requirements on a day-to-day basis to ensure that funds are readily available for operational needs, withdrawals of deposits and payments to fund providers. The Group and the Bank may raise funds locally through government borrowings/fundings, securities/debt issuance or direct negotiations.

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity

Group	Up to 1	>1 - 3	>3 - 12	>1 - 5	Over 5	Non-specific	Total
31 December 2024	months	months	months	years	years	maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	848,663	255,406	-	-	-	-	1,104,069
Debt instrument at FVOCI	9,895	-	269,308	1,127,978	508,975	-	1,916,156
Equity instrument at FVOCI	-	-	-	-	-	67,491	67,491
Debt instrument at AC	129,610	55,134	447,299	317,325	-	-	949,368
Loans, advances and financing	675,713	912,665	1,197,890	2,439,561	3,534,831	-	8,760,660
Other assets (Note 8)	-	-	-	-	-	8,461	8,461
Total assets	1,663,881	1,223,205	1,914,497	3,884,864	4,043,806	75,952	12,806,205

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd.)

Group 31 December 2024 (cont'd)	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	1,067,938	1,202,935	2,657,053	-	-	-	4,927,926
Deposits from banks and other financial institutions	210,037	-	-	-	-	-	210,037
IMTNs/ICPs	-	16,827	756,538	1,950,000	-	-	2,723,365
Borrowings/Fundings	8,847	15,275	51,095	1,551,820	531,252	-	2,158,289
Lease liabilities	336	671	2,497	9,420	521	-	13,445
Other liabilities (Note 21)	-	-	-	-	-	1,137,700	1,137,700
Total liabilities	1,287,158	1,235,708	3,467,183	3,511,240	531,773	1,137,700	11,170,762
Net maturity mismatches	376,723	(12,503)	(1,552,686)	373,624	3,512,033	(1,061,748)	1,635,443
Commitments and contingencies							
Financial guarantees	32,617	39,077	62,635	214,677	18,602	-	367,608
Letters of credit	2,124	3,240	4,244	-	-	-	9,608
Undisbursed loans/financing	165,354	174,322	570,240	135,078	154,827	-	1,199,821
	200,095	216,639	637,119	349,755	173,429	-	1,577,037

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd.)

Group	Up to 1	>1 - 3	>3 - 12	>1 - 5	Over 5	Non-specific	
31 December 2023	month	months	months	years	years	maturity	Total
Assets							
Cash and short-term funds	1,438,469	120,277	-	-	-	-	1,558,746
Debt instrument at FVOCI	37,362	-	520,796	798,004	64,598	-	1,420,760
Equity instrument at FVOCI	-	-	-	-	-	61,914	61,914
Debt instrument at AC	29,928	49,592	241,443	639,649	15,040	-	975,652
Loans, advances and financing	597,700	734,287	954,896	2,141,603	3,856,051	-	8,284,537
Other assets (Note 8)	-	-	-	-	-	13,333	13,333
Total assets	2,103,459	904,156	1,717,135	3,579,256	3,935,689	75,247	12,314,942
Liabilities							
Deposits from customers	1,182,698	1,101,022	1,659,953	-	-	-	3,943,673
Deposits from banks and other financial institutions	140,056	-	-	-	-	-	140,056
IMTNs/ICPs	299,771	421,321	85,845	2,700,000	-	-	3,506,937
Borrowings/Fundings	222	15,405	43,480	813,300	1,175,240	-	2,047,647
Lease liabilities	300	601	2,774	9,136	-	-	12,811
Other liabilities (Note 21)	-	-	-	-	-	1,065,072	1,065,072
Total liabilities	1,623,047	1,538,349	1,792,052	3,522,436	1,175,240	1,065,072	10,716,196
Net maturity mismatches	480,412	(634,193)	(74,917)	56,820	2,760,449	(989,825)	1,598,746
Commitments and contingencies							
Financial guarantees	300	-	41,283	206,459	134,347	-	382,389
Letters of credit	6,365	2,784	3,952	4,771	-	-	17,872
Undisbursed loans/financing	21,013	319,244	-	664,001	182,788	369,156	1,556,202
	27,678	322,028	45,235	875,231	317,135	369,156	1,956,463

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd.)

Bank 31 December 2024	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	845,607	255,406	-	-	-	-	1,101,013
Debt instrument at FVOCI	9,895	-	269,308	1,127,978	508,975	-	1,916,156
Equity instrument at FVOCI	-	-	-	-	-	67,491	67,491
Debt instrument at AC	129,610	55,134	447,299	317,325	-	-	949,368
Loans, advances and financing	675,713	912,665	1,197,890	2,439,561	3,534,831	-	8,760,660
Other assets (Note 8)	-	-	-	-	-	78,075	78,075
Total assets	1,660,825	1,223,205	1,914,497	3,884,864	4,043,806	145,566	12,872,763
Liabilities							
Deposits from customers	1,068,834	1,207,458	2,659,456	-	-	-	4,935,748
Deposits from banks and other financial institutions	210,037	-	-	-	-	-	210,037
IMTNs/ICPs	-	16,827	756,538	1,950,000	-	-	2,723,365
Borrowings/Fundings	8,847	15,275	51,095	1,551,820	531,252	-	2,158,289
Lease liabilities	336	671	2,497	9,420	521	-	13,445
Other liabilities (Note 21)	-	-	-	-	-	1,190,664	1,190,664
Total liabilities	1,288,054	1,240,231	3,469,586	3,511,240	531,773	1,190,664	11,231,548
Net maturity mismatches	372,771	(17,026)	(1,555,089)	373,624	3,512,033	(1,045,098)	1,641,215
Commitments and contingencies							
Financial guarantees	32,617	39,077	62,635	214,677	18,602	-	367,608
Letters of credit	2,124	3,240	4,244	-	-	-	9,608
Undisbursed loans/financing	165,354	174,322	570,240	135,078	154,827	-	1,199,821
	200,095	216,639	637,119	349,755	173,429	-	1,577,037

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd.)

Bank 31 December 2023	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	1,437,768	120,277	-	-	-	-	1,558,045
Debt instrument at FVOCI	37,362	-	520,796	798,004	64,598	-	1,420,760
Equity instrument at FVOCI	-	-	-	-	-	61,914	61,914
Debt instrument at AC	29,928	49,592	241,443	639,649	15,040	-	975,652
Loans, advances and financing	597,700	734,287	954,896	2,141,603	3,856,051	-	8,284,537
Other assets (Note 8)	35,800	-	-	-	-	71,023	106,823
Total assets	2,138,558	904,156	1,717,135	3,579,256	3,935,689	132,937	12,407,731
Liabilities							
Deposits from customers	1,220,368	1,101,732	1,662,535	-	-	-	3,984,635
Deposits from banks and other financial institutions	140,056	-	-	-	-	-	140,056
IMTNs/ICPs	299,771	421,321	85,845	2,700,000	-	-	3,506,937
Borrowings/Fundings	222	15,405	43,480	813,300	1,175,240	-	2,047,647
Lease liabilities	300	601	2,774	9,136	-	-	12,811
Other liabilities (Note 21)	-	-	-	-	-	1,104,183	1,104,183
Total liabilities	1,660,717	1,539,059	1,794,634	3,522,436	1,175,240	1,104,183	10,796,269
Net maturity mismatches	477,841	(634,903)	(77,499)	56,820	2,760,449	(971,246)	1,611,462
Commitments and contingencies							
Financial guarantees	300	-	41,283	206,459	134,347	-	382,389
Letters of credit	6,365	2,784	3,952	4,771	-	-	17,872
Undisbursed loans/financing	21,013	319,244	-	664,001	182,788	369,156	1,556,202
	27,678	322,028	45,235	875,231	317,135	369,156	1,956,463

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(c) Liquidity risk (cont'd.)

