

**SMALL MEDIUM ENTERPRISE DEVELOPMENT  
BANK MALAYSIA BERHAD**

Registration No.197901005290  
(Incorporated in Malaysia)

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
31 DECEMBER 2022**

(In Ringgit Malaysia)

197901005290

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

<b>Contents</b>	<b>Page</b>
Directors' Report	1 - 5
Statement by Directors	6
Statutory Declaration	7
Shariah Committee's Report	8 - 9
Independent Auditors' Report	10 - 13
Financial Statements	
Statements of Financial Position	14
Statements of Comprehensive Income	15 - 16
Statements of Changes in Equity	17 - 20
Statements of Cash Flows	21 - 23
Notes to the Financial Statements	24 - 176

197901005290

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

**Directors' report**

The directors of Small Medium Enterprise Development Bank Malaysia Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2022.

**Principal activities**

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

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the Bank in each subsidiary and associate is as disclosed in Note 10 and Note 11 to the financial statements respectively.

**Financial results**

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

	<b>Group RM'000</b>	<b>Bank RM'000</b>
Profit before tax expense and zakat	68,040	64,489
Tax expense	(935)	(718)
Zakat	(1,562)	(1,562)
Profit for the year	<u>65,543</u>	<u>62,209</u>
Profit for the year attributable to the owner of the Bank	<u>65,543</u>	<u>62,209</u>

In the opinion of the directors, the results of operations of the Group and of the Bank during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the continuation of relief programme as disclosed in Note 2.13 to the financial statements.

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

**Dividends**

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

In respect of the financial year ended 31 December 2021, a final single-tier dividend of 0.27 sen per share on 1,850,000,000 ordinary shares, amounting to RM5,005,500 was proposed, approved and declared at the Annual General Meeting held on 29 June 2022. The dividend was paid on 4 July 2022.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2022 of 0.34 sen per share on 1,850,000,000 ordinary shares, amounting to RM6,221,000 will be proposed for the shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

**Reserves and provisions**

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

**Issue of shares and debentures**

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

**Directors**

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

Dato' Muslim bin Hussain  
Datuk Ahmad Hizzad bin Baharuddin  
Zulkiflee bin Hashim  
Suharti binti Mohd Ali  
Dato' Sharkawi bin Alis  
Dato' Mohammad Radhi bin Abdul Razak (end of tenure on 8 October 2022)  
Dato' Seri Nazir Ariff bin Mushir Ariff (end of tenure on 17 October 2022)  
Mohd Sakeri bin Abdul Kadir (resigned on 4 December 2022)  
Wan Abdul Rahman bin Wan Abu Bakar (end of tenure on 10 January 2023)  
Afidah Azwa binti Abdul Aziz (appointed on 1 February 2023)  
Datuk Haji Zamri @ Fazillah bin Salleh (appointed on 1 February 2023)

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

Datuk Wira (Dr.) Aria Putera bin Ismail  
Datuk Dr. Mohammad Hardee bin S.N Ibrahim  
Samad Majid Zain Abdul Majid  
Zarina Nor binti Ismail  
Mohd Fikri bin Abd Ghapar  
Mohammad Azam bin Ahmad  
Hairil Izwar bin Abd. Rahman  
Zabidi bin Abdullah (appointed on 1 February 2023)  
Sainursalwa Sani (resigned on 29 March 2022)  
Nurbayu Kasim Chang (resigned on 4 January 2023)

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

**Directors' benefits**

Since the end of the previous financial year, none of the directors of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of remuneration received or due and receivable by the director or the fixed salary of a full time employee of the Bank as disclosed in Note 30 to the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

	<b>Bank RM'000</b>
<b>Non-Executive Directors:</b>	
- Directors' fee	485
- Directors salaries and other benefits	1,127
	1,612

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

**Directors' interests**

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

**Other statutory information**

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

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

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

**Other statutory information (cont'd.)**

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

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

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

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

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

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

**Indemnity and takaful for directors, officers and auditors**

The Group and of the Bank maintains directors' liability takaful for purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate takaful cover for the directors of the Group and of the Bank. The amount of takaful coverage paid during the year amounted to RM138,600.

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

**Holding corporation**

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

197901005290

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

**Auditors**

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

**Auditors' remuneration**

The amount paid as remuneration of the auditors for the financial year ended 31 December 2022 is as disclosed in Note 29 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 February 2023.



Zulkiflee bin Hashim

Kuala Lumpur, Malaysia



Dato' Muslim bin Hussain

197901005290

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

**Statement by Directors  
Pursuant to Section 251(2) of the Companies Act, 2016**

The directors of Small Medium Enterprise Development Bank Malaysia Berhad state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, as modified by Bank Negara Malaysia as disclosed in Note 2 to the financial statements and the requirement of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2022 and of the financial performance and the cash flows of the Group and of the Bank for the year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 February 2023.



Zulkiflee bin Hashim

Kuala Lumpur, Malaysia



Dato' Muslim bin Hussain



197901005290

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

**Statutory Declaration**

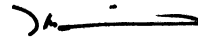
**Pursuant to Section 251(1)(b) of the Companies Act, 2016**

We, Zulkiflee bin Hashim and Datuk Wira (Dr.) Aria Putera bin Ismail, being the Director and Group President/Chief Executive Officer respectively, being the officers primarily responsible for the financial management of Small Medium Enterprise Development Bank Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements are, in our opinion, correct and we make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed at Kuala Lumpur in  
the Federal Territory on 27 February 2023.

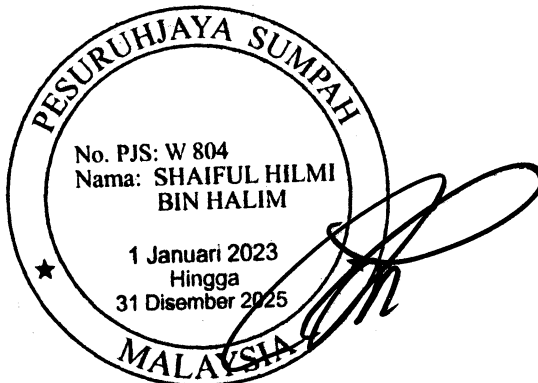


Zulkiflee bin Hashim



Datuk Wira (Dr.) Aria Putera bin Ismail

Before me,



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

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

**Shariah Committee's Report**

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

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

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

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

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

In carrying out the roles and responsibilities of the Bank's Shariah Committee ("SC") as prescribed in the Shariah Governance Policy Document of Bank Negara Malaysia ("BNM"), we hereby submit the following report for the financial year ended 31 December 2022.

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the financial year ended 31 December 2022. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council ("SAC") of BNM, as well as Shariah decisions made by us.

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

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

We had convened a total of twelve (12) meetings during the financial year, in which we reviewed inter alia products, transactions, services, processes and documents of the Bank. All SC members have complied with the minimum requirement of 75% attendance of the Shariah Committee meetings held in the financial year, as laid down in the Shariah Governance Policy Document of BNM.

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

- a) Internal programmes
  - Sharing Session on SME Bank's Sustainability Journey on 26 May 2022
  - Anti-Money Laundering /Countering Financing of Terrorism (AML/CFT) Awareness on 26 August 2022
  - Business Outlook and Performance of SME Bank on 26 August 2022
  - Sharing Session on SME Bank's Internal Audit on 26 October 2022
  - Shariah Strategic Roundtable Session on 23 November 2022
  - Cyber Security Awareness on 29 November 2022
- b) External programmes
  - Certified Shariah Advisor (CSA) & Certified Shariah Practitioner (CSP)
  - Muzakarah Cendekiawan Syariah Nusantara ke- 16 on 27 - 28 July 2022
  - 17th Kuala Lumpur Finance Forum on 16 – 17 August 2022
  - Muzakarah Penasihat Syariah Dalam Kewangan Islam kali ke-15 on 18 August 2022
  - 4th International Shariah Scholars Roundtable (iSHAR) 2022 on 19 – 20 September 2022

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

**Shariah Committee's Report (cont'd.)**

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

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

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

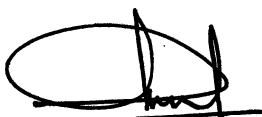
Apart from that, we had also assessed the Shariah Review and Shariah Audit reports based on their respective annual plans which have been approved by us. The outcomes of the reports were deliberated in our meetings to confirm that the Bank has complied with the applicable internal SC's decisions as well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

In our opinion:

- 1) Nothing has come to the SC's attention that causes the SC to believe that the operations, business, affairs and activities of the Bank during the financial year ended 31 December 2022 involve any material Shariah non-compliances; and
- 2) The calculation and distribution of zakat is in compliance with the Shariah principles.

We, Prof. Dr. Amir bin Shahrudin and Dr. Shamsiah binti Mohamad, being two of the members of the SC of the Bank, do hereby confirm on behalf of the members of the SC that, in our level best, the Islamic Banking's operations, business, affairs and activities of the Bank for the financial year ended 31 December 2022 has been conducted in conformity with the Shariah principles.

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



Prof. Dr. Amir bin Shahrudin  
Chairman of the Committee



Dr. Shamsiah binti Mohamad  
Member of the Committee

Kuala Lumpur, Malaysia  
27 February 2023



Deloitte PLT (LLP0010145-LCA)  
Chartered Accountants (AF0080)  
Level 16, Menara LGB  
1 Jalan Wan Kadir  
Taman Tun Dr. Ismail  
60000 Kuala Lumpur

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**Independent auditors' report to the member of  
Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

*Report on the Audit of the Financial Statements*

**Opinion**

We have audited the financial statements of SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BERHAD, which comprise the statements of financial position of the Group and of the Bank as at 31 December 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 176.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, as modified by Bank Negara Malaysia as disclosed in Note 2 to the financial statements and the requirement of the Companies Act, 2016 in Malaysia.

**Basis for Opinion**

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

*Independence and Other Ethical Responsibilities*

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

(Forward)

### **Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

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

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

### **Responsibilities of the Directors for the Financial Statements**

The directors are responsible for the preparation of financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, as modified by Bank Negara Malaysia as disclosed in Note 2 to the financial statements and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

197901005290

**Other Matter**

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



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



MAK WAI KIT  
Partner - 03546/12/2024 J  
Chartered Accountant

27 February 2023

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

**Statements of financial position  
As at 31 December 2022**

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>ASSETS</b>					
Cash and short-term funds	4	1,628,091	1,254,962	1,626,827	1,246,606
Financial investments at fair value through other comprehensive income ("FVOCI")	5	1,436,121	1,396,737	1,436,121	1,396,737
Financial investments at fair value through profit or loss ("FVTPL")	6	-	100,927	-	100,927
Financial investments at amortised cost ("AC")	7	934,753	518,757	934,753	518,757
Loans, advances and financing	8	7,838,869	7,423,451	7,838,869	7,423,451
Other assets	9	25,210	20,608	121,889	106,480
Investment in subsidiaries	10	-	-	-	-
Investment in associate	11	2,335	2,654	-	-
Property, plant and equipment	12	146,131	134,044	146,098	134,011
Right-of-use assets	13	14,821	13,830	14,821	13,830
Investment properties	14	377,231	374,081	377,231	374,081
Intangible assets	15	17,698	14,762	17,698	14,762
Tax recoverable		5,203	5,572	2,997	2,997
Deferred tax assets	16	108,089	106,947	108,089	106,947
<b>TOTAL ASSETS</b>		<b>12,534,552</b>	<b>11,367,332</b>	<b>12,625,393</b>	<b>11,439,586</b>
<b>LIABILITIES</b>					
Deposits from customers	17	4,503,909	3,742,803	4,553,795	3,776,444
Deposits from banks and other financial institutions	18	150,208	50,085	150,208	50,085
Islamic medium-term notes/ commercial papers	19	2,622,297	2,521,926	2,622,297	2,521,926
Borrowings/Fundings	20	1,949,473	1,741,109	1,949,473	1,741,109
Lease liabilities	21	15,137	14,195	15,137	14,195
Other liabilities	22	1,028,511	1,151,093	1,061,649	1,178,555
Government funds	23	602,785	540,701	602,785	540,701
<b>TOTAL LIABILITIES</b>		<b>10,872,320</b>	<b>9,761,912</b>	<b>10,955,344</b>	<b>9,823,015</b>
<b>EQUITY</b>					
Share capital	24	1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses		(201,809)	(262,346)	(193,992)	(251,195)
Other reserves	25	14,041	17,766	14,041	17,766
<b>TOTAL EQUITY</b>		<b>1,662,232</b>	<b>1,605,420</b>	<b>1,670,049</b>	<b>1,616,571</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12,534,552</b>	<b>11,367,332</b>	<b>12,625,393</b>	<b>11,439,586</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	34	<b>2,255,710</b>	<b>2,180,552</b>	<b>2,255,710</b>	<b>2,180,552</b>

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



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

**Statements of comprehensive income**  
**For the financial year ended 31 December 2022**

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income	26	679	1,994	679	1,994
Interest expense	27	(6,149)	(15,245)	(6,149)	(15,245)
<b>Net interest expense</b>		<b>(5,470)</b>	<b>(13,251)</b>	<b>(5,470)</b>	<b>(13,251)</b>
Gross income from Islamic banking business	40	445,465	419,533	441,238	410,678
Other operating income	28	11,250	11,167	1,384	1,324
<b>Net income</b>		<b>451,245</b>	<b>417,449</b>	<b>437,152</b>	<b>398,751</b>
Other operating expenses	29	(242,103)	(239,541)	(243,311)	(231,378)
<b>Operating profit</b>		<b>209,142</b>	<b>177,908</b>	<b>193,841</b>	<b>167,373</b>
(Allowances)/Writeback for impairment losses on :					
- loans, advances and financing	31	(140,653)	(119,661)	(164,377)	(140,002)
- commitments and contingencies	22(v)	989	(779)	989	(779)
- financial investments at FVOCI	5	108	593	108	593
- financial investments at AC	7	277	(278)	277	(278)
- other assets at AC	9(i)(b)	(1,504)	605	(1,504)	605
- other assets at FVOCI	9(ii)	-	-	35,155	27,793
		<b>68,359</b>	<b>58,388</b>	<b>64,489</b>	<b>55,305</b>
Share of loss after tax of an associate	11(ii)	(319)	(296)	-	-
<b>Profit before tax expense and zakat</b>		<b>68,040</b>	<b>58,092</b>	<b>64,489</b>	<b>55,305</b>
Tax expense	32	(935)	(4,188)	(718)	(3,935)
Zakat	32	(1,562)	(1,315)	(1,562)	(1,315)
<b>Profit for the year</b>		<b>65,543</b>	<b>52,589</b>	<b>62,209</b>	<b>50,055</b>
<b>Other comprehensive income/(loss)</b>					
<b>Items that may be reclassified to profit or loss:</b>					
Unrealised loss on revaluation of financial investments at FVOCI	25	(17,325)	(38,004)	(17,325)	(38,004)
Reclassification of gain/(loss) included in profit or loss	25	12,566	(6,481)	12,566	(6,481)
Changes in expected credit losses on financial investments at FVOCI	25	(108)	(593)	(108)	(593)
Income tax relating to components of other comprehensive income	25	1,142	10,676	1,142	10,676
<b>Other comprehensive loss for the year, net of tax</b>		<b>(3,725)</b>	<b>(34,402)</b>	<b>(3,725)</b>	<b>(34,402)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>61,818</b>	<b>18,187</b>	<b>58,484</b>	<b>15,653</b>

(Forward)

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

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

**Statements of comprehensive income  
For the financial year ended 31 December 2022 (cont'd.)**

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit for the year attributable to the owner of the Bank		<u>65,543</u>	<u>52,589</u>	<u>62,209</u>	<u>50,055</u>
Total comprehensive income attributable to the owner of the Bank		<u>61,818</u>	<u>18,187</u>	<u>58,484</u>	<u>15,653</u>
Earnings per share attributable to the owner of the Bank (sen)					
- Basic and diluted	33			<u>3.36</u>	<u>2.71</u>

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

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

**Statements of changes in equity**  
**For the financial year ended 31 December 2022**

Group	Note	<=====Attributable to the Owner of the Bank=====>				
		<=====Non-distributable=====>		General reserve	Accumulated losses	Total equity
Share capital	Fair value reserve	RM'000	RM'000			
<b>At 1 January 2022</b>		1,850,000	7,652	10,114	(262,346)	1,605,420
Unrealised loss on revaluation of financial investments at FVOCI	25	-	(17,325)	-	-	(17,325)
Reclassification of gain included in profit or loss	25	-	12,566	-	-	12,566
Changes in expected credit losses of financial investments at FVOCI	25	-	(108)	-	-	(108)
Income tax relating to components of other comprehensive income	25	-	1,142	-	-	1,142
Profit for the year		-	-	-	65,543	65,543
Total comprehensive (loss)/ income for the year		-	(3,725)	-	65,543	61,818
Transaction with owner:						
Dividends	39	-	-	-	(5,006)	(5,006)
<b>At 31 December 2022</b>		<b>1,850,000</b>	<b>3,927</b>	<b>10,114</b>	<b>(201,809)</b>	<b>1,662,232</b>

(Forward)

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

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

**Statements of changes in equity**

For the financial year ended 31 December 2022 (cont'd.)

Group	Note	<=====Attributable to the Owner of the Bank=====>				Total equity RM'000
		Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	
<b>At 1 January 2021</b>		1,850,000	42,054	10,114	(301,724)	1,600,444
Unrealised loss on revaluation of financial investments at FVOCI	25	-	(38,004)	-	-	(38,004)
Reclassification of loss included in profit or loss	25	-	(6,481)	-	-	(6,481)
Changes in expected credit losses of financial investments at FVOCI	25	-	(593)	-	-	(593)
Income tax relating to components of other comprehensive income	25	-	10,676	-	-	10,676
Profit for the year		-	-	-	52,589	52,589
Total comprehensive (loss)/income for the year		-	(34,402)	-	52,589	18,187
Transaction with owner:						
Dividends	39	-	-	-	(13,211)	(13,211)
<b>At 31 December 2021</b>		<u>1,850,000</u>	<u>7,652</u>	<u>10,114</u>	<u>(262,346)</u>	<u>1,605,420</u>

(Forward)

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

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

**Statements of changes in equity**

**For the financial year ended 31 December 2022 (cont'd.)**

Bank	Note	<=====Attributable to the Owner of the Bank=====>				Total equity RM'000
		Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	
<b>At 1 January 2022</b>		1,850,000	7,652	10,114	(251,195)	1,616,571
Unrealised loss on revaluation of financial investments at FVOCI	25	-	(17,325)	-	-	(17,325)
Reclassification of gain included in profit or loss	25	-	12,566	-	-	12,566
Changes in expected credit losses of financial investments at FVOCI	25	-	(108)	-	-	(108)
Income tax relating to components of other comprehensive income	25	-	1,142	-	-	1,142
Profit for the year		-	-	-	62,209	62,209
Total comprehensive (loss)/ income for the year		-	(3,725)	-	62,209	58,484
Transaction with owner:						
Dividends	39	-	-	-	(5,006)	(5,006)
<b>At 31 December 2022</b>		<b>1,850,000</b>	<b>3,927</b>	<b>10,114</b>	<b>(193,992)</b>	<b>1,670,049</b>

(Forward)

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

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

**Statements of changes in equity**

For the financial year ended 31 December 2022 (cont'd.)

Bank	Note	<=====Attributable to the Owner of the Bank=====> <=====Non-distributable=====>				Total equity RM'000
		Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	
<b>At 1 January 2021</b>		1,850,000	42,054	10,114	(288,039)	1,614,129
Unrealised loss on revaluation of financial investments at FVOCI	25	-	(38,004)	-	-	(38,004)
Reclassification of loss included in profit or loss	25	-	(6,481)	-	-	(6,481)
Changes in expected credit losses of financial investments at FVOCI	25	-	(593)	-	-	(593)
Income tax relating to components of other comprehensive income	25	-	10,676	-	-	10,676
Profit for the year		-	-	-	50,055	50,055
Total comprehensive (loss)/ income for the year		-	(34,402)	-	50,055	15,653
Transaction with owner:						
Dividends	39	-	-	-	(13,211)	(13,211)
<b>At 31 December 2021</b>		<u>1,850,000</u>	<u>7,652</u>	<u>10,114</u>	<u>(251,195)</u>	<u>1,616,571</u>

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

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

**Statements of cash flows**

For the financial year ended 31 December 2022

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax expense and zakat		68,040	58,092	64,489	55,305
<b>Adjustments for:</b>					
Net impairment loss on loans, advances and financing	31	176,482	155,262	200,206	175,603
Net impairment (writeback)/loss of commitment and contingencies	22(v)	(989)	779	(989)	779
Net writeback on financial investments at FVOCI	5	(108)	(593)	(108)	(593)
Net impairment (writeback)/loss on financial investment at AC	7	(277)	278	(277)	278
Impairment loss/(gain) on other asset at AC	9(i)(b)	1,504	(605)	1,504	(605)
Impairment gain on other asset at FVOCI	9(ii)	-	-	(35,155)	(27,793)
Depreciation of property, plant and equipment	29(ii)	11,613	11,580	11,613	11,576
Depreciation of right-of-use assets	29(ii)	3,562	3,519	3,562	3,519
Amortisation of intangible assets	29(ii)	8,394	7,447	8,394	7,447
Fair value gain on investment properties	40(i)	(3,150)	(8,319)	(3,150)	(8,319)
Government funds released, net	40(i)	(34,564)	(22,330)	(34,564)	(22,330)
Income from financial investments at FVOCI	26,40(g)	(45,195)	(47,724)	(45,195)	(47,724)
Income from financial investments at FVTPL	40(g)	(3,499)	(5,713)	(3,499)	(5,713)
Income from financial investments at AC	40(g)	(23,160)	(22,170)	(23,160)	(22,170)
Interest/Profit expense on borrowings/fundings	27,40(h)	42,030	33,534	42,030	33,534
Profit expense on medium-term notes/ commercial papers	40(h)	84,084	77,672	84,084	77,672
Finance cost on lease liabilities	40(h)	524	522	524	522
Profit income on amount due from a subsidiary company	40(i)	-	-	(8,596)	(11,207)
Gain on derecognition of leases		(211)	-	(211)	-
Share of loss after tax of an associate	11	319	296	-	-
<b>Operating profit before working capital changes</b>		<b>285,399</b>	<b>241,527</b>	<b>261,502</b>	<b>219,781</b>
Changes in working capital:					
Loans, advances and financing		(591,901)	(733,952)	(615,624)	(754,293)
Other assets		(6,104)	(1,599)	26,840	77,560
Deposits from customers		787,896	(503,171)	804,142	(544,764)
Deposits from banks and other financial institutions		100,124	50,085	100,124	50,085
Other liabilities		(121,417)	29,362	(115,743)	29,234
<b>Cash generated from/(used in) operating activities</b>		<b>453,997</b>	<b>(917,748)</b>	<b>461,241</b>	<b>(922,397)</b>
Interest and profit received		79,627	99,910	79,627	99,910
Income tax paid		(1,533)	(1,524)	(718)	(929)
Real property gains tax ("RPGT") paid		-	(111)	-	(111)
Zakat paid		(1,702)	(2,315)	(1,702)	(2,315)
Income tax refunded		967	-	-	-
<b>Net cash generated from/(used in) operating activities</b>		<b>531,356</b>	<b>(821,788)</b>	<b>538,448</b>	<b>(825,842)</b>

(Forward)

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

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

**Statements of cash flows**

**For the financial year ended 31 December 2022 (cont'd.)**

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from investing activities</b>					
Purchase of private debt securities		(690,709)	(240,048)	(690,709)	(240,048)
Purchase of Islamic commercial papers		(810,000)	(1,239,194)	(810,000)	(1,239,194)
Purchase of sukuk		(690,000)	(952,245)	(690,000)	(952,245)
Proceeds from redemption of private debt securities		25,000	123,582	25,000	123,582
Proceeds from redemption of bond/sukuk		100,000	470,627	100,000	470,627
Proceeds from maturity of bond/sukuk		300,000	110,000	300,000	110,000
Proceeds from maturity of private debt securities		560,000	220,000	560,000	220,000
Proceeds from maturity of Islamic commercial papers		839,000	1,315,000	839,000	1,315,000
Proceeds from disposal of investment properties		-	26,481	-	26,481
Purchase of property, plant and equipment	12	(34,494)	(18,303)	(34,494)	(18,273)
Purchase of intangible assets	15	(536)	(3,806)	(536)	(3,806)
<b>Net cash used in investing activities</b>		<b>(401,739)</b>	<b>(187,906)</b>	<b>(401,739)</b>	<b>(187,876)</b>
<b>Cash flows from financing activities</b>					
Net disburse of borrowings/fundings		245,935	289,832	245,935	289,832
Net disburse of Islamic medium-term notes/ commercial papers		91,246	648,403	91,246	648,403
Interest/Profit paid on borrowings/fundings		(19,781)	(17,653)	(19,781)	(17,653)
Profit paid on Islamic medium-term notes/ commercial papers		(74,959)	(70,576)	(74,959)	(70,576)
Proceeds from government funds		10,000	25,909	10,000	25,909
Payment of lease liabilities		(3,923)	(4,206)	(3,923)	(4,206)
Dividend paid		(5,006)	(13,211)	(5,006)	(13,211)
<b>Net cash generated from financing activities</b>		<b>243,512</b>	<b>858,498</b>	<b>243,512</b>	<b>858,498</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>373,129</b>	<b>(151,196)</b>	<b>380,221</b>	<b>(155,220)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,254,962</b>	<b>1,406,158</b>	<b>1,246,606</b>	<b>1,401,826</b>
<b>Cash and cash equivalents at end of year</b>		<b>1,628,091</b>	<b>1,254,962</b>	<b>1,626,827</b>	<b>1,246,606</b>
<b>Cash and cash equivalents comprise of:</b>					
- Cash and short-term funds	4	<b>1,628,091</b>	<b>1,254,962</b>	<b>1,626,827</b>	<b>1,246,606</b>

(Forward)

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



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

**Statements of cash flows**

**For the financial year ended 31 December 2022 (cont'd.)**

**Note:**

**(a) Reconciliation of liabilities arising from financing activities**

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

Group and Bank		←=====Non-cash changes=====→							
		1 January	Financing cash flows (i)	Interest/profit accrual (Note 27 & 40(h))	Additions	Reclassification from deposits from customers (Note 23)	Government funds released (Note 40(i))	Effect of benefit derived from below market profit rate (Note 23)	31 December
2022	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Islamic medium-term notes/ commercial papers	19	2,521,926	16,287	84,084	-	-	-	-	2,622,297
Borrowings/fundings	20	1,741,109	226,154	42,030	-	-	-	(59,820)	1,949,473
Lease liabilities	21	14,195	(3,923)	524	4,341	-	-	-	15,137
Government funds	23	540,701	10,000	-	-	26,828	(34,564)	59,820	602,785
		<b>4,817,931</b>	<b>248,518</b>	<b>126,638</b>	<b>4,341</b>	<b>26,828</b>	<b>(34,564)</b>	<b>-</b>	<b>5,189,692</b>
<b>2021</b>									
Islamic medium-term notes/ commercial papers	19	1,866,327	577,927	77,672	-	-	-	-	2,521,926
Borrowings/fundings	20	1,507,974	272,179	33,534	-	-	-	(72,578)	1,741,109
Lease liabilities	21	13,364	(4,206)	522	4,515	-	-	-	14,195
Government funds	23	454,883	25,909	-	-	9,661	(22,330)	72,578	540,701
		<b>3,842,548</b>	<b>871,809</b>	<b>111,728</b>	<b>4,515</b>	<b>9,661</b>	<b>(22,330)</b>	<b>-</b>	<b>4,817,931</b>

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

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

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

**Notes to the financial statements  
31 December 2022**

**1. Corporate information**

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

The immediate and ultimate holding company of the Bank during the financial year is Minister of Finance Incorporated. The Bank is principally engaged in development banking, both Islamic and conventional and related financial services. The principal activities of the subsidiaries and associate are described in Note 10 and Note 11, respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 February 2023.

