

Small Medium Enterprise Development Bank Malaysia Berhad
 Registration No.197901005290 (49572-H)
 (Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	Group		Bank	
		30 June 2021	31 December 2020	30 June 2021	31 December 2020
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		970,789	1,406,158	967,960	1,401,826
Financial investments at fair value through other comprehensive income ("FVOCI")	9	1,215,374	1,323,857	1,215,374	1,323,857
Financial investments at fair value through through profit or loss ("FVTPL")	10	258,754	-	258,754	-
Financial investments at ("AC")	11	698,475	569,350	698,475	569,350
Loans, advances and financing	12	7,081,357	6,844,761	7,081,357	6,844,761
Other assets		43,151	18,017	90,166	143,502
Investment in associate		2,950	2,950	-	-
Property, plant and equipment		134,665	131,483	134,660	131,476
Right-of-use assets		11,087	12,834	11,087	12,834
Investment properties		393,062	393,062	393,062	393,062
Intangible assets		12,385	14,620	12,385	14,620
Tax recoverable		4,482	3,757	2,084	2,068
Deferred tax assets		99,275	99,278	99,275	99,278
TOTAL ASSETS		10,925,806	10,820,127	10,964,639	10,936,634
LIABILITIES					
Deposits from customers	13	4,020,362	4,255,632	4,027,428	4,330,869
Deposits from banks and other financial institutions	14	160,249	-	160,249	-
Islamic medium-term notes		1,866,124	1,866,327	1,866,124	1,866,327
Borrowings/Fundings	15	1,692,322	1,507,974	1,692,322	1,507,974
Lease liabilities		11,675	13,364	11,675	13,364
Other liabilities		1,128,926	1,121,503	1,155,278	1,149,088
Government funds		445,740	454,883	445,740	454,883
TOTAL LIABILITIES		9,325,398	9,219,683	9,358,816	9,322,505
EQUITY					
Share capital		1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses		(278,844)	(301,724)	(273,426)	(288,039)
Other reserves		29,252	52,168	29,249	52,168
TOTAL EQUITY		1,600,408	1,600,444	1,605,823	1,614,129
TOTAL LIABILITIES AND EQUITY		10,925,806	10,820,127	10,964,639	10,936,634
COMMITMENTS AND CONTINGENCIES	21	2,073,522	2,252,396	2,073,522	2,252,396

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to these financial statements)

Small Medium Enterprise Development Bank Malaysia Berhad
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2021

<u>Group</u>	Notes	Second Quarter Ended		Six Months Ended	
		30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Interest income	16	464	1,482	1,133	3,706
Interest expense	17	(3,808)	(13,044)	(7,603)	(26,126)
Net interest expense		(3,344)	(11,562)	(6,470)	(22,420)
Gross income from Islamic banking business	23	104,246	87,190	198,995	177,333
Other operating income	18	1,237	959	4,423	1,714
Net income		102,139	76,587	196,948	156,627
Other operating expenses	19	(63,960)	(61,678)	(127,292)	(123,061)
Operating profit		38,179	14,909	69,656	33,566
(Allowances)/Writeback for impairment losses on :					
- loans, advances and financing	20	(21,808)	(18,993)	(24,545)	(22,155)
- commitments and contingencies		(245)	288	(449)	65
- financial investments at FVOCI	9	(50)	(6,210)	(5,286)	(5,866)
- financial investments at AC	11	(1,065)	694	(1,065)	565
- other assets at AC		102	160	(171)	(391)
Profit before tax expense and zakat		15,113	(9,152)	38,140	5,784
Tax expense		(275)	(249)	(549)	(497)
Zakat		(750)	(1,000)	(1,500)	(2,000)
Profit for the period		14,088	(10,401)	36,091	3,287
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		1,565	15,405	(28,202)	15,515
Changes in expected credit losses on financial investments at FVOCI		50	6,210	5,286	5,866
Other comprehensive loss for the period		1,615	21,615	(22,916)	21,381
Total comprehensive (loss)/income for the period		15,703	11,214	13,175	24,668
Profit for the period attributable to owner of the Bank		14,088	(10,401)	36,091	3,287
Total comprehensive income attributable to owner of the Bank		15,703	11,214	13,175	24,668