(ii) Maturity analysis of financial liabilities on an undiscounted basis

The following tables shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturity. The financial liabilities disclosed in the tables below will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

Group Liabilities	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
31 December 2024							
Deposits from customers	1,069,503	1,210,267	2,702,636	-	-	-	4,982,406
Deposits from banks and other financial institutions	210,225	-	-	-	-	-	210,225
IMTNs/ICPs	-	22,073	824,238	2,083,132	-	-	2,929,443
Borrowings/Fundings	8,823	15,263	51,436	1,264,188	1,032,508	-	2,372,218
Lease liabilities	374	749	2,788	10,112	537	-	14,560
Other liabilities (Note 21)	-	-	-	-	-	1,137,700	1,137,700
Total liabilities	1,288,925	1,248,352	3,581,098	3,357,432	1,033,045	1,137,700	11,646,552
31 December 2023							
Deposits from customers	1,184,409	1,106,393	1,687,020	-	-	-	3,977,822
Deposits from banks and other financial institutions	140,121	-	-	-	-	-	140,121
IMTNs/ICPs	300,000	510,179	78,301	2,929,442	-	-	3,817,922
Borrowings/Fundings	220	15,180	43,034	905,420	1,325,954	-	2,289,808
Lease liabilities	337	674	3,055	9,689	-	-	13,755
Other liabilities (Note 21)	-	-	-	-	-	1,065,072	1,065,072
Total liabilities	1,625,087	1,632,426	1,811,410	3,844,551	1,325,954	1,065,072	11,304,500

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(c) Liquidity risk (cont'd.)

(ii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Bank Liabilities	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
31 December 2024							
Deposits from customers	1,070,401	1,214,815	2,705,083	-	-	-	4,990,299
Deposits from banks and other financial institutions	210,225	-	-	-	-	-	210,225
IMTNs/ICPs	-	22,073	824,238	2,083,132	-	-	2,929,443
Borrowings/Fundings	8,823	15,263	51,436	1,264,188	1,032,508	-	2,372,218
Lease liabilities	374	749	2,788	10,112	537	-	14,560
Other liabilities (Note 21)	-	-	-	-	-	1,190,664	1,190,664
Total liabilities	1,289,823	1,252,900	3,583,545	3,357,432	1,033,045	1,190,664	11,707,409
31 December 2023							
Deposits from customers	1,222,131	1,107,106	1,689,634	-	-	-	4,018,871
Deposits from banks and other financial institutions	140,121	-	-	-	-	-	140,121
IMTNs/ICPs	300,000	510,179	78,301	2,929,442	-	-	3,817,922
Borrowings/Fundings	220	15,180	43,034	905,420	1,325,954	-	2,289,808
Lease liabilities	337	674	3,055	9,689	-	-	13,755
Other liabilities (Note 21)	-	-	-	-	-	1,104,183	1,104,183
Total liabilities	1,662,809	1,633,139	1,814,024	3,844,551	1,325,954	1,104,183	11,384,660

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

36. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(d) Non-Financial Risk

SME Bank recognises that non-financial risks can significantly impact its operations, financial performance, and reputation. The Bank has a robust framework for identifying, assessing, mitigating, and monitoring non-financial risks, including:

(i) Operational Risk

Operational Risk refers to identifying and managing the potential losses from inadequate or failed internal processes, people, systems and external events. The key areas in operational risk management includes fraud-related risks, errors, legal and regulatory non-compliance, business interruptions, and third-party management.

(ii) Shariah Risk

Shariah Risk ensuring all business activities and products comply with Islamic principles and regulations. The key areas in Shariah risk management includes risks related to non-compliance with Shariah standards, reputational damage, and potential legal and regulatory actions.

(iii) Business Continuity Management ("BCM")

BCM ensure the continued operation of critical business functions in the event of business disruptions. The key areas in BCM includes developing and maintaining business continuity plans for various scenarios, such as natural disasters, pandemics, cyberattacks, and other unforeseen events.

(iv) Technology Risk

Technology Risk refers to identifying, assessing, and mitigating risks associated with the use of information technology. The key areas in technology risk management includes risks related to data security breaches, cyberattacks, system failures, and data loss.

37. Dividends

	Group and Bank	
	2024	2023
	RM'000	RM'000
Dividends on ordinary shares:		
Final tax exempt (single-tier) dividend		
for 2023: 0.46 sen (2022: 0.34 sen) per share	8,512	6,221

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2024 of 0.41 sen per share on 1,850,000,000 ordinary shares, amounting to RM7,534,000 will be proposed for the shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2025.

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

38. Islamic banking business

The state of affairs as at 31 December 2024 and results for the financial year then ended under the Islamic Banking business of the Group and of the Bank and included in the Group's and the Bank's financial statements are summarised as follows:

Statements of financial position
As at 31 December 2024

		Group		Bank	
		2024	2023	2024	2023
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	38(a)	1,103,666	1,558,358	1,100,722	1,557,705
Financial investments at FVOCI	38(b)	1,972,506	1,471,981	1,972,506	1,471,981
Financial investments at AC	6	949,368	975,652	949,368	975,652
Advances and financing	38(c)	8,755,622	8,274,888	8,755,622	8,274,888
Other assets	8	21,805	24,199	91,419	117,678
Investment in subsidiaries	9	-	-	-	-
Property, plant and equipment	11	126,486	124,395	126,486	124,395
Right-of-use assets	12	13,081	12,334	13,081	12,334
Investment properties	13	401,760	394,399	401,760	394,399
Intangible assets	14	31,758	41,503	31,758	41,503
Tax recoverables		4,931	5,942	1,629	2,692
Deferred tax assets	15	88,236	113,536	88,236	113,536
		13,469,219	12,997,187	13,532,587	13,086,763
Asset classified as held for sale		4,117	-	4,117	-
Total assets		13,473,336	12,997,187	13,536,704	13,086,763
Liabilities					
Deposits from customers	16	4,927,926	3,943,673	4,935,748	3,984,635
Deposits from banks and other financial institutions	17	210,037	140,056	210,037	140,056
Islamic medium-term notes/ commercial papers	18	2,723,365	3,506,937	2,723,365	3,506,937
Term financing/Fundings	38(d)	1,732,080	1,574,346	1,732,080	1,574,346
Other liabilities	38(e)	1,181,773	1,118,046	1,233,715	1,156,320
Lease liabilities	20	13,445	12,811	13,445	12,811
Amount due to conventional operations		330,191	336,043	426,350	468,889
Government funds	22	530,390	580,125	530,390	580,125
Total liabilities		11,649,207	11,212,037	11,805,130	11,424,119
Islamic general fund		1,824,129	1,785,150	1,731,574	1,662,644
Total liabilities and Islamic banking funds		13,473,336	12,997,187	13,536,704	13,086,763
Commitments	31	1,594,078	1,969,272	1,594,078	1,969,272

