

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	Group		Bank	
		30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
ASSETS					
Cash and short-term funds		1,456,269	1,628,091	1,455,689	1,626,827
Financial investments at fair value through through profit or loss ("FVTPL")	9	394,829	-	394,829	-
Financial investments at fair value through other comprehensive income ("FVOCI")	10	1,412,992	1,436,121	1,412,992	1,436,121
Financial investments at amortised cost ("AC")	11	913,435	934,753	913,435	934,753
Loans, advances and financing	12	7,980,939	7,838,869	7,980,939	7,838,869
Other assets		26,745	25,210	91,393	121,889
Investment in associate		-	2,335	-	-
Property, plant and equipment		124,226	146,131	124,225	146,098
Right-of-use assets		13,019	14,821	13,019	14,821
Investment properties		377,231	377,231	377,231	377,231
Intangible assets		39,960	17,698	39,960	17,698
Tax recoverable		6,273	5,203	3,969	2,997
Deferred tax assets		108,089	108,089	108,089	108,089
TOTAL ASSETS		12,854,007	12,534,552	12,915,770	12,625,393
LIABILITIES					
Deposits from customers	13	3,756,382	4,503,909	3,774,260	4,553,795
Deposits from banks and other financial institutions	14	280,079	150,208	280,079	150,208
Islamic medium-term notes/commercial notes		3,441,575	2,622,297	3,441,575	2,622,297
Borrowings/Fundings	15	1,995,844	1,949,473	1,995,844	1,949,473
Lease liabilities		13,416	15,137	13,416	15,137
Other liabilities		1,149,734	1,028,511	1,185,295	1,061,649
Government funds		587,443	602,785	587,443	602,785
TOTAL LIABILITIES		11,224,473	10,872,320	11,277,912	10,955,344
EQUITY					
Share capital		1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses		(246,398)	(201,809)	(238,074)	(193,992)
Other reserves		25,932	14,041	25,932	14,041
TOTAL EQUITY		1,629,534	1,662,232	1,637,858	1,670,049
TOTAL LIABILITIES AND EQUITY		12,854,007	12,534,552	12,915,770	12,625,393
COMMITMENTS AND CONTINGENCIES	21	2,141,767	2,255,710	2,141,767	2,255,710

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

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

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

Group	Notes	Second Quarter Ended		Six Months Ended	
		30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Interest income	16	140	242	156	525
Interest expense	17	(1,454)	(3,722)	(2,922)	(7,433)
Net interest expense		(1,314)	(3,480)	(2,766)	(6,908)
Gross income from Islamic banking business	23	111,985	111,619	228,066	216,554
Other operating income	18	949	5,403	1,884	5,909
Net income		111,620	113,542	227,184	215,555
Other operating expenses	19	(73,935)	(42,375)	(144,867)	(110,027)
Operating profit		37,685	71,167	82,317	105,528
(Allowances)/Writeback for impairment losses on:					
- loans, advances and financing	20	(24,940)	(70,088)	(48,359)	(86,565)
- commitments and contingencies		(339)	326	(651)	149
- financial investments at FVOCI	10	-	236	27	307
- financial investments at AC	11	-	285	-	278
- other assets at AC		(119)	(139)	(554)	(705)
Profit before tax expense and zakat		12,287	1,787	32,780	18,992
Tax expense		(4,198)	(218)	(7,306)	(451)
Zakat		(375)	(750)	(750)	(1,500)
Profit for the period		7,714	819	24,724	17,041
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised (loss)/gain on revaluation of financial investments at FVOCI		(383)	(15,404)	11,918	(9,545)
Changes in expected credit loss on financial investments at FVOCI		-	(236)	(27)	(307)
Other comprehensive (loss)/income for the period		(383)	(15,640)	11,891	(9,852)
Total comprehensive income/(loss) for the period		7,331	(14,821)	36,615	7,189
Profit for the period attributable to owner of the Bank		7,714	819	24,724	17,041
Total comprehensive income/(loss) attributable to owner of the Bank		7,331	(14,821)	36,615	7,189

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

Small Medium Enterprise Development Bank Malaysia Berhad
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2023

Bank	Notes	Second Quarter Ended		Six Months Ended	
		30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Interest income	16	140	242	156	525
Interest expense	17	(1,454)	(3,722)	(2,922)	(7,433)
Net interest expense		(1,314)	(3,480)	(2,766)	(6,908)
Gross income from Islamic banking business	23	110,067	110,116	227,821	213,136
Other operating income	18	203	583	372	826
Net income		108,956	107,219	225,427	207,054
Other operating expenses	19	(73,873)	(45,026)	(143,788)	(110,230)
Operating profit		35,083	62,193	81,639	96,824
(Allowances)/Writeback for impairment losses on:					
- loans, advances and financing	20	(28,676)	(72,583)	(56,323)	(90,236)
- commitments and contingencies		(339)	326	(651)	149
- financial investments at FVOCI	10	-	236	27	307
- financial investments at AC	11	-	285	-	278
- other assets at AC		(119)	(139)	(554)	(705)
- other assets at FVOCI		4,402	9,851	8,803	7,702
Profit before tax expense and zakat		10,351	169	32,941	14,319
Tax expense		(4,026)	(179)	(6,960)	(359)
Zakat		(375)	(750)	(750)	(1,500)
Profit for the period		5,950	(760)	25,231	12,460
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised (loss)/gain on revaluation of financial investments at FVOCI		(383)	(15,404)	11,918	(9,545)
Changes in expected credit loss on financial investments at FVOCI		-	(236)	(27)	(307)
Other comprehensive (loss)/income for the period		(383)	(15,640)	11,891	(9,852)
Total comprehensive income/(loss) for the period		5,567	(16,400)	37,122	2,608
Profit/(Loss) for the period attributable to owner of the Bank		5,950	(760)	25,231	12,460
Total comprehensive income/(loss) attributable to owner of the Bank		5,567	(16,400)	37,122	2,608

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

Small Medium Enterprise Development Bank Malaysia Berhad
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2023

Group	Note	<=====Attributable to the Owner of the Bank=====>				
		Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2023, as previously stated		1,850,000	3,927	10,114	(201,809)	1,662,232
Impact of adopting the modified accounting treatment		-	-	-	(63,092)	(63,092)
At 1 January 2023 as restated		1,850,000	3,927	10,114	(264,901)	1,599,140
Unrealised gain on revaluation of financial investments at FVOCI		-	11,918	-	-	11,918
Changes in expected credit losses of financial investments at FVOCI	10	-	(27)	-	-	(27)
Profit for the period		-	-	-	24,724	24,724
Total comprehensive income for the period		-	11,891	-	24,724	36,615
Transaction with owner:						
Dividends		-	-	-	(6,221)	(6,221)
At 30 June 2023		1,850,000	15,818	10,114	(246,398)	1,629,534
At 1 January 2022		1,850,000	7,652	10,114	(262,346)	1,605,420
Unrealised loss on revaluation of financial investments at FVOCI		-	(17,325)	-	-	(17,325)
Reclassification of gain included in profit or loss		-	12,566	-	-	12,566
Changes in expected credit losses of financial investments at FVOCI		-	(108)	-	-	(108)
Income tax relating to components of other comprehensive income		-	1,142	-	-	1,142
Profit for the year		-	-	-	65,543	65,543
Total comprehensive (loss)/income for the year		-	(3,725)	-	65,543	61,818
Transaction with owner:						
Dividends		-	-	-	(5,006)	(5,006)
At 31 December 2022		1,850,000	3,927	10,114	(201,809)	1,662,232

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

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2023

Bank	Note	<=====Attributable to the Owner of the Bank=====>				
		Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2023, as previously stated		1,850,000	3,927	10,114	(193,992)	1,670,049
Impact of adopting the modified accounting treatment		-	-	-	(63,092)	(63,092)
At 1 January 2023 as restated		1,850,000	3,927	10,114	(257,084)	1,606,957
Unrealised gain on revaluation of financial investments at FVOCI		-	11,918	-	-	11,918
Changes in expected credit losses of financial investments at FVOCI	10	-	(27)	-	-	(27)
Profit for the period		-	-	-	25,231	25,231
Total comprehensive income for the period		-	11,891	-	25,231	37,122
Transaction with owner:						
Dividends		-	-	-	(6,221)	(6,221)
At 30 June 2023		1,850,000	15,818	10,114	(238,074)	1,637,858
At 1 January 2022		1,850,000	7,652	10,114	(251,195)	1,616,571
Unrealised loss on revaluation of financial investments at FVOCI		-	(17,325)	-	-	(17,325)
Reclassification of gain included in profit or loss		-	12,566	-	-	12,566
Changes in expected credit losses of financial investments at FVOCI		-	(108)	-	-	(108)
Income tax relating to components of other comprehensive income		-	1,142	-	-	1,142
Profit for the year		-	-	-	62,209	62,209
Total comprehensive (loss)/income for the year		-	(3,725)	-	62,209	58,484
Transaction with owner:						
Dividends		-	-	-	(5,006)	(5,006)
At 31 December 2022		1,850,000	3,927	10,114	(193,992)	1,670,049

