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1.0 Executive Summary

Micro small-medium enterprises (MSMEs) are the backbone of the nation and they contributed to 39.5% of Malaysia's gross domestic product, 48.7% to employment, and 14.3% to exports in 2024¹.

The 12th Malaysia Plan (12MP) prioritizes both economic growth and social development to create a sustainable, wealthy, and inclusive Malaysia.

Small Medium Enterprise Development Bank Malaysia Berhad is committed to support the nation's sustainable development in driving essential change within the SME landscape towards greater adoption of sustainability tenets. In line with our mission to support the development of small and medium enterprises and our commitment to sustainable development, we have embarked on a comprehensive sustainability roadmap.

Our Sustainability Sukuk demonstrates our commitment to positively impact society and the environment, by supporting 11 out of 17 SDGs, through the financing of green and social-related projects. This Sustainability Sukuk Progress Report 2025 provides an update on SME Bank's Sustainability Sukuk and highlights the use of proceeds as at 30 June 2025. Details of SME Bank's Sustainability Sukuk Framework, use of proceeds, process for project evaluation and reporting are also available in this report.

This Report is prepared in accordance with SME Bank's Sustainability Sukuk ("SS") Framework. SME Bank to best of our knowledge has complied with the relevant environmental, social and governance ("ESG") standards during the tenure of the SS, including:

- Sustainable and Responsible Investment Sukuk Framework, issued by the Securities Commission Malaysia ("SC");
- ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards, issued by the ASEAN Capital Markets Forum ("ACMF"); and
- Sustainability Bond Guidelines, Green Bond Principles, Social Bond Principles, issued by the International Capital Market Association ("ICMA").

For more information on our SS Framework and third-party external review report, kindly visit our website at www.smebank.com.my

Source: Department of Statistics Malaysia Official Portal (https://www.dosm.gov.my/portal-

main/home).

2.0 Introduction

2.1 Background of SME Bank

SME Bank is a Development Financial Institution (DFI) that was established in 2005. It is wholly-owned by the Bank Pembangunan Malaysia Berhad (BPMB), regulated by Bank Negara Malaysia ("BNM") and supervised by the Ministry of Entrepreneur and Cooperatives Development ("MECD").

Vision:



Leader in the SME Ecosystem Value Creation beyond Financial Services

Mission: >>>

To be the Center of Excellence (CoE) for SME Development

Mandate: >>>

Providing financing and advisory services activities to SMEs involved in manufacturing, services and construction sectors

SME Bank plays a vital role in supporting the Malaysian Government's economic and development initiatives such as the National Entrepreneurship Policy 2030 to develop an entrepreneurial ecosystem in Malaysia that will enhance the country's competitiveness in the global economy.



SME Bank is fully committed to Malaysia's driving economic by providing financial growth assistance and playing developmental role of **SMEs** through providing professional advisory services and capacity building programmes. SME Bank aims to nurture the advancement of **SMEs** nationwide and their ecosystem

As a specialized financial institution, SME Bank plays an essential role in bridging financing gaps by participating in markets or sectors that are not adequately served by the private sector. In the financial year 2024, SME Bank supported 862 MSMEs with a total financing approval of RM3.14 billion during the year, of which 68.5% was for small sized businesses and 24.2 % was for medium sized businesses. The remaining balance of 7.3% for micro enterprises.



2.2 SME Bank Sustainability Strategy

SME Bank's sustainability approach focuses on sustainable development, where we strive to balance the economic, social and environmental impacts in all our business decisions. We shall focus on strengthening our primary role in supporting the development of SMEs and contributing to sustainable growth while creating long-term value for our stakeholders, including customers, employees, and society. In line with our official sustainability tagline "Think Sustainably, Act Responsibly", our ESG imperatives are based on three pillars:

Responsible banking

Delivering products and services that promote sustainable development and conducting business in a fair and responsible manner

Responsible business practices

Doing the right thing by employees and taking into account environmental and societal considerations in day-to-day business operations

Creating social impact

Being a Force for Good by offering innovative financing solutions as well as intervening as a supportive partner to ensure SMEs' success and becoming the nation's engine of growth - contribute positively to the economy, creating employment and ultimately positive spillover to society



Supporting the three pillars are:

- **Risk & governance** Our identified ESG priorities are aligned with our enterprise risk appetite to ensure we identify and manage the top and emerging risks and incorporate them into our existing risk management processes.
- **Stakeholder engagement** We engage and interact with parties who have an interest in the way we conduct our business and share the same goals of advancing SME development.

