

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

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024**

	Notes	Group		Bank	
		30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
ASSETS					
Cash and short-term funds		1,329,902	1,558,746	1,327,467	1,558,045
Financial investments at fair value through through profit or loss ("FVTPL")	8	272,292	-	272,292	-
Financial investments at fair value through other comprehensive income ("FVOCI")	9	1,905,300	1,482,674	1,905,300	1,482,674
Financial investments at amortised cost ("AC")	10	826,697	975,652	826,697	975,652
Loans, advances and financing	11	8,203,904	8,284,537	8,203,904	8,284,537
Other assets		38,304	24,199	109,357	117,678
Investment in associate		-	-	-	-
Property, plant and equipment		122,957	124,395	122,957	124,395
Right-of-use assets		10,470	12,334	10,470	12,334
Investment properties		394,399	394,399	394,399	394,399
Intangible assets		36,624	41,503	36,624	41,503
Tax recoverable		4,540	5,942	1,290	2,692
Deferred tax assets		102,786	113,536	102,786	113,536
TOTAL ASSETS		13,248,175	13,017,917	13,313,543	13,107,445
LIABILITIES					
Deposits from customers	12	5,032,552	3,943,673	5,055,218	3,984,635
Deposits from banks and other financial institutions	13	100,052	140,056	100,052	140,056
Islamic medium-term notes/commercial notes		2,723,037	3,506,937	2,723,037	3,506,937
Borrowings/Fundings	14	2,104,509	2,047,647	2,104,509	2,047,647
Lease liabilities		11,017	12,811	11,017	12,811
Other liabilities		1,028,968	1,118,449	1,061,486	1,156,723
Government funds		565,827	580,125	565,827	580,125
TOTAL LIABILITIES		11,565,962	11,349,698	11,621,146	11,428,934
EQUITY					
Share capital		1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses		(201,215)	(212,192)	(191,031)	(201,900)
Other reserves		33,428	30,411	33,428	30,411
TOTAL EQUITY		1,682,213	1,668,219	1,692,397	1,678,511
TOTAL LIABILITIES AND EQUITY		13,248,175	13,017,917	13,313,543	13,107,445
COMMITMENTS AND CONTINGENCIES	20	1,700,498	1,969,272	1,700,498	1,969,272

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 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 2024**

Group	Notes	Second Quarter Ended		Six Months Ended	
		30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Interest income	15	76	140	153	156
Interest expense	16	(1,365)	(1,454)	(2,763)	(2,922)
Net interest expense		(1,289)	(1,314)	(2,610)	(2,766)
Gross income from Islamic banking business	22	125,297	123,873	247,298	243,642
Other operating income	17	3,158	2,106	7,616	4,097
Net income		127,166	124,665	252,304	244,973
Other operating expenses	18	(65,832)	(73,935)	(139,934)	(144,867)
Operating profit		61,334	50,730	112,370	100,106
(Allowances)/Writeback for impairment losses on:					
- loans, advances and financing	19	(43,366)	(37,985)	(80,827)	(66,148)
- commitments and contingencies		363	(339)	564	(651)
- financial investments at FVOCI	8	(214)	-	(90)	27
- financial investments at AC	9	203	-	411	-
- other assets at AC		(390)	(119)	(636)	(554)
Profit before tax expense and zakat		17,930	12,287	31,792	32,780
Tax expense		(6,476)	(4,198)	(11,553)	(7,306)
Zakat		(375)	(375)	(750)	(750)
Profit for the period		11,079	7,714	19,489	24,724
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		299	6,059	2,927	11,918
Changes in expected credit loss on financial investments at FVOCI		214	44	90	(27)
Other comprehensive income for the period		513	6,103	3,017	11,891
Total comprehensive income for the period		11,592	13,817	22,506	36,615
Profit for the period attributable to owner of the Bank		11,079	7,714	19,489	24,724
Total comprehensive income attributable to owner of the Bank		11,592	13,817	22,506	36,615

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 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 2024

Bank	Notes	Second Quarter Ended		Six Months Ended	
		30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Interest income	15	76	140	153	156
Interest expense	16	(1,365)	(1,454)	(2,763)	(2,922)
Net interest expense		(1,289)	(1,314)	(2,610)	(2,766)
Gross income from Islamic banking business	22	125,205	121,955	247,245	243,397
Other operating income	17	2,437	1,360	5,769	2,585
Net income		126,353	122,001	250,404	243,216
Other operating expenses	18	(65,193)	(73,873)	(139,217)	(143,788)
Operating profit		61,160	48,128	111,187	99,428
(Allowances)/Writeback for impairment losses on:					
- loans, advances and financing	19	(49,427)	(41,721)	(87,386)	(74,112)
- commitments and contingencies		363	(339)	564	(651)
- financial investments at FVOCI	8	(214)	-	(90)	27
- financial investments at AC	9	203	-	411	-
- other assets at AC		(390)	(119)	(636)	(554)
- other assets at FVOCI		5,715	4,402	6,430	8,803
Profit before tax expense and zakat		17,410	10,351	30,480	32,941
Tax expense		(5,874)	(4,026)	(10,349)	(6,960)
Zakat		(375)	(375)	(750)	(750)
Profit for the period		11,161	5,950	19,381	25,231
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		299	6,059	2,927	11,918
Changes in expected credit loss on financial investments at FVOCI		214	44	90	(27)
Other comprehensive income for the period		513	6,103	3,017	11,891
Total comprehensive income for the period		11,674	12,053	22,398	37,122
Profit for the period attributable to owner of the Bank		11,161	5,950	19,381	25,231
Total comprehensive income attributable to owner of the Bank		11,674	12,053	22,398	37,122

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 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 2024**

Group	Note	<=====Attributable to the Owner of the Bank=====>				Total RM'000
		Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	
At 1 January 2024		1,850,000	20,297	10,114	(212,192)	1,668,219
Unrealised gain on revaluation of financial investments at FVOCI		-	2,927	-	-	2,927
Changes in expected credit losses of financial investments at FVOCI	9	-	90	-	-	90
Profit for the period		-	-	-	19,489	19,489
Total comprehensive income for the period		-	3,017	-	19,489	22,506
Transaction with owner: Dividends		-	-	-	(8,512)	(8,512)
At 30 June 2024		1,850,000	23,314	10,114	(201,215)	1,682,213
At 1 January 2023		1,850,000	3,927	10,114	(288,613)	1,575,428
Unrealised gain on revaluation of financial investments at FVOCI		-	18,735	-	-	18,735
Reclassification of gain included in profit or loss		-	36	-	-	36
Changes in expected credit losses of financial investments at FVOCI		-	2,104	-	-	2,104
Income tax relating to components of other comprehensive income		-	(4,505)	-	-	(4,505)
Profit for the year		-	-	-	82,642	82,642
Total comprehensive income for the year		-	16,370	-	82,642	99,012
Transaction with owner: Dividends		-	-	-	(6,221)	(6,221)
At 31 December 2023		1,850,000	20,297	10,114	(212,192)	1,668,219

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 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 2024**

Bank	Note	<=====Attributable to the Owner of the Bank=====> <=====Non-distributable=====>				Total RM'000
		Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	
At 1 January 2024		1,850,000	20,297	10,114	(201,900)	1,678,511
Unrealised gain on revaluation of financial investments at FVOCI		-	2,927	-	-	2,927
Changes in expected credit losses of financial investments at FVOCI	9	-	90	-	-	90
Profit for the period		-	-	-	19,381	19,381
Total comprehensive income for the period		-	3,017	-	19,381	22,398
Transaction with owner: Dividends		-	-	-	(8,512)	(8,512)
At 30 June 2024		1,850,000	23,314	10,114	(191,031)	1,692,397
At 1 January 2023		1,850,000	3,927	10,114	(280,796)	1,583,245
Unrealised gain on revaluation of financial investments at FVOCI		-	18,735	-	-	18,735
Reclassification of gain included in profit or loss		-	36	-	-	36
Changes in expected credit losses of financial investments at FVOCI		-	2,104	-	-	2,104
Income tax relating to components of other comprehensive income		-	(4,505)	-	-	(4,505)
Profit for the year		-	-	-	85,117	85,117
Total comprehensive income for the year		-	16,370	-	85,117	101,487
Transaction with owner: Dividends		-	-	-	(6,221)	(6,221)
At 31 December 2023		1,850,000	20,297	10,114	(201,900)	1,678,511

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 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 2024**

