

**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 2023**

(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 - 175

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 2023.

**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 9 and Note 10 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	75,278	75,605
Tax expense	7,194	9,342
Zakat	170	170
Profit for the year	<u>82,642</u>	<u>85,117</u>
Profit for the year attributable to the owner of the Bank	<u>82,642</u>	<u>85,117</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 those adjustments necessary to align the financial statements of the Group and of the Bank for compliance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") upon the expiry of an accounting treatment modification allowed under Bank Negara Malaysia's ("BNM") Financial Reporting for Development Financial Institutions policy document. Further disclosures regarding this matter is found in Note 40 to the financial statements.

**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 2022, a final single-tier dividend of 0.34 sen per share on 1,850,000,000 ordinary shares, amounting to RM6,221,000 was proposed, approved and declared at the Annual General Meeting held on 31 May 2023. The dividend was paid on 8 June 2023.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2023 of 0.46 sen per share on 1,850,000,000 ordinary shares, amounting to RM8,512,000 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 2024.

197901005290

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

**Reserves and provisions**

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

**Issue of shares and debentures**

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

**Directors**

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

Dato' Muslim bin Hussain  
Datuk Ahmad Hizzad bin Baharuddin  
Zulkiflee bin Hashim  
Suharti binti Mohd Ali  
Datuk Haji Zamri @ Fazillah bin Salleh (appointed on 1 February 2023)  
Datuk Wan Azhar bin Wan Ahmad (appointed on 1 February 2024)  
Afidah Azwa binti Abdul Aziz (appointed on 1 February 2023)  
Rozainah binti Awang (appointed on 1 January 2024)  
Dato' Sharkawi bin Alis (end of tenure on 31 March 2023)  
Wan Abdul Rahman bin Wan Abu Bakar (end of tenure on 10 January 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 bin Abdul Majid  
Zarina Nor binti Ismail  
Mohd Fikri bin Abd Ghapar  
Mohammad Azam bin Ahmad  
Hairil Izwar bin Abd. Rahman  
Shuhaibahtulaslamiah binti Hurmuzan (appointed on 16 May 2023)  
Zabidi bin Abdullah (appointed on 1 February 2023)  
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, 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	319
- Directors salaries and other benefits	872
	1,191

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

**Directors' interests**

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

**Other statutory information**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Holding corporation**

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

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**

Auditors' remuneration of the Group and of the Bank for the financial year ended 31 December 2023 were as follows:

	<b>Group RM'000</b>	<b>Bank RM'000</b>
Auditors' remuneration		
- Statutory audit	898	825
- Regulatory related services	34	34
- Other assurance services	121	121
	<u>1,053</u>	<u>980</u>

The auditor's remuneration of the Group and of the Bank is as disclosed in Note 28 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 February 2024.



Dato' Muslim bin Hussain

Kuala Lumpur, Malaysia



Zulkiflee bin Hashim

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, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2023 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 29 February 2024.



Dato' Muslim bin Hussain

Kuala Lumpur, Malaysia



Zulkiflee bin Hashim



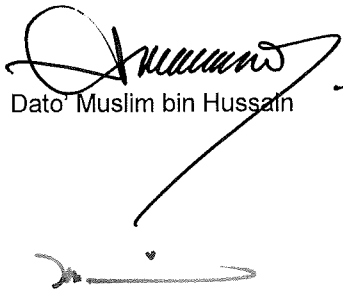
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**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

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

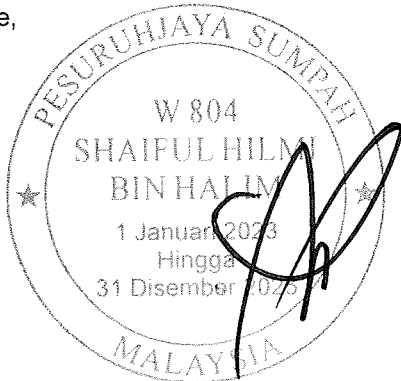
We, Dato' Muslim bin Hussain and Datuk Wira (Dr.) Aria Putera bin Ismail, being the Chairman and Group President/Chief Executive Officer respectively, being the officers primarily responsible for the financial management of Small Medium Enterprise Development Bank Malaysia Berhad, do solemnly and sincerely 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 29 February 2024.



Dato' Muslim bin Hussain

Before me,



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

Datuk Wira (Dr.) Aria Putera bin Ismail

**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 2023.

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 2023. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council ("SAC") of BNM, as well as Shariah decisions made by us.

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

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

We had convened a total of 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
  - Knowledge Sharing on "Financing Facilities with Connected Parties Framework" held on 31 March 2023
  - Knowledge Sharing on "An introduction to Group Human Capital Management" held on 10 June 2023
  - Knowledge Sharing on "Business Outlook and Performance" held on 11 June 2023
  - Knowledge Sharing on "Sustainability, ESG & Climate Change" held on 29 August 2023
  - Knowledge Sharing on "Business Continuity Management" held on 29 August 2023
  - Knowledge Sharing on "Awareness on Cyber Security" held on 25 September 2023
  - Knowledge Sharing on "The Board's Commitment in Gearing Up for Corporate Liability and Promoting Culture of Ethical Conduct" held on 31 October 2023
  - Knowledge Sharing on "Credit Assessment Process" held on 25 November 2023
- b) External programmes
  - Certified Shariah Advisor (CSA) and Certified Shariah Practitioner (CSP)
  - Talk on "Zakat and Waqf: The Egyptian Experience" talk at INCEIF Campus, Kuala Lumpur held on 22 May 2023
  - Muzakarah Cendekiawan Syariah Nusantara ke- 16 held on 30 May - 1 June 2023

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

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

b) External programmes (cont'd.)

- Muzakarah Penasihat Syariah dalam Kewangan Islam kali ke-16 held on 18 September 2023
- 18th Kuala Lumpur Islamic Finance Forum held on 19 – 20 September 2023
- International Shari'ah Scholars Forum 2023 held on 14 and 15 November 2023

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

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

We also oversee the Shariah Risk function 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:

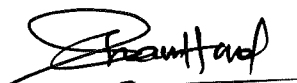
- 1) The overall operations, business, affairs and activities of the Bank are in compliance with Shariah but it has come to the Shariah Committee's attention that one (1) Shariah non-compliance event has occurred i.e. extension of maturity date (rollover) for Revolving Credit-i (RC-i) without aqad execution and the total excess amount of RM11,925.17 has been purified in accordance with Bank's internal guidelines. We were also informed of the causes of the incidences and noted that the Bank had taken necessary corrective and preventive measures to avoid the same incident from recurring in the future. We also confirmed that the SNC event and their corresponding rectification plans had been presented to us for endorsement; and
- 2) The calculation and distribution of zakat is in compliance with the Shariah principles.

We, Dr. Ahmad Sufian bin Che Abdullah 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 2023 have been conducted in conformity with the Shariah principles.

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



Dr. Ahmad Sufian bin Che Abdullah  
Member of the Shariah Committee



Dr. Shamsiah binti Mohamad  
Member of the Shariah Committee

Kuala Lumpur, Malaysia  
29 February 2024



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 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 14 to 175.

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 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia.

**Basis for Opinion**

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

*Independence and Other Ethical Responsibilities*

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

(Forward)

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

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

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

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

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

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

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

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

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

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

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

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

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

29 February 2024

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

**Statements of financial position  
As at 31 December 2023**

		<b>31.12.2023</b>	<b>Group 31.12.2022</b>	<b>1.1.2022</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
			<b>Restated</b>	<b>Restated</b>
<b>ASSETS</b>				
Cash and short-term funds	4	1,558,746	1,628,091	1,254,962
Financial investments at fair value through other comprehensive income ("FVOCI")	5	1,482,674	1,436,121	1,396,737
Financial investments at fair value through profit or loss ("FVTPL")		-	-	100,927
Financial investments at amortised cost ("AC")	6	975,652	934,753	518,757
Loans, advances and financing	7	8,284,537	7,752,065	7,343,894
Other assets	8	24,199	25,210	20,608
Investment in associate	10	-	2,335	2,654
Property, plant and equipment	11	124,395	146,131	134,044
Right-of-use assets	12	12,334	14,821	13,830
Investment properties	13	394,399	377,231	374,081
Intangible assets	14	41,503	17,698	14,762
Tax recoverable		5,942	5,203	5,572
Deferred tax assets	15	113,536	108,089	106,947
<b>TOTAL ASSETS</b>		<b>13,017,917</b>	<b>12,447,748</b>	<b>11,287,775</b>
<b>LIABILITIES</b>				
Deposits from customers	16	3,943,673	4,503,909	3,742,803
Deposits from banks and other financial institutions	17	140,056	150,208	50,085
Islamic medium-term notes/commercial papers	18	3,506,937	2,622,297	2,521,926
Borrowings/Fundings	19	2,047,647	1,949,473	1,741,109
Lease liabilities	20	12,811	15,137	14,195
Other liabilities	21	1,118,449	1,028,511	1,151,093
Government funds	22	580,125	602,785	540,701
<b>TOTAL LIABILITIES</b>		<b>11,349,698</b>	<b>10,872,320</b>	<b>9,761,912</b>
<b>EQUITY</b>				
Share capital	23	1,850,000	1,850,000	1,850,000
Accumulated losses		(212,192)	(288,613)	(341,903)
Other reserves	24	30,411	14,041	17,766
<b>TOTAL EQUITY</b>		<b>1,668,219</b>	<b>1,575,428</b>	<b>1,525,863</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>13,017,917</b>	<b>12,447,748</b>	<b>11,287,775</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	33	1,969,272	2,255,710	2,180,552

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



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

**Statements of financial position  
As at 31 December 2023 (cont'd.)**

		<b>31.12.2023</b>	<b>Bank 31.12.2022</b>	<b>1.1.2022</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
			<b>Restated</b>	<b>Restated</b>
<b>ASSETS</b>				
Cash and short-term funds	4	1,558,045	1,626,827	1,246,606
Financial investments at fair value through other comprehensive income ("FVOCI")	5	1,482,674	1,436,121	1,396,737
Financial investments at fair value through profit or loss ("FVTPL")		-	-	100,927
Financial investments at amortised cost ("AC")	6	975,652	934,753	518,757
Loans, advances and financing	7	8,284,537	7,752,065	7,343,894
Other assets	8	117,678	121,889	106,480
Investment in subsidiaries	9	-	-	-
Investment in associate	10	-	-	-
Property, plant and equipment	11	124,395	146,098	134,011
Right-of-use assets	12	12,334	14,821	13,830
Investment properties	13	394,399	377,231	374,081
Intangible assets	14	41,503	17,698	14,762
Tax recoverable		2,692	2,997	2,997
Deferred tax assets	15	113,536	108,089	106,947
<b>TOTAL ASSETS</b>		<b>13,107,445</b>	<b>12,538,589</b>	<b>11,360,029</b>
<b>LIABILITIES</b>				
Deposits from customers	16	3,984,635	4,553,795	3,776,444
Deposits from banks and other financial institutions	17	140,056	150,208	50,085
Islamic medium-term notes/commercial papers	18	3,506,937	2,622,297	2,521,926
Borrowings/Fundings	19	2,047,647	1,949,473	1,741,109
Lease liabilities	20	12,811	15,137	14,195
Other liabilities	21	1,156,723	1,061,649	1,178,555
Government funds	22	580,125	602,785	540,701
<b>TOTAL LIABILITIES</b>		<b>11,428,934</b>	<b>10,955,344</b>	<b>9,823,015</b>
<b>EQUITY</b>				
Share capital	23	1,850,000	1,850,000	1,850,000
Accumulated losses		(201,900)	(280,796)	(330,752)
Other reserves	24	30,411	14,041	17,766
<b>TOTAL EQUITY</b>		<b>1,678,511</b>	<b>1,583,245</b>	<b>1,537,014</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>13,107,445</b>	<b>12,538,589</b>	<b>11,360,029</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	33	1,969,272	2,255,710	2,180,552

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 2023**

	Note	Group		Bank	
		2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Interest income	25	114	679	114	679
Interest expense	26	(5,798)	(6,149)	(5,798)	(6,149)
<b>Net interest expense</b>		<b>(5,684)</b>	<b>(5,470)</b>	<b>(5,684)</b>	<b>(5,470)</b>
Gross income from Islamic banking business	39	524,242	461,365	517,332	457,138
Other operating income	27	11,781	28,495	10,708	18,629
<b>Net income</b>		<b>530,339</b>	<b>484,390</b>	<b>522,356</b>	<b>470,297</b>
Other operating expenses	28	(286,948)	(242,103)	(289,386)	(243,311)
<b>Operating profit</b>		<b>243,391</b>	<b>242,287</b>	<b>232,970</b>	<b>226,986</b>
(Allowances)/Writeback for impairment losses on :					
- loans, advances and financing	30	(164,277)	(181,045)	(189,346)	(204,769)
- commitments and contingencies	21(v)	(1,191)	989	(1,191)	989
- financial investments at FVOCI	5	(2,104)	108	(2,104)	108
- financial investments at AC	6	(786)	277	(786)	277
- other assets at AC	8(i)(b)	245	(1,504)	245	(1,504)
- other assets at FVOCI	8(ii)	-	-	60,700	35,155
- investments in subsidiaries	9	-	-	(24,883)	-
		75,278	61,112	75,605	57,242
Share of loss after tax of an associate	10(ii)	-	(319)	-	-
<b>Profit before tax expense and zakat</b>		<b>75,278</b>	<b>60,793</b>	<b>75,605</b>	<b>57,242</b>
Tax credit/(expense)	31	7,194	(935)	9,342	(718)
Zakat	31	170	(1,562)	170	(1,562)
<b>Profit for the year</b>		<b>82,642</b>	<b>58,296</b>	<b>85,117</b>	<b>54,962</b>
<b>Other comprehensive income/(loss)</b>					
<b>Items that may be reclassified to profit or loss:</b>					
Unrealised gain/(loss) on revaluation of financial investments at FVOCI	24	18,735	(17,325)	18,735	(17,325)
Reclassification of gain included in profit or loss	24	36	12,566	36	12,566
Changes in expected credit losses on financial investments at FVOCI	24	2,104	(108)	2,104	(108)
Income tax relating to components of other comprehensive income	24	(4,505)	1,142	(4,505)	1,142
<b>Other comprehensive gain/(loss) for the year, net of tax</b>		<b>16,370</b>	<b>(3,725)</b>	<b>16,370</b>	<b>(3,725)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>99,012</b>	<b>54,571</b>	<b>101,487</b>	<b>51,237</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 2023 (cont'd.)**

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</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>82,642</u>	<u>58,296</u>	<u>85,117</u>	<u>54,962</u>
Total comprehensive income attributable to the owner of the Bank		<u>99,012</u>	<u>54,571</u>	<u>101,487</u>	<u>51,237</u>
Earnings per share attributable to the owner of the Bank (sen)					
- Basic and diluted	32			<u>4.60</u>	<u>2.97</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 2023**

Group	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 2023, as previously reported</b>		1,850,000	3,927	10,114	(201,809)	1,662,232
Effect on the expiry of BNM Modified Accounting Framework ("MAF")	40	-	-	-	(86,804)	(86,804)
<b>At 1 January 2023, as restated</b>		1,850,000	3,927	10,114	(288,613)	1,575,428
Unrealised gain on revaluation of financial investments at FVOCI	24	-	18,735	-	-	18,735
Reclassification of gain included in profit or loss	24	-	36	-	-	36
Changes in expected credit losses of financial investments at FVOCI	24	-	2,104	-	-	2,104
Income tax relating to components of other comprehensive income	24	-	(4,505)	-	-	(4,505)
Profit for the year		-	-	-	82,642	82,642
Total comprehensive income for the year		-	16,370	-	82,642	99,012
Transaction with owner:						
Dividends	38	-	-	-	(6,221)	(6,221)
<b>At 31 December 2023</b>		<b>1,850,000</b>	<b>20,297</b>	<b>10,114</b>	<b>(212,192)</b>	<b>1,668,219</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 2023 (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 2022, as previously reported</b>		1,850,000	7,652	10,114	(262,346)	1,605,420
Effect on the expiry of BNM MAF (2021)	40	-	-	-	(79,557)	(79,557)
<b>At 1 January 2022, as restated</b>		1,850,000	7,652	10,114	(341,903)	1,525,863
Unrealised loss on revaluation of financial investments at FVOCI	24	-	(17,325)	-	-	(17,325)
Reclassification of gain included in profit or loss	24	-	12,566	-	-	12,566
Changes in expected credit losses of financial investments at FVOCI	24	-	(108)	-	-	(108)
Income tax relating to components of other comprehensive income	24	-	1,142	-	-	1,142
Profit for the year					58,296	58,296
Total comprehensive (loss)/income for the year		-	(3,725)	-	58,296	54,571
Transaction with owner: Dividends	38	-	-	-	(5,006)	(5,006)
<b>At 31 December 2022</b>		<b>1,850,000</b>	<b>3,927</b>	<b>10,114</b>	<b>(288,613)</b>	<b>1,575,428</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 2023 (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 2023, as previously reported</b>		1,850,000	3,927	10,114	(193,992)	1,670,049
Effect on the expiry of BNM MAF	40	-	-	-	(86,804)	(86,804)
<b>At 1 January 2023, as restated</b>		1,850,000	3,927	10,114	(280,796)	1,583,245
Unrealised gain on revaluation of financial investments at FVOCI	24	-	18,735	-	-	18,735
Reclassification of gain included in profit or loss	24	-	36	-	-	36
Changes in expected credit losses of financial investments at FVOCI	24	-	2,104	-	-	2,104
Income tax relating to components of other comprehensive income	24	-	(4,505)	-	-	(4,505)
Profit for the year		-	-	-	85,117	85,117
Total comprehensive income for the year		-	16,370	-	85,117	101,487
Transaction with owner:						
Dividends	38	-	-	-	(6,221)	(6,221)
<b>At 31 December 2023</b>		<b>1,850,000</b>	<b>20,297</b>	<b>10,114</b>	<b>(201,900)</b>	<b>1,678,511</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 2023 (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 2022, as previously reported</b>		1,850,000	7,652	10,114	(251,195)	1,616,571
Effect on the expiry of BNM MAF (2021)	40	-	-	-	(79,557)	(79,557)
<b>At 1 January 2022, as restated</b>		1,850,000	7,652	10,114	(330,752)	1,537,014
Unrealised loss on revaluation of financial investments at FVOCI	24	-	(17,325)	-	-	(17,325)
Reclassification of gain included in profit or loss	24	-	12,566	-	-	12,566
Changes in expected credit losses of financial investments at FVOCI	24	-	(108)	-	-	(108)
Income tax relating to components of other comprehensive income	24	-	1,142	-	-	1,142
Profit for the year		-	-	-	54,962	54,962
Total comprehensive (loss)/ income for the year		-	(3,725)	-	54,962	51,237
Transaction with owner: Dividends	38	-	-	-	(5,006)	(5,006)
<b>At 31 December 2022</b>		<b>1,850,000</b>	<b>3,927</b>	<b>10,114</b>	<b>(280,796)</b>	<b>1,583,245</b>

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 2023

	Note	Group		Bank	
		2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
<b>Cash flows from operating activities</b>					
Profit before tax expense and zakat		75,278	60,793	75,605	57,242
<b>Adjustments for:</b>					
Net impairment loss on loans, advances and financing	30	164,277	181,045	189,346	204,769
Net impairment (writeback)/loss of commitment and contingencies	21(v)	1,191	(989)	1,191	(989)
Net writeback on financial investments at FVOCI	5	2,104	(108)	2,104	(108)
Net impairment (writeback)/loss on financial investment at AC	6	786	(277)	786	(277)
Impairment loss/(gain) on other asset at AC	8(i)(b)	(245)	1,504	(245)	1,504
Impairment gain on other asset at FVOCI	8(ii)	-	-	(60,700)	(35,155)
Impairment loss on investment in subsidiaries	9	-	-	24,883	-
Capital contribution to a subsidiary	9	-	-	(24,883)	-
Modification of Bai' Inah facility	8(ii)	-	-	24,883	-
Depreciation of property, plant and equipment	28(ii)	12,800	11,613	12,800	11,613
Depreciation of right-of-use assets	28(ii)	3,713	3,562	3,713	3,562
Amortisation of intangible assets	28(ii)	10,530	8,394	10,530	8,394
Fair value gain on investment properties	39(i)	(17,168)	(3,150)	(17,168)	(3,150)
Government funds released, net	39(i)	(36,202)	(34,564)	(36,202)	(34,564)
Modification (gain)/loss arising from loans, advances and financing		(1,437)	30,553	(1,437)	30,553
Income from financial investments at FVOCI	26,39(g)	(49,029)	(45,195)	(49,029)	(45,195)
Income from financial investments at FVTPL	39(g)	(5,807)	(3,499)	(5,807)	(3,499)
Income from financial investments at AC	39(g)	(40,301)	(23,160)	(40,301)	(23,160)
Interest/Profit expense on borrowings/fundings	26,39(h)	47,350	42,030	47,350	42,030
Profit expense on medium-term notes/ commercial papers	39(h)	109,997	84,084	109,997	84,084
Finance cost on lease liabilities	39(h)	498	524	498	524
Profit income on amount due from a subsidiary company	39(i)	-	-	(7,183)	(8,596)
Gain on derecognition of leases		(7)	(211)	(7)	(211)
Gain on disposal of associate		(3,465)	-	(5,800)	-
Share of loss after tax of an associate	10	-	319	-	-
<b>Operating profit before working capital changes</b>		<b>274,863</b>	<b>313,268</b>	<b>254,924</b>	<b>289,371</b>
Changes in working capital:					
Loans, advances and financing		(695,311)	(619,770)	(720,381)	(643,493)
Other assets		6,236	(6,104)	52,402	26,840
Deposits from customers		(560,237)	787,896	(569,160)	804,142
Deposits from banks and other financial institutions		(10,152)	100,124	(10,152)	100,124
Other liabilities		89,995	(121,417)	95,132	(115,743)
<b>Cash (used in)/generated from operating activities</b>		<b>(894,606)</b>	<b>453,997</b>	<b>(897,235)</b>	<b>461,241</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 2023 (cont'd.)