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

**Small Medium Enterprise Development Bank Malaysia Berhad
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

	Group		Bank	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Cash flows from operating activities				
Profit before tax expense and zakat	32,780	18,992	32,941	14,319
Adjustments for:				
Net impairment loss on loans, advances and financing	66,110	102,929	74,075	106,600
Net impairment loss/(writeback) of commitment and contingencie	651	(149)	651	(149)
Net impairment writeback on financial investment at FVOCI	(27)	(307)	(27)	(307)
Net impairment writeback on financial investment at AC	-	(278)	-	(278)
Impairment loss on other assets at AC	554	705	554	705
Impairment writeback on other assets at FVOCI	-	-	(8,803)	(7,702)
Depreciation of property, plant and equipment	6,984	5,464	6,984	5,463
Depreciation of right-of-use assets	1,802	1,773	1,802	1,773
Amortisation of intangible assets	4,995	4,114	4,995	4,114
Government funds released	(15,341)	(13,300)	(15,341)	(13,300)
Income from financial investments at FVOCI	(22,867)	(21,997)	(22,867)	(21,997)
Income from financial investments at FVTPL	(3,558)	(1,214)	(3,558)	(1,214)
Income from financial investments at AC	(17,867)	(8,281)	(17,867)	(8,281)
Profit expense on medium-term notes/commercial papers	49,916	41,420	49,916	41,420
Profit expense on borrowings/fundings	21,048	18,578	21,048	18,578
Finance cost on lease liabilities	251	243	251	243
Profit income on amount due from a subsidiary company	-	-	(1,197)	(4,298)
Gain on disposal of associate	(3,465)	-	(5,800)	-
Operating profit before working capital changes	121,966	148,692	117,757	135,689
Changes in working capital:				
Net changes in operating assets	(275,621)	(243,538)	(241,432)	(210,772)
Net changes in operating liabilities	(497,861)	885,293	(527,446)	873,323
Cash (used in)/generated from operating activities	(651,516)	790,447	(651,121)	798,240
Interest and profit paid	(49,623)	(46,798)	(49,623)	(46,798)
Interest and profit received	46,060	40,681	46,060	40,410
Tax and zakat paid	(518)	(1,092)	(229)	(1,092)
Net cash (used in)/generated from operating activities	(655,597)	783,238	(654,913)	790,760
Cash flows from investing activities				
Net proceed from purchase of financial investment	(340,231)	114,967	(340,231)	114,967
Net purchase of property, plant and equipment	(11,631)	(18,412)	(11,631)	(18,412)
Net purchase of intangible assets	(6,278)	-	(6,278)	-
Proceeds from disposal of associate	5,800	-	5,800	-
Net cash (used in)/generated from investing activities	(352,340)	96,555	(352,340)	96,555
Cash flows from financing activities				
Net disburse of medium-term notes/commercial papers	815,000	(651,536)	815,000	(651,536)
Net disburse of borrowings/fundings	29,308	181,415	29,308	181,415
Proceeds from government funds	-	19,077	-	19,077
Payment of lease liabilities	(1,972)	(1,871)	(1,972)	(1,871)
Dividend paid	(6,221)	-	(6,221)	-
Net cash generated from/(used in) financing activities	836,115	(452,915)	836,115	(452,915)
Net (decrease)/increase in cash and cash equivalents	(171,822)	426,878	(171,138)	434,400
Cash and cash equivalents at beginning of year	1,628,091	1,254,962	1,626,827	1,246,606
Cash and cash equivalents at end of period	1,456,269	1,681,840	1,455,689	1,681,006
Cash and cash equivalents comprise:				
- Cash and short term funds	1,456,269	1,681,840	1,455,689	1,681,006

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

1. Basis of preparation

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

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

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2022. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the year ended 31 December 2022.

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

The accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2022 except for adoption of the following amendments to Malaysian Financial Reporting Standards ("MFRS") and annual improvements to MFRSs, effective for annual periods beginning on or after 1 January 2023:-

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

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

2. Summary of Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2022 were prepared in accordance with MFRS, as modified by Bank Negara Malaysia and the requirements of the Companies Act, 2016 in Malaysia. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2022.

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3. Significant Accounting Estimates and Judgements

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the financial year ended 31 December 2022.

4. Auditors' report on preceding audited annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2022 was not qualified.

5. Seasonal or cyclical factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the second quarter and six months period ended 30 June 2023.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank in the second quarter and six months period ended 30 June 2023.

7. Changes in estimates

There were no material changes in estimates that have a material effect in the second quarter and six months period ended 30 June 2023.

8. Dividends

During the twelve month ended 31 December 2023, a final dividend of 0.34 sen per share for the financial year ended 31 December 2022, amounting to RM6,221,000 was declared during the Annual General Meeting on 31 May 2023 and cash dividend payment was made on 8 June 2023.

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9. Financial investments at FVTPL

	Group and Bank	
	30 June 2023 RM'000	31 December 2022 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	204,924	-
Money market instruments		
Commercial papers	189,905	-
	<u>394,829</u>	<u>-</u>

10. Financial investments at FVOCI

	Group and Bank	
	30 June 2023 RM'000	31 December 2022 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	<u>1,036,672</u>	<u>1,059,078</u>
Non-money market instruments		
Equity securities		
- Private debt securities	30,688	30,618
- Unquoted shares	10,062	10,062
Debt securities		
- Private debt securities	<u>335,570</u>	<u>336,363</u>
	<u>376,320</u>	<u>377,043</u>
	<u>1,412,992</u>	<u>1,436,121</u>

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

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

	Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2023	1	198	10,000	10,199
Writeback made due to changes in credit risk	-	(27)	-	(27)
At 30 June 2023	<u>1</u>	<u>171</u>	<u>10,000</u>	<u>10,172</u>
At 1 January 2022	89	218	10,000	10,307
Allowance made due to changes in credit risk	(40)	-	-	(40)
New financial investments originated	1	198	-	199
Financial investments derecognised	(49)	(218)	-	(267)
At 31 December 2022	<u>1</u>	<u>198</u>	<u>10,000</u>	<u>10,199</u>

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

The impairment losses by external rating grade are as follows:

<i>External rating grade</i>	Group and Bank			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
RAM A	-	171	-	171
MARC AA-	1	-	-	1
RAM D^	-	-	10,000	10,000
At 30 June 2023	<u>1</u>	<u>171</u>	<u>10,000</u>	<u>10,172</u>
RAM A	-	198	-	198
MARC AA-	1	-	-	1
RAM D^	-	-	10,000	10,000
At 31 December 2022	<u>1</u>	<u>198</u>	<u>10,000</u>	<u>10,199</u>

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

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11. Financial investments at AC

	Group and Bank	
	30 June 2023 RM'000	31 December 2022 RM'000
At amortised cost		
Government securities		
Malaysian Government Investment Issues	170,327	199,429
Money market instruments		
Commercial papers	102,650	64,140
Non-money market instruments		
Private debt securities	640,459	671,185
	913,436	934,754
Less: Accumulated impairment losses	(1)	(1)
	<u>913,435</u>	<u>934,753</u>

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

	Group and Bank	
	30 June 2023 RM'000	31 December 2022 RM'000
Within one year	294,770	416,607
More than one year to three years	296,989	196,574
More than three years to five years	15,038	281,172
More than five years	306,639	40,401
	<u>913,436</u>	<u>934,754</u>

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

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

	Group and Bank	
	30 June	31 December
	2023	2022
	RM'000	RM'000
	Stage 1	Stage 1
At 1 January	1	278
Allowance made due to changes in credit risk	-	(32)
New financial investments originated or purchased	1	1
Financial investments derecognised	(1)	(246)
At 30 June 2023/31 December 2022	1	1

The impairment losses by external rating grade are as follows:

	Group and Bank	
	30 June	31 December
	2023	2022
	RM'000	RM'000
	Stage 1	Stage 1
<i>External rating grade</i>		
RAM AA	-	1
MARC AA	1	-
Total	1	1

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

	Group and Bank	
	30 June	31 December
	2023	2022
	RM'000	RM'000
Malaysian Government Investment Issues	171,136	199,428
Commercial papers	102,650	64,140
Private debt securities	643,685	670,110
	917,471	933,678

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12. Loans, advances and financing

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
At amortised cost:				
Term loans/financing				
- Hire purchase	367,243	391,041	332,209	355,560
- Leasing	345	345	-	-
- Other term loans/financing	6,468,584	6,401,094	6,161,825	6,086,815
Revolving loans/financing	2,148,791	1,991,084	2,128,802	1,971,098
Staff loans/financing	10,562	10,991	10,562	10,991
Gross loans, advances and financing	8,995,525	8,794,555	8,633,398	8,424,464
Less: Allowance for impairment losses on				
- Stage 1 (Note 12(ix))	(94,975)	(93,965)	(94,975)	(93,965)
- Stage 2 (Note 12(ix))	(52,531)	(45,769)	(52,531)	(45,769)
- Stage 3 (Note 12(ix))	(867,080)	(815,952)	(504,953)	(445,861)
Net loans, advances and financing	7,980,939	7,838,869	7,980,939	7,838,869
Gross impaired loans, advances and financing (Note 12(viii))	1,504,489	1,484,710	1,142,362	1,114,619
Net impaired loans, advances and financing	637,409	668,758	637,409	668,758

Included in loans, advances and financing for the Group and the Bank are gross loans, advances and financing of RM113,419,000 (2022: RM107,062,000) financed by Government funds.