**2. Summary of significant accounting policies**

**2.1 Statement of compliance and basis of preparation**

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), as modified by Bank Negara Malaysia ("BNM") as disclosed below, and the requirements of Companies Act, 2016 in Malaysia.

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

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

**Modified accounting treatment for modifications made to contractual cash flows of loans/financing**

Under the Financial Reporting for Development Financial Institutions policy document issued by BNM on 28 July 2020, in accordance with Section 75 of the Development Financial Institutions Act, 2002 in Malaysia and Section 26D of the Financial Reporting Act, 1997 in Malaysia, Development Financial Institutions are allowed to apply the modified accounting treatment for any modifications made to contractual cash flows of loans/financing, including payments deferred under moratoriums provided by the development financial institutions, during the three financial years beginning on or after 1 January 2020, with the details as follows:

**i) Duration of modified accounting treatment**

Development financial institutions shall make a one-time election in 2020 to apply the modified accounting treatment and once an election is made, the requirement shall apply for two financial years beginning on or after 1 January 2020, which is then extended for another year;

**ii) Comparison of accounting treatment in accordance with MFRS and modified accounting treatment**

Accounting treatment in accordance with MFRS

Under paragraph 5.4.3 of MFRS 9 *Financial Instruments*, the modification gain or loss that arises as at the contractual cash flow modification date is recognised in the profit or loss immediately by recalculating the gross carrying amount of the loan/financing based on the present value of the modified cash flows discounted at the loan or financing's original effective interest/profit rate ("EIR/EPR").

Modified accounting treatment

No modification gain or loss is recorded against the gross carrying amount of the loan/financing as at the contractual cash flow modification date.

Instead, a new and revised effective interest/profit rate is calculated that exactly discounts the modified remaining cash flows to the gross carrying amount of the loan/financing as at the contractual cash flow modification commencement date.

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

**2.1 Statement of compliance and basis of preparation (cont'd.)**

**iii) Disclosures**

The Development Financial Institutions which apply this modified accounting treatment shall disclose the fact of this adoption in the basis of preparation of the interim financial reports and annual financial statements, together with the duration of the application and a comparison of the financial impact of applying the accounting treatment in accordance with the MFRS and the modified accounting treatment.

Under Section 244(5) of the Companies Act, 2016, the financial statements that are required to be prepared for or lodged with the authorities referred to in section 26D of the Financial Reporting Act, 1997 shall be prepared in accordance with the approved accounting standards subject to any specifications, guidelines or regulations as may be issued by the authorities, including BNM.

The Bank has adopted the modified accounting treatment for the modification gain or loss arising from modifications of contractual cash flows made to loans/financing as specified by BNM in the policy document dated 28 July 2020 stated above. The modified accounting treatment has been applied by the Bank in its financial statements for the previous financial years ended 31 December 2020, 31 December 2021 and current financial year ended 31 December 2022 on any modifications of contractual cash flows made to loans/financing during these three financial years, as allowed by BNM.

Pursuant to the extension of the modified accounting treatment for modification losses, the Group and the Bank shall adopt the treatment as per MFRS 9 *Financial Instruments*, of which RM63,091,000 to be charged directly in the Group's and Bank's retained earnings during the financial year 31 December 2023. The Bank anticipates that the profit income on loans, advances and financing of the Bank will increase in the coming financial years, net of modification losses arising from financial assistance to be provided in the coming financial years.

**Impact of adopting the modified accounting treatment for the modification gain or loss**

The financial impact of the affected items in the statements of financial position and statements of profit or loss of the Group and the Bank are as summarised below:

	<b>Group</b>		<b>Bank</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Statements of financial position</b>				
<b>As at 31 December</b>				
Loans, advances and financing	7,775,778	7,343,894	7,775,778	7,343,894
Accumulated losses	(264,900)	(341,903)	(257,083)	(330,752)
<b>Statements of profit or loss</b>				
<b>For the year ended 31 December</b>				
<b>Profit income on loans, advances and financing</b>				
Year end balance under MFRS	82,009	48,588	78,675	46,054
Impact of modification loss	6,840	22,679	6,840	22,679
Loss of income due to changes in effective rate	(22,351)	(15,045)	(22,351)	(15,045)
Allowance for impairment losses on loans, advances and financing	(955)	(3,633)	(955)	(3,633)
Year end balance under modified accounting treatment	<u>65,543</u>	<u>52,589</u>	<u>62,209</u>	<u>50,055</u>

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

**2. Summary of significant accounting policies (cont'd.)**

**2.1 Statement of compliance and basis of preparation (cont'd.)**

The financial impact of modification loss to the retained earnings of the Group and the Bank moving forward are as follows:

	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b>At 1 January 2023, as stated</b>	(201,809)	(193,992)
Impact of modification loss at 1 January 2023	(63,091)	(63,091)
<b>At 1 January 2023, restated</b>	<u>(264,900)</u>	<u>(257,083)</u>

**2.2 Changes in accounting policies and disclosures**

**Amendments to MFRSs**

In the current financial year, the Group and the Bank have adopted all Amendments to MFRS issued by the Malaysian Accounting Standard Board ("MASB") that are relevant to the operations and effective for accounting period that begins on or after 1 January 2022.

Amendments to:

MFRSs	Annual Improvements to MFRS Standards 2018 - 2020
MFRS 3	Reference to Conceptual Framework
MFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
MFRS 116	Property, Plant, and Equipment - Proceeds before Intended Use
MFRS 137	Onerous Contracts - Costs of Fulfilling a Contract

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

**2.3 Amendments to MFRSs in issue but not yet effective**

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

Amendments to:

MFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
MFRS 101	Disclosure of Accounting Policies <sup>1</sup>
MFRS 101	Classification of Liabilities as Current or Non-current <sup>2</sup>
MFRS 101	Non-current Liabilities with Covenants <sup>2</sup>
MFRS 108	Definition of Accounting Estimates <sup>1</sup>
MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> Effective date deferred to a date to be announced by MASB

The initial application of the accounting standards, interpretations or amendments did not have any material financial impacts to the current period and prior period financial statements of the Group and the Bank

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.4 Basis of preparation**

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

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

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

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

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

**2.5 Basis of consolidation**

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

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

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

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.6 Subsidiaries**

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

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

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

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

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

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

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

**2. Summary of significant accounting policies (cont'd.)**

**2.7 Associate**

An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale. Under the equity method, an investment in an associate is initially recognised in the statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Investment in associates which are consolidated using the equity method are stated at cost less accumulated impairment losses in the Bank's separate financial statements.

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

**2.8 Property, plant and equipment and depreciation**

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

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

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

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

The leasehold land are amortised on a straight-line basis over the remaining lease terms, ranging from 13 to 902 years (2021 : 14 to 903 years).

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

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

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

**2. Summary of significant accounting policies (cont'd.)**

**2.9 Leases**

**(i) Definition of a lease**

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

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

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

**(ii) Recognition and initial measurement**

**(a) As a lessee**

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

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

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

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

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

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



**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.9 Leases (cont'd.)****(ii) Recognition and initial measurement (cont'd.)****(a) As a lessee (cont'd.)**

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

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

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

**(b) As a lessor**

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

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

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

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

**(iii) Subsequent measurement****(a) As a lessee**

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

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

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

**2. Summary of significant accounting policies (cont'd.)**

**2.9 Leases (cont'd.)**

**(iii) Subsequent measurement (cont'd.)**

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

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

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

The Group and the Bank remeasure the lease liability whenever:

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

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

**(b) As a lessor**

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.10 Investment properties**

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

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

**2.11 Intangible assets**

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

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

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development; and
- The ability to use the intangible asset generated.

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

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

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

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

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.12 Impairment of non-financial assets**

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

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

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

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

**2.13 Financial instruments****Initial recognition**

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

**Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at Fair Value Through Profit or Loss ("FVTPL"), transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group and the Bank account for the Day 1 profit or loss, as described below.

**Day 1 profit or loss**

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group and the Bank recognise the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

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

**2. Summary of significant accounting policies (cont'd.)**

**2.13 Financial instruments (cont'd.)**

**Measurement categories of financial assets and liabilities**

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

- Amortised Cost ("AC")
- Fair Value Through Other Comprehensive Income ("FVOCI")
- Fair Value Through Profit or Loss ("FVTPL")

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

**Financial assets and liabilities**

The Group and the Bank only measure loans, advances and financing to customers and other financial investments at Amortised Cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The details of these conditions are outlined below:

**Business model assessment**

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

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

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

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

**2. Summary of significant accounting policies (cont'd.)**

**2.13 Financial instruments (cont'd.)**

**The SPPI test**

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

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

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

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

**Financial investment at AC**

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

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

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

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

**Debt instruments at FVOCI**

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

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

FVOCI debt instruments are measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Profit income are recognised in profit or loss in the same manner as for financial assets measured at AC as explained in Note 2.22. The expected credit loss ("ECL") calculation for Debt instruments at FVOCI is explained in Note 2.14. Where the Group and the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

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

**2. Summary of significant accounting policies (cont'd.)**

**2.13 Financial instruments (cont'd.)**

**Equity instruments at FVOCI**

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

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

**Derivatives recorded at fair value through profit or loss**

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified profit/interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in Note 6. Changes in the fair value of derivatives are included in net trading income.

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

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

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

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

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

**Reclassification of financial assets and liabilities**

The Group and the Bank do not reclassify their financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.13 Financial instruments (cont'd.)****Derecognition of financial assets and liabilities****Derecognition due to substantial modification of terms and conditions**

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

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

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

If the modification does not result in substantial change in cash flows, thus, the modification does not result in derecognition.

The Bank has adopted the modified accounting treatment for the modification gain or loss arising from modifications of contractual cashflows made to loans/financing as specified by BNM in the policy document dated 28 July 2020. Under the modified accounting treatment, no modification gain or loss is recorded against the gross carrying amount of the loans/financing as at the contractual cash flow modification date. Instead, a new and revised effective interest/profit rate is calculated that exactly discounts the modified remaining cashflows to the gross carrying amount of the loans/financing as at the contractual cashflow modification commencement date.

BNM has granted another year of extension on the adoption of accounting treatment for modification gain or loss for prescribed Development Financial Institutions for the financial year ended 31 December 2022. For financial year ending 31 December 2023, after the expiry of the modified accounting treatment as specified, the Bank will adopt the treatment as per MFRS 9 Financial Instruments accordingly.

**Implication of COVID-19 measures**

During the financial year, the Group and the Bank extended repayment assistance for selected slow recovery customers in sectors that were badly affected by Covid-19. The deferment is applicable to performing financing, denominated in Ringgit Malaysia, that have not been in arrears for more than 90 days. During this period, the Group and the Bank continue to accrue profit on the financing and customers will need to honour the deferred payments in the future.

The deferment announced has resulted in changes in cash flows of the financing that could lead to modification loss to the Group and the Bank which shall be recorded in profit or loss. Pursuant to the policy document on Financial Reporting for Development Financial Institutions issued by BNM, revision of the original effective profit rate in respect of any modification made to the contractual cash flows of the financing has negated the impact of the modification loss.



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

**2. Summary of significant accounting policies (cont'd.)**

**2.13 Financial instruments (cont'd.)**

**Derecognition other than for substantial modification**

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in reserves is recognised in profit and loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group and the Bank retain an option to repurchase part of a transferred asset), the Group and the Bank allocate the previous carrying amount of the financial asset between the part they continue to recognise under continuing involvement, and the part they no longer recognise on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

**2.14 Impairment of financial assets**

**Overview of the ECL principles**

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

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

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

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

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

Stage 1 When loans, advances and financing are first recognised, the Group and the Bank recognise an allowance based on 12mECLs. Stage 1 loans, advances and financing also include facilities where the credit risk has improved and the loans, advances and financing has been reclassified from Stage 2.

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

**2. Summary of significant accounting policies (cont'd.)**

**2.14 Impairment of financial assets (cont'd)**

**Overview of the ECL principles (cont'd.)**

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

**Significant increase in credit risk**

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

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

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

The qualitative factor in assessing the significant increase in credit risk had been extensively applied for all financing that have been subjected to payment assistance during the COVID-19 pandemic. Based on the well-balanced experience in credit judgement, the Group and the Bank considerably view relevant factors when assessing the increase in credit risk. In the absence of the relevant factors indicating evidence of significant increase in credit risk, the Group and the Bank considered that the extension of repayment assistance, specifically the financial assistance of 6 months from 1 October 2022 to 31 March 2023 provided during the year, has not automatically resulted in a staging transfer of financing. The application of judgement and qualitative factors have been applied responsibly with appropriate oversight structure within the Group and the Bank.

**The calculation of ECLs**

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

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

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

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

**2. Summary of significant accounting policies (cont'd.)**

**2.14 Impairment of financial assets (cont'd)**

**The calculation of ECLs (cont'd.)**

The mechanics of the ECL method are summarised below:

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

**Overlays and adjustments for expected credit losses amid COVID-19 environment**

In continuation from financial year 2020 which has been largely affected by COVID-19 pandemic, the Group and the Bank continue to factor in the impact through application of management overlay in the ECL calculations. The management overlay has been prudently incorporated within the ECL mechanism taking into account the heightened uncertainty surrounding the determination of estimates in the current environment and to preserve sound provisioning buffers.

As the current MFRS 9 models are not expected to generate levels of ECL's with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2022.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures expire.

The overlays and post-model adjustments of RM40,185,000 (2021: RM78,630,000) involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward-looking assessment for ECL estimation purposes.

The Group and the Bank have updated the related parameters for ECL computation and the current Macro Economics Variables ("MEV") for both loans, advances and financing and the financial investment portfolio. Considering the current pandemic situation, the Group and the Bank have taken all necessary measures in deriving the final PD rates such as taking the latest forecasted numbers published by Bloomberg and the LGD parameters has been updated using historical LGD populations up to 30 September 2022. The Group and the Bank has revised its probability-weighted ratio i.e. (upside, baseline and downside) to 10% - 75% - 15% (2021: 5% - 65% - 30%).

In addition, the Group and the Bank have also imposed the overlay by applying lifetime ECL to all Stage 1 accounts under SME Restart and Recovery Programme ("RECOVERY +") accounts, limited to the unsecured percentage of cash collateral for the customer. This overlay also applied to other SME Relief Programme which were still in payment observation period after the moratorium ended.

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.14 Impairment of financial assets (cont'd)****Debt instruments measured at FVOCI**

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

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

**Forward-looking information**

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

- GDP growth
- BRENT crude oil price

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

**Write-offs**

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

**2.15 Financial liabilities**

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

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

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

**2. Summary of significant accounting policies (cont'd.)**

**2.15 Financial liabilities (cont'd.)**

**(a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The Group and the Bank do not have any financial liabilities held for trading or financial liabilities designated upon initial recognition as at fair value through profit or loss as at the end of the reporting period.

**(b) Other financial liabilities**

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

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

**(c) Derecognition**

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

**2.16 Derivative financial instruments**

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

**Embedded derivatives**

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

**2.17 Cash and cash equivalents**

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

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.18 Provisions**

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

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

**2.19 Government funds**

Government funds are meant for the following purposes:

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

**2.20 Employee benefits****(i) Short-term benefits**

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

**(ii) Defined contribution plans**

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

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

**2. Summary of significant accounting policies (cont'd.)**

**2.2 Fair value measurement**

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

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

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

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

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

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

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

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

Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
<i>Unquoted shares</i>	
- Current realisable values	- Increase in realisable value will result in higher fair value, and vice versa
<i>Deposits and placements with banks, Bai' Inah facility granted to SAM and derivative financial assets and liabilities</i>	
- Current prevailing rates	- Increase in current prevailing rates will result in lower fair value and vice versa
- Expected recoveries	- Increase in expected recoveries will result in higher fair value, and vice versa

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.22 Revenue**

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

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

**(a) The EIR/EPR method**

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

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

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

**(b) Interest/profit income**

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

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

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



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

**2. Summary of significant accounting policies (cont'd.)**

**2.22 Revenue (cont'd.)**

**(c) Islamic income recognition by type of Shariah contract**

**(i) Bai' contracts**

Bai' Bithaman Ajil

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

Murabahah

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

Istisna'

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

Bai' Dayn

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Income from the transaction shall be recognised based on the agreed profit rate over the tenure.

Tawarruq

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

Bai' Inah

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

**(ii) Ijarah contracts**

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

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

**2. Summary of significant accounting policies (cont'd.)**

**2.22 Revenue (cont'd.)**

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

**(iii) Loan contracts**

Qard

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

**(d) Dividend income**

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

**(e) Fee income**

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

**(f) Rental income**

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

**2.23 Income taxes**

**(a) Current tax**

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

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

**(b) Deferred tax**

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

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

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

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

**2. Summary of significant accounting policies (cont'd.)**

**2.23 Income taxes (cont'd.)**

**(b) Deferred tax (cont'd.)**

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

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

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

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

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

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

**2.24 Zakat**

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

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

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

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

**2. Summary of significant accounting policies (cont'd.)**

**2.25 Foreign currency**

**(a) Functional and presentation currency**

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

**(b) Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period. All foreign currency losses out of the foreign currency loans are underwritten by the Government of Malaysia. Accordingly, these loans are carried as amount recoverable in the statements of financial position.

**2.26 Share capital**

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

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

**2.27 Contingencies**

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

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****3. Significant accounting judgement and estimates**

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

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

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

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

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

- The Group's and the Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
- A set of post model overlays were considered to reflect the effect of COVID-19 Pandemic to ensure sufficient ECL were allocated.

**(b) Income taxes**

The Group and the Bank are subject to income taxes in Malaysia and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time in the future. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking expert advice where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

**(c) Deferred tax assets**

Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

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

**4. Cash and short-term funds**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash at banks and on hand	50,771	103,832	49,507	95,476
Short-term deposits and maturing within three months:				
- Licensed banks	1,577,320	1,151,130	1,577,320	1,151,130
	<u>1,628,091</u>	<u>1,254,962</u>	<u>1,626,827</u>	<u>1,246,606</u>

Cash at banks is placed in non-profit bearing accounts. Short-term deposit placements are made between one day to three months depending on the Group's and the Bank's cash requirements, and earn profit at the respective short-term deposit rates. The weighted average effective profit rate and weighted average remaining maturity as at 31 December 2022 for the Group and the Bank was 3.37% per annum and 15 days (2021: 1.87% per annum and 11 days) respectively.

**5. Financial investments at FVOCI**

	Group and Bank	
	2022 RM'000	2021 RM'000
<b>At fair value</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	<u>1,059,078</u>	<u>892,606</u>
<b>Non-money market instruments</b>		
Equity securities		
- Private debt securities	30,618	30,572
- Unquoted shares	10,062	10,192
Debt securities		
- Private debt securities	<u>336,363</u>	<u>463,367</u>
	<u>377,043</u>	<u>504,131</u>
	<u>1,436,121</u>	<u>1,396,737</u>

No loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve (Note 25).

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

	Group and Bank			
	Stage 1* RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2022	89	218	10,000	10,307
Allowance made due to changes in credit risk (Note 25)	(40)	-	-	(40)
New financial investments originated	1	198	-	199
Financial investments derecognised	(49)	(218)	-	(267)
At 31 December 2022	<u>1</u>	<u>198</u>	<u>10,000</u>	<u>10,199</u>
At 1 January 2021	-	900	10,000	10,900
Allowance/(Writeback) made due to changes in credit risk (Note 25)	89	(682)	-	(593)
At 31 December 2021	<u>89</u>	<u>218</u>	<u>10,000</u>	<u>10,307</u>

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

**5. Financial investments at FVOCI (cont'd.)**

The impairment losses by external rating grade are as follows:

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

<i>External rating grade</i>	<b>Group and Bank</b>			<b>Total RM'000</b>
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	
RAM AAA	6	-	-	6
MARC AAA	26	-	-	26
RAM AA	48	-	-	48
RAM A	-	218	-	218
MARC AA	9	-	-	9
RAM D^	-	-	10,000	10,000
At 31 December 2021	<u>89</u>	<u>218</u>	<u>10,000</u>	<u>10,307</u>

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

**6. Financial investments at FVTPL**

<b>At fair value</b>	<b>Group and Bank</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
<b>Government securities</b>		
Malaysian Government Investment Issues	-	41,102
<b>Money market instruments</b>		
Commercial papers	-	59,825
	<u>-</u>	<u>100,927</u>

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

**7. Financial investments at AC**

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
<b>Government securitites</b>		
Malaysian Government Investment Issues	199,429	50,905
<b>Money market instruments</b>		
Commercial papers	64,140	33,895
<b>Non-money market instruments</b>		
Private debt securities	671,185	434,235
	934,754	519,035
Less: Accumulated impairment losses	(1)	(278)
	<u>934,753</u>	<u>518,757</u>

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	416,607	402,759
More than one year to three years	196,574	35,292
More than three years to five years	281,172	40,585
More than five years	40,401	40,399
	<u>934,754</u>	<u>519,035</u>

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>Stage 1</b>	<b>Stage 1</b>
At 1 January	278	-
(Writeback)/Allowance made due to changes in credit risk	(32)	120
New financial investments originated or purchased*	1	158
Financial investments derecognised	(246)	-
At 31 December	<u>1</u>	<u>278</u>

The impairment losses by external rating grade are as follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>Stage 1</b>	<b>Stage 1*</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>External rating grade</i>		
RAM AAA	-	5
MARC AAA	-	19
RAM AA	1	122
MARC AA	-	61
MARC AA-	-	71
	<u>1</u>	<u>278</u>

\* The impairment losses amount of certain private debt securities under Stage 1 are less than RM1,000.



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

**7. Financial investments at AC (cont'd.)**

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government Investment Issues	199,428	51,312
Commercial papers	64,140	33,895
Private debt securities	670,110	436,849
	<u>933,678</u>	<u>522,056</u>

**8. Loans, advances and financing**

	<b>Group</b>		<b>Bank</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term loans/financing				
- Hire purchase	391,041	393,901	355,560	357,583
- Leasing	345	342	-	-
- Other term loans/financing	6,401,094	5,987,744	6,086,815	5,652,166
Revolving loans/financing	1,991,084	1,909,608	1,971,098	1,888,031
Staff loans/financing	10,991	11,988	10,991	11,988
Gross loans, advances and financing	<u>8,794,555</u>	<u>8,303,583</u>	<u>8,424,464</u>	<u>7,909,768</u>
Less: Allowance for impairment losses on				
- Stage 1 (Note 8(ix))	(93,965)	(97,559)	(93,965)	(97,559)
- Stage 2 (Note 8(ix))	(45,769)	(16,634)	(45,769)	(16,634)
- Stage 3 (Note 8(ix))	(815,952)	(765,939)	(445,861)	(372,124)
Net loans, advances and financing	<u>7,838,869</u>	<u>7,423,451</u>	<u>7,838,869</u>	<u>7,423,451</u>
Gross impaired loans, advances and financing (Note 8(vii))	<u>1,484,710</u>	<u>1,526,505</u>	<u>1,114,619</u>	<u>1,132,690</u>
Net impaired loans, advances and financing	<u>668,758</u>	<u>760,566</u>	<u>668,758</u>	<u>760,566</u>

Included in loans, advances and financing for the Group and the Bank are gross loans, advances and financing of RM107,062,000 (2021: RM84,730,000) financed by Government funds. The treatment of credit losses incurred for these loans, advances and financing is as disclosed in Note 2.19(ii).