	Group		Bank	
	30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Cash flows from operating activities				
Profit before tax expense and zakat	31,792	32,780	30,480	32,941
Adjustments for:				
Net impairment loss on loans, advances and financing	80,501	66,110	87,386	74,075
Net impairment (writeback)/loss of commitment and contingencies	(564)	651	(564)	651
Net impairment loss/(writeback) on financial investment at FVOCI	90	(27)	90	(27)
Net impairment writeback on financial investment at AC	(411)	-	(411)	-
Impairment loss on other assets at AC	636	554	636	554
Impairment writeback on other assets at FVOCI	-	-	(6,430)	(8,803)
Depreciation of property, plant and equipment	5,995	6,984	5,994	6,984
Depreciation of right-of-use assets	1,864	1,802	1,864	1,802
Amortisation of intangible assets	5,194	4,995	5,194	4,995
Government funds released	(14,298)	(15,341)	(14,298)	(15,341)
Income from financial investments at FVOCI	(30,688)	(22,867)	(30,688)	(22,867)
Income from financial investments at FVTPL	(5,706)	(3,558)	(5,706)	(3,558)
Income from financial investments at AC	(18,117)	(17,867)	(18,117)	(17,867)
Profit expense on medium-term notes/commercial papers	54,395	49,916	54,395	49,916
Profit expense on borrowings/fundings	21,614	21,048	21,614	21,048
Finance cost on lease liabilities	228	251	228	251
Gain on disposal of property, plant and equipment	(208)	-	(208)	-
Profit income on amount due from a subsidiary company	-	-	(3,570)	(1,197)
Gain on disposal of associate	-	(3,465)	-	(5,800)
Operating profit before working capital changes	132,317	121,966	127,889	117,757
Changes in working capital:				
Net changes in operating assets	(14,610)	(275,621)	10,933	(241,432)
Net changes in operating liabilities	950,582	(497,861)	926,530	(527,446)
Cash generated from/(used in) operating activities	1,068,289	(651,516)	1,065,352	(651,121)
Profit received	42,765	(3,563)	42,765	(3,563)
Tax paid	(1,247)	(543)	(43)	(254)
Tax refund	1,848	-	1,847	-
Zakat paid	-	(162)	-	(162)
Zakat refund	113	187	113	187
Net cash generated from/(used in) operating activities	1,111,768	(655,597)	1,110,034	(654,913)
Cash flows from investing activities				
Net proceed from purchase of financial investment	(530,878)	(340,231)	(530,878)	(340,231)
Net proceed from disposal of property, plant and equipment	500	-	500	-
Net purchase of property, plant and equipment	(5,145)	(11,631)	(5,145)	(11,631)
Net purchase of intangible assets	(17)	(6,278)	(17)	(6,278)
Net cash used in investing activities	(535,540)	(358,140)	(535,540)	(358,140)
Cash flows from financing activities				
Net (payment)/disburse of medium-term notes/commercial papers	(838,295)	815,000	(838,295)	815,000
Net disburse of borrowings/fundings	35,246	29,308	35,246	29,308
Payment of lease liabilities	(2,023)	(1,972)	(2,023)	(1,972)
Proceeds from disposal of associate	-	5,800	-	5,800
Dividend paid	-	(6,221)	-	(6,221)
Net cash (used in)/generated from financing activities	(805,072)	841,915	(805,072)	841,915
Net decrease in cash and cash equivalents	(228,844)	(171,822)	(230,578)	(171,138)
Cash and cash equivalents at beginning of period	1,558,746	1,628,091	1,558,045	1,626,827
Cash and cash equivalents at end of period	1,329,902	1,456,269	1,327,467	1,455,689
Cash and cash equivalents comprise:				
- Cash and short term funds	1,329,902	1,456,269	1,327,467	1,455,689

**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 2023. 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 2023.

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 2023. At the date of authorisation of these interim financial statements, the Group and the Bank has not applied in advance the following accounting standards and interpretation that have been effective on 1 January 2024 issued by MASB but not yet effective:-

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

The Group and the Bank plan to adopt the above pronouncement when effective in the respective financial year. Unless otherwise stated, the initial application of the above pronouncement is not expected to have any significant impact on the Group and the Bank.

2. Summary of Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2023 were prepared in accordance with MFRS, IFRS and the requirements of the Companies Act, 2016 in Malaysia. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2023.

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3. Auditors' report on preceding audited annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2023 was not qualified.

4. 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 2024.

5. 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 2024.

6. 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 2024.

7. Dividends

A final single-tier dividend of 0.46 sen per share for the financial year ended 31 December 2023, amounting to RM8,512,000 was declared during the Annual General Meeting on 28 June 2024 and cash dividend payment was made on 5 July 2024.

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8. Financial investments at FVTPL

	Group and Bank	
	30 June 2024 RM'000	31 December 2023 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	152,797	-
Money market instruments		
Commercial papers	119,495	-
	272,292	-

9. Financial investments at FVOCI

	Group and Bank	
	30 June 2024 RM'000	31 December 2023 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	1,527,056	1,108,183
Non-money market instruments		
Equity securities		
- Private debt securities	30,856	30,761
- Unquoted shares	10,693	10,693
- Other investment	2,160	-
Debt securities		
- Private debt securities	334,535	333,037
	378,244	374,491
	1,905,300	1,482,674

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 2024	446	1,857	10,000	12,303
Allowance made due to changes in credit risk	-	90	-	90
At 30 June 2024	446	1,947	10,000	12,393
At 1 January 2023	1	198	10,000	10,199
Allowance made due to changes in credit risk	445	1,659	-	2,104
At 31 December 2023	446	1,857	10,000	12,303

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

The impairment losses by external rating grade are as follows:

<i>External rating grade</i>	Group and Bank			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
RAM AAA	14	-	-	14
MARC AAA	48	-	-	48
RAM A	-	1,947	-	1,947
MARC AA-	384	-	-	384
RAM D [^]	-	-	10,000	10,000
At 30 June 2024	<u>446</u>	<u>1,947</u>	<u>10,000</u>	<u>12,393</u>

<i>External rating grade</i>	Group and Bank			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
RAM AAA	14	-	-	14
MARC AAA	48	-	-	48
RAM A	-	1,857	-	1,857
MARC AA-	384	-	-	384
RAM D [^]	-	-	10,000	10,000
At 31 December 2023	<u>446</u>	<u>1,857</u>	<u>10,000</u>	<u>12,303</u>

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

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10. Financial investments at AC

	Group and Bank	
	30 June 2024 RM'000	31 December 2023 RM'000
At amortised cost		
Government securities		
Malaysian Government Investment Issues	221,469	292,369
Money market instruments		
Commercial papers	-	138,890
Non-money market instruments		
Private debt securities	605,604	545,180
	827,073	976,439
Less: Accumulated impairment losses	(376)	(787)
	<u>826,697</u>	<u>975,652</u>

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

	Group and Bank	
	30 June 2024 RM'000	31 December 2023 RM'000
Within one year	287,595	321,506
More than one year to three years	298,077	373,587
More than three years to five years	226,370	266,306
More than five years	15,031	15,040
	<u>827,073</u>	<u>976,439</u>

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10. 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
	2024	2023
	RM'000	RM'000
	Stage 1	Stage 1
At 1 January	787	1
Allowance made due to changes in credit risk	-	199
New financial investments originated or purchased	10	587
Financial investments derecognised	(421)	-
At 30 June/31 December	376	787

The impairment losses by external rating grade are as follows:

	Group and Bank	
	30 June	31 December
	2024	2023
	RM'000	RM'000
	Stage 1	Stage 1
<i>External rating grade</i>		
RAM AAA	35	26
MARC AAA	26	26
RAM AA	315	354
MARC AA	-	381
Total	376	787

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
	2024	2023
	RM'000	RM'000
Malaysian Government Investment Issues	222,563	293,515
Commercial papers	-	138,890
Private debt securities	616,495	549,680
	839,058	982,085

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11. Loans, advances and financing

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Term loans/financing				
- Hire purchase	255,132	330,085	244,728	319,715
- Leasing	210	225	-	-
- Other term loans/financing	5,523,703	6,406,039	5,308,403	6,184,151
Revolving loans/financing	3,322,857	2,397,789	3,322,275	2,397,217
Staff loans/financing	9,126	9,798	9,126	9,798
Gross loans, advances and financing	<u>9,111,028</u>	<u>9,143,936</u>	<u>8,884,532</u>	<u>8,910,881</u>
Less: Allowance for impairment losses on				
- Stage 1 (Note 11(ix))	(87,872)	(105,085)	(87,872)	(105,085)
- Stage 2 (Note 11(ix))	(90,092)	(63,292)	(90,092)	(63,292)
- Stage 3 (Note 11(ix))	(729,160)	(691,022)	(502,664)	(457,967)
Net loans, advances and financing	<u>8,203,904</u>	<u>8,284,537</u>	<u>8,203,904</u>	<u>8,284,537</u>
Gross impaired loans, advances and financing (Note 11(viii))	<u>1,409,413</u>	<u>1,347,439</u>	<u>1,182,917</u>	<u>1,114,384</u>
Net impaired loans, advances and financing	<u>680,253</u>	<u>656,417</u>	<u>680,253</u>	<u>656,417</u>

Included in loans, advances and financing for the Group and the Bank are gross loans, advances and financing of RM132,207,000 (2023: RM124,160,000) financed by Government funds.

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

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Within one year	2,805,432	2,610,292	2,606,059	2,421,238
More than one year to three years	921,299	940,745	919,947	922,926
More than three years to five years	1,426,273	1,377,271	1,418,979	1,369,904
More than five years	3,958,024	4,215,628	3,939,547	4,196,813
	<u>9,111,028</u>	<u>9,143,936</u>	<u>8,884,532</u>	<u>8,910,881</u>

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

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

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Domestic business enterprise	9,101,902	9,134,138	8,875,406	8,901,083
Individual	9,126	9,798	9,126	9,798
	9,111,028	9,143,936	8,884,532	8,910,881

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

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Constructions	1,557,100	1,619,022	1,556,330	1,618,252
Education, health and others	558,084	600,806	550,718	593,052
Electricity, gas and water supply	164,962	162,567	164,962	162,567
Financial, insurance/takaful, real estate and business services	1,063,548	1,081,271	1,062,886	1,080,609
Manufacturing	1,730,819	1,654,468	1,705,230	1,628,889
Mining and quarrying	137,037	114,979	137,037	114,979
Primary agriculture	8,991	10,153	8,961	10,123
Transportation, storage and communication	1,213,674	1,261,432	1,197,087	1,244,816
Wholesale, retail trade, restaurants and hotels	2,667,687	2,629,440	2,492,195	2,447,796
Others	9,126	9,798	9,126	9,798
	9,111,028	9,143,936	8,884,532	8,910,881

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11. 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	1,063,374	35,748	91,952	66,611	96,332	203,083	1,557,100
Education, health and others	411,777	25,769	12,083	63,435	34,498	10,522	558,084
Electricity, gas and water supply	156,437	1,303	583	1,999	2,663	1,977	164,962
Financial, insurance/takaful, real estate and business services	718,170	117,813	67,733	34,891	50,873	74,068	1,063,548
Manufacturing	933,607	250,560	257,222	87,291	49,106	153,033	1,730,819
Mining and quarrying	69,113	-	11,504	33,767	16,567	6,086	137,037
Primary agriculture	1,240	-	169	687	3,770	3,125	8,991
Transportation, storage and communication	885,860	88,628	43,306	98,693	67,090	30,097	1,213,674
Wholesale, retail trade, restaurants and hotels	1,372,427	326,838	119,773	321,731	300,312	226,606	2,667,687
Others	9,126	-	-	-	-	-	9,126
At 30 June 2024	5,621,131	846,659	604,325	709,105	621,211	708,597	9,111,028