	Note	Group		Bank	
		2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
<b>Cash flow from operating activities (cont'd.)</b>					
Interest and profit received		98,803	79,627	98,803	79,627
Income tax paid		(3,676)	(1,533)	(305)	(718)
Income tax refunded		179	967	-	-
Zakat paid		(1,330)	(1,702)	(1,330)	(1,702)
Zakat refunded		289	-	289	-
<b>Net cash (used in)/generated from operating activities</b>		<b>(800,341)</b>	<b>531,356</b>	<b>(799,778)</b>	<b>538,448</b>
<b>Cash flows from investing activities</b>					
Purchase of private debt securities		(210,709)	(690,709)	(210,709)	(690,709)
Purchase of Islamic commercial papers		(1,840,000)	(810,000)	(1,840,000)	(810,000)
Purchase of sukuk		(1,573,130)	(690,000)	(1,573,130)	(690,000)
Proceeds from redemption of private debt securities		-	25,000	-	25,000
Proceeds from redemption of sukuk		740,000	100,000	740,000	100,000
Proceeds from maturity of sukuk		700,000	300,000	700,000	300,000
Proceeds from maturity of private debt securities		345,709	560,000	345,709	560,000
Proceeds from maturity of Islamic commercial papers		1,765,000	839,000	1,765,000	839,000
Proceeds from disposal of associate		5,800	-	5,800	-
Proceeds from disposal of investment properties		-	-	-	-
Purchase of property, plant and equipment	11	(20,475)	(34,494)	(20,475)	(34,494)
Purchase of intangible assets	14	(9,908)	(536)	(9,908)	(536)
<b>Net cash used in investing activities</b>		<b>(97,713)</b>	<b>(401,739)</b>	<b>(97,713)</b>	<b>(401,739)</b>
<b>Cash flows from financing activities</b>					
Net disburse of borrowings/fundings		81,007	245,935	81,007	245,935
Net disburse of Islamic medium-term notes/ commercial papers		880,000	91,246	880,000	91,246
Interest/Profit paid on borrowings/fundings		(16,679)	(19,781)	(16,679)	(19,781)
Profit paid on Islamic medium-term notes/ commercial papers		(105,357)	(74,959)	(105,357)	(74,959)
Proceeds from government funds		-	10,000	-	10,000
Payment of lease liabilities		(4,041)	(3,923)	(4,041)	(3,923)
Dividend paid		(6,221)	(5,006)	(6,221)	(5,006)
<b>Net cash generated from financing activities</b>		<b>828,709</b>	<b>243,512</b>	<b>828,709</b>	<b>243,512</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(69,345)</b>	<b>373,129</b>	<b>(68,782)</b>	<b>380,221</b>
<b>Cash and cash equivalents at beginning 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 at end of year</b>		<b>1,558,746</b>	<b>1,628,091</b>	<b>1,558,045</b>	<b>1,626,827</b>
<b>Cash and cash equivalents comprise of:</b>					
- Cash and short-term funds	4	<b>1,558,746</b>	<b>1,628,091</b>	<b>1,558,045</b>	<b>1,626,827</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 2023 (cont'd.)**

**Note:**

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

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

Group and Bank		<=====Non-cash changes=====>							31 December RM'000
		1 January RM'000	Financing cash flows (i) RM'000	Interest/profit accrual (Note 26 & 39(h)) RM'000	Others RM'000	Reclassification from other liabilities (Note 22) RM'000	Government funds released (Note 39(i)) RM'000	Effect of benefit derived from below market profit rate (Note 22) RM'000	
<b>2023</b>	<b>Note</b>								
Islamic medium-term notes/ commercial papers	18	2,622,297	774,643	109,997	-	-	-	-	3,506,937
Borrowings/Fundings	19	1,949,473	64,328	47,350	-	-	-	(13,504)	2,047,647
Lease liabilities	20	15,137	(4,041)	498	1,217	-	-	-	12,811
Government funds	22	602,785	-	-	-	38	(36,202)	13,504	580,125
		<b>5,189,692</b>	<b>834,930</b>	<b>157,845</b>	<b>1,217</b>	<b>38</b>	<b>(36,202)</b>	<b>-</b>	<b>6,147,520</b>
<b>2022</b>									
Islamic medium-term notes/ commercial papers	18	2,521,926	16,287	84,084	-	-	-	-	2,622,297
Borrowings/Fundings	19	1,741,109	226,154	42,030	-	-	-	(59,820)	1,949,473
Lease liabilities	20	14,195	(3,923)	524	4,341	-	-	-	15,137
Government funds	22	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>

- (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 2023**

**1. Corporate information**

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 February 2024.

**2. Summary of material accounting policies**

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

The financial statements of the Group and the Bank have been prepared in accordance with the MFRS, IFRS and the requirements of Companies Act, 2016 in Malaysia. During the financial year, adjustments necessary to align the financial statements of the Group and of the Bank for compliance with MFRS and IFRS were made upon the expiry of an accounting treatment modification allowed under Bank Negara Malaysia's Financial Reporting for Development Financial Institutions policy document. Further disclosures regarding this matter is found in Note 40 to the financial statements.

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

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

**2.2 Changes in accounting policies and disclosures**

**Amendments to MFRSs**

In the current financial year, the Group and the Bank have adopted all Amendments to MFRS issued by the Malaysian Accounting Standard Board ("MASB") that are relevant to the operations and effective for accounting period that begins on or after 1 January 2023.

Amendments to:

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

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

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

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

**2.3 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 7 and MFRS 107	Supplier Finance Arrangements <sup>1</sup>
MFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
MFRS 101	Classification of Liabilities as Current and Non-Current <sup>1</sup>
MFRS 101	Non-current Liabilities with Covenants <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 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

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

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.

**2.4 Basis of preparation**

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

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

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

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

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of material accounting policies (cont'd.)****2.5 Basis of consolidation**

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

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

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

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

**2.6 Subsidiaries**

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

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

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

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

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

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

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

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

**2.7 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' 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 12 to 901 years (2022 : 13 to 902 years).

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

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

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

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

**2.9 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 material 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 material 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 material 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.

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

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

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

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

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of material accounting policies (cont'd.)****2.12 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. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group and the Bank account for the Day 1 profit or loss, as described below.

**Day 1 profit or loss**

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

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

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

**2.13 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.

**Business model assessment**

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

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

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

**The SPPI test**

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

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

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

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of material accounting policies (cont'd.)****2.13 Financial instruments (cont'd.)****Financial investment at AC**

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

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

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

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

**Debt instruments at FVOCI**

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

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

FVOCI debt instruments are measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Profit income are recognised in profit or loss in the same manner as for financial assets measured at AC as explained in Note 2.21. 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.

**Equity instruments at FVOCI**

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

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

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

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

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

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

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

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

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

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

**Derecognition of financial assets and liabilities**

**Derecognition due to substantial modification of terms and conditions**

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

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

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

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

**Derecognition other than for substantial modification**

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

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

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

**2.14 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.  |
| Stage 2 | When a loans, advances and financing has shown a significant increase in credit risk since origination, the Group and the Bank record an allowance for the LTECLs. Stage 2 loans, advances and financing also include facilities, where the credit risk has improved and the loans, advances and financing has been reclassified from Stage 3. |
| Stage 3 | Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred.  |

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

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

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

**Significant increase in credit risk**

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

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

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

**The calculation of ECLs**

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

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

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

The mechanics of the ECL method are summarised below:

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



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

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

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

**Overlays and adjustments for expected credit losses**

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

As the current MFRS 9 models are not expected to generate levels of ECL's with sufficient reliability in view of the novel risks, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2023.

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 RM39,896,000 (2021: RM40,185,000) 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. The Group and the Bank have taken the latest forecasted numbers published by Bloomberg in deriving the final PD rates. Meanwhile the probability-weighted ratio i.e. (upside, baseline and downside) is maintained at 10% - 75% - 15% as per 2022.

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 which were still in payment observation period after the moratorium ended. Overlay also applied to the industries deemed to be vulnerable, namely glove manufacturing industry.

**Debt instruments measured at FVOCI**

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

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

**Forward-looking information**

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

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

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

**Write-offs**

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of material accounting policies (cont'd.)****2.15 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 AC using the effective interest/profit method. The Group and the Bank do not have any non-derivative financial liabilities designated at FVTPL. Financial liabilities at AC include deposits from customers, deposits and placements from banks and financial institutions, other liabilities, Islamic medium-term notes, borrowings/fundings and lease liabilities.

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

**(a) Other financial liabilities**

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

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

**(b) Derecognition**

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

**2.16 Cash and cash equivalents**

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

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

**2.17 Provisions**

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

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

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

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

**2.18 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.

**2.19 Employee benefits**

(i) **Short-term benefits**

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

(ii) **Defined contribution plans**

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

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

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

**2.20 Fair value measurement**

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

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

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

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

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

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

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

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

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

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of material accounting policies (cont'd.)****2.21 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 statements of financial position with an increase or reduction in interest income. The adjustment is subsequently amortised through profit and similar income in profit or loss.

**(b) Interest/profit income**

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

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

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

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****2. Summary of material accounting policies (cont'd.)****2.21 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 material accounting policies (cont'd.)**

**2.21 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.

**2.22 Income taxes**

**(a) Current tax**

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

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

**(b) Deferred tax**

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

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

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

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

**2.23 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 material accounting policies (cont'd.)**

**2.24 Functional and presentation currency**

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

**2.25 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.

**3. Significant accounting judgement and estimates**

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

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

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

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

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

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

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash at banks and on hand	73,001	50,771	72,300	49,507
Short-term deposits and maturing within three months:				
- Licensed banks	1,485,745	1,577,320	1,485,745	1,577,320
	<u>1,558,746</u>	<u>1,628,091</u>	<u>1,558,045</u>	<u>1,626,827</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 2023 for the Group and the Bank was 3.38% per annum and 15 days (2022: 3.37% per annum and 15 days) respectively.

**5. Financial investments at FVOCI**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	<u>1,108,183</u>	<u>1,059,078</u>
<b>Non-money market instruments</b>		
Equity securities		
- Private debt securities	30,761	30,618
- Unquoted shares	10,693	10,062
Debt securities		
- Private debt securities	<u>333,037</u>	<u>336,363</u>
	<u>374,491</u>	<u>377,043</u>
	<u>1,482,674</u>	<u>1,436,121</u>

No loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve (Note 24).

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

	<b>Group and Bank</b>			
	<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>
At 1 January 2023	1	198	10,000	10,199
Allowance made due to changes in credit risk (Note 24)	445	1,659	-	2,104
At 31 December 2023	<u>446</u>	<u>1,857</u>	<u>10,000</u>	<u>12,303</u>
At 1 January 2022	89	218	10,000	10,307
Writeback made due to changes in credit risk (Note 24)	(40)	-	-	(40)
New financial investments originated (Note 24)	1	198	-	199
Financial investments derecognised (Note 24)	(49)	(218)	-	(267)
At 31 December 2022	<u>1</u>	<u>198</u>	<u>10,000</u>	<u>10,199</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 AAA	14	-	-	14
MARC AAA	48	-	-	48
RAM A	-	1,857	-	1,857
MARC AA-	384	-	-	384
RAM D^	-	-	10,000	10,000
At 31 December 2023	<u>446</u>	<u>1,857</u>	<u>10,000</u>	<u>12,303</u>
RAM A	-	198	-	198
MARC AA-	1	-	-	1
RAM D^	-	-	10,000	10,000
At 31 December 2022	<u>1</u>	<u>198</u>	<u>10,000</u>	<u>10,199</u>

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

**6. Financial investments at AC**

<b>At amortised cost</b>	<b>Group and Bank</b>	
	<b>2023 RM'000</b>	<b>2022 RM'000</b>
<b>Government securities</b>		
Malaysian Government Investment Issues	<u>292,369</u>	<u>199,429</u>
<b>Money market instruments</b>		
Commercial papers	<u>138,890</u>	<u>64,140</u>
<b>Non-money market instruments</b>		
Private debt securities	<u>545,180</u>	<u>671,185</u>
	<u>976,439</u>	<u>934,754</u>
Less: Accumulated impairment losses	<u>(787)</u>	<u>(1)</u>
	<u>975,652</u>	<u>934,753</u>

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

	<b>Group and Bank</b>	
	<b>2023 RM'000</b>	<b>2022 RM'000</b>
Within one year	321,506	416,607
More than one year to three years	373,587	196,574
More than three years to five years	266,306	281,172
More than five years	15,040	40,401
	<u>976,439</u>	<u>934,754</u>

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

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

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

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>Stage 1</b>	<b>Stage 1</b>
At 1 January	1	278
Allowance/(Writeback) made due to changes in credit risk	199	(32)
New financial investments originated or purchased	587	1
Financial investments derecognised	-	(246)
At 31 December	<u>787</u>	<u>1</u>

The impairment losses by external rating grade are as follows:

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>Stage 1</b>	<b>Stage 1</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>External rating grade</i>		
RAM AAA	26	-
MARC AAA	26	-
RAM AA	354	1
MARC AA	381	-
	<u>787</u>	<u>1</u>

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>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government Investment Issues	293,515	199,428
Commercial papers	138,890	64,140
Private debt securities	549,680	670,110
	<u>982,085</u>	<u>933,678</u>

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

**7. Loans, advances and financing**

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Term loans/financing				
- Hire purchase receivables	330,085	386,177	319,715	350,696
- Leasing	225	345	-	-
- Other term loans/financing	6,406,039	6,310,687	6,184,151	5,996,408
Revolving loans/financing	2,397,789	1,989,381	2,397,217	1,969,395
Staff loans/financing	9,798	10,991	9,798	10,991
Gross loans, advances and financing	<u>9,143,936</u>	<u>8,697,581</u>	<u>8,910,881</u>	<u>8,327,490</u>
Less: Allowance for impairment losses on				
- Stage 1 (Note 7(ix))	(105,085)	(91,586)	(105,085)	(91,586)
- Stage 2 (Note 7(ix))	(63,292)	(45,182)	(63,292)	(45,182)
- Stage 3 (Note 7(ix))	(691,022)	(808,748)	(457,967)	(438,657)
Net loans, advances and financing	<u>8,284,537</u>	<u>7,752,065</u>	<u>8,284,537</u>	<u>7,752,065</u>
Gross impaired loans, advances and financing (Note 7(vii))	<u>1,347,439</u>	<u>1,472,816</u>	<u>1,114,384</u>	<u>1,102,725</u>
Net impaired loans, advances and financing	<u>656,417</u>	<u>664,068</u>	<u>656,417</u>	<u>664,068</u>

Included in loans, advances and financing for the Group and the Bank are gross loans, advances and financing of RM124,160,000 (2022: RM107,020,000) 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)**

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

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Within one year	2,610,292	1,996,633	2,421,238	1,690,392
More than one year to three years	940,745	703,959	922,926	673,102
More than three years to five years	1,377,271	1,382,839	1,369,904	1,370,115
More than five years	4,215,628	4,614,150	4,196,813	4,593,881
	<u>9,143,936</u>	<u>8,697,581</u>	<u>8,910,881</u>	<u>8,327,490</u>

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Domestic business enterprise	9,134,138	8,686,590	8,901,083	8,316,499
Individual	9,798	10,991	9,798	10,991
	<u>9,143,936</u>	<u>8,697,581</u>	<u>8,910,881</u>	<u>8,327,490</u>

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Construction	1,619,022	1,440,517	1,618,252	1,437,693
Education, health and others	600,806	633,283	593,052	589,410
Electricity, gas and water supply	162,567	162,245	162,567	162,245
Financial, insurance/takaful, real estate and business services	1,081,271	1,131,873	1,080,609	1,129,157
Manufacturing	1,654,468	1,611,333	1,628,889	1,543,094
Mining and quarrying	114,979	112,075	114,979	110,079
Primary agriculture	10,153	7,315	10,123	7,046
Transportation, storage and communication	1,261,432	1,084,694	1,244,816	1,046,392
Wholesale, retail trade, restaurants and hotels	2,629,440	2,503,255	2,447,796	2,291,383
Others	9,798	10,991	9,798	10,991
	<u>9,143,936</u>	<u>8,697,581</u>	<u>8,910,881</u>	<u>8,327,490</u>

197901005290

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

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

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

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

(Forward)

197901005290

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

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

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

<b>Group 2022 Restated</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	991,022	29,409	53,134	48,135	99,367	219,450	1,440,517
Education, health and others	459,724	19,855	21,115	83,857	37,115	11,617	633,283
Electricity, gas and water supply	154,775	578	1,518	2,009	3,032	333	162,245
Financial, insurance/takaful, real estate and business services	772,468	112,450	67,098	40,335	63,924	75,598	1,131,873
Manufacturing	912,258	246,052	211,994	103,538	52,865	84,626	1,611,333
Mining and quarrying	56,260	-	18,174	33,282	1,847	2,512	112,075
Primary agriculture	1,371	-	231	240	3,977	1,496	7,315
Transportation, storage and communication	691,884	90,121	43,394	114,010	71,622	73,663	1,084,694
Wholesale, retail trade, restaurants and hotels	1,257,390	310,689	106,485	320,033	303,524	205,134	2,503,255
Others	10,991	-	-	-	-	-	10,991
	<b>5,308,143</b>	<b>809,154</b>	<b>523,143</b>	<b>745,439</b>	<b>637,273</b>	<b>674,429</b>	<b>8,697,581</b>

(Forward)



197901005290

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

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

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

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

(Forward)

197901005290

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

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

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

<b>Bank 2022 Restated</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	988,198	29,409	53,134	48,135	99,367	219,450	1,437,693
Education, health and others	415,851	19,855	21,115	83,857	37,115	11,617	589,410
Electricity, gas and water supply	154,775	578	1,518	2,009	3,032	333	162,245
Financial, insurance/takaful, real estate and business services	769,752	112,450	67,098	40,335	63,924	75,598	1,129,157
Manufacturing	844,019	246,052	211,994	103,538	52,865	84,626	1,543,094
Mining and quarrying	54,264	-	18,174	33,282	1,847	2,512	110,079
Primary agriculture	1,102	-	231	240	3,977	1,496	7,046
Transportation, storage and communication	653,582	90,121	43,394	114,010	71,622	73,663	1,046,392
Wholesale, retail trade, restaurants and hotels	1,045,518	310,689	106,485	320,033	303,524	205,134	2,291,383
Others	10,991	-	-	-	-	-	10,991
	<b>4,938,052</b>	<b>809,154</b>	<b>523,143</b>	<b>745,439</b>	<b>637,273</b>	<b>674,429</b>	<b>8,327,490</b>

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

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

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Fixed rate				
- Staff loan/financing	9,798	10,991	9,798	10,991
- Hire purchase receivables	121,355	165,932	111,548	131,317
- Leasing	225	345	-	-
- Other term loans/financing	2,173,061	2,187,613	2,044,081	1,977,210
- Revolving loans/financing	1,947,655	1,173,389	1,947,138	1,153,464
Variable rate				
- Hire purchase receivables	208,730	220,245	208,167	219,379
- Other term loans/financing	4,232,978	4,123,074	4,140,070	4,019,198
- Revolving loans/financing	450,134	815,992	450,079	815,931
	<u>9,143,936</u>	<u>8,697,581</u>	<u>8,910,881</u>	<u>8,327,490</u>

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Construction	135,787	130,470	135,017	127,646
Education, health and others	56,615	144,880	48,861	101,007
Electricity, gas and water supply	55,383	54,824	55,383	54,824
Financial, insurance/takaful, real estate and business services	174,500	182,156	173,838	179,440
Manufacturing	247,623	286,901	222,044	218,662
Mining and quarrying	7,818	7,115	7,818	5,119
Primary agriculture	528	486	498	217
Transportation, storage and communication	95,954	106,495	79,338	68,193
Wholesale, retail trade, restaurants and hotels	573,231	559,489	391,587	347,617
	<u>1,347,439</u>	<u>1,472,816</u>	<u>1,114,384</u>	<u>1,102,725</u>

197901005290

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

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

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

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

(Forward)

197901005290

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

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

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

<b>Group 2022 Restated</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	106,585	700	2,004	3,269	10,136	7,776	130,470
Education, health and others	100,753	460	7,949	28,074	6,828	816	144,880
Electricity, gas and water supply	54,824	-	-	-	-	-	54,824
Financial, insurance/takaful, real estate and business services	165,696	7,449	1,504	3,705	3,054	748	182,156
Manufacturing	186,317	13,441	55,231	25,370	1,179	5,363	286,901
Mining and quarrying	6,793	-	-	322	-	-	7,115
Primary agriculture	315	-	-	-	171	-	486
Transportation, storage and communication	56,457	7,625	9,741	13,871	11,440	7,361	106,495
Wholesale, retail trade, restaurants and hotels	384,216	63,533	15,368	43,580	46,040	6,752	559,489
	<b>1,061,956</b>	<b>93,208</b>	<b>91,797</b>	<b>118,191</b>	<b>78,848</b>	<b>28,816</b>	<b>1,472,816</b>

(Forward)

197901005290

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

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

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

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

(Forward)

197901005290

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

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

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

<b>Bank 2022 Restated</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	103,761	700	2,004	3,269	10,136	7,776	127,646
Education, health and others	56,880	460	7,949	28,074	6,828	816	101,007
Electricity, gas and water supply	54,824	-	-	-	-	-	54,824
Financial, insurance/takaful, real estate and business services	162,980	7,449	1,504	3,705	3,054	748	179,440
Manufacturing	118,078	13,441	55,231	25,370	1,179	5,363	218,662
Mining and quarrying	4,797	-	-	322	-	-	5,119
Primary agriculture	46	-	-	-	171	-	217
Transportation, storage and communication	18,155	7,625	9,741	13,871	11,440	7,361	68,193
Wholesale, retail trade, restaurants and hotels	172,344	63,533	15,368	43,580	46,040	6,752	347,617
	<b>691,865</b>	<b>93,208</b>	<b>91,797</b>	<b>118,191</b>	<b>78,848</b>	<b>28,816</b>	<b>1,102,725</b>