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

**8. Loans, advances and financing (cont'd.)**

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Within one year	1,969,780	1,761,750	1,690,385	1,459,184
More than one year to three years	701,591	635,000	673,821	606,615
More than three years to five years	1,406,664	1,352,761	1,373,667	1,319,667
More than five years	4,716,520	4,554,072	4,686,591	4,524,302
	<b>8,794,555</b>	<b>8,303,583</b>	<b>8,424,464</b>	<b>7,909,768</b>

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Domestic business enterprise	8,783,564	8,291,595	8,413,473	7,897,780
Individual	10,991	11,988	10,991	11,988
	<b>8,794,555</b>	<b>8,303,583</b>	<b>8,424,464</b>	<b>7,909,768</b>

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Construction	1,448,561	1,377,290	1,445,737	1,374,467
Education, health and others	637,094	655,163	593,221	610,181
Electricity, gas and water supply	162,564	166,680	162,564	166,680
Financial, insurance/takaful, real estate and business services	1,143,111	1,107,202	1,140,395	1,104,443
Manufacturing	1,623,674	1,420,443	1,555,435	1,348,757
Mining and quarrying	113,441	143,895	111,445	141,899
Primary agriculture	7,432	8,089	7,163	7,827
Transportation, storage and communication	1,099,517	1,006,740	1,061,215	967,553
Wholesale, retail trade, restaurants and hotels	2,548,170	2,406,093	2,336,298	2,175,973
Others	10,991	11,988	10,991	11,988
	<b>8,794,555</b>	<b>8,303,583</b>	<b>8,424,464</b>	<b>7,909,768</b>

197901005290

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

**8. Loans, advances and financing (cont'd.)**

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

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

(Forward)

197901005290

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

**8. Loans, advances and financing (cont'd.)**

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

<b>Group 2021</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Construction	887,211	45,477	87,034	46,245	94,092	217,231	1,377,290
Education, health and others	422,191	26,574	60,507	94,322	39,200	12,369	655,163
Electricity, gas and water supply	154,337	2,048	3,596	2,900	3,448	351	166,680
Financial, insurance/takaful, real estate and business services	668,171	108,739	151,267	38,788	65,177	75,060	1,107,202
Manufacturing	745,621	236,357	242,928	108,285	54,108	33,144	1,420,443
Mining and quarrying	97,772	289	24,770	15,710	2,545	2,809	143,895
Primary agriculture	262	373	942	102	4,702	1,708	8,089
Transportation, storage and communication	547,310	168,981	53,616	103,344	57,850	75,639	1,006,740
Wholesale, retail trade, restaurants and hotels	1,215,494	323,997	132,905	288,025	280,057	165,615	2,406,093
Others	11,988	-	-	-	-	-	11,988
	<b>4,750,357</b>	<b>912,835</b>	<b>757,565</b>	<b>697,721</b>	<b>601,179</b>	<b>583,926</b>	<b>8,303,583</b>

(Forward)

197901005290

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

**8. Loans, advances and financing (cont'd.)**

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

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

(Forward)

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

**8. Loans, advances and financing (cont'd.)**

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

<b>Bank 2021</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Construction	884,388	45,477	87,034	46,245	94,092	217,231	1,374,467
Education, health and others	377,209	26,574	60,507	94,322	39,200	12,369	610,181
Electricity, gas and water supply	154,337	2,048	3,596	2,900	3,448	351	166,680
Financial, insurance/takaful, real estate and business services	665,412	108,739	151,267	38,788	65,177	75,060	1,104,443
Manufacturing	673,935	236,357	242,928	108,285	54,108	33,144	1,348,757
Mining and quarrying	95,776	289	24,770	15,710	2,545	2,809	141,899
Primary agriculture	-	373	942	102	4,702	1,708	7,827
Transportation, storage and communication	508,123	168,981	53,616	103,344	57,850	75,639	967,553
Wholesale, retail trade, restaurants and hotels	985,374	323,997	132,905	288,025	280,057	165,615	2,175,973
Others	11,988	-	-	-	-	-	11,988
	<b>4,356,542</b>	<b>912,835</b>	<b>757,565</b>	<b>697,721</b>	<b>601,179</b>	<b>583,926</b>	<b>7,909,768</b>

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

**8. Loans, advances and financing (cont'd.)**

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate				
- Staff loan/financing	10,991	11,988	10,991	11,988
- Hire purchase	167,742	191,080	133,127	155,639
- Leasing	345	342	-	-
- Other term loans/financing	2,200,288	1,928,220	1,989,885	1,697,917
- Revolving loans/financing	1,173,510	632,904	1,153,585	611,385
Variable rate				
- Hire purchase receivables	223,299	202,821	222,433	201,944
- Other term loans/financing	4,200,806	4,059,524	4,096,930	3,954,249
- Revolving loans/financing	817,574	1,276,704	817,513	1,276,646
	<b>8,794,555</b>	<b>8,303,583</b>	<b>8,424,464</b>	<b>7,909,768</b>

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Construction	131,438	134,922	128,614	132,099
Education, health and others	145,096	175,969	101,223	130,987
Electricity, gas and water supply	54,833	43	54,833	43
Financial, insurance/takaful, real estate and business services	182,439	153,902	179,723	151,143
Manufacturing	288,267	321,201	220,028	249,515
Mining and quarrying	7,162	10,258	5,166	8,262
Primary agriculture	486	540	217	278
Transportation, storage and communication	106,906	151,315	68,604	112,128
Wholesale, retail trade, restaurants and hotels	568,083	578,355	356,211	348,235
	<b>1,484,710</b>	<b>1,526,505</b>	<b>1,114,619</b>	<b>1,132,690</b>

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

**8. Loans, advances and financing (cont'd.)**

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

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

(Forward)



197901005290

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

**8. Loans, advances and financing (cont'd.)**

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

<b>Group 2021</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Construction	103,980	1,923	3,341	11,071	12,595	2,012	134,922
Education, health and others	106,006	3,165	22,503	34,897	8,478	920	175,969
Electricity, gas and water supply	-	43	-	-	-	-	43
Financial, insurance/takaful, real estate and business services	119,671	8,568	11,250	9,796	3,206	1,411	153,902
Manufacturing	190,310	17,020	60,166	46,328	1,731	5,646	321,201
Mining and quarrying	2,718	-	7,212	328	-	-	10,258
Primary agriculture	262	-	66	-	212	-	540
Transportation, storage and communication	97,600	5,289	9,613	19,446	11,548	7,819	151,315
Wholesale, retail trade, restaurants and hotels	389,648	39,817	20,033	60,199	58,274	10,384	578,355
	<b>1,010,195</b>	<b>75,825</b>	<b>134,184</b>	<b>182,065</b>	<b>96,044</b>	<b>28,192</b>	<b>1,526,505</b>

(Forward)

197901005290

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

**8. Loans, advances and financing (cont'd.)**

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

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

(Forward)

197901005290

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

**8. Loans, advances and financing (cont'd.)**

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

<b>Bank 2021</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Construction	101,157	1,923	3,341	11,071	12,595	2,012	132,099
Education, health and others	61,024	3,165	22,503	34,897	8,478	920	130,987
Electricity, gas and water supply	-	43	-	-	-	-	43
Financial, insurance/takaful, real estate and business services	116,912	8,568	11,250	9,796	3,206	1,411	151,143
Manufacturing	118,624	17,020	60,166	46,328	1,731	5,646	249,515
Mining and quarrying	722	-	7,212	328	-	-	8,262
Primary agriculture	-	-	66	-	212	-	278
Transportation, storage and communication	58,413	5,289	9,613	19,446	11,548	7,819	112,128
Wholesale, retail trade, restaurants and hotels	159,528	39,817	20,033	60,199	58,274	10,384	348,235
	<b>616,380</b>	<b>75,825</b>	<b>134,184</b>	<b>182,065</b>	<b>96,044</b>	<b>28,192</b>	<b>1,132,690</b>

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

**8. Loans, advances and financing (cont'd.)**

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	1,526,505	1,581,516	1,132,690	1,167,360
-Transfers to Stage 1	(61,315)	(21,254)	(61,315)	(21,254)
-Transfers to Stage 2	(29,203)	(2,553)	(29,203)	(2,553)
-Transfers to Stage 3	282,994	253,436	282,994	253,436
	<u>1,718,981</u>	<u>1,811,145</u>	<u>1,325,166</u>	<u>1,396,989</u>
Changes due to change in credit risk	(75,305)	(46,881)	(51,581)	(26,540)
New financial assets originated	7,196	4,093	7,196	4,093
Financial assets derecognised	(62,258)	(87,283)	(62,258)	(87,283)
Amount written-off	(103,904)	(154,569)	(103,904)	(154,569)
At 31 December	<u>1,484,710</u>	<u>1,526,505</u>	<u>1,114,619</u>	<u>1,132,690</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 2022	97,559	16,634	765,939	880,132
-Transfers to Stage 1	12,517	(4,190)	(8,327)	-
-Transfers to Stage 2	(9,713)	16,850	(7,137)	-
-Transfers to Stage 3	(8,976)	(4,293)	13,269	-
	<u>(6,172)</u>	<u>8,367</u>	<u>(2,195)</u>	<u>-</u>
Changes due to change in credit risk (Note 31)	(4,706)	20,009	169,111	184,414
New financial assets originated (Note 31)	20,208	933	2,113	23,254
Financial assets derecognised (Note 31)	(12,924)	(174)	(18,088)	(31,186)
Amount written-off	-	-	(100,928)	(100,928)
At 31 December 2022	<u>93,965</u>	<u>45,769</u>	<u>815,952</u>	<u>955,686</u>
At 1 January 2021	67,708	18,297	793,434	879,439
-Transfers to Stage 1	5,348	(361)	(4,987)	-
-Transfers to Stage 2	(280)	1,798	(1,518)	-
-Transfers to Stage 3	(2,395)	(4,102)	6,497	-
	<u>2,673</u>	<u>(2,665)</u>	<u>(8)</u>	<u>-</u>
Changes due to change in credit risk (Note 31)	15,370	1,915	136,005	153,290
New financial assets originated (Note 31)	21,953	3	2,088	24,044
Financial assets derecognised (Note 31)	(10,145)	(916)	(11,011)	(22,072)
Amount written-off	-	-	(154,569)	(154,569)
At 31 December 2021	<u>97,559</u>	<u>16,634</u>	<u>765,939</u>	<u>880,132</u>

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

**8. Loans, advances and financing (cont'd.)**

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

Bank	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	97,559	16,634	372,124	486,317
-Transfers to Stage 1	12,517	(4,190)	(8,327)	-
-Transfers to Stage 2	(9,713)	16,850	(7,137)	-
-Transfers to Stage 3	(8,976)	(4,293)	13,269	-
	(6,172)	8,367	(2,195)	-
Changes due to change in credit risk (Note 31)	(4,706)	20,009	192,835	208,138
New financial assets originated (Note 31)	20,208	933	2,113	23,254
Financial assets derecognised (Note 31)	(12,924)	(174)	(18,088)	(31,186)
Amount written-off	-	-	(100,928)	(100,928)
At 31 December 2022	93,965	45,769	445,861	585,595
At 1 January 2021	67,708	18,297	379,278	465,283
-Transfers to Stage 1	5,348	(361)	(4,987)	-
-Transfers to Stage 2	(280)	1,798	(1,518)	-
-Transfers to Stage 3	(2,395)	(4,102)	6,497	-
	2,673	(2,665)	(8)	-
Changes due to change in credit risk (Note 31)	15,370	1,915	156,346	173,631
New financial assets originated (Note 31)	21,953	3	2,088	24,044
Financial assets derecognised (Note 31)	(10,145)	(916)	(11,011)	(22,072)
Amount written-off	-	-	(154,569)	(154,569)
At 31 December 2021	97,559	16,634	372,124	486,317
	<b>Group</b>		<b>Bank</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net impaired loans, advances and financing as a percentage	8.39%	10.11%	8.39%	10.11%

The borrowers and customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from potential impact to delinquencies and defaults when the various relief and support measures expired.

In ensuring the sufficient level of ECL, the overlay of RM40,185,000 (2021: RM78,630,000) as at 31 December 2022, were estimated at customer level and adjusted on top of ECL model based on the requirements of MFRS 9.

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

**8. Loans, advances and financing (cont'd.)**

(x) Exposures to COVID-19 impacted sectors are as follow: (cont'd.)

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Education	21,507	157,532
Healthcare	-	120,286
Passenger Transport	105,362	104,427
Petrol Station	-	113,987
Tourism	560,993	775,069
	<u>687,862</u>	<u>1,271,301</u>

The above are the impacted sectors by COVID-19 within the Group and the Bank financing portfolios. The Group and the Bank are focusing on education, passenger transport and tourism sectors as reflected by overlay incorporated in the computation of ECL as mentioned in Note 2.14. The figure reflected net exposure after computation on ECL amount.

(xi) COVID-19 customer relief and support measures based on category are as follow:

The Group and the Bank continuously support as well as assist the impacted customers, by introducing the RECOVERY+ programme on October 2022, replacing the Bank's Special Relief Programme, which has ended during the financial year, focusing on specific sectors (tourism, passenger transport and education) that are badly affected by the COVID-19 and have yet to be fully recovered.

The below illustrates the status of loans, advances and financing that were entitled to financial assistance in the financial year ended 31 December 2020:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3*</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2022</b>				
Repaying as per revised schedules	2,576,604	280,895	133,292	2,990,791
Missed payments	-	130,562	362,667	493,229
Total repayment assistances granted	<u>2,576,604</u>	<u>411,457</u>	<u>495,959</u>	<u>3,484,020</u>
As a percentage of total:				
Repaying as per revised schedules	100.0%	68.0%	27.0%	86.0%
Missed payments	-	32.0%	73.0%	14.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>2021</b>				
Repaying as per revised schedules	3,443,162	277,249	321,944	4,042,355
Missed payments	-	-	473	473
Total repayment assistances granted	<u>3,443,162</u>	<u>277,249</u>	<u>322,417</u>	<u>4,042,828</u>
As a percentage of total:				
Repaying as per revised schedules	100.0%	100.0%	99.9%	100.0%
Missed payments	-	0.0%	0.1%	0.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

\* This represents customers that turned to Stage 3 after acceptance of assistance under the relief programme

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

**9. Other assets**

	Note	Group	
		2022 RM'000	2021 RM'000
<b>At AC</b>			
Other receivables		10,402	11,796
Rental receivables	(i)	1,523	1,200
		<u>11,925</u>	<u>12,996</u>
Prepayments		13,285	7,612
		<u>25,210</u>	<u>20,608</u>
<b>Bank</b>			
		2022 RM'000	2021 RM'000
<b>At FVOCI</b>			
Amount due from a subsidiary company	(ii)	43,751	39,000
<b>At AC</b>			
Amount due from subsidiary companies	(iii)	50,489	44,322
Other receivables		12,855	14,380
Rental receivables	(i)	1,523	1,200
		<u>64,867</u>	<u>59,902</u>
Prepayments		13,271	7,578
		<u>121,889</u>	<u>106,480</u>

(i) As at 31 December 2022, the portfolio impacted under other assets is rental receivables from investment properties with net carrying amount of RM1,523,000 (2021: RM1,200,000).

(a) The movement of gross rental receivables are as follows:

	Non-credit impaired RM'000	Credit impaired RM'000	Total RM'000
At 1 January 2022	482	9,154	9,636
Transfer to non-credit impaired	301	(301)	-
Transfer to credit impaired	(207)	207	-
Maintain status	40	1,787	1,827
At 31 December 2022	<u>616</u>	<u>10,847</u>	<u>11,463</u>
At 1 January 2021	702	9,829	10,531
Transfer to non-credit impaired	411	(411)	-
Transfer to credit impaired	(81)	81	-
Maintain status	(550)	(345)	(895)
At 31 December 2021	<u>482</u>	<u>9,154</u>	<u>9,636</u>

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

**9. Other assets (cont'd.)**

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

	<b>Non-credit impaired RM'000</b>	<b>Credit impaired RM'000</b>	<b>Total RM'000</b>
At 1 January 2022	(20)	(8,416)	(8,436)
Allowance made during the year	(5)	(1,499)	(1,504)
At 31 December 2022	<u>(25)</u>	<u>(9,915)</u>	<u>(9,940)</u>
At 1 January 2021	(35)	(9,006)	(9,041)
Writeback made during the year	15	590	605
At 31 December 2021	<u>(20)</u>	<u>(8,416)</u>	<u>(8,436)</u>

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

The Bank, via its Board resolution dated on 30 August 2022 approved the rescheduling of the intercompany unsecured Bai'Inah facility to SAM by extending the facility to another 7 years from its original maturity date, 15 December 2024. The detailed terms and conditions on the rescheduling of the facility shall be finalised and to be effective after the financial year end.

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

	<b>Bank</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
At 1 January	(268,877)	(296,670)
Allowance made during the year	(8,596)	(11,207)
Writeback during the year	43,751	39,000
At 31 December	<u>(233,722)</u>	<u>(268,877)</u>

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



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

**10. Investment in subsidiaries**

	Bank	
	2022 RM'000	2021 RM'000
<b>Unquoted shares</b>		
At cost	3,582	3,582
Allowances for impairment loss	(3,582)	(3,582)
Carrying amount	<u>-</u>	<u>-</u>

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

	Bank	
	2022 RM'000	2021 RM'000
At 1 January/31 December	<u>3,582</u>	<u>3,582</u>

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

Name of companies	Principal activities	Proportion of Ownership Interest and Voting Power Held by the Group (%)	
		2022	2021
<b>Held by the Bank:</b>			
SMEB Asset Management Sdn. Bhd.	Asset management company, debts recovery agents, advisory and consultancy provider on distressed loans/financing and debt recovery	100	100
Centre for Entrepreneur Development and Research Sdn. Bhd. ("CEDAR")	Providing training, consultancy services, research, development and publication	100	100
BI Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100

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

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

**11. Investment in associate**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Unquoted shares</b>				
At cost	6,826	6,826	6,826	6,826
Share of post-acquisition reserves	2,335	2,654	-	-
	<u>9,161</u>	<u>9,480</u>	<u>6,826</u>	<u>6,826</u>
Less: Accumulated impairment losses	(6,826)	(6,826)	(6,826)	(6,826)
	<u>2,335</u>	<u>2,654</u>	<u>-</u>	<u>-</u>

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

Name of company	Principal activity	Proportion of Ownership Interest and Voting Power Held by the Group (%)		Accounting model applied
		2022	2021	
<b>Held by the Bank:</b>				
Capatronics (M) Sdn. Bhd.	Manufacturing of ceramic capacitors	30	30	Equity method

(i) Summarised statement of financial position

	Capatronics (M) Sdn. Bhd.	
	2022 RM'000	2021 RM'000
Non-current assets	3,468	21,108
Current assets	21,932	23,374
Total assets	<u>25,400</u>	<u>44,482</u>
Current liabilities	4,070	34,127
Total liabilities	<u>4,070</u>	<u>34,127</u>
Net assets as at 31 December	<u>21,330</u>	<u>10,355</u>

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

**11. Investment in associate (cont'd.)**

(ii) Summarised statement of comprehensive income

	<b>Capatronics (M)</b>	
	<b>Sdn. Bhd.</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	-	534
Loss before tax	(1,064)	(986)
Loss for the year	(1,064)	(986)
Total comprehensive loss for the year	(1,064)	(986)
Interest in associate	30%	30%
Share of loss after tax of an associate	(319)	(296)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate

	<b>Capatronics (M)</b>	
	<b>Sdn. Bhd.</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Net assets as at 1 January	8,847	9,833
Total comprehensive loss for the year	(1,064)	(986)
Net assets as at 31 December	7,783	8,847
Interest in associate	30%	30%
Carrying value of Group's interest in associate	2,335	2,654

197901005290

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

**12. Property, plant and equipment**

<b>Group</b>	<b>Freehold land RM'000</b>	<b>Long-term leasehold land RM'000</b>	<b>Building RM'000</b>	<b>Furniture and equipment RM'000</b>	<b>Renovation RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Electrical and machinery RM'000</b>	<b>Work-in progress RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>									
At 1 January 2022	4,083	36,545	86,108	39,406	58,634	1,677	7,992	17,811	252,256
Additions	-	118	-	2,705	749	80	85	30,757	34,494
Write-offs	-	-	-	(72)	(289)	-	(35)	-	(396)
Reclassification to intangible assets (Note 15)	-	-	-	10,740	499	-	-	(22,033)	(10,794)
At 31 December 2022	4,083	36,663	86,108	52,779	59,593	1,757	8,042	26,535	275,560
<b>Accumulated depreciation</b>									
At 1 January 2022	-	6,130	28,167	34,656	40,134	1,532	7,593	-	118,212
Charge for the year (Note 29(ii))	-	82	2,444	3,362	5,540	41	144	-	11,613
Write-offs	-	-	-	(72)	(289)	-	(35)	-	(396)
At 31 December 2022	-	6,212	30,611	37,946	45,385	1,573	7,702	-	129,429
<b>Net carrying amount</b>									
At 31 December 2022	4,083	30,451	55,497	14,833	14,208	184	340	26,535	146,131

(Forward)

197901005290

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

**12. Property, plant and equipment (cont'd.)**

<b>Group</b>	<b>Freehold land RM'000</b>	<b>Long-term leasehold land RM'000</b>	<b>Building RM'000</b>	<b>Furniture and equipment RM'000</b>	<b>Renovation RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Electrical and machinery RM'000</b>	<b>Work-in progress RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>									
At 1 January 2021	4,083	36,676	86,108	37,104	57,292	1,510	7,820	7,522	238,115
Additions	-	-	-	2,457	803	167	172	14,704	18,303
Adjustment	-	(131)	-	(160)	-	-	-	(46)	(337)
Reclassification to intangible assets (Note 15)	-	-	-	5	539	-	-	(4,369)	(3,825)
At 31 December 2021	4,083	36,545	86,108	39,406	58,634	1,677	7,992	17,811	252,256
<b>Accumulated depreciation</b>									
At 1 January 2021	-	5,673	25,723	31,445	34,849	1,510	7,432	-	106,632
Charge for the year (Note 29(ii))	-	457	2,444	3,211	5,285	22	161	-	11,580
At 31 December 2021	-	6,130	28,167	34,656	40,134	1,532	7,593	-	118,212
<b>Net carrying amount</b>									
At 31 December 2021	4,083	30,415	57,941	4,750	18,500	145	399	17,811	134,044

Included in property, plant and equipment of the Group are fully depreciated assets at a total cost of RM51,004,000 (2021: RM44,837,000), which are still in use by the Group.

(Forward)

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

**12. Property, plant and equipment (cont'd.)**

<b>Bank</b>	<b>Freehold land RM'000</b>	<b>Long-term leasehold land RM'000</b>	<b>Building RM'000</b>	<b>Furniture and equipment RM'000</b>	<b>Renovation RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Electrical and machinery RM'000</b>	<b>Work-in progress RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>									
At 1 January 2022	4,083	36,545	86,108	39,238	58,634	1,677	7,992	17,811	252,088
Additions	-	118	-	2,705	749	80	85	30,757	34,494
Write-offs	-	-	-	(72)	(289)	-	(35)	-	(396)
Reclassification to intangible assets (Note 15)	-	-	-	10,740	499	-	-	(22,033)	(10,794)
At 31 December 2022	4,083	36,663	86,108	52,611	59,593	1,757	8,042	26,535	275,392
<b>Accumulated depreciation</b>									
At 1 January 2022	-	6,130	28,167	34,526	40,134	1,527	7,593	-	118,077
Charge for the year (Note 29(ii))	-	82	2,444	3,362	5,540	41	144	-	11,613
Write-offs	-	-	-	(72)	(289)	-	(35)	-	(396)
At 31 December 2022	-	6,212	30,611	37,816	45,385	1,568	7,702	-	129,294
<b>Net carrying amount</b>									
At 31 December 2022	4,083	30,451	55,497	14,795	14,208	189	340	26,535	146,098

(Forward)

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

**12. Property, plant and equipment (cont'd.)**

<b>Bank</b>	<b>Freehold land RM'000</b>	<b>Long-term leasehold land RM'000</b>	<b>Building RM'000</b>	<b>Furniture and equipment RM'000</b>	<b>Renovation RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Electrical and machinery RM'000</b>	<b>Work-in progress RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>									
At 1 January 2021	4,083	36,676	86,108	36,966	57,292	1,510	7,820	7,522	237,977
Additions	-	-	-	2,427	803	167	172	14,704	18,273
Adjustment	-	(131)	-	(160)	-	-	-	(46)	(337)
Reclassification to intangible assets (Note 15)	-	-	-	5	539	-	-	(4,369)	(3,825)
At 31 December 2021	4,083	36,545	86,108	39,238	58,634	1,677	7,992	17,811	252,088
<b>Accumulated depreciation</b>									
At 1 January 2021	-	5,673	25,723	31,318	34,849	1,506	7,432	-	106,501
Charge for the year (Note 29(ii))	-	457	2,444	3,208	5,285	21	161	-	11,576
At 31 December 2021	-	6,130	28,167	34,526	40,134	1,527	7,593	-	118,077
<b>Net carrying amount</b>									
At 31 December 2021	4,083	30,415	57,941	4,712	18,500	150	399	17,811	134,011

Included in property, plant and equipment of the Bank are fully depreciated assets at a total cost of RM50,881,000 (2021: RM44,713,000), which are still in use by the Bank.

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

**13. Right-of-use assets**

<b>Group and Bank</b>	<b>Enterprise Centre RM'000</b>	<b>Motor Vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 January 2022	19,872	4,361	24,233
Additions	4,553	-	4,553
At 31 December 2022	<u>24,425</u>	<u>4,361</u>	<u>28,786</u>
<b>Accumulated depreciation</b>			
At 1 January 2022	8,050	2,353	10,403
Charge for the year (Note 29(ii))	2,777	785	3,562
At 31 December 2022	<u>10,827</u>	<u>3,138</u>	<u>13,965</u>
<b>Carrying amount</b>			
At 31 December 2022	<u>13,598</u>	<u>1,223</u>	<u>14,821</u>
<b>Cost</b>			
At 1 January 2021	15,357	4,361	19,718
Additions	4,515	-	4,515
At 31 December 2021	<u>19,872</u>	<u>4,361</u>	<u>24,233</u>
<b>Accumulated depreciation</b>			
At 1 January 2021	5,316	1,568	6,884
Charge for the year (Note 29(ii))	2,734	785	3,519
At 31 December 2021	<u>8,050</u>	<u>2,353</u>	<u>10,403</u>
<b>Carrying amount</b>			
At 31 December 2021	<u>11,822</u>	<u>2,008</u>	<u>13,830</u>

The Group and the Bank lease a number of premises and motor vehicles with lease term ranges between 1-7 years (2021: 1-7 years), with an option for renewal. The leased assets are utilised to carry out the Bank's operational activities.



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

**14. Investment properties**

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
At 1 January	374,081	393,062
Disposal	-	(27,300)
Fair value adjustment (Note 40(i))	3,150	8,319
At 31 December	<u>377,231</u>	<u>374,081</u>

The following investment properties are held under leasehold:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Building	193,411	192,861
Land	<u>183,820</u>	<u>181,220</u>
	<u>377,231</u>	<u>374,081</u>

The investment properties comprise of land and building which was financed by government funds. The fair value of the Group's and of the Bank's investment properties as of 31 December 2022 have been arrived at on the basis of valuations carried out by independent valuers, who are not related to the Group and to the Bank. The independent valuers have appropriate qualifications and recent experience in the valuation of properties in the respective locations. The fair value was determined using the cost and comparison approach. The fair values determined under this approach are derived by comparing and adopting as yardstick, recent transactions and sale evidences involving other similar properties in the vicinity. Due consideration is given for such factors including location, plot size, improvements made, if any, surrounding developments, facilities and amenities available.

Rental income earned from investment properties during the year amounted to RM11,178,000 (2021: RM2,899,000). Direct operating expenses arising from the investment properties during the year amounting to RM3,364,000 (2021: RM3,213,000).