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Within one year	2,244,262	1,969,780	1,971,556	1,690,385
More than one year to three years	842,147	701,591	796,028	673,821
More than three years to five years	1,351,220	1,406,664	1,337,344	1,373,667
More than five years	4,557,896	4,716,520	4,528,470	4,686,591
	8,995,525	8,794,555	8,633,398	8,424,464

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

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Domestic business enterprise	8,984,963	8,783,564	8,622,836	8,413,473
Individual	10,562	10,991	10,562	10,991
	<u>8,995,525</u>	<u>8,794,555</u>	<u>8,633,398</u>	<u>8,424,464</u>

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Constructions	1,514,424	1,448,561	1,511,600	1,445,737
Education, health and others	654,987	637,094	611,975	593,221
Electricity, gas and water supply	142,491	162,564	142,491	162,564
Financial, insurance/takaful, real estate and business services	1,109,211	1,143,111	1,107,121	1,140,395
Manufacturing	1,612,712	1,623,674	1,544,850	1,555,435
Mining and quarrying	122,053	113,441	120,057	111,445
Primary agriculture	6,866	7,432	6,597	7,163
Transportation, storage and communication	1,157,724	1,099,517	1,119,807	1,061,215
Wholesale, retail trade, restaurants and hotels	2,664,495	2,548,170	2,458,338	2,336,298
Others	10,562	10,991	10,562	10,991
	<u>8,995,525</u>	<u>8,794,555</u>	<u>8,633,398</u>	<u>8,424,464</u>

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	1,066,982	31,859	53,014	47,847	98,883	215,839	1,514,424
Education, health and others	479,976	23,451	20,098	84,690	35,493	11,279	654,987
Electricity, gas and water supply	133,570	1,422	776	1,707	2,819	2,197	142,491
Financial, insurance/takaful, real estate and business services	746,867	113,641	66,474	40,892	65,662	75,675	1,109,211
Manufacturing	918,369	231,484	222,624	99,469	48,580	92,186	1,612,712
Mining and quarrying	68,915	-	15,877	32,036	1,682	3,543	122,053
Primary agriculture	1,279	-	205	236	3,748	1,398	6,866
Transportation, storage and communication	780,833	88,276	43,584	104,770	70,335	69,926	1,157,724
Wholesale, retail trade, restaurants and hotels	1,371,125	338,336	104,016	332,810	306,727	211,481	2,664,495
Others	10,562	-	-	-	-	-	10,562
At 30 June 2023	5,578,478	828,469	526,668	744,457	633,929	683,524	8,995,525

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

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

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

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	1,064,158	31,859	53,014	47,847	98,883	215,839	1,511,600
Education, health and others	436,964	23,451	20,098	84,690	35,493	11,279	611,975
Electricity, gas and water supply	133,570	1,422	776	1,707	2,819	2,197	142,491
Financial, insurance/takaful, real estate and business services	744,777	113,641	66,474	40,892	65,662	75,675	1,107,121
Manufacturing	850,507	231,484	222,624	99,469	48,580	92,186	1,544,850
Mining and quarrying	66,919	-	15,877	32,036	1,682	3,543	120,057
Primary agriculture	1,010	-	205	236	3,748	1,398	6,597
Transportation, storage and communication	742,916	88,276	43,584	104,770	70,335	69,926	1,119,807
Wholesale, retail trade, restaurants and hotels	1,164,968	338,336	104,016	332,810	306,727	211,481	2,458,338
Others	10,562	-	-	-	-	-	10,562
At 30 June 2023	5,216,351	828,469	526,668	744,457	633,929	683,524	8,633,398

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

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

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

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

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Fixed rate:				
- Staff loan/financing	10,562	10,991	10,562	10,991
- Hire purchase	159,402	167,742	125,215	133,127
- Leasing	345	345	-	-
- Other term loans/financing	2,219,320	2,200,288	2,015,587	1,989,885
- Revolving loans/financing	1,637,395	1,173,510	1,617,467	1,153,585
Variable rate				
- Hire purchase	207,842	223,299	206,994	222,433
- Other term loans/financing	4,249,263	4,200,806	4,146,238	4,096,930
- Revolving loans/financing	511,396	817,574	511,335	817,513
	<u>8,995,525</u>	<u>8,794,555</u>	<u>8,633,398</u>	<u>8,424,464</u>

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Constructions	145,085	131,438	142,261	128,614
Education, health and others	147,470	145,096	104,458	101,223
Electricity, gas and water supply	51,150	54,833	51,150	54,833
Financial, insurance/takaful, real estate and business services	184,321	182,439	182,231	179,723
Manufacturing	288,745	288,267	220,883	220,028
Mining and quarrying	7,523	7,162	5,527	5,166
Primary agriculture	637	486	368	217
Transportation, storage and communication	127,177	106,906	89,260	68,604
Wholesale, retail trade, restaurants and hotels	552,381	568,083	346,224	356,211
	<u>1,504,489</u>	<u>1,484,710</u>	<u>1,142,362</u>	<u>1,114,619</u>

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	116,705	872	3,488	4,174	10,264	9,582	145,085
Education, health and others	108,695	524	7,500	27,859	2,003	889	147,470
Electricity, gas and water supply	51,150	-	-	-	-	-	51,150
Financial, insurance/takaful, real estate and business services	167,481	7,266	1,512	4,007	2,497	1,558	184,321
Manufacturing	187,977	11,468	57,728	24,218	1,012	6,342	288,745
Mining and quarrying	6,720	-	487	316	-	-	7,523
Primary agriculture	552	-	-	-	85	-	637
Transportation, storage and communication	82,849	7,657	14,153	11,248	9,276	1,994	127,177
Wholesale, retail trade, restaurants and hotels	370,265	68,395	16,892	45,788	47,450	3,591	552,381
At 30 June 2023	1,092,394	96,182	101,760	117,610	72,587	23,956	1,504,489

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

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

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

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	113,881	872	3,488	4,174	10,264	9,582	142,261
Education, health and others	65,683	524	7,500	27,859	2,003	889	104,458
Electricity, gas and water supply	51,150	-	-	-	-	-	51,150
Financial, insurance/takaful, real estate and business services	165,391	7,266	1,512	4,007	2,497	1,558	182,231
Manufacturing	120,115	11,468	57,728	24,218	1,012	6,342	220,883
Mining and quarrying	4,724	-	487	316	-	-	5,527
Primary agriculture	283	-	-	-	85	-	368
Transportation, storage and communication	44,932	7,657	14,153	11,248	9,276	1,994	89,260
Wholesale, retail trade, restaurants and hotels	164,108	68,395	16,892	45,788	47,450	3,591	346,224
At 30 June 2023	<u>730,267</u>	<u>96,182</u>	<u>101,760</u>	<u>117,610</u>	<u>72,587</u>	<u>23,956</u>	<u>1,142,362</u>

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

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

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

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

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
At 1 January	1,484,710	1,526,505	1,114,619	1,132,690
-Transfers to Stage 1	(25,502)	(61,315)	(17,538)	(61,315)
-Transfers to Stage 2	(8,877)	(29,203)	(8,877)	(29,203)
-Transfers to Stage 3	111,257	282,994	111,257	282,994
	<u>1,561,588</u>	<u>1,718,981</u>	<u>1,199,461</u>	<u>1,325,166</u>
Changes due to change in credit risk	(16,034)	(75,305)	(16,034)	(51,581)
New financial assets originated	1,211	7,196	1,211	7,196
Financial assets derecognised	(35,497)	(62,258)	(35,497)	(62,258)
Amount written-off	(6,779)	(103,904)	(6,779)	(103,904)
At 30 June 2023/31 December 2022	<u>1,504,489</u>	<u>1,484,710</u>	<u>1,142,362</u>	<u>1,114,619</u>

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2023	93,965	45,769	815,952	955,686
-Transfers to Stage 1	10,521	(3,760)	(6,761)	-
-Transfers to Stage 2	(2,283)	5,503	(3,220)	-
-Transfers to Stage 3	(414)	(7,847)	8,261	-
	<u>7,824</u>	<u>(6,104)</u>	<u>(1,720)</u>	<u>-</u>
Changes due to change in credit risk (Note 20)	(13,747)	12,823	69,090	68,166
New financial assets originated (Note 20)	15,393	242	861	16,496
Financial assets derecognised (Note 20)	(8,460)	(199)	(10,361)	(19,020)
Amount written off	-	-	(6,742)	(6,742)
At 30 June 2023	<u>94,975</u>	<u>52,531</u>	<u>867,080</u>	<u>1,014,586</u>
At 1 January 2022	97,559	16,634	765,939	880,132
-Transfers to Stage 1	12,517	(4,190)	(8,327)	-
-Transfers to Stage 2	(9,713)	16,850	(7,137)	-
-Transfers to Stage 3	(8,976)	(4,293)	13,269	-
	<u>(6,172)</u>	<u>8,367</u>	<u>(2,195)</u>	<u>-</u>
Changes due to change in credit risk	(4,706)	20,009	169,111	184,414
New financial assets originated	20,208	933	2,113	23,254
Financial assets derecognised	(12,924)	(174)	(18,088)	(31,186)
Amount written off	-	-	(100,928)	(100,928)
At 31 December 2022	<u>93,965</u>	<u>45,769</u>	<u>815,952</u>	<u>955,686</u>