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

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

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
At 1 January, as previously reported	1,484,710	1,526,505	1,114,619	1,132,690
Prior year adjustments	(11,894)	(7,755)	(11,894)	(7,755)
At 1 January, as restated	1,472,816	1,518,750	1,102,725	1,124,935
-Transfers to Stage 1	(54,736)	(60,433)	(54,736)	(60,433)
-Transfers to Stage 2	(13,500)	(29,193)	(13,500)	(29,193)
-Transfers to Stage 3	250,199	280,014	250,199	280,014
	1,654,779	1,709,138	1,284,688	1,315,323
Changes due to change in credit risk	(50,624)	(77,391)	(25,555)	(53,667)
New financial assets originated	51,555	7,196	51,555	7,196
Financial assets derecognised	(58,183)	(62,223)	(58,183)	(62,223)
Amount written-off	(250,088)	(103,904)	(138,121)	(103,904)
At 31 December	1,347,439	1,472,816	1,114,384	1,102,725

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2023, as previously reported	93,965	45,769	815,952	955,686
Prior year adjustments (Note 40)	(2,379)	(587)	(7,204)	(10,170)
At 1 January 2023, as restated	91,586	45,182	808,748	945,516
-Transfers to Stage 1	30,096	(6,313)	(23,783)	-
-Transfers to Stage 2	(3,631)	7,387	(3,756)	-
-Transfers to Stage 3	(1,294)	(12,638)	13,932	-
	25,171	(11,564)	(13,607)	-
Changes due to change in credit risk (Note 30)	(28,688)	28,076	150,027	149,415
New financial assets originated (Note 30)	27,852	1,866	7,102	36,820
Financial assets derecognised (Note 30)	(10,836)	(268)	(15,183)	(26,287)
Amount written-off	-	-	(246,065)	(246,065)
At 31 December 2023	105,085	63,292	691,022	859,399
At 1 January 2022, as previously reported	97,559	16,634	765,939	880,132
Prior year adjustments (Note 40)	(1,519)	(431)	(7,266)	(9,216)
At 1 January 2022, as restated	96,040	16,203	758,673	870,916
-Transfers to Stage 1	11,376	(4,084)	(7,292)	-
-Transfers to Stage 2	(9,584)	16,718	(7,134)	-
-Transfers to Stage 3	(9,035)	(4,149)	13,184	-
	(7,243)	8,485	(1,242)	-
Changes due to change in credit risk (Note 30)	(4,529)	19,739	167,803	183,013
New financial assets originated (Note 30)	20,208	933	2,113	23,254
Financial assets derecognised (Note 30)	(12,890)	(178)	(17,671)	(30,739)
Amount written-off	-	-	(100,928)	(100,928)
At 31 December 2022	91,586	45,182	808,748	945,516





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

**8. Other assets**

	Note	Group	
		2023 RM'000	2022 RM'000
<b>At AC</b>			
Other receivables		12,340	10,402
Rental receivables	(i)	993	1,523
		<u>13,333</u>	<u>11,925</u>
Prepayments		10,866	13,285
		<u>24,199</u>	<u>25,210</u>
<b>Bank</b>			
		2023 RM'000	2022 RM'000
<b>At FVOCI</b>			
Amount due from a subsidiary company	(ii)	35,800	43,751
<b>At AC</b>			
Amount due from subsidiary companies	(iii)	57,791	50,489
Other receivables		12,239	12,855
Rental receivables	(i)	993	1,523
		<u>71,023</u>	<u>64,867</u>
Prepayments		10,855	13,271
		<u>117,678</u>	<u>121,889</u>

(i) As at 31 December 2023, the portfolio impacted under other assets is rental receivables from investment properties with net carrying amount of RM993,000 (2022: RM1,523,000).

(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 2023	616	10,847	11,463
Transfer to non-credit impaired	1,009	(1,009)	-
Transfer to credit impaired	(98)	98	-
Changes due to change in credit risk	(838)	63	(775)
At 31 December 2023	<u>689</u>	<u>9,999</u>	<u>10,688</u>
At 1 January 2022	482	9,154	9,636
Transfer to non-credit impaired	301	(301)	-
Transfer to credit impaired	(207)	207	-
Changes due to change in credit risk	40	1,787	1,827
At 31 December 2022	<u>616</u>	<u>10,847</u>	<u>11,463</u>

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

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

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

	<b>Non-credit impaired RM'000</b>	<b>Credit impaired RM'000</b>	<b>Total RM'000</b>
At 1 January 2023	(25)	(9,915)	(9,940)
Allowance made during the year	7	238	245
At 31 December 2023	<u>(18)</u>	<u>(9,677)</u>	<u>(9,695)</u>
At 1 January 2022	(20)	(8,416)	(8,436)
Writeback made during the year	(5)	(1,499)	(1,504)
At 31 December 2022	<u>(25)</u>	<u>(9,915)</u>	<u>(9,940)</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 for another 7 years from its original maturity date, from 15 December 2024 to 31 December 2031, effective 1 January 2023. The rescheduling activity has resulted in the facility not having additional profit charged, hence the new effective profit rate is below market rate. Therefore, RM24,883,000 being the fair value impact has been classified as an Investment in Subsidiaries as disclosed in Note 9.

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

	<b>Bank</b>	
	<b>2023 RM'000</b>	<b>2022 RM'000</b>
At 1 January	(233,722)	(268,877)
Allowance made during the year	(7,183)	(8,596)
Writeback during the year	67,883	43,751
At 31 December	<u>(173,022)</u>	<u>(233,722)</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)**

**9. Investment in subsidiaries**

	Bank	
	2023 RM'000	2022 RM'000
<b>Unquoted shares</b>		
At cost	3,582	3,582
Additional capital contribution due to rescheduling of facility (Note 8(ii))	24,883	-
	28,465	3,582
Allowances for impairment loss	(28,465)	(3,582)
Carrying amount	-	-

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

	Bank	
	2023 RM'000	2022 RM'000
As at 1 January	3,582	3,582
Allowance made during the year	24,883	-
As at 31 December	28,465	3,582

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 (%)	
		2023	2022
<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)**

**10. Investment in associate**

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Unquoted shares</b>				
At cost	6,826	6,826	6,826	6,826
Share of post-acquisition reserves	2,335	2,335	-	-
	<u>9,161</u>	<u>9,161</u>	<u>6,826</u>	<u>6,826</u>
Less: Accumulated impairment losses	(6,826)	(6,826)	(6,826)	(6,826)
Less: Disposal of investment	(2,335)	-	-	-
	<u>-</u>	<u>2,335</u>	<u>-</u>	<u>-</u>

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

	Group 2023 RM'000	Bank 2023 RM'000
Proceeds of disposal	5,800	5,800
Net carrying amount	2,335	-
Gain on disposal (Note 39(i))	<u>3,465</u>	<u>5,800</u>

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

Name of company	Principal activity	Proportion of Ownership Interest and Voting Power Held by the Group (%)		Accounting model applied
		2023	2022	
<b>Held by the Bank:</b>				
Capatronics (M) Sdn. Bhd.	Manufacturing of ceramic capacitors	-	30	Equity method

(i) Summarised statement of financial position

	Capatronics (M) Sdn. Bhd.	
	2023 RM'000	2023 RM'000
Non-current assets	-	3,468
Current assets	-	21,932
Total assets	<u>-</u>	<u>25,400</u>
Current liabilities	-	4,070
Total liabilities	<u>-</u>	<u>4,070</u>
Net assets as at 31 December	<u>-</u>	<u>21,330</u>

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

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

(ii) Summarised statement of comprehensive income

	<b>Capatronics (M)</b>	
	<b>Sdn. Bhd.</b>	
	<b>2023</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	-	-
Loss before tax	-	(1,064)
Loss for the year	-	(1,064)
Total comprehensive loss for the year	-	(1,064)
Interest in associate	-	30%
Share of loss after tax of an associate	-	(319)

(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>2023</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Net assets as at 1 January	-	8,847
Total comprehensive loss for the year	-	(1,064)
Net assets as at 31 December	-	7,783
Interest in associate	-	30%
Carrying value of Group's interest in associate	-	2,335

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

**11. 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 2023	4,083	36,663	86,108	52,779	59,593	1,757	8,042	26,535	275,560
Additions	-	-	-	6,157	4,369	-	56	9,893	20,475
Disposals/Write-offs	-	-	-	(23,453)	(32)	(195)	-	(589)	(24,269)
Adjustment	-	(5)	-	(41)	-	5	-	(520)	(561)
Reclassification to intangible assets (Note 15)	-	-	-	-	-	-	-	(26,059)	(26,059)
At 31 December 2023	4,083	36,658	86,108	35,442	63,930	1,567	8,098	9,260	245,146
<b>Accumulated depreciation</b>									
At 1 January 2023	-	6,212	30,611	37,946	45,385	1,573	7,702	-	129,429
Charge for the year (Note 29(ii))	-	81	2,445	4,342	5,762	49	121	-	12,800
Disposals/Write-offs	-	-	-	(21,235)	(18)	(195)	-	-	(21,448)
Adjustment	-	-	-	3	(33)	-	-	-	(30)
At 31 December 2023	-	6,293	33,056	21,056	51,096	1,427	7,823	-	120,751
<b>Net carrying amount</b>									
At 31 December 2023	4,083	30,365	53,052	14,386	12,834	140	275	9,260	124,395

(Forward)

197901005290

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

**11. 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 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
Disposals/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 28(ii))	-	82	2,444	3,362	5,540	41	144	-	11,613
Disposals/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

Included in property, plant and equipment of the Group are fully depreciated assets at a total cost of RM38,020,072 (2022: RM51,004,000), which are still in use by the Group.

(Forward)



197901005290

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

**11. 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 2023	4,083	36,663	86,108	52,611	59,593	1,757	8,042	26,535	275,392
Additions	-	-	-	6,157	4,369	-	56	9,893	20,475
Disposals/Write-offs	-	-	-	(23,453)	(32)	(195)	-	(589)	(24,269)
Adjustment	-	(5)	-	(6)	-	-	-	(520)	(531)
Reclassification to intangible assets (Note 14)	-	-	-	-	-	-	-	(26,059)	(26,059)
At 31 December 2023	4,083	36,658	86,108	35,309	63,930	1,562	8,098	9,260	245,008
<b>Accumulated depreciation</b>									
At 1 January 2023	-	6,212	30,611	37,816	45,385	1,568	7,702	-	129,294
Charge for the year (Note 28(ii))	-	81	2,445	4,342	5,762	49	121	-	12,800
Disposals/Write-offs	-	-	-	(21,235)	(18)	(195)	-	-	(21,448)
Adjustment	-	-	-	-	(33)	-	-	-	(33)
At 31 December 2023	-	6,293	33,056	20,923	51,096	1,422	7,823	-	120,613
<b>Net carrying amount</b>									
At 31 December 2023	4,083	30,365	53,052	14,386	12,834	140	275	9,260	124,395

(Forward)

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

**11. 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 14)	-	-	-	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 28(ii))	-	82	2,444	3,362	5,540	41	144	-	11,613
Disposals/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

Included in property, plant and equipment of the Bank are fully depreciated assets at a total cost of RM37,883,000 (2022: RM50,881,000), which are still in use by the Bank.

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

**12. 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 2023	24,425	4,361	28,786
Additions	517	1,932	2,449
Contract expiry	-	(1,223)	(1,223)
At 31 December 2023	<u>24,942</u>	<u>5,070</u>	<u>30,012</u>
<b>Accumulated depreciation</b>			
At 1 January 2023	10,827	3,138	13,965
Charge for the year (Note 28(ii))	2,940	773	3,713
At 31 December 2023	<u>13,767</u>	<u>3,911</u>	<u>17,678</u>
<b>Carrying amount</b>			
At 31 December 2023	<u>11,175</u>	<u>1,159</u>	<u>12,334</u>
<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 28(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>

The Group and the Bank lease a number of premises and motor vehicles with lease term ranges between 3-6 years (2022: 3-7 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)**

**13. Investment properties**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
At 1 January	377,231	374,081
Fair value adjustment (Note 39(i))	17,168	3,150
At 31 December	<u>394,399</u>	<u>377,231</u>

The following investment properties are held under leasehold:

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Building	204,489	193,411
Land	189,910	183,820
	<u>394,399</u>	<u>377,231</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 2023 have been arrived at on the basis of valuation carried out by independent valuers, who are not related to the Group and to the Bank on 10 December 2021. In the current year, a desktop valuation was performed to update the valuation inputs for current year movements. The independent valuers have appropriate qualifications and recent experience in the valuation of properties in the respective locations. The fair value was determined using the cost and comparison approach. The fair values determined under this approach are derived by comparing and adopting as yardstick, recent transactions and sale evidences involving other similar properties in the vicinity. Due consideration is given for such factors including location, plot size, improvements made, if any, surrounding developments, facilities and amenities available.

Rental income earned from investment properties during the year amounted to RM11,505,000 (2022: RM11,178,000). Direct operating expenses arising from the investment properties during the year amounting to RM3,492,000 (2022: RM3,364,000).

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

**14. Intangible assets**

	Group		Software		Bank	
	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At cost</b>						
At 1 January	85,367	74,037	84,715	73,385		
Additions	9,908	536	9,908	536		
Disposals/Write-offs	(1,875)	-	(1,875)	-		
Adjustment	-	-	-	-		
Reclassification from property, plant and equipment (Note 11)	26,059	10,794	26,059	10,794		
At 31 December	<u>119,459</u>	<u>85,367</u>	<u>118,807</u>	<u>84,715</u>		
<b>Accumulated amortisation</b>						
At 1 January	67,669	59,275	67,017	58,623		
Charge for the year (Note 28(ii))	10,530	8,394	10,530	8,394		
Disposals/Write-offs	(243)	-	(243)	-		
At 31 December	<u>77,956</u>	<u>67,669</u>	<u>77,304</u>	<u>67,017</u>		
<b>Carrying amount</b>						
At 31 December	<u>41,503</u>	<u>17,698</u>	<u>41,503</u>	<u>17,698</u>		

**15. Deferred tax assets**

	Group and Bank	
	2023	2022
	RM'000	RM'000
At 1 January	108,089	106,947
Recognised in profit or loss (Note 31)	9,952	-
Recognised in other comprehensive income (Note 24)	(4,505)	1,142
At 31 December	<u>113,536</u>	<u>108,089</u>
<b>Presented before appropriate offsetting as follows:</b>		
Deferred tax assets	142,603	136,766
Deferred tax liabilities	(29,067)	(28,677)
	<u>113,536</u>	<u>108,089</u>

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

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

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

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

	<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 2023	33,536	34,610	11,761	-	5,312	51,471	76	136,766
Recognised in profit or loss	6,875	12,221	(985)	189	(378)	(7,619)	39	10,342
Recognised in other comprehensive income	-	-	-	-	(4,505)	-	-	(4,505)
At 31 December 2023	<b>40,411</b>	<b>46,831</b>	<b>10,776</b>	<b>189</b>	<b>429</b>	<b>43,852</b>	<b>115</b>	<b>142,603</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>

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

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

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

	Investment properties RM'000	Property plant and equipment RM'000	Intangible assets RM'000	Total RM'000
At 1 January 2023	(18,226)	(3,868)	(6,583)	(28,677)
Recognised in profit or loss	(1,717)	(1,835)	3,162	(390)
At 31 December 2023	<u>(19,943)</u>	<u>(5,703)</u>	<u>(3,421)</u>	<u>(29,067)</u>
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	<u>(18,226)</u>	<u>(3,868)</u>	<u>(6,583)</u>	<u>(28,677)</u>

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

As mentioned in Note 2.22, 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 2023, the deductible temporary differences and unused tax losses for which deferred tax assets has not been recognised in the financial statements due to uncertainty of its realisation, are as follows:

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unused tax losses	-	62,469	-	62,469
Temporary differences arising from:				
Impairment on debts purchased	173,269	173,269	-	-
Others	29,533	4,712	28,465	3,582
	<u>202,802</u>	<u>240,450</u>	<u>28,465</u>	<u>66,051</u>

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

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

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

	Group and Bank	
	2023 RM'000	2022 RM'000
Expiring in year assessment ("YA") 2029	188,617	194,235
Expiring in YA2031	779	779
Expiring in YA2032	2,656	2,656
	<u>192,052</u>	<u>197,670</u>

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

**16. Deposits from customers**

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Term deposit:				
- Commodity Murabahah/Tawarruq	3,943,673	4,503,909	3,984,635	4,553,795

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

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Government bodies (Note 35(c))	1,052,155	1,614,767	1,052,155	1,614,767
Statutory bodies	532,591	870,527	532,591	870,527
Business enterprise	1,244,995	1,443,003	1,285,957	1,492,889
Others	1,113,932	575,612	1,113,932	575,612
	3,943,673	4,503,909	3,984,635	4,553,795

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

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Within three months	2,283,720	3,797,935	2,322,100	3,847,821
More than three months to six months	482,628	466,222	485,210	466,222
More than six months to one year	1,177,325	239,752	1,177,325	239,752
	3,943,673	4,503,909	3,984,635	4,553,795

The deposits from customers carried weighted average profit rate of 3.48% (2022: 3.28%) per annum.

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

	Group and Bank	
	2023 RM'000	2022 RM'000
Licensed banks and other financial institutions	140,056	150,208

The deposits maturity structure are as follows:

	Group and Bank	
	2023 RM'000	2022 RM'000
Less than three months	140,056	150,208

The deposits from banks and other financial institutions carried weighted average profit rate of 3.13% (2022: 2.98%) per annum.



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

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

	Note	Group and Bank	
		2023 RM'000	2022 RM'000
Islamic medium-term notes ("IMTNs")	(i)	3,127,748	2,124,222
Islamic commercial papers ("ICPs")	(ii)	379,189	498,075
		<u>3,506,937</u>	<u>2,622,297</u>

(i) The IMTNs' details of issuance as of 31 December 2023 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% maturing on 31 July 2026	2 August 2021
RM500,000,000 4.04% maturing on 4 August 2025	4 August 2022
RM1,000,000,000 4.05% maturing on 30 May 2028	30 May 2023

(ii) The unsecured ICPs issued by the Group and the Bank as of 31 December 2023 are as follows:

	Issuance Date
RM300,000,000 3.50% maturing on 8 January 2024	8 December 2023
RM80,000,000 3.90% maturing on 8 March 2024	8 December 2023

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

	Group and Bank	
	2023 RM'000	2022 RM'000
Within one year	806,937	522,297
More than one year to three years	1,450,000	1,150,000
More than three years to five years	1,250,000	950,000
	<u>3,506,937</u>	<u>2,622,297</u>

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

**19. Borrowings/Fundings**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Unsecured borrowings/fundings	<u>2,047,647</u>	<u>1,949,473</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 RM977,478,000 (2022: RM924,005,000).

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

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	59,107	44,001
More than one year to five years	813,300	911,363
More than five years	<u>1,175,240</u>	<u>994,109</u>
	<u>2,047,647</u>	<u>1,949,473</u>

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

	<b>Note</b>	<b>Group and Bank</b>	
		<b>2023</b>	<b>2022</b>
		<b>RM'000</b>	<b>RM'000</b>
Government of Malaysia (Note 35(c))	(a)	911,000	941,916
Other institutions	(b)	<u>1,136,647</u>	<u>1,007,557</u>
		<u>2,047,647</u>	<u>1,949,473</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>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	53,238	33,266
More than one year to five years	316,970	453,647
More than five years	<u>540,792</u>	<u>455,003</u>
	<u>911,000</u>	<u>941,916</u>

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

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

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

(b) Borrowings/Fundings from other institutions

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
BNM	1,136,647	1,007,557

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

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	5,869	10,735
More than one year to five years	496,330	457,716
More than five years	634,448	539,106
	<u>1,136,647</u>	<u>1,007,557</u>

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

**20. Lease liabilities**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Lease liabilities	12,811	15,137

The Group and the Bank lease a number of premises and motor vehicles with lease term ranges between 3-6 years (2022: 3-7 years), with options for renewal. The weighted average of discount rates of the Group and of the Bank range between 3.00% to 3.42% (2022: 3.06% to 3.42%) per annum.

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

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	4,066	3,741
More than one year to five years	9,689	12,214
More than five years	-	551
	<u>13,755</u>	<u>16,506</u>
Less: Future finance cost	(944)	(1,369)
	<u>12,811</u>	<u>15,137</u>

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

**21. Other liabilities**

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Other payables and accruals (Note i)	558,555	422,446	565,329	427,721
Islamic margin account (Note ii)	340,743	381,832	340,690	381,779
Guarantee payable (Note iii)	161,914	164,197	161,914	164,197
Amount due to subsidiaries (Note iv)	-	-	32,390	29,276
Sinking fund	403	429	403	429
Rental and security deposits	3,457	3,689	3,457	3,689
Provision for zakat	2,304	5,118	2,304	5,118
Allowance for impairment on commitments and contingencies (Note v)	5,915	4,724	5,915	4,724
Other provisions	45,158	46,076	44,321	44,716
	<u>1,118,449</u>	<u>1,028,511</u>	<u>1,156,723</u>	<u>1,061,649</u>

(i) Included in other payables and accruals are undisbursed funds amounting to RM16,927,000 (2022: RM37,867,000) 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 RM10,820,000 (2022: RM26,553,000). Under the agreement with SPED, the Bank acts as an agent to execute and channel the said fund as financial assistance to the small and medium sized companies.

- (ii) Islamic margin account refers to the cash collateral pledged by the Islamic banking customers of the Bank. The amount will be repaid to the customers at the end of the financing tenure or will be offset with any overdue amount. The Bank will pay a hibah/profit rate at 0.25% (2022: 0.25%) per annum to the customers.
- (iii) Guarantee payable refers to the guarantee extended by Teraju which applies to companies classified as Small Medium Enterprise ("SMEs") companies as defined by the terms of the Teraju Program. The guarantee payable will be liquidated in the event of financing accounts under Teraju guarantee is exhausted.
- (iv) The amounts due to subsidiaries are non-trade, interest-free, unsecured and repayable on demand.