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

**15. Intangible assets**

	Group		Software		Bank	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At cost</b>						
At 1 January	74,037	66,448	73,385		65,796	
Additions	536	3,806	536		3,806	
Adjustment	-	(42)	-		(42)	
Reclassification from property, plant and equipment (Note 12)	10,794	3,825	10,794		3,825	
At 31 December	<u>85,367</u>	<u>74,037</u>	<u>84,715</u>		<u>73,385</u>	
<b>Accumulated amortisation</b>						
At 1 January	59,275	51,828	58,623		51,176	
Charge for the year (Note 29(ii))	8,394	7,447	8,394		7,447	
At 31 December	<u>67,669</u>	<u>59,275</u>	<u>67,017</u>		<u>58,623</u>	
<b>Carrying amount</b>						
At 31 December	<u>17,698</u>	<u>14,762</u>	<u>17,698</u>		<u>14,762</u>	

**16. Deferred tax assets**

	Group and Bank	
	2022	2021
	RM'000	RM'000
At 1 January	106,947	99,278
Recognised in profit or loss (Note 32)	-	(3,007)
Recognised in other comprehensive income (Note 25)	1,142	10,676
At 31 December	<u>108,089</u>	<u>106,947</u>
<b>Presented before appropriate offsetting as follows:</b>		
Deferred tax assets	136,766	134,451
Deferred tax liabilities	<u>(28,677)</u>	<u>(27,504)</u>
	<u>108,089</u>	<u>106,947</u>

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

**16. Deferred tax assets (cont'd.)**

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

**Deferred tax assets of the Group and of the Bank:**

	<b>Loans, advances and financing RM'000</b>	<b>Unabsorbed business losses and capital allowance RM'000</b>	<b>Provisions RM'000</b>	<b>Financial investments at AC RM'000</b>	<b>Financial investments at FVOCI RM'000</b>	<b>Other assets RM'000</b>	<b>Right-of- use assets and lease liabilities RM'000</b>	<b>Total RM'000</b>
At 1 January 2022	27,405	26,564	12,484	67	3,313	64,530	88	134,451
Recognised in profit or loss	6,131	8,046	(723)	(67)	857	(13,059)	(12)	1,173
Recognised in other comprehensive income	-	-	-	-	1,142	-	-	1,142
At 31 December 2022	<b>33,536</b>	<b>34,610</b>	<b>11,761</b>	<b>-</b>	<b>5,312</b>	<b>51,471</b>	<b>76</b>	<b>136,766</b>
At 1 January 2021	18,445	34,461	9,474	-	-	71,201	127	133,708
Recognised in profit or loss	8,960	(7,897)	3,010	67	(7,168)	(6,671)	(39)	(9,738)
Recognised in other comprehensive income	-	-	-	-	10,481	-	-	10,481
At 31 December 2021	<b>27,405</b>	<b>26,564</b>	<b>12,484</b>	<b>67</b>	<b>3,313</b>	<b>64,530</b>	<b>88</b>	<b>134,451</b>

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

**16. Deferred tax assets (cont'd.)**

**Deferred tax liabilities of the Group and of the Bank:**

	Financial investments at FVOCI RM'000	Investment properties RM'000	Property plant and equipment RM'000	Intangible assets RM'000	Total RM'000
At 1 January 2022	-	(17,911)	(6,348)	(3,245)	(27,504)
Recognised in profit or loss	-	(315)	2,480	(3,338)	(1,173)
At 31 December 2022	-	(18,226)	(3,868)	(6,583)	(28,677)
At 1 January 2021	(7,221)	(17,990)	(6,394)	(2,825)	(34,430)
Recognised in profit or loss	7,026	79	46	(420)	6,731
Recognised in other comprehensive income	195	-	-	-	195
At 31 December 2021	-	(17,911)	(6,348)	(3,245)	(27,504)

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

As mentioned in Note 2.23, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised.

Under the current tax legislation, the unabsorbed tax losses will expire whereas the unutilised capital allowances do not expire. As of 31 December 2022, the unused tax losses for which deferred tax assets has not been recognised in the financial statements due to uncertainty of its realisation, are as follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Unused tax losses	62,469	196,272

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

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

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Expiring in year assessment ("YA") 2029	59,034	192,837
Expiring in YA2031	779	779
Expiring in YA2032	2,656	2,656
	<u>62,469</u>	<u>196,272</u>

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

**17. Deposits from customers**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Term deposit:				
- Commodity Murabahah/Tawarruq	4,503,909	3,742,803	4,553,795	3,776,444

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Government bodies (Note 36(c))	1,614,767	1,030,879	1,614,767	1,030,879
Statutory bodies	870,527	995,907	870,527	995,907
Business enterprise	1,443,003	1,098,771	1,492,889	1,132,412
Others	575,612	617,246	575,612	617,246
	<u>4,503,909</u>	<u>3,742,803</u>	<u>4,553,795</u>	<u>3,776,444</u>

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Within three months	3,797,935	2,920,489	3,847,821	2,954,130
More than three months to six months	466,222	471,685	466,222	471,685
More than six months to one year	239,752	350,629	239,752	350,629
	<u>4,503,909</u>	<u>3,742,803</u>	<u>4,553,795</u>	<u>3,776,444</u>

The deposits from customers carried weighted average profit rate of 3.28% (2021: 2.04%) per annum.

**18. Deposits from banks and other financial institutions**

	Group and Bank	
	2022 RM'000	2021 RM'000
Licensed banks and other financial institutions	150,208	50,085

The deposits maturity structure are as follows:

	Group and Bank	
	2022 RM'000	2021 RM'000
Less than three months	150,208	50,085

The deposits from banks and other financial institutions carried weighted average profit rate of 2.98% (2021: 1.87%) per annum.

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

**19. Islamic medium-term notes/commercial papers**

	Note	Group and Bank	
		2022 RM'000	2021 RM'000
Islamic medium-term notes ("IMTNs")	(i)	2,124,222	2,372,687
Islamic commercial papers ("ICPs")	(ii)	498,075	149,239
		<u>2,622,297</u>	<u>2,521,926</u>

(i) The IMTNs' details of issuance as of 31 December 2022 are as follows:

	Issuance Date
Guaranteed by the Government of Malaysia:	
RM400,000,000 4.03% maturing on 22 March 2024	22 March 2019
RM200,000,000 4.10% maturing on 20 March 2026	22 March 2019
RM250,000,000 3.02% maturing on 23 April 2025	23 April 2020
RM250,000,000 3.30% maturing on 23 April 2027	23 April 2020
Rated:	
RM500,000,000 3.10% matured on 31 July 2026	2 August 2021
RM500,000,000 4.04% matured on 4 August 2025	4 August 2022

(ii) The unsecured ICPs issued by the Group and the Bank as of 31 December 2022 are as follows:

	Issuance Date
RM380,000,000 3.30% maturing on 19 January 2023	21 October 2022
RM120,000,000 3.55% maturing on 19 April 2023	21 October 2022

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

	Group and Bank	
	2022 RM'000	2021 RM'000
Within one year	522,297	921,926
More than one year to three years	1,150,000	400,000
More than three years to five years	950,000	950,000
More than five years	-	250,000
	<u>2,622,297</u>	<u>2,521,926</u>

**20. Borrowings/Fundings**

	Group and Bank	
	2022 RM'000	2021 RM'000
Unsecured borrowings/fundings	<u>1,949,473</u>	<u>1,741,109</u>

Included in the borrowings/fundings is amount received by the Group and the Bank under Government financing scheme as part of the Government support measure in response to COVID-19 pandemic for the purpose of SME lending at a below market rate amounting RM924,005,000 (2021: RM726,351,000).

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

**20. Borrowings/Fundings (cont'd.)**

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	44,001	488,408
More than one year to five years	911,363	729,824
More than five years	994,109	522,877
	<u>1,949,473</u>	<u>1,741,109</u>

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

	<b>Note</b>	<b>Group and Bank</b>	
		<b>2022</b>	<b>2021</b>
		<b>RM'000</b>	<b>RM'000</b>
Government of Malaysia (Note 36(c))	(a)	941,916	974,546
Other institutions	(b)	1,007,557	766,563
		<u>1,949,473</u>	<u>1,741,109</u>

(a) Borrowings/Fundings from Government of Malaysia

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	33,266	479,852
More than one year to five years	453,647	242,054
More than five years	455,003	252,640
	<u>941,916</u>	<u>974,546</u>

The interest/profit rates on the borrowings/fundings from the Government of Malaysia range from 0% to 2.75% (2021: 0% to 2.75%) per annum.

(b) Borrowings/Fundings from other institutions

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
BNM	<u>1,007,557</u>	<u>766,563</u>

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	10,735	8,556
More than one year to five years	457,716	487,770
More than five years	539,106	270,237
	<u>1,007,557</u>	<u>766,563</u>

The interest/profit rates on the borrowings/fundings from other institutions range from 0% to 1.5% (2021: 0% to 1.5%) per annum.

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

**21. Lease liabilities**

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Lease liabilities	15,137	14,195

The Group and the Bank lease a number of premises and motor vehicles with lease term ranges between 1-7 years (2021: 1-7 years), with options for renewal. The weighted average of discount rates of the Group and of the Bank range between 3.06% to 3.42% (2021: 3.06% to 3.18%) per annum.

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	3,741	3,914
More than one year to five years	12,214	10,902
More than five years	551	622
	16,506	15,438
Less: Future finance cost	(1,369)	(1,243)
	15,137	14,195

**22. Other liabilities**

	<b>Group</b>		<b>Bank</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other payables and accruals (Note i)	422,446	529,808	427,721	537,553
Islamic margin account (Note ii)	381,832	410,289	381,779	410,237
Guarantee payable (Note iii)	164,197	150,243	164,197	150,243
Amount due to subsidiaries (Note iv)	-	-	29,276	20,803
Sinking fund	429	510	429	509
Rental and security deposits	3,689	3,358	3,689	3,358
Provision for zakat	5,118	3,453	5,118	3,453
Allowance for impairment on commitments and contingencies (Note v)	4,724	5,713	4,724	5,713
Other provisions	46,076	47,719	44,716	46,686
	1,028,511	1,151,093	1,061,649	1,178,555

(i) Included in other payables and accruals are undisbursed funds amounting to RM37,867,000 (2021: RM88,117,000) provided by Small and Medium Enterprise Corporation Malaysia ("SME Corp"). Under the arrangement with SME Corp, the Bank acts as an agent to administer the said funds to be channelled as financial assistance to the small and medium sized companies.

Also included in other payables and accruals are fund balance under Skim Pinjaman Ekonomi Desa ("SPED") amounting to RM26,553,000 (2021: RM25,287,000). Under the agreement with SPED, the Bank acts as an agent to execute and channel the said fund as financial assistance to the small and medium sized companies.



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

**22. Other liabilities (cont'd.)**

- (ii) Islamic margin account refers to the cash collateral pledged by the Islamic banking customers of the Bank. The amount will be repaid to the customers at the end of the financing tenure or will be offset with any overdue amount. The Bank will pay a hibah/profit rate at 0.25% (2021: 0.25%) per annum to the customers.
- (iii) Guarantee payable refers to the guarantee extended by Teraju which applies to companies classified as Small Medium Enterprise ("SMEs") companies as defined by the terms of the Teraju Program. The guarantee payable will be liquidated in the event of financing accounts under Teraju guarantee is exhausted.
- (iv) The amounts due to subsidiaries are non-trade, interest-free, unsecured and repayable on demand.
- (v) Movement in loss allowances for impairment on financing commitments and contingencies are as follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>Stage 1</b>	<b>Stage 1</b>
<b>Commitments and Contingencies</b>		
At 1 January	5,713	4,934
Changes due to change in credit risk	476	148
New financial assets originated	1,334	3,148
Derecognition	(2,799)	(2,517)
At 31 December	<u>4,724</u>	<u>5,713</u>

**23. Government funds**

	<b>Note</b>	<b>Group and Bank</b>	
		<b>2022</b>	<b>2021</b>
		<b>RM'000</b>	<b>RM'000</b>
To finance:			
Purchase of investment properties	(i)	104,854	108,381
Loans, advances and financing	(ii)	497,931	432,320
		<u>602,785</u>	<u>540,701</u>

- (i) To finance the purchase of investment properties:

<b>Group and Bank</b>	<b>Kompleks Kilang Bimbingan</b>			<b>Total</b>
	<b>Nursery Factory Scheme (RMK7) RM'000</b>	<b>Nursery Factory Scheme (RMK8) RM'000</b>	<b>Nursery Factory Scheme (RMK9) RM'000</b>	
At 1 January 2022	65,128	10,423	32,830	108,381
Government fund released (Note 40(i))	(236)	(2,911)	(380)	(3,527)
At 31 December 2022	<u>64,892</u>	<u>7,512</u>	<u>32,450</u>	<u>104,854</u>
At 1 January 2021	65,363	13,334	33,209	111,906
Government fund released (Note 40(i))	(235)	(2,911)	(379)	(3,525)
At 31 December 2021	<u>65,128</u>	<u>10,423</u>	<u>32,830</u>	<u>108,381</u>

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

**23. Government funds (cont'd.)**

(ii) To finance loans, advances and financing:

Group and Bank	Soft Loan	Tabung	Tabung	Tabung	Dana	Program	Basic	Skim	Program	Balance
	Scheme	Usahawan	Inkubator	Usahawan	Usahawan	dan Skim		Perusahaan	dan Skim	
	RM'000	Pahang	Pertanian	Siswazah	Negeri	Usahawan	Scheme	Kapal	Usahawan	RM'000
		RM'000	Kelantan	RM'000	Terengganu	Batik	RM'000	Tradisional	Kraf	RM'000
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	36,648	288	2,669	19,819	4,687	4,206	33,639	3,000	4,757	109,713
Recoveries from loan/financing written-off (Note 40(i))	(357)	-	-	(1,228)	(589)	-	249	-	(76)	(2,001)
At 31 December 2022	36,291	288	2,669	18,591	4,098	4,206	33,888	3,000	4,681	107,712

Group and Bank	Balance	Skim	Teraju	Special	Penjana	Targeted	Program	High Tech	Disaster	Total
	b/f	Anjakan	Facilitation	Relief	Tourism	Relief and	Strategik		Relief	
	RM'000	Usahawan	Fund*	Facility^	Financing^	Recovery	Memperkasa	and Green	Facility^	RM'000
		RM'000	RM'000	RM'000	RM'000	Facility^	Rakyat dan	Facility^	RM'000	RM'000
						RM'000	Ekonomi			
At 1 January 2022	109,713	140,341	23,209	59,593	10,899	68,077	20,488	-	-	432,320
Proceeds	-	-	-	-	-	-	10,000	-	-	10,000
Additions^	-	-	-	-	-	44,517	-	12,133	3,170	59,820
Deposit matured	-	37	26,791	-	-	-	-	-	-	26,828
Recoveries from loan/financing written-off (Note 40(i))	(2,001)	-	-	-	-	-	-	-	-	(2,001)
Muqasah (Note 40(i))	-	-	-	(13,227)	(1,509)	(13,364)	-	(666)	(270)	(29,036)
At 31 December 2022	107,712	140,378	50,000	46,366	9,390	99,230	30,488	11,467	2,900	497,931

(Forward)

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

**23. Government funds (cont'd.)**

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

<b>Group and Bank</b>	<b>Soft Loan Scheme RM'000</b>	<b>Tabung Usahawan Pahang RM'000</b>	<b>Tabung Inkubator Pertanian Kelantan RM'000</b>	<b>Tabung Usahawan Siswazah RM'000</b>	<b>Dana Usahawan Negeri erengganu RM'000</b>	<b>Program dan Skim Usahawan Batik RM'000</b>	<b>Basic Capital Scheme RM'000</b>	<b>Skim Perusahaan Kapal Tradisional RM'000</b>	<b>Balance c/f RM'000</b>
At 1 January 2021	36,574	288	2,669	19,670	4,505	4,205	33,615	3,000	104,526
Recoveries from loan/financing written-off (Note 40(i))	74	-	-	149	182	1	24	-	430
At 31 December 2021	36,648	288	2,669	19,819	4,687	4,206	33,639	3,000	104,956

	<b>Balance b/f RM'000</b>	<b>Program dan Skim Usahawan Kraf RM'000</b>	<b>Skim Anjakan Usahawan RM'000</b>	<b>Teraju Facilitation Fund* RM'000</b>	<b>Special Relief Facility^ RM'000</b>	<b>Penjana Tourism Financing^ RM'000</b>	<b>Targeted Relief and Recovery Facility^ RM'000</b>	<b>Program Strategik Memperkasa Rakyat dan Ekonomi RM'000</b>	<b>Total RM'000</b>
At 1 January 2021	104,526	4,756	134,920	13,548	72,820	12,407	-	-	342,977
Proceeds	-	-	5,421	-	-	-	-	20,488	25,909
Additions^	-	-	-	-	-	-	72,578	-	72,578
Deposit matured	-	-	-	9,661	-	-	-	-	9,661
Recoveries from loan/financing written-off (Note 40(i))	430	1	-	-	-	-	-	-	431
Muqasah (Note 40(i))	-	-	-	-	(13,227)	(1,508)	(4,501)	-	(19,236)
At 31 December 2021	104,956	4,757	140,341	23,209	59,593	10,899	68,077	20,488	432,320

^ The amount represent the benefits derived from the below-market interest element of the borrowings/fundings obtained from Bank Negara Malaysia as mentioned in Note 20.

\* In the financial year 2021, an amount of RM26,791,000 for Teraju Facilitation fund was channelled as placement with profit sharing of 70:30 between the Group and the Bank; and Teraju.

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

**23. Government funds (cont'd.)**

Summary of the government funds are as follows:

<b>Types of fund</b>	<b>Purpose of fund</b>	<b>Source</b>	<b>Grant received RM'000</b>
(a) Soft Loan Scheme	To provide soft loans/financing to Bumiputera entrepreneurs	Ministry of International Trade and Industry ("MITI")	34,400
(b) Tabung Usahawan Pahang	To provide loans/financing for furniture industry in Temerloh, Pahang	Pahang State Government	1,000
(c) Tabung Inkubator Pertanian Kelantan	To support the business expansion of livestock business	MITI	2,992
(d) Tabung Usahawan Siswazah	To encourage graduates into entrepreneurship	MITI	62,000
(e) Dana Usahawan Negeri Terengganu	To promote Bumiputera entrepreneurs in Terengganu	MITI	30,000
(f) Program dan Skim Usahawan Batik	To promote Bumiputera entrepreneurs in the batik industry	MITI	5,000
(g) Basic Capital Scheme	To promote Bumiputera entrepreneurs with basic capital	MITI	75,835
(h) Skim Perusahaan Kapal Tradisional	To promote ship making in Terengganu	MITI	3,000
(i) Program dan Skim Usahawan Kraf	To promote Bumiputera entrepreneurs in the craft industry	MITI	5,000
(j) Skim Anjakan Usahawan	To promote business expansion for Bumiputera entrepreneur	MITI	140,000
(k) Teraju Facilitation Fund	To finance project cost and acquisition of machinery for Bumiputera entrepreneur	Teraju Bumiputera Corporation ("TERAJU")	50,000
(l) Program Strategik Memperkasa Rakyat dan Ekonomi	To assist SMEs in the acquisition of machinery/equipment to encourage automation and reduce dependency on foreign workers	Ministry of Finance ("MOF")	30,488
(m) Kompleks Kilang Bimbingan	To provide premises for Bumiputera entrepreneurs industry	MITI	220,775

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

**23. Government funds (cont'd.)**

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

The following funds are channelled from BNM with 0% funding rate to the Group and the Bank to assist selected eligible SMEs. The funds received at below market rate were fair valued at inception using the market profit rate. The difference between the proceeds received and the fair value of the financing was recognised as government grants.

<b>Types of fund</b>	<b>Purpose of fund</b>	<b>Source</b>	<b>Outstanding balance as at 31 December 2022 RM'000</b>
(n) Special Relief Facility	To help alleviate the short-term cash flow problems faced by SMEs adversely affected by the COVID-19 outbreak	BNM	46,366
(o) Penjana Tourism Financing	To support SMEs in the tourism sector	BNM	9,390
(p) Targeted Relief and Recovery Facility	To provide relief and support recovery for SMEs in the services sector affected by reintroduction of containment measures, except tourism and tourism related subsectors	BNM	99,230
(q) High Tech and Green Facility	To help SMEs and innovative start-ups to grow their businesses and invest in strategic sectors and technologies fields (digital tech, green tech and biotech) for a sustainable and entrenched economic recovery	BNM	11,467
(r) Disaster Relief Facility	To alleviate the financial burden of SMEs affected by the recent floods and facilitate the resumption of their business operations	BNM	2,900

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

**23. Government funds (cont'd.)**

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

Summary of utilisation of the government funds are as follows:

**31 December 2022**

<b>Types of funds</b>	<b>Outstanding loans, advances and financing RM'000</b>	<b>No. of customers assisted</b>
(a) Soft Loan Scheme	1,726	33
(b) Tabung Usahawan Pahang	-	-
(c) Tabung Inkubator Pertanian Kelantan	-	-
(d) Tabung Usahawan Siswazah	7,017	85
(e) Dana Usahawan Negeri Terengganu	3,613	26
(f) Program dan Skim Usahawan Batik	-	-
(g) Basic Capital Scheme	3,424	12
(h) Skim Perusahaan Kapal Tradisional	-	-
(i) Program dan Skim Usahawan Kraf	-	-
(j) Skim Anjakan Usahawan	73,178	33
(k) Teraju Facilitation Fund	11,137	8
(l) Program Strategik Memperkasa Rakyat dan Ekonomi	6,966	40
Total	<u>107,061</u>	
	<b>Fair value RM'000</b>	<b>No. of tenants assisted</b>
(m) Kompleks Kilang Bimbingan	<u>377,231</u> (Note 14)	397

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

**23. Government funds (cont'd.)**

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

**31 December 2021**

<b>Types of funds</b>	<b>Outstanding loans, advances and financing RM'000</b>	<b>No. of customers assisted</b>
(a) Soft Loan Scheme	3,462	78
(b) Tabung Usahawan Pahang	-	-
(c) Tabung Inkubator Pertanian Kelantan	-	-
(d) Tabung Usahawan Siswazah	10,882	245
(e) Dana Usahawan Negeri Terengganu	5,042	47
(f) Program dan Skim Usahawan Batik	-	-
(g) Basic Capital Scheme	10,713	45
(h) Skim Perusahaan Kapal Tradisional	-	-
(i) Program dan Skim Usahawan Kraf	92	1
(j) Skim Anjakan Usahawan	48,897	52
(k) Teraju Facilitation Fund	5,227	5
(l) Program Strategik Memperkasa Rakyat dan Ekonomi	415	3
Total	<u>84,730</u>	
	<b>Fair value RM'000</b>	<b>No. of tenants assisted</b>
(m) Kompleks Kilang Bimbingan	<u>374,081</u> (Note 14)	379

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

**24. Share capital**

Group and Bank	Number of ordinary shares		Amount	
	2022 Unit '000	2021 Unit '000	2022 RM'000	2021 RM'000
Issued and fully paid	1,850,000	1,850,000	1,850,000	1,850,000

**25. Other reserves**

Group and Bank	Fair value reserve	Distributable	Total RM'000
		general reserve RM'000	
At 1 January 2022	7,652	10,114	17,766
Unrealised loss on revaluation of debt instrument at FVOCI	(17,180)	-	(17,180)
Unrealised loss on revaluation of equity instrument at FVOCI	(145)	-	(145)
Reclassification of gain included in profit or loss	12,566	-	12,566
Changes in expected credit losses of financial investments at FVOCI (Note 5)	(108)	-	(108)
Income tax relating to components of other comprehensive income (Note 16)	1,142	-	1,142
At 31 December 2022	3,927	10,114	14,041
At 1 January 2021	42,054	10,114	52,168
Unrealised gain on revaluation of debt instrument at FVOCI	(38,658)	-	(38,658)
Unrealised gain on revaluation of equity instrument at FVOCI	654	-	654
Reclassification of loss included in profit or loss	(6,481)	-	(6,481)
Changes in expected credit losses of financial investments at FVOCI (Note 5)	(593)	-	(593)
Income tax relating to components of other comprehensive income (Note 16)	10,676	-	10,676
At 31 December 2021	7,652	10,114	17,766

**(a) Fair value reserve**

Non-distributable fair value reserve represents the cumulative fair value changes, net of tax, of financial investments at FVOCI. Interest/Profit income are recognised in profit or loss in the same manner as for financial investments measured at AC. When the Group and the Bank hold more than one investment in the same security, they are deemed to be disposed off on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified to profit or loss. Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at initial recognition (on an instrument-by-instrument basis), the Group and the Bank measure the changes in fair value through OCI (without recycling to profit or loss upon derecognition). Included in financial investments at FVOCI are equity instruments which the Group and the Bank have elected at initial recognition to measure the fair value changes in OCI whose fair value amounted to RM40,680,000 (2021: RM40,764,000).

**(b) Distributable general reserve**

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



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

**26. Interest income**

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest income from loans	679	1,994

Included in interest income from loans is interest on impaired loans amounting to RM549,000 (2021: RM1,929,000).