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

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

Bank	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2023	93,965	45,769	445,861	585,595
-Transfers to Stage 1	10,521	(3,760)	(6,761)	-
-Transfers to Stage 2	(2,283)	5,503	(3,220)	-
-Transfers to Stage 3	(414)	(7,847)	8,261	-
	7,824	(6,104)	(1,720)	-
Changes due to change in credit risk (Note 20)	(13,747)	12,823	77,054	76,130
New financial assets originated (Note 20)	15,393	242	861	16,496
Financial assets derecognised (Note 20)	(8,460)	(199)	(10,361)	(19,020)
Amount written off	-	-	(6,742)	(6,742)
At 30 June 2023	94,975	52,531	504,953	652,459
At 1 January 2022	97,559	16,634	372,124	486,317
-Transfers to Stage 1	12,517	(4,190)	(8,327)	-
-Transfers to Stage 2	(9,713)	16,850	(7,137)	-
-Transfers to Stage 3	(8,976)	(4,293)	13,269	-
	(6,172)	8,367	(2,195)	-
Changes due to change in credit risk	(4,706)	20,009	192,835	208,138
New financial assets originated	20,208	933	2,113	23,254
Financial assets derecognised	(12,924)	(174)	(18,088)	(31,186)
Amount written off	-	-	(100,928)	(100,928)
At 31 December 2022	93,965	45,769	445,861	585,595

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

	Group		Bank	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Net impaired loans, advances and financing in percentage	7.85%	8.39%	7.85%	8.39%

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13. Deposits from customers

	Group		Bank	
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Term deposit:				
- Commodity Murabahah/Tawarruq	3,756,382	4,503,909	3,774,260	4,553,795

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Government bodies	885,250	1,614,767	885,250	1,614,767
Statutory bodies	388,528	870,527	388,528	870,527
Business enterprise	1,695,673	1,443,003	1,713,551	1,492,889
Others	786,931	575,612	786,931	575,612
	3,756,382	4,503,909	3,774,260	4,553,795

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Within three months	3,066,178	3,797,935	3,072,773	3,847,821
More than three months to six months	385,122	466,222	396,405	466,222
More than six months to one year	305,082	239,752	305,082	239,752
	3,756,382	4,503,909	3,774,260	4,553,795

The deposits from customers carried weighted average profit rate of 3.53% (2022: 3.28%) per annum.

14. Deposits from banks and other financial institutions

	Group and Bank	
	30 June	31 December
	2023	2022
	RM'000	RM'000
Licensed banks and other financial institutions	280,079	150,208

The deposits maturity structure is as follows:

	Group and Bank	
	30 June	31 December
	2023	2022
	RM'000	RM'000
Less than three months	280,079	150,208

The deposits from banks and other financial institutions carried weighted average profit rate of 3.05% (2022: 2.98%) per annum.

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15. Borrowings/Fundings

	Group and Bank	
	30 June 2023	31 December 2022
	RM'000	RM'000
Unsecured borrowings/fundings	1,995,844	1,949,473

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

	Group and Bank	
	30 June 2023	31 December 2022
	RM'000	RM'000
Within one year	53,825	44,001
More than one year to five years	824,797	911,363
More than five years	1,117,222	994,109
	<u>1,995,844</u>	<u>1,949,473</u>

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

		Group and Bank	
		30 June 2023	31 December 2022
	Note	RM'000	RM'000
Government of Malaysia	(a)	931,249	941,916
Other institutions	(b)	1,064,595	1,007,557
		<u>1,995,844</u>	<u>1,949,473</u>

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15. Borrowings/Fundings (cont'd.)

(a) Borrowings/fundings from Government of Malaysia

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

	Group and Bank	
	30 June 2023 RM'000	31 December 2022 RM'000
Maturity structure:		
Within one year	47,562	33,266
More than one year to five years	279,605	453,647
More than five years	604,082	455,003
	931,249	941,916

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

(b) Borrowings/fundings from other institutions

	Group and Bank	
	30 June 2023 RM'000	31 December 2022 RM'000
Bank Negara Malaysia	1,064,595	1,007,557

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

	Group and Bank	
	30 June 2023 RM'000	31 December 2022 RM'000
Maturity structure:		
Within one year	6,263	10,735
More than one year to five years	545,192	457,716
More than five years	513,140	539,106
	1,064,595	1,007,557

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

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16. Interest income

	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
Group and Bank	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	140	242	156	525

17. Interest expense

	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
Group and Bank	RM'000	RM'000	RM'000	RM'000
Term loans	1,454	3,722	2,922	7,433

18. Other operating income

	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
Group	RM'000	RM'000	RM'000	RM'000
Fee income	103	14	106	19
	103	14	106	19
Other income:				
Recovery income	746	4,820	1,512	5,083
Compensation on late payment charges	100	569	266	807
	846	5,389	1,778	5,890
Total other operating income	949	5,403	1,884	5,909
Bank				
Fee income	103	14	106	19
	103	14	106	19
Other income:				
Compensation on late payment charges	100	569	266	807
	100	569	266	807
Total other operating income	203	583	372	826

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19. Other operating expenses

Group	Note	Second Quarter Ended		Six Months Ended	
		30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Personnel expenses	(i)	44,172	23,411	87,863	68,281
Establishment related expenses	(ii)	14,883	11,604	28,218	22,944
Promotion and marketing expenses	(iii)	2,488	1,639	4,900	3,167
Administration and general expenses	(iv)	12,392	5,721	23,886	15,635
		<u>73,935</u>	<u>42,375</u>	<u>144,867</u>	<u>110,027</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		33,578	13,860	67,411	48,569
Group President/ Chief Executive Officer and Directors' fees and remuneration		609	489	978	1,019
Social security cost		284	243	572	759
Contribution to Employee Provident Fund		4,517	4,254	8,757	8,499
Other staff related expenses		5,184	4,565	10,145	9,435
		<u>44,172</u>	<u>23,411</u>	<u>87,863</u>	<u>68,281</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,614	2,698	6,984	5,464
Depreciation of right-of-use assets		905	886	1,802	1,773
Amortisation of intangible assets		3,149	2,072	4,995	4,114
Rental expenses		36	67	75	97
Repairs and maintenance of property, plant and equipment		7,179	5,881	14,362	11,496
		<u>14,883</u>	<u>11,604</u>	<u>28,218</u>	<u>22,944</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		2,488	1,639	4,900	3,167
(iv) Administration and general expenses					
Administrative expenses		1,907	1,875	3,835	3,798
Auditors' remuneration		318	281	635	562
General expenses		10,167	3,565	19,416	11,275
		<u>12,392</u>	<u>5,721</u>	<u>23,886</u>	<u>15,635</u>

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19. Other operating expenses (cont'd.)

Bank	Note	Second Quarter Ended		Six Months Ended	
		30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Personnel expenses	(i)	43,378	23,198	86,032	67,016
Establishment related expenses	(ii)	14,871	11,586	28,189	22,915
Promotion and marketing expenses	(iii)	2,488	1,638	4,900	3,164
Administration and general expenses	(iv)	13,136	8,604	24,667	17,135
		<u>73,873</u>	<u>45,026</u>	<u>143,788</u>	<u>110,230</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		33,028	13,847	66,026	47,636
Group President/ Chief Executive Officer and Directors' fees and remuneration		609	489	978	1,019
Social security cost		276	237	557	748
Contribution to Employee Provident Fund		4,417	4,153	8,561	8,329
Other staff related expenses		5,048	4,472	9,910	9,284
		<u>43,378</u>	<u>23,198</u>	<u>86,032</u>	<u>67,016</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,614	2,697	6,984	5,463
Depreciation of right-of-use assets		905	886	1,802	1,773
Amortisation of intangible assets		3,149	2,072	4,995	4,114
Rental expenses		36	67	75	97
Repairs and maintenance of property, plant and equipment		7,167	5,864	14,333	11,468
		<u>14,871</u>	<u>11,586</u>	<u>28,189</u>	<u>22,915</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		2,488	1,638	4,900	3,164
(iv) Administration and general expenses					
Administrative expenses		1,905	1,875	3,828	3,793
Auditors' remuneration		300	265	600	530
General expenses		10,931	6,464	20,239	12,812
		<u>13,136</u>	<u>8,604</u>	<u>24,667</u>	<u>17,135</u>

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20. Allowances for impairment on loans, advances and financing

Group	Second Quarter Ended		Six Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
(Writeback)/Allowance for impairment losses on loans, advances and financing made during the period:				
- Stage 1, net (Note 12(ix))	(2,014)	(2,875)	(6,814)	(10,916)
- Stage 2, net (Note 12(ix))	5,836	678	12,866	16,065
- Stage 3, net (Note 12(ix))	33,657	85,815	59,590	97,780
	<u>37,479</u>	<u>83,618</u>	<u>65,642</u>	<u>102,929</u>
Impaired loans, advances and financing recovered	<u>(13,045)</u>	<u>(13,530)</u>	<u>(17,789)</u>	<u>(16,456)</u>
Impaired loans, advances and financing written off	<u>506</u>	<u>-</u>	<u>506</u>	<u>92</u>
Total allowance for impairment on loans, advances and financing	<u>24,940</u>	<u>70,088</u>	<u>48,359</u>	<u>86,565</u>
Bank				
(Writeback)/Allowance for impairment losses on loans, advances and financing made during the period:				
- Stage 1, net (Note 12(ix))	(2,014)	(2,875)	(6,814)	(10,916)
- Stage 2, net (Note 12(ix))	5,836	678	12,866	16,065
- Stage 3, net (Note 12(ix))	37,393	88,310	67,554	101,451
	<u>41,215</u>	<u>86,113</u>	<u>73,606</u>	<u>106,600</u>
Impaired loans, advances and financing recovered	<u>(13,045)</u>	<u>(13,530)</u>	<u>(17,789)</u>	<u>(16,456)</u>
Impaired loans, advances and financing written off	<u>506</u>	<u>-</u>	<u>506</u>	<u>92</u>
Total allowance for impairment on loans, advances and financing	<u>28,676</u>	<u>72,583</u>	<u>56,323</u>	<u>90,236</u>

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21. Commitment and contingencies

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

	Group and Bank	
	30 June	31 December
	2023	2022
	RM'000	RM'000
Direct credit substitutes	141,571	178,521
Transaction-related-contingent items	210,735	167,106
Undisbursed loans/financing		
- original maturity up to one year	415,642	226,071
- original maturity more than one year	1,354,414	1,667,262
	2,122,362	2,238,960

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

	Group and Bank	
	30 June	31 December
	2023	2022
	RM'000	RM'000
Approved and contracted for Information technology system	19,405	16,750
Total commitments and contingencies	2,141,767	2,255,710

22. Capital adequacy

Capital management

Capital policy

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

Regulatory capital

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

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

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22. Capital adequacy (cont'd.)