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2021

Bank	Notes	Second Quarter Ended		Six Months Ended	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		RM'000	RM'000	RM'000	RM'000
Interest income	16	464	1,482	1,133	3,706
Interest expense	17	(3,808)	(13,044)	(7,603)	(26,126)
Net interest expense		(3,344)	(11,562)	(6,470)	(22,420)
Gross income from Islamic banking business	23	106,067	89,562	202,698	181,873
Other operating income	18	300	341	662	707
Net income		103,023	78,341	196,890	160,160
Other operating expenses	19	(62,374)	(60,742)	(124,166)	(120,948)
Operating profit		40,649	17,599	72,724	39,212
Writeback/(Allowances) for impairment losses on :					
- loans, advances and financing	20	(23,535)	(18,856)	(30,404)	(26,194)
- commitments and contingencies		(245)	288	(449)	65
- financial investments at FVOCI	9	(50)	(6,210)	(5,286)	(5,866)
- financial investments at AC	11	(1,065)	694	(1,065)	565
- other assets at AC		102	160	(171)	(391)
- other assets at FVOCI		(2,801)	(3,219)	(5,603)	(6,438)
Profit before tax expense and zakat		13,055	(9,544)	29,746	953
Tax expense		(211)	(249)	(422)	(497)
Zakat		(750)	(1,000)	(1,500)	(2,000)
Profit for the period		12,094	(10,793)	27,824	(1,544)
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		1,565	15,405	(28,202)	15,515
Changes in expected credit losses on financial investments at FVOCI		50	6,210	5,286	5,866
Other comprehensive loss for the period		1,615	21,615	(22,916)	21,381
Total comprehensive (loss)/income for the period		13,709	10,822	4,908	19,837
Profit for the period attributable to owner of the Bank		12,094	(10,793)	27,824	(1,544)
Total comprehensive income attributable to owner of the Bank		13,709	10,822	4,908	19,837

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CONDENSED INTERIM FINANCIAL STATEMENTS
 UNAUDITED STATEMENTS OF CHANGES IN EQUITY
 FOR THE SECOND QUARTER ENDED 30 JUNE 2021

Group	Note	<=====Attributable to the Owner of the Bank=====>				Total RM'000
		Share capital RM'000	Non-distributable Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	
At 1 January 2021		1,850,000	42,054	10,114	(301,724)	1,600,444
Unrealised gain on revaluation of financial investments at FVOCI		-	(28,202)	-	-	(28,202)
Changes in expected credit losses of financial investments at FVOCI	9	-	5,286	-	-	5,286
Profit for the period		-	-	-	36,091	36,091
Total comprehensive (loss)/income for the period		-	(22,916)	-	36,091	13,175
Transaction with owner: Dividends		-	-	-	(13,211)	(13,211)
At 30 June 2021		1,850,000	19,138	10,114	(278,844)	1,600,408
At 1 January 2020		1,850,000	28,564	10,114	(384,688)	1,503,990
Unrealised gain on revaluation of financial investments at FVOCI		-	23,231	-	-	23,231
Reclassification of gains included in profit or loss		-	(1,654)	-	-	(1,654)
Changes in expected credit losses of financial investments at FVOCI		-	(2,909)	-	-	(2,909)
Income tax relating to components of other comprehensive income		-	(5,178)	-	-	(5,178)
Profit for the year		-	-	-	119,964	119,964
Total comprehensive income for the year		-	13,490	-	119,964	133,454
Transaction with owner: Dividends		-	-	-	(37,000)	(37,000)
At 31 December 2020		1,850,000	42,054	10,114	(301,724)	1,600,444

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CONDENSED INTERIM FINANCIAL STATEMENTS
 UNAUDITED STATEMENTS OF CHANGES IN EQUITY
 FOR THE SECOND QUARTER ENDED 30 JUNE 2021