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11. 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	1,139,986	36,311	65,985	59,038	102,993	214,709	1,619,022
Education, health and others	448,628	23,298	14,605	68,100	35,132	11,043	600,806
Electricity, gas and water supply	150,695	3,618	1,675	1,601	2,898	2,080	162,567
Financial, insurance/takaful, real estate and business services	721,595	115,065	68,804	36,076	63,965	75,766	1,081,271
Manufacturing	878,126	261,026	232,140	99,949	50,589	132,638	1,654,468
Mining and quarrying	53,238	-	15,058	35,166	7,033	4,484	114,979
Primary agriculture	4,805	-	185	219	3,625	1,319	10,153
Transportation, storage and communication	899,844	85,396	42,895	94,856	72,854	65,587	1,261,432
Wholesale, retail trade, restaurants and hotels	1,323,006	330,948	119,390	331,979	302,776	221,341	2,629,440
Others	9,798	-	-	-	-	-	9,798
At 31 December 2023	5,629,721	855,662	560,737	726,984	641,865	728,967	9,143,936

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11. 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	1,062,604	35,748	91,952	66,611	96,332	203,083	1,556,330
Education, health and others	404,411	25,769	12,083	63,435	34,498	10,522	550,718
Electricity, gas and water supply	156,437	1,303	583	1,999	2,663	1,977	164,962
Financial, insurance/takaful, real estate and business services	717,508	117,813	67,733	34,891	50,873	74,068	1,062,886
Manufacturing	908,018	250,560	257,222	87,291	49,106	153,033	1,705,230
Mining and quarrying	69,113	-	11,504	33,767	16,567	6,086	137,037
Primary agriculture	1,210	-	169	687	3,770	3,125	8,961
Transportation, storage and communication	869,273	88,628	43,306	98,693	67,090	30,097	1,197,087
Wholesale, retail trade, restaurants and hotels	1,196,935	326,838	119,773	321,731	300,312	226,606	2,492,195
Others	9,126	-	-	-	-	-	9,126
At 30 June 2024	5,394,635	846,659	604,325	709,105	621,211	708,597	8,884,532

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11. 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	1,139,216	36,311	65,985	59,038	102,993	214,709	1,618,252
Education, health and others	440,874	23,298	14,605	68,100	35,132	11,043	593,052
Electricity, gas and water supply	150,695	3,618	1,675	1,601	2,898	2,080	162,567
Financial, insurance/takaful, real estate and business services	720,933	115,065	68,804	36,076	63,965	75,766	1,080,609
Manufacturing	852,547	261,026	232,140	99,949	50,589	132,638	1,628,889
Mining and quarrying	53,238	-	15,058	35,166	7,033	4,484	114,979
Primary agriculture	4,775	-	185	219	3,625	1,319	10,123
Transportation, storage and communication	883,228	85,396	42,895	94,856	72,854	65,587	1,244,816
Wholesale, retail trade, restaurants and hotels	1,141,362	330,948	119,390	331,979	302,776	221,341	2,447,796
Others	9,798	-	-	-	-	-	9,798
At 31 December 2023	5,396,666	855,662	560,737	726,984	641,865	728,967	8,910,881

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

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

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Fixed rate:				
- Staff loan/financing	9,126	9,798	9,126	9,798
- Hire purchase	96,746	121,355	86,905	111,548
- Leasing	210	225	-	-
- Other term loans/financing	1,698,669	2,173,061	1,575,763	2,044,081
- Revolving loans/financing	2,285,190	1,947,655	2,284,673	1,947,138
Variable rate				
- Hire purchase	158,386	208,730	157,823	208,167
- Other term loans/financing	3,825,034	4,232,978	3,732,640	4,140,070
- Revolving loans/financing	1,037,667	450,134	1,037,602	450,079
	<u>9,111,028</u>	<u>9,143,936</u>	<u>8,884,532</u>	<u>8,910,881</u>

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

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Constructions	149,662	135,787	148,892	135,017
Education, health and others	66,201	56,615	58,835	48,861
Electricity, gas and water supply	40,731	55,383	40,731	55,383
Financial, insurance/takaful, real estate and business services	186,056	174,500	185,394	173,838
Manufacturing	259,271	247,623	233,682	222,044
Mining and quarrying	14,001	7,818	14,001	7,818
Primary agriculture	611	528	581	498
Transportation, storage and communication	98,440	95,954	81,853	79,338
Wholesale, retail trade, restaurants and hotels	594,440	573,231	418,948	391,587
	<u>1,409,413</u>	<u>1,347,439</u>	<u>1,182,917</u>	<u>1,114,384</u>

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11. 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	114,387	174	3,518	7,500	12,525	11,558	149,662
Education, health and others	43,404	284	3,492	7,369	6,393	5,259	66,201
Electricity, gas and water supply	40,731	-	-	-	-	-	40,731
Financial, insurance/takaful, real estate and business services	156,896	8,518	2,559	4,522	10,752	2,809	186,056
Manufacturing	149,701	6,500	58,860	16,417	24,633	3,160	259,271
Mining and quarrying	9,772	-	480	3,056	387	306	14,001
Primary agriculture	521	-	90	-	-	-	611
Transportation, storage and communication	65,506	2,669	14,104	5,232	8,623	2,306	98,440
Wholesale, retail trade, restaurants and hotels	418,574	66,813	13,135	42,068	47,688	6,162	594,440
At 30 June 2024	999,492	84,958	96,238	86,164	111,001	31,560	1,409,413

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11. 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	107,987	162	3,099	5,755	9,509	9,275	135,787
Education, health and others	44,730	320	1,847	7,311	1,783	624	56,615
Electricity, gas and water supply	55,383	-	-	-	-	-	55,383
Financial, insurance/takaful, real estate and business services	155,283	7,524	2,477	4,314	3,111	1,791	174,500
Manufacturing	138,880	7,170	52,573	19,440	22,933	6,627	247,623
Mining and quarrying	4,903	-	454	2,157	-	304	7,818
Primary agriculture	528	-	-	-	-	-	528
Transportation, storage and communication	59,857	6,894	13,481	5,147	8,303	2,272	95,954
Wholesale, retail trade, restaurants and hotels	406,427	65,445	11,255	39,410	45,673	5,021	573,231
At 31 December 2023	973,978	87,515	85,186	83,534	91,312	25,914	1,347,439

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11. 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	113,617	174	3,518	7,500	12,525	11,558	148,892
Education, health and others	36,038	284	3,492	7,369	6,393	5,259	58,835
Electricity, gas and water supply	40,731	-	-	-	-	-	40,731
Financial, insurance/takaful, real estate and business services	156,234	8,518	2,559	4,522	10,752	2,809	185,394
Manufacturing	124,112	6,500	58,860	16,417	24,633	3,160	233,682
Mining and quarrying	9,772	-	480	3,056	387	306	14,001
Primary agriculture	491	-	90	-	-	-	581
Transportation, storage and communication	48,919	2,669	14,104	5,232	8,623	2,306	81,853
Wholesale, retail trade, restaurants and hotels	243,082	66,813	13,135	42,068	47,688	6,162	418,948
At 30 June 2024	<u>772,996</u>	<u>84,958</u>	<u>96,238</u>	<u>86,164</u>	<u>111,001</u>	<u>31,560</u>	<u>1,182,917</u>

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11. 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	107,217	162	3,099	5,755	9,509	9,275	135,017
Education, health and others	36,976	320	1,847	7,311	1,783	624	48,861
Electricity, gas and water supply	55,383	-	-	-	-	-	55,383
Financial, insurance/takaful, real estate and business services	154,621	7,524	2,477	4,314	3,111	1,791	173,838
Manufacturing	113,301	7,170	52,573	19,440	22,933	6,627	222,044
Mining and quarrying	4,903	-	454	2,157	-	304	7,818
Primary agriculture	498	-	-	-	-	-	498
Transportation, storage and communication	43,241	6,894	13,481	5,147	8,303	2,272	79,338
Wholesale, retail trade, restaurants and hotels	224,783	65,445	11,255	39,410	45,673	5,021	391,587
At 31 December 2023	740,923	87,515	85,186	83,534	91,312	25,914	1,114,384

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

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

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
At 1 January	1,347,439	1,472,816	1,114,384	1,102,725
-Transfers to Stage 1	(4,452)	(54,736)	(4,452)	(54,736)
-Transfers to Stage 2	(5,723)	(13,500)	(5,723)	(13,500)
-Transfers to Stage 3	164,351	250,199	164,351	250,199
	<u>1,501,615</u>	<u>1,654,779</u>	<u>1,268,560</u>	<u>1,284,688</u>
Changes due to change in credit risk	(79,136)	(50,624)	(72,577)	(25,555)
New financial assets originated	2	51,555	2	51,555
Financial assets derecognised	20,017	(58,183)	20,017	(58,183)
Amount written-off	(33,085)	(250,088)	(33,085)	(138,121)
At 30 June/31 December	<u>1,409,413</u>	<u>1,347,439</u>	<u>1,182,917</u>	<u>1,114,384</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 2024	105,085	63,292	691,022	859,399
-Transfers to Stage 1	3,640	(2,382)	(1,258)	-
-Transfers to Stage 2	(4,531)	6,252	(1,721)	-
-Transfers to Stage 3	(879)	(13,784)	14,663	-
	<u>(1,770)</u>	<u>(9,914)</u>	<u>11,684</u>	<u>-</u>
Changes due to change in credit risk (Note 19)	(20,121)	36,466	61,998	78,343
New financial assets originated (Note 19)	20,622	510	-	21,132
Financial assets derecognised (Note 19)	(15,944)	(262)	(2,768)	(18,974)
Amount written off	-	-	(32,776)	(32,776)
At 30 June 2024	<u>87,872</u>	<u>90,092</u>	<u>729,160</u>	<u>907,124</u>
At 1 January 2023	91,586	45,182	808,748	945,516
-Transfers to Stage 1	30,096	(6,313)	(23,783)	-
-Transfers to Stage 2	(3,631)	7,387	(3,756)	-
-Transfers to Stage 3	(1,294)	(12,638)	13,932	-
	<u>25,171</u>	<u>(11,564)</u>	<u>(13,607)</u>	<u>-</u>
Changes due to change in credit risk (Note 19)	(28,688)	28,076	150,027	149,415
New financial assets originated (Note 19)	27,852	1,866	7,102	36,820
Financial assets derecognised (Note 19)	(10,836)	(268)	(15,183)	(26,287)
Amount written off	-	-	(246,065)	(246,065)
At 31 December 2023	<u>105,085</u>	<u>63,292</u>	<u>691,022</u>	<u>859,399</u>