Capital management (cont'd.)

Regulatory capital (cont'd.)

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

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

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
<u>Tier I Capital</u>				
Paid-up share capital	1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses ¹	(271,122)	(201,809)	(263,305)	(193,992)
General reserves	10,114	10,114	10,114	10,114
General provision for loans, advances and financing ²	32,859	42,971	32,859	42,971
Less: Deferred tax assets	(108,089)	(108,089)	(108,089)	(108,089)
Less: Property revaluation reserve	(231,766)	(231,765)	(231,766)	(231,765)
Total Tier I capital	1,281,996	1,361,422	1,289,813	1,369,239
<u>Tier II Capital</u>				
General provision for loans, advances and financing ²	120,022	101,487	120,022	101,487
Property revaluation reserve ³	115,883	115,883	115,883	115,883
Government funds	432,319	433,432	432,319	433,432
Total Tier II capital	668,224	650,802	668,224	650,802
Total capital	1,950,220	2,012,224	1,958,037	2,020,041
Less: Investment in subsidiaries	-	-	-	-
Total capital base	1,950,220	2,012,224	1,958,037	2,020,041

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

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

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

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22. Capital adequacy (cont'd.)

Capital management (cont'd.)

Regulatory capital (cont'd.)

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
20%	317,937	351,705	317,937	351,705
50%	4,848	5,121	4,848	5,121
100%	10,446,096	10,243,324	10,508,440	10,335,414
	10,768,881	10,600,150	10,831,225	10,692,240

Before deducting dividends:

Core capital ratio	11.905%	12.843%	11.908%	12.806%
Risk-weighted capital ratio	18.110%	18.983%	18.078%	18.893%

After deducting dividends:

Core capital ratio	11.905%	12.785%	11.908%	12.748%
Risk-weighted capital ratio	18.110%	18.924%	18.078%	18.834%

Capital monitoring

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

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23. Islamic banking business

The state of affairs as at 30 June 2023 and results for the financial period then ended under the Islamic Banking business of the Bank and included in the Group's and the Bank's financial statements are summarised as follows:-

Unaudited Statements of Financial Position
As at 30 June 2023

	Note	Group		Bank	
		30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Assets					
Cash and short-term funds		1,455,538	1,627,108	1,455,279	1,626,341
Financial investments at FVTPL	9	394,829	-	394,829	-
Financial investments at FVOCI	23(a)	1,402,930	1,426,059	1,402,930	1,426,059
Financial investments at AC	11	913,435	934,753	913,435	934,753
Advances and financing	23(b)	7,970,321	7,823,198	7,970,321	7,823,198
Other assets		26,745	25,210	91,393	121,889
Property, plant and equipment		124,226	146,131	124,225	146,098
Right-of-use assets		13,019	14,821	13,019	14,821
Investment properties		377,231	377,231	377,231	377,231
Intangible assets		39,960	17,698	39,960	17,698
Tax recoverables		6,273	5,203	3,969	2,997
Deferred tax assets		108,089	108,089	108,089	108,089
Total assets		12,832,596	12,505,501	12,894,680	12,599,174
Liabilities					
Deposits from customers	13	3,756,382	4,503,909	3,774,260	4,553,795
Deposits from banks and other financial institutions	14	280,079	150,208	280,079	150,208
Islamic medium-term notes/ commercial notes		3,441,575	2,622,297	3,441,575	2,622,297
Term financing/fundings	23(c)	1,506,635	1,445,256	1,506,635	1,445,256
Other liabilities		1,149,303	1,031,893	1,184,867	1,065,071
Lease liabilities		13,416	15,137	13,416	15,137
Amount due to conventional operations		605,164	604,967	753,780	763,711
Government funds		587,443	602,785	587,443	602,785
Total liabilities		11,339,997	10,976,452	11,542,055	11,218,260
Islamic general funds		1,492,599	1,529,049	1,352,625	1,380,914
Total liabilities and Islamic banking funds		12,832,596	12,505,501	12,894,680	12,599,174
Commitments	23(i)	2,122,362	2,236,532	2,122,362	2,236,532

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

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23. Islamic banking business (cont'd.)

**Unaudited Statements of Comprehensive Income
For the second quarter ended 30 June 2023**

Group	Note	Second Quarter Ended		Six Months Ended	
		30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Income from Islamic banking business	23(d)	162,461	140,991	322,654	273,798
Profit expense attributable to Islamic banking business	23(e)	(70,989)	(49,698)	(139,416)	(96,975)
Gross income from Islamic banking business		91,472	91,293	183,238	176,823
Other operating income	23(f)	20,513	20,326	44,828	39,731
Other operating expenses	23(g)	(73,831)	(42,377)	(144,732)	(109,770)
Operating profit		38,154	69,242	83,334	106,784
(Allowances)/Writeback for impairment losses on:					
- advances and financing	23(h)	(28,636)	(76,762)	(53,127)	(94,536)
- commitments		(339)	944	(652)	147
- financial investments at FVOCI	10	-	236	27	307
- financial investments at AC	11	-	285	-	278
- other assets at AC		(119)	(139)	(554)	(705)
Profit/(Loss) before tax expense and zakat		9,060	(6,194)	29,028	12,275
Tax expense		(4,198)	(218)	(7,306)	(451)
Zakat		(375)	(750)	(750)	(1,500)
Profit/(Loss) for the period		4,487	(7,162)	20,972	10,324
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised (loss)/gain on revaluation of financial investments at FVOCI		(383)	24,758	11,918	(9,545)
Changes in expected credit loss on financial investments at FVOCI		-	(236)	(27)	(307)
Other comprehensive (loss)/income for the period		(383)	24,522	11,891	(9,852)
Total comprehensive income for the period		4,104	17,360	32,863	472

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

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23. Islamic banking business (cont'd.)

Unaudited Statements of Comprehensive Income
For the first quarter ended 30 June 2023 (cont'd.)

Bank	Note	Second Quarter Ended		Six Months Ended	
		30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Income from Islamic banking business	23(d)	162,461	140,991	322,654	273,798
Profit expense attributable to Islamic banking business	23(e)	(71,121)	(49,748)	(139,685)	(97,070)
Gross income from Islamic banking business		91,340	91,243	182,969	176,728
Other operating income	23(f)	18,727	18,873	44,852	36,408
Other operating expenses	23(g)	(73,769)	(45,021)	(143,654)	(109,968)
Operating profit		36,298	65,095	84,167	103,168
(Allowances)/Writeback for impairment losses on:					
- advances and financing	23(h)	(29,399)	(77,165)	(54,948)	(96,039)
- commitments and contingencies		(339)	944	(652)	147
- financial investments at FVOCI	10	-	236	27	307
- financial investments at AC	11	-	285	-	278
- other assets at AC		(119)	(139)	(554)	(705)
- other assets at FVOCI		4,402	9,851	8,803	7,702
Profit/(Loss) before tax expense and zakat		10,843	(893)	36,843	14,858
Tax expense		(4,026)	(179)	(6,960)	(359)
Zakat		(375)	(750)	(750)	(1,500)
Profit/(Loss) for the period		6,442	(1,822)	29,133	12,999
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised (loss)/gain on revaluation of financial investments at FVOCI		(383)	24,758	11,918	(9,545)
Changes in expected credit loss on financial investments at FVOCI		-	(236)	(27)	(307)
Other comprehensive (loss)/income for the period		(383)	24,522	11,891	(9,852)
Total comprehensive income for the period		6,059	22,700	41,024	3,147

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

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23. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
For the second quarter ended 30 June 2023**