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

38. Islamic banking business (cont'd.)

Statements of comprehensive income
For the financial year ended 31 December 2024

		Group		Bank	
	Note	2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Income from Islamic banking business	38(f)	701,199	671,472	701,199	671,472
Profit expense attributable to Islamic banking business	38(g)	(313,182)	(295,681)	(313,981)	(296,400)
Gross income from Islamic banking business		388,017	375,791	387,218	375,072
Other operating income	38(h)	138,658	148,451	130,950	142,260
Other operating expenses	38(i)	(299,045)	(286,532)	(301,368)	(288,970)
Operating profit		227,630	237,710	216,800	228,362
(Allowances)/Writeback for impairment losses on :					
- advances and financing	38(j)	(163,691)	(181,636)	(164,457)	(184,624)
- commitments	38(j)(i)	(61)	(1,191)	(61)	(1,191)
- financial investments at FVOCI	5	2,114	(2,104)	2,114	(2,104)
- financial investments at AC	6	586	(786)	586	(786)
- other assets at AC	8(i)(b)	(440)	245	(440)	245
- other assets at FVOCI	8(ii)	-	-	38,916	60,700
- investment in subsidiaries	9	-	-	-	(24,883)
Profit before taxation and zakat		66,138	52,238	93,458	75,719
Tax (expense)/credit	29	(25,850)	7,194	(23,219)	9,342
Zakat	29	(1,935)	170	(1,935)	170
Profit for the year		38,353	59,602	68,304	85,231
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		3,306	18,104	3,306	18,104
Reclassification of gain included in profit or loss	24	2,238	36	2,238	36
Changes in expected credit losses on financial investments at FVOCI	24	(2,114)	2,104	(2,114)	2,104
Income tax relating to components of other comprehensive income		(1,331)	(4,354)	(1,331)	(4,354)
Other comprehensive gain for the year, net of tax		2,099	15,890	2,099	15,890
Total comprehensive income for the year		40,452	75,492	70,403	101,121

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

38. Islamic banking business (cont'd.)

Statements of changes in Islamic General Funds
For the financial year ended 31 December 2024

Group	Note	Share capital RM'000	Non-distributable fair value reserve RM'000	Distributable retained profits RM'000	Total RM'000
At 1 January 2024		1,324,198	14,542	446,410	1,785,150
Share capital reallocation		7,039	-	-	7,039
Unrealised gain on revaluation of financial investments at FVOCI		-	3,306	-	3,306
Reclassification of gain included in profit or loss	24	-	2,238	-	2,238
Changes in expected credit losses of financial investments at FVOCI	24	-	(2,114)	-	(2,114)
Income tax relating to components of other comprehensive income		-	(1,331)	-	(1,331)
Profit for the year		-	-	38,353	38,353
Total comprehensive income for the year		-	2,099	38,353	40,452
Transaction with owner:					
Dividends	37	-	-	(8,512)	(8,512)
At 31 December 2024		1,331,237	16,641	476,251	1,824,129

(Forward)

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

38. Islamic banking business (cont'd.)

Statements of changes in Islamic General Funds
For the financial year ended 31 December 2024 (cont'd.)

Group	Note	Share capital RM'000	Non- distributable fair value reserve RM'000	Distributable retained profits RM'000	Total RM'000
At 1 January 2023		1,050,564	(1,348)	393,029	1,442,245
Share capital reallocation		273,634	-	-	273,634
Unrealised gain on revaluation of financial investments at FVOCI		-	18,104	-	18,104
Reclassification of gain included in profit or loss	24	-	36	-	36
Changes in expected credit losses of financial investments at FVOCI	24	-	2,104	-	2,104
Income tax relating to components of of other comprehensive income		-	(4,354)	-	(4,354)
Profit for the year		-	-	59,602	59,602
Total comprehensive income for the year		-	15,890	59,602	75,492
Transaction with owner:					
Dividends	37	-	-	(6,221)	(6,221)
At 31 December 2023		1,324,198	14,542	446,410	1,785,150

(Forward)

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

38. Islamic banking business (cont'd.)

Statements of changes in Islamic General Funds
For the financial year ended 31 December 2024 (cont'd.)

Bank	Note	Share capital RM'000	Non-distributable fair value reserve RM'000	Distributable retained profits RM'000	Total RM'000
At 1 January 2024		1,324,198	14,542	323,904	1,662,644
Share capital reallocation		7,039	-	-	7,039
Unrealised gain on revaluation of financial investments at FVOCI		-	3,306	-	3,306
Reclassification of gain included in profit or loss	24	-	2,238	-	2,238
Changes in expected credit losses of financial investments at FVOCI	24	-	(2,114)	-	(2,114)
Income tax relating to components of other comprehensive income		-	(1,331)	-	(1,331)
Profit for the year		-	-	68,304	68,304
Total comprehensive income for the year		-	2,099	68,304	70,403
Transaction with owner:					
Dividends	37	-	-	(8,512)	(8,512)
At 31 December 2024		1,331,237	16,641	383,696	1,731,574

(Forward)

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

38. Islamic banking business (cont'd.)

Statements of changes in Islamic General Funds
For the financial year ended 31 December 2024 (cont'd.)