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11. 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 2024	105,085	63,292	457,967	626,344
-Transfers to Stage 1	3,640	(2,382)	(1,258)	-
-Transfers to Stage 2	(4,531)	6,252	(1,721)	-
-Transfers to Stage 3	(879)	(13,784)	14,663	-
	(1,770)	(9,914)	11,684	-
Changes due to change in credit risk (Note 19)	(20,121)	36,466	68,557	84,902
New financial assets originated (Note 19)	20,622	510	-	21,132
Financial assets derecognised (Note 19)	(15,944)	(262)	(2,768)	(18,974)
Amount written off	-	-	(32,776)	(32,776)
At 30 June 2024	<u>87,872</u>	<u>90,092</u>	<u>502,664</u>	<u>680,628</u>
At 1 January 2023	91,586	45,182	438,657	575,425
-Transfers to Stage 1	30,096	(6,313)	(23,783)	-
-Transfers to Stage 2	(3,631)	7,387	(3,756)	-
-Transfers to Stage 3	(1,294)	(12,638)	13,932	-
	25,171	(11,564)	(13,607)	-
Changes due to change in credit risk (Note 19)	(28,688)	28,076	175,096	174,484
New financial assets originated (Note 19)	27,852	1,866	7,102	36,820
Financial assets derecognised (Note 19)	(10,836)	(268)	(15,183)	(26,287)
Amount written off	-	-	(134,098)	(134,098)
At 31 December 2023	<u>105,085</u>	<u>63,292</u>	<u>457,967</u>	<u>626,344</u>

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

	Group		Bank	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Net impaired loans, advances and financing in percentage	<u>8.12%</u>	<u>7.77%</u>	<u>8.12%</u>	<u>7.77%</u>

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12. Deposits from customers

	Group		Bank	
	30 June	31 December	30 June	31 December
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Term deposit:				
- Commodity Murabahah/Tawarruq	5,032,552	3,943,673	5,055,218	3,984,635

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Government bodies	1,416,878	1,052,155	1,416,878	1,052,155
Statutory bodies	733,135	532,591	733,135	532,591
Business enterprise	1,648,387	1,244,995	1,671,053	1,285,957
Others	1,234,152	1,113,932	1,234,152	1,113,932
	5,032,552	3,943,673	5,055,218	3,984,635

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Within three months	3,044,055	2,283,720	3,061,304	2,322,100
More than three months to six months	692,812	482,628	698,229	485,210
More than six months to one year	1,295,685	1,177,325	1,295,685	1,177,325
	5,032,552	3,943,673	5,055,218	3,984,635

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

13. Deposits from banks and other financial institutions

	Group and Bank	
	30 June	31 December
	2024	2023
	RM'000	RM'000
Licensed banks and other financial institutions	100,052	140,056

The deposits maturity structure is as follows:

	Group and Bank	
	30 June	31 December
	2024	2023
	RM'000	RM'000
Less than three months	100,052	140,056

The deposits from banks and other financial institutions carried weighted average profit rate of 3.18% (2023: 3.13%) per annum.

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14. Borrowings/Fundings

	Group and Bank	
	30 June 2024 RM'000	31 December 2023 RM'000
Unsecured borrowings/fundings	2,104,509	2,047,647

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

	Group and Bank	
	30 June 2024 RM'000	31 December 2023 RM'000
Within one year	62,566	59,107
More than one year to five years	1,368,397	813,300
More than five years	673,546	1,175,240
	<u>2,104,509</u>	<u>2,047,647</u>

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

		Group and Bank	
	Note	30 June 2024 RM'000	31 December 2023 RM'000
Government of Malaysia	(a)	891,892	911,000
Other institutions	(b)	1,212,617	1,136,647
		<u>2,104,509</u>	<u>2,047,647</u>

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14. 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 2024 RM'000	31 December 2023 RM'000
Maturity structure:		
Within one year	56,681	53,238
More than one year to five years	477,784	316,970
More than five years	357,427	540,792
	<u>891,892</u>	<u>911,000</u>

The weighted average interest/profit rate on the borrowings/fundings from the Government of Malaysia range from 0% to 2.75% (2023: 0% to 2.75%) per annum.

(b) Borrowings/fundings from other institutions

	Group and Bank	
	30 June 2024 RM'000	31 December 2023 RM'000
Bank Negara Malaysia ("BNM")	<u>1,212,617</u>	<u>1,136,647</u>

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

	Group and Bank	
	30 June 2024 RM'000	31 December 2023 RM'000
Maturity structure:		
Within one year	5,885	5,869
More than one year to five years	890,613	496,330
More than five years	316,119	634,448
	<u>1,212,617</u>	<u>1,136,647</u>

The weighted average profit rates on the borrowings/fundings from other institutions range from 0% to 0.50% (2023: 0% to 1.50%) per annum.

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15. Interest income

	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2024	2023	2024	2023
Group and Bank	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	76	140	153	156

16. Interest expense

	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2024	2023	2024	2023
Group and Bank	RM'000	RM'000	RM'000	RM'000
Term loans	1,365	1,454	2,763	2,922

17. Other operating income

	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2024	2023	2024	2023
Group	RM'000	RM'000	RM'000	RM'000
Fee income	20	103	20	106
	20	103	20	106
Other income:				
Recoveries from financing written off	3,022	1,903	7,369	3,725
Compensation on late payment charges	116	100	227	266
	3,138	2,003	7,596	3,991
Total other operating income	3,158	2,106	7,616	4,097
Bank				
Fee income	20	103	20	106
	20	103	20	106
Other income:				
Recoveries from financing written off	2,301	1,157	5,522	2,213
Compensation on late payment charges	116	100	227	266
	2,417	1,257	5,749	2,479
Total other operating income	2,437	1,360	5,769	2,585

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18. Other operating expenses

Group	Note	Second Quarter Ended		Six Months Ended	
		30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Personnel expenses	(i)	39,962	44,172	87,486	87,863
Establishment related expenses	(ii)	13,559	14,883	27,084	28,218
Promotion and marketing expenses	(iii)	3,095	2,488	6,194	4,900
Administration and general expenses	(iv)	9,216	12,392	19,170	23,886
		<u>65,832</u>	<u>73,935</u>	<u>139,934</u>	<u>144,867</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		28,420	33,251	66,198	66,850
Group President/ Chief Executive Officer and Directors' fees and remuneration		1,029	848	1,587	1,361
Shariah Committees' fees and remuneration		78	88	182	178
Social security cost		320	284	637	572
Contribution to Employee Provident Fund		5,083	4,517	9,828	8,757
Other staff related expenses		5,032	5,184	9,054	10,145
		<u>39,962</u>	<u>44,172</u>	<u>87,486</u>	<u>87,863</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,076	3,614	5,995	6,984
Depreciation of right-of-use assets		928	905	1,864	1,802
Amortisation of intangible assets		2,538	3,149	5,194	4,995
Rental expenses		15	36	28	75
Repairs and maintenance of property, plant and equipment		7,002	7,179	14,003	14,362
		<u>13,559</u>	<u>14,883</u>	<u>27,084</u>	<u>28,218</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		3,095	2,488	6,194	4,900
(iv) Administration and general expenses					
Administrative expenses		1,963	1,907	3,977	3,835
Auditors' remuneration		310	318	619	635
General expenses		6,943	10,167	14,574	19,416
		<u>9,216</u>	<u>12,392</u>	<u>19,170</u>	<u>23,886</u>

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18. Other operating expenses (cont'd.)

Bank	Note	Second Quarter Ended		Six Months Ended	
		30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Personnel expenses	(i)	38,015	43,378	83,991	86,032
Establishment related expenses	(ii)	13,545	14,871	27,056	28,189
Promotion and marketing expenses	(iii)	3,095	2,488	6,194	4,900
Administration and general expenses	(iv)	10,538	13,136	21,976	24,667
		<u>65,193</u>	<u>73,873</u>	<u>139,217</u>	<u>143,788</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		26,929	32,701	63,390	65,465
Group President/ Chief Executive Officer and Directors' fees and remuneration		1,029	848	1,587	1,361
Shariah Committees' fees and remuneration		78	88	182	178
Social security cost		313	276	612	557
Contribution to Employee Provident Fund		4,882	4,417	9,446	8,561
Other staff related expenses		4,784	5,048	8,774	9,910
		<u>38,015</u>	<u>43,378</u>	<u>83,991</u>	<u>86,032</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,075	3,614	5,994	6,984
Depreciation of right-of-use assets		928	905	1,864	1,802
Amortisation of intangible assets		2,538	3,149	5,194	4,995
Rental expenses		15	36	28	75
Repairs and maintenance of property, plant and equipment		6,989	7,167	13,976	14,333
		<u>13,545</u>	<u>14,871</u>	<u>27,056</u>	<u>28,189</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		3,095	2,488	6,194	4,900
(iv) Administration and general expenses					
Administrative expenses		1,962	1,905	3,976	3,828
Auditors' remuneration		291	300	581	600
General expenses		8,285	10,931	17,419	20,239
		<u>10,538</u>	<u>13,136</u>	<u>21,976</u>	<u>24,667</u>

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19. Allowances for impairment on loans, advances and financing

Group	Second Quarter Ended		Six Months Ended	
	30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
(Writeback)/Allowance for impairment losses on loans, advances and financing made during the period:				
- Stage 1, net (Note 11(ix))	(17,729)	(2,014)	(15,443)	(6,814)
- Stage 2, net (Note 11(ix))	17,762	5,836	36,714	12,866
- Stage 3, net (Note 11(ix))	43,199	33,657	59,230	59,590
	<u>43,232</u>	<u>37,479</u>	<u>80,501</u>	<u>65,642</u>
Impaired loans, advances and financing written off	<u>134</u>	<u>506</u>	<u>326</u>	<u>506</u>
Total allowance for impairment on loans, advances and financing	<u>43,366</u>	<u>37,985</u>	<u>80,827</u>	<u>66,148</u>
Bank				
(Writeback)/Allowance for impairment losses on loans, advances and financing made during the period:				
- Stage 1, net (Note 11(ix))	(17,729)	(2,014)	(15,443)	(6,814)
- Stage 2, net (Note 11(ix))	17,762	5,836	36,714	12,866
- Stage 3, net (Note 11(ix))	49,260	37,393	65,789	67,554
	<u>49,293</u>	<u>41,215</u>	<u>87,060</u>	<u>73,606</u>
Impaired loans, advances and financing written off	<u>134</u>	<u>506</u>	<u>326</u>	<u>506</u>
Total allowance for impairment on loans, advances and financing	<u>49,427</u>	<u>41,721</u>	<u>87,386</u>	<u>74,112</u>

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20. 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
	2024	2023
	RM'000	RM'000
Direct credit substitutes	148,722	149,032
Transaction-related-contingent items	249,361	251,229
Undisbursed loans/financing		
- original maturity up to one year	428,511	340,257
- original maturity more than one year	855,998	1,215,945
	1,682,592	1,956,463

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

	Group and Bank	
	30 June	31 December
	2024	2023
	RM'000	RM'000
Approved and contracted for Information technology system	17,906	12,809
Total commitments and contingencies	1,700,498	1,969,272

21. 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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21. Capital adequacy (cont'd.)