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

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

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

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</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	4,724	5,713
Changes due to change in credit risk	378	476
New financial assets originated	3,261	1,334
Derecognition	(2,448)	(2,799)
At 31 December	<u>5,915</u>	<u>4,724</u>

(vi) During the financial year, an amount of RM11,925 has been purified in accordance with Bank's internal guidelines.

**22. Government funds**

	<b>Note</b>	<b>Group and Bank</b>	
		<b>2023</b>	<b>2022</b>
		<b>RM'000</b>	<b>RM'000</b>
To finance:			
Purchase of investment properties	(i)	101,361	104,854
Loans, advances and financing	(ii)	478,764	497,931
		<u>580,125</u>	<u>602,785</u>

(i) To finance the purchase of investment properties:

<b>Group and Bank</b>	<b>Kompleks Kilang Bimbingan</b>			<b>Total</b>
	<b>Nursery</b>	<b>Nursery</b>	<b>Nursery</b>	
	<b>Factory</b>	<b>Factory</b>	<b>Factory</b>	
	<b>Scheme</b>	<b>Scheme</b>	<b>Scheme</b>	
	<b>(RMK7)</b>	<b>(RMK8)</b>	<b>(RMK9)</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2023	64,892	7,512	32,450	104,854
Government fund released (Note 39(i))	(249)	(2,864)	(380)	(3,493)
At 31 December 2023	<u>64,643</u>	<u>4,648</u>	<u>32,070</u>	<u>101,361</u>
At 1 January 2022	65,128	10,423	32,830	108,381
Government fund released (Note 39(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>

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

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

(ii) To finance loans, advances and financing:

Group and Bank	At	Proceeds	Additions <sup>^</sup> / Reclassi- fication	Deposit matured	Recoveries	Muqasah (Note 39(i))	At
	1 January 2023				from loan/ financing written-off (Note 39(i))		December 2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Soft Loan Scheme	36,291	-	-	-	(529)	-	35,762
Tabung Usahawan Pahang	288	-	-	-	-	-	288
Tabung Inkubator Pertanian Kelantan	2,669	-	-	-	-	-	2,669
Tabung Usahawan Siswazah	18,591	-	983	-	(1,186)	(167)	18,221
Dana Usahawan Negeri Terengganu	4,098	-	-	-	(361)	-	3,737
Program dan Skim Usahawan Batik	4,206	-	-	-	-	-	4,206
Basic Capital Scheme	33,888	-	-	-	76	-	33,964
Skim Perusahaan Kapal Tradisional	3,000	-	-	-	-	-	3,000
Program dan Skim Usahawan Kraf	4,681	-	-	-	-	-	4,681
Skim Anjakan Usahawan	140,378	-	-	38	-	-	140,416
Teraju Facilitation Fund	50,000	-	-	-	-	-	50,000
Special Relief Facility <sup>^</sup>	46,366	-	-	-	-	(13,226)	33,140
Penjana Tourism Financing <sup>^</sup>	9,390	-	-	-	-	(1,509)	7,881
TRRF <sup>^</sup>	99,230	-	(958)	-	-	(13,750)	84,522
PEMERKASA	30,488	-	-	-	-	-	30,488
HTGF <sup>^</sup>	11,467	-	(6,225)	-	-	(398)	4,844
Disaster Relief Facility <sup>^</sup>	2,900	-	(597)	-	-	(271)	2,032
ADF <sup>^</sup>	-	-	17,525	-	-	(1,165)	16,360
Agrofood Facility <sup>^</sup>	-	-	2,505	-	-	(223)	2,282
LCTF <sup>^</sup>	-	-	271	-	-	-	271
	497,931	-	13,504	38	(2,000)	(30,709)	478,764

(Forward)

**Small Medium Enterprise Development Bank Malaysia Berhad**  
**(Incorporated in Malaysia)**
**22. Government funds (cont'd.)**

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

Group and Bank	At	Proceeds	Additions <sup>^</sup> / Reclassi- fication	Deposit matured	Recoveries	Muqasah (Note 39(i))	At
	1 January 2022				from loan/ financing written-off (Note 39(i))		December 2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Soft Loan Scheme	36,648	-	-	-	(357)	-	36,291
Tabung Usahawan Pahang	288	-	-	-	-	-	288
Tabung Inkubator Pertanian Kelantan	2,669	-	-	-	-	-	2,669
Tabung Usahawan Siswazah	19,819	-	-	-	(1,228)	-	18,591
Dana Usahawan Negeri Terengganu	4,687	-	-	-	(589)	-	4,098
Program dan Skim Usahawan Batik	4,206	-	-	-	-	-	4,206
Basic Capital Scheme	33,639	-	-	-	249	-	33,888
Skim Perusahaan Kapal Tradisional	3,000	-	-	-	-	-	3,000
Program dan Skim Usahawan Kraf	4,757	-	-	-	(76)	-	4,681
Skim Anjakan Usahawan	140,341	-	-	37	-	-	140,378
Teraju Facilitation Fund	23,209	-	-	26,791	-	-	50,000
Special Relief Facility <sup>^</sup>	59,593	-	-	-	-	(13,227)	46,366
Penjana Tourism Financing <sup>^</sup>	10,899	-	-	-	-	(1,509)	9,390
TRRF <sup>^</sup>	68,077	-	44,517	-	-	(13,364)	99,230
PEMERKASA	20,488	10,000	-	-	-	-	30,488
HTGF <sup>^</sup>	-	-	12,133	-	-	(666)	11,467
Disaster Relief Facility <sup>^</sup>	-	-	3,170	-	-	(270)	2,900
	<b>432,320</b>	<b>10,000</b>	<b>59,820</b>	<b>26,828</b>	<b>(2,001)</b>	<b>(29,036)</b>	<b>497,931</b>

<sup>^</sup> 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 19.

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

**22. 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 ("PEMERKASA")	To assist SMEs in the acquisition of machinery/equipment to encourage automation and reduce dependency on foreign workers	Ministry of Finance ("MOF")	30,488
(m) Kompleks Kilang Bimbingan	To provide premises for Bumiputera entrepreneurs industry	MITI	220,775



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

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

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

The following funds are channelled from 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>31 December 2023</b>		<b>Outstanding balances</b>	
<b>Types of fund</b>	<b>Purpose of fund</b>	<b>2023</b>	<b>2022</b>
		<b>RM'000</b>	<b>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	33,140	46,366
(o) Penjana Tourism Financing	To support SMEs in the tourism sector	7,881	9,390
(p) Targeted Relief and Recovery Facility ("TRRF")	To provide relief and support recovery for SMEs in the services sector affected by reintroduction of containment measures, except tourism and tourism related subsectors	84,522	99,230
(q) High Tech and Green Facility ("HTGF")	To help SMEs and innovative start-ups to grow their businesses and invest in strategic sectors and technologies fields (digital tech, green tech and biotech) for a sustainable and entrenched economic recovery	4,844	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	2,032	2,900
(s) SME Automation & Digitalisation Facility ("ADF")	To enhance productivity and efficiency by purchase of equipment, machinery, computer hardware and software, IT solutions and services, technology support services, and other intangible assets	16,360	-
(t) Agrofood Facility	To support development of agrofood projects on capital expenditures and/or working capital	2,282	-
(u) Low Carbon Transition Facility ("LCTF")	To encourage and support SMEs to adopt sustainable practices for business resilience	271	-

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

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

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

Summary of utilisation of the government funds are as follows:

**31 December 2023**

<b>Types of funds</b>	<b>Outstanding loans, advances and financing RM'000</b>	<b>No. of customers assisted</b>
(a) Soft Loan Scheme	2,189	22
(b) Tabung Usahawan Pahang	-	-
(c) Tabung Inkubator Pertanian Kelantan	-	-
(d) Tabung Usahawan Siswazah	3,153	47
(e) Dana Usahawan Negeri Terengganu	2,395	18
(f) Program dan Skim Usahawan Batik	-	-
(g) Basic Capital Scheme	2,135	8
(h) Skim Perusahaan Kapal Tradisional	-	-
(i) Program dan Skim Usahawan Kraf	-	-
(j) Skim Anjakan Usahawan	86,977	43
(k) Teraju Facilitation Fund	12,326	8
(l) PEMERKASA	14,985	97
Total	<u>124,160</u>	
	<b>Fair value RM'000</b>	<b>No. of tenants assisted</b>
(m) Kompleks Kilang Bimbingan	<u>394,399</u> (Note 13)	399

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

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

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

**31 December 2022**

<b>Types of funds</b>	<b>Outstanding loans, advances and financing RM'000 Restated</b>	<b>No. of customers assisted</b>
(a) Soft Loan Scheme	1,724	34
(b) Tabung Usahawan Pahang	-	-
(c) Tabung Inkubator Pertanian Kelantan	-	-
(d) Tabung Usahawan Siswazah	7,015	86
(e) Dana Usahawan Negeri Terengganu	3,604	26
(f) Program dan Skim Usahawan Batik	-	-
(g) Basic Capital Scheme	3,418	12
(h) Skim Perusahaan Kapal Tradisional	-	-
(i) Program dan Skim Usahawan Kraf	-	-
(j) Skim Anjakan Usahawan	73,156	33
(k) Teraju Facilitation Fund	11,137	8
(l) PEMERKASA	6,966	40
Total	<u>107,020</u>	
	<b>Fair value RM'000</b>	<b>No. of tenants assisted</b>
(m) Kompleks Kilang Bimbingan	<u>377,231</u> (Note 13)	397

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

**23. Share capital**

Group and Bank	Number of ordinary shares		Amount	
	2023 Unit '000	2022 Unit '000	2023 RM'000	2022 RM'000
Issued and fully paid	1,850,000	1,850,000	1,850,000	1,850,000

**24. Other reserves**

Group and Bank	Fair value	Distributable	Total
	reserve	general	
	RM'000	reserve	RM'000
At 1 January 2023	3,927	10,114	14,041
Unrealised gain on revaluation of debt instrument at FVOCI	18,087	-	18,087
Unrealised gain on revaluation of equity instrument at FVOCI	648	-	648
Reclassification of loss included in profit or loss	36	-	36
Changes in expected credit losses of financial investments at FVOCI (Note 5)	2,104	-	2,104
Income tax relating to components of other comprehensive income (Note 15)	(4,505)	-	(4,505)
At 31 December 2023	20,297	10,114	30,411
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 loss 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 15)	1,142	-	1,142
At 31 December 2022	3,927	10,114	14,041

**(a) Fair value reserve**

Unrealised FVOCI reserve represents the cumulative fair value changes and allowance for expected credit loss, net of tax, of FVOCI financial assets until they are disposed of or impaired. Included in financial investments at FVOCI are equity instruments which the Group and the Bank have elected at initial recognition to measure the fair value changes in OCI whose fair value amounted to RM41,454,000 (2022: RM40,680,000).

**(b) Distributable general reserve**

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

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

**25. Interest income**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest income from loans	114	679

Included in interest income from loans is interest on impaired loans amounting to RM65,000 (2022: RM549,000).

**26. Interest expense**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loans	5,798	6,149

**27. Other operating income**

	<b>Group</b>		<b>Bank</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee income	925	262	925	262
Commission fee income	2	-	2	-
	<u>927</u>	<u>262</u>	<u>927</u>	<u>262</u>
<b>Other income:</b>				
Recoveries from financing written off	10,433	27,111	9,360	17,245
Compensation on late payment charges	421	1,121	421	1,121
Others	-	1	-	1
	<u>10,854</u>	<u>28,233</u>	<u>9,781</u>	<u>18,367</u>
Total other operating income	<u>11,781</u>	<u>28,495</u>	<u>10,708</u>	<u>18,629</u>

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

**28. Other operating expenses**

	Note	Group		Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Personnel expenses	(i)	183,318	160,246	179,783	156,415
Establishment related expenses	(ii)	52,003	43,304	51,977	43,253
Promotion and marketing expenses	(iii)	5,039	4,995	5,012	4,961
Administration and general expenses	(iv)	46,588	33,558	52,614	38,682
		<u>286,948</u>	<u>242,103</u>	<u>289,386</u>	<u>243,311</u>
<b>(i) Personnel expenses</b>					
Salaries, allowances and bonuses		139,967	125,677	137,268	122,540
Group President/ Chief Executive Officer and Directors' fees and remuneration	29	3,044	3,177	3,044	3,177
Shariah Committees' fees and remuneration	29	347	293	347	293
Social security cost		1,187	1,012	1,157	987
Contribution to Employee Provident Fund		18,058	16,729	17,668	16,353
Other staff related expenses		20,715	13,358	20,299	13,065
		<u>183,318</u>	<u>160,246</u>	<u>179,783</u>	<u>156,415</u>
<b>(ii) Establishment related expenses</b>					
Depreciation of property, plant and equipment	11	12,800	11,613	12,800	11,613
Depreciation of right-of-use assets	12	3,713	3,562	3,713	3,562
Amortisation of intangible assets	14	10,530	8,394	10,530	8,394
Rental expenses		(2)	98	(2)	98
Repairs and maintenance of property, plant and equipment		24,962	19,637	24,936	19,586
		<u>52,003</u>	<u>43,304</u>	<u>51,977</u>	<u>43,253</u>
<b>(iii) Promotion and marketing expenses</b>					
Advertisement and publicity		5,039	4,995	5,012	4,961
<b>(iv) Administration and general expenses</b>					
Administrative expenses		6,559	6,315	6,515	6,311
Auditors' remuneration					
- Statutory audit		898	898	825	825
- Regulatory related services		34	34	34	34
- Other assurance services		121	166	121	166
General expenses		38,976	26,145	45,119	31,346
		<u>46,588</u>	<u>33,558</u>	<u>52,614</u>	<u>38,682</u>

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

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

2023

**Group President/Chief Executive Officer:**

Datuk Wira (Dr.) Aria Putera bin Ismail

**Non-Executive Directors:**

Dato' Muslim bin Hussain

Datuk Ahmad Hizzad bin Baharuddin

Zulkiflee bin Hashim

Wan Abdul Rahman bin Wan Abu Bakar

Suharti binti Mohd Ali

Dato' Sharkawi bin Alis

Afidah Azwa Binti Abdul Aziz

Datuk Haji Zamri @ Fazillah Bin Salleh

**Shariah Committees:**

Dr. Asmak Binti Ab Rahman

Dr. Shamsiah Binti Mohamad

Dr Ahmad Sufian Bin Che Abdullah

Prof. Dr. Amir Bin Shahrudin

Ahmad Husni Bin Abd Rahman

Faizal Bin Jaafar

Assoc. Prof. Dr. Ahmad Zaki Bin Salleh

	← 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	990	-	165	207	491	-	1,853	-	-	-	1,853
	990	-	165	207	491	-	1,853	-	-	-	1,853
Dato' Muslim bin Hussain	-	72	-	-	175	-	247	-	-	-	247
Datuk Ahmad Hizzad bin Baharuddin	-	48	-	-	134	-	182	-	-	-	182
Zulkiflee bin Hashim	-	48	-	-	199	-	247	-	-	-	247
Wan Abdul Rahman bin Wan Abu Bakar	-	1	-	-	2	-	3	-	-	-	3
Suharti binti Mohd Ali	-	48	-	-	156	-	204	-	-	-	204
Dato' Sharkawi bin Alis	-	14	-	-	35	-	49	-	-	-	49
Afidah Azwa Binti Abdul Aziz	-	44	-	-	88	-	132	-	-	-	132
Datuk Haji Zamri @ Fazillah Bin Salleh	-	44	-	-	83	-	127	-	-	-	127
	-	319	-	-	872	-	1,191	-	-	-	1,191
	990	319	165	207	1,363	-	3,044	-	-	-	3,044
Dr. Asmak Binti Ab Rahman	-	9	-	-	5	-	14	-	-	-	14
Dr. Shamsiah Binti Mohamad	-	36	-	-	14	-	50	-	-	-	50
Dr Ahmad Sufian Bin Che Abdullah	-	36	-	-	15	-	51	-	-	-	51
Prof. Dr. Amir Bin Shahrudin	-	54	-	-	26	-	80	-	-	-	80
Ahmad Husni Bin Abd Rahman	-	36	-	-	15	-	51	-	-	-	51
Faizal Bin Jaafar	-	36	-	-	14	-	50	-	-	-	50
Assoc. Prof. Dr. Ahmad Zaki Bin Salleh	-	36	-	-	15	-	51	-	-	-	51
	-	243	-	-	104	-	347	-	-	-	347

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

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

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

**Shariah Committees:**

Dr. Asmak Binti Ab Rahman

Dr. Azrul Azlan Bin Iskandar Mirza

Dr. Shamsiah Binti Mohamad

Dr. Ahmad Sufian Bin Che Abdullah

Dr. Amir Bin Shahrudin

Ahmad Husni Bin Abd Rahman

Faizal Bin Jaafar

Assoc. Prof. Dr. Ahmad Zaki Bin Salleh

	← 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	291	-	1,565	-	-	-	1,565
	930	-	150	194	291	-	1,565	-	-	-	1,565
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	1,418	-	3,177	-	-	-	3,177
Dr. Asmak Binti Ab Rahman	-	36	-	-	15	-	51	-	-	-	51
Dr. Azrul Azlan Bin Iskandar Mirza	-	9	-	-	4	-	13	-	-	-	13
Dr. Shamsiah Binti Mohamad	-	36	-	-	15	-	51	-	-	-	51
Dr. Ahmad Sufian Bin Che Abdullah	-	36	-	-	15	-	51	-	-	-	51
Dr. Amir Bin Shahrudin	-	50	-	-	20	-	70	-	-	-	70
Ahmad Husni Bin Abd Rahman	-	14	-	-	5	-	19	-	-	-	19
Faizal Bin Jaafar	-	14	-	-	5	-	19	-	-	-	19
Assoc. Prof. Dr. Ahmad Zaki Bin Salleh	-	14	-	-	5	-	19	-	-	-	19
	-	209	-	-	84	-	293	-	-	-	293



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

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

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

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Number of Chief Executives:</b>		
RM1,000,001 to RM2,000,000	1	1
	<u>1</u>	<u>1</u>
<b>Number of Non-Executive Directors:</b>		
RM200,001 to RM400,000	3	3
RM100,001 to RM200,000	3	5
RM1 to RM100,000	2	1
	<u>8</u>	<u>9</u>

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

	<b>Group</b>		<b>Bank</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		<b>Restated</b>
Allowance for impairment losses on loans, advances and financing made during the year				
- Stage 1, net (Note 7(ix))	(11,672)	2,789	(11,672)	2,789
- Stage 2, net (Note 7(ix))	29,674	20,494	29,674	20,494
- Stage 3, net (Note 7(ix))	141,946	152,245	167,015	175,969
	<u>159,948</u>	<u>175,528</u>	<u>185,017</u>	<u>199,252</u>
Impaired loans, advances and financing written off	4,329	5,517	4,329	5,517
Total allowance for impairment losses on loans, advances and financing	<u>164,277</u>	<u>181,045</u>	<u>189,346</u>	<u>204,769</u>

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

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

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Current tax:</b>				
Tax expense for the year	3,448	935	1,315	718
Overprovision in prior years	(690)	-	(705)	-
	<u>2,758</u>	<u>935</u>	<u>610</u>	<u>718</u>
<b>Deferred tax (Note 15):</b>				
Origination or reversal of temporary differences	(4,691)	(10,299)	(4,691)	(10,299)
(Over)/Under provision in prior years	(5,261)	10,299	(5,261)	10,299
	<u>(9,952)</u>	<u>-</u>	<u>(9,952)</u>	<u>-</u>
Total tax (credit)/expense for the year	<u>(7,194)</u>	<u>935</u>	<u>(9,342)</u>	<u>718</u>

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

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before tax expense and zakat	<u>75,278</u>	<u>61,112</u>	<u>75,605</u>	<u>57,242</u>
Tax expenses at Malaysian tax rate of 24% (2022: 24%)	18,067	14,667	18,145	13,738
Tax effects of:				
Non-deductible expenses	10,741	16,766	8,515	17,555
Non-taxable income	(182)	(8,761)	(182)	(8,761)
Day-1 modification loss (Note 40 (i))	(20,833)	-	(20,833)	-
Utilisation of deferred tax previously not recognised	(9,036)	(32,113)	(9,021)	(32,113)
Effects of share of associate's post-tax loss included in Group's profit before taxation	-	77	-	-
Overprovision of current tax in prior years	(690)	-	(705)	-
(Over)/Under provision of deferred tax in prior years	(5,261)	10,299	(5,261)	10,299
Total tax expense for the year	<u>(7,194)</u>	<u>935</u>	<u>(9,342)</u>	<u>718</u>

Group and Bank	
2023	2022
RM'000	RM'000

<b>Zakat:</b>	
Zakat expense for the year	1,500
Overprovision in prior years	(1,670)
	<u>(170)</u>
	<u>3,000</u>
	<u>(1,438)</u>
	<u>1,562</u>

The Group and the Bank's zakat provision have been applying the growth capital method based on the rate of 2.5% (2022: 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.

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

**32. 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>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>
Profit for the year	85,117	54,962
Earnings per share (sen)		
- Basic and diluted	4.60	2.97
Weighted average number of ordinary shares for basic earnings per share computation	1,850,000	1,850,000

Earning per share for the financial year ended 2022 has been restated to 2.97 sen (as previously reported: 3.36 sen) due to the impact of prior year adjustments as disclosed in Note 40 of the financial statements.