Bank	Note	Share capital RM'000	Non-distributable fair value reserve RM'000	Distributable retained profits RM'000	Total RM'000
At 1 January 2023		1,050,564	(1,348)	244,894	1,294,110
Share capital reallocation		273,634	-	-	273,634
Unrealised gain on revaluation of financial investments at FVOCI		-	18,104	-	18,104
Reclassification of gain included in profit or loss	24	-	36		36
Changes in expected credit losses of financial investments at FVOCI	24	-	2,104	-	2,104
Income tax relating to components of other comprehensive income		-	(4,354)	-	(4,354)
Profit for the year		-	-	85,231	85,231
Total comprehensive income for the year		-	15,890	85,231	101,121
Transaction with owner:					
Dividends	37	-	-	(6,221)	(6,221)
At 31 December 2023		1,324,198	14,542	323,904	1,662,644

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

38. Islamic banking business (cont'd.)

Statements of cash flows

For the financial year ended 31 December 2024

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax expense and zakat	66,138	52,238	93,458	75,719
Adjustments for:				
Net impairment loss on loans, advances and financing	163,691	181,636	164,457	184,624
Net impairment loss of commitment and contingencies	61	1,191	61	1,191
Net (writeback)/loss on financial investments at FVOCI	(2,114)	2,104	(2,114)	2,104
Net impairment (writeback)/loss on financial investments at AC	(586)	786	(586)	786
Impairment gain/(loss) on other asset at AC	440	(245)	440	(245)
Writeback of impairment loss on other asset at FVOCI	-	-	(38,916)	(60,700)
Impairment loss on investment in subsidiaries	-	-	-	24,883
Capital contribution to a subsidiary	-	-	-	(24,883)
Modification of Bai' Inah facility	-	-	-	24,883
Depreciation of property, plant and equipment	12,261	12,800	12,261	12,800
Depreciation of right-of-use assets	4,059	3,713	4,059	3,713
Amortisation of intangible assets	9,865	10,530	9,865	10,530
Fair value adjustment on investment properties	(12,651)	(17,168)	(12,651)	(17,168)
Government funds released, net	(43,128)	(36,202)	(43,128)	(36,202)
Modification gain arising from advances and financing	-	(1,437)	-	(1,437)
Income from financial investments at FVOCI	(67,871)	(49,029)	(67,871)	(49,029)
Income from financial investments at FVTPL	(7,533)	(5,807)	(7,533)	(5,807)
Income from financial investments at AC	(36,569)	(40,301)	(36,569)	(40,301)
Profit expense on medium-term notes	104,907	109,997	104,907	109,997
Profit expense on term financing/fundings	46,341	41,552	46,341	41,552
Finance cost on lease liabilities	477	498	477	498
Profit income on amount due from a subsidiary company	-	-	(6,084)	(7,183)
Gain on disposal of property, plant and equipment	(208)	-	(208)	-
Gain on modification of leases	(221)	(7)	(221)	(7)
Fair value loss of assets held for sale	990	-	990	-
Operating profit before working capital changes	238,349	266,849	221,435	250,318
Changes in working capital:				
Advances and financing	(644,426)	(718,692)	(645,191)	(721,680)
Other assets	2,218	6,236	71,086	52,402
Deposits from customers	984,254	(560,237)	951,113	(569,160)
Deposits from banks and other financial institutions	69,980	(10,152)	69,980	(10,152)
Other liabilities	61,845	86,210	75,512	91,305
Amount due to conventional operations	(1,654)	5,716	(38,344)	(20,181)
Cash generated from/(used in) operating activities	710,566	(924,070)	705,591	(927,148)
Income tax paid	(2,791)	(3,676)	(43)	(305)
Income tax refunded	1,911	179	1,847	-
Zakat paid	(435)	(1,330)	(435)	(1,330)
Zakat refunded	225	289	225	289
Net cash generated from/(used in) operating activities	709,476	(928,608)	707,185	(928,494)

(Forward)

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

38. Islamic banking business (cont'd.)

Statements of cash flows

For the financial year ended 31 December 2024 (cont'd.)

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Net purchase of financial investments at FVOCI	(485,000)	(33,130)	(485,000)	(33,130)
Net proceeds from redemption/maturity /(purchase) of financial investments at AC	25,000	(40,000)	25,000	(40,000)
Profit received from financial investments at FVOCI	57,889	54,378	57,889	54,378
Profit received from financial investments at FVTPL	7,533	5,807	7,533	5,807
Profit received from financial investments at AC	38,438	38,618	38,438	38,618
Proceeds from disposal of property, plant and equipment	500	-	500	-
Purchase of property, plant and equipment	(14,644)	(20,475)	(14,644)	(20,475)
Purchase of intangible assets	(200)	(9,908)	(200)	(9,908)
Net cash used in investing activities	(370,484)	(4,710)	(370,484)	(4,710)
Cash flows from financing activities				
Net disbursement of term financing/fundings	134,979	109,321	134,979	109,321
Net (payment)/disbursement of Islamic medium-term notes/commercial papers	(780,000)	880,000	(780,000)	880,000
Profit paid on term financing/fundings	(453)	(9,134)	(453)	(9,134)
Profit paid on medium-term notes/commercial papers	(108,479)	(105,357)	(108,479)	(105,357)
Proceed from government funds	(26,791)	-	(26,791)	-
Payment of lease liability	(4,428)	(4,041)	(4,428)	(4,041)
Dividend paid	(8,512)	(6,221)	(8,512)	(6,221)
Net cash (used in)/generated from financing activities	(793,684)	864,568	(793,684)	864,568
Net decrease in cash and cash equivalents	(454,692)	(68,750)	(456,983)	(68,636)
Cash and cash equivalents at beginning of year	1,558,358	1,627,108	1,557,705	1,626,341
Cash and cash equivalents at end of year	1,103,666	1,558,358	1,100,722	1,557,705
Cash and cash equivalents comprise of:				
- Cash and short-term funds	1,103,666	1,558,358	1,100,722	1,557,705

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024

(a) Cash and short-term funds

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	114,890	72,613	111,946	71,960
Money at call and deposit placements maturing within three months	988,776	1,485,745	988,776	1,485,745
	<u>1,103,666</u>	<u>1,558,358</u>	<u>1,100,722</u>	<u>1,557,705</u>

Cash at banks is placed in non-profit bearing accounts. Short-term deposit placements are made between one day to three months depending on the Group's and the Bank's cash requirements, and earn profit at the respective short-term deposit rates. The weighted average effective profit rate and weighted average remaining maturity as at 31 December 2024 for the Group and the Bank was 3.45% per annum and 28 days (2023: 3.38% per annum and 15 days) respectively.

(b) Financial investments at FVOCI

	Group and Bank	
	2024	2023
	RM'000	RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	1,709,781	1,108,183
Non-money market instruments		
Equity securities		
- Private debt securities	52,632	51,221
- Other investment	3,718	-
Debt securities		
- Private debt securities	206,375	312,577
	<u>262,725</u>	<u>363,798</u>
Total	<u>1,972,506</u>	<u>1,471,981</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 5.

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

(c) Advances and financing

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Bai' Bithaman Ajil	23	23	-	-
Murabahah	672,635	856,574	657,108	840,752
Istisna'	34,558	53,133	33,644	51,767
Ijarah Thumma Al-Bai	365,886	356,736	352,501	343,335
Tawarruq	8,355,841	7,652,996	8,355,841	7,652,996
Bai' Inah	6,541	9,229	6,339	9,024
Gross advances and financing	9,435,484	8,928,691	9,405,433	8,897,874
Less: Allowance for impairment losses on				
- Stage 1 (Note 38(c)(x))	(90,155)	(105,084)	(90,155)	(105,084)
- Stage 2 (Note 38(c)(x))	(123,173)	(63,286)	(123,173)	(63,286)
- Stage 3 (Note 38(c)(x))	(466,534)	(485,433)	(436,483)	(454,616)
Net advances and financing	8,755,622	8,274,888	8,755,622	8,274,888
Gross impaired advances and financing (Note 38(c)(viii))	1,142,794	1,133,956	1,112,743	1,103,139
Net impaired advances and financing	676,260	648,523	676,260	648,523

Included in advances and financing for the Group and the Bank are gross loans, advances and financing of RM134,429,000 (2023: RM124,121,000) financed by Government funds. The treatment of credit losses incurred for these loans, advances and financing is as disclosed in Note 2.17(ii).