Group	Note	<=====Non-distributable=====>		Distributable retained earnings RM'000	Total RM'000
		Share capital RM'000	Fair value reserve RM'000		
At 1 January 2023, as previously stated		1,050,564	(1,348)	479,833	1,529,049
Impact of adopting the modified accounting treatment		-	-	(63,092)	(63,092)
At 1 January 2023 as restated		1,050,564	(1,348)	416,741	1,465,957
Unrealised gain on revaluation of financial investments at FVOCI		-	11,918	-	11,918
Changes in expected credit losses of financial investments at FVOCI	10	-	(27)	-	(27)
Profit for the period		-	-	20,972	20,972
Total comprehensive income for the period		-	11,891	20,972	32,863
Transaction with owner:					
Dividends		-	-	(6,221)	(6,221)
At 30 June 2023		1,050,564	10,543	431,492	1,492,599
At 1 January 2022		1,050,564	2,278	460,955	1,513,797
Unrealised loss on revaluation of financial investments at FVOCI		-	(17,195)	-	(17,195)
Reclassification of gain included in profit or loss		-	12,566	-	12,566
Changes in expected credit losses of financial investments at FVOCI		-	(108)	-	(108)
Income tax relating to components of other comprehensive income		-	1,111	-	1,111
Profit for the year		-	-	23,884	23,884
Total comprehensive (loss)/income for the year		-	(3,626)	23,884	20,258
Transaction with owner:					
Dividends		-	-	(5,006)	(5,006)
At 31 December 2022		1,050,564	(1,348)	479,833	1,529,049

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

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23. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
For the first quarter ended 30 June 2023 (cont'd.)**

Bank	Note	<=====Non-distributable=====>		Distributable	Total RM'000
		Share capital RM'000	Fair value reserve RM'000	retained earnings RM'000	
At 1 January 2023, as previously stated		1,050,564	(1,348)	331,698	1,380,914
Impact of adopting the modified accounting treatment		-	-	(63,092)	(63,092)
At 1 January 2023 as restated		1,050,564	(1,348)	268,606	1,317,822
Unrealised gain on revaluation of financial investments at FVOCI		-	11,918	-	11,918
Changes in expected credit losses of financial investments at FVOCI	10	-	(27)	-	(27)
Profit for the period		-	-	29,133	29,133
Total comprehensive income for the period		-	11,891	29,133	41,024
Transaction with owner:					
Dividends		-	-	(6,221)	(6,221)
At 30 June 2023		1,050,564	10,543	291,518	1,352,625
At 1 January 2022		1,050,564	2,278	287,190	1,340,032
Unrealised loss on revaluation of financial investments at FVOCI		-	(17,195)	-	(17,195)
Reclassification of gain included in profit or loss		-	12,566	-	12,566
Changes in expected credit losses of financial investments at FVOCI		-	(108)	-	(108)
Income tax relating to components of other comprehensive income		-	1,111	-	1,111
Profit for the year		-	-	49,514	49,514
Total comprehensive (loss)/income for the year		-	(3,626)	49,514	45,888
Transaction with owner:					
Dividends		-	-	(5,006)	(5,006)
At 31 December 2022		1,050,564	(1,348)	331,698	1,380,914

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

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23. Islamic banking business (cont'd.)

(a) Financial investments at FVOCI

	Group and Bank	
	30 June 2023 RM'000	31 December 2022 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	1,036,672	1,059,078
Non-money market instruments		
Equity securities		
- Private debt securities	30,688	30,618
Debt securities		
- Private debt securities	335,570	336,363
	<u>366,258</u>	<u>366,981</u>
	<u>1,402,930</u>	<u>1,426,059</u>

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

(b) Advances and financing

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
At amortised cost:				
Bai' Bithaman Ajil	1,509	1,509	-	-
Murabahah	1,022,473	1,111,712	976,203	1,064,315
Istisna'	64,505	79,134	61,924	76,312
Ijarah	220	84	136	-
Ijarah Thumma Al-Bai	396,749	421,095	343,026	366,920
Tawarruq	7,218,454	6,880,691	7,218,450	6,880,686
Bai' Inah	13,129	14,233	11,898	13,002
Gross advances and financing	<u>8,717,039</u>	<u>8,508,458</u>	<u>8,611,637</u>	<u>8,401,235</u>
Less: Allowance for impairment losses on				
- Stage 1 (Note 23(b)(x))	(94,974)	(93,965)	(94,974)	(93,965)
- Stage 2 (Note 23(b)(x))	(52,525)	(45,761)	(52,525)	(45,761)
- Stage 3 (Note 23(b)(x))	(599,219)	(545,534)	(493,817)	(438,311)
Net advances and financing	<u>7,970,321</u>	<u>7,823,198</u>	<u>7,970,321</u>	<u>7,823,198</u>
Gross impaired advances and financing (Note 23(b)(vii))	<u>1,228,111</u>	<u>1,200,785</u>	<u>1,122,709</u>	<u>1,093,562</u>
Net impaired advances and financing	<u>628,892</u>	<u>655,251</u>	<u>628,892</u>	<u>655,251</u>

Included in advances and financing are gross advances and financing amounting to RM113,419,000 (2022: RM107,062,000) financed by Government funds.

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23. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Maturity within one year	2,073,167	1,792,987	1,970,534	1,689,760
More than one year to three years	791,581	674,638	790,678	673,485
More than three years to five years	1,328,770	1,367,673	1,328,120	1,366,564
More than five years	4,523,521	4,673,160	4,522,305	4,671,426
	8,717,039	8,508,458	8,611,637	8,401,235

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Domestic business enterprise	8,706,477	8,497,468	8,601,075	8,390,245
Individual	10,562	10,990	10,562	10,990
	8,717,039	8,508,458	8,611,637	8,401,235

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Constructions	1,513,081	1,447,218	1,511,599	1,445,736
Education, health and others	643,221	625,327	611,839	593,087
Electricity, gas and water supply	142,491	162,564	142,491	162,564
Financial, insurance/takaful, real estate and business services	1,108,368	1,142,153	1,107,120	1,140,394
Manufacturing	1,576,669	1,587,000	1,544,735	1,555,062
Mining and quarrying	120,057	111,445	120,057	111,445
Primary agriculture	6,597	7,163	6,597	7,163
Transportation, storage and communication	1,143,970	1,085,754	1,117,061	1,058,480
Wholesale, retail trade, restaurants and hotels	2,452,023	2,328,844	2,439,576	2,316,314
Others	10,562	10,990	10,562	10,990
	8,717,039	8,508,458	8,611,637	8,401,235

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23. Islamic banking business (cont'd.)

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	1,065,640	31,859	53,014	47,847	98,882	215,839	1,513,081
Education, health and others	468,210	23,451	20,098	84,690	35,493	11,279	643,221
Electricity, gas and water supply	133,570	1,422	776	1,707	2,819	2,197	142,491
Financial, insurance/takaful, real estate and business services	746,024	113,641	66,474	40,892	65,662	75,675	1,108,368
Manufacturing	882,326	231,484	222,624	99,469	48,580	92,186	1,576,669
Mining and quarrying	66,919	-	15,877	32,036	1,682	3,543	120,057
Primary agriculture	1,010	-	205	236	3,748	1,398	6,597
Transportation, storage and communication	767,079	88,276	43,584	104,770	70,335	69,926	1,143,970
Wholesale, retail trade, restaurants and hotels	1,169,474	334,915	104,016	325,410	306,727	211,481	2,452,023
Others	10,562	-	-	-	-	-	10,562
At 30 June 2023	5,310,814	825,048	526,668	737,057	633,928	683,524	8,717,039

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23. Islamic banking business (cont'd.)

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

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

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

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23. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	1,064,158	31,859	53,014	47,847	98,882	215,839	1,511,599
Education, health and others	436,828	23,451	20,098	84,690	35,493	11,279	611,839
Electricity, gas and water supply	133,570	1,422	776	1,707	2,819	2,197	142,491
Financial, insurance/takaful, real estate and business services	744,776	113,641	66,474	40,892	65,662	75,675	1,107,120
Manufacturing	850,392	231,484	222,624	99,469	48,580	92,186	1,544,735
Mining and quarrying	66,919	-	15,877	32,036	1,682	3,543	120,057
Primary agriculture	1,010	-	205	236	3,748	1,398	6,597
Transportation, storage and communication	740,170	88,276	43,584	104,770	70,335	69,926	1,117,061
Wholesale, retail trade, restaurants and hotels	1,157,027	334,915	104,016	325,410	306,727	211,481	2,439,576
Others	10,562	-	-	-	-	-	10,562
At 30 June 2023	5,205,412	825,048	526,668	737,057	633,928	683,524	8,611,637

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23. Islamic banking business (cont'd.)