**27. Interest expense**

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loans	6,149	15,245

**28. Other operating income**

	<b>Group</b>		<b>Bank</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee income	262	23	262	23
<b>Other income:</b>				
Recovery income	9,866	9,843	-	-
Compensation on late payment charges	1,121	1,224	1,121	1,224
Others	1	77	1	77
	<u>10,988</u>	<u>11,144</u>	<u>1,122</u>	<u>1,301</u>
Total other operating income	<u>11,250</u>	<u>11,167</u>	<u>1,384</u>	<u>1,324</u>

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

**29. Other operating expenses**

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Personnel expenses	(i)	160,246	164,721	156,415	160,839
Establishment related expenses	(ii)	43,304	41,581	43,253	41,543
Promotion and marketing expenses	(iii)	4,995	2,968	4,961	2,933
Administration and general expenses	(iv)	33,558	30,271	38,682	26,063
		<u>242,103</u>	<u>239,541</u>	<u>243,311</u>	<u>231,378</u>
<b>(i) Personnel expenses</b>					
Salaries, allowances and bonuses		126,201	129,284	123,064	126,148
Group President/ Chief Executive Officer and Directors' fees and remuneration	30	2,946	2,927	2,946	2,927
Social security cost		1,012	953	987	927
Contribution to Employee Provident Fund		16,729	16,156	16,353	15,753
Other staff related expenses		13,358	15,401	13,065	15,084
		<u>160,246</u>	<u>164,721</u>	<u>156,415</u>	<u>160,839</u>
Included in personnel expenses are allowances paid to the Shariah Committee members amounting to RM293,000 (2021: RM305,000).					
<b>(ii) Establishment related expenses</b>					
Depreciation of property, plant and equipment	12	11,613	11,580	11,613	11,576
Depreciation of right-of-use assets	13	3,562	3,519	3,562	3,519
Amortisation of intangible assets	15	8,394	7,447	8,394	7,447
Rental expenses		98	(37)	98	(37)
Repairs and maintenance of property, plant and equipment		19,637	19,072	19,586	19,038
		<u>43,304</u>	<u>41,581</u>	<u>43,253</u>	<u>41,543</u>
<b>(iii) Promotion and marketing expenses</b>					
Advertisement and publicity		4,995	2,968	4,961	2,933
<b>(iv) Administration and general expenses</b>					
Administrative expenses		6,315	5,953	6,311	5,947
Auditors' remuneration					
- Statutory audit		898	815	825	750
- Regulatory related services		34	31	34	31
- Other assurance services		166	140	166	140
General expenses		26,145	23,332	31,346	19,195
		<u>33,558</u>	<u>30,271</u>	<u>38,682</u>	<u>26,063</u>

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

**30. Group President/Chief Executive Officer and Directors' fees and remuneration**

2022

**Group President/Chief Executive Officer:**

Datuk Wira (Dr.) Aria Putera bin Ismail

**Non-Executive Directors:**

Dato' Seri Nazir Ariff bin Mushir Ariff

Dato' Muslim bin Hussain

Datuk Ahmad Hizzad bin Baharuddin

Mohd Sakeri bin Abdul Kadir

Zulkiflee bin Hashim

Dato' Mohammad Radhi Bin Abdul Razak

Wan Abdul Rahman bin Wan Abu Bakar

Suharti binti Mohd Ali

Dato' Sharkawi bin Alis

	← Remuneration received from the Bank →						Bank Total RM'000	Remuneration received from subsidiaries			Group Total RM'000
	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits- in-kind RM'000		Fees RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	
Datuk Wira (Dr.) Aria Putera bin Ismail	930	-	150	194	60	-	1,334	-	-	-	1,334
	930	-	150	194	60	-	1,334	-	-	-	1,334
Dato' Seri Nazir Ariff bin Mushir Ariff	-	115	-	-	107	-	222	-	-	-	222
Dato' Muslim bin Hussain	-	48	-	-	165	-	213	-	-	-	213
Datuk Ahmad Hizzad bin Baharuddin	-	48	-	-	121	-	169	-	-	-	169
Mohd Sakeri bin Abdul Kadir	-	45	-	-	83	-	128	-	-	-	128
Zulkiflee bin Hashim	-	48	-	-	195	-	243	-	-	-	243
Dato' Mohammad Radhi Bin Abdul Razak	-	37	-	-	53	-	90	-	-	-	90
Wan Abdul Rahman bin Wan Abu Bakar	-	48	-	-	130	-	178	-	-	-	178
Suharti binti Mohd Ali	-	48	-	-	150	-	198	-	-	-	198
Dato' Sharkawi bin Alis	-	48	-	-	123	-	171	-	-	-	171
	-	485	-	-	1,127	-	1,612	-	-	-	1,612
	930	485	150	194	1,187	-	2,946	-	-	-	2,946

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

**30. Group President/Chief Executive Officer and Directors' fees and remuneration (cont'd.)**

2021

**Group President/Chief Executive Officer:**

Datuk Wira (Dr.) Aria Putera bin Ismail

**Non-Executive Directors:**

Dato' Seri Nazir Ariff bin Mushir Ariff

Dato' Muslim bin Hussain

Datuk Ahmad Hizzad bin Baharuddin

Mohd Sakeri bin Abdul Kadir

Zulkiflee bin Hashim

Dato' Mohammad Radhi Bin Abdul Razak

Wan Abdul Rahman bin Wan Abu Bakar

Suharti binti Mohd Ali

Dato' Sharkawi bin Alis

	← Remuneration received from the Bank →						Bank Total RM'000	Remuneration received from subsidiaries			Group Total RM'000
	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits- in-kind RM'000		Fees RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	
Datuk Wira (Dr.) Aria Putera bin Ismail	900	-	150	181	60	-	1,291	-	-	-	1,291
	900	-	150	181	60	-	1,291	-	-	-	1,291
Dato' Seri Nazir Ariff bin Mushir Ariff	-	144	-	-	135	-	279	-	-	-	279
Dato' Muslim bin Hussain	-	48	-	-	175	-	223	-	-	-	223
Datuk Ahmad Hizzad bin Baharuddin	-	48	-	-	150	-	198	-	-	-	198
Mohd Sakeri bin Abdul Kadir	-	48	-	-	80	-	128	-	-	-	128
Zulkiflee bin Hashim	-	48	-	-	198	-	246	-	-	-	246
Dato' Mohammad Radhi Bin Abdul Razak	-	48	-	-	66	-	114	-	-	-	114
Wan Abdul Rahman bin Wan Abu Bakar	-	47	-	-	130	-	177	-	-	-	177
Suharti binti Mohd Ali	-	40	-	-	110	-	150	-	-	-	150
Dato' Sharkawi bin Alis	-	36	-	-	85	-	121	-	-	-	121
	-	507	-	-	1,129	-	1,636	-	-	-	1,636
	900	507	150	181	1,189	-	2,927	-	-	-	2,927

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

**30. Group President/Chief Executive Officer and Directors' fees and remuneration (cont'd.)**

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Number of Chief Executives:</b>				
RM1,000,001 to RM1,500,000	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<b>Number of Non-Executive Directors:</b>				
RM200,001 to RM400,000	3	3	3	3
RM100,001 to RM200,000	5	6	5	6
RM1 to RM100,000	1	-	1	-
	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Allowance for impairment losses on loans, advances and financing made during the year				
- Stage 1, net (Note 8(ix))	2,578	27,178	2,578	27,178
- Stage 2, net (Note 8(ix))	20,768	1,002	20,768	1,002
- Stage 3, net (Note 8(ix))	153,136	127,082	176,860	147,423
	<u>176,482</u>	<u>155,262</u>	<u>200,206</u>	<u>175,603</u>
Impaired loans, advances and financing written off	5,517	-	5,517	-
Impaired loans, advances and financing recovered	(41,346)	(35,601)	(41,346)	(35,601)
Total allowance for impairment losses on loans, advances and financing	<u>140,653</u>	<u>119,661</u>	<u>164,377</u>	<u>140,002</u>

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

**32. Tax expense/(credit) and zakat**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Current tax:</b>				
Tax expense for the year	935	253	718	-
<b>Deferred tax (Note 16):</b>				
Origination or reversal of temporary differences	(10,299)	(9,180)	(10,299)	(9,180)
Overprovision in prior years	10,299	12,187	10,299	12,187
	-	3,007	-	3,007
Real property gain tax	-	928	-	928
Total tax expense for the year	935	4,188	718	3,935

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax expense and zakat	68,359	58,388	64,489	55,305
Tax expenses at Malaysian tax rate of 24% (2021: 24%)	16,406	14,013	15,477	13,273
Tax effects of:				
Non-deductible expenses	16,766	6,752	17,555	7,310
Non-taxable income	(10,500)	(7,433)	(10,500)	(7,433)
Utilisation of deferred tax previously not recognised	(32,113)	(21,402)	(32,113)	(21,402)
Effects of share of associate's post-tax loss included in Group's profit before taxation	77	71	-	-
Underprovision of deferred tax in prior years	10,299	12,187	10,299	12,187
Total tax expense for the year	935	4,188	718	3,935

**Group and Bank**  
2022      2021  
RM'000    RM'000

**Zakat:**

Zakat for the year			1,562	1,315
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**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**33. Earnings per share**

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

	<b>Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit for the year	62,209	50,055
Earnings per share (sen)		
- Basic and diluted	3.36	2.71
Weighted average number of ordinary shares for basic earnings per share computation	1,850,000	1,850,000

**34. Commitments and contingencies**

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	178,521	231,283
Transaction-related-contingent items	167,106	160,555
Undisbursed loans/financing		
- original maturity up to one year	226,071	235,490
- original maturity more than one year	1,667,262	1,547,106
	<u>2,238,960</u>	<u>2,174,434</u>

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

**34. Commitments and contingencies (cont'd.)**

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Approved and contracted for:		
Information technology system	16,750	6,118
	<u>16,750</u>	<u>6,118</u>
 Total commitments and contingencies	 <u>2,255,710</u>	 <u>2,180,552</u>

**35. Capital adequacy**

**Capital management**

Capital policy

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

Regulatory capital

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

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

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 from financial year beginning 2020.

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



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

**35. Capital adequacy (cont'd.)**

**Capital management (cont'd.)**

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 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	(201,809)	(262,346)	(193,992)	(251,195)
General reserves	10,114	10,114	10,114	10,114
General provision for loans, advances and financing <sup>1</sup>	42,971	32,743	42,971	32,743
Less: Deferred tax assets	(108,089)	(106,947)	(108,089)	(106,947)
Less: Property revaluation reserve	(231,765)	(228,616)	(231,765)	(228,616)
Total Tier I capital	<u>1,361,422</u>	<u>1,294,948</u>	<u>1,369,239</u>	<u>1,306,099</u>
<u>Tier II Capital</u>				
General provision for loans, advances and financing <sup>1</sup>	101,487	87,163	101,487	87,163
Property revaluation reserve <sup>2</sup>	115,883	114,308	115,883	114,308
Government funds <sup>3</sup>	433,432	428,923	433,432	428,923
Total Tier II capital	<u>650,802</u>	<u>630,394</u>	<u>650,802</u>	<u>630,394</u>
Total capital	2,012,224	1,925,342	2,020,041	1,936,493
Less: Investment in subsidiaries	-	-	-	-
Total capital base	<u>2,012,224</u>	<u>1,925,342</u>	<u>2,020,041</u>	<u>1,936,493</u>

<sup>1</sup> 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.

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

<sup>3</sup> In the financial year 2021, an amount of RM26,791,000 for Teraju Facilitation fund was channelled as placement with profit sharing of 70:30 between the Group and the Bank; and Teraju.

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
20%	351,705	246,248	351,705	246,248
50%	5,121	5,621	5,121	5,621
100%	10,243,324	9,772,457	10,335,414	9,853,065
	<u>10,600,150</u>	<u>10,024,326</u>	<u>10,692,240</u>	<u>10,104,934</u>

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

**35. Capital adequacy (cont'd.)**

**Capital management (cont'd.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Before deducting proposed dividends:				
Core capital ratio	12.843%	12.918%	12.806%	12.925%
Risk-weighted capital ratio	18.983%	19.207%	18.893%	19.164%
After deducting proposed dividends:				
Core capital ratio	12.785%	12.868%	12.748%	12.876%
Risk-weighted capital ratio	18.924%	19.157%	18.834%	19.114%

Capital monitoring

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

**36. Related party transactions**

(a) Parent entity

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

(b) Compensation of key management personnel

The compensation of key management personnel other than the directors of the Group and of the Bank as disclosed in Note 30 is follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Salaries and other emoluments	6,966	7,237
Defined contribution plan	1,064	1,073
	<u>8,030</u>	<u>8,310</u>

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

**36. Related party transactions (cont'd.)**

(c) Related party transactions

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Long-term loans/financing from MOF (Note 20)	932,393	960,544
Interest/profit payable to MOF (Note 20)	9,523	14,002
Deposit acceptance from government agencies (Note 17(i))	1,603,375	1,022,203
Interest/profit payable to government agencies (Note 17(i))	11,392	8,676
Government fund from MITI (Note 23)	352,656	358,147
Government fund from Ministry of Rural and Regional Development ("MRRD")	25,756	24,906
	<u>2,935,095</u>	<u>2,388,478</u>

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

	<b>Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit income on amount due from a subsidiary company (Note 40(i))	8,596	11,207
Profit expense on Commodity Murabahah to subsidiary companies (Note 40(h)(i))	(536)	(353)
Service fee charged by a subsidiary company	(9,289)	(1,199)
	<u>(1,229)</u>	<u>9,655</u>

(d) Connected parties

	<b>Group and Bank</b>		
	<b>Total</b>	<b>Total</b>	<b>Total</b>
	<b>number of</b>	<b>exposure</b>	<b>financing</b>
	<b>connected</b>	<b>(total</b>	<b>exposure</b>
	<b>party</b>	<b>outstanding</b>	<b>which</b>
	<b>account/</b>	<b>plus</b>	<b>is non-</b>
	<b>counter-</b>	<b>unutilised</b>	<b>performing</b>
	<b>party</b>	<b>limit)</b>	<b>or in default</b>
<b>31 December 2022</b>	<b>outstanding</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans/financing facility (except guarantee)	459,755	9	459,755
Off-balance sheet exposure	22	1	22
Equities and private debt securities held	133,884	6	133,884
	<u>593,661</u>	<u>16</u>	<u>593,661</u>
<b>Total exposure to connected parties as % of total capital</b>		<u>29.4%</u>	<u>-</u>
<b>Total exposure to connected parties as % of total outstanding exposure</b>		<u>4.7%</u>	<u>-</u>

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

**36. Related party transactions (cont'd.)**

(d) Connected parties (cont'd)

	Total outstanding RM'000	Group and Bank		Total financing exposure which is non- performing or in default RM'000
		Total number of connected party account/ counter- party	Total exposure (total outstanding plus unutilised limit) RM'000	
<b>31 December 2021</b>				
Loans/financing facility (except guarantee)	497,496	9	497,846	-
Equities and private debt securities held	212,953	7	212,953	-
	<u>710,449</u>	<u>16</u>	<u>710,799</u>	<u>-</u>
<b>Total exposure to connected parties as % of total capital</b>			<b>38.5%</b>	<b>-</b>
<b>Total exposure to connected parties as % of total outstanding exposure</b>			<b>6.0%</b>	<b>-</b>

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

**37. Fair value of financial instruments**

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

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

The on-balance sheet financial assets and financial liabilities of the Group and of the Bank whose fair values are required to be disclosed in accordance with MFRS 7 comprise all its assets and liabilities with the exception of investments in subsidiaries, investments in an associate and provisions.

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

**37. Fair value of financial instruments (cont'd.)**

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

	<b>Group and Bank</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>31 December 2022</b>		
<b>Financial assets:</b>		
Debt instruments at AC	934,753	933,678
Loans, advances and financing	7,838,869	6,703,225
	<u>7,838,869</u>	<u>6,703,225</u>
<b>Financial liabilities:</b>		
Islamic medium-term notes/commercial papers	2,622,297	2,506,574
Borrowings/Fundings	1,949,473	1,733,393
Lease liabilities	15,137	14,176
	<u>15,137</u>	<u>14,176</u>
<b>31 December 2021</b>		
<b>Financial assets:</b>		
Debt instruments at AC	518,757	522,056
Loans, advances and financing	7,423,451	6,147,407
	<u>7,423,451</u>	<u>6,147,407</u>
<b>Financial liabilities:</b>		
Islamic medium-term notes/commercial papers	2,521,926	2,446,442
Borrowings/Fundings	1,741,109	1,592,842
Lease liabilities	14,195	13,526
	<u>14,195</u>	<u>13,526</u>

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

**(a) Debt instruments at AC**

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

**(b) Loans, advances and financing**

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

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

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

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

**37. Fair value of financial instruments (cont'd.)**

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

	<b>Group and Bank</b>			<b>Total RM'000</b>
	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	
<b>2022</b>				
<b><u>Financial assets and financial liabilities measured at fair value:</u></b>				
<b>Financial assets:</b>				
Debt instruments at FVOCI	-	1,395,441	-	1,395,441
Equity instruments at FVOCI	-	30,618	10,062	40,680
<hr/>				
<b><u>Financial assets and financial liabilities not measured at fair value for which fair values are disclosed:</u></b>				
<b>Financial assets:</b>				
Debt instruments at AC	-	933,678	-	933,678
Loans, advances and financing	-	-	6,703,225	6,703,225
<hr/>				
<b>Financial liabilities:</b>				
Islamic medium-term notes/commercial papers	-	2,506,574	-	2,506,574
Borrowings/Fundings	-	1,733,393	-	1,733,393
Lease liabilities	-	14,176	-	14,176
<hr/>				
<b>2021</b>				
<b><u>Financial assets and financial liabilities measured at fair value:</u></b>				
<b>Financial assets:</b>				
Debt instruments at FVOCI	-	1,355,973	-	1,355,973
Equity instruments at FVOCI	-	30,572	10,192	40,764
Debt instruments at FVTPL	-	100,927	-	100,927
<hr/>				
<b><u>Financial assets and financial liabilities not measured at fair value for which fair values are disclosed:</u></b>				
<b>Financial assets:</b>				
Debt instruments at AC	-	522,056	-	522,056
Loans, advances and financing	-	-	6,147,407	6,147,407
<hr/>				
<b>Financial liabilities:</b>				
Islamic medium-term notes/commercial papers	-	2,446,442	-	2,446,442
Borrowings/Fundings	-	1,592,842	-	1,592,842
Lease liabilities	-	13,526	-	13,526
<hr/>				

(Forward)

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

**38. Financial risk management objectives and policies**

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

**Risk management structure**

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

**(a) Board Risk Management Committee**

The Board Risk Management Committee ("BRMC") has the overall responsibilities for the development of the risk strategies and implementing principles, frameworks, policies and limits. The BRMC is responsible for managing risk decisions and monitoring risk levels.

**(b) Risk Management and Compliance**

The Risk Management and Compliance is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained.

Risk Management and Compliance is also responsible for monitoring and review of compliance with risk principles, policies and limits across the Bank as well as applicable laws and regulations. The function ensures the completeness of risk identification, measurement, monitoring and reporting.

**(c) Assets and Liability Management**

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

**(d) Internal Audit**

The Internal Audit function provides an on-going focus on the internal control systems and periodic reviews of the risk management processes. It also reviews compliance with approved policies, as well as applicable laws and regulations.

Internal Audit also evaluates the independence and overall effectiveness of the risk management systems. Internal Audit's assessment on the adequacy of internal controls will involve understanding, documenting, evaluating and testing the Group's and the Bank's internal control system and follow-up on corrective actions and review of management's action to address material weaknesses.

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****38. Financial risk management objectives and policies (cont'd.)****(e) Risk measurement and reporting systems**

Monitoring and controlling risks is primarily performed based on limits established by the Group and the Bank. These limits reflect the business strategy and market environment of the Group and the Bank as well as the level of risk the Group and the Bank are willing to accept, with additional emphasis on selected industries. In addition, the Group's and the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented to various committee at management level before submitting to the BRMC and Board of Directors. The BRMC receives a comprehensive risk report which is designed to provide all the necessary information to assess and conclude on the risks of the Bank. In discharging its roles and responsibilities, BRMC is supported by a number of Executive Committees ("EXCO"). These Management Committees are generally accountable for the effectiveness of the day-to-day risk assessment and controls, in an effort to balance the Group's risk and return as well as maintain its competitive advantage.

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

**(a) Credit risk**

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

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

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

The Group and the Bank adopt best practices as set out in BNM Guidelines on Best Practices for the Management of Credit Risk for Development Financial Institutions and Credit Risk Policy Document. The Integrated Risk Management Framework has also been established in line with best practices. Internal single customer limits are regularly monitored to minimise the risk of over-concentration. The overall risk management is subjected to an on-going process for review and enhancement.



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

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

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

**(a) Credit risk (cont'd.)**

Credit assessments on financing applications will be performed before the applications are being approved by the approving authorities. Various Credit Committees have been established to review all financing to be submitted for the approval of the respective approving authorities. The respective Credit Committees have specified approval authority limit.

**(i) Credit exposure**

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

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>On balance sheet:</b>		
Cash and short-term funds	1,628,091	1,254,962
Debt instrument at FVOCI (Note 5)	1,395,441	1,355,973
Debt instrument at FVTPL	-	100,927
Debt instrument at AC	934,754	519,035
Loans, advances and financing (Note 8)	8,794,555	8,303,583
Other receivables and rental receivables (Note 9)	21,865	21,432
	<u>12,774,706</u>	<u>11,555,912</u>
<b>Off balance sheet:</b>		
Commitments and contingencies (Note 34 (i))	2,238,960	2,174,434
	<u>15,013,666</u>	<u>13,730,346</u>
	<b>Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>On balance sheet:</b>		
Cash and short-term funds	1,626,827	1,246,606
Debt instrument at FVOCI (Note 5)	1,395,441	1,355,973
Debt instrument at FVTPL	-	100,927
Debt instrument at AC	934,754	519,035
Loans, advances and financing (Note 8)	8,424,464	7,909,768
Amount due from subsidiaries, other receivables and rental receivables (Note 9)	352,280	376,215
	<u>12,733,766</u>	<u>11,508,524</u>
<b>Off balance sheet:</b>		
Commitments and contingencies (Note 34 (i))	2,238,960	2,174,434
	<u>14,972,726</u>	<u>13,682,958</u>

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

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

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

**(a) Credit risk (cont'd.)**

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

<b>Group 31 December 2022</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>Risk rating category</b>				
Highest safety*	3,201,691	126,881	-	3,328,572
Moderate safety**	3,013,764	375,845	-	3,389,609
High risk***	479,639	94,414	-	574,053
Non-rated	16,669	942	-	17,611
Impaired	-	-	1,484,710	1,484,710
	<u>6,711,763</u>	<u>598,082</u>	<u>1,484,710</u>	<u>8,794,555</u>
<b>Group 31 December 2021</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>Risk rating category</b>				
Highest safety*	2,816,942	110,335	-	2,927,277
Moderate safety**	3,029,189	151,510	-	3,180,699
High risk***	584,464	64,616	-	649,080
Non-rated	19,681	341	-	20,022
Impaired	-	-	1,526,505	1,526,505
	<u>6,450,276</u>	<u>326,802</u>	<u>1,526,505</u>	<u>8,303,583</u>

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

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

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

**(a) Credit risk (cont'd.)**

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

<b>Bank 31 December 2022</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>Risk rating category</b>				
Highest safety*	3,201,691	126,881	-	3,328,572
Moderate safety**	3,013,764	375,845	-	3,389,609
High risk***	479,639	94,414	-	574,053
Non-rated	16,669	942	-	17,611
Impaired	-	-	1,114,619	1,114,619
	<b>6,711,763</b>	<b>598,082</b>	<b>1,114,619</b>	<b>8,424,464</b>
<hr/>				
<b>Bank 31 December 2021</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>Risk rating category</b>				
Highest safety*	2,816,942	110,335	-	2,927,277
Moderate safety**	3,029,189	151,510	-	3,180,699
High risk***	584,464	64,616	-	649,080
Non-rated	19,681	341	-	20,022
Impaired	-	-	1,132,690	1,132,690
	<b>6,450,276</b>	<b>326,802</b>	<b>1,132,690</b>	<b>7,909,768</b>

\* Strong capacity to meet financial commitments

\*\* Moderate capacity to meet financial commitments

\*\*\* Poor credit quality and high risk of default

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

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

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

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

**(a) Credit risk (cont'd.)**

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

<b>Group</b>	<b>Short-term funds and placements with financial institutions RM'000</b>	<b>Debt instrument at FVOCI RM'000</b>	<b>Debt instrument at AC RM'000</b>	<b>Loans, advances and financing RM'000</b>	<b>Other assets RM'000</b>	<b>Total RM'000</b>	<b>Commitments and contingencies RM'000</b>
<b>31 December 2022</b>							
Government	-	1,059,078	199,429	-	-	1,258,507	-
Construction	-	-	-	1,448,561	-	1,448,561	-
Education, health and others	-	-	-	637,094	-	637,094	-
Electricity, gas and water supply	-	-	-	162,564	-	162,564	-
Financial, insurance/takaful, real estate and business services	1,628,091	336,363	735,325	1,143,111	-	3,842,890	-
Manufacturing	-	-	-	1,623,674	-	1,623,674	-
Mining and quarrying	-	-	-	113,441	-	113,441	-
Primary agriculture	-	-	-	7,432	-	7,432	-
Transportation, storage and communication	-	-	-	1,099,517	-	1,099,517	-
Wholesale, retail trade, restaurants and hotels	-	-	-	2,548,170	-	2,548,170	-
Others	-	-	-	10,991	21,865	32,856	2,238,960
<b>Gross total</b>	<b>1,628,091</b>	<b>1,395,441</b>	<b>934,754</b>	<b>8,794,555</b>	<b>21,865</b>	<b>12,774,706</b>	<b>2,238,960</b>

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

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

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

**(a) Credit risk (cont'd.)**

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

<b>Group</b>	<b>Short-term funds and placements with financial institutions RM'000</b>	<b>Debt instrument at FVOCI RM'000</b>	<b>Debt instrument at FVTPL RM'000</b>	<b>Debt instrument at AC RM'000</b>	<b>Loans, advances and financing RM'000</b>	<b>Other assets RM'000</b>	<b>Total RM'000</b>	<b>Commitments and contingencies RM'000</b>
<b>31 December 2021</b>								
Government	-	892,606	41,102	50,905	-	-	984,613	-
Construction	-	-	-	-	1,377,290	-	1,377,290	-
Education, health and others	-	-	-	-	655,163	-	655,163	-
Electricity, gas and water supply	-	-	-	-	166,680	-	166,680	-
Financial, insurance/takaful, real estate and business services	1,254,962	463,367	59,825	468,130	1,107,202	-	3,353,486	-
Manufacturing	-	-	-	-	1,420,443	-	1,420,443	-
Mining and quarrying	-	-	-	-	143,895	-	143,895	-
Primary agriculture	-	-	-	-	8,089	-	8,089	-
Transportation, storage and communication	-	-	-	-	1,006,740	-	1,006,740	-
Wholesale, retail trade, restaurants and hotels	-	-	-	-	2,406,093	-	2,406,093	-
Others	-	-	-	-	11,988	21,432	33,420	2,174,434
<b>Gross total</b>	<b>1,254,962</b>	<b>1,355,973</b>	<b>100,927</b>	<b>519,035</b>	<b>8,303,583</b>	<b>21,432</b>	<b>11,555,912</b>	<b>2,174,434</b>

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

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

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

**(a) Credit risk (cont'd.)**

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

<b>Bank</b>	<b>Short-term funds and placements with financial institutions RM'000</b>	<b>Debt instrument at FVOCI RM'000</b>	<b>Debt instrument at AC RM'000</b>	<b>Loans, advances and financing RM'000</b>	<b>Other assets RM'000</b>	<b>Total RM'000</b>	<b>Commitments and contingencies RM'000</b>
<b>31 December 2022</b>							
Government	-	1,059,078	199,429	-	-	1,258,507	-
Construction	-	-	-	1,445,737	-	1,445,737	-
Education, health and others	-	-	-	593,221	-	593,221	-
Electricity, gas and water supply	-	-	-	162,564	-	162,564	-
Financial, insurance/takaful, real estate and business services	1,626,827	336,363	735,325	1,140,395	277,473	4,116,383	-
Manufacturing	-	-	-	1,555,435	-	1,555,435	-
Mining and quarrying	-	-	-	111,445	-	111,445	-
Primary agriculture	-	-	-	7,163	-	7,163	-
Transportation, storage and communication	-	-	-	1,061,215	-	1,061,215	-
Wholesale, retail trade, restaurants and hotels	-	-	-	2,336,298	-	2,336,298	-
Others	-	-	-	10,991	74,807	85,798	2,238,960
<b>Gross total</b>	<b>1,626,827</b>	<b>1,395,441</b>	<b>934,754</b>	<b>8,424,464</b>	<b>352,280</b>	<b>12,733,766</b>	<b>2,238,960</b>

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

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

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

**(a) Credit risk (cont'd.)**

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

<b>Bank</b>	<b>Short-term funds and placements with financial institutions RM'000</b>	<b>Debt instrument at FVOCI RM'000</b>	<b>Debt instrument at FVTPL RM'000</b>	<b>Debt instrument at AC RM'000</b>	<b>Loans, advances and financing RM'000</b>	<b>Other assets RM'000</b>	<b>Total RM'000</b>	<b>Commitments and contingencies RM'000</b>
<b>31 December 2021</b>								
Government	-	892,606	41,102	50,905	-	-	984,613	-
Construction	-	-	-	-	1,374,467	-	1,374,467	-
Education, health and others	-	-	-	-	610,181	-	610,181	-
Electricity, gas and water supply	-	-	-	-	166,680	-	166,680	-
Financial, insurance/takaful, real estate and business services	1,246,606	463,367	59,825	468,130	1,104,443	307,877	3,650,248	-
Manufacturing	-	-	-	-	1,348,757	-	1,348,757	-
Mining and quarrying	-	-	-	-	141,899	-	141,899	-
Primary agriculture	-	-	-	-	7,827	-	7,827	-
Transportation, storage and communication	-	-	-	-	967,553	-	967,553	-
Wholesale, retail trade, restaurants and hotels	-	-	-	-	2,175,973	-	2,175,973	-
Others	-	-	-	-	11,988	68,338	80,326	2,174,434
<b>Gross total</b>	<b>1,246,606</b>	<b>1,355,973</b>	<b>100,927</b>	<b>519,035</b>	<b>7,909,768</b>	<b>376,215</b>	<b>11,508,524</b>	<b>2,174,434</b>

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

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

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

**(a) Credit risk (cont'd.)**

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

<b>Group As at 31 December 2022</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
Short-term funds and placements				
with financial institutions	1,628,091	-	-	1,628,091
Debt instrument at FVOCI	1,359,407	26,034	10,000	1,395,441
Debt instrument at AC	934,754	-	-	934,754
Loans, advances and financing:				
Term loans/financing				
- Hire purchase	300,981	19,214	70,846	391,041
- Leasing	-	-	345	345
- Other term loans/financing	4,671,826	515,596	1,213,672	6,401,094
Revolving loans/financing	1,727,965	63,272	199,847	1,991,084
Staff loans/financing	10,991	-	-	10,991
Other assets	11,018	-	10,847	21,865
	<b>10,645,033</b>	<b>624,116</b>	<b>1,505,557</b>	<b>12,774,706</b>
<b>As at 31 December 2021</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
Short-term funds and placements				
with financial institutions	1,254,962	-	-	1,254,962
Debt instrument at FVOCI	1,331,224	14,749	10,000	1,355,973
Debt instrument at FVTPL	100,927	-	-	100,927
Debt instrument at AC	519,035	-	-	519,035
Loans, advances and financing:				
Term loans/financing				
- Hire purchase	293,969	13,037	86,895	393,901
- Leasing	-	-	342	342
- Other term loans/financing	4,428,607	297,851	1,261,286	5,987,744
Revolving loans/financing	1,715,010	15,121	179,477	1,909,608
Staff loans/financing	11,988	-	-	11,988
Other assets	12,278	-	9,154	21,432
	<b>9,668,000</b>	<b>340,758</b>	<b>1,547,154</b>	<b>11,555,912</b>



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

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

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

**(a) Credit risk (cont'd.)**

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

<b>Bank As at 31 December 2022</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
Short-term funds and placements				
with financial institutions	1,626,827	-	-	1,626,827
Debt instrument at FVOCI	1,359,407	26,034	10,000	1,395,441
Debt instrument at AC	934,754	-	-	934,754
Loans, advances and financing:				
Term loans/financing				
- Hire purchase	300,981	19,214	35,365	355,560
- Other term loans/financing	4,671,826	515,596	899,393	6,086,815
Revolving loans/financing	1,727,965	63,272	179,861	1,971,098
Staff loans/financing	10,991	-	-	10,991
Other assets	63,960	-	288,320	352,280
	<b>10,696,711</b>	<b>624,116</b>	<b>1,412,939</b>	<b>12,733,766</b>
<b>As at 31 December 2021</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
Short-term funds and placements				
with financial institutions	1,246,606	-	-	1,246,606
Debt instrument at FVOCI	1,331,224	14,749	10,000	1,355,973
Debt instrument at FVTPL	100,927	-	-	100,927
Debt instrument at AC	519,035	-	-	519,035
Loans, advances and financing:				
Term loans/financing				
- Hire purchase	293,969	13,037	50,577	357,583
- Other term loans/financing	4,428,607	297,851	925,708	5,652,166
Revolving loans/financing	1,715,010	15,121	157,900	1,888,031
Staff loans/financing	11,988	-	-	11,988
Other assets	59,184	-	317,031	376,215
	<b>9,706,550</b>	<b>340,758</b>	<b>1,461,216</b>	<b>11,508,524</b>

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

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

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

**(a) Credit risk (cont'd.)**

**(v) Collateral and credit enhancement**

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

The main types of collateral and credit enhancement obtained are charges over real estate properties, vehicles, plant and machinery, shares and guarantees.