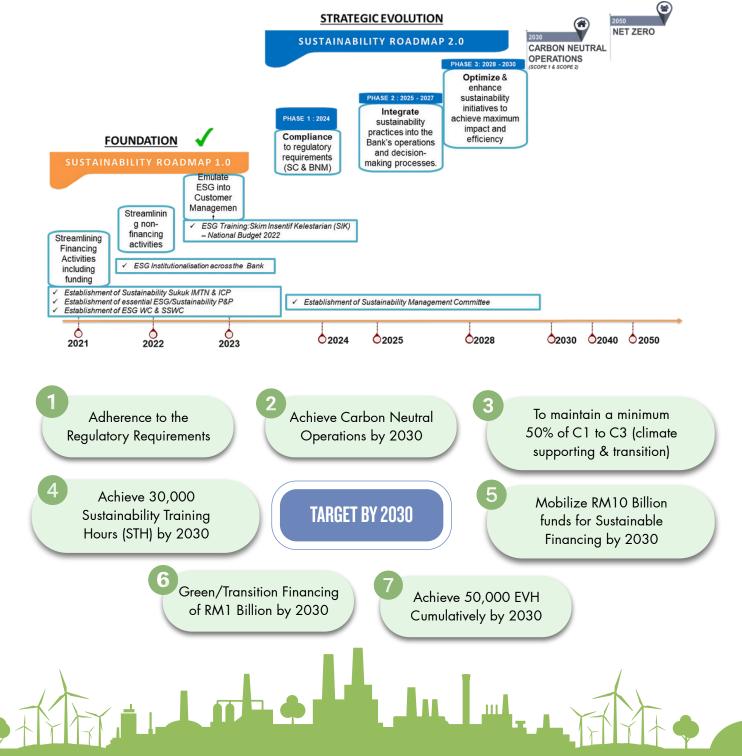
SME Bank's sustainability agenda is in line with BNM's Performance Measurement Framework, which emphasizes the importance of DFIs to incorporate additionalities as part of their business operations to promote greater development outcomes and strengthen their accountability as public institutions. Indicators identified to develop sustainable impacts, include financing approved to underserved segments, financial inclusion for social empowerment, job creation and green technology.



2.2 SME Bank Sustainability Strategy (Continued)

In 2021, SME Bank took a significant step towards sustainability by establishing a comprehensive 3-Year Sustainability Roadmap 2021–2023 ("Roadmap 1.0") which sets out clear targets to achieve sustainability through appropriate ESG considerations in our business strategies. SME Bank has successfully completed all phases of Roadmap 1.0 as originally planned. Building on the foundation of Roadmap 1.0, SME Bank introduced Sustainability Roadmap 2024 – 2030 ("Roadmap 2.0").

The Roadmap 2.0 covers a 7-year period with seven (7) targets set to be achieved by 2030, mapped with our three (3) sustainability pillars and four (4) long-term sustainability goals. This comprehensive plan segregated into 3 phases, integrates our short, medium, and long-term objectives, ensuring compliance and proactive issue resolution, vital for navigating the evolving sustainability landscape this new iteration aims to advance and accelerate the Bank's sustainability journey.



3.0 About SME Bank's Sustainability Sukuk

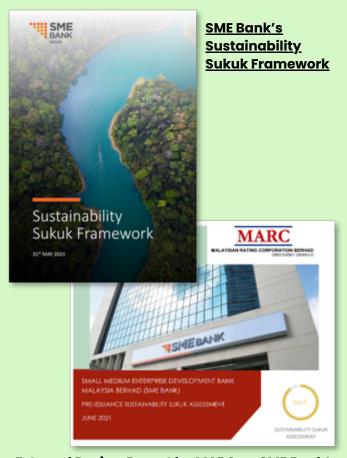
To drive our sustainability agenda, we established our Sustainability Sukuk Framework (SSF) in 2021 to serve as a guideline for all our Sustainability Sukuk issuances. The SSF was subsequently reviewed and revised to reflect the latest requirements and updates on the governance process.