Regulatory capital (cont'd.)

Pursuant to BNM's Policy Document on Transitional Arrangements for Regulatory Capital Treatment of Account Provisions for Development Financial Institutions, the Bank had elected to apply the transitional arrangements where the Bank are allowed to add back a portion of the Stage 1 and Stage 2 provisions for ECL to Common Equity Tier 1 Capital over a four-year period beginning from financial year 2020 until 2023.

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 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 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	(220,704)	(212,192)	(210,412)	(201,900)
General reserves	10,114	10,114	10,114	10,114
General provision for loans, advances and financing ¹	-	43,564	-	43,564
Less: Deferred tax assets	(102,786)	(113,536)	(102,786)	(113,536)
Less: Property revaluation reserve	(248,934)	(248,933)	(248,934)	(248,933)
Total Tier I capital	1,287,690	1,329,017	1,297,982	1,339,309
<u>Tier II Capital</u>				
General provision for loans, advances and financing ¹	183,315	130,728	183,315	130,728
Property revaluation reserve ²	124,467	124,467	124,467	124,467
Government funds	426,452	427,977	426,452	427,977
Total Tier II capital	734,234	683,172	734,234	683,172
Total capital	2,021,924	2,012,189	2,032,216	2,022,481
Less: Investment in subsidiaries	-	-	-	-
Total capital base	2,021,924	2,012,189	2,032,216	2,022,481

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

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

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21. Capital adequacy (cont'd.)

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

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
20%	295,379	320,673	295,379	320,673
50%	4,140	4,501	4,140	4,501
100%	10,295,064	10,553,908	10,362,866	10,644,139
	10,594,583	10,879,082	10,662,385	10,969,313

Before deducting dividends:

Core capital ratio	12.154%	12.216%	12.173%	12.210%
Risk-weighted capital ratio	19.085%	18.496%	19.060%	18.438%

After deducting dividends:

Core capital ratio	12.154%	12.138%	12.173%	12.132%
Risk-weighted capital ratio	19.085%	18.418%	19.060%	18.360%

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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22. Islamic banking business

The state of affairs as at 30 June 2024 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 2024**

	Note	Group		Bank	
		30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Assets					
Cash and short-term funds		1,327,719	1,558,358	1,327,278	1,557,705
Financial investments at FVTPL	8	272,292	-	272,292	-
Financial investments at FVOCI	22(a)	1,894,607	1,471,981	1,894,607	1,471,981
Financial investments at AC	10	826,697	975,652	826,697	975,652
Advances and financing	22(b)	8,194,475	8,274,888	8,194,475	8,274,888
Other assets		38,304	24,199	109,357	117,678
Property, plant and equipment		122,957	124,395	122,957	124,395
Right-of-use assets		10,470	12,334	10,470	12,334
Investment properties		394,399	394,399	394,399	394,399
Intangible assets		36,624	41,503	36,624	41,503
Tax recoverables		4,540	5,942	1,290	2,692
Deferred tax assets		102,786	113,536	102,786	113,536
Total assets		13,225,870	12,997,187	13,293,232	13,086,763
Liabilities					
Deposits from customers	12	5,032,552	3,943,673	5,055,218	3,984,635
Deposits from banks and other financial institutions	13	100,052	140,056	100,052	140,056
Islamic medium-term notes/ commercial notes		2,723,037	3,506,937	2,723,037	3,506,937
Term financing/fundings	22(c)	1,654,681	1,574,346	1,654,681	1,574,346
Other liabilities		1,028,562	1,118,045	1,061,080	1,156,319
Lease liabilities		11,017	12,811	11,017	12,811
Amount due to conventional operations		319,063	336,044	445,790	468,890
Government funds		565,827	580,125	565,827	580,125
Total liabilities		11,434,791	11,212,037	11,616,702	11,424,119
Islamic general funds		1,791,079	1,785,150	1,676,530	1,662,644
Total liabilities and Islamic banking funds		13,225,870	12,997,187	13,293,232	13,086,763
Commitments	22(i)	1,682,592	1,956,463	1,682,592	1,956,463

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to these financial statements.)

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22. Islamic banking business (cont'd.)

Unaudited Statements of Comprehensive Income
For the second quarter ended 30 June 2024

Group	Note	Second Quarter Ended		Six Months Ended	
		30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Income from Islamic banking business	22(d)	175,444	162,461	348,514	322,654
Profit expense attributable to Islamic banking business	22(e)	(75,828)	(70,989)	(151,973)	(139,416)
Gross income from Islamic banking business		99,616	91,472	196,541	183,238
Other operating income	22(f)	25,681	32,401	50,757	60,404
Other operating expenses	22(g)	(65,729)	(73,831)	(139,591)	(144,732)
Operating profit		59,568	50,042	107,707	98,910
(Allowances)/Writeback for impairment losses on:					
- advances and financing	22(h)	(49,061)	(40,524)	(86,872)	(68,703)
- commitments		363	(339)	564	(652)
- financial investments at FVOCI	8	(214)	-	(90)	27
- financial investments at AC	9	203	-	411	-
- other assets at AC		(390)	(119)	(636)	(554)
Profit before tax expense and zakat		10,469	9,060	21,084	29,028
Tax expense		(6,476)	(4,198)	(11,553)	(7,306)
Zakat		(375)	(375)	(750)	(750)
Profit for the period		3,618	4,487	8,781	20,972
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		299	(383)	2,927	11,918
Changes in expected credit loss on financial investments at FVOCI		214	-	90	(27)
Other comprehensive income for the period		513	(383)	3,017	11,891
Total comprehensive income for the period		4,131	4,104	11,798	32,863

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to these financial statements.)

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22. Islamic banking business (cont'd.)

**Unaudited Statements of Comprehensive Income
For the second quarter ended 30 June 2024 (cont'd.)**

Bank	Note	Second Quarter Ended		Six Months Ended	
		30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Income from Islamic banking business	22(d)	175,444	162,461	348,514	322,654
Profit expense attributable to Islamic banking business	22(e)	(75,914)	(71,121)	(152,176)	(139,685)
Gross income from Islamic banking business		99,530	91,340	196,338	182,969
Other operating income	22(f)	25,675	30,615	50,907	60,428
Other operating expenses	22(g)	(65,093)	(73,769)	(138,875)	(143,654)
Operating profit		60,112	48,186	108,370	99,743
(Allowances)/Writeback for impairment losses on:					
- advances and financing	22(h)	(49,116)	(41,287)	(87,212)	(70,524)
- commitments and contingencies		363	(339)	564	(652)
- financial investments at FVOCI	8	(214)	-	(90)	27
- financial investments at AC	9	203	-	411	-
- other assets at AC		(390)	(119)	(636)	(554)
- other assets at FVOCI		5,715	4,402	6,430	8,803
Profit before tax expense and zakat		16,673	10,843	27,837	36,843
Tax expense		(5,874)	(4,026)	(10,349)	(6,960)
Zakat		(375)	(375)	(750)	(750)
Profit for the period		10,424	6,442	16,738	29,133
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		299	(383)	2,927	11,918
Changes in expected credit loss on financial investments at FVOCI		214	-	90	(27)
Other comprehensive income for the period		513	(383)	3,017	11,891
Total comprehensive income for the period		10,937	6,059	19,755	41,024

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to these financial statements.)

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22. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
For the second quarter ended 30 June 2024**

Group	Note	<=====Non-distributable=====>		Distributable retained earnings RM'000	Total RM'000
		Share capital RM'000	Fair value reserve RM'000		
At 1 January 2024		1,324,198	14,542	446,410	1,785,150
Share capital reallocation		2,643	-	-	2,643
Unrealised gain on revaluation of financial investments at FVOCI		-	2,927	-	2,927
Changes in expected credit losses of financial investments at FVOCI	8	-	90	-	90
Profit for the period		-	-	8,781	8,781
Total comprehensive income for the period		-	3,017	8,781	11,798
Transaction with owner:					
Dividends		-	-	(8,512)	(8,512)
At 30 June 2024		1,326,841	17,559	446,679	1,791,079
At 1 January 2023		1,050,564	(1,348)	393,029	1,442,245
Share capital reallocation		273,634	-	-	273,634
Unrealised gain on revaluation of financial investments at FVOCI		-	18,104	-	18,104
Reclassification of gain included in profit or loss		-	36	-	36
Changes in expected credit losses of financial investments at FVOCI		-	2,104	-	2,104
Income tax relating to components of other comprehensive income		-	(4,354)	-	(4,354)
Profit for the year		-	-	59,602	59,602
Total comprehensive income for the year		-	15,890	59,602	75,492
Transaction with owner:					
Dividends		-	-	(6,221)	(6,221)
At 31 December 2023		1,324,198	14,542	446,410	1,785,150

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to these financial statements.)