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

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

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

The Group and the Bank will only accept high quality collateral by considering its marketability, measurability, stability, transferability, speed in realising the collateral value, enforceability and free from encumbrances. The estimated fair value of collaterals over gross loans/financing held by the Group and the Bank for respective industry sector are as follows:

<b>Group</b>	<b>Gross loans, advances and financing RM'000</b>	<b>Estimated fair value of collateral (%)</b>
<b>31 December 2022</b>		
Construction	1,448,561	66.06
Education, health and others	637,094	75.83
Electricity, gas and water supply	162,564	52.26
Financial, insurance/takaful, real estate and business services	1,143,111	71.21
Manufacturing	1,623,674	65.33
Mining and quarrying	113,441	86.74
Primary agriculture	7,432	85.42
Transportation, storage and communication	1,099,517	66.55
Wholesale, retail trade, restaurants and hotels	2,548,170	80.55
Others	10,991	-
	<u>8,794,555</u>	

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

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

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

**(a) Credit risk (cont'd.)**

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

<b>Group</b>	<b>Gross loans, advances and financing RM'000</b>	<b>Estimated fair value of collateral (%)</b>
<b>31 December 2021</b>		
Construction	1,377,290	61.7
Education, health and others	655,163	75.2
Electricity, gas and water supply	166,680	38.0
Financial, insurance/takaful, real estate and business services	1,107,202	72.4
Manufacturing	1,420,443	64.6
Mining and quarrying	143,895	72.6
Primary agriculture	8,089	79.9
Transportation, storage and communication	1,006,740	72.0
Wholesale, retail trade, restaurants and hotels	2,406,093	76.6
Others	11,988	-
	<u>8,303,583</u>	
<b>Bank</b>	<b>Gross loans, advances and financing RM'000</b>	<b>Estimated fair value of collateral (%)</b>
<b>31 December 2022</b>		
Construction	1,445,737	66.2
Education, health and others	593,221	81.1
Electricity, gas and water supply	162,564	52.3
Financial, insurance/takaful, real estate and business services	1,140,395	71.3
Manufacturing	1,555,435	68.1
Mining and quarrying	111,445	88.3
Primary agriculture	7,163	88.6
Transportation, storage and communication	1,061,215	69.0
Wholesale, retail trade, restaurants and hotels	2,336,298	84.0
Others	10,991	-
	<u>8,424,464</u>	

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

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

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

**(a) Credit risk (cont'd.)**

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

<b>Bank</b>	<b>Gross loans, advances and financing RM'000</b>	<b>Estimated fair value of collateral (%)</b>
<b>31 December 2021</b>		
Construction	1,374,467	61.8
Education, health and others	610,181	80.2
Electricity, gas and water supply	166,680	38.0
Financial, insurance/takaful, real estate and business services	1,104,443	72.5
Manufacturing	1,348,757	67.9
Mining and quarrying	141,899	73.6
Primary agriculture	7,827	82.6
Transportation, storage and communication	967,553	74.7
Wholesale, retail trade, restaurants and hotels	2,175,973	79.3
Others	11,988	-
	<u>7,909,768</u>	

**(vii) Restructured loans/financing**

Restructured loans/financing refer to the financial assets that would otherwise be past due or impaired, where there is fundamental revision in the principal terms and conditions of the facility. Restructuring is considered when the customer's business is still viable and is expected to remain viable after the restructuring. Total gross restructured loans/financing held by the Group and the Bank at the end of the reporting period stood at RM4,367 million (2021: RM5,016 million).

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

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

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

**(a) Credit risk (cont'd.)**

**(viii) Credit quality for treasury credit risk exposures**

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

**Group and Bank**

**Financial investments:**

	<b>Rating agency</b>	<b>Credit rating</b>	<b>Nominal value 2022 RM'000</b>	<b>Nominal value 2021 RM'000</b>
Corporate sukuk	RAM	AAA	310,000	200,000
Corporate sukuk	MARC	AAA	85,000	95,000
Corporate sukuk	RAM	AA1	110,000	130,000
Corporate sukuk	RAM	AA2	75,000	45,000
Corporate sukuk	RAM	AA3	100,000	110,000
Corporate sukuk	RAM	A2	25,709	25,000
Corporate sukuk	MARC	AA-	60,000	20,000
Corporate sukuk	MARC	AA	5,000	5,000
Corporate sukuk	RAM	D	10,000	10,000
Malaysian Government				
Investment Issues	Not applicable	Not applicable	1,250,000	960,000
Government Guarantee sukuk	Not applicable	Not applicable	185,000	180,000
Commercial papers	RAM	P1	40,000	60,000
Commercial papers	MARC	-1	25,000	34,000
Non-rated			30,000	70,000
<b>Total</b>			<b>2,310,709</b>	<b>1,944,000</b>

**Deposits and placements with banks and other financial institutions:**

<b>Rating for counterparty</b>	<b>Total principal outstanding 2022 RM'000</b>	<b>Total principal outstanding 2021 RM'000</b>
AAA	394,800	400,200
AA	895,500	530,000
A	270,000	70,000
Non-rated	15,000	150,000
<b>Total</b>	<b>1,575,300</b>	<b>1,150,200</b>

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

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

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

**(a) Credit risk (cont'd.)**

**(ix) Impairment assessment**

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

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

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

**Restructure and Reschedule**

It is the Group's and the Bank's policy to consider a financial instrument as 'cured' and, therefore, re-classified out of Stage 3 when there are sufficient cash inflows. The 'cured' rate for Restructure and Reschedule financial instruments is measured through 6 months continuous adherence to the revised payment schedule.

**Probability of Default ("PD") estimation**

The PD model was devised on non-rating based measure which is MIA. Financing, Undisbursed Commitments ("UDC") and Trade Finance share similar PD model which was developed via statistical method. Marginal PD is assigned to accounts with significant increase in credit risk/Stage 2.

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

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

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

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

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

**(a) Credit risk (cont'd.)**

**(x) Commitment and guarantees**

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

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Financial guarantees, Corporate Guarantee Schemes, Letters of Credit and others	178,521	231,283
Performance guarantees	167,106	160,555
Undisbursed commitments	1,893,333	1,782,596
	<u>2,238,960</u>	<u>2,174,434</u>

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

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

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

**(b) Market risk**

**Market Risk Governance**

The management of market risk is principally carried out by using sets of policies and guidelines recommended by the Management through CRMC and Board via BRMC respectively, guided by the Board approved Risk Appetite Statement ("RAS"). The RAS is established and reviewed consistently that governed the Market Risk are includes New Liquidity Framework ("NLF"), Earning at Risk ("EaR") and Economic Value Equity ("EVE").

**Management of market risk**

The objective is to manage market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Group's and the Bank's approved risk appetite. The management of market risk is guided by comprehensive limits, policies and guidelines which are periodically reviewed. The Liquidity & Market Risk is the independent risk control function that is responsible for the developing and reviewing the Group's and the Bank's market risk management guidelines and policies, monitoring tools, behavioural assumptions and limit setting methodologies.

**(i) Interest/Profit rate risk**

Interest/Profit rate risk is the impact to earnings and economic value of the Group and the Bank due to fluctuations in benchmark interest/profit rate.

Interest/Profit rate exposure arises from differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest/profit rate risk management process which is conducted in accordance with the Group's and the Bank's policies as approved by the Board.

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

The table below shows the Group's and the Bank's interest/profit income sensitivity based on possible parallel shift in interest/profit rate.

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>Impact on variable rate loans, advances and financing</b>				
+ 50 basis points	26,208	27,695	25,684	27,164
- 50 basis points	(26,208)	(27,695)	(25,684)	(27,164)



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

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

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

**(b) Market risk (cont'd.)**

**(i) Interest/profit rate risk (cont'd.)**

The following table indicates the EIR/EPR at the end of the reporting period and the Group's and the Bank's sensitivity to the interest/profit rate of return by time band based on the earlier of contractual repricing date and maturity date.

Group	←----- Non-trading book ----->						Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Weighted average effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000					
<b>31 December 2022</b>										
<b>Assets</b>										
Cash and short-term funds	1,507,280	70,040	-	-	-	50,771	-	1,628,091	3.37	
Debt instrument at FVOCI	36,033	5,070	307,196	822,293	224,849	-	-	1,395,441	3.89	
Equity instrument at FVOCI	-	-	-	-	-	40,680	-	40,680	9.75	
Debt instrument at AC	-	25,465	391,141	477,746	40,401	-	-	934,753	3.78	
Loans, advances and financing										
- non-credit impaired	259,202	544,802	632,434	1,785,888	4,087,519	-	-	7,309,845	7.34	
- credit impaired*	-	-	-	-	-	529,024	-	529,024	-	
Other assets (Note 9)	-	-	-	-	-	11,925	-	11,925	-	
<b>Total assets</b>	<b>1,802,515</b>	<b>645,377</b>	<b>1,330,771</b>	<b>3,085,927</b>	<b>4,352,769</b>	<b>632,400</b>	<b>-</b>	<b>11,849,759</b>		

\* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 from the outstanding gross impaired loans, advances and financing.

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

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

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

## (b) Market risk (cont'd.)

## (i) Interest/profit rate risk (cont'd.)

Group	←----- Non-trading book ----->						Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Weighted average effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000					
<b>31 December 2022 (cont'd.)</b>										
<b>Liabilities</b>										
Deposits from customers	2,416,429	1,381,506	705,974	-	-	-	-	4,503,909	3.28	
Deposits from banks and other financial institutions	100,135	50,073	-	-	-	-	-	150,208	2.98	
Islamic medium-term notes/ commercial papers	379,348	140,049	2,900	2,100,000	-	-	-	2,622,297	3.56	
Borrowings/Fundings	1,835	16,527	25,639	911,363	994,109	-	-	1,949,473	0.89	
Lease liabilities (Note 21)	286	571	2,415	11,330	535	-	-	15,137	3.10	
Other liabilities (Note 22)	-	-	-	-	-	972,593	-	972,593	-	
<b>Total liabilities</b>	<b>2,898,033</b>	<b>1,588,726</b>	<b>736,928</b>	<b>3,022,693</b>	<b>994,644</b>	<b>972,593</b>	<b>-</b>	<b>10,213,617</b>		
On-balance sheet interest/ profit sensitivity gap	(1,095,518)	(943,349)	593,843	63,234	3,358,125	(340,193)	-			
Off-balance sheet interest/ profit sensitivity gap	-	-	-	-	-	(2,255,710)	-			
<b>Total interest/profit sensitivity gap</b>	<b>(1,095,518)</b>	<b>(943,349)</b>	<b>593,843</b>	<b>63,234</b>	<b>3,358,125</b>	<b>(2,595,903)</b>	<b>-</b>			

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

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

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

## (b) Market risk (cont'd.)

## (i) Interest/profit rate risk (cont'd.)

Group	←----- Non-trading book ----->						Non- interest/ profit sensitive	Trading book	Total	Weighted average effective interest/ profit rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	RM'000				
31 December 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Assets</b>										
Cash and short-term funds	1,141,128	10,002	-	-	-	103,832	-	-	1,254,962	1.87
Debt instrument at FVOCI	-	-	329,531	759,895	266,547	-	-	-	1,355,973	3.99
Equity instrument at FVOCI	-	-	-	-	-	40,764	-	-	40,764	8.75
Debt instrument at FVTPL	-	-	-	-	-	-	100,927	100,927	100,927	2.74
Debt instrument at AC	71,434	33,834	297,245	75,845	40,399	-	-	-	518,757	3.80
Loans, advances and financing										
- non-credit impaired	148,182	444,938	575,171	1,687,097	3,921,690	-	-	-	6,777,078	6.73
- credit impaired*	-	-	-	-	-	646,373	-	-	646,373	-
Other assets (Note 9)	-	-	-	-	-	12,996	-	-	12,996	-
<b>Total assets</b>	<b>1,360,744</b>	<b>488,774</b>	<b>1,201,947</b>	<b>2,522,837</b>	<b>4,228,636</b>	<b>803,965</b>	<b>100,927</b>	<b>10,707,830</b>		

\* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 from the outstanding gross impaired loans, advances and financing.

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

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

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

## (b) Market risk (cont'd.)

## (i) Interest/profit rate risk (cont'd.)

Group	←----- Non-trading book ----->						Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Weighted average effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000					
31 December 2021 (cont'd.)										
<b>Liabilities</b>										
Deposits from customers	1,319,309	1,601,180	822,314	-	-	-	-	3,742,803	2.04	
Deposits from banks and other financial institutions	50,085	-	-	-	-	-	-	50,085	1.87	
Islamic medium-term notes/ commercial papers	-	368,392	553,534	1,350,000	250,000	-	-	2,521,926	3.53	
Borrowings/Fundings	651	17,720	470,037	729,824	522,877	-	-	1,741,109	1.02	
Lease liabilities (Note 21)	283	566	2,614	10,129	603	-	-	14,195	3.22	
Other liabilities (Note 22)	-	-	-	-	-	1,094,208	-	1,094,208	-	
<b>Total liabilities</b>	<b>1,370,328</b>	<b>1,987,858</b>	<b>1,848,499</b>	<b>2,089,953</b>	<b>773,480</b>	<b>1,094,208</b>	<b>-</b>	<b>9,164,326</b>		
On-balance sheet interest/ profit sensitivity gap	(9,584)	(1,499,084)	(646,552)	432,884	3,455,156	(290,243)	100,927			
Off-balance sheet interest/ profit sensitivity gap	-	-	-	-	-	(2,180,552)	-			
<b>Total interest/profit sensitivity gap</b>	<b>(9,584)</b>	<b>(1,499,084)</b>	<b>(646,552)</b>	<b>432,884</b>	<b>3,455,156</b>	<b>(2,470,795)</b>	<b>100,927</b>			

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

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

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

## (b) Market risk (cont'd.)

## (i) Interest/profit rate risk (cont'd.)

Bank 31 December 2022	←----- Non-trading book ----->						Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Weighted average effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000					
<b>Assets</b>										
Cash and short-term funds	1,507,280	70,040	-	-	-	49,507	-	1,626,827	3.37	
Debt instrument at FVOCI	36,033	5,070	307,196	822,293	224,849	-	-	1,395,441	3.89	
Equity instrument at FVOCI	-	-	-	-	-	40,680	-	40,680	9.75	
Debt instrument at AC	-	25,465	391,141	477,746	40,401	-	-	934,753	3.78	
Loans, advances and financing										
- non-credit impaired	259,202	544,802	632,434	1,785,888	4,087,519	-	-	7,309,845	7.34	
- credit impaired*	-	-	-	-	-	529,024	-	529,024	-	
Other assets (Note 9)	43,751	-	-	-	-	64,867	-	108,618	-	
<b>Total assets</b>	<b>1,846,266</b>	<b>645,377</b>	<b>1,330,771</b>	<b>3,085,927</b>	<b>4,352,769</b>	<b>684,078</b>	<b>-</b>	<b>11,945,188</b>		

\* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 from the outstanding gross impaired loans, advances and financing.

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

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

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

## (b) Market risk (cont'd.)

## (i) Interest/profit rate risk (cont'd.)

Bank 31 December 2022 (cont'd.)	←----- Non-trading book ----->						Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Weighted average effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000					
<b>Liabilities</b>										
Deposits from customers	2,463,308	1,384,513	705,974	-	-	-	-	4,553,795	3.28	
Deposits from banks and other financial institutions	100,135	50,073	-	-	-	-	-	150,208	2.98	
Islamic medium-term notes/ commercial papers	379,348	140,049	2,900	2,100,000	-	-	-	2,622,297	3.56	
Borrowings/Fundings	1,835	16,527	25,639	911,363	994,109	-	-	1,949,473	0.89	
Lease liabilities (Note 21)	286	571	2,415	11,330	535	-	-	15,137	3.10	
Other liabilities (Note 22)	-	-	-	-	-	1,007,091	-	1,007,091	-	
<b>Total liabilities</b>	<b>2,944,912</b>	<b>1,591,733</b>	<b>736,928</b>	<b>3,022,693</b>	<b>994,644</b>	<b>1,007,091</b>	<b>-</b>	<b>10,298,001</b>		
On-balance sheet interest/ profit sensitivity gap	(1,098,646)	(946,356)	593,843	63,234	3,358,125	(323,013)	-			
Off-balance sheet interest/ profit sensitivity gap	-	-	-	-	-	(2,255,710)	-			
<b>Total interest/profit sensitivity gap</b>	<b>(1,098,646)</b>	<b>(946,356)</b>	<b>593,843</b>	<b>63,234</b>	<b>3,358,125</b>	<b>(2,578,723)</b>	<b>-</b>			

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

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

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

## (b) Market risk (cont'd.)

## (i) Interest/profit rate risk (cont'd.)

Bank 31 December 2021	←----- Non-trading book ----->						Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Weighted average effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000					
<b>Assets</b>										
Cash and short-term funds	1,141,128	10,002	-	-	-	95,476	-	1,246,606	1.87	
Debt instrument at FVOCI	-	-	329,531	759,895	266,547	-	-	1,355,973	3.99	
Equity instrument at FVOCI	-	-	-	-	-	40,764	-	40,764	8.75	
Debt instrument at FVTPL	-	-	-	-	-	-	100,927	100,927	2.74	
Debt instrument at AC	71,434	33,834	297,245	75,845	40,399	-	-	518,757	3.80	
Loans, advances and financing								-		
- non-credit impaired	148,182	444,938	575,171	1,687,097	3,921,690	-	-	6,777,078	6.73	
- credit impaired*	-	-	-	-	-	646,373	-	646,373	-	
Other assets (Note 9)	39,000	-	-	-	-	59,902	-	98,902	-	
<b>Total assets</b>	<b>1,399,744</b>	<b>488,774</b>	<b>1,201,947</b>	<b>2,522,837</b>	<b>4,228,636</b>	<b>842,515</b>	<b>100,927</b>	<b>10,785,380</b>		

\* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 from the outstanding gross impaired loans, advances and financing.

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

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

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

## (b) Market risk (cont'd.)

## (i) Interest/profit rate risk (cont'd.)

Bank 31 December 2021 (cont'd.)	←----- Non-trading book ----->						Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Weighted average effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000					
<b>Liabilities</b>										
Deposits from customers	1,352,950	1,601,180	822,314	-	-	-	-	3,776,444	2.04	
Deposits from banks and other financial institutions	50,085	-	-	-	-	-	-	50,085	1.87	
Islamic medium-term notes/ commercial papers	-	368,392	553,534	1,350,000	250,000	-	-	2,521,926	3.53	
Borrowings/Fundings	651	17,720	470,037	729,824	522,877	-	-	1,741,109	1.02	
Lease liabilities (Note 21)	283	566	2,614	10,129	603	-	-	14,195	3.22	
Other liabilities (Note 22)	-	-	-	-	-	1,122,703	-	1,122,703	-	
<b>Total liabilities</b>	<b>1,403,969</b>	<b>1,987,858</b>	<b>1,848,499</b>	<b>2,089,953</b>	<b>773,480</b>	<b>1,122,703</b>	<b>-</b>	<b>9,226,462</b>		
On-balance sheet interest/ profit sensitivity gap	(4,225)	(1,499,084)	(646,552)	432,884	3,455,156	(280,188)	100,927			
Off-balance sheet interest/ profit sensitivity gap	-	-	-	-	-	(2,180,552)	-			
<b>Total interest/profit sensitivity gap</b>	<b>(4,225)</b>	<b>(1,499,084)</b>	<b>(646,552)</b>	<b>432,884</b>	<b>3,455,156</b>	<b>(2,460,740)</b>	<b>100,927</b>			



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

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

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

**(c) Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its current and future payment obligations associated with financial obligations when they fall due. The liquidity and cash flow risks are managed by maintaining a diversity of funding sources and spreading debt payments over a range of maturities.

The Group and the Bank manage their liquidity requirements on a day-to-day basis to ensure that funds are readily available for operational needs, withdrawals of deposits and payments to fund providers. The Group and the Bank may raise funds locally through government borrowings/fundings, securities/debt issuance or direct negotiations.