The framework is aligned with the following guideline and standards:

- Sustainable and Responsible Investment Sukuk Framework, issued by the Securities Commission Malaysia ("SC");
- Sustainability Bond Guidelines, Green Bond Principles, Social Bond Principles, issued by the International Capital Market Association ("ICMA").

In August 2021, SME Bank successfully issued its first RM500.0 million Sustainability Sukuk where it marked the market as the first ever Sustainability Sukuk issued by a DFI in Malaysia. Subsequently the second tranche amounting to RM500.0 million has been issued in August 2022 and the third tranche amounting to RM1.0 billion in May 2023.

Our Reports



External Review Report by MARC on SME Bank's Sustainability Sukuk Framework



SME Bank's Sustainability Sukuk has been recognized both locally and internationally, winning multiple awards:

Best Sustainability Sukuk Award 2023 & 2024

The Asset Triple A Islamic Finance Awards 2023 & 2024

Best Sustainability Sukuk Award 2021

The Asset Triple A Sustainable Capital Markets Country & Regional Awards 2021

Sustainability Award 2021

Malaysian Rating Corporation Berhad (MARC)

SRI & ESG Deal of the Year Award 2021

Islamic Finance News (IFN)

Best ASEAN Green Sustainable and Responsible Investment (SRI) Sukuk 2021

Alpha Southeast Asia, a Hong Kong-based institutional investment publication

Best SRI Sukuk Award 2021

Alpha Southeast Asia, a Hong Kong-based institutional investment publication

3.1 SME Bank Sustainability Sukuk Summary

Issuer	SME Bank			
Issuer Ratings	AAA (Malaysia Rating Corporation Bhd)			
Offering	Sustainability Islamic Medium-Term Notes (IMTNs)			
Size	Up to RM3.0 billion			
Use of proceeds	New or existing assets, businesses and/or projects (collectively, "Eligible Assets") that promote the categories outlined below ("Eligible Categories"): 1. Renewable energy 2. Clean transportation 3. Green building 4. Energy efficiency 5. Sustainable water and wastewater management 6. Waste and pollution control 7. Affordable basic infrastructure 8. Access to essential services: Healthcare 9. Access to essential services: Education and vocational training 10. Socioeconomic advancement and empowerment 11. Pandemic outbreak socioeconomic impact mitigation SME Bank has developed a list of exclusionary criteria on the use of the Sustainability Sukuk proceeds. In this regard, we will not knowingly finance any of the projects included in the exclusionary criteria: i. Criteria for Non-Shariah Compliant Business Activities / Products / Goods: ii. Criteria of Mixed Activities Business iii. Criteria of Mixed Activities Business			
Process for project evaluation and selection	SME Bank's Business Division will perform an initial selection and evaluation according to the Eligible Categories and eligibility criteria. They will then propose recommendations on the Eligible Assets to the respective Approving Authority for review and approval based on the relevant Authority Limit ("AL"). The Sustainability Management Committee ("SMC") will review and endorse the Eligible Assets periodically to ensure they meet the eligibility criteria. Receive financing application and selection and selection and monitoring and monitoring application (Evaluation Approving Management (ExCO) (

3.1 SME Bank Sustainability Sukuk Summary (Continued)

Management of Proceeds

- The Sustainability Sukuk proceeds will be managed in a portfolio approach, where SME Bank will monitor the allocation to the Eligible Assets to ensure the Eligible Assets' aggregate asset value is at a level that is equal to or greater than the net proceeds raised from the outstanding Sustainability Sukuk upon full allocation.
- Allocation of the proceeds and the portfolio of the Eligible Assets will be tracked by SME Bank via its established internal reporting systems.
- During the tenure of the Sustainability Sukuk, if any existing Eligible Assets no longer meets the eligibility criteria set forth in the Sustainability Sukuk Framework, new Eligible Assets will be identified, and the proceeds will be allocated to those assets as soon as is practicable.
- Pending full allocation, an amount equivalent to the balance of unallocated Sustainability Sukuk proceeds will be allocated to temporary investments such as cash, cash equivalent and/or other liquid marketable investments in accordance with SME Bank's normal liquidity management policy.