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

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

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

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

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

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

Group	Hire purchase RM'000	Leasing RM'000	Other term financing RM'000	Revolving financing RM'000	Staff financing RM'000	Total RM'000
Bai' Bithaman Ajil	-	-	389	1,120	-	1,509
Murabahah	216	-	990,359	21,336	10,562	1,022,473
Istisna'	-	-	64,505	-	-	64,505
Ijarah	136	84	-	-	-	220
Ijarah Thumma Al-Bai	364,849	-	31,900	-	-	396,749
Bai' Dayn	-	-	-	-	-	-
Tawarruq	252	-	5,097,485	2,120,717	-	7,218,454
Bai' Inah	-	-	13,129	-	-	13,129
At 30 June 2023	365,453	84	6,197,767	2,143,173	10,562	8,717,039
Bai' Bithaman Ajil	-	-	389	1,120	-	1,509
Murabahah	-	-	1,073,582	27,140	10,990	1,111,712
Istisna'	-	-	79,134	-	-	79,134
Ijarah	-	84	-	-	-	84
Ijarah Thumma Al-Bai	389,246	-	31,849	-	-	421,095
Bai' Dayn	-	-	-	-	-	-
Tawarruq	5	-	4,923,738	1,956,948	-	6,880,691
Bai' Inah	-	-	14,233	-	-	14,233
At 31 December 2022	389,251	84	6,122,925	1,985,208	10,990	8,508,458

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

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

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

Bank	Hire purchase RM'000	Other term financing RM'000	Revolving financing RM'000	Staff financing RM'000	Total RM'000
Murabahah	216	957,362	8,063	10,562	976,203
Istisna'	-	61,924	-	-	61,924
Ijarah	136	-	-	-	136
Ijarah Thumma Al-Bai Bai' Dayn	331,609	11,417	-	-	343,026
Tawarruq	-	-	-	-	-
Bai' Inah	248	5,097,485	2,120,717	-	7,218,450
	-	11,898	-	-	11,898
At 30 June 2023	332,209	6,140,086	2,128,780	10,562	8,611,637
Murabahah	-	1,039,455	13,870	10,990	1,064,315
Istisna'	-	76,312	-	-	76,312
Ijarah Thumma Al-Bai	355,560	11,360	-	-	366,920
Bai' Dayn	-	-	-	-	-
Tawarruq	-	4,923,738	1,956,948	-	6,880,686
Bai' Inah	-	13,002	-	-	13,002
At 31 December 2022	355,560	6,063,867	1,970,818	10,990	8,401,235

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

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

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Fixed rate				
- Staff financing	10,562	10,990	10,562	10,990
- Hire purchase	157,619	165,960	125,215	133,127
- Leasing	84	84	-	-
- Other term financing	2,049,417	2,023,634	1,995,517	1,968,362
- Revolving financing	1,631,776	1,167,634	1,617,444	1,153,305
Variable rate				
- Hire purchase	207,834	223,291	206,994	222,433
- Other term financing	4,148,350	4,099,291	4,144,569	4,095,505
- Revolving financing	511,397	817,574	511,336	817,513
	8,717,039	8,508,458	8,611,637	8,401,235

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Constructions	143,742	130,096	142,260	128,614
Education, health and others	135,704	133,329	104,322	101,089
Electricity, gas and water supply	51,150	54,833	51,150	54,833
Financial, insurance/takaful, real estate and business services	183,479	181,482	182,231	179,723
Manufacturing	252,722	251,870	220,788	219,932
Mining and quarrying	5,527	5,166	5,527	5,166
Primary agriculture	368	217	368	217
Transportation, storage and communication	113,423	93,143	86,514	65,869
Wholesale, retail trade, restaurants and hotels	341,996	350,649	329,549	338,119
	1,228,111	1,200,785	1,122,709	1,093,562

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

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	115,363	872	3,488	4,174	10,263	9,582	143,742
Education, health and others	96,929	524	7,500	27,859	2,003	889	135,704
Electricity, gas and water supply	51,150	-	-	-	-	-	51,150
Financial, insurance/takaful, real estate and business services	166,639	7,266	1,512	4,007	2,497	1,558	183,479
Manufacturing	151,954	11,468	57,728	24,218	1,012	6,342	252,722
Mining and quarrying	4,724	-	487	316	-	-	5,527
Primary agriculture	283	-	-	-	85	-	368
Transportation, storage and communication	69,095	7,657	14,153	11,248	9,276	1,994	113,423
Wholesale, retail trade, restaurants and hotels	170,700	64,975	16,892	38,388	47,450	3,591	341,996
At 30 June 2023	826,837	92,762	101,760	110,210	72,586	23,956	1,228,111

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

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

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

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

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23. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	113,881	872	3,488	4,174	10,263	9,582	142,260
Education, health and others	65,547	524	7,500	27,859	2,003	889	104,322
Electricity, gas and water supply	51,150	-	-	-	-	-	51,150
Financial, insurance/takaful, real estate and business services	165,391	7,266	1,512	4,007	2,497	1,558	182,231
Manufacturing	120,020	11,468	57,728	24,218	1,012	6,342	220,788
Mining and quarrying	4,724	-	487	316	-	-	5,527
Primary agriculture	283	-	-	-	85	-	368
Transportation, storage and communication	42,186	7,657	14,153	11,248	9,276	1,994	86,514
Wholesale, retail trade, restaurants and hotels	158,253	64,975	16,892	38,388	47,450	3,591	329,549
At 30 June 2023	721,435	92,762	101,760	110,210	72,586	23,956	1,122,709

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23. Islamic banking business (cont'd.)

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

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

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

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23. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
At 1 January	1,200,785	1,186,610	1,093,562	1,075,078
-Transfers to Stage 1	(17,538)	(61,315)	(17,538)	(61,315)
-Transfers to Stage 2	(8,877)	(27,287)	(8,877)	(27,287)
-Transfers to Stage 3	111,257	282,975	111,257	282,975
	<u>1,285,627</u>	<u>1,380,983</u>	<u>1,178,404</u>	<u>1,269,451</u>
Changes due to change in credit risk	(30,668)	(22,156)	(28,847)	(17,847)
New financial assets originated	1,211	7,196	1,211	7,196
Financial assets derecognised	(34,835)	(61,751)	(34,835)	(61,751)
Amount written-off	6,776	(103,487)	6,776	(103,487)
At 30 June 2023/31 December 2022	<u>1,228,111</u>	<u>1,200,785</u>	<u>1,122,709</u>	<u>1,093,562</u>

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

Group	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2023	93,965	45,761	545,534	685,260
-Transfers to Stage 1	10,521	(3,760)	(6,761)	-
-Transfers to Stage 2	(2,283)	5,503	(3,220)	-
-Transfers to Stage 3	(414)	(7,847)	8,261	-
	<u>7,824</u>	<u>(6,104)</u>	<u>(1,720)</u>	<u>-</u>
Changes due to change in credit risk (Note 23(h))	(13,747)	12,824	71,644	70,721
Net financial assets originated (Note 23(h))	15,393	242	861	16,496
Financial assets derecognised (Note 23(h))	(8,461)	(198)	(10,361)	(19,020)
Amount written-off	-	-	(6,739)	(6,739)
At 30 June 2023	<u>94,974</u>	<u>52,525</u>	<u>599,219</u>	<u>746,718</u>
At 1 January 2022	97,559	16,634	474,964	589,157
-Transfers to Stage 1	12,517	(4,190)	(8,327)	-
-Transfers to Stage 2	(9,713)	16,850	(7,137)	-
-Transfers to Stage 3	(8,976)	(4,293)	13,269	-
	<u>(6,172)</u>	<u>8,367</u>	<u>(2,195)</u>	<u>-</u>
Changes due to change in credit risk	(4,706)	20,001	189,089	204,384
Net financial assets originated	20,208	933	2,113	23,254
Financial assets derecognised	(12,924)	(174)	(17,926)	(31,024)
Amount written-off	-	-	(100,511)	(100,511)
At 31 December 2022	<u>93,965</u>	<u>45,761</u>	<u>545,534</u>	<u>685,260</u>

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23. Islamic banking business (cont'd.)

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

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

Bank	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2023	93,965	45,761	438,311	578,037
-Transfers to Stage 1	10,521	(3,760)	(6,761)	-
-Transfers to Stage 2	(2,283)	5,503	(3,220)	-
-Transfers to Stage 3	(414)	(7,847)	8,261	-
	7,824	(6,104)	(1,720)	-
Changes due to change in credit risk (Note 23(h))	(13,747)	12,824	73,465	72,542
Net financial assets originated (Note 23(h))	15,393	242	861	16,496
Financial assets derecognised (Note 23(h))	(8,461)	(198)	(10,361)	(19,020)
Amount written-off	-	-	(6,739)	(6,739)
At 30 June 2023	94,974	52,525	493,817	641,316
At 1 January 2022	97,559	16,634	363,432	477,625
-Transfers to Stage 1	12,517	(4,190)	(8,327)	-
-Transfers to Stage 2	(9,713)	16,850	(7,137)	-
-Transfers to Stage 3	(8,976)	(4,293)	13,269	-
	(6,172)	8,367	(2,195)	-
Changes due to change in credit risk	(4,706)	20,001	193,398	208,693
Net financial assets originated	20,208	933	2,113	23,254
Financial assets derecognised	(12,924)	(174)	(17,926)	(31,024)
Amount written-off	-	-	(100,511)	(100,511)
At 31 December 2022	93,965	45,761	438,311	578,037

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Net impaired advances and financing as a percentage	7.76%	8.24%	7.76%	8.24%

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23. Islamic banking business (cont'd.)

(c) Term financing/Fundings

	Group and Bank	
	30 June	31 December
	2023	2022
	RM'000	RM'000
Unsecured term financing/fundings	1,506,635	1,445,256

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

	Group and Bank	
	30 June	31 December
	2023	2022
	RM'000	RM'000
Within one year	10,604	10,736
More than one year to five years	545,192	627,613
More than five years	950,839	806,907
	<u>1,506,635</u>	<u>1,445,256</u>

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

	Group and Bank	
	30 June	31 December
	2023	2022
	RM'000	RM'000
Financing from:		
- Government of Malaysia	442,040	437,699
- Bank Negara Malaysia ("BNM")	1,064,595	1,007,557
	<u>1,506,635</u>	<u>1,445,256</u>

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

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23. Islamic banking business (cont'd.)