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22. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
For the second quarter ended 30 June 2024 (cont'd.)**

Bank	Note	<=====Non-distributable=====>		Distributable	Total
		Share capital RM'000	Fair value reserve RM'000	retained earnings RM'000	
At 1 January 2024		1,324,198	14,542	323,904	1,662,644
Share capital reallocation		2,643	-	-	2,643
Unrealised gain on revaluation of financial investments at FVOCI		-	2,927	-	2,927
Changes in expected credit losses of financial investments at FVOCI	8	-	90	-	90
Profit for the period		-	-	16,738	16,738
Total comprehensive income for the period		-	3,017	16,738	19,755
Transaction with owner:					
Dividends		-	-	(8,512)	(8,512)
At 30 June 2024		1,326,841	17,559	332,130	1,676,530
At 1 January 2023		1,050,564	(1,348)	244,894	1,294,110
Share capital reallocation		273,634	-	-	273,634
Unrealised gain on revaluation of financial investments at FVOCI		-	18,104	-	18,104
Reclassification of gain included in profit or loss		-	36	-	36
Changes in expected credit losses of financial investments at FVOCI		-	2,104	-	2,104
Income tax relating to components of other comprehensive income		-	(4,354)	-	(4,354)
Profit for the year		-	-	85,231	85,231
Total comprehensive income for the year		-	15,890	85,231	101,121
Transaction with owner:					
Dividends		-	-	(6,221)	(6,221)
At 31 December 2023		1,324,198	14,542	323,904	1,662,644

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to these financial statements.)

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22. Islamic banking business (cont'd.)

(a) Financial investments at FVOCI

	Group and Bank	
	30 June 2024 RM'000	31 December 2023 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	1,527,056	1,108,183
Non-money market instruments		
Equity securities		
- Private debt securities	30,856	30,761
- Other investment	2,160	-
Debt securities		
- Private debt securities	334,535	333,037
	<u>367,551</u>	<u>363,798</u>
	<u>1,894,607</u>	<u>1,471,981</u>

No loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve. The movement in allowances for impairment which reflects the ECL model on impairment are as disclosed in Note 9.

(b) Advances and financing

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Bai' Bithaman Ajil	23	23	-	-
Murabahah	766,698	856,574	750,846	840,752
Istisna'	44,171	53,133	43,187	51,767
Ijarah Thumma Al-Bai	337,408	356,736	323,997	343,335
Tawarruq	7,745,960	7,652,996	7,745,960	7,652,996
Bai' Inah	7,788	9,229	7,581	9,024
Gross advances and financing	<u>8,902,048</u>	<u>8,928,691</u>	<u>8,871,571</u>	<u>8,897,874</u>
Less: Allowance for impairment losses on				
- Stage 1 (Note 22(b)(x))	(87,872)	(105,084)	(87,872)	(105,084)
- Stage 2 (Note 22(b)(x))	(90,085)	(63,286)	(90,085)	(63,286)
- Stage 3 (Note 22(b)(x))	(529,616)	(485,433)	(499,139)	(454,616)
Net advances and financing	<u>8,194,475</u>	<u>8,274,888</u>	<u>8,194,475</u>	<u>8,274,888</u>
Gross impaired advances and financing (Note 22(b)(vii))	<u>1,202,119</u>	<u>1,133,956</u>	<u>1,171,642</u>	<u>1,103,139</u>
Net impaired advances and financing	<u>672,503</u>	<u>648,523</u>	<u>672,503</u>	<u>648,523</u>

Included in advances and financing are gross advances and financing amounting to RM132,207,000 (2023: RM124,121,000) financed by Government funds.

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22. 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 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Maturity within one year	2,636,027	2,451,028	2,605,940	2,420,969
More than one year to three years	918,441	921,641	918,282	921,187
More than three years to five years	1,411,135	1,362,377	1,411,135	1,362,303
More than five years	3,936,445	4,193,645	3,936,214	4,193,415
	8,902,048	8,928,691	8,871,571	8,897,874

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

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Domestic business enterprise	8,892,922	8,918,893	8,862,445	8,888,076
Individual	9,126	9,798	9,126	9,798
	8,902,048	8,928,691	8,871,571	8,897,874

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

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Constructions	1,556,987	1,618,909	1,556,329	1,618,251
Education, health and others	555,888	598,486	550,718	592,926
Electricity, gas and water supply	164,962	162,567	164,962	162,567
Financial, insurance/takaful, real estate and business services	1,063,462	1,081,185	1,062,886	1,080,609
Manufacturing	1,712,653	1,636,244	1,705,121	1,628,755
Mining and quarrying	137,037	114,979	137,037	114,979
Primary agriculture	8,961	10,123	8,961	10,123
Transportation, storage and communication	1,206,291	1,254,005	1,197,087	1,244,816
Wholesale, retail trade, restaurants and hotels	2,486,681	2,442,395	2,479,344	2,435,050
Others	9,126	9,798	9,126	9,798
	8,902,048	8,928,691	8,871,571	8,897,874

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**Small Medium Enterprise Development Bank Malaysia Berhad
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22. 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	1,063,262	35,748	91,952	66,611	96,331	203,083	1,556,987
Education, health and others	409,581	25,769	12,083	63,435	34,498	10,522	555,888
Electricity, gas and water supply	156,437	1,303	583	1,999	2,663	1,977	164,962
Financial, insurance/takaful, real estate and business services	718,084	117,813	67,733	34,891	50,873	74,068	1,063,462
Manufacturing	915,441	250,560	257,222	87,291	49,106	153,033	1,712,653
Mining and quarrying	69,113	-	11,504	33,767	16,567	6,086	137,037
Primary agriculture	1,210	-	169	687	3,770	3,125	8,961
Transportation, storage and communication	878,477	88,628	43,306	98,693	67,090	30,097	1,206,291
Wholesale, retail trade, restaurants and hotels	1,202,601	323,502	119,773	313,887	300,312	226,606	2,486,681
Others	9,126	-	-	-	-	-	9,126
At 30 June 2024	5,423,332	843,323	604,325	701,261	621,210	708,597	8,902,048

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**Small Medium Enterprise Development Bank Malaysia Berhad
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22. 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	1,139,874	36,311	65,985	59,038	102,992	214,709	1,618,909
Education, health and others	446,308	23,298	14,605	68,100	35,132	11,043	598,486
Electricity, gas and water supply	150,695	3,618	1,675	1,601	2,898	2,080	162,567
Financial, insurance/takaful, real estate and business services	721,509	115,065	68,804	36,076	63,965	75,766	1,081,185
Manufacturing	859,902	261,026	232,140	99,949	50,589	132,638	1,636,244
Mining and quarrying	53,238	-	15,058	35,166	7,033	4,484	114,979
Primary agriculture	4,775	-	185	219	3,625	1,319	10,123
Transportation, storage and communication	892,417	85,396	42,895	94,856	72,854	65,587	1,254,005
Wholesale, retail trade, restaurants and hotels	1,146,962	327,548	119,390	324,378	302,776	221,341	2,442,395
Others	9,798	-	-	-	-	-	9,798
At 31 December 2023	5,425,478	852,262	560,737	719,383	641,864	728,967	8,928,691

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22. 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	1,062,604	35,748	91,952	66,611	96,331	203,083	1,556,329
Education, health and others	404,411	25,769	12,083	63,435	34,498	10,522	550,718
Electricity, gas and water supply	156,437	1,303	583	1,999	2,663	1,977	164,962
Financial, insurance/takaful, real estate and business services	717,508	117,813	67,733	34,891	50,873	74,068	1,062,886
Manufacturing	907,909	250,560	257,222	87,291	49,106	153,033	1,705,121
Mining and quarrying	69,113	-	11,504	33,767	16,567	6,086	137,037
Primary agriculture	1,210	-	169	687	3,770	3,125	8,961
Transportation, storage and communication	869,273	88,628	43,306	98,693	67,090	30,097	1,197,087
Wholesale, retail trade, restaurants and hotels	1,195,264	323,502	119,773	313,887	300,312	226,606	2,479,344
Others	9,126	-	-	-	-	-	9,126
At 30 June 2024	5,392,855	843,323	604,325	701,261	621,210	708,597	8,871,571

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22. 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	1,139,216	36,311	65,985	59,038	102,992	214,709	1,618,251
Education, health and others	440,748	23,298	14,605	68,100	35,132	11,043	592,926
Electricity, gas and water supply	150,695	3,618	1,675	1,601	2,898	2,080	162,567
Financial, insurance/takaful, real estate and business services	720,933	115,065	68,804	36,076	63,965	75,766	1,080,609
Manufacturing	852,413	261,026	232,140	99,949	50,589	132,638	1,628,755
Mining and quarrying	53,238	-	15,058	35,166	7,033	4,484	114,979
Primary agriculture	4,775	-	185	219	3,625	1,319	10,123
Transportation, storage and communication	883,228	85,396	42,895	94,856	72,854	65,587	1,244,816
Wholesale, retail trade, restaurants and hotels	1,139,617	327,548	119,390	324,378	302,776	221,341	2,435,050
Others	9,798	-	-	-	-	-	9,798
At 31 December 2023	5,394,661	852,262	560,737	719,383	641,864	728,967	8,897,874

**Small Medium Enterprise Development Bank Malaysia Berhad
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22. 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	Other term financing RM'000	Revolving financing RM'000	Staff financing RM'000	Total RM'000
Bai' Bithaman Ajil	-	23	-	-	23
Murabahah	147	706,373	51,052	9,126	766,698
Istisna'	-	42,959	1,212	-	44,171
Ijarah Thumma Al-Bai	254,330	14,689	68,389	-	337,408
Tawarruq	206	4,551,754	3,194,000	-	7,745,960
Bai' Inah	-	7,718	70	-	7,788
At 30 June 2024	<u>254,683</u>	<u>5,323,516</u>	<u>3,314,723</u>	<u>9,126</u>	<u>8,902,048</u>
Bai' Bithaman Ajil	-	23	-	-	23
Murabahah	162	837,999	8,615	9,798	856,574
Istisna'	-	52,924	209	-	53,133
Ijarah Thumma Al-Bai	329,260	17,656	9,820	-	356,736
Tawarruq	229	5,273,912	2,378,855	-	7,652,996
Bai' Inah	-	9,229	-	-	9,229
At 31 December 2023	<u>329,651</u>	<u>6,191,743</u>	<u>2,397,499</u>	<u>9,798</u>	<u>8,928,691</u>