Reporting

SME Bank will prepare and publish a sustainability sukuk report on its website annually, and on a timely basis in case of material developments ("Annual Sustainability Sukuk Report"). The report will be updated every year until allocation is completed, and thereafter, as necessary in case of any new developments.

Allocation Reporting:

- Net proceeds raised from each Sustainability Sukuk issuance
- Aggregate amounts of proceeds allocated to each of the Eligible Categories
- The outstanding amount of net proceeds yet to be allocated to the Eligible Assets at the end of the reporting period and where these have been invested
- Removal or substitution of the Eligible Assets
- The composition of proceed utilisation for new financing and refinancing.

Impact Reporting:

- Examples of the Eligible Assets financed or refinanced by the Sustainability Sukuk issued
- Impact metrics arising from the assets financed for each of the Eligible Categories

4.0 Eligible assets and allocation of proceeds

As of 30 June 2025, the net proceeds of SME Bank's Sustainability Sukuk of RM2 billion (1st Tranche RM500 million, issued in August 2021, 2nd Tranche RM500 million, issued in August 2022 and 3rd Tranche, RM1 billion issued in May 2023) have been allocated to refinance in part or in whole, existing assets, businesses and/or projects (collectively, "Eligible Assets"). General financing will qualify as the Eligible Assets if at least 80% of the financing recipient's revenue is derived from sources that meet the relevant eligibility criteria.

Reporting date	Jun 30, 2025
Geographic location	Malaysia
Currency of eligible assets	Malaysian Ringgit (RM)
Total allocated amount	RM 1,417.8 million

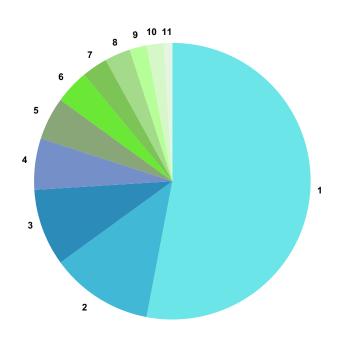
The allocated assets are lower than the issued amount due to several factors, including redemptions, instalment reductions, and full settlements.

Between 30 June 2024 and 31 March 2025, financing assets amounting to RM 1,763.69 million were removed and subsequently substituted with other eligible financing assets and retagged under the Sustainability Sukuk utilisation.



The section below outlines the Eligible Assets to which those proceeds were allocated:

Percentage of total allocated (%)



1	Socioeconomic advancement and empowerment	65.65%
2	Pandemic outbreak socioeconomic impact mitigation	17.71%
3	Green Building	5.64%
4	Affordable Basic Infrastructure	3.07%
5	Access to essential services: Healthcare	2.86%
6	Sustainable water and wastewater management	2.16%
7	Energy Efficiency	1.39%
8	Clean Transportation	0.97%
9	Access to essential services: Education and vocational training	0.31%
10	Waste and pollution control	0.14%
11	Renewal Energy	0.09%

Pending full allocation, an amount equivalent to the balance of unallocated Sustainability Sukuk proceeds amounting RM582.2 million is allocated to temporary investments such as cash, cash equivalent and/or other liquid marketable investments in accordance with SME Bank's normal liquidity management policy.