**33. 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>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	149,032	178,521
Transaction-related-contingent items	251,229	167,106
Undisbursed loans/financing		
- original maturity up to one year	340,257	226,071
- original maturity more than one year	1,215,945	1,667,262
	<u>1,956,463</u>	<u>2,238,960</u>

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

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Approved and contracted for:		
Information technology system	12,809	16,750
	<u>12,809</u>	<u>16,750</u>
Total commitments and contingencies	<u>1,969,272</u>	<u>2,255,710</u>

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

### 34. Capital adequacy

#### Capital management

##### Capital policy

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

##### Regulatory capital

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

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

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
<u>Tier I Capital</u>				
Paid-up share capital	1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses	(212,192)	(288,613)	(201,900)	(280,796)
General reserves	10,114	10,114	10,114	10,114
General provision for loans, advances and financing <sup>1</sup>	43,564	40,747	43,564	40,747
Less: Deferred tax assets	(113,536)	(108,089)	(113,536)	(108,089)
Less: Property revaluation reserve	(248,933)	(231,765)	(248,933)	(231,765)
Total Tier I capital	<u>1,329,017</u>	<u>1,272,394</u>	<u>1,339,309</u>	<u>1,280,211</u>
<u>Tier II Capital</u>				
General provision for loans, advances and financing <sup>1</sup>	130,728	100,745	130,728	100,745
Property revaluation reserve <sup>2</sup>	124,467	115,883	124,467	115,883
Government funds	427,977	433,432	427,977	433,432
Total Tier II capital	<u>683,172</u>	<u>650,060</u>	<u>683,172</u>	<u>650,060</u>
Total capital	2,012,189	1,922,454	2,022,481	1,930,271
Less: Investment in subsidiaries	-	-	-	-
Total capital base	<u>2,012,189</u>	<u>1,922,454</u>	<u>2,022,481</u>	<u>1,930,271</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.

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

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

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

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
20%	320,673	351,705	320,673	351,705
50%	4,501	5,121	4,501	5,121
100%	10,553,908	10,153,538	10,644,139	10,245,642
	<u>10,879,082</u>	<u>10,510,364</u>	<u>10,969,313</u>	<u>10,602,468</u>

	Group		Bank	
	2023	2022 Restated	2023	2022 Restated

Before deducting proposed dividends:

Core capital ratio	12.216%	12.106%	12.210%	12.075%
Risk-weighted capital ratio	<u>18.496%</u>	<u>18.291%</u>	<u>18.438%</u>	<u>18.206%</u>

After deducting proposed dividends:

Core capital ratio	12.138%	12.047%	12.132%	12.016%
Risk-weighted capital ratio	<u>18.418%</u>	<u>18.232%</u>	<u>18.360%</u>	<u>18.147%</u>

Capital monitoring

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

Transitional arrangements

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

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

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

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

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

Transitional arrangement	Group		Bank	
	Before RM'000	After RM'000	Before RM'000	After RM'000
<b>2023</b>				
<b>Total Tier I capital</b>	1,285,453	1,285,453	1,295,745	1,295,745
of which: Total Add-back	-	43,564	-	43,564
<b>Total Additional Tier I capital</b>	<u>1,285,453</u>	<u>1,329,017</u>	<u>1,295,745</u>	<u>1,339,309</u>
<b>Total Tier II capital</b>	726,736	683,172	726,736	683,172
of which: Loss provisions	174,292	130,728	174,292	130,728
<b>Total Risk Weighted Assets</b>	<u>10,879,082</u>	<u>10,879,082</u>	<u>10,969,313</u>	<u>10,969,313</u>
<b>Core capital ratio</b>	11.816%	12.216%	11.812%	12.210%
<b>Risk-weighted capital adequacy ratio</b>	<u>18.496%</u>	<u>18.496%</u>	<u>18.438%</u>	<u>18.438%</u>
<b>2022</b>				
<b>Restated</b>				
<b>Total Tier I capital</b>	1,231,647	1,231,647	1,239,464	1,239,464
of which: Total Add-back	-	40,747	-	40,747
<b>Total Additional Tier I capital</b>	<u>1,231,647</u>	<u>1,272,394</u>	<u>1,239,464</u>	<u>1,280,211</u>
<b>Total Tier II capital</b>	690,807	650,060	690,807	650,060
of which: Loss provisions	141,492	100,745	141,492	100,745
<b>Total Risk Weighted Assets</b>	<u>10,510,364</u>	<u>10,510,364</u>	<u>10,602,468</u>	<u>10,602,468</u>
<b>Core capital ratio</b>	11.718%	12.106%	11.690%	12.075%
<b>Risk-weighted capital adequacy ratio</b>	<u>18.291%</u>	<u>18.291%</u>	<u>18.206%</u>	<u>18.206%</u>

**35. 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 29 is as follows:

	Group and Bank	
	2023 RM'000	2022 RM'000
Salaries and other emoluments	9,390	7,733
Defined contribution plan	1,259	1,064
	<u>10,649</u>	<u>8,797</u>

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

**35. 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>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Long-term loans/financing from MOF (Note 19)	903,222	932,393
Interest/Profit payable to MOF (Note 19)	7,778	9,523
Deposit acceptance from government agencies (Note 16(ii))	1,037,428	1,603,375
Interest/Profit payable to government agencies (Note 16(i))	14,727	11,392
Government fund from MITI (Note 22)	348,017	352,656
Government fund from Ministry of Entrepreneur Development and Cooperatives ("MEDAC")	6,325	-
	<u>2,317,497</u>	<u>2,909,339</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>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit income on amount due from a subsidiary company (Note 39(i))	7,183	8,596
Profit expense on Commodity Murabahah to subsidiary companies (Note 39(h)(i))	(719)	(536)
Service fee charged by a subsidiary company	(10,177)	(9,289)
Training fee charged by a subsidiary company	(727)	(326)
	<u>(4,440)</u>	<u>(1,555)</u>

(d) Connected parties

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

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

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

(d) Connected parties (cont'd)

31 December 2022 Restated	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	
Loans/financing facility (except guarantee)	459,263	9	459,263	-
Off-balance sheet exposure	22	1	22	-
Equities and private debt securities held	133,884	6	133,884	-
	593,169	16	593,169	-
<b>Total exposure to connected parties as % of total capital</b>			<b>30.7%</b>	<b>-</b>
<b>Total exposure to connected parties as % of total outstanding exposure</b>			<b>4.7%</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.

**36. 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.



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

**36. 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 RM'000</b>	<b>Fair value RM'000</b>
<b>31 December 2023</b>		
<b>Financial assets:</b>		
Debt instruments at AC	975,652	982,085
Loans, advances and financing	8,284,537	7,288,629
	<u>8,284,537</u>	<u>7,288,629</u>
<b>Financial liabilities:</b>		
Islamic medium-term notes/commercial papers	3,506,937	3,402,926
Borrowings/Fundings	2,047,647	1,876,152
Lease liabilities	12,811	12,203
	<u>5,567,395</u>	<u>5,291,281</u>
<b>31 December 2022</b>		
<b>Financial assets:</b>		
Debt instruments at AC	934,753	933,678
Loans, advances and financing (restated)	7,752,065	6,655,559
	<u>8,686,818</u>	<u>7,589,237</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>4,586,907</u>	<u>4,254,143</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)**

**36. 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>2023</b>				
<b><u>Financial assets and financial liabilities measured at fair value:</u></b>				
<b>Financial assets:</b>				
Debt instruments at FVOCI	-	1,441,220	-	1,441,220
Equity instruments at FVOCI	-	30,761	10,693	41,454
<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	-	982,085	-	982,085
Loans, advances and financing	-	-	7,288,629	7,288,629
<hr/>				
<b>Financial liabilities:</b>				
Islamic medium-term notes/commercial papers	-	3,402,926	-	3,402,926
Borrowings/Fundings	-	1,876,152	-	1,876,152
Lease liabilities	-	12,203	-	12,203
<hr/>				
<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	-	-	6,655,559	6,655,559
<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/>				

(Forward)

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****37. 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 objective assurance, on-going assessment on the internal control systems and periodic reviews of the risk management processes. It also reviews compliance with the approved policies and procedures, as well as applicable laws and regulations. Internal Audit function also provides advisory services for areas of improvement based on acceptable best practices. Audit engagements are carried out based on the annual audit plan approved by the Board Audit Committee ("BAC") and takes into consideration feedback from the Management.

Internal Audit independently assess the overall effectiveness of the risk management systems and controls environments based on the accepted industry standards such as COSO and COBIT. Internal Audit's assessment on the adequacy of governance structure, processes and internal controls will involve understanding, documenting, evaluating and testing the Group's and the Bank's internal control system. It is also involves the follow-up on remediation, corrective actions, and review of management's action to address the identified material weaknesses.

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****37. 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 submission 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)**

**37. 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>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>On balance sheet:</b>		
Cash and short-term funds	1,558,746	1,628,091
Debt instrument at FVOCI (Note 5)	1,441,220	1,395,441
Debt instrument at AC	976,439	934,754
Loans, advances and financing (Note 7)	9,143,936	8,697,581
Other receivables and rental receivables (Note 8)	23,028	21,865
	<u>13,143,369</u>	<u>12,677,732</u>
<b>Off balance sheet:</b>		
Commitments and contingencies (Note 33 (i))	1,956,463	2,238,960
	<u>15,099,832</u>	<u>14,916,692</u>
	<b>Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>On balance sheet:</b>		
Cash and short-term funds	1,558,045	1,626,827
Debt instrument at FVOCI (Note 5)	1,441,220	1,395,441
Debt instrument at AC	976,439	934,754
Loans, advances and financing (Note 7)	8,910,881	8,327,490
Amount due from subsidiaries, other receivables and rental receivables (Note 8)	289,540	352,280
	<u>13,176,125</u>	<u>12,636,792</u>
<b>Off balance sheet:</b>		
Commitments and contingencies (Note 33 (i))	1,956,463	2,238,960
	<u>15,132,588</u>	<u>14,875,752</u>

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

**37. 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</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>31 December 2023</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Risk rating category</b>				
Highest safety*	4,008,176	102,104	-	4,110,280
Moderate safety**	2,681,428	292,949	-	2,974,377
High risk***	446,764	251,300	-	698,064
Non-rated	13,038	738	-	13,776
Impaired	-	-	1,347,439	1,347,439
	<u>7,149,406</u>	<u>647,091</u>	<u>1,347,439</u>	<u>9,143,936</u>
<b>Group</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>31 December 2022</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Restated</b>				
<b>Risk rating category</b>				
Highest safety*	3,171,168	125,285	-	3,296,453
Moderate safety**	2,975,708	370,547	-	3,346,255
High risk***	471,685	92,663	-	564,348
Non-rated	16,776	933	-	17,709
Impaired	-	-	1,472,816	1,472,816
	<u>6,635,337</u>	<u>589,428</u>	<u>1,472,816</u>	<u>8,697,581</u>

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

**37. 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 2023</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*	4,008,176	102,104	-	4,110,280
Moderate safety**	2,681,428	292,949	-	2,974,377
High risk***	446,764	251,300	-	698,064
Non-rated	13,038	738	-	13,776
Impaired	-	-	1,114,384	1,114,384
	<u>7,149,406</u>	<u>647,091</u>	<u>1,114,384</u>	<u>8,910,881</u>
<b>Bank 31 December 2022 Restated</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*	3,171,168	125,285	-	3,296,453
Moderate safety**	2,975,708	370,547	-	3,346,255
High risk***	471,685	92,663	-	564,348
Non-rated	16,776	933	-	17,709
Impaired	-	-	1,102,725	1,102,725
	<u>6,635,337</u>	<u>589,428</u>	<u>1,102,725</u>	<u>8,327,490</u>

\* Strong capacity to meet financial commitments

\*\* Moderate capacity to meet financial commitments

\*\*\* Poor credit quality and high risk of default

It is the Bank's 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)**

**37. 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>2023</b>							
Government	-	1,108,183	292,369	-	-	1,400,552	-
Construction	-	-	-	1,619,022	-	1,619,022	-
Education, health and others	-	-	-	600,806	-	600,806	-
Electricity, gas and water supply	-	-	-	162,567	-	162,567	-
Financial, insurance/takaful, real estate and business services	1,558,746	333,037	684,070	1,081,271	-	3,657,124	-
Manufacturing	-	-	-	1,654,468	-	1,654,468	-
Mining and quarrying	-	-	-	114,979	-	114,979	-
Primary agriculture	-	-	-	10,153	-	10,153	-
Transportation, storage and communication	-	-	-	1,261,432	-	1,261,432	-
Wholesale, retail trade, restaurants and hotels	-	-	-	2,629,440	-	2,629,440	-
Others	-	-	-	9,798	23,028	32,826	1,956,463
<b>Gross total</b>	<b>1,558,746</b>	<b>1,441,220</b>	<b>976,439</b>	<b>9,143,936</b>	<b>23,028</b>	<b>13,143,369</b>	<b>1,956,463</b>



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

**37. 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 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>2022 Restated</b>							
Government	-	1,059,078	199,429	-	-	1,258,507	-
Construction	-	-	-	1,440,517	-	1,440,517	-
Education, health and others	-	-	-	633,283	-	633,283	-
Electricity, gas and water supply	-	-	-	162,245	-	162,245	-
Financial, insurance/takaful, real estate and business services	1,628,091	336,363	735,325	1,131,873	-	3,831,652	-
Manufacturing	-	-	-	1,611,333	-	1,611,333	-
Mining and quarrying	-	-	-	112,075	-	112,075	-
Primary agriculture	-	-	-	7,315	-	7,315	-
Transportation, storage and communication	-	-	-	1,084,694	-	1,084,694	-
Wholesale, retail trade, restaurants and hotels	-	-	-	2,503,255	-	2,503,255	-
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>8,697,581</b>	<b>21,865</b>	<b>12,677,732</b>	<b>2,238,960</b>

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

**37. 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>2023</b>							
Government	-	1,108,183	292,369	-	-	1,400,552	-
Construction	-	-	-	1,618,252	-	1,618,252	-
Education, health and others	-	-	-	593,052	-	593,052	-
Electricity, gas and water supply	-	-	-	162,567	-	162,567	-
Financial, insurance/takaful, real estate and business services	1,558,045	333,037	684,070	1,080,609	208,822	3,864,583	-
Manufacturing	-	-	-	1,628,889	-	1,628,889	-
Mining and quarrying	-	-	-	114,979	-	114,979	-
Primary agriculture	-	-	-	10,123	-	10,123	-
Transportation, storage and communication	-	-	-	1,244,816	-	1,244,816	-
Wholesale, retail trade, restaurants and hotels	-	-	-	2,447,796	-	2,447,796	-
Others	-	-	-	9,798	80,718	90,516	1,956,463
<b>Gross total</b>	<b>1,558,045</b>	<b>1,441,220</b>	<b>976,439</b>	<b>8,910,881</b>	<b>289,540</b>	<b>13,176,125</b>	<b>1,956,463</b>

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

**37. 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>2022 Restated</b>							
Government	-	1,059,078	199,429	-	-	1,258,507	-
Construction	-	-	-	1,437,693	-	1,437,693	-
Education, health and others	-	-	-	589,410	-	589,410	-
Electricity, gas and water supply	-	-	-	162,245	-	162,245	-
Financial, insurance/takaful, real estate and business services	1,626,827	336,363	735,325	1,129,157	277,473	4,105,145	-
Manufacturing	-	-	-	1,543,094	-	1,543,094	-
Mining and quarrying	-	-	-	110,079	-	110,079	-
Primary agriculture	-	-	-	7,046	-	7,046	-
Transportation, storage and communication	-	-	-	1,046,392	-	1,046,392	-
Wholesale, retail trade, restaurants and hotels	-	-	-	2,291,383	-	2,291,383	-
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>8,327,490</b>	<b>352,280</b>	<b>12,636,792</b>	<b>2,238,960</b>

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

**37. 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 2023</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	1,558,746	-	-	1,558,746
Debt instrument at FVOCI	1,403,753	27,467	10,000	1,441,220
Debt instrument at AC	976,439	-	-	976,439
Loans, advances and financing:				
Term loans/financing				
- Hire purchase receivables	281,392	20,674	28,019	330,085
- Leasing	-	-	225	225
- Other term loans/financing	4,756,470	557,489	1,092,080	6,406,039
Revolving loans/financing	2,101,745	68,929	227,115	2,397,789
Staff loans/financing	9,798	-	-	9,798
Other assets	13,029	-	9,999	23,028
	<b>11,101,372</b>	<b>674,559</b>	<b>1,367,438</b>	<b>13,143,369</b>
<b>As at 31 December 2022</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Restated</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>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 receivables	296,545	19,023	70,609	386,177
- Leasing	-	-	345	345
- Other term loans/financing	4,600,855	507,268	1,202,564	6,310,687
Revolving loans/financing	1,726,947	63,136	199,298	1,989,381
Staff loans/financing	10,991	-	-	10,991
Other assets	11,018	-	10,847	21,865
	<b>10,568,608</b>	<b>615,461</b>	<b>1,493,663</b>	<b>12,677,732</b>

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

**37. 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 2023</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	1,558,045	-	-	1,558,045
Debt instrument at FVOCI	1,403,753	27,467	10,000	1,441,220
Debt instrument at AC	976,439	-	-	976,439
Loans, advances and financing:				
Term loans/financing				
- Hire purchase	281,392	20,674	17,649	319,715
- Other term loans/financing	4,756,470	557,489	870,192	6,184,151
Revolving loans/financing	2,101,745	68,929	226,543	2,397,217
Staff loans/financing	9,798	-	-	9,798
Other assets	70,719	-	218,821	289,540
	<b>11,158,361</b>	<b>674,559</b>	<b>1,343,205</b>	<b>13,176,125</b>
<b>As at 31 December 2022 Restated</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	296,545	19,023	35,127	350,695
- Other term loans/financing	4,600,855	507,268	888,287	5,996,410
Revolving loans/financing	1,726,947	63,136	179,311	1,969,394
Staff loans/financing	10,991	-	-	10,991
Other assets	63,960	-	288,320	352,280
	<b>10,620,286</b>	<b>615,461</b>	<b>1,401,045</b>	<b>12,636,792</b>

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

**37. 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 2023</b>		
Construction	1,619,022	64.53
Education, health and others	600,806	82.41
Electricity, gas and water supply	162,567	59.86
Financial, insurance/takaful, real estate and business services	1,081,271	73.38
Manufacturing	1,654,468	69.20
Mining and quarrying	114,979	88.66
Primary agriculture	10,153	97.40
Transportation, storage and communication	1,261,432	58.94
Wholesale, retail trade, restaurants and hotels	2,629,440	80.71
Others	9,798	-
	<u>9,143,936</u>	

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

**37. 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 2022 Restated</b>		
Construction	1,440,517	66.4
Education, health and others	633,283	76.3
Electricity, gas and water supply	162,245	52.4
Financial, insurance/takaful, real estate and business services	1,131,873	71.9
Manufacturing	1,611,333	65.8
Mining and quarrying	112,075	87.8
Primary agriculture	7,315	86.8
Transportation, storage and communication	1,084,694	67.5
Wholesale, retail trade, restaurants and hotels	2,503,255	82.0
Others	10,991	-
	<u>8,697,581</u>	
<b>Bank</b>	<b>Gross loans, advances and financing RM'000</b>	<b>Estimated fair value of collateral (%)</b>
<b>31 December 2023</b>		
Construction	1,618,252	64.6
Education, health and others	593,052	83.3
Electricity, gas and water supply	162,567	59.9
Financial, insurance/takaful, real estate and business services	1,080,609	73.4
Manufacturing	1,628,889	70.2
Mining and quarrying	114,979	88.7
Primary agriculture	10,123	97.7
Transportation, storage and communication	1,244,816	59.7
Wholesale, retail trade, restaurants and hotels	2,447,796	84.0
Others	9,798	-
	<u>8,910,881</u>	

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

**37. 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 2022</b>		
<b>Restated</b>		
Construction	1,437,693	66.6
Education, health and others	589,410	81.6
Electricity, gas and water supply	162,245	52.4
Financial, insurance/takaful, real estate and business services	1,129,157	72.0
Manufacturing	1,543,094	68.7
Mining and quarrying	110,079	89.4
Primary agriculture	7,046	90.1
Transportation, storage and communication	1,046,392	69.9
Wholesale, retail trade, restaurants and hotels	2,291,383	85.7
Others	10,991	-
	<u>8,327,490</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 RM3,762 million (2022: RM4,269 million).