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	2,979,739	2,451,028	2,950,074	2,420,969
More than one year to three years	964,261	921,641	964,100	921,187
More than three years to five years	1,640,522	1,362,377	1,640,522	1,362,303
More than five years	3,850,962	4,193,645	3,850,737	4,193,415
	9,435,484	8,928,691	9,405,433	8,897,874

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprise	9,426,751	8,918,893	9,396,700	8,888,076
Individual	8,733	9,798	8,733	9,798
	9,435,484	8,928,691	9,405,433	8,897,874

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Construction	1,707,290	1,618,909	1,706,632	1,618,251
Education, health and others	564,448	598,486	559,687	592,926
Electricity, gas and water supply	154,900	162,567	154,900	162,567
Financial, insurance/takaful, real estate and business services	1,083,742	1,081,185	1,083,166	1,080,609
Manufacturing	1,804,221	1,636,244	1,796,704	1,628,755
Mining and quarrying	132,794	114,979	132,794	114,979
Primary agriculture	8,049	10,123	8,049	10,123
Transportation, storage and communication	1,342,070	1,254,005	1,332,875	1,244,816
Wholesale, retail trade, restaurants and hotels	2,629,237	2,442,395	2,621,893	2,435,050
Others	8,733	9,798	8,733	9,798
	9,435,484	8,928,691	9,405,433	8,897,874

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

Group 2024	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
Construction	1,148,584	43,502	131,898	71,965	100,757	210,584	1,707,290
Education, health and others	428,672	21,280	11,266	60,382	30,679	12,169	564,448
Electricity, gas and water supply	142,598	2,835	2,421	1,768	2,416	2,862	154,900
Financial, insurance/takaful, real estate and business services	725,068	124,265	78,805	35,405	47,313	72,886	1,083,742
Manufacturing	924,216	237,540	260,519	101,213	48,946	231,787	1,804,221
Mining and quarrying	64,640	-	7,421	34,685	18,607	7,441	132,794
Primary agriculture	1,203	-	146	184	3,411	3,105	8,049
Transportation, storage and communication	1,015,600	92,534	39,795	98,324	67,299	28,518	1,342,070
Wholesale, retail trade, restaurants and hotels	1,301,657	339,930	129,680	331,815	304,244	221,911	2,629,237
Others	8,733	-	-	-	-	-	8,733
	5,760,971	861,886	661,951	735,741	623,672	791,263	9,435,484

(Forward)

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

Group 2023	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
Construction	1,139,874	36,311	65,985	59,038	102,992	214,709	1,618,909
Education, health and others	446,308	23,298	14,605	68,100	35,132	11,043	598,486
Electricity, gas and water supply	150,695	3,618	1,675	1,601	2,898	2,080	162,567
Financial, insurance/takaful, real estate and business services	721,509	115,065	68,804	36,076	63,965	75,766	1,081,185
Manufacturing	859,902	261,026	232,140	99,949	50,589	132,638	1,636,244
Mining and quarrying	53,238	-	15,058	35,166	7,033	4,484	114,979
Primary agriculture	4,775	-	185	219	3,625	1,319	10,123
Transportation, storage and communication	892,417	85,396	42,895	94,856	72,854	65,587	1,254,005
Wholesale, retail trade, restaurants and hotels	1,146,962	327,548	119,390	324,378	302,776	221,341	2,442,395
Others	9,798	-	-	-	-	-	9,798
	5,425,478	852,262	560,737	719,383	641,864	728,967	8,928,691

(Forward)

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

Bank 2024	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
Construction	1,147,926	43,502	131,898	71,965	100,757	210,584	1,706,632
Education, health and others	423,911	21,280	11,266	60,382	30,679	12,169	559,687
Electricity, gas and water supply	142,598	2,835	2,421	1,768	2,416	2,862	154,900
Financial, insurance/takaful, real estate and business services	724,492	124,265	78,805	35,405	47,313	72,886	1,083,166
Manufacturing	916,699	237,540	260,519	101,213	48,946	231,787	1,796,704
Mining and quarrying	64,640	-	7,421	34,685	18,607	7,441	132,794
Primary agriculture	1,203	-	146	184	3,411	3,105	8,049
Transportation, storage and communication	1,006,405	92,534	39,795	98,324	67,299	28,518	1,332,875
Wholesale, retail trade, restaurants and hotels	1,294,313	339,930	129,680	331,815	304,244	221,911	2,621,893
Others	8,733	-	-	-	-	-	8,733
	5,730,920	861,886	661,951	735,741	623,672	791,263	9,405,433

(Forward)

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

Bank 2023	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
Construction	1,139,216	36,311	65,985	59,038	102,992	214,709	1,618,251
Education, health and others	440,748	23,298	14,605	68,100	35,132	11,043	592,926
Electricity, gas and water supply	150,695	3,618	1,675	1,601	2,898	2,080	162,567
Financial, insurance/takaful, real estate and business services	720,933	115,065	68,804	36,076	63,965	75,766	1,080,609
Manufacturing	852,413	261,026	232,140	99,949	50,589	132,638	1,628,755
Mining and quarrying	53,238	-	15,058	35,166	7,033	4,484	114,979
Primary agriculture	4,775	-	185	219	3,625	1,319	10,123
Transportation, storage and communication	883,228	85,396	42,895	94,856	72,854	65,587	1,244,816
Wholesale, retail trade, restaurants and hotels	1,139,617	327,548	119,390	324,378	302,776	221,341	2,435,050
Others	9,798	-	-	-	-	-	9,798
	5,394,661	852,262	560,737	719,383	641,864	728,967	8,897,874

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

Group 2024	Hire purchase RM'000	Other term financing RM'000	Revolving financing RM'000	Staff financing RM'000	Total RM'000
Bai' Bithaman Ajil	-	23	-	-	23
Murabahah	40	616,338	47,524	8,733	672,635
Istisna'	-	33,356	1,202	-	34,558
Ijarah	-	-	-	-	-
Ijarah Thumma Al-Bai	290,383	13,292	62,211	-	365,886
Tawarruq	183	4,720,688	3,634,970	-	8,355,841
Bai' Inah	-	6,476	65	-	6,541
	290,606	5,390,173	3,745,972	8,733	9,435,484

(Forward)