4.1 Allocation of Proceeds

Eligible category under the Framework	SDG supported	Eligible asset description	Location	Financed amount (RM'mil)	Percentage of allocation (%)
Socioeconomic advancement and empowerment	5 GENDER ERUNLITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED NEGONALITES	Financing for startups and micro, small and medium-sized enterprises that operate in sectors contributing to other UN SDGs,owned or operated by marginalized groups, benefit low-income populations	Malaysia	930.81	65.65
Pandemic outbreak socioeconomic impact mitigation	8 DESENT WORK AND ECONOMIC GROWTH	Financing or other financial services to support SMEs who have been assessed by SME Bank as facing financial stress as a result of the pandemic outbreak	Malaysia	251.12	17.71
Green Building	11 SISTIMANE COTTES AND COMMENTES 9 MOUSTRY INNOATOR AND NAVARRACTURE	Construction, research, development, renovation, maintenance and/or purchase of commercial or residential buildings that meet recognized green certification standards such as Green Building Index GBI ")")(Gold and above) or achieve a minimum of 20 improvement in energy use or carbon emission as a result of renovation	Malaysia	80.03	5.64

4.1 Allocation of Proceeds (Continued)

Eligible category under the Framework	SDG supported	Eligible asset description	Location	Financed amount (RM'mil)	Percentage of allocation (%)
Affordable Basic Infrastructure	11 SUSTIMMENT OTTES AND COMMENTES AND COMMENTES 7 AFFORMANCE ME CLEAN DESIGN CLEAN	Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment used for Development of infrastructure to provide communities that have limited access or no access to services such as transport and energy Development of infrastructure to provide communities with increased affordable internet coverage and speed and/or mobile phone usage	Malaysia	43.48	3.07
Access to essential services: healthcare	3 GOOD MEALTH AND WELL SEING	Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment for public, subsidized and/or non-profit healthcare that is accessible to all populations	Malaysia	40.54	2.86

4.1 Allocation of Proceeds (Continued)

Eligible category under the Framework	SDG supported	Eligible asset description	Location	Financed amount (RM'mil)	Percentage of allocation (%)
Sustainable water and wastewater management	11 SISTIMANUE COTES AND COMMUNITES CLEAN WATER AND SANISATION	Acquisition, construction, research, development operation, renovation and/or maintenance of facilities, systems or equipment used for sustainable water and wastewater management.	Malaysia	30.65	2.16
Energy efficiency	7 AFTONDAME AND CLEAR EXERCY 9 ROUSTRY INNOMITIES 9 ROUSTRY INNOMITIES 10 AND INTERCRIPATION	Facilities and equipment that reduce energy consumption or improve the efficiency of resources	Malaysia	19.77	1.39
Clean transportation	11 SISTAMABLE CITES AND CHORMETS 9 NEUSTRE INVALIDATION METHORITORIES	Acquisition, construction, research, development, maintenance, and/or operation of: - electric vehicles ("EV"), bicycles, and associated infrastructure (including EV charging and alternative fuel infrastructure); or - Electrified and/or low-emission passenger vehicles	Malaysia	13.73	0.97

4.1 Allocation of Proceeds (Continued)

Eligible category under the Framework	SDG supported	Eligible asset description	Location	Financed amount (RM'mil)	Percentage of allocation (%)
Access to essential services: education and vocational training	4 COLALITY EDUCATION	Construction, development, renovation and/or maintenance of facilities, services, systems or equipment for public and government- subsidized education that is broadly accessible to all populations	Malaysia	4.44	0.31
Waste and pollution control	11 SUSTAINABLE CITES AND COMMENTES 6 CLEANWRITE 11 SUSTAINABLE CITES AND COMMENTES A	Acquisition, construction, development, operation, renovation and/or maintenance of facilities, systems or equipment used for treatment, collection, reuse, reduction of emissions, reduction of waste and hazardous waste or treatment of contaminated soil or diverting waste and/or hazardous waste away from landfill Research into and development of processes, infrastructure, technology and facilities that promote efficient resource use and management	Malaysia	1.96	0.14
Renewable energy	7 AFFORMALE AND CLEARER TO CLEARER TO THE CHARGE TO THE CH	Acquisition, construction, research, development, operation, renovation and/or maintenance of one (1) or more of the following renewable energy generation sources: - Solar energy - Hydropower - Geothermal - Bio-energy	Malaysia	1.25	0.09

5.0 Project Highlights

5.1 Renewable Energy + Energy Efficiency

Project: [1] Renewable Energy [2] Sustainable Electrical Infrastructure [3] Environmental Sustainability

The client is a leading electrical and energy solutions contractor based in Penang, Malaysia. Since 2018, the company has been dedicated to delivering innovative and sustainable energy solutions through its core services, which include renewable energy projects, energy efficiency consultations, electrical engineering services, and comprehensive project management.