**(i) Maturity analysis of assets and liabilities based on remaining contractual maturity**

<b>Group 31 December 2022</b>	<b>Up to 1 months RM'000</b>	<b>&gt;1 - 3 months RM'000</b>	<b>&gt;3 - 12 months RM'000</b>	<b>&gt;1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
Cash and short-term funds	1,558,051	70,040	-	-	-	-	1,628,091
Debt instrument at FVOCI	36,033	5,070	307,196	822,293	224,849	-	1,395,441
Equity instrument at FVOCI	-	-	-	-	-	40,680	40,680
Debt instrument at AC	-	25,465	391,141	477,746	40,401	-	934,753
Loans, advances and financing	403,992	545,673	642,017	1,904,627	4,342,560	-	7,838,869
Other assets (Note 9)	-	-	-	-	-	11,925	11,925
<b>Total assets</b>	<b>1,998,076</b>	<b>646,248</b>	<b>1,340,354</b>	<b>3,204,666</b>	<b>4,607,810</b>	<b>52,605</b>	<b>11,849,759</b>

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

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

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

## (c) Liquidity risk (cont'd.)

## (i) Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd.)

Group 31 December 2022 (cont'd.)	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
<b>Liabilities</b>							
Deposits from customers	2,416,429	1,381,506	705,974	-	-	-	4,503,909
Deposits from banks and other financial institutions	100,135	50,073	-	-	-	-	150,208
Islamic medium-term notes/ commercial papers	379,348	140,049	2,900	2,100,000	-	-	2,622,297
Borrowings/Fundings	1,835	16,527	25,639	911,363	994,109	-	1,949,473
Lease liabilities	286	571	2,415	11,330	535	-	15,137
Other liabilities (Note 22)	-	-	-	-	-	972,593	972,593
<b>Total liabilities</b>	<b>2,898,033</b>	<b>1,588,726</b>	<b>736,928</b>	<b>3,022,693</b>	<b>994,644</b>	<b>972,593</b>	<b>10,213,617</b>
<b>Net maturity mismatches</b>	<b>(899,957)</b>	<b>(942,478)</b>	<b>603,426</b>	<b>181,973</b>	<b>3,613,166</b>	<b>(919,988)</b>	<b>1,636,142</b>
<b>Commitments and contingencies</b>							
Financial guarantees	7,394	-	3,987	197,317	122,559	-	331,257
Letters of credit	3,226	2,246	8,898	-	-	-	14,370
Undisbursed loans/financing	13,695	16,271	194,444	680,313	888,956	99,654	1,893,333
	<b>24,315</b>	<b>18,517</b>	<b>207,329</b>	<b>877,630</b>	<b>1,011,515</b>	<b>99,654</b>	<b>2,238,960</b>

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

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

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

**(c) Liquidity risk (cont'd.)**

**(i) Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd.)**

<b>Group 31 December 2021</b>	<b>Up to 1 month</b>	<b>&gt;1 - 3 months</b>	<b>&gt;3 - 12 months</b>	<b>&gt;1 - 5 years</b>	<b>Over 5 years</b>	<b>Non-specific maturity</b>	<b>Total</b>
<b>Assets</b>							
Cash and short-term funds	1,244,960	10,002	-	-	-	-	1,254,962
Debt instrument at FVOCI	-	-	329,531	759,895	266,547	-	1,355,973
Equity instrument at FVOCI	-	-	-	-	-	40,764	40,764
Debt instrument at FVTPL	-	-	-	-	-	100,927	100,927
Debt instrument at AC	71,434	33,834	297,245	75,845	40,399	-	518,757
Loans, advances and financing	319,293	447,084	595,474	1,812,560	4,249,040	-	7,423,451
Other assets (Note 9)	-	-	-	-	-	12,996	12,996
<b>Total assets</b>	<b>1,635,687</b>	<b>490,920</b>	<b>1,222,250</b>	<b>2,648,300</b>	<b>4,555,986</b>	<b>154,687</b>	<b>10,707,830</b>
<b>Liabilities</b>							
Deposits from customers	1,319,309	1,601,180	822,314	-	-	-	3,742,803
Deposits from banks and other financial institutions	50,085	-	-	-	-	-	50,085
Islamic medium-term notes/ commercial papers	-	368,392	553,534	1,350,000	250,000	-	2,521,926
Borrowings/Fundings	651	17,720	470,037	729,824	522,877	-	1,741,109
Lease liabilities	283	566	2,614	10,129	603	-	14,195
Other liabilities (Note 22)	-	-	-	-	-	1,094,208	1,094,208
<b>Total liabilities</b>	<b>1,370,328</b>	<b>1,987,858</b>	<b>1,848,499</b>	<b>2,089,953</b>	<b>773,480</b>	<b>1,094,208</b>	<b>9,164,326</b>
<b>Net maturity mismatches</b>	<b>265,359</b>	<b>(1,496,938)</b>	<b>(626,249)</b>	<b>558,347</b>	<b>3,782,506</b>	<b>(939,521)</b>	<b>1,543,504</b>
<b>Commitments and contingencies</b>							
Financial guarantees	32,819	35,033	91,385	169,087	7,199	-	335,523
Letters of credit	11,124	9,238	35,953	-	-	-	56,315
Undisbursed loans/financing	175,813	246,404	317,018	189,491	157,469	696,401	1,782,596
	<b>219,756</b>	<b>290,675</b>	<b>444,356</b>	<b>358,578</b>	<b>164,668</b>	<b>696,401</b>	<b>2,174,434</b>

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

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

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

**(c) Liquidity risk (cont'd.)**

**(i) Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd.)**

<b>Bank 31 December 2022</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1 - 3 months RM'000</b>	<b>&gt;3 - 12 months RM'000</b>	<b>&gt;1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
Cash and short-term funds	1,556,787	70,040	-	-	-	-	1,626,827
Debt instrument at FVOCI	36,033	5,070	307,196	822,293	224,849	-	1,395,441
Equity instrument at FVOCI	-	-	-	-	-	40,680	40,680
Debt instrument at AC	-	25,465	391,141	477,746	40,401	-	934,753
Loans, advances and financing	403,992	545,673	642,017	1,904,627	4,342,560	-	7,838,869
Other assets (Note 9)	43,751	-	-	-	-	64,867	108,618
<b>Total assets</b>	<b>2,040,563</b>	<b>646,248</b>	<b>1,340,354</b>	<b>3,204,666</b>	<b>4,607,810</b>	<b>105,547</b>	<b>11,945,188</b>
<b>Liabilities</b>							
Deposits from customers	2,463,308	1,384,513	705,974	-	-	-	4,553,795
Deposits from banks and other financial institutions	100,135	50,073	-	-	-	-	150,208
Islamic medium-term notes/ commercial papers	379,348	140,049	2,900	2,100,000	-	-	2,622,297
Borrowings/Fundings	1,835	16,527	25,639	911,363	994,109	-	1,949,473
Lease liabilities	286	571	2,415	11,330	535	-	15,137
Other liabilities (Note 22)	-	-	-	-	-	1,007,091	1,007,091
<b>Total liabilities</b>	<b>2,944,912</b>	<b>1,591,733</b>	<b>736,928</b>	<b>3,022,693</b>	<b>994,644</b>	<b>1,007,091</b>	<b>10,298,001</b>
<b>Net maturity mismatches</b>	<b>(904,349)</b>	<b>(945,485)</b>	<b>603,426</b>	<b>181,973</b>	<b>3,613,166</b>	<b>(901,544)</b>	<b>1,647,187</b>

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

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

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

## (c) Liquidity risk (cont'd.)

## (i) Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd.)

Bank 31 December 2022	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
<b>Commitments and contingencies</b>							
Financial guarantees	7,394	-	3,987	197,317	122,559	-	331,257
Letters of credit	3,226	2,246	8,898	-	-	-	14,370
Undisbursed loans/financing	13,695	16,271	194,444	680,313	888,956	99,654	1,893,333
	24,315	18,517	207,329	877,630	1,011,515	99,654	2,238,960
<b>31 December 2021</b>							
<b>Assets</b>							
Cash and short-term funds	1,236,604	10,002	-	-	-	-	1,246,606
Debt instrument at FVOCI	-	-	329,531	759,895	266,547	-	1,355,973
Equity instrument at FVOCI	-	-	-	-	-	40,764	40,764
Debt instrument at FVTPL	-	-	-	-	-	100,927	100,927
Debt instrument at AC	71,434	33,834	297,245	75,845	40,399	-	518,757
Loans, advances and financing	319,293	447,084	595,474	1,812,560	4,249,040	-	7,423,451
Other assets (Note 9)	39,000	-	-	-	-	59,902	98,902
<b>Total assets</b>	<b>1,666,331</b>	<b>490,920</b>	<b>1,222,250</b>	<b>2,648,300</b>	<b>4,555,986</b>	<b>201,593</b>	<b>10,785,380</b>
<b>Liabilities</b>							
Deposits from customers	1,352,950	1,601,180	822,314	-	-	-	3,776,444
Deposits from banks and other financial institutions	50,085	-	-	-	-	-	50,085
Islamic medium-term notes/ commercial papers	-	368,392	553,534	1,350,000	250,000	-	2,521,926
Borrowings/Fundings	651	17,720	470,037	729,824	522,877	-	1,741,109
Lease liabilities	283	566	2,614	10,129	603	-	14,195
Other liabilities (Note 22)	-	-	-	-	-	1,122,703	1,122,703
<b>Total liabilities</b>	<b>1,403,969</b>	<b>1,987,858</b>	<b>1,848,499</b>	<b>2,089,953</b>	<b>773,480</b>	<b>1,122,703</b>	<b>9,226,462</b>
<b>Net maturity mismatches</b>	<b>262,362</b>	<b>(1,496,938)</b>	<b>(626,249)</b>	<b>558,347</b>	<b>3,782,506</b>	<b>(921,110)</b>	<b>1,558,918</b>

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

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

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

**(c) Liquidity risk (cont'd.)**

**(i) Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd.)**

<b>Bank 31 December 2021</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1 - 3 months RM'000</b>	<b>&gt;3 - 12 months RM'000</b>	<b>&gt;1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Commitments and contingencies</b>							
Financial guarantees	32,819	35,033	91,385	169,087	7,199	-	335,523
Letters of credit	11,124	9,238	35,953	-	-	-	56,315
Undisbursed loans/financing	175,813	246,404	317,018	189,491	157,469	696,401	1,782,596
	<u>219,756</u>	<u>290,675</u>	<u>444,356</u>	<u>358,578</u>	<u>164,668</u>	<u>696,401</u>	<u>2,174,434</u>

**(ii) Maturity analysis of financial liabilities on an undiscounted basis**

The following tables shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturity. The financial liabilities disclosed in the tables below will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

<b>Group 31 December 2022</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1 - 3 months RM'000</b>	<b>&gt;3 - 12 months RM'000</b>	<b>&gt;1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Liabilities</b>							
Deposits from customers	2,420,562	1,388,910	713,960	-	-	-	4,523,432
Deposits from banks and other financial institutions	100,174	50,143	-	-	-	-	150,317
Islamic medium-term notes/ commercial papers	379,347	30,167	164,380	2,255,616	-	-	2,829,510
Borrowings/Fundings	10,589	15,310	29,227	774,986	1,389,252	-	2,219,364
Lease liabilities	329	657	2,755	12,214	551	-	16,506
Other liabilities (Note 22)	-	-	-	-	-	972,593	972,593
<b>Total liabilities</b>	<u>2,911,001</u>	<u>1,485,187</u>	<u>910,322</u>	<u>3,042,816</u>	<u>1,389,803</u>	<u>972,593</u>	<u>10,711,722</u>

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

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

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

## (c) Liquidity risk (cont'd.)

## (ii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Group 31 December 2021	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
<b>Liabilities</b>							
Deposits from customers	1,320,429	1,606,487	829,510	-	-	-	3,756,426
Deposits from banks and other financial institutions	50,102	-	-	-	-	-	50,102
Islamic medium-term notes/ commercial papers	265	371,298	596,301	1,516,667	254,114	-	2,738,645
Borrowings/Fundings	650	16,907	473,842	767,035	620,548	-	1,878,982
Lease liabilities	324	649	2,941	10,902	622	-	15,438
Other liabilities (Note 22)	-	-	-	-	-	1,094,208	1,094,208
<b>Total liabilities</b>	<b>1,371,770</b>	<b>1,995,341</b>	<b>1,902,594</b>	<b>2,294,604</b>	<b>875,284</b>	<b>1,094,208</b>	<b>9,533,801</b>
<b>Bank 31 December 2022</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1 - 3 months RM'000</b>	<b>&gt;3 - 12 months RM'000</b>	<b>&gt;1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Liabilities</b>							
Deposits from customers	2,467,509	1,391,936	713,960	-	-	-	4,573,405
Deposits from banks and other financial institutions	100,174	50,143	-	-	-	-	150,317
Islamic medium-term notes/ commercial papers	379,347	30,167	164,380	2,255,616	-	-	2,829,510
Borrowings/Fundings	10,589	15,310	29,227	774,986	1,389,252	-	2,219,364
Lease liabilities	329	657	2,755	12,214	551	-	16,506
Other liabilities (Note 22)	-	-	-	-	-	1,007,091	1,007,091
<b>Total liabilities</b>	<b>2,957,948</b>	<b>1,488,213</b>	<b>910,322</b>	<b>3,042,816</b>	<b>1,389,803</b>	<b>1,007,091</b>	<b>10,796,193</b>

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

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

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

## (c) Liquidity risk (cont'd.)

## (ii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Bank 31 December 2021	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
<b>Liabilities</b>							
Deposits from customers	1,354,077	1,606,487	829,510	-	-	-	3,790,074
Deposits from banks and other financial institutions	50,102	-	-	-	-	-	50,102
Islamic medium-term notes/ commercial papers	265	371,298	596,301	1,516,667	254,114	-	2,738,645
Borrowings/Fundings	650	16,907	473,842	767,035	620,548	-	1,878,982
Lease liabilities	324	649	2,941	10,902	622	-	15,438
Other liabilities (Note 22)	-	-	-	-	-	1,122,703	1,122,703
<b>Total liabilities</b>	<b>1,405,418</b>	<b>1,995,341</b>	<b>1,902,594</b>	<b>2,294,604</b>	<b>875,284</b>	<b>1,122,703</b>	<b>9,595,944</b>



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

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

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

**(c) Liquidity risk (cont'd.)**

The Group and the Bank are subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Note 34. These have been incorporated in the net off-balance sheet position for each year ended. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group and the Bank expect many of these contingent liabilities and commitments (such as direct credit substitutes, and undisburse credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

**(d) Operational risk**

Operational risk, which is inherent in all business activities, is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational Risk Management ("ORM") takes place in a day-to-day basis at each business unit level. The Group and the Bank mitigate their operational risk by having comprehensive internal controls, conduct risk assessments through Risk Control Self Assessment ("RCSA"), fraud and loss analysis, system and procedures, which are reviewed regularly and subjected to periodical audits by Internal Auditors.

**39. Dividends**

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividends on ordinary shares:		
Final tax exempt (single-tier) dividend		
for 2021: 0.27 sen (2020: 0.71 sen) per share	5,006	13,211

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2022 of 0.34 sen per share on 1,850,000,000 ordinary shares, amounting to RM6,221,000 will be proposed for the shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

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

**40. Islamic banking business**

The state of affairs as at 31 December 2022 and results for the financial year then ended under the Islamic Banking business of the Group and of the Bank and included in the Group's and the Bank's financial statements are summarised as follows:

**Statements of financial position  
As at 31 December 2022**

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Assets</b>					
Cash and short-term funds	40(a)	1,627,108	1,248,636	1,626,341	1,246,152
Financial investments at FVOCI	40(b)	1,426,059	1,386,545	1,426,059	1,386,545
Financial investments at FVTPL	6	-	100,927	-	100,927
Financial investments at AC	7	934,753	518,757	934,753	518,757
Advances and financing	40(c)	7,823,198	7,374,322	7,823,198	7,374,322
Other assets	40(d)	25,210	20,608	121,889	106,480
Investment in subsidiaries	10	-	-	-	-
Property, plant and equipment	12	146,131	134,044	146,098	134,011
Right-of-use assets	13	14,821	13,830	14,821	13,830
Investment properties	14	377,231	374,081	377,231	374,081
Intangible assets	15	17,698	14,762	17,698	14,762
Tax recoverables		5,203	5,572	2,997	2,997
Deferred tax assets	16	108,089	106,947	108,089	106,947
<b>Total assets</b>		<b>12,505,501</b>	<b>11,299,031</b>	<b>12,599,174</b>	<b>11,379,811</b>
<b>Liabilities</b>					
Deposits from customers	17	4,503,909	3,742,803	4,553,795	3,776,444
Deposits from banks and other financial institutions	18	150,208	50,085	150,208	50,085
Islamic medium-term notes/ commercial papers	19	2,622,297	2,521,926	2,622,297	2,521,926
Term financing/Fundings	40(e)	1,445,256	766,563	1,445,256	766,563
Other liabilities	40(f)	1,031,893	1,150,023	1,065,071	1,177,524
Lease liabilities	21	15,137	14,195	15,137	14,195
Amount due to conventional operations		604,967	998,938	763,711	1,192,341
Government funds	23	602,785	540,701	602,785	540,701
<b>Total liabilities</b>		<b>10,976,452</b>	<b>9,785,234</b>	<b>11,218,260</b>	<b>10,039,779</b>
Islamic general fund		1,529,049	1,513,797	1,380,914	1,340,032
<b>Total liabilities and Islamic banking funds</b>		<b>12,505,501</b>	<b>11,299,031</b>	<b>12,599,174</b>	<b>11,379,811</b>
<b>Commitments</b>	40(m)	<b>2,236,532</b>	<b>2,174,403</b>	<b>2,236,532</b>	<b>2,174,403</b>

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

**40. Islamic banking business (cont'd.)**

**Statements of comprehensive income**

**For the financial year ended 31 December 2022**

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income from Islamic banking business	40(g)	577,980	520,841	577,980	520,841
Profit expense attributable to Islamic banking business	40(h)	(223,385)	(182,633)	(223,921)	(182,986)
<b>Gross income from Islamic banking business</b>		354,595	338,208	354,059	337,855
Other operating income	40(i)	90,870	81,325	87,179	72,823
Other operating expenses	40(j)	(240,921)	(238,914)	(242,127)	(230,750)
<b>Operating profit</b>		204,544	180,619	199,111	179,928
(Allowances)/Writeback for impairment losses on :					
- advances and financing	40(k)	(178,030)	(131,862)	(182,339)	(146,009)
- commitments	40(f)(i)	986	(797)	986	(797)
- financial investments at FVOCI	5	108	593	108	593
- financial investments at AC	7	277	(278)	277	(278)
- other assets at AC	9(i)(b)	(1,504)	605	(1,504)	605
- other assets at FVOCI	9(ii)	-	-	35,155	27,793
<b>Profit before taxation and zakat</b>		26,381	48,880	51,794	61,835
Tax expense		(935)	(4,188)	(718)	(3,935)
Zakat	32	(1,562)	(1,315)	(1,562)	(1,315)
<b>Profit for the year</b>		23,884	43,377	49,514	56,585
<b>Other comprehensive income</b>					
<b>Items that may be reclassified to profit or loss:</b>					
Unrealised loss on revaluation of financial investments at FVOCI		(17,195)	(38,654)	(17,195)	(38,654)
Reclassification of gain/(loss) included in profit or loss	25	12,566	(6,481)	12,566	(6,481)
Changes in expected credit losses on financial investments at FVOCI	25	(108)	(593)	(108)	(593)
Income tax relating to components of other comprehensive income		1,111	10,832	1,111	10,832
<b>Other comprehensive loss for the year, net of tax</b>		(3,626)	(34,896)	(3,626)	(34,896)
<b>Total comprehensive income for the year</b>		20,258	8,481	45,888	21,689

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

**40. Islamic banking business (cont'd.)**

**Statements of changes in Islamic General Funds  
For the financial year ended 31 December 2022**

<b>Group</b>	<b>Note</b>	<b>Share capital RM'000</b>	<b>Non- distributable fair value reserve RM'000</b>	<b>Distributable retained profits RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2022</b>		1,050,564	2,278	460,955	1,513,797
Unrealised loss on revaluation of financial investments at FVOCI		-	(17,195)	-	(17,195)
Reclassification of gain included in profit or loss	25	-	12,566	-	12,566
Changes in expected credit losses of financial investments at FVOCI	25	-	(108)	-	(108)
Income tax relating to components of other comprehensive income		-	1,111	-	1,111
Profit for the year		-	-	23,884	23,884
Total comprehensive (loss)/ income for the year		-	(3,626)	23,884	20,258
Transaction with owner:					
Dividends	39	-	-	(5,006)	(5,006)
<b>At 31 December 2022</b>		<b>1,050,564</b>	<b>(1,348)</b>	<b>479,833</b>	<b>1,529,049</b>

(Forward)

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

**40. Islamic banking business (cont'd.)**

**Statements of changes in Islamic General Funds  
For the financial year ended 31 December 2022 (cont'd.)**

<b>Group</b>	<b>Note</b>	<b>Share capital RM'000</b>	<b>Non- distributable fair value reserve RM'000</b>	<b>Distributable retained profits RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2021</b>		1,050,564	37,174	430,789	1,518,527
Unrealised loss on revaluation of financial investments at FVOCI		-	(38,654)	-	(38,654)
Reclassification of loss included in profit or loss	25	-	(6,481)	-	(6,481)
Changes in expected credit losses of financial investments at FVOCI	25	-	(593)	-	(593)
Income tax relating to components of other comprehensive income		-	10,832	-	10,832
Profit for the year		-	-	43,377	43,377
Total comprehensive (loss)/ income for the year		-	(34,896)	43,377	8,481
Transaction with owner:					
Dividends	39	-	-	(13,211)	(13,211)
<b>At 31 December 2021</b>		<b>1,050,564</b>	<b>2,278</b>	<b>460,955</b>	<b>1,513,797</b>

(Forward)

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

**40. Islamic banking business (cont'd.)**

**Statements of changes in Islamic General Funds  
For the financial year ended 31 December 2022 (cont'd.)**

<b>Bank</b>	<b>Note</b>	<b>Share capital RM'000</b>	<b>Non- distributable fair value reserve RM'000</b>	<b>Distributable retained profits RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2022</b>		1,050,564	2,278	287,190	1,340,032
Unrealised loss on revaluation of financial investments at FVOCI		-	(17,195)	-	(17,195)
Reclassification of gain included in profit or loss	25	-	12,566	-	12,566
Changes in expected credit losses of financial investments at FVOCI	25	-	(108)	-	(108)
Income tax relating to components of other comprehensive income		-	1,111	-	1,111
Profit for the year		-	-	49,514	49,514
Total comprehensive (loss)/ income for the year		-	(3,626)	49,514	45,888
Transaction with owner:					
Dividends	39	-	-	(5,006)	(5,006)
<b>At 31 December 2022</b>		<b>1,050,564</b>	<b>(1,348)</b>	<b>331,698</b>	<b>1,380,914</b>

(Forward)

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

**40. Islamic banking business (cont'd.)**

**Statements of changes in Islamic General Funds  
For the financial year ended 31 December 2022 (cont'd.)**

<b>Bank</b>	<b>Note</b>	<b>Share capital RM'000</b>	<b>Non- distributable fair value reserve RM'000</b>	<b>(Accumulated losses)/ Distributable retained profits RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2021</b>		1,050,564	37,174	243,816	1,331,554
Unrealised loss on revaluation of financial investments at FVOCI		-	(38,654)	-	(38,654)
Reclassification of loss included in profit or loss	25	-	(6,481)	-	(6,481)
Changes in expected credit losses of financial investments at FVOCI	25	-	(593)	-	(593)
Income tax relating to components of of other comprehensive income		-	10,832	-	10,832
Profit for the year		-	-	56,585	56,585
Total comprehensive income for the year		-	(34,896)	56,585	21,689
Transaction with owner:					
Dividends	39	-	-	(13,211)	(13,211)
<b>At 31 December 2021</b>		<b>1,050,564</b>	<b>2,278</b>	<b>287,190</b>	<b>1,340,032</b>

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

**40. Islamic banking business (cont'd.)**

**Statements of cash flows**

**For the financial year ended 31 December 2022**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from operating activities</b>				
Profit before tax expense and zakat	26,381	48,880	51,794	61,835
<b>Adjustments for:</b>				
Net impairment loss on loans, advances and financing	196,614	148,626	200,923	162,773
Net impairment (writeback)/loss of commitment and contingencies	(986)	797	(986)	797
Net writeback on financial investments at FVOCI	(108)	(593)	(108)	(593)
Net impairment (writeback)/loss on financial investment at AC	(277)	278	(277)	278
Impairment gain/(loss) on other asset at AC	1,504	(605)	1,504	(605)
Writeback of impairment loss on other asset at FVOCI	-	-	(35,155)	(27,793)
Depreciation of property, plant and equipment	11,613	11,580	11,613	11,576
Depreciation of right-of-use assets	3,562	3,519	3,562	3,519
Amortisation of intangible assets	8,394	7,447	8,394	7,447
Fair value adjustment on investment properties	(3,150)	(8,319)	(3,150)	(8,319)
Government funds released, net	(34,564)	(22,330)	(34,564)	(22,330)
Income from financial investments at FVOCI	(45,195)	(47,724)	(45,195)	(47,724)
Income from financial investments at FVTPL	(3,499)	(5,713)	(3,499)	(5,713)
Income from financial investments at AC	(23,160)	(22,170)	(23,160)	(22,170)
Profit expense on medium-term notes	84,084	77,672	84,084	77,672
Profit expense on term financing/fundings	35,881	18,289	35,881	18,289
Finance cost on lease liabilities	524	522	524	522
Profit income on amount due from a subsidiary company	-	-	(8,596)	(11,207)
Gain on derecognition of leases	(211)	-	(211)	-
<b>Operating profit before working capital changes</b>	<b>257,407</b>	<b>210,156</b>	<b>243,378</b>	<b>198,254</b>
Changes in working capital:				
Advances and financing	(644,863)	(768,103)	(649,800)	(782,249)
Other assets	(6,104)	(1,965)	26,839	77,029
Deposits from customers	787,896	(503,171)	804,142	(544,764)
Deposits from banks and other financial institutions	100,124	50,085	100,124	50,085
Other liabilities	(116,966)	29,413	(111,291)	29,288
Amount due to conventional operations	43,067	21,011	9,038	10,235
<b>Cash generated from/(used in) operating activities</b>	<b>420,561</b>	<b>(962,574)</b>	<b>422,430</b>	<b>(962,122)</b>
Profit received	79,627	99,910	79,627	99,910
Income tax paid	(1,533)	(1,524)	(718)	(929)
RPGT paid	-	(111)	-	(111)
Zakat paid	(1,702)	(2,315)	(1,702)	(2,315)
Income tax refunded	967	-	-	-
<b>Net cash generated from/(used in) operating activities</b>	<b>497,920</b>	<b>(866,614)</b>	<b>499,637</b>	<b>(865,567)</b>

(Forward)



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

**40. Islamic banking business (cont'd.)**

**Statements of cash flows**

**For the financial year ended 31 December 2022 (cont'd.)**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from investing activities</b>				
Purchase of private debt securities	(690,709)	(240,048)	(690,709)	(240,048)
Purchase of Islamic commercial papers	(810,000)	(1,239,194)	(810,000)	(1,239,194)
Purchase of sukuk	(690,000)	(952,245)	(690,000)	(952,245)
Proceed from redemption of private debt securities	25,000	123,582	25,000	123,582
Proceeds from redemption of sukuk	100,000	470,627	100,000	470,627
Proceeds from maturity of sukuk	300,000	110,000	300,000	110,000
Proceeds from maturity of private debt securities	560,000	220,000	560,000	220,000
Proceeds from maturity of Islamic commercial papers	839,000	1,315,000	839,000	1,315,000
Proceeds from disposal of investment properties	-	26,481	-	26,481
Purchase of property, plant and equipment	(34,494)	(18,303)	(34,494)	(18,273)
Purchase of intangible assets	(536)	(3,806)	(536)	(3,806)
<b>Net cash used in investing activities</b>	<b>(401,739)</b>	<b>(187,906)</b>	<b>(401,739)</b>	<b>(187,876)</b>
<b>Cash flows from financing activities</b>				
Net disbursement of term financing/fundings	274,086	317,822	274,086	317,822
Net disbursement of Islamic medium-term notes/commercial papers	91,246	648,403	91,246	648,403
Profit paid on term financing/fundings	(9,153)	(607)	(9,153)	(607)
Profit paid on medium-term notes/commercial papers	(74,959)	(70,576)	(74,959)	(70,576)
Proceed from government funds	10,000	25,909	10,000	25,909
Payment of lease liability	(3,923)	(4,206)	(3,923)	(4,206)
Dividend paid	(5,006)	(13,211)	(5,006)	(13,211)
<b>Net cash generated from financing activities</b>	<b>282,291</b>	<b>903,534</b>	<b>282,291</b>	<b>903,534</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>378,472</b>	<b>(150,986)</b>	<b>380,189</b>	<b>(149,909)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,248,636</b>	<b>1,399,622</b>	<b>1,246,152</b>	<b>1,396,061</b>
<b>Cash and cash equivalents at end of year</b>	<b>1,627,108</b>	<b>1,248,636</b>	<b>1,626,341</b>	<b>1,246,152</b>
<b>Cash and cash equivalents comprise of:</b>				
- Cash and short-term funds	<b>1,627,108</b>	<b>1,248,636</b>	<b>1,626,341</b>	<b>1,246,152</b>

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements  
For the financial year ended 31 December 2022**

**(a) Cash and short-term funds**

	<b>Group</b>		<b>Bank</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash at banks and on hand	49,788	97,506	49,021	95,022
Money at call and deposit placements maturing within three months	1,577,320	1,151,130	1,577,320	1,151,130
	<u>1,627,108</u>	<u>1,248,636</u>	<u>1,626,341</u>	<u>1,246,152</u>

**(b) Financial investments at FVOCI**

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	1,059,078	892,606
<b>Non-money market instruments</b>		
Equity securities		
- Private debt securities	30,618	30,572
Debt securities		
- Private debt securities	336,363	463,367
	<u>366,981</u>	<u>493,939</u>
<b>Total</b>	<u>1,426,059</u>	<u>1,386,545</u>

No loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve. The movement in allowances for impairment which reflects the ECL model on impairment are as disclosed in Note 5.