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

22. 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	147	690,849	50,724	9,126	750,846
Istisna'	-	41,975	1,212	-	43,187
Ijarah Thumma Al-Bai	244,375	11,233	68,389	-	323,997
Tawarruq	206	4,551,754	3,194,000	-	7,745,960
Bai' Inah	-	7,511	70	-	7,581
At 30 June 2024	244,728	5,303,322	3,314,395	9,126	8,871,571
Murabahah	162	822,495	8,297	9,798	840,752
Istisna'	-	51,558	209	-	51,767
Ijarah Thumma Al-Bai	319,324	14,191	9,820	-	343,335
Tawarruq	229	5,273,912	2,378,855	-	7,652,996
Bai' Inah	-	9,024	-	-	9,024
At 31 December 2023	319,715	6,171,180	2,397,181	9,798	8,897,874

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22. 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 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Fixed rate				
- Staff financing	9,126	9,798	9,126	9,798
- Hire purchase	96,304	120,928	86,905	111,548
- Other term financing	1,589,160	2,050,119	1,570,911	2,031,480
- Revolving financing	2,277,071	1,947,381	2,276,808	1,947,118
Variable rate				
- Hire purchase	158,379	208,723	157,823	208,167
- Other term financing	3,734,356	4,141,624	3,732,411	4,139,700
- Revolving financing	1,037,652	450,118	1,037,587	450,063
	<u>8,902,048</u>	<u>8,928,691</u>	<u>8,871,571</u>	<u>8,897,874</u>

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

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Constructions	149,549	135,675	148,891	135,017
Education, health and others	64,005	54,295	58,835	48,735
Electricity, gas and water supply	40,731	55,383	40,731	55,383
Financial, insurance/takaful, real estate and business services	185,970	174,414	185,394	173,838
Manufacturing	241,124	229,419	233,592	221,930
Mining and quarrying	14,001	7,818	14,001	7,818
Primary agriculture	581	498	581	498
Transportation, storage and communication	91,057	88,527	81,853	79,338
Wholesale, retail trade, restaurants and hotels	415,101	387,927	407,764	380,582
	<u>1,202,119</u>	<u>1,133,956</u>	<u>1,171,642</u>	<u>1,103,139</u>

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22. 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	114,275	174	3,518	7,500	12,524	11,558	149,549
Education, health and others	41,208	284	3,492	7,369	6,393	5,259	64,005
Electricity, gas and water supply	40,731	-	-	-	-	-	40,731
Financial, insurance/takaful, real estate and business services	156,810	8,518	2,559	4,522	10,752	2,809	185,970
Manufacturing	131,554	6,500	58,860	16,417	24,633	3,160	241,124
Mining and quarrying	9,772	-	480	3,056	387	306	14,001
Primary agriculture	491	-	90	-	-	-	581
Transportation, storage and communication	58,123	2,669	14,104	5,232	8,623	2,306	91,057
Wholesale, retail trade, restaurants and hotels	250,413	63,479	13,135	34,224	47,688	6,162	415,101
At 30 June 2024	803,377	81,624	96,238	78,320	111,000	31,560	1,202,119

**Small Medium Enterprise Development Bank Malaysia Berhad
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22. 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	107,876	162	3,099	5,755	9,508	9,275	135,675
Education, health and others	42,410	320	1,847	7,311	1,783	624	54,295
Electricity, gas and water supply	55,383	-	-	-	-	-	55,383
Financial, insurance/takaful, real estate and business services	155,197	7,524	2,477	4,314	3,111	1,791	174,414
Manufacturing	120,676	7,170	52,573	19,440	22,933	6,627	229,419
Mining and quarrying	4,903	-	454	2,157	-	304	7,818
Primary agriculture	498	-	-	-	-	-	498
Transportation, storage and communication	52,430	6,894	13,481	5,147	8,303	2,272	88,527
Wholesale, retail trade, restaurants and hotels	232,122	62,047	11,255	31,809	45,673	5,021	387,927
At 31 December 2023	771,495	84,117	85,186	75,933	91,311	25,914	1,133,956

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22. 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	113,617	174	3,518	7,500	12,524	11,558	148,891
Education, health and others	36,038	284	3,492	7,369	6,393	5,259	58,835
Electricity, gas and water supply	40,731	-	-	-	-	-	40,731
Financial, insurance/takaful, real estate and business services	156,234	8,518	2,559	4,522	10,752	2,809	185,394
Manufacturing	124,022	6,500	58,860	16,417	24,633	3,160	233,592
Mining and quarrying	9,772	-	480	3,056	387	306	14,001
Primary agriculture	491	-	90	-	-	-	581
Transportation, storage and communication	48,919	2,669	14,104	5,232	8,623	2,306	81,853
Wholesale, retail trade, restaurants and hotels	243,076	63,479	13,135	34,224	47,688	6,162	407,764
At 30 June 2024	772,900	81,624	96,238	78,320	111,000	31,560	1,171,642

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22. 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	107,218	162	3,099	5,755	9,508	9,275	135,017
Education, health and others	36,850	320	1,847	7,311	1,783	624	48,735
Electricity, gas and water supply	55,383	-	-	-	-	-	55,383
Financial, insurance/takaful, real estate and business services	154,621	7,524	2,477	4,314	3,111	1,791	173,838
Manufacturing	113,187	7,170	52,573	19,440	22,933	6,627	221,930
Mining and quarrying	4,903	-	454	2,157	-	304	7,818
Primary agriculture	498	-	-	-	-	-	498
Transportation, storage and communication	43,241	6,894	13,481	5,147	8,303	2,272	79,338
Wholesale, retail trade, restaurants and hotels	224,777	62,047	11,255	31,809	45,673	5,021	380,582
At 31 December 2023	740,678	84,117	85,186	75,933	91,311	25,914	1,103,139

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22. 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 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
At 1 January	1,133,956	1,188,890	1,103,139	1,081,667
-Transfers to Stage 1	(4,452)	(54,736)	(4,452)	(54,736)
-Transfers to Stage 2	(5,723)	(13,500)	(5,723)	(13,500)
-Transfers to Stage 3	164,351	250,199	164,351	250,199
	<u>1,288,132</u>	<u>1,370,853</u>	<u>1,257,315</u>	<u>1,263,630</u>
Changes due to change in credit risk	(32,913)	(29,401)	(32,573)	(26,413)
New financial assets originated	2	51,555	2	51,555
Financial assets derecognised	(20,017)	(56,434)	(20,017)	(56,434)
Amount written-off	(33,085)	(202,617)	(33,085)	(129,199)
At 30 June/31 December	<u>1,202,119</u>	<u>1,133,956</u>	<u>1,171,642</u>	<u>1,103,139</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 2024	105,084	63,286	485,433	653,803
-Transfers to Stage 1	3,640	(2,382)	(1,258)	-
-Transfers to Stage 2	(4,531)	6,252	(1,721)	-
-Transfers to Stage 3	(879)	(13,784)	14,663	-
	<u>(1,770)</u>	<u>(9,914)</u>	<u>11,684</u>	<u>-</u>
Changes due to change in credit risk (Note 22(h))	(20,120)	36,465	68,043	84,388
Net financial assets originated (Note 22(h))	20,622	510	-	21,132
Financial assets derecognised (Note 22(h))	(15,944)	(262)	(2,768)	(18,974)
Amount written-off	-	-	(32,776)	(32,776)
At 30 June 2024	<u>87,872</u>	<u>90,085</u>	<u>529,616</u>	<u>707,573</u>
At 1 January 2023	91,586	45,174	538,330	675,090
-Transfers to Stage 1	30,096	(6,313)	(23,783)	-
-Transfers to Stage 2	(3,631)	7,387	(3,756)	-
-Transfers to Stage 3	(1,294)	(12,638)	13,932	-
	<u>25,171</u>	<u>(11,564)</u>	<u>(13,607)</u>	<u>-</u>
Changes due to change in credit risk (Note 22(h))	(28,689)	28,078	167,385	166,774
Net financial assets originated (Note 22(h))	27,852	1,866	7,102	36,820
Financial assets derecognised (Note 22(h))	(10,836)	(268)	(15,183)	(26,287)
Amount written-off	-	-	(198,594)	(198,594)
At 31 December 2023	<u>105,084</u>	<u>63,286</u>	<u>485,433</u>	<u>653,803</u>

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22. 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	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2024	105,084	63,286	454,616	622,986
-Transfers to Stage 1	3,640	(2,382)	(1,258)	-
-Transfers to Stage 2	(4,531)	6,252	(1,721)	-
-Transfers to Stage 3	(879)	(13,784)	14,663	-
	(1,770)	(9,914)	11,684	-
Changes due to change in credit risk (Note 22(h))	(20,120)	36,465	68,383	84,728
Net financial assets originated (Note 22(h))	20,622	510	-	21,132
Financial assets derecognised (Note 22(h))	(15,944)	(262)	(2,768)	(18,974)
Amount written-off	-	-	(32,776)	(32,776)
At 30 June 2024	87,872	90,085	499,139	677,096
At 1 January 2023	91,586	45,174	431,107	567,867
-Transfers to Stage 1	30,096	(6,313)	(23,783)	-
-Transfers to Stage 2	(3,631)	7,387	(3,756)	-
-Transfers to Stage 3	(1,294)	(12,638)	13,932	-
	25,171	(11,564)	(13,607)	-
Changes due to change in credit risk (Note 22(h))	(28,689)	28,078	170,373	169,762
Net financial assets originated (Note 22(h))	27,852	1,866	7,102	36,820
Financial assets derecognised (Note 22(h))	(10,836)	(268)	(15,183)	(26,287)
Amount written-off	-	-	(125,176)	(125,176)
At 31 December 2023	105,084	63,286	454,616	622,986

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

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Net impaired advances and financing as a percentage	8.04%	7.69%	8.04%	7.69%

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22. Islamic banking business (cont'd.)

(c) Term financing/Fundings

	Group and Bank	
	30 June	31 December
	2024	2023
	RM'000	RM'000
Unsecured term financing/fundings	1,654,681	1,574,346

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

	Group and Bank	
	30 June	31 December
	2024	2023
	RM'000	RM'000
Within one year	10,250	5,869
More than one year to five years	1,060,510	580,438
More than five years	583,921	988,039
	<u>1,654,681</u>	<u>1,574,346</u>

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

	Group and Bank	
	30 June	31 December
	2024	2023
	RM'000	RM'000
Financing from:		
- Government of Malaysia	442,064	437,699
- BNM	1,212,617	1,136,647
	<u>1,654,681</u>	<u>1,574,346</u>

The weighted average profit rates on the term financing/fundings from Government of Malaysia is at 2.00% (2022: 2.0%) and BNM range from 0% to 0.50% (2023: 0% to 1.50%) per annum.