197901005290

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

Group 2023	Hire purchase RM'000	Other term financing RM'000	Revolving financing RM'000	Staff financing RM'000	Total RM'000
Bai' Bithaman Ajil	-	23	-	-	23
Murabahah	162	837,999	8,615	9,798	856,574
Istisna'	-	52,924	209	-	53,133
Ijarah Thumma Al-Bai	329,260	17,656	9,820	-	356,736
Tawarruq	229	5,273,912	2,378,855	-	7,652,996
Bai' Inah	-	9,229	-	-	9,229
	329,651	6,191,743	2,397,499	9,798	8,928,691

(Forward)

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

Bank 2024	Hire purchase RM'000	Other term financing RM'000	Revolving financing RM'000	Staff financing RM'000	Total RM'000
Murabahah	40	601,139	47,196	8,733	657,108
Istisna'	-	32,442	1,202	-	33,644
Ijarah Thumma Al-Bai	280,455	9,835	62,211	-	352,501
Tawarruq	183	4,720,688	3,634,970	-	8,355,841
Bai' Inah	-	6,274	65	-	6,339
	280,678	5,370,378	3,745,644	8,733	9,405,433

(Forward)

197901005290

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

Bank 2023	Hire purchase RM'000	Other term financing RM'000	Revolving financing RM'000	Staff financing RM'000	Total RM'000
Murabahah	162	822,495	8,297	9,798	840,752
Istisna'	-	51,558	209	-	51,767
Ijarah Thumma Al-Bai	319,324	14,191	9,820	-	343,335
Tawarruq	229	5,273,912	2,378,855	-	7,652,996
Bai' Inah	-	9,024	-	-	9,024
	319,715	6,171,180	2,397,181	9,798	8,897,874

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Staff financing	8,733	9,798	8,733	9,798
- Hire purchase	100,722	120,928	91,350	111,548
- Other term financing	1,535,245	2,050,119	1,517,391	2,031,480
- Revolving financing	2,723,528	1,947,381	2,723,265	1,947,118
Variable rate				
- Hire purchase	189,884	208,723	189,328	208,167
- Other term financing	3,854,928	4,141,624	3,852,987	4,139,700
- Revolving financing	1,022,444	450,118	1,022,379	450,063
	<u>9,435,484</u>	<u>8,928,691</u>	<u>9,405,433</u>	<u>8,897,874</u>

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Construction	144,532	135,675	143,874	135,017
Education, health and others	64,103	54,295	59,342	48,735
Electricity, gas and water supply	35,375	55,383	35,375	55,383
Financial, insurance/takaful, real estate and business services	127,569	174,414	126,993	173,838
Manufacturing	244,158	229,419	236,641	221,930
Mining and quarrying	16,871	7,818	16,871	7,818
Primary agriculture	840	498	840	498
Transportation, storage and communication	94,147	88,527	84,952	79,338
Wholesale, retail trade, restaurants and hotels	415,199	387,927	407,855	380,582
	<u>1,142,794</u>	<u>1,133,956</u>	<u>1,112,743</u>	<u>1,103,139</u>

197901005290

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

Group 2024	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
Construction	104,553	173	3,828	10,363	19,558	6,057	144,532
Education, health and others	47,536	281	3,517	5,982	1,407	5,380	64,103
Electricity, gas and water supply	35,280	-	-	95	-	-	35,375
Financial, insurance/takaful, real estate and business services	100,143	8,342	2,281	3,369	10,593	2,841	127,569
Manufacturing	144,799	2,823	53,308	15,601	24,502	3,125	244,158
Mining and quarrying	12,689	-	146	3,135	373	528	16,871
Primary agriculture	749	-	91	-	-	-	840
Transportation, storage and communication	58,410	1,723	13,852	9,313	8,482	2,367	94,147
Wholesale, retail trade, restaurants and hotels	248,582	68,307	12,412	33,848	46,739	5,311	415,199
	752,741	81,649	89,435	81,706	111,654	25,609	1,142,794

(Forward)

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

Group 2023	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
Construction	107,876	162	3,099	5,755	9,508	9,275	135,675
Education, health and others	42,410	320	1,847	7,311	1,783	624	54,295
Electricity, gas and water supply	55,383	-	-	-	-	-	55,383
Financial, insurance/takaful, real estate and business services	155,197	7,524	2,477	4,314	3,111	1,791	174,414
Manufacturing	120,676	7,170	52,573	19,440	22,933	6,627	229,419
Mining and quarrying	4,903	-	454	2,157	-	304	7,818
Primary agriculture	498	-	-	-	-	-	498
Transportation, storage and communication	52,430	6,894	13,481	5,147	8,303	2,272	88,527
Wholesale, retail trade, restaurants and hotels	232,122	62,047	11,255	31,809	45,673	5,021	387,927
	771,495	84,117	85,186	75,933	91,311	25,914	1,133,956

(Forward)

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

Bank 2024	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
Construction	103,895	173	3,828	10,363	19,558	6,057	143,874
Education, health and others	42,775	281	3,517	5,982	1,407	5,380	59,342
Electricity, gas and water supply	35,280	-	-	95	-	-	35,375
Financial, insurance/takaful, real estate and business services	99,567	8,342	2,281	3,369	10,593	2,841	126,993
Manufacturing	137,282	2,823	53,308	15,601	24,502	3,125	236,641
Mining and quarrying	12,689	-	146	3,135	373	528	16,871
Primary agriculture	749	-	91	-	-	-	840
Transportation, storage and communication	49,215	1,723	13,852	9,313	8,482	2,367	84,952
Wholesale, retail trade, restaurants and hotels	241,238	68,307	12,412	33,848	46,739	5,311	407,855
	722,690	81,649	89,435	81,706	111,654	25,609	1,112,743

(Forward)

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

Bank 2023	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
Construction	107,218	162	3,099	5,755	9,508	9,275	135,017
Education, health and others	36,850	320	1,847	7,311	1,783	624	48,735
Electricity, gas and water supply	55,383	-	-	-	-	-	55,383
Financial, insurance/takaful, real estate and business services	154,621	7,524	2,477	4,314	3,111	1,791	173,838
Manufacturing	113,187	7,170	52,573	19,440	22,933	6,627	221,930
Mining and quarrying	4,903	-	454	2,157	-	304	7,818
Primary agriculture	498	-	-	-	-	-	498
Transportation, storage and communication	43,241	6,894	13,481	5,147	8,303	2,272	79,338
Wholesale, retail trade, restaurants and hotels	224,777	62,047	11,255	31,809	45,673	5,021	380,582
	740,678	84,117	85,186	75,933	91,311	25,914	1,103,139