(d) Income from Islamic banking business

Group and Bank	Second Quarter Ended		Six Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Income from advances and financing				
- Murabahah	13,929	16,069	28,832	31,322
- Istisna'	1,025	1,263	2,275	2,543
- Ijarah Thumma Al-Bai	6,019	4,949	11,881	10,183
- Bai' Dayn	-	43	-	90
- Tawarruq	109,319	93,806	216,944	182,362
- Bai' Inah	215	273	439	547
Total income from advances and financing	130,507	116,403	260,371	227,047
Tawarruq deposit placements	9,563	9,320	17,991	15,259
Financial investments at FVTPL	2,435	453	3,558	1,214
Financial investments at FVOCI	10,934	10,570	22,867	21,997
Financial investments at AC	9,022	4,245	17,867	8,281
Total income from Islamic banking business	162,461	140,991	322,654	273,798

Included in income from advances and financing is unwinding of modification loss amounting to RM3,429,000.

(e) Profit expense attributable to Islamic banking business

Group	Second Quarter Ended		Six Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Deposits from customers	34,095	22,874	69,508	41,882
Deposits from banks and other financial institutions	441	1,411	1,224	1,570
Islamic medium-term notes/commercial notes	27,104	19,414	49,916	41,420
Term financing/fundings	9,075	5,584	18,126	11,145
Others	274	415	642	958
	70,989	49,698	139,416	96,975

Bank	Second Quarter Ended		Six Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Deposits from customers	34,227	22,924	69,777	41,977
Deposits from banks and other financial institutions	441	1,411	1,224	1,570
Islamic medium-term notes/commercial notes	27,104	19,414	49,916	41,420
Term financing/fundings	9,075	5,584	18,126	11,145
Others	274	415	642	958
	71,121	49,748	139,685	97,070

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23. Islamic banking business (cont'd.)

(f) Other operating income

Group	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Fee income	4,560	2,847	7,081	6,672
Commission fee income	264	269	648	473
Rental income	2,964	2,566	5,875	5,123
Government fund released	7,534	6,583	15,341	13,300
Government compensation	3,396	2,235	6,343	4,306
Gain on disposal of associate	-	-	3,465	-
Recovery income	329	3,116	807	5,753
Ta'widh/Compensation on late payment charges	1,276	1,563	2,968	2,296
Others	190	1,147	2,300	1,808
	<u>20,513</u>	<u>20,326</u>	<u>44,828</u>	<u>39,731</u>

Bank	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Fee income	2,647	2,294	4,494	4,648
Commission fee income	264	269	648	473
Rental income	2,964	2,566	5,875	5,123
Government fund released	7,534	6,583	15,341	13,300
Government compensation	3,396	2,235	6,343	4,306
Management fees	98	98	196	196
Gain on disposal of associate	-	-	5,800	-
Profit income on amount owing by subsidiary company	598	2,149	1,197	4,298
Ta'widh/Compensation on late payment charges	1,276	1,563	2,968	2,296
Others	(50)	1,116	1,990	1,768
	<u>18,727</u>	<u>18,873</u>	<u>44,852</u>	<u>36,408</u>

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23. Islamic banking business (cont'd.)

(g) Other operating expenses

Group	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	44,172	23,411	87,863	68,281
Establishment related expenses	14,883	11,604	28,218	22,944
Promotion and marketing expenses	2,488	1,639	4,900	3,167
Administration and general expenses	12,288	5,723	23,751	15,378
	<u>73,831</u>	<u>42,377</u>	<u>144,732</u>	<u>109,770</u>

Bank	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	43,378	23,198	86,032	67,016
Establishment related expenses	14,871	11,586	28,189	22,915
Promotion and marketing expenses	2,488	1,638	4,900	3,164
Administration and general expenses	13,032	8,599	24,533	16,873
	<u>73,769</u>	<u>45,021</u>	<u>143,654</u>	<u>109,968</u>

(h) Allowances for impairment on advances and financing

Group	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
(Writeback)/Allowance for impairment losses on advances and financing made during the period:				
- Stage 1 (Note 23(b)(x))	(2,014)	(2,874)	(6,815)	(10,917)
- Stage 2 (Note 23(b)(x))	5,837	678	12,868	16,065
- Stage 3 (Note 23(b)(x))	36,195	86,809	62,144	99,032
	<u>40,018</u>	<u>84,613</u>	<u>68,197</u>	<u>104,180</u>
Impaired advances and financing recovered	<u>(11,888)</u>	<u>(7,851)</u>	<u>(15,576)</u>	<u>(9,736)</u>
Impaired advances and financing written off	<u>506</u>	<u>-</u>	<u>506</u>	<u>92</u>
Total allowance for impairment on advances and financing	<u>28,636</u>	<u>76,762</u>	<u>53,127</u>	<u>94,536</u>

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23. Islamic banking business (cont'd.)

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

Bank	Second Quarter Ended		Six Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
(Writeback)/Allowance for impairment losses on advances and financing made during the period:				
- Stage 1 (Note 23(b)(x))	(2,014)	(2,874)	(6,815)	(10,917)
- Stage 2 (Note 23(b)(x))	5,837	678	12,868	16,065
- Stage 3 (Note 23(b)(x))	36,958	87,212	63,965	100,535
	40,781	85,016	70,018	105,683
Impaired advances and financing recovered	(11,888)	(7,851)	(15,576)	(9,736)
Impaired advances and financing written off	506	-	506	92
Total allowance for impairment on advances and financing	29,399	77,165	54,948	96,039

(i) Commitments

	Group and Bank	
	30 June 2023 RM'000	31 December 2022 RM'000
Direct credit substitutes	141,571	178,521
Transaction-related-contingent items	210,735	167,106
Undisbursed financing		
- original maturity up to one year	415,642	226,071
- original maturity more than one year	1,354,414	1,664,834
	2,122,362	2,236,532

(j) Capital adequacy

Capital management

Regulatory capital

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Tier I Capital				
Capital funds	1,050,564	1,050,564	1,050,564	1,050,564
Retained earnings ¹	410,520	479,833	262,385	331,698
General provision for advances and financing ²	34,155	44,912	34,155	44,912
Less: Deferred tax assets	(108,089)	(108,089)	(108,089)	(108,089)
Less: Property revaluation reserves	(231,766)	(231,765)	(231,766)	(231,765)
Total Tier I capital	1,155,384	1,235,455	1,007,249	1,087,320

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23. Islamic banking business (cont'd.)

(j) Capital adequacy (cont'd.)

Capital management (cont'd.)

Regulatory capital (cont'd.)

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Tier II Capital				
General provision for advances and financing ²	118,720	99,536	118,720	99,536
Property revaluation reserve ³	115,883	115,883	115,883	115,883
Government funds	432,319	433,432	432,319	433,432
Total Tier II capital	666,922	648,851	666,922	648,851
Total capital	1,822,305	1,884,306	1,674,170	1,736,171
Less: Investment in subsidiaries	-	-	-	-
Total capital base	1,822,305	1,884,306	1,674,170	1,736,171

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

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

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

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

	Group		Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
20%	317,114	350,881	317,114	350,881
50%	4,848	5,120	4,848	5,120
100%	10,429,529	10,218,138	10,491,872	10,312,578
	10,751,491	10,574,139	10,813,834	10,668,579

Before deducting dividends:

Core capital ratio	10.746%	11.684%	9.314%	10.192%
Risk-weighted capital ratio	16.949%	17.820%	15.482%	16.274%

After deducting dividends:

Core capital ratio	10.746%	11.625%	9.314%	10.133%
Risk-weighted capital ratio	16.949%	17.761%	15.482%	16.215%

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24. Analysis of financial performance

Current Full Period vs. Previous Full Period

	GROUP			
	30 June 2023	30 June 2022	Six months ended 2022	
Key Profit or Loss item:	RM'000	RM'000	RM'000	%
Profit before tax expense and zakat	32,780	18,992	13,788	72.6%
Profit after tax expense and zakat	24,724	17,041	7,683	45.1%
Ratio of profit before tax to average shareholders' funds	1.99%	1.18%	-	0.81%
Ratio of profit before tax to average total assets	0.26%	0.16%	-	0.09%

	GROUP			
	30 June 2023	31 December 2022	As at	
Key Balance Sheet	RM'000	RM'000	RM'000	%
Total assets	12,854,007	12,534,552	319,455	2.55%
Gross loans, advances and financing	8,995,525	8,794,555	200,970	2.29%
Gross impaired loans, advances and financing (%)	16.74%	16.90%	-	0.16%
Deposits from customers	3,756,382	4,503,909	(747,527)	(16.60%)

SME Bank Group ("Group") reported profit before tax expense and zakat of RM32.78 million for the financial period ended 30 June 2023. The result is higher by RM13.79 million from the same period last year of RM18.99 million largely due to the higher gross income recognised from Islamic banking business amounting to RM228.07 million compared to RM216.55 million in the preceding financial period, which was mainly contributed from the larger financing portfolio.

Ratio of PBT to average shareholders' funds and ratio of PBT to average total assets came in at 1.99% and 0.26% respectively, which is an improvement during the current period under review compared to 1.18% and 0.16% recorded in the previous corresponding quarter.

The Group's total assets increased to RM12.85 billion as at 30 June 2023 compared to RM12.53 billion as at 31 December 2022. This was primarily contributed by higher gross financing portfolio of RM9.00 billion compared to RM8.79 billion in the previous financial year end.

The Group's gross impaired ratio decreased to 16.74% in the current financial period in comparison to 16.90% in the preceding financial year end. The Group's Risk-Weighted Capital Ratio stood at 18.11% while its Core Capital Ratio stood at 11.90% compared to 18.98% and 12.84% respectively as at 31 December 2022.