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

**37. 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 2023 RM'000</b>	<b>Nominal value 2022 RM'000</b>
Corporate sukuk	RAM	AAA	245,000	310,000
Corporate sukuk	MARC	AAA	85,000	85,000
Corporate sukuk	RAM	AA1	110,000	110,000
Corporate sukuk	RAM	AA2	15,000	75,000
Corporate sukuk	RAM	AA3	125,000	100,000
Corporate sukuk	RAM	A2	25,709	25,709
Corporate sukuk	MARC	AA-	55,000	60,000
Corporate sukuk	MARC	AA	-	5,000
Corporate sukuk	RAM	D	10,000	10,000
Malaysian Government				
Investment Issues	Not applicable	Not applicable	1,383,130	1,250,000
Government Guarantee sukuk	Not applicable	Not applicable	170,000	185,000
Commercial papers	RAM	P1	30,000	40,000
Commercial papers	MARC	-1	110,000	25,000
Non-rated			20,000	30,000
<b>Total</b>			<b>2,383,839</b>	<b>2,310,709</b>

**Deposits and placements with banks and other financial institutions:**

<b>Rating for counterparty</b>	<b>Total principal outstanding 2023 RM'000</b>	<b>Total principal outstanding 2022 RM'000</b>
AAA	570,000	394,800
AA	535,000	895,500
A	270,000	270,000
Non-rated	108,000	15,000
<b>Total</b>	<b>1,483,000</b>	<b>1,575,300</b>

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

**37. 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)**

**37. 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>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Financial guarantees, Corporate Guarantee Schemes, Letters of Credit and others	149,032	178,521
Performance guarantees	251,229	167,106
Undisbursed commitments	1,556,202	1,893,333
	<u>1,956,463</u>	<u>2,238,960</u>

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

**37. 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	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<b>Impact on variable rate loans, advances and financing</b>				
+ 50 basis points	24,459	25,797	23,992	25,273
- 50 basis points	(24,459)	(25,797)	(23,992)	(25,273)

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

**37. 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 2023</b>										
<b>Assets</b>										
Cash and short-term funds	1,365,468	120,277	-	-	-	73,001	-	1,558,746	3.38	
Debt instrument at FVOCI	37,362	-	520,796	798,004	85,058	-	-	1,441,220	4.01	
Equity instrument at FVOCI	-	-	-	-	-	41,454	-	41,454	11.75	
Debt instrument at AC	29,928	49,592	241,443	639,649	15,040	-	-	975,652	4.19	
Loans, advances and financing										
- non-credit impaired	26,389	8,751	275,527	1,022,369	2,703,821	3,759,640	-	7,796,497	7.48	
- credit impaired*	-	-	-	-	-	488,040	-	488,040	-	
Other assets (Note 8)	-	-	-	-	-	13,333	-	13,333	-	
<b>Total assets</b>	<b>1,459,147</b>	<b>178,620</b>	<b>1,037,766</b>	<b>2,460,022</b>	<b>2,803,919</b>	<b>4,375,468</b>	<b>-</b>	<b>12,314,942</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)

## 37. 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 2023 (cont'd.)										
<b>Liabilities</b>										
Deposits from customers	1,182,698	1,101,022	1,659,953	-	-	-	-	3,943,673	3.48	
Deposits from banks and other financial institutions	140,056	-	-	-	-	-	-	140,056	3.13	
IMTNs/ICPs	299,771	421,321	85,845	2,700,000	-	-	-	3,506,937	3.73	
Borrowings/Fundings	222	15,405	43,480	813,300	1,175,240	-	-	2,047,647	0.84	
Lease liabilities (Note 20)	300	601	2,774	9,136	-	-	-	12,811	3.06	
Other liabilities (Note 21)	-	-	-	-	-	1,065,072	-	1,065,072	-	
<b>Total liabilities</b>	<b>1,623,047</b>	<b>1,538,349</b>	<b>1,792,052</b>	<b>3,522,436</b>	<b>1,175,240</b>	<b>1,065,072</b>	<b>-</b>	<b>10,716,196</b>		
On-balance sheet interest/ profit sensitivity gap	(163,900)	(1,359,729)	(754,286)	(1,062,414)	1,628,679	3,310,396	-			
Off-balance sheet interest/ profit sensitivity gap	-	-	-	-	-	(1,969,272)	-			
<b>Total interest/profit sensitivity gap</b>	<b>(163,900)</b>	<b>(1,359,729)</b>	<b>(754,286)</b>	<b>(1,062,414)</b>	<b>1,628,679</b>	<b>1,341,124</b>	<b>-</b>			

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

## 37. 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 31 December 2022 Restated	←----- 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	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
<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 FVTPL	-	-	-	-	-	-	-	-	-	
Debt instrument at AC	-	25,465	391,141	477,746	40,401	-	-	934,753	3.78	
Loans, advances and financing										
- non-credit impaired	82,396	133,155	133,298	1,067,578	2,823,747	2,984,591	-	7,224,765	7.34	
- credit impaired*	-	-	-	-	-	527,300	-	527,300	-	
Other assets (Note 8)	-	-	-	-	-	11,925	-	11,925	-	
<b>Total assets</b>	<b>1,625,709</b>	<b>233,730</b>	<b>831,635</b>	<b>2,367,617</b>	<b>3,088,997</b>	<b>3,615,267</b>	<b>-</b>	<b>11,762,955</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)

## 37. 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	
IMTNs/ICPs	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 20)	286	571	2,415	11,330	535	-	-	15,137	3.10	
Other liabilities (Note 21)	-	-	-	-	-	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	(1,272,324)	(1,354,996)	94,707	(655,076)	2,094,353	2,642,674	-			
Off-balance sheet interest/ profit sensitivity gap	-	-	-	-	-	(2,255,710)	-			
<b>Total interest/profit sensitivity gap</b>	<b>(1,272,324)</b>	<b>(1,354,996)</b>	<b>94,707</b>	<b>(655,076)</b>	<b>2,094,353</b>	<b>386,964</b>	<b>-</b>			



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

## 37. 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 2023	←----- 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	1,365,468	120,277	-	-	-	72,300	-	1,558,045	3.38	
Debt instrument at FVOCI	37,362	-	520,796	798,004	85,058	-	-	1,441,220	4.01	
Equity instrument at FVOCI	-	-	-	-	-	41,454	-	41,454	11.75	
Debt instrument at AC	29,928	49,592	241,443	639,649	15,040	-	-	975,652	4.19	
Loans, advances and financing										
- non-credit impaired	26,389	8,751	275,527	1,022,369	2,703,821	3,759,640	-	7,796,497	7.48	
- credit impaired*	-	-	-	-	-	488,040	-	488,040	-	
Other assets (Note 8)	35,800	-	-	-	-	71,023	-	106,823	-	
<b>Total assets</b>	<b>1,494,947</b>	<b>178,620</b>	<b>1,037,766</b>	<b>2,460,022</b>	<b>2,803,919</b>	<b>4,432,457</b>	<b>-</b>	<b>12,407,731</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)

## 37. 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 2023 (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	1,220,368	1,101,732	1,662,535	-	-	-	-	3,984,635	3.48
Deposits from banks and other financial institutions	140,056	-	-	-	-	-	-	140,056	3.13
IMTNs/ICPs	299,771	421,321	85,845	2,700,000	-	-	-	3,506,937	3.73
Borrowings/Fundings	222	15,405	43,480	813,300	1,175,240	-	-	2,047,647	0.84
Lease liabilities (Note 20)	300	601	2,774	9,136	-	-	-	12,811	3.06
Other liabilities (Note 21)	-	-	-	-	-	1,104,183	-	1,104,183	-
<b>Total liabilities</b>	<b>1,660,717</b>	<b>1,539,059</b>	<b>1,794,634</b>	<b>3,522,436</b>	<b>1,175,240</b>	<b>1,104,183</b>	<b>-</b>	<b>10,796,269</b>	
On-balance sheet interest/ profit sensitivity gap	(165,770)	(1,360,439)	(756,868)	(1,062,414)	1,628,679	3,328,274	-		
Off-balance sheet interest/ profit sensitivity gap	-	-	-	-	-	(1,969,272)	-		
<b>Total interest/profit sensitivity gap</b>	<b>(165,770)</b>	<b>(1,360,439)</b>	<b>(756,868)</b>	<b>(1,062,414)</b>	<b>1,628,679</b>	<b>1,359,002</b>	<b>-</b>		

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

## 37. 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 Restated	←----- 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 FVTPL	-	-	-	-	-	-	-	-	-	
Debt instrument at AC	-	25,465	391,141	477,746	40,401	-	-	934,753	3.78	
Loans, advances and financing										
- non-credit impaired	82,396	133,155	133,298	1,067,578	2,823,747	2,984,591	-	7,224,765	7.34	
- credit impaired*	-	-	-	-	-	527,300	-	527,300	-	
Other assets (Note 8)	43,751	-	-	-	-	64,867	-	108,618	-	
<b>Total assets</b>	<b>1,669,460</b>	<b>233,730</b>	<b>831,635</b>	<b>2,367,617</b>	<b>3,088,997</b>	<b>3,666,945</b>	<b>-</b>	<b>11,858,384</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)

## 37. 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	
IMTNs/ICPs	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 20)	286	571	2,415	11,330	535	-	-	15,137	3.10	
Other liabilities (Note 21)	-	-	-	-	-	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	(1,275,452)	(1,358,003)	94,707	(655,076)	2,094,353	2,659,854	-			
Off-balance sheet interest/ profit sensitivity gap	-	-	-	-	-	(2,255,710)	-			
<b>Total interest/profit sensitivity gap</b>	<b>(1,275,452)</b>	<b>(1,358,003)</b>	<b>94,707</b>	<b>(655,076)</b>	<b>2,094,353</b>	<b>404,144</b>	<b>-</b>			

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

**37. 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 2023</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	1,438,469	120,277	-	-	-	-	1,558,746
Debt instrument at FVOCI	37,362	-	520,796	798,004	85,058	-	1,441,220
Equity instrument at FVOCI	-	-	-	-	-	41,454	41,454
Debt instrument at AC	29,928	49,592	241,443	639,649	15,040	-	975,652
Loans, advances and financing	597,700	734,287	954,896	2,141,603	3,856,051	-	8,284,537
Other assets (Note 8)	-	-	-	-	-	13,333	13,333
<b>Total assets</b>	<b>2,103,459</b>	<b>904,156</b>	<b>1,717,135</b>	<b>3,579,256</b>	<b>3,956,149</b>	<b>54,787</b>	<b>12,314,942</b>

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

## 37. 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 2023 (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	1,182,698	1,101,022	1,659,953	-	-	-	3,943,673
Deposits from banks and other financial institutions	140,056	-	-	-	-	-	140,056
IMTNs/ICPs	299,771	421,321	85,845	2,700,000	-	-	3,506,937
Borrowings/Fundings	222	15,405	43,480	813,300	1,175,240	-	2,047,647
Lease liabilities	300	601	2,774	9,136	-	-	12,811
Other liabilities (Note 21)	-	-	-	-	-	1,065,072	1,065,072
<b>Total liabilities</b>	<b>1,623,047</b>	<b>1,538,349</b>	<b>1,792,052</b>	<b>3,522,436</b>	<b>1,175,240</b>	<b>1,065,072</b>	<b>10,716,196</b>
<b>Net maturity mismatches</b>	<b>480,412</b>	<b>(634,193)</b>	<b>(74,917)</b>	<b>56,820</b>	<b>2,780,909</b>	<b>(1,010,285)</b>	<b>1,598,746</b>
<b>Commitments and contingencies</b>							
Financial guarantees	300	-	41,283	206,459	134,347	-	382,389
Letters of credit	6,365	2,784	3,952	4,771	-	-	17,872
Undisbursed loans/financing	21,013	319,244	-	664,001	182,788	369,156	1,556,202
	<b>27,678</b>	<b>322,028</b>	<b>45,235</b>	<b>875,231</b>	<b>317,135</b>	<b>369,156</b>	<b>1,956,463</b>

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

**37. 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 2022 Restated</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	1,558,051	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	404,036	545,674	642,049	1,900,947	4,259,359	-	7,752,065
Other assets (Note 8)	-	-	-	-	-	11,925	11,925
<b>Total assets</b>	<b>1,998,120</b>	<b>646,249</b>	<b>1,340,386</b>	<b>3,200,986</b>	<b>4,524,609</b>	<b>52,605</b>	<b>11,762,955</b>
<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
IMTNs/ICPs	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 21)	-	-	-	-	-	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>(899,913)</b>	<b>(942,477)</b>	<b>603,458</b>	<b>178,293</b>	<b>3,529,965</b>	<b>(919,988)</b>	<b>1,549,338</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)**

**37. 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 2023</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	1,437,768	120,277	-	-	-	-	1,558,045
Debt instrument at FVOCI	37,362	-	520,796	798,004	85,058	-	1,441,220
Equity instrument at FVOCI	-	-	-	-	-	41,454	41,454
Debt instrument at AC	29,928	49,592	241,443	639,649	15,040	-	975,652
Loans, advances and financing	597,700	734,287	954,896	2,141,603	3,856,051	-	8,284,537
Other assets (Note 8)	35,800	-	-	-	-	71,023	106,823
<b>Total assets</b>	<b>2,138,558</b>	<b>904,156</b>	<b>1,717,135</b>	<b>3,579,256</b>	<b>3,956,149</b>	<b>112,477</b>	<b>12,407,731</b>
<b>Liabilities</b>							
Deposits from customers	1,220,368	1,101,732	1,662,535	-	-	-	3,984,635
Deposits from banks and other financial institutions	140,056	-	-	-	-	-	140,056
IMTNs/ICPs	299,771	421,321	85,845	2,700,000	-	-	3,506,937
Borrowings/Fundings	222	15,405	43,480	813,300	1,175,240	-	2,047,647
Lease liabilities	300	601	2,774	9,136	-	-	12,811
Other liabilities (Note 21)	-	-	-	-	-	1,104,183	1,104,183
<b>Total liabilities</b>	<b>1,660,717</b>	<b>1,539,059</b>	<b>1,794,634</b>	<b>3,522,436</b>	<b>1,175,240</b>	<b>1,104,183</b>	<b>10,796,269</b>
<b>Net maturity mismatches</b>	<b>477,841</b>	<b>(634,903)</b>	<b>(77,499)</b>	<b>56,820</b>	<b>2,780,909</b>	<b>(991,706)</b>	<b>1,611,462</b>
<b>Commitments and contingencies</b>							
Financial guarantees	300	-	41,283	206,459	134,347	-	382,389
Letters of credit	6,365	2,784	3,952	4,771	-	-	17,872
Undisbursed loans/financing	21,013	319,244	-	664,001	182,788	369,156	1,556,202
	<b>27,678</b>	<b>322,028</b>	<b>45,235</b>	<b>875,231</b>	<b>317,135</b>	<b>369,156</b>	<b>1,956,463</b>



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

## 37. 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>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 FVTPL	-	-	-	-	-	-	-
Debt instrument at AC	-	25,465	391,141	477,746	40,401	-	934,753
Loans, advances and financing	404,036	545,674	642,049	1,900,947	4,259,359	-	7,752,065
Other assets (Note 8)	43,751	-	-	-	-	64,867	108,618
<b>Total assets</b>	<b>2,040,607</b>	<b>646,249</b>	<b>1,340,386</b>	<b>3,200,986</b>	<b>4,524,609</b>	<b>105,547</b>	<b>11,858,384</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
IMTNs/ICPs	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 21)	-	-	-	-	-	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>(904,305)</b>	<b>(945,484)</b>	<b>603,458</b>	<b>178,293</b>	<b>3,529,965</b>	<b>(901,544)</b>	<b>1,560,383</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)**

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

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

**(c) Liquidity risk (cont'd.)**

**(ii) Maturity analysis of financial liabilities on an undiscounted basis**

The following tables shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturity. The financial liabilities disclosed in the tables below will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

<b>Group Liabilities</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>31 December 2023</b>							
Deposits from customers	1,184,409	1,106,393	1,687,020	-	-	-	3,977,822
Deposits from banks and other financial institutions	140,121	-	-	-	-	-	140,121
IMTNs/ICPs	300,000	510,179	78,301	2,929,442	-	-	3,817,922
Borrowings/Fundings	220	15,180	43,034	905,420	1,325,954	-	2,289,808
Lease liabilities	337	674	3,055	9,689	-	-	13,755
Other liabilities (Note 21)	-	-	-	-	-	1,065,072	1,065,072
<b>Total liabilities</b>	<b>1,625,087</b>	<b>1,632,426</b>	<b>1,811,410</b>	<b>3,844,551</b>	<b>1,325,954</b>	<b>1,065,072</b>	<b>11,304,500</b>
<b>31 December 2022</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
IMTNs/ICPs	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 21)	-	-	-	-	-	972,593	972,593
<b>Total liabilities</b>	<b>2,911,001</b>	<b>1,485,187</b>	<b>910,322</b>	<b>3,042,816</b>	<b>1,389,803</b>	<b>972,593</b>	<b>10,711,722</b>

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

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

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

## (c) Liquidity risk (cont'd.)

## (ii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Bank Liabilities	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
<b>31 December 2023</b>							
Deposits from customers	1,222,131	1,107,106	1,689,634	-	-	-	4,018,871
Deposits from banks and other financial institutions	140,121	-	-	-	-	-	140,121
IMTNs/ICPs	300,000	510,179	78,301	2,929,442	-	-	3,817,922
Borrowings/Fundings	220	15,180	43,034	905,420	1,325,954	-	2,289,808
Lease liabilities	337	674	3,055	9,689	-	-	13,755
Other liabilities (Note 21)	-	-	-	-	-	1,104,183	1,104,183
<b>Total liabilities</b>	<b>1,662,809</b>	<b>1,633,139</b>	<b>1,814,024</b>	<b>3,844,551</b>	<b>1,325,954</b>	<b>1,104,183</b>	<b>11,384,660</b>
<b>31 December 2022</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
IMTNs/ICPs	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 21)	-	-	-	-	-	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)**

**37. 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 undisbursed 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.

**38. Dividends**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividends on ordinary shares:		
Final tax exempt (single-tier) dividend		
for 2022: 0.34 sen (2021: 0.27 sen) per share	6,221	5,006

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2023 of 0.46 sen per share on 1,850,000,000 ordinary shares, amounting to RM8,512,000 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 2024.

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

**39. Islamic banking business**

The state of affairs as at 31 December 2023 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 2023**

		31.12.2023	Group 31.12.2022	1.1.2022
	Note	RM'000	RM'000 Restated	RM'000 Restated
<b>Assets</b>				
Cash and short-term funds	39(a)	1,558,358	1,627,108	1,248,636
Financial investments at FVOCI	39(b)	1,471,981	1,426,059	1,386,545
Financial investments at FVTPL		-	-	100,927
Financial investments at AC	6	975,652	934,753	518,757
Advances and financing	39(c)	8,274,888	7,736,394	7,294,765
Other assets	39(d)	24,199	25,210	20,608
Investment in subsidiaries	9	-	-	-
Property, plant and equipment	11	124,395	146,131	134,044
Right-of-use assets	12	12,334	14,821	13,830
Investment properties	13	394,399	377,231	374,081
Intangible assets	14	41,503	17,698	14,762
Tax recoverables		5,942	5,203	5,572
Deferred tax assets	15	113,536	108,089	106,947
<b>Total assets</b>		<b>12,997,187</b>	<b>12,418,697</b>	<b>11,219,474</b>
<b>Liabilities</b>				
Deposits from customers	16	3,943,673	4,503,909	3,742,803
Deposits from banks and other financial institutions	17	140,056	150,208	50,085
Islamic medium-term notes/commercial papers	18	3,506,937	2,622,297	2,521,926
Term financing/Fundings	39(e)	1,574,346	1,445,256	766,563
Lease liabilities	20	12,811	15,137	14,195
Other liabilities	39(f)	1,118,045	1,031,893	1,150,023
Amount due to conventional operations		336,044	604,967	998,938
Government funds	22	580,125	602,785	540,701
<b>Total liabilities</b>		<b>11,212,037</b>	<b>10,976,452</b>	<b>9,785,234</b>
Islamic general fund		1,785,150	1,442,245	1,434,240
<b>Total liabilities and Islamic banking funds</b>		<b>12,997,187</b>	<b>12,418,697</b>	<b>11,219,474</b>
<b>Commitments</b>	39(l)	1,956,463	2,236,532	2,174,403

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

**39. Islamic banking business (cont'd.)**

**Statements of financial position  
As at 31 December 2023 (cont'd.)**

		<b>31.12.2023</b>	<b>Bank 31.12.2022</b>	<b>1.1.2022</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
			<b>Restated</b>	<b>Restated</b>
<b>Assets</b>				
Cash and short-term funds	39(a)	1,557,705	1,626,341	1,246,152
Financial investments at FVOCI	39(b)	1,471,981	1,426,059	1,386,545
Financial investments at FVTPL		-	-	100,927
Financial investments at AC	6	975,652	934,753	518,757
Advances and financing	39(c)	8,274,888	7,736,394	7,294,765
Other assets	39(d)	117,678	121,889	106,480
Investment in subsidiaries	9		-	-
Property, plant and equipment	11	124,395	146,098	134,011
Right-of-use assets	12	12,334	14,821	13,830
Investment properties	13	394,399	377,231	374,081
Intangible assets	14	41,503	17,698	14,762
Tax recoverables		2,692	2,997	2,997
Deferred tax assets	15	113,536	108,089	106,947
<b>Total assets</b>		<b>13,086,763</b>	<b>12,512,370</b>	<b>11,300,254</b>
<b>Liabilities</b>				
Deposits from customers	16	3,984,635	4,553,795	3,776,444
Deposits from banks and other financial institutions	17	140,056	150,208	50,085
Islamic medium-term notes/commercial papers	18	3,506,937	2,622,297	2,521,926
Term financing/Fundings	39(e)	1,574,346	1,445,256	766,563
Lease liabilities	20	12,811	15,137	14,195
Other liabilities	39(f)	1,156,319	1,065,071	1,177,524
Amount due to conventional operations		468,890	763,711	1,192,341
Government funds	22	580,125	602,785	540,701
<b>Total liabilities</b>		<b>11,424,119</b>	<b>11,218,260</b>	<b>10,039,779</b>
Islamic general fund		1,662,644	1,294,110	1,260,475
<b>Total liabilities and Islamic banking funds</b>		<b>13,086,763</b>	<b>12,512,370</b>	<b>11,300,254</b>
<b>Commitments</b>	39(l)	<b>1,956,463</b>	<b>2,236,532</b>	<b>2,174,403</b>

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

**39. Islamic banking business (cont'd.)**

**Statements of comprehensive income  
For the financial year ended 31 December 2023**

	Note	Group		Bank	
		2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Income from Islamic banking business	39(g)	671,472	569,779	671,472	569,779
Profit expense attributable to Islamic banking business	39(h)	(295,681)	(223,385)	(296,400)	(223,921)
<b>Gross income from Islamic banking business</b>		375,791	346,394	375,072	345,858
Other operating income	39(i)	148,451	114,971	142,260	111,280
Other operating expenses	39(j)	(286,532)	(240,921)	(288,970)	(242,127)
<b>Operating profit</b>		237,710	220,444	228,362	215,011
(Allowances)/Writeback for impairment losses on :					
- advances and financing	39(k)	(181,636)	(201,177)	(184,624)	(205,486)
- commitments	39(f)(i)	(1,191)	986	(1,191)	986
- financial investments at FVOCI	5	(2,104)	108	(2,104)	108
- financial investments at AC	6	(786)	277	(786)	277
- other assets at AC	8(i)(b)	245	(1,504)	245	(1,504)
- other assets at FVOCI	8(ii)	-	-	60,700	35,155
- investment in subsidiaries	9	-	-	(24,883)	-
<b>Profit before taxation and zakat</b>		52,238	19,134	75,719	44,547
Tax credit/(expense)	31	7,194	(935)	9,342	(718)
Zakat	31	170	(1,562)	170	(1,562)
<b>Profit for the year</b>		59,602	16,637	85,231	42,267
<b>Other comprehensive income</b>					
<b>Items that may be reclassified to profit or loss:</b>					
Unrealised gain/(loss) on revaluation of financial investments at FVOCI		18,104	(17,195)	18,104	(17,195)
Reclassification of gain included in profit or loss	24	36	12,566	36	12,566
Changes in expected credit losses on financial investments at FVOCI	24	2,104	(108)	2,104	(108)
Income tax relating to components of other comprehensive income		(4,354)	1,111	(4,354)	1,111
<b>Other comprehensive gain/(loss) for the year, net of tax</b>		15,890	(3,626)	15,890	(3,626)
<b>Total comprehensive income for the year</b>		75,492	13,011	101,121	38,641