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,133,956	1,188,890	1,103,139	1,081,667
-Transfers to Stage 1	(6,088)	(54,736)	(6,088)	(54,736)
-Transfers to Stage 2	(34,131)	(13,500)	(34,131)	(13,500)
-Transfers to Stage 3	275,618	250,199	275,618	250,199
	<u>1,369,355</u>	<u>1,370,853</u>	<u>1,338,538</u>	<u>1,263,630</u>
Changes due to change in credit risk	(62,513)	(29,401)	(61,747)	(26,413)
New financial assets originated	31,541	51,555	31,541	51,555
Financial assets derecognised	(57,957)	(56,434)	(57,957)	(56,434)
Amount written-off	(137,632)	(202,617)	(137,632)	(129,199)
At 31 December	<u>1,142,794</u>	<u>1,133,956</u>	<u>1,112,743</u>	<u>1,103,139</u>

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

Group	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2024	105,084	63,286	485,433	653,803
-Transfers to Stage 1	7,395	(5,990)	(1,405)	-
-Transfers to Stage 2	(4,312)	13,334	(9,022)	-
-Transfers to Stage 3	(2,142)	(15,570)	17,712	-
	<u>941</u>	<u>(8,226)</u>	<u>7,285</u>	<u>-</u>
Changes due to change in credit risk (Note 38(j))	(26,071)	67,158	113,036	154,123
Net financial assets originated (Note 38(j))	30,900	1,606	4,840	37,346
Financial assets derecognised (Note 38(j))	(20,699)	(651)	(10,910)	(32,260)
Amount written-off	-	-	(133,150)	(133,150)
At 31 December 2024	<u>90,155</u>	<u>123,173</u>	<u>466,534</u>	<u>679,862</u>

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

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

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2023	91,586	45,174	538,330	675,090
-Transfers to Stage 1	30,096	(6,313)	(23,783)	-
-Transfers to Stage 2	(3,631)	7,387	(3,756)	-
-Transfers to Stage 3	(1,294)	(12,638)	13,932	-
	25,171	(11,564)	(13,607)	-
Changes due to change in credit risk (Note 38(j))	(28,689)	28,078	167,385	166,774
Net financial assets originated (Note 38(j))	27,852	1,866	7,102	36,820
Financial assets derecognised (Note 38(j))	(10,836)	(268)	(15,183)	(26,287)
Amount written-off	-	-	(198,594)	(198,594)
At 31 December 2023	105,084	63,286	485,433	653,803
Bank				
At 1 January 2024	105,084	63,286	454,616	622,986
-Transfers to Stage 1	7,395	(5,990)	(1,405)	-
-Transfers to Stage 2	(4,312)	13,334	(9,022)	-
-Transfers to Stage 3	(2,142)	(15,570)	17,712	-
	941	(8,226)	7,285	-
Changes due to change in credit risk (Note 38(j))	(26,071)	67,158	113,802	154,889
Net financial assets originated (Note 38(j))	30,900	1,606	4,840	37,346
Financial assets derecognised (Note 38(j))	(20,699)	(651)	(10,910)	(32,260)
Amount written-off	-	-	(133,150)	(133,150)
At 31 December 2024	90,155	123,173	436,483	649,811
At 1 January 2023	91,586	45,174	431,107	567,867
-Transfers to Stage 1	30,096	(6,313)	(23,783)	-
-Transfers to Stage 2	(3,631)	7,387	(3,756)	-
-Transfers to Stage 3	(1,294)	(12,638)	13,932	-
	25,171	(11,564)	(13,607)	-
Changes due to change in credit risk (Note 38(j))	(28,689)	28,078	170,373	169,762
Net financial assets originated (Note 38(j))	27,852	1,866	7,102	36,820
Financial assets derecognised (Note 38(j))	(10,836)	(268)	(15,183)	(26,287)
Amount written-off	-	-	(125,176)	(125,176)
At 31 December 2023	105,084	63,286	454,616	622,986
	Group	Bank		
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Net impaired advances and financing as a percentage	7.55%	7.69%	7.55%	7.69%

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

(d) Term financing/Fundings

	Group and Bank	
	2024	2023
	RM'000	RM'000
Unsecured term financing//fundings	1,732,080	1,574,346

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

	Group and Bank	
	2024	2023
	RM'000	RM'000
Within one year	14,333	5,869
More than one year to five years	1,252,269	580,438
More than five years	465,478	988,039
	<u>1,732,080</u>	<u>1,574,346</u>

(ii) The unsecured term financing/fundings denominated in RM is sourced from the following:

	Group and Bank	
	2024	2023
	RM'000	RM'000
Financing from:		
- GOM	446,476	437,699
- BNM	1,285,604	1,136,647
	<u>1,732,080</u>	<u>1,574,346</u>

The profit rates on the term financing/fundings from GOM is at 2.0% (2023: 2.0%) and BNM range from 0% to 0.50% (2023: 0% to 1.50%) per annum.

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

(e) Other liabilities

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Other payables and accruals	809,415	558,555	816,908	565,329
Islamic margin account (Note 21(ii))	270,128	340,743	270,076	340,690
Guarantee payable (Note 21(iii))	54,342	161,914	54,342	161,914
Amount due to subsidiaries (Note 21(iv))	-	-	45,523	32,390
Rental and security deposits	3,412	3,457	3,412	3,457
Provision for zakat	2,073	2,304	2,073	2,304
Allowance for impairment on financing commitments (Note (i))	5,976	5,915	5,976	5,915
Other provisions	36,427	45,158	35,405	44,321
	1,181,773	1,118,046	1,233,715	1,156,320

(i) Movement in loss allowances for impairment on financing commitments are as follows:

	Group and Bank	
	2024	2023
Commitments	Stage 1	Stage 1
	RM'000	RM'000
At 1 January	5,915	4,724
Changes due to change in credit risk	(455)	378
New financial assets originated	3,476	3,261
Derecognition	(2,960)	(2,448)
At 31 December	5,976	5,915

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

(f) Income from Islamic banking business

	Group and Bank	
	2024	2023
	RM'000	RM'000
Income from advances and financing		
- Murabahah	44,856	57,452
- Istisna'	2,835	3,929
- Ijarah Thumma Al-Bai	21,189	22,655
- Tawarruq	486,516	457,644
- Bai' Inah	649	251
Total income from advances and financing	556,045	541,931
Tawarruq deposit placements	33,181	34,404
Financial investments at FVOCI	67,871	49,029
Financial investments at FVTPL	7,533	5,807
Financial investments at AC	36,569	40,301
	701,199	671,472

Included in income from advances and financing is profit on impaired advances and financing amounting to RM56,224,000 (2023: RM59,846,000) and nil modification gain (2023: RM1,437,000).

(g) Profit expense attributable to Islamic banking business

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Deposits from customers (Note i)	160,258	138,579	161,057	139,298
Islamic medium-term notes/commercial papers	104,907	109,997	104,907	109,997
Term financing	46,341	41,552	46,341	41,552
Deposits from banks and other financial institutions	1,348	2,332	1,348	2,332
Others (Note ii)	328	3,221	328	3,221
	313,182	295,681	313,981	296,400

(i) Included in profit expense on deposits from customers of the Bank is profit expenses for subsidiary companies amounting to RM799,000 (2023: RM719,000) (Note 33(c)).