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22. Islamic banking business (cont'd.)

(d) Income from Islamic banking business

Group and Bank	Second Quarter Ended		Six Months Ended	
	30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Income from advances and financing				
- Murabahah	12,368	13,929	25,779	28,832
- Istisna'	831	1,025	1,611	2,275
- Ijarah Thumma Al-Bai	6,346	6,019	12,620	11,881
- Tawarruq	119,359	109,319	236,521	216,944
- Bai' Inah	175	215	347	439
Total income from advances and financing	139,079	130,507	276,878	260,371
Tawarruq deposit placements	7,729	9,563	17,125	17,991
Financial investments at FVTPL	3,672	2,435	5,706	3,558
Financial investments at FVOCI	16,307	10,934	30,688	22,867
Financial investments at AC	8,657	9,022	18,117	17,867
Total income from Islamic banking business	175,444	162,461	348,514	322,654

Included in income from advances and financing is unwinding of modification loss amounting to RM5,376,000 (30 June 2023: RM3,429,000).

(e) Profit expense attributable to Islamic banking business

Group	Second Quarter Ended		Six Months Ended	
	30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Deposits from customers	40,801	34,095	77,399	69,508
Deposits from banks and other financial institutions	345	441	836	1,224
Islamic medium-term notes/ commercial papers	24,981	27,104	54,395	49,916
Term financing/fundings	9,432	9,075	18,851	18,126
Others	269	274	492	642
	75,828	70,989	151,973	139,416

Bank	Second Quarter Ended		Six Months Ended	
	30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Deposits from customers	40,887	34,227	77,602	69,777
Deposits from banks and other financial institutions	345	441	836	1,224
Islamic medium-term notes/ commercial papers	24,981	27,104	54,395	49,916
Term financing/fundings	9,432	9,075	18,851	18,126
Others	269	274	492	642
	75,914	71,121	152,176	139,685

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22. Islamic banking business (cont'd.)

(f) Other operating income

Group	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Fee income	3,067	4,560	6,612	7,081
Commission fee income	384	264	898	648
Rental income	2,801	2,964	5,843	5,875
Government fund released	7,126	7,534	14,298	15,341
Government compensation	2,794	3,396	5,445	6,343
Gain on disposal of associate	-	-	-	3,465
Recoveries from financing written off	6,251	12,217	11,641	16,383
Ta'widh/Compensation on late payment charges	2,339	1,276	4,615	2,968
Others	919	190	1,405	2,300
	<u>25,681</u>	<u>32,401</u>	<u>50,757</u>	<u>60,404</u>

Bank	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Fee income	1,741	2,647	3,754	4,494
Commission fee income	384	264	898	648
Rental income	2,801	2,964	5,843	5,875
Government fund released	7,126	7,534	14,298	15,341
Government compensation	2,794	3,396	5,445	6,343
Management fees	146	98	287	196
Gain on disposal of associate	-	-	-	5,800
Profit income on amount owing by subsidiary company	1,785	598	3,570	1,197
Recoveries from financing written off	5,660	11,888	10,833	15,576
Ta'widh/Compensation on late payment charges	2,339	1,276	4,615	2,968
Others	899	(50)	1,364	1,990
	<u>25,675</u>	<u>30,615</u>	<u>50,907</u>	<u>60,428</u>

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22. Islamic banking business (cont'd.)

(g) Other operating expenses

Group	Second Quarter Ended		Six Months Ended	
	30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Personnel expenses	39,962	44,172	87,486	87,863
Establishment related expenses	13,559	14,883	27,084	28,218
Promotion and marketing expenses	3,095	2,488	6,194	4,900
Administration and general expenses	9,113	12,288	18,827	23,751
	65,729	73,831	139,591	144,732

Bank	Second Quarter Ended		Six Months Ended	
	30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Personnel expenses	38,015	43,378	83,991	86,032
Establishment related expenses	13,545	14,871	27,056	28,189
Promotion and marketing expenses	3,095	2,488	6,194	4,900
Administration and general expenses	10,438	13,032	21,634	24,533
	65,093	73,769	138,875	143,654

(h) Allowances for impairment on advances and financing

Group	Second Quarter Ended		Six Months Ended	
	30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
(Writeback)/Allowance for impairment losses on advances and financing made during the period:				
- Stage 1 (Note 22(b)(x))	(17,729)	(2,014)	(15,442)	(6,815)
- Stage 2 (Note 22(b)(x))	17,781	5,837	36,713	12,868
- Stage 3 (Note 22(b)(x))	48,875	36,195	65,275	62,144
	48,927	40,018	86,546	68,197
Impaired advances and financing written off	134	506	326	506
Total allowance for impairment on advances and financing	49,061	40,524	86,872	68,703

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22. Islamic banking business (cont'd.)

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

Bank	Second Quarter Ended		Six Months Ended	
	30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
(Writeback)/Allowance for impairment losses on advances and financing made during the period:				
- Stage 1 (Note 22(b)(x))	(17,729)	(2,014)	(15,442)	(6,815)
- Stage 2 (Note 22(b)(x))	17,781	5,837	36,713	12,868
- Stage 3 (Note 22(b)(x))	48,930	36,958	65,615	63,965
	48,982	40,781	86,886	70,018
Impaired advances and financing written off	134	506	326	506
Total allowance for impairment on advances and financing	49,116	41,287	87,212	70,524

(i) Commitments

	Group and Bank	
	30 June 2024 RM'000	31 December 2023 RM'000
Direct credit substitutes	148,722	149,032
Transaction-related-contingent items	249,361	251,229
Undisbursed financing		
- original maturity up to one year	428,511	340,257
- original maturity more than one year	855,998	1,215,945
	1,682,592	1,956,463

(j) Capital adequacy

Capital management

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

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Tier I Capital				
Capital funds	1,326,841	1,324,198	1,326,841	1,324,198
Retained earnings	437,898	446,410	315,392	323,904
General provision for advances and financing ¹	-	44,860	-	44,860
Less: Deferred tax assets	(102,786)	(113,536)	(102,786)	(113,536)
Less: Property revaluation reserves	(248,934)	(248,933)	(248,934)	(248,933)
Total Tier I capital	1,413,019	1,452,999	1,290,513	1,330,493

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22. Islamic banking business (cont'd.)

(j) Capital adequacy (cont'd.)

Capital management (cont'd.)

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

	Group		Bank	
	30 June 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
Tier II Capital				
General provision for advances and financing ¹	183,308	129,426	183,308	129,426
Property revaluation reserve ²	124,467	124,467	124,467	124,467
Government funds	426,452	427,977	426,452	427,977
Total Tier II capital	734,227	681,870	734,227	681,870
Total capital	2,147,246	2,134,869	2,024,740	2,012,363
Less: Investment in subsidiaries	-	-	-	-
Total capital base	2,147,246	2,134,869	2,024,740	2,012,363

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 2024 RM'000	31 December 2023 RM'000	30 June 2024 RM'000	31 December 2023 RM'000
20%	294,553	319,847	294,553	319,847
50%	4,140	4,501	4,140	4,501
100%	10,279,068	10,537,691	10,346,871	10,627,922
	10,577,761	10,862,039	10,645,564	10,952,270

Before deducting dividends:

Core capital ratio	13.358%	13.377%	12.123%	12.148%
Risk-weighted capital ratio	20.300%	19.654%	19.020%	18.374%

After deducting dividends:

Core capital ratio	13.358%	13.298%	12.123%	12.070%
Risk-weighted capital ratio	20.300%	19.576%	19.020%	18.296%

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23. Analysis of financial performance

Current Year Period vs. Previous Year Period

Key Profit or Loss item:	GROUP			
	Six months ended		Variances	
	30 June 2024 RM'000	30 June 2023 RM'000	RM'000	%
Profit before tax expense and zakat ("PBT")	31,792	32,780	(988)	(3.0%)
Profit after tax expense and zakat	19,489	24,724	(5,235)	(21.2%)
Ratio of PBT to average shareholders' funds	1.90%	1.99%	-	(0.09%)
Ratio of PBT to average total assets	0.24%	0.26%	-	(0.02%)

Key Balance Sheet	GROUP			
	As at		Variances	
	30 June 2024 RM'000	31 December 2023 RM'000	RM'000	%
Total assets	13,248,175	13,017,917	230,258	1.77%
Gross loans, advances and financing	9,111,028	9,143,936	(32,908)	(0.36%)
Gross impaired loans, advances and financing (%)	15.48%	14.75%	-	(0.73%)
Deposits from customers	5,032,552	3,943,673	1,088,879	27.61%

SME Bank Group ("Group") reported PBT of RM31.79 million for the financial period ended 30 June 2024. The result is lower by RM0.99 million from the same period last year of RM32.78 million largely due to higher allowance for impairment losses in loans, advances and financing amounting to RM80.83 million compared to RM66.15 million in the preceding financial period, notwithstanding higher gross income from Islamic banking business of RM247.30 million compared to RM243.64 million in prior period.

Ratio of PBT to average shareholders' funds and ratio of PBT to average total assets came in at 1.90% and 0.24% respectively, which is lower during the current period under review compared to 1.99% and 0.26% recorded in the previous corresponding quarter.

The Group's total assets increased to RM13.25 billion as at 30 June 2024 compared to RM13.02 billion as at 31 December 2023. This was primarily contributed by the higher financial investments at RM3.00 billion in comparison to RM2.46 billion in the previous financial year end. Notwithstanding lower gross financing portfolio of RM9.11 billion compared to RM9.14 billion in the prior financial year end.

The Group's gross impaired ratio is slightly higher to 15.48% in the current financial period in comparison to 14.75% in the preceding financial year end. The Group's Risk-Weighted Capital Ratio stood at 19.09% while its Core Capital Ratio stood at 12.15% compared to 18.42% and 12.14% respectively as at 31 December 2023.