<====Attributable to the Owner of the Bank=====>						
Bank	Note	Non-distributable			Accumulated losses RM'000	Total RM'000
		Share capital RM'000	Fair value reserve RM'000	General reserve RM'000		
At 1 January 2021		1,850,000	42,054	10,114	(288,039)	1,614,129
Unrealised gain on revaluation of financial investments at FVOCI		-	(28,205)	-	-	(28,205)
Changes in expected credit losses of financial investments at FVOCI	9	-	5,286	-	-	5,286
Profit for the period		-	-	-	27,824	27,824
Total comprehensive (loss)/income for the period		-	(22,919)	-	27,824	4,905
Transaction with owner:						
Dividends		-	-	-	(13,211)	(13,211)
At 30 June 2021		<u>1,850,000</u>	<u>19,135</u>	<u>10,114</u>	<u>(273,426)</u>	<u>1,605,823</u>
At 1 January 2020		1,850,000	28,564	10,114	(383,153)	1,505,525
Unrealised gain on revaluation of financial investments at FVOCI		-	23,231	-	-	23,231
Reclassification of gains included in profit or loss		-	(1,654)	-	-	(1,654)
Changes in expected credit losses of financial investments at FVOCI		-	(2,909)	-	-	(2,909)
Income tax relating to components of other comprehensive income		-	(5,178)	-	-	(5,178)
Profit for the year		-	-	-	132,114	132,114
Total comprehensive income for the year		-	13,490	-	132,114	145,604
Transaction with owner:						
Dividends		-	-	-	(37,000)	(37,000)
At 31 December 2020		<u>1,850,000</u>	<u>42,054</u>	<u>10,114</u>	<u>(288,039)</u>	<u>1,614,129</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2021

	Group		Bank	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Cash flows from/(used in) operating activities				
Profit before tax expense and zakat	38,140	5,784	29,746	953
Adjustments for:				
Net impairment loss on loans, advances and financing	42,533	36,117	48,392	40,156
Net impairment loss/writeback of commitment and contingencies	449	(65)	449	(65)
Net impairment loss/writeback on financial investment at FVOCI	5,286	5,866	5,286	5,866
Net impairment loss on financial investment at AC	1,065	(565)	1,065	(565)
Impairment loss on other assets at AC	171	391	171	391
Impairment loss on other assets at FVOCI	-	-	5,603	6,438
Depreciation of property, plant and equipment	5,745	6,764	5,742	6,761
Depreciation of right-of-use assets	1,747	1,707	1,747	1,707
Amortisation of intangible assets	3,325	3,926	3,325	3,926
Government funds released	(8,836)	(1,600)	(8,836)	(1,600)
Income from financial investments at FVOCI	(24,499)	(25,435)	(24,499)	(25,435)
Income from financial investments at FVTPL	(3,385)	-	(3,385)	-
Income from financial investments at AC	(10,456)	(16,584)	(10,456)	(16,584)
Profit expense on medium-term notes	34,576	32,781	34,576	32,781
Profit expense on borrowings/fundings	14,821	26,703	14,821	26,703
Finance cost on lease liabilities	245	286	245	286
Profit income on amount due from a subsidiary company	-	-	(5,603)	(6,438)
Operating profit before working capital changes	100,927	76,076	98,389	75,281
Changes in working capital:				
Net changes in operating assets	(304,451)	(419,716)	(231,398)	(366,224)
Net changes in operating liabilities	(72,886)	459,411	(142,297)	406,318
Cash generated from/(used in) operating activities	(276,410)	115,771	(275,306)	115,375
Interest and profit paid	(5,219)	(54,815)	(5,219)	(54,815)
Interest and profit received	33,869	45,462	33,869	45,462
Tax and zakat paid	(911)	-	(512)	-
Net cash generated from/(used in) operating activities	(248,671)	106,418	(247,168)	106,022
Cash flows from/(used in) investing activities				
Net purchase from financial investment	(298,973)	475,000	(298,973)	475,000
Net purchase of property, plant and equipment	(8,927)	(3,075)	(8,927)	(3,075)
Net purchase of investment properties	-	(501)	-	(501)
Net purchase of intangible assets	(1,091)	(568)	(1,091)	(568)
Net cash (used in)/generated from investing activities	(308,991)	470,856	(308,991)	470,856
Cash flows from/(used in) financing activities				
Net payments on medium term notes.	(34,780)	100,000	(34,780)	100,000
Net additional of borrowings/fundings	169,296	405,650	169,296	405,650
Proceed from government funds	2,923	15,000	2,923	15,000
Payment of lease liabilities	(1,934)	(1,873)	(1,934)	(1,873)
Dividend paid	(13,211)	-	(13,211)	-
Net cash (used in)/generated from financing activities	122,294	518,777	122,294	518,777
Net increase in cash and cash equivalents	(435,368)	1,096,051	(433,865)	1,095,655
Cash and cash equivalents at beginning of year	1,406,158	1,118,904	1,401,826	1,112,694
Cash and cash equivalents at end of period	970,789	2,214,955	967,960	2,208,349
Cash and cash equivalents comprise:				
- Cash and short term funds	970,789	2,214,955	967,960	2,208,349

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Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134")
Interim Financial Reporting

1. Basis of preparation

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

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

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2020. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the year ended 31 December 2020.