In support of the company's strategic initiatives, SME Bank provided financial assistance through the purchase of equipment and provision of working capital. This funding enabled the client to successfully execute projects that advance Malaysia's energy transition goals while promoting environmental responsibility.

The company's portfolio showcases extensive involvement in Malaysia's transition. renewable energy participation in Through government initiatives such as the Large-Scale Solar (LSS) program from LSS1 to LSS4, the client has delivered successfully projects across the solar, biogas, and hydroelectric sectors. These initiatives collectively enhance national energy security while environmental promoting responsibility.

Key infrastructure projects include the construction and maintenance of solar photovoltaic (PV) plants with capacities ranging from 1 MWp to over 100 MWp. High-voltage system installations, such as the MV infrastructure for a 100 MWp solar farm, have enabled stable grid integration of clean Additionally, biogas facilities and mini-hydro stations power developed have further diversified the client's clean energy portfolio.

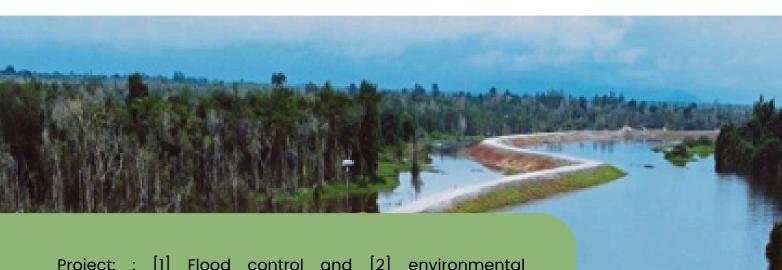


Financed acquisition of equipment and working capital for projects contributing to

770 MWac

green and renewable electric output

5.2 Climate Change Adaptation



Project: : [1] Flood control and [2] environmental sustainability

The client is a contractor engaged in the Integrated River Basin Development Project. SME Bank provided financial support by underwriting the contract that was awarded to the client

The comprehensive project encompasses flood control, river restoration, economic development, and environmental sustainability. The construction of 20 kilometers of flood embankments, alongside highcapacity pumping stations and retention ponds, now provides enhanced protection for low-lying areas against significant flooding. The river, previously plagued by pollution and erosion, is undergoing revitalization, with efforts to stabilize collapsed riverbanks utilizing ecofriendly techniques. Additionally, over 10,000 trees have been replanted along the riverbanks to function as natural barriers against erosion

Financed the project benefiting

16,800 residents



5.3 Socioeconomic Advancement and Empowerment

The table below showcases the impact report on the Socioeconomic Advancement and Empowerment category that were refinanced from the proceeds of the Sustainability Sukuk:

UN SDG	IMPACT INDICATOR	IMPACT VALUE
5, 8, 10	Amount of financing approved to MSMEs	861 MSMEs were supported with RM2,333.4 million financing approved with the total outstanding balance stood at RM1,255.2 million
	Amount of financing approved to MSMEs that have at least 51% Bumiputera shareholding	1,093 Bumiputera MSMEs were supported with RM1,910.6 million financing approved with the total outstanding balance stood at RM1,018.1 million
	Types of MSME financed	82 Micro SMEs were supported with RM84.9 million financing approved with the total outstanding balance stood at RM73.5 million
		601 Small SMEs were supported with RM1,588.9 million financing approved with the total outstanding balance stood at RM716.8 million
		178 Medium SMEs were supported with RM659.6 million financing approved with the total outstanding balance stood at RM465.0 million

Note: This report is based on financing data that utilised the proceeds from Sustainability Sukuk as of 30 June 2025

SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BERHAD

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