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Bai' Bithaman Ajil	1,509	1,509	-	-
Murabahah	1,111,712	1,463,786	1,064,315	1,415,280
Istisna'	79,134	26,943	76,312	21,801
Ijarah	84	84	-	-
Ijarah Thumma Al-Bai	421,095	412,599	366,920	357,583
Bai' Dayn	-	1,668	-	1,668
Tawarruq	6,880,691	6,035,984	6,880,686	6,035,979
Bai' Inah	14,233	20,906	13,002	19,636
Gross advances and financing	8,508,458	7,963,479	8,401,235	7,851,947
Less: Allowance for impairment losses on				
- Stage 1 (Note 40(c)(x))	(93,965)	(97,559)	(93,965)	(97,559)
- Stage 2 (Note 40(c)(x))	(45,761)	(16,634)	(45,761)	(16,634)
- Stage 3 (Note 40(c)(x))	(545,534)	(474,964)	(438,311)	(363,432)
Net advances and financing	7,823,198	7,374,322	7,823,198	7,374,322
Gross impaired advances and financing (Note 40(c)(viii))	1,200,785	1,186,610	1,093,562	1,075,078
Net impaired advances and financing	655,251	711,646	655,251	711,646

Included in advances and financing for the Group and the Bank are gross loans, advances and financing of RM107,062,000 (2021: RM84,730,000) financed by Government funds. The treatment of credit losses incurred for these loans, advances and financing is as disclosed in Note 2.19(ii).

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Maturity within one year	1,792,987	1,558,442	1,689,760	1,451,817
More than one year to three years	674,638	607,686	673,485	605,801
More than three years to five years	1,367,673	1,316,075	1,366,564	1,314,751
More than five years	4,673,160	4,481,276	4,671,426	4,479,578
	<b>8,508,458</b>	<b>7,963,479</b>	<b>8,401,235</b>	<b>7,851,947</b>

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Domestic business enterprise	8,497,468	7,951,492	8,390,245	7,839,960
Individual	10,990	11,987	10,990	11,987
	<b>8,508,458</b>	<b>7,963,479</b>	<b>8,401,235</b>	<b>7,851,947</b>

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Construction	1,447,218	1,375,949	1,445,736	1,374,466
Education, health and others	625,327	641,642	593,087	608,391
Electricity, gas and water supply	162,564	166,680	162,564	166,680
Financial, insurance/takaful, real estate and business services	1,142,153	1,106,244	1,140,394	1,104,442
Manufacturing	1,587,000	1,380,882	1,555,062	1,348,115
Mining and quarrying	111,445	141,899	111,445	141,899
Primary agriculture	7,163	7,827	7,163	7,827
Transportation, storage and communication	1,085,754	963,154	1,058,480	935,071
Wholesale, retail trade, restaurants and hotels	2,328,844	2,167,215	2,316,314	2,153,069
Others	10,990	11,987	10,990	11,987
	<b>8,508,458</b>	<b>7,963,479</b>	<b>8,401,235</b>	<b>7,851,947</b>

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

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

(Forward)

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

<b>Group 2021</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Construction	885,871	45,477	87,034	46,245	94,091	217,231	1,375,949
Education, health and others	408,670	26,574	60,507	94,322	39,200	12,369	641,642
Electricity, gas and water supply	154,337	2,048	3,596	2,900	3,448	351	166,680
Financial, insurance/takaful, real estate and business services	667,213	108,739	151,267	38,788	65,177	75,060	1,106,244
Manufacturing	706,566	235,851	242,928	108,285	54,108	33,144	1,380,882
Mining and quarrying	95,776	289	24,770	15,710	2,545	2,809	141,899
Primary agriculture	-	373	942	102	4,702	1,708	7,827
Transportation, storage and communication	503,727	168,981	53,616	103,344	57,847	75,639	963,154
Wholesale, retail trade, restaurants and hotels	992,247	320,500	132,905	281,133	274,815	165,615	2,167,215
Others	11,987	-	-	-	-	-	11,987
	<b>4,426,394</b>	<b>908,832</b>	<b>757,565</b>	<b>690,829</b>	<b>595,933</b>	<b>583,926</b>	<b>7,963,479</b>

(Forward)

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

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

(Forward)

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

<b>Bank 2021</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Construction	884,388	45,477	87,034	46,245	94,091	217,231	1,374,466
Education, health and others	375,419	26,574	60,507	94,322	39,200	12,369	608,391
Electricity, gas and water supply	154,337	2,048	3,596	2,900	3,448	351	166,680
Financial, insurance/takaful, real estate and business services	665,411	108,739	151,267	38,788	65,177	75,060	1,104,442
Manufacturing	673,799	235,851	242,928	108,285	54,108	33,144	1,348,115
Mining and quarrying	95,776	289	24,770	15,710	2,545	2,809	141,899
Primary agriculture	-	373	942	102	4,702	1,708	7,827
Transportation, storage and communication	475,644	168,981	53,616	103,344	57,847	75,639	935,071
Wholesale, retail trade, restaurants and hotels	978,101	320,500	132,905	281,133	274,815	165,615	2,153,069
Others	11,987	-	-	-	-	-	11,987
	<b>4,314,862</b>	<b>908,832</b>	<b>757,565</b>	<b>690,829</b>	<b>595,933</b>	<b>583,926</b>	<b>7,851,947</b>



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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements  
For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

<b>Group 2022</b>	<b>Hire purchase RM'000</b>	<b>Leasing RM'000</b>	<b>Other term financing RM'000</b>	<b>Revolving financing RM'000</b>	<b>Staff financing RM'000</b>	<b>Total RM'000</b>
Bai' Bithaman Ajil	-	-	389	1,120	-	1,509
Murabahah	-	-	1,073,582	27,140	10,990	1,111,712
Istisna'	-	-	79,134	-	-	79,134
Ijarah	-	84	-	-	-	84
Ijarah Thumma Al-Bai	389,246	-	31,849	-	-	421,095
Tawarruq	5	-	4,923,738	1,956,948	-	6,880,691
Bai' Inah	-	-	14,233	-	-	14,233
	<b>389,251</b>	<b>84</b>	<b>6,122,925</b>	<b>1,985,208</b>	<b>10,990</b>	<b>8,508,458</b>

(Forward)

197901005290

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

<b>Group 2021</b>	<b>Hire purchase RM'000</b>	<b>Leasing RM'000</b>	<b>Other term financing RM'000</b>	<b>Revolving financing RM'000</b>	<b>Staff financing RM'000</b>	<b>Total RM'000</b>
Bai' Bithaman Ajil	-	-	389	1,120	-	1,509
Murabahah	-	-	1,407,443	44,356	11,987	1,463,786
Istisna'	-	-	26,943	-	-	26,943
Ijarah	-	84	-	-	-	84
Ijarah Thumma Al-Bai	392,107	-	20,492	-	-	412,599
Bai' Dayn	-	-	-	1,668	-	1,668
Tawarruq	5	-	4,180,738	1,855,241	-	6,035,984
Bai' Inah	-	-	20,906	-	-	20,906
	<b>392,112</b>	<b>84</b>	<b>5,656,911</b>	<b>1,902,385</b>	<b>11,987</b>	<b>7,963,479</b>

(Forward)

197901005290

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

<b>Bank 2022</b>	<b>Hire purchase RM'000</b>	<b>Other term financing RM'000</b>	<b>Revolving financing RM'000</b>	<b>Staff financing RM'000</b>	<b>Total RM'000</b>
Murabahah	-	1,039,455	13,870	10,990	1,064,315
Istisna'	-	76,312	-	-	76,312
Ijarah Thumma Al-Bai	355,560	11,360	-	-	366,920
Tawarruq	-	4,923,738	1,956,948	-	6,880,686
Bai' Inah	-	13,002	-	-	13,002
	<b>355,560</b>	<b>6,063,867</b>	<b>1,970,818</b>	<b>10,990</b>	<b>8,401,235</b>

(Forward)

197901005290

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

<b>Bank 2021</b>	<b>Hire purchase RM'000</b>	<b>Other term financing RM'000</b>	<b>Revolving financing RM'000</b>	<b>Staff financing RM'000</b>	<b>Total RM'000</b>
Murabahah	-	1,372,204	31,089	11,987	1,415,280
Istisna'	-	21,801	-	-	21,801
Ijarah Thumma Al-Bai	357,583	-	-	-	357,583
Bai' Dayn	-	-	1,668	-	1,668
Tawarruq	-	4,180,738	1,855,241	-	6,035,979
Bai' Inah	-	19,636	-	-	19,636
	<b>357,583</b>	<b>5,594,379</b>	<b>1,887,998</b>	<b>11,987</b>	<b>7,851,947</b>

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate				
- Staff financing	10,990	11,987	10,990	11,987
- Hire purchase	165,960	189,298	133,127	155,639
- Leasing	84	84	-	-
- Other term financing	2,023,634	1,705,689	1,968,362	1,647,579
- Revolving financing	1,167,634	625,692	1,153,305	611,363
Variable rate				
- Hire purchase	223,291	202,814	222,433	201,944
- Other term financing	4,099,291	3,951,222	4,095,505	3,946,800
- Revolving financing	817,574	1,276,693	817,513	1,276,635
	<b>8,508,458</b>	<b>7,963,479</b>	<b>8,401,235</b>	<b>7,851,947</b>

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Construction	130,096	133,582	128,614	132,099
Education, health and others	133,329	162,449	101,089	129,198
Electricity, gas and water supply	54,833	43	54,833	43
Financial, insurance/takaful, real estate and business services	181,482	152,945	179,723	151,143
Manufacturing	251,870	281,671	219,932	248,904
Mining and quarrying	5,166	8,262	5,166	8,262
Primary agriculture	217	278	217	278
Transportation, storage and communication	93,143	107,822	65,869	79,739
Wholesale, retail trade, restaurants and hotels	350,649	339,558	338,119	325,412
	<b>1,200,785</b>	<b>1,186,610</b>	<b>1,093,562</b>	<b>1,075,078</b>

197901005290

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

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

(Forward)

197901005290

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

<b>Group 2021</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Construction	102,640	1,923	3,341	11,071	12,595	2,012	133,582
Education, health and others	92,486	3,165	22,503	34,897	8,478	920	162,449
Electricity, gas and water supply	-	43	-	-	-	-	43
Financial, insurance/takaful, real estate and business services	118,714	8,568	11,250	9,796	3,206	1,411	152,945
Manufacturing	151,286	16,514	60,166	46,328	1,731	5,646	281,671
Mining and quarrying	722	-	7,212	328	-	-	8,262
Primary agriculture	-	-	66	-	212	-	278
Transportation, storage and communication	54,110	5,289	9,613	19,446	11,545	7,819	107,822
Wholesale, retail trade, restaurants and hotels	166,424	36,372	20,033	53,313	53,032	10,384	339,558
	<b>686,382</b>	<b>71,874</b>	<b>134,184</b>	<b>175,179</b>	<b>90,799</b>	<b>28,192</b>	<b>1,186,610</b>

(Forward)

197901005290

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

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

(Forward)



197901005290

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

<b>Bank 2021</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Construction	101,157	1,923	3,341	11,071	12,595	2,012	132,099
Education, health and others	59,235	3,165	22,503	34,897	8,478	920	129,198
Electricity, gas and water supply	-	43	-	-	-	-	43
Financial, insurance/takaful, real estate and business services	116,912	8,568	11,250	9,796	3,206	1,411	151,143
Manufacturing	118,519	16,514	60,166	46,328	1,731	5,646	248,904
Mining and quarrying	722	-	7,212	328	-	-	8,262
Primary agriculture	-	-	66	-	212	-	278
Transportation, storage and communication	26,027	5,289	9,613	19,446	11,545	7,819	79,739
Wholesale, retail trade, restaurants and hotels	152,278	36,372	20,033	53,313	53,032	10,384	325,412
	<b>574,850</b>	<b>71,874</b>	<b>134,184</b>	<b>175,179</b>	<b>90,799</b>	<b>28,192</b>	<b>1,075,078</b>

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	1,186,610	1,200,035	1,075,078	1,074,357
-Transfers to Stage 1	(61,315)	(21,254)	(61,315)	(21,254)
-Transfers to Stage 2	(27,287)	(2,553)	(27,287)	(2,553)
-Transfers to Stage 3	282,975	253,436	282,975	253,436
	<u>1,380,983</u>	<u>1,429,664</u>	<u>1,269,451</u>	<u>1,303,986</u>
Changes due to change in credit risk	(22,156)	(31,629)	(17,847)	(17,483)
New financial assets originated	7,196	10,033	7,196	10,033
Financial assets derecognised	(61,751)	(82,766)	(61,751)	(82,766)
Amount written-off	(103,487)	(138,692)	(103,487)	(138,692)
At 31 December	<u>1,200,785</u>	<u>1,186,610</u>	<u>1,093,562</u>	<u>1,075,078</u>

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2022	97,559	16,634	474,964	589,157
-Transfers to Stage 1	12,517	(4,190)	(8,327)	-
-Transfers to Stage 2	(9,713)	16,850	(7,137)	-
-Transfers to Stage 3	(8,976)	(4,293)	13,269	-
	<u>(6,172)</u>	<u>8,367</u>	<u>(2,195)</u>	<u>-</u>
Changes due to change in credit risk (Note 40(k))	(4,706)	20,001	189,089	204,384
Net financial assets originated (Note 40(k))	20,208	933	2,113	23,254
Financial assets derecognised (Note 40(k))	(12,924)	(174)	(17,926)	(31,024)
Amount written-off	-	-	(100,511)	(100,511)
At 31 December 2022	<u>93,965</u>	<u>45,761</u>	<u>545,534</u>	<u>685,260</u>
At 1 January 2021	67,685	18,294	493,244	579,223
-Transfers to Stage 1	5,348	(361)	(4,987)	-
-Transfers to Stage 2	(280)	1,798	(1,518)	-
-Transfers to Stage 3	(2,395)	(4,101)	6,496	-
	<u>2,673</u>	<u>(2,664)</u>	<u>(9)</u>	<u>-</u>
Changes due to change in credit risk (Note 40(k))	15,372	1,917	129,192	146,481
Net financial assets originated (Note 40(k))	21,953	3	2,088	24,044
Financial assets derecognised (Note 40(k))	(10,124)	(916)	(10,859)	(21,899)
Amount written-off	-	-	(138,692)	(138,692)
At 31 December 2021	<u>97,559</u>	<u>16,634</u>	<u>474,964</u>	<u>589,157</u>

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

Bank	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	97,559	16,634	363,432	477,625
-Transfers to Stage 1	12,517	(4,190)	(8,327)	-
-Transfers to Stage 2	(9,713)	16,850	(7,137)	-
-Transfers to Stage 3	(8,976)	(4,293)	13,269	-
	(6,172)	8,367	(2,195)	-
Changes due to change in credit risk (Note 40(k))	(4,706)	20,001	193,398	208,693
Net financial assets originated (Note 40(k))	20,208	933	2,113	23,254
Financial assets derecognised (Note 40(k))	(12,924)	(174)	(17,926)	(31,024)
Amount written-off	-	-	(100,511)	(100,511)
At 31 December 2022	93,965	45,761	438,311	578,037
At 1 January 2021	67,685	18,294	367,565	453,544
-Transfers to Stage 1	5,348	(361)	(4,987)	-
-Transfers to Stage 2	(280)	1,798	(1,518)	-
-Transfers to Stage 3	(2,395)	(4,101)	6,496	-
	2,673	(2,664)	(9)	-
Changes due to change in credit risk (Note 40(k))	15,372	1,917	143,339	160,628
Net financial assets originated (Note 40(k))	21,953	3	2,088	24,044
Financial assets derecognised (Note 40(k))	(10,124)	(916)	(10,859)	(21,899)
Amount written-off	-	-	(138,692)	(138,692)
At 31 December 2021	97,559	16,634	363,432	477,625
	<b>Group</b>	<b>Bank</b>		
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net impaired advances and financing as a percentage	8.24%	9.52%	8.24%	9.52%

(xi) Exposures to COVID-19 impacted sectors are as follow:

	Group and Bank	
	2022	2021
	RM'000	RM'000
Education	21,507	156,809
Healthcare	-	120,277
Passenger Transport	105,362	104,358
Petrol Station	-	113,722
Tourism	560,993	773,521
	<b>687,862</b>	<b>1,268,687</b>

The above are the impacted sectors by COVID-19 within the Group and the Bank financing portfolios. The Group and the Bank are focusing on education, passenger transport and tourism sectors as reflected by overlay incorporated in the computation of ECL as mentioned in Note 2.14. The figure reflected net exposure after computation on ECL amount.

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(c) Advances and financing (cont'd.)**

(xii) COVID-19 customer relief and support measures based on category are as follow:

Accounts that are entitled under the relief programme offered by the Bank are illustrated below:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3*</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2022</b>				
Repaying as per revised schedules	2,576,604	280,895	133,292	2,990,791
Missed payments	-	130,562	362,667	493,229
Total repayment assistances granted	<u>2,576,604</u>	<u>411,457</u>	<u>495,959</u>	<u>3,484,020</u>
As a percentage of total:				
Repaying as per revised schedules	100.0%	68.0%	27.0%	86.0%
Missed payments	-	32.0%	73.0%	14.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>2021</b>				
Resumed payments	3,443,162	277,249	321,944	4,042,355
Missed payments	-	-	473	473
Total repayment assistances granted	<u>3,443,162</u>	<u>277,249</u>	<u>322,417</u>	<u>4,042,828</u>
As a percentage of total:				
Resumed payments	100.0%	100.0%	99.9%	100.0%
Missed payments	-	-	0.1%	-
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

\* This represents customers that turned to Stage 3 after acceptance of assistance under the relief programme.

**(d) Other assets**

	<b>Group</b>		<b>Bank</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At FVOCI</b>				
Amount due from a subsidiary company (Note 9(ii))	-	-	43,751	39,000
<b>At AC</b>				
Amount due from subsidiary companies (Note 9(iii))	-	-	50,489	44,322
Other receivables and rental receivables	11,925	12,996	14,378	15,580
	<u>11,925</u>	<u>12,996</u>	<u>64,867</u>	<u>59,902</u>
Prepayments	13,285	7,612	13,271	7,578
	<u>25,210</u>	<u>20,608</u>	<u>121,889</u>	<u>106,480</u>

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(e) Term financing/Fundings**

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Unsecured term financing//fundings	1,445,256	766,563

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	10,736	8,556
More than one year to five years	627,613	487,770
More than five years	806,907	270,237
	<b>1,445,256</b>	<b>766,563</b>

(ii) The unsecured term financing/fundings denominated in RM is sourced from the following:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Financing from:		
- Government of Malaysia	437,699	-
- BNM	1,007,557	766,563
	<b>1,445,256</b>	<b>766,563</b>

MOF vide its letter dated 13 June 2022, approved the conversion of borrowing granted by the Government of Malaysia to the Bank as term financing amounting to RM437,698,000 effective date 2 January 2022 with original profit rate of 2.0%.

The profit rates on the term financing/fundings from Government of Malaysia is at 2.0% and Bank Negara Malaysia range from 0% to 1.5% (2021: 0% to 1.5%) per annum.

**(f) Other liabilities**

	<b>Group</b>		<b>Bank</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other payables and accruals	426,258	529,252	431,573	537,035
Islamic margin account (Note 22(ii))	381,832	410,289	381,779	410,237
Guarantee payable (Note 22(iii))	164,197	150,243	164,197	150,243
Amount due to subsidiaries (Note 22(iv))	-	-	29,276	20,803
Rental and security deposits	3,689	3,358	3,689	3,358
Provision for zakat	5,118	3,453	5,118	3,453
Allowance for impairment on financing commitments (Note (i))	4,723	5,709	4,723	5,709
Other provisions	46,076	47,719	44,716	46,686
	<b>1,031,893</b>	<b>1,150,023</b>	<b>1,065,071</b>	<b>1,177,524</b>

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(f) Other liabilities (cont'd.)**

(i) Movement in loss allowances for impairment on financing commitments are as follows:

<b>Commitments</b>	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>Stage 1</b>	<b>Stage 1</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	5,709	4,912
Changes due to change in credit risk	479	148
New financial assets originated	1,334	3,147
Derecognition	(2,799)	(2,498)
At 31 December	<u>4,723</u>	<u>5,709</u>

**(g) Income from Islamic banking business**

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Income from advances and financing		
- Murabahah	77,443	81,291
- Istisna'	4,932	5,420
- Ijarah Thumma Al-Bai	23,369	20,326
- Bai' Dayn	126	317
- Tawarruq	365,332	317,702
- Bai' Inah	1,039	1,676
Total income from advances and financing	<u>472,241</u>	<u>426,732</u>
Tawarruq deposit placements	33,885	18,502
Financial investments at FVOCI	45,195	47,724
Financial investments at FVTPL	3,499	5,713
Financial investments at AC	23,160	22,170
	<u>577,980</u>	<u>520,841</u>

Included in income from advances and financing is profit on impaired advances and financing amounting to RM52,906,000 (2021: RM55,904,000).

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(h) Profit expense attributable to Islamic banking business**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits from customers (Note i)	98,050	82,856	98,586	83,209
Islamic medium-term notes/commercial papers	84,084	77,672	84,084	77,672
Term financing	35,881	18,289	35,881	18,289
Deposits from banks and other financial institutions	3,550	1,507	3,550	1,507
Others (Note ii)	1,820	2,309	1,820	2,309
	<b>223,385</b>	<b>182,633</b>	<b>223,921</b>	<b>182,986</b>

(i) Included in profit expense on deposits from customers of the Bank is profit expenses for subsidiary companies amounting to RM536,000 (2021: RM353,000) (Note 36(c)).

(ii) Included in other profit expenses is finance cost on lease liabilities amounting to RM524,000 (2021: RM522,000).

**(i) Other income**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fee income	17,558	15,494	10,303	10,362
Commission fee income	1,867	1,801	1,867	1,801
Rental income	11,585	2,005	11,585	2,005
Government funds released (Note 23)	34,564	22,330	34,564	22,330
Government compensation	8,528	4,447	8,528	4,447
Management fee	-	-	391	179
Fair value adjustment on investment properties (Note 14)	3,150	8,319	3,150	8,319
Profit income on amount due from a subsidiary company (Note 36(c))	-	-	8,596	11,207
Recovery income	5,378	14,696	-	-
Ta'widh/Compensation on late payment charges	5,091	4,841	5,091	4,841
Others	3,149	7,392	3,104	7,332
	<b>90,870</b>	<b>81,325</b>	<b>87,179</b>	<b>72,823</b>

**(j) Other operating expenses**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Personnel expenses	160,246	164,721	156,415	160,839
Establishment related expenses	43,304	41,569	43,253	41,530
Promotion and marketing expenses	4,995	2,968	4,961	2,933
Administration and general expenses	32,376	29,656	37,498	25,448
	<b>240,921</b>	<b>238,914</b>	<b>242,127</b>	<b>230,750</b>

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(k) Allowance/(Writeback) for impairment loss on advances and financing**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Allowance for impairment losses on advances and financing made during the year				
- Stage 1, net (Note 40(c)(ix))	2,578	27,201	2,578	27,201
- Stage 2, net (Note 40(c)(ix))	20,760	1,004	20,760	1,004
- Stage 3, net (Note 40(c)(ix))	173,276	120,421	177,585	134,568
	<u>196,614</u>	<u>148,626</u>	<u>200,923</u>	<u>162,773</u>
Impaired advances and financing written off	5,517	-	5,517	-
Impaired advances and financing recovered	(24,101)	(16,764)	(24,101)	(16,764)
Total allowance for impairment loss on advances and financing	<u>178,030</u>	<u>131,862</u>	<u>182,339</u>	<u>146,009</u>

**(l) Commitments**

	Group and Bank	
	2022 RM'000	2021 RM'000
Direct credit substitutes	178,521	231,283
Transaction-related-contingent items	167,106	160,555
Undisbursed financing		
- original maturity up to one year	226,071	235,459
- original maturity more than one year	1,664,834	1,547,106
	<u>2,236,532</u>	<u>2,174,403</u>



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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2022 (cont'd.)**

**(m) Capital adequacy**

Regulatory capital

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

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

**Capital management**

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Tier I Capital</u>				
Capital funds	1,050,564	1,050,564	1,050,564	1,050,564
Retained earnings	479,833	460,955	331,698	287,190
General provision for advances and financing <sup>1</sup>	44,912	35,337	44,912	35,337
Less: Deferred tax assets	(108,089)	(106,947)	(108,089)	(106,947)
Less: Property revaluation reserve	(231,765)	(228,616)	(231,765)	(228,616)
Total Tier I capital	<u>1,235,455</u>	<u>1,211,293</u>	<u>1,087,320</u>	<u>1,037,528</u>
<u>Tier II Capital</u>				
General provision for advances and financing <sup>1</sup>	99,536	84,565	99,536	84,565
Property revaluation reserve <sup>2</sup>	115,883	114,308	115,883	114,308
Government funds <sup>3</sup>	433,432	428,923	433,432	428,923
Total Tier II capital	<u>648,851</u>	<u>627,796</u>	<u>648,851</u>	<u>627,796</u>
Total capital	1,884,306	1,839,089	1,736,171	1,665,324
Less: Investment in subsidiaries	-	-	-	-
Total capital base	<u>1,884,306</u>	<u>1,839,089</u>	<u>1,736,171</u>	<u>1,665,324</u>

<sup>1</sup> 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.

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

<sup>3</sup> In the financial year 2021, an amount of RM26,791,000 for Teraju Facilitation fund was channelled as placement with profit sharing of 70:30 between the Group and the Bank; and Teraju.

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

**40. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2021 (cont'd.)**

**(m) Capital adequacy (cont'd.)**

**Capital management (cont'd.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
20%	350,881	245,435	350,881	245,435
50%	5,120	5,621	5,120	5,621
100%	10,218,138	9,713,334	10,312,578	9,796,596
	<b>10,574,139</b>	<b>9,964,390</b>	<b>10,668,579</b>	<b>10,047,652</b>
	<b>Group</b>		<b>Bank</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Before deducting proposed dividends:				
Core capital ratio	11.684%	12.156%	10.192%	10.326%
Risk-weighted capital ratio	17.820%	18.457%	16.274%	16.574%
After deducting proposed dividends:				
Core capital ratio	11.625%	12.106%	10.133%	10.276%
Risk-weighted capital ratio	17.761%	18.406%	16.215%	16.524%

The capital adequacy ratios of the Islamic banking business are computed in accordance with the requirements of the Bank Negara Malaysia's Capital Framework for Development Financial Institutions which is based on Basel I capital adequacy framework requirements.