(ii) Included in other profit expenses is finance cost on lease liabilities amounting to RM477,000 (2023: RM498,000).

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

(h) Other income

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Fee income	17,006	17,953	9,178	9,878
Commission fee income	2,359	2,308	2,359	2,308
Rental income	12,138	11,781	12,138	11,781
Government funds released (Note 22)	43,128	36,202	43,128	36,202
Government compensation	10,595	12,150	10,595	12,150
Management fee	-	-	580	391
Gain on disposal of associate	-	3,465	-	5,800
Fair value adjustment on investment properties (Note 13)	12,651	17,168	12,651	17,168
Fair value loss of assets held for sale	(990)	-	(990)	-
Profit income on amount due from a subsidiary company (Note 33(c))	-	-	6,084	7,183
Recoveries from financing written off	27,720	36,381	21,653	28,943
Ta'widh/Compensation on late payment charges	7,888	6,775	7,888	6,775
Others	6,163	4,268	5,686	3,681
	138,658	148,451	130,950	142,260

(i) Other operating expenses

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	202,362	183,318	198,318	179,783
Establishment related expenses	52,281	52,003	52,248	51,977
Promotion and marketing expenses	10,122	5,039	10,079	5,012
Administration and general expenses	34,280	46,172	40,723	52,198
	299,045	286,532	301,368	288,970

(j) Allowance/(Writeback) for impairment loss on advances and financing

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
(Writeback)/Allowance for impairment losses on advances and financing made during the year				
- Stage 1, net (Note 38(c)(x))	(15,870)	(11,673)	(15,870)	(11,673)
- Stage 2, net (Note 38(c)(x))	68,113	29,676	68,113	29,676
- Stage 3, net (Note 38(c)(x))	106,966	159,304	107,732	162,292
	159,209	177,307	159,975	180,295
Impaired advances and financing written off	4,482	4,329	4,482	4,329
Total allowance for impairment loss on advances and financing	163,691	181,636	164,457	184,624

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

(k) Capital adequacy

Capital management

Regulatory capital

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
<u>Tier I Capital</u>				
Capital funds	1,331,237	1,324,198	1,331,237	1,324,198
Retained earnings	476,251	446,410	383,696	323,904
General provision for advances and financing ¹	-	44,860	-	44,860
Less: Deferred tax assets	(88,236)	(113,536)	(88,236)	(113,536)
Less: Property revaluation reserve	(258,517)	(248,933)	(258,517)	(248,933)
Total Tier I capital	<u>1,460,735</u>	<u>1,452,999</u>	<u>1,368,180</u>	<u>1,330,493</u>
<u>Tier II Capital</u>				
General provision for advances and financing ¹	219,303	129,426	219,303	129,426
Property revaluation reserve ²	129,259	124,467	129,259	124,467
Government funds	387,849	427,977	387,849	427,977
Total Tier II capital	<u>736,411</u>	<u>681,870</u>	<u>736,411</u>	<u>681,870</u>
Total capital	2,197,146	2,134,869	2,104,591	2,012,363
Less: Investment in subsidiaries	-	-	-	-
Total capital base	<u>2,197,146</u>	<u>2,134,869</u>	<u>2,104,591</u>	<u>2,012,363</u>

¹ 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.

² The eligible amount for Tier II Capital is only limited to 50% of property revaluation reserves.

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

(k) Capital adequacy (cont'd.)

Capital management (cont'd.)

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

	Group		Bank	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
20%	241,154	319,847	245,534	319,847
50%	3,964	4,501	3,964	4,501
100%	9,314,373	10,537,691	9,358,781	10,627,922
	9,559,491	10,862,039	9,608,279	10,952,270

	Group		Bank	
	2024	2023	2024	2023
Before deducting proposed dividends:				
Core capital ratio	15.280%	13.377%	14.240%	12.148%
Risk-weighted capital ratio	22.984%	19.654%	21.904%	18.374%

After deducting proposed dividends:

Core capital ratio	15.202%	13.298%	14.161%	12.070%
Risk-weighted capital ratio	22.905%	19.576%	21.826%	18.296%

The capital adequacy ratios of the Islamic banking business are computed in accordance with the requirements of the Bank Negara Malaysia's Capital Framework for Development Financial Institutions which is based on Basel I capital adequacy framework requirements.

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

38. Islamic banking business (cont'd.)

Notes to the financial statements

For the financial year ended 31 December 2024 (cont'd.)

(k) Capital adequacy (cont'd.)

Capital management (cont'd.)

Transitional arrangements

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 expected credit losses (ECL) to Common Equity Tier 1 Capital over a four-year period from financial year beginning 2020.

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

Transitional arrangement	Group		Bank	
	Before RM'000	After RM'000	Before RM'000	After RM'000
2024				
Total Tier I capital	1,460,735	1,460,735	1,368,180	1,368,180
of which: Total Add-back	-	-	-	-
Total Additional Tier I capital	<u>1,460,735</u>	<u>1,460,735</u>	<u>1,368,180</u>	<u>1,368,180</u>
Total Tier II capital	736,411	736,411	736,411	736,411
of which: Loss provisions	219,303	219,303	219,303	219,303
Total Risk Weighted Assets	<u>9,559,491</u>	<u>9,559,491</u>	<u>9,608,279</u>	<u>9,608,279</u>
Core capital ratio	15.280%	15.280%	14.240%	14.240%
Risk-weighted capital adequacy ratio	<u>22.984%</u>	<u>22.984%</u>	<u>21.904%</u>	<u>21.904%</u>
2023				
Total Tier I capital	1,408,139	1,408,139	1,285,633	1,285,633
of which: Total Add-back	-	44,860	-	44,860
Total Additional Tier I capital	<u>1,408,139</u>	<u>1,452,999</u>	<u>1,285,633</u>	<u>1,330,493</u>
Total Tier II capital	726,730	681,870	726,730	681,870
of which: Loss provisions	174,286	129,426	174,286	129,426
Total Risk Weighted Assets	<u>10,862,039</u>	<u>10,862,039</u>	<u>10,952,270</u>	<u>10,952,270</u>
Core capital ratio	12.964%	13.377%	11.739%	12.148%
Risk-weighted capital adequacy ratio	<u>19.654%</u>	<u>19.654%</u>	<u>18.374%</u>	<u>18.374%</u>

39. Significant events

During the 2024 National Budget Speech on 13 October 2023, the honourable Finance Minister announced a restructuring exercise of the Developmental Financial Institutions ("DFIs"). The objective of this exercise is to strengthen the development finance ecosystem in the country. The DFIs involved in this exercise together with the Bank are Bank Pembangunan Malaysia Berhad ("BPMB") and Export-Import Bank of Malaysia Berhad ("Exim Bank"). The discussion on the proposed restructuring exercise is currently ongoing.