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

**39. Islamic banking business (cont'd.)**

**Statements of changes in Islamic General Funds  
For the financial year ended 31 December 2023**

<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 2023, as previously reported</b>		1,050,564	(1,348)	479,833	1,529,049
Effect on the expiry of BNM MAF	40	-	-	(86,804)	(86,804)
<b>At 1 January 2023, as restated</b>		1,050,564	(1,348)	393,029	1,442,245
Share capital reallocation		273,634	-	-	273,634
Unrealised gain on revaluation of financial investments at FVOCI		-	18,104	-	18,104
Reclassification of gain included in profit or loss	24	-	36	-	36
Changes in expected credit losses of financial investments at FVOCI	24	-	2,104	-	2,104
Income tax relating to components of of other comprehensive income		-	(4,354)	-	(4,354)
Profit for the year		-	-	59,602	59,602
Total comprehensive income for the year		-	15,890	59,602	75,492
Transaction with owner: Dividends	38	-	-	(6,221)	(6,221)
<b>At 31 December 2023</b>		<b>1,324,198</b>	<b>14,542</b>	<b>446,410</b>	<b>1,785,150</b>

(Forward)



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

**39. Islamic banking business (cont'd.)**

**Statements of changes in Islamic General Funds  
For the financial year ended 31 December 2023 (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 2022, as previously reported</b>		1,050,564	2,278	460,955	1,513,797
Effect on the expiry of BNM MAF (2021)	40	-	-	(79,557)	(79,557)
<b>At 1 January 2022, as restated</b>		1,050,564	2,278	381,398	1,434,240
Unrealised loss on revaluation of financial investments at FVOCI		-	(17,195)	-	(17,195)
Reclassification of gain included in profit or loss	24	-	12,566	-	12,566
Changes in expected credit losses of financial investments at FVOCI	24	-	(108)	-	(108)
Income tax relating to components of of other comprehensive income		-	1,111	-	1,111
Profit for the year		-	-	16,637	16,637
Total comprehensive (loss)/ income for the year		-	(3,626)	16,637	13,011
Transaction with owner: Dividends	38	-	-	(5,006)	(5,006)
<b>At 31 December 2022</b>		1,050,564	(1,348)	393,029	1,442,245

(Forward)

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

**39. Islamic banking business (cont'd.)**

**Statements of changes in Islamic General Funds  
For the financial year ended 31 December 2023 (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 2023, as previously reported</b>		1,050,564	(1,348)	331,698	1,380,914
Effect on the expiry of BNM MAF	40	-	-	(86,804)	(86,804)
<b>At 1 January 2023, as restated</b>		1,050,564	(1,348)	244,894	1,294,110
Share capital reallocation		273,634	-	-	273,634
Unrealised gain on revaluation of financial investments at FVOCI		-	18,104	-	18,104
Reclassification of gain included in profit or loss	24	-	36	-	36
Changes in expected credit losses of financial investments at FVOCI	24	-	2,104	-	2,104
Income tax relating to components of of other comprehensive income		-	(4,354)	-	(4,354)
Profit for the year		-	-	85,231	85,231
Total comprehensive income for the year		-	15,890	85,231	101,121
Transaction with owner: Dividends	38	-	-	(6,221)	(6,221)
<b>At 31 December 2023</b>		<b>1,324,198</b>	<b>14,542</b>	<b>323,904</b>	<b>1,662,644</b>

(Forward)

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

**39. Islamic banking business (cont'd.)**

**Statements of changes in Islamic General Funds  
For the financial year ended 31 December 2023 (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 2022, as previously reported</b>		1,050,564	2,278	287,190	1,340,032
Effect on the expiry of BNM MAF (2021)	40	-	-	(79,557)	(79,557)
<b>At 1 January 2022, as restated</b>		1,050,564	2,278	207,633	1,260,475
Unrealised loss on revaluation of financial investments at FVOCI		-	(17,195)	-	(17,195)
Reclassification of gain included in profit or loss	24	-	12,566	-	12,566
Changes in expected credit losses of financial investments at FVOCI	24	-	(108)	-	(108)
Income tax relating to components of of other comprehensive income		-	1,111	-	1,111
Profit for the year		-	-	42,267	42,267
Total comprehensive (loss)/ income for the year		-	(3,626)	42,267	38,641
Transaction with owner: Dividends	38	-	-	(5,006)	(5,006)
<b>At 31 December 2022</b>		1,050,564	(1,348)	244,894	1,294,110

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

**39. Islamic banking business (cont'd.)**

**Statements of cash flows**

**For the financial year ended 31 December 2023**

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
<b>Cash flows from operating activities</b>				
Profit before tax expense and zakat	52,238	19,134	75,719	44,547
<b>Adjustments for:</b>				
Net impairment loss on loans, advances and financing	181,636	201,177	184,624	205,486
Net impairment (writeback)/loss of commitment and contingencies	1,191	(986)	1,191	(986)
Net writeback on financial investments at FVOCI	2,104	(108)	2,104	(108)
Net impairment (writeback)/loss on financial investment at AC	786	(277)	786	(277)
Impairment gain/(loss) on other asset at AC	(245)	1,504	(245)	1,504
Writeback of impairment loss on other asset at FVOCI	-	-	(60,700)	(35,155)
Impairment loss on investment in subsidiaries	-	-	24,883	-
Capital contribution to a subsidiary	-	-	(24,883)	-
Modification of Bai' Inah facility	-	-	24,883	-
Depreciation of property, plant and equipment	12,800	11,613	12,800	11,613
Depreciation of right-of-use assets	3,713	3,562	3,713	3,562
Amortisation of intangible assets	10,530	8,394	10,530	8,394
Fair value adjustment on investment properties	(17,168)	(3,150)	(17,168)	(3,150)
Government funds released, net	(36,202)	(34,564)	(36,202)	(34,564)
Modification (gain)/loss arising from advances and financing	(1,437)	30,553	(1,437)	30,553
Income from financial investments at FVOCI	(49,029)	(45,195)	(49,029)	(45,195)
Income from financial investments at FVTPL	(5,807)	(3,499)	(5,807)	(3,499)
Income from financial investments at AC	(40,301)	(23,160)	(40,301)	(23,160)
Profit expense on medium-term notes	109,997	84,084	109,997	84,084
Profit expense on term financing/fundings	41,552	35,881	41,552	35,881
Finance cost on lease liabilities	498	524	498	524
Profit income on amount due from a subsidiary company	-	-	(7,183)	(8,596)
Gain on derecognition of leases	(7)	(211)	(7)	(211)
<b>Operating profit before working capital changes</b>	<b>266,849</b>	<b>285,276</b>	<b>250,318</b>	<b>271,247</b>
Changes in working capital:				
Advances and financing	(718,692)	(673,361)	(721,680)	(677,669)
Other assets	6,236	(6,104)	52,402	26,839
Deposits from customers	(560,237)	787,896	(569,160)	804,142
Deposits from banks and other financial institutions	(10,152)	100,124	(10,152)	100,124
Other liabilities	86,210	(116,966)	91,305	(111,291)
Amount due to conventional operations	5,716	43,696	(20,181)	9,038
<b>Cash (used in)/generated from operating activities</b>	<b>(924,070)</b>	<b>420,561</b>	<b>(927,148)</b>	<b>422,430</b>
Profit received	98,803	79,627	98,803	79,627
Income tax paid	(3,676)	(1,533)	(305)	(718)
Income tax refunded	179	967	-	-
Zakat paid	(1,330)	(1,702)	(1,330)	(1,702)
Zakat refunded	289	-	289	-
<b>Net cash (used in)/generated from operating activities</b>	<b>(829,805)</b>	<b>497,920</b>	<b>(829,691)</b>	<b>499,637</b>

(Forward)

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

**39. Islamic banking business (cont'd.)**

**Statements of cash flows**

**For the financial year ended 31 December 2023 (cont'd.)**

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
<b>Cash flows from investing activities</b>				
Purchase of private debt securities	(210,709)	(690,709)	(210,709)	(690,709)
Purchase of Islamic commercial papers	(1,840,000)	(810,000)	(1,840,000)	(810,000)
Purchase of sukuk	(1,573,130)	(690,000)	(1,573,130)	(690,000)
Proceed from redemption of private debt securities	-	25,000	-	25,000
Proceeds from redemption of sukuk	740,000	100,000	740,000	100,000
Proceeds from maturity of sukuk	700,000	300,000	700,000	300,000
Proceeds from maturity of private debt securities	345,709	560,000	345,709	560,000
Proceeds from maturity of Islamic commercial papers	1,765,000	839,000	1,765,000	839,000
Proceeds from disposal of investment properties	-	-	-	-
Purchase of property, plant and equipment	(20,475)	(34,494)	(20,475)	(34,494)
Purchase of intangible assets	(9,908)	(536)	(9,908)	(536)
<b>Net cash used in investing activities</b>	<b>(103,513)</b>	<b>(401,739)</b>	<b>(103,513)</b>	<b>(401,739)</b>
<b>Cash flows from financing activities</b>				
Net disbursement of term financing/fundings	109,321	274,086	109,321	274,086
Net disbursement of Islamic medium-term notes/commercial papers	880,000	91,246	880,000	91,246
Profit paid on term financing/fundings	(9,134)	(9,153)	(9,134)	(9,153)
Profit paid on medium-term notes/commercial papers	(105,357)	(74,959)	(105,357)	(74,959)
Proceed from government funds	-	10,000	-	10,000
Payment of lease liability	(4,041)	(3,923)	(4,041)	(3,923)
Dividend paid	(6,221)	(5,006)	(6,221)	(5,006)
<b>Net cash generated from financing activities</b>	<b>864,568</b>	<b>282,291</b>	<b>864,568</b>	<b>282,291</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(68,750)</b>	<b>378,472</b>	<b>(68,636)</b>	<b>380,189</b>
<b>Cash and cash equivalents at beginning 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 at end of year</b>	<b>1,558,358</b>	<b>1,627,108</b>	<b>1,557,705</b>	<b>1,626,341</b>
<b>Cash and cash equivalents comprise of:</b>				
- Cash and short-term funds	<b>1,558,358</b>	<b>1,627,108</b>	<b>1,557,705</b>	<b>1,626,341</b>

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

**39. 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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash at banks and on hand	72,613	49,788	71,960	49,021
Money at call and deposit placements maturing within three months	1,485,745	1,577,320	1,485,745	1,577,320
	<u>1,558,358</u>	<u>1,627,108</u>	<u>1,557,705</u>	<u>1,626,341</u>

**(b) Financial investments at FVOCI**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	1,108,183	1,059,078
<b>Non-money market instruments</b>		
Equity securities		
- Private debt securities	30,761	30,618
Debt securities		
- Private debt securities	333,037	336,363
	<u>363,798</u>	<u>366,981</u>
<b>Total</b>	<u>1,471,981</u>	<u>1,426,059</u>

No loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve. The movement in allowances for impairment which reflects the ECL model on impairment are as disclosed in Note 5.

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (cont'd.)**

**(c) Advances and financing**

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Bai' Bithaman Ajil	23	1,509	-	-
Murabahah	856,574	1,087,178	840,752	1,039,781
Istisna'	53,133	78,149	51,767	75,327
Ijarah	-	84	-	-
Ijarah Thumma Al-Bai	356,736	416,093	343,335	361,918
Bai' Dayn	-	-	-	-
Tawarruq	7,652,996	6,814,196	7,652,996	6,814,191
Bai' Inah	9,229	14,275	9,024	13,044
Gross advances and financing	8,928,691	8,411,484	8,897,874	8,304,261
Less: Allowance for impairment losses on				
- Stage 1 (Note 39(c)(x))	(105,084)	(91,586)	(105,084)	(91,586)
- Stage 2 (Note 39(c)(x))	(63,286)	(45,174)	(63,286)	(45,174)
- Stage 3 (Note 39(c)(x))	(485,433)	(538,330)	(454,616)	(431,107)
Net advances and financing	8,274,888	7,736,394	8,274,888	7,736,394
Gross impaired advances and financing (Note 39(c)(viii))	1,133,956	1,188,890	1,103,139	1,081,667
Net impaired advances and financing	648,523	650,560	648,523	650,560

Included in advances and financing for the Group and the Bank are gross loans, advances and financing of RM124,121,000 (2022: RM107,020,000) 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)**

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Maturity within one year	2,451,028	1,794,147	2,420,969	1,689,767
More than one year to three years	921,641	673,684	921,187	672,766
More than three years to five years	1,362,377	1,363,989	1,362,303	1,363,012
More than five years	4,193,645	4,579,664	4,193,415	4,578,716
	<u>8,928,691</u>	<u>8,411,484</u>	<u>8,897,874</u>	<u>8,304,261</u>

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Domestic business enterprise	8,918,893	8,400,494	8,888,076	8,293,271
Individual	9,798	10,990	9,798	10,990
	<u>8,928,691</u>	<u>8,411,484</u>	<u>8,897,874</u>	<u>8,304,261</u>

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Construction	1,618,909	1,439,173	1,618,251	1,437,691
Education, health and others	598,486	621,515	592,926	589,275
Electricity, gas and water supply	162,567	162,245	162,567	162,245
Financial, insurance/takaful, real estate and business services	1,081,185	1,130,914	1,080,609	1,129,155
Manufacturing	1,636,244	1,574,659	1,628,755	1,542,721
Mining and quarrying	114,979	110,079	114,979	110,079
Primary agriculture	10,123	7,046	10,123	7,046
Transportation, storage and communication	1,254,005	1,070,931	1,244,816	1,043,657
Wholesale, retail trade, restaurants and hotels	2,442,395	2,283,932	2,435,050	2,271,402
Others	9,798	10,990	9,798	10,990
	<u>8,928,691</u>	<u>8,411,484</u>	<u>8,897,874</u>	<u>8,304,261</u>



197901005290

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

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

(Forward)

197901005290

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (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 2022 Restated</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	989,679	29,409	53,134	48,135	99,366	219,450	1,439,173
Education, health and others	447,956	19,855	21,115	83,857	37,115	11,617	621,515
Electricity, gas and water supply	154,775	578	1,518	2,009	3,032	333	162,245
Financial, insurance/takaful, real estate and business services	771,509	112,450	67,098	40,335	63,924	75,598	1,130,914
Manufacturing	875,584	246,052	211,994	103,538	52,865	84,626	1,574,659
Mining and quarrying	54,264	-	18,174	33,282	1,847	2,512	110,079
Primary agriculture	1,102	-	231	240	3,977	1,496	7,046
Transportation, storage and communication	678,124	90,121	43,394	114,010	71,619	73,663	1,070,931
Wholesale, retail trade, restaurants and hotels	1,050,503	307,220	106,485	312,815	301,775	205,134	2,283,932
Others	10,990	-	-	-	-	-	10,990
	<b>5,034,486</b>	<b>805,685</b>	<b>523,143</b>	<b>738,221</b>	<b>635,520</b>	<b>674,429</b>	<b>8,411,484</b>

(Forward)

197901005290

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

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

(Forward)

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (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 Restated</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	988,197	29,409	53,134	48,135	99,366	219,450	1,437,691
Education, health and others	415,716	19,855	21,115	83,857	37,115	11,617	589,275
Electricity, gas and water supply	154,775	578	1,518	2,009	3,032	333	162,245
Financial, insurance/takaful, real estate and business services	769,750	112,450	67,098	40,335	63,924	75,598	1,129,155
Manufacturing	843,646	246,052	211,994	103,538	52,865	84,626	1,542,721
Mining and quarrying	54,264	-	18,174	33,282	1,847	2,512	110,079
Primary agriculture	1,102	-	231	240	3,977	1,496	7,046
Transportation, storage and communication	650,850	90,121	43,394	114,010	71,619	73,663	1,043,657
Wholesale, retail trade, restaurants and hotels	1,037,973	307,220	106,485	312,815	301,775	205,134	2,271,402
Others	10,990	-	-	-	-	-	10,990
	<b>4,927,263</b>	<b>805,685</b>	<b>523,143</b>	<b>738,221</b>	<b>635,520</b>	<b>674,429</b>	<b>8,304,261</b>

197901005290

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

<b>Group 2023</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	-	-	23	-	-	23
Murabahah	162	-	837,999	8,615	9,798	856,574
Istisna'	-	-	52,924	209	-	53,133
Ijarah	-	-	-	-	-	-
Ijarah Thumma Al-Bai	329,260	-	17,656	9,820	-	356,736
Tawarruq	229	-	5,273,912	2,378,855	-	7,652,996
Bai' Inah	-	-	9,229	-	-	9,229
	<b>329,651</b>	<b>-</b>	<b>6,191,743</b>	<b>2,397,499</b>	<b>9,798</b>	<b>8,928,691</b>

(Forward)

197901005290

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (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 2022 Restated</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	-	-	1,049,033	27,155	10,990	1,087,178
Istisna'	-	-	78,149	-	-	78,149
Ijarah	-	84	-	-	-	84
Ijarah Thumma Al-Bai	384,382	-	31,711	-	-	416,093
Bai' Dayn	-	-	-	-	-	-
Tawarruq	5	-	4,858,961	1,955,230	-	6,814,196
Bai' Inah	-	-	14,275	-	-	14,275
	<b>384,387</b>	<b>84</b>	<b>6,032,518</b>	<b>1,983,505</b>	<b>10,990</b>	<b>8,411,484</b>

(Forward)

197901005290

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (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 2023</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	162	822,495	8,297	9,798	840,752
Istisna'	-	51,558	209	-	51,767
Ijarah Thumma Al-Bai	319,324	14,191	9,820	-	343,335
Tawarruq	229	5,273,912	2,378,855	-	7,652,996
Bai' Inah	-	9,024	-	-	9,024
	<b>319,715</b>	<b>6,171,180</b>	<b>2,397,181</b>	<b>9,798</b>	<b>8,897,874</b>

(Forward)

197901005290

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (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 Restated</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	-	1,014,906	13,885	10,990	1,039,781
Istisna'	-	75,327	-	-	75,327
Ijarah Thumma Al-Bai	350,696	11,222	-	-	361,918
Tawarruq	-	4,858,961	1,955,230	-	6,814,191
Bai' Inah	-	13,044	-	-	13,044
	<b>350,696</b>	<b>5,973,460</b>	<b>1,969,115</b>	<b>10,990</b>	<b>8,304,261</b>



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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Fixed rate				
- Staff financing	9,798	10,990	9,798	10,990
- Hire purchase	120,928	164,150	111,548	131,317
- Leasing	-	84	-	-
- Other term financing	2,050,119	2,010,960	2,031,480	1,955,688
- Revolving financing	1,947,381	1,167,513	1,947,118	1,153,184
Variable rate				
- Hire purchase	208,723	220,237	208,167	219,379
- Other term financing	4,141,624	4,021,558	4,139,700	4,017,772
- Revolving financing	450,118	815,992	450,063	815,931
	<u>8,928,691</u>	<u>8,411,484</u>	<u>8,897,874</u>	<u>8,304,261</u>

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Construction	135,675	129,127	135,017	127,645
Education, health and others	54,295	133,112	48,735	100,872
Electricity, gas and water supply	55,383	54,825	55,383	54,825
Financial, insurance/takaful, real estate and business services	174,414	181,199	173,838	179,440
Manufacturing	229,419	250,504	221,930	218,566
Mining and quarrying	7,818	5,119	7,818	5,119
Primary agriculture	498	217	498	217
Transportation, storage and communication	88,527	92,732	79,338	65,458
Wholesale, retail trade, restaurants and hotels	387,927	342,055	380,582	329,525
	<u>1,133,956</u>	<u>1,188,890</u>	<u>1,103,139</u>	<u>1,081,667</u>

197901005290

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

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

(Forward)

197901005290

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (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 2022 Restated</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	105,243	700	2,004	3,269	10,135	7,776	129,127
Education, health and others	88,985	460	7,949	28,074	6,828	816	133,112
Electricity, gas and water supply	54,825	-	-	-	-	-	54,825
Financial, insurance/takaful, real estate and business services	164,739	7,449	1,504	3,705	3,054	748	181,199
Manufacturing	149,920	13,441	55,231	25,370	1,179	5,363	250,504
Mining and quarrying	4,797	-	-	322	-	-	5,119
Primary agriculture	46	-	-	-	171	-	217
Transportation, storage and communication	42,697	7,625	9,741	13,871	11,437	7,361	92,732
Wholesale, retail trade, restaurants and hotels	179,215	60,066	15,368	36,363	44,291	6,752	342,055
	<b>790,467</b>	<b>89,741</b>	<b>91,797</b>	<b>110,974</b>	<b>77,095</b>	<b>28,816</b>	<b>1,188,890</b>

(Forward)

197901005290

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

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

(Forward)

197901005290

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (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 Restated</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	103,761	700	2,004	3,269	10,135	7,776	127,645
Education, health and others	56,745	460	7,949	28,074	6,828	816	100,872
Electricity, gas and water supply	54,825	-	-	-	-	-	54,825
Financial, insurance/takaful, real estate and business services	162,980	7,449	1,504	3,705	3,054	748	179,440
Manufacturing	117,982	13,441	55,231	25,370	1,179	5,363	218,566
Mining and quarrying	4,797	-	-	322	-	-	5,119
Primary agriculture	46	-	-	-	171	-	217
Transportation, storage and communication	15,423	7,625	9,741	13,871	11,437	7,361	65,458
Wholesale, retail trade, restaurants and hotels	166,685	60,066	15,368	36,363	44,291	6,752	329,525
	<b>683,244</b>	<b>89,741</b>	<b>91,797</b>	<b>110,974</b>	<b>77,095</b>	<b>28,816</b>	<b>1,081,667</b>

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
At 1 January, as previously reported	1,200,784	1,186,610	1,093,561	1,075,078
Effect on the expiry of BNM MAF	(11,894)	(7,755)	(11,894)	(7,755)
At 1 January, as restated	1,188,890	1,178,855	1,081,667	1,067,323
-Transfers to Stage 1	(54,736)	(60,433)	(54,736)	(60,433)
-Transfers to Stage 2	(13,500)	(27,276)	(13,500)	(27,276)
-Transfers to Stage 3	250,199	279,996	250,199	279,996
	1,370,853	1,371,142	1,263,630	1,259,610
Changes due to change in credit risk	(29,401)	(24,244)	(26,413)	(19,935)
New financial assets originated	51,555	7,196	51,555	7,196
Financial assets derecognised	(56,434)	(61,717)	(56,434)	(61,717)
Amount written-off	(202,617)	(103,487)	(129,199)	(103,487)
At 31 December	1,133,956	1,188,890	1,103,139	1,081,667

(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 2023, as previously reported	93,965	45,761	545,534	685,260
Prior year adjustments (Note 40)	(2,379)	(587)	(7,204)	(10,170)
At 1 January 2023, as restated	91,586	45,174	538,330	675,090
-Transfers to Stage 1	30,096	(6,313)	(23,783)	-
-Transfers to Stage 2	(3,631)	7,387	(3,756)	-
-Transfers to Stage 3	(1,294)	(12,638)	13,932	-
	25,171	(11,564)	(13,607)	-
Changes due to change in credit risk (Note 39(k))	(28,689)	28,078	167,385	166,774
Net financial assets originated (Note 39(k))	27,852	1,866	7,102	36,820
Financial assets derecognised (Note 39(k))	(10,836)	(268)	(15,183)	(26,287)
Amount written-off	-	-	(198,594)	(198,594)
At 31 December 2023	105,084	63,286	485,433	653,803

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (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.):

<b>Group</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
At 1 January 2022, as previously reported	97,559	16,634	474,964	589,157
Prior year adjustments (Note 40)	(1,519)	(431)	(7,266)	(9,216)
At 1 January 2022, as restated	96,040	16,203	467,698	579,941
-Transfers to Stage 1	11,376	(4,084)	(7,292)	-
-Transfers to Stage 2	(9,584)	16,718	(7,134)	-
-Transfers to Stage 3	(9,035)	(4,149)	13,184	-
	(7,243)	8,485	(1,242)	-
Changes due to change in credit risk (Note 39(k))	(4,529)	19,731	187,782	202,984
Net financial assets originated (Note 39(k))	20,208	933	2,113	23,254
Financial assets derecognised (Note 39(k))	(12,890)	(178)	(17,510)	(30,578)
Amount written-off	-	-	(100,511)	(100,511)
At 31 December 2022	91,586	45,174	538,330	675,090
<b>Bank</b>				
At 1 January 2023, as previously reported	93,965	45,761	438,311	578,037
Prior year adjustments (Note 40)	(2,379)	(587)	(7,204)	(10,170)
At 1 January 2023, as restated	91,586	45,174	431,107	567,867
-Transfers to Stage 1	30,096	(6,313)	(23,783)	-
-Transfers to Stage 2	(3,631)	7,387	(3,756)	-
-Transfers to Stage 3	(1,294)	(12,638)	13,932	-
	25,171	(11,564)	(13,607)	-
Changes due to change in credit risk (Note 39(k))	(28,689)	28,078	170,373	169,762
Net financial assets originated (Note 39(k))	27,852	1,866	7,102	36,820
Financial assets derecognised (Note 39(k))	(10,836)	(268)	(15,183)	(26,287)
Amount written-off	-	-	(125,176)	(125,176)
At 31 December 2023	105,084	63,286	454,616	622,986
At 1 January 2022, as previously reported	97,559	16,634	363,432	477,625
Prior year adjustments (Note 40)	(1,519)	(431)	(7,266)	(9,216)
At 1 January 2022, as restated	96,040	16,203	356,166	468,409
-Transfers to Stage 1	11,376	(4,084)	(7,292)	-
-Transfers to Stage 2	(9,584)	16,718	(7,134)	-
-Transfers to Stage 3	(9,035)	(4,149)	13,184	-
	(7,243)	8,485	(1,242)	-
Changes due to change in credit risk (Note 39(k))	(4,529)	19,731	192,091	207,293
Net financial assets originated (Note 39(k))	20,208	933	2,113	23,254
Financial assets derecognised (Note 39(k))	(12,890)	(178)	(17,510)	(30,578)
Amount written-off	-	-	(100,511)	(100,511)
At 31 December 2022	91,586	45,174	431,107	567,867

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (cont'd.)**

**(c) Advances and financing (cont'd.)**

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

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Net impaired advances and financing as a percentage	7.69%	8.27%	7.69%	8.27%

**(d) Other assets**

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>At FVOCI</b>				
Amount due from a subsidiary company (Note 8(ii))	-	-	35,800	43,751
<b>At AC</b>				
Amount due from subsidiary companies (Note 8(iii))	-	-	57,791	50,489
Other receivables and rental receivables	13,333	11,925	13,232	14,378
	13,333	11,925	71,023	64,867
Prepayments	10,866	13,285	10,855	13,271
	24,199	25,210	117,678	121,889

**(e) Term financing/Fundings**

	Group and Bank	
	2023 RM'000	2022 RM'000
Unsecured term financing//fundings	1,574,346	1,445,256

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

	Group and Bank	
	2023 RM'000	2022 RM'000
Within one year	5,869	10,736
More than one year to five years	580,438	627,613
More than five years	988,039	806,907
	1,574,346	1,445,256



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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (cont'd.)**

**(e) Term financing/Fundings (cont'd.)**

(ii) The unsecured term financing/fundings denominated in RM is sourced from the following:

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Financing from:		
- Government of Malaysia	437,699	437,699
- BNM	1,136,647	1,007,557
	<u>1,574,346</u>	<u>1,445,256</u>

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 RM437,699,000 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% (2022: 2.0%) and Bank Negara Malaysia range from 0% to 1.5% (2022: 0% to 1.5%) per annum.

**(f) Other liabilities**

	<b>Group</b>		<b>Bank</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other payables and accruals	558,555	426,258	565,329	431,573
Islamic margin account (Note 21(ii))	340,743	381,832	340,690	381,779
Guarantee payable (Note 21(iii))	161,914	164,197	161,914	164,197
Amount due to subsidiaries (Note 21(iv))	-	-	32,390	29,276
Rental and security deposits	3,457	3,689	3,457	3,689
Provision for zakat	2,304	5,118	2,304	5,118
Allowance for impairment on financing commitments (Note (i))	5,914	4,723	5,914	4,723
Other provisions	45,158	46,076	44,321	44,716
	<u>1,118,045</u>	<u>1,031,893</u>	<u>1,156,319</u>	<u>1,065,071</u>

(i) Movement in loss allowances for impairment on financing commitments are as follows:

<b>Commitments</b>	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>Stage 1</b>	<b>Stage 1</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	4,723	5,709
Changes due to change in credit risk	378	479
New financial assets originated	3,261	1,334
Derecognition	(2,448)	(2,799)
At 31 December	<u>5,914</u>	<u>4,723</u>

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (cont'd.)**

**(g) Income from Islamic banking business**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>
Income from advances and financing		
- Murabahah	57,452	76,538
- Istisna'	3,929	5,036
- Ijarah Thumma Al-Bai	22,655	23,369
- Bai' Dayn	-	28
- Tawarruq	457,644	358,050
- Bai' Inah	251	1,019
Total income from advances and financing	<u>541,931</u>	<u>464,040</u>
Tawarruq deposit placements	34,404	33,885
Financial investments at FVOCI	49,029	45,195
Financial investments at FVTPL	5,807	3,499
Financial investments at AC	40,301	23,160
	<u>671,472</u>	<u>569,779</u>

Included in income from advances and financing is profit on impaired advances and financing and modification gain amounting to RM59,846,000 (2022: RM50,852,000) and RM1,437,000 (2022: RM30,553,000 of modification loss), respectively.

**(h) Profit expense attributable to Islamic banking business**

	<b>Group</b>		<b>Bank</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers (Note i)	138,579	98,050	139,298	98,586
Islamic medium-term notes/commercial papers	109,997	84,084	109,997	84,084
Term financing	41,552	35,881	41,552	35,881
Deposits from banks and other financial institutions	2,332	3,550	2,332	3,550
Others (Note ii)	3,221	1,820	3,221	1,820
	<u>295,681</u>	<u>223,385</u>	<u>296,400</u>	<u>223,921</u>

(i) Included in profit expense on deposits from customers of the Bank is profit expenses for subsidiary companies amounting to RM719,000 (2022: RM536,000) (Note 36(c)).

(ii) Included in other profit expenses is finance cost on lease liabilities amounting to RM498,000 (2022: RM524,000).

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (cont'd.)**

**(i) Other income**

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Fee income	17,953	17,558	9,878	10,303
Commission fee income (Note 27)	2,308	1,867	2,308	1,867
Rental income	11,781	11,585	11,781	11,585
Government funds released (Note 22)	36,202	34,564	36,202	34,564
Government compensation	12,150	8,528	12,150	8,528
Management fee	-	-	391	391
Gain on disposal of associate (Note 41)	3,465	-	5,800	-
Fair value adjustment on investment properties (Note 13)	17,168	3,150	17,168	3,150
Profit income on amount due from a subsidiary company (Note 35(c))	-	-	7,183	8,596
Recoveries from financing written off	36,381	29,479	28,943	24,101
Ta'widh/Compensation on late payment charges	6,775	5,091	6,775	5,091
Others	4,268	3,149	3,681	3,104
	<u>148,451</u>	<u>114,971</u>	<u>142,260</u>	<u>111,280</u>

**(j) Other operating expenses**

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Personnel expenses	183,318	160,246	179,783	156,415
Establishment related expenses	52,003	43,304	51,977	43,253
Promotion and marketing expenses	5,039	4,995	5,012	4,961
Administration and general expenses	46,172	32,376	52,198	37,498
	<u>286,532</u>	<u>240,921</u>	<u>288,970</u>	<u>242,127</u>

**(k) Allowance/(Writeback) for impairment loss on advances and financing**

	Group		Bank	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Allowance for impairment losses on advances and financing made during the year				
- Stage 1, net (Note 39(c)(ix))	(11,673)	2,789	(11,673)	2,789
- Stage 2, net (Note 39(c)(ix))	29,676	20,486	29,676	20,486
- Stage 3, net (Note 39(c)(ix))	159,304	172,385	162,292	176,694
	<u>177,307</u>	<u>195,660</u>	<u>180,295</u>	<u>199,969</u>
Impaired advances and financing written off	<u>4,329</u>	<u>5,517</u>	<u>4,329</u>	<u>5,517</u>
Total allowance for impairment loss on advances and financing	<u>181,636</u>	<u>201,177</u>	<u>184,624</u>	<u>205,486</u>

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (cont'd.)**

**(l) Commitments**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	149,032	178,521
Transaction-related-contingent items	251,229	167,106
Undisbursed financing		
- original maturity up to one year	340,257	226,071
- original maturity more than one year	1,215,945	1,664,834
	<u>1,956,463</u>	<u>2,236,532</u>

**(m) Capital adequacy**

**Capital management**

Regulatory capital

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

	<b>Group</b>		<b>Bank</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		<b>Restated</b>
<u>Tier I Capital</u>				
Capital funds	1,324,198	1,050,564	1,324,198	1,050,564
Retained earnings	446,410	393,029	323,904	244,894
General provision for advances and financing <sup>1</sup>	44,860	42,688	44,860	42,688
Less: Deferred tax assets	(113,536)	(108,089)	(113,536)	(108,089)
Less: Property revaluation reserve	(248,933)	(231,765)	(248,933)	(231,765)
Total Tier I capital	<u>1,452,999</u>	<u>1,146,427</u>	<u>1,330,493</u>	<u>998,292</u>
<u>Tier II Capital</u>				
General provision for advances and financing <sup>1</sup>	129,426	98,795	129,426	98,795
Property revaluation reserve <sup>2</sup>	124,467	115,883	124,467	115,883
Government funds	427,977	433,432	427,977	433,432
Total Tier II capital	<u>681,870</u>	<u>648,110</u>	<u>681,870</u>	<u>648,110</u>
Total capital	2,134,869	1,794,537	2,012,363	1,646,402
Less: Investment in subsidiaries	-	-	-	-
Total capital base	<u>2,134,869</u>	<u>1,794,537</u>	<u>2,012,363</u>	<u>1,646,402</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.

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		<b>Restated</b>
20%	319,847	350,881	319,847	350,881
50%	4,501	5,121	4,501	5,121
100%	10,537,691	10,128,366	10,627,922	10,222,806
	<u>10,862,039</u>	<u>10,484,368</u>	<u>10,952,270</u>	<u>10,578,808</u>
	<b>Group</b>		<b>Bank</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
		<b>Restated</b>		<b>Restated</b>
Before deducting proposed dividends:				
Core capital ratio	13.377%	10.935%	12.148%	9.437%
Risk-weighted capital ratio	<u>19.654%</u>	<u>17.116%</u>	<u>18.374%</u>	<u>15.563%</u>
After deducting proposed dividends:				
Core capital ratio	13.298%	10.875%	12.070%	9.378%
Risk-weighted capital ratio	<u>19.576%</u>	<u>17.057%</u>	<u>18.296%</u>	<u>15.504%</u>

The capital adequacy ratios of the Islamic banking business are computed in accordance with the requirements of the Bank Negara Malaysia's Capital Framework for Development Financial Institutions which is based on Basel I capital adequacy framework requirements.

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

**39. Islamic banking business (cont'd.)**

**Notes to the financial statements**

**For the financial year ended 31 December 2023 (cont'd.)**

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

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

Transitional arrangements

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

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

Transitional arrangement	Group		Bank	
	Before RM'000	After RM'000	Before RM'000	After RM'000
<b>2023</b>				
<b>Total Tier I capital</b>	1,408,139	1,408,139	1,285,633	1,285,633
of which: Total Add-back	-	44,860	-	44,860
<b>Total Additional Tier I capital</b>	<u>1,408,139</u>	<u>1,452,999</u>	<u>1,285,633</u>	<u>1,330,493</u>
<b>Total Tier II capital</b>	726,730	681,870	726,730	681,870
of which: Loss provisions	174,286	129,426	174,286	129,426
<b>Total Risk Weighted Assets</b>	<u>10,862,039</u>	<u>10,862,039</u>	<u>10,952,270</u>	<u>10,952,270</u>
<b>Core capital ratio</b>	12.964%	13.377%	11.739%	12.148%
<b>Risk-weighted capital adequacy ratio</b>	<u>19.654%</u>	<u>19.654%</u>	<u>18.374%</u>	<u>18.374%</u>
<b>2022</b>				
<b>Restated</b>				
<b>Total Tier I capital</b>	1,103,739	1,103,739	955,604	955,604
of which: Total Add-back	-	42,688	-	42,688
<b>Total Additional Tier I capital</b>	<u>1,103,739</u>	<u>1,146,427</u>	<u>955,604</u>	<u>998,292</u>
<b>Total Tier II capital</b>	690,798	648,110	690,798	648,110
of which: Loss provisions	141,483	98,795	141,483	98,795
<b>Total Risk Weighted Assets</b>	<u>10,484,368</u>	<u>10,484,368</u>	<u>10,578,808</u>	<u>10,578,808</u>
<b>Core capital ratio</b>	10.527%	10.935%	9.033%	9.437%
<b>Risk-weighted capital adequacy ratio</b>	<u>17.116%</u>	<u>17.116%</u>	<u>15.563%</u>	<u>15.563%</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)****40. Prior year adjustments and reclassifications****(i) Prior year adjustments**

On 28 July 2020, BNM issued an updated Financial Reporting for Development Financial Institutions policy document (BNM/RH/PD 035-6). Under this policy document, Development Financial Institutions (“DFIs”) were accorded an option to deviate from the requirements of MFRS 9 Financial Instruments with regards to accounting for modifications of contractual cash flows from financing provided for a period of two (2) financial years beginning 1 January 2020. Under this policy, revisions to effective profit rates in respect of any modifications made to the contractual cash flows from financing provided was allowed (“modified accounting treatment”) and this negated recognition of modification gains/losses as required by MFRS 9 Financial Instruments (“MFRS 9”) for non-significant contractual cash flow modifications. Subsequently, on 17 December 2021, BNM extended the modified accounting treatment for another financial year beginning on or after 1 January 2022.

Previously, the Bank elected to adopt the modified accounting treatment for the three financial years from 1 January 2020. A comparison of the accounting treatment between IFRS and the modified accounting treatment was disclosed in the financial statements of the Group and of the Bank during those relevant financial years.

During the current financial year, the financial statements of the Group and of the Bank were prepared in accordance with MFRS and IFRS. As a result, those adjustments necessary to align the financial statements from previous modified accounting treatment to the current basis of preparation were made in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors on a retrospective basis as if the modified accounting treatment was not adopted from the earliest comparative period.

As a result, modifications made to contractual cash flows for financing provided during the financial years ended 31 December 2020, 2021 and 2022 are now accounted for in accordance with MFRS 9. Consequently, allowances for impairment losses and profit income on loans, advances and financing were adjusted to account for the change in gross financing balances after accounting for modification losses.

The adjustments to retained earnings have been accounted for in the current financial year’s determination of tax payable.

The impact to each financial statement line item are as disclosed below.

**(ii) Reclassification of comparative figures**

The presentation and classification of items in the current year’s financial statements have been consistent with the previous financial year except for the following comparative amounts which have been reclassified to conform with the current year’s presentation.

**Presentation of impaired loans, advances and financing recovered**

Impaired loans, advances and financing recovered were reclassified and presented within the respective income on recoveries from financing written off.

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

**40. Prior year adjustments and reclassifications (cont'd.)**

**Statements of financial position**

<b>Group</b>	<b>As previously reported RM'000</b>	<b>Prior year adjustments RM'000</b>	<b>Re- classification RM'000</b>	<b>As restated RM'000</b>
<b>As at 1 January 2022</b>				
Loans, advances and financing	7,423,451	(79,557)	-	7,343,894
Accumulated losses	(262,346)	(79,557)	-	(341,903)
<b>As at 31 December 2022</b>				
Loans, advances and financing	7,838,869	(86,804)	-	7,752,065
Accumulated losses	(201,809)	(86,804)	-	(288,613)
<b>Bank</b>				
<b>As at 1 January 2022</b>				
Loans, advances and financing	7,423,451	(79,557)	-	7,343,894
Accumulated losses	(251,195)	(79,557)	-	(330,752)
<b>As at 31 December 2022</b>				
Loans, advances and financing	7,838,869	(86,804)	-	7,752,065
Accumulated losses	(193,992)	(86,804)	-	(280,796)

**Statements of comprehensive income**

**For the financial year ended 31 December 2022**

**Group**

Gross income from Islamic banking business	445,465	(8,201)	24,101	461,365
Other operating income	11,250	-	17,245	28,495
Allowances for impairment losses on loans, advances and financing	(140,653)	954	(41,346)	(181,045)

**Bank**

Gross income from Islamic banking business	441,238	(8,201)	24,101	457,138
Other operating income	1,384	-	17,245	18,629
Allowances for impairment losses on loans, advances and financing	(164,377)	954	(41,346)	(204,769)



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

**40. Prior year adjustments and reclassifications (cont'd.)**

**Islamic banking business  
Statements of financial position**

<b>Group</b>	<b>As previously reported RM'000</b>	<b>Prior year adjustments RM'000</b>	<b>Re- classification RM'000</b>	<b>As restated RM'000</b>
<b>As at 1 January 2022</b>				
Advances and financing	7,374,322	(79,557)	-	7,294,765
Islamic general fund	1,513,797	(79,557)	-	1,434,240
<b>As at 31 December 2022</b>				
Advances and financing	7,823,198	(86,804)	-	7,736,394
Islamic general fund	1,529,049	(86,804)	-	1,442,245

**Bank**

<b>As at 1 January 2022</b>				
Advances and financing	7,374,322	(79,557)	-	7,294,765
Islamic general fund	1,340,032	(79,557)	-	1,260,475
<b>As at 31 December 2022</b>				
Advances and financing	7,823,198	(86,804)	-	7,736,394
Islamic general fund	1,380,914	(86,804)	-	1,294,110

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

**Group**

Income from Islamic banking business	577,980	(8,201)	-	569,779
Other operating income	90,870	-	24,101	114,971
Allowances for impairment losses on advances and financing	(178,030)	954	(24,101)	(201,177)

**Bank**

Income from Islamic banking business	577,980	(8,201)	-	569,779
Other operating income	87,179	-	24,101	111,280
Allowances for impairment losses on advances and financing	(182,339)	954	(24,101)	(205,486)

**41. Subsequent events**

During the 2024 National Budget Speech on 13 October 2023, Finance Minister announced a restructuring exercise of the DFIs. The objective of this exercise is to strengthen the development finance ecosystem. The DFIs involved in this exercise together with the Bank are Bank Pembangunan Malaysia Berhad ("BPMB") and Export-Import Bank of Malaysia Berhad ("Exim Bank"). The restructuring exercise is currently ongoing.