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

The accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2020 except for adoption of the following amendments to Malaysian Financial Reporting Standards ("MFRS") and annual improvements to MFRSs, effective for annual periods beginning on or after 1 January 2021:-

- Amendments to References to the Conceptual Framework in MFRS Standards
- Definition of a Business (Amendments to MFRS 3)
- Definition of Material (Amendments to MFRS 101 and MFRS 108)
- Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 107)

2. Summary of Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2020 were prepared in accordance with MFRS, as modified by Bank Negara Malaysia and the requirements of the Companies Act, 2016 in Malaysia. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2020.

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3. Significant Accounting Estimates and Judgements

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the financial year ended 31 December 2020.

4. Auditors' report on preceding audited annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2020 was not qualified.

5. Seasonal or cyclical factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the second quarter ended 30 June 2021.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank in the second quarter ended 30 June 2021.

7. Changes in estimates

There were no material changes in estimates that have a material effect in the second quarter ended 30 June

8. Dividends

During the financial period ended 30 June 2021, a final dividend of RM 0.71 sen per share for financial year ended 31 December 2020, amounting to RM13,211,000 was paid on 9 June 2021.

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9. Financial investments at FVOCI

	Group and Bank	
	30 June 2021 RM'000	31 December 2020 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	645,756	553,558
Non-money market instruments		
Equity securities		
- Private debt securities	30,580	30,569
- Unquoted shares	9,540	9,540
Debt securities		
- Private debt securities	529,498	730,190
	569,618	770,299
Total financial investment at FVOCI	1,215,374	1,323,857

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

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

	Group and Bank			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
At 1 January 2021	-	900	10,000	10,900
(Writeback)/Allowances made due to changes in credit risk	223	(900)	5,963	5,286
At 30 June 2021	223	-	15,963	16,186
At 1 January 2020	153	3,656	10,000	13,809
Writeback made due to changes in credit risk	(140)	(2,756)	-	(2,896)
New financial investments originated	-	-	-	-
Financial investments derecognised	(13)	-	-	(13)
At 31 December 2020	-	900	10,000	10,900

The impairment losses by external rating grade are as follows:

External rating grade	Group and Bank			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
RAM AAA	26	-	-	26
MARC AAA	62	-	-	62
RAM AA	51	-	-	51
MARC AA	84	-	-	84
RAM CCC	-	-	5,963	5,963
RAM D^	-	-	10,000	10,000
At 30 June 2021	223	-	15,963	16,186

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

The impairment losses by external rating grade are as follows (cont'd.):

<i>External rating grade</i>	Group and Bank			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
RAM AAA	-	-	-	-
MARC AAA	-	-	-	-
RAM AA	-	-	-	-
MARC AA	-	-	-	-
RAM BB	-	900	-	900
RAM C^	-	-	10,000	10,000
At 31 December 2020	<u>-</u>	<u>900</u>	<u>10,000</u>	<u>10,900</u>

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

10. Financial investments at FVTPL

	Group and Bank	
	30 June 2021 RM'000	31 December 2020 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	73,912	-
Money market instruments		
Commercial papers	<u>184,842</u>	<u>-</u>
Total financial investment at FVTPL	<u>258,754</u>	<u>-</u>

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11. Financial investments at amortised cost

	Group and Bank	
	30 June	31 December
	2021	2020
	RM'000	RM'000
At amortised cost		
Government securities		
Malaysian Government Investment Issues	50,938	111,416
Money market instruments		
Commercial papers	204,314	164,159
Non-money market instruments		
Private debt securities	444,289	293,775
	699,541	569,350
Less: Accumulated impairment losses	(1,066)	-
Total financial investment at amortised cost	698,475	569,350

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

	Group and Bank	
	30 June	31 December
	2021	2020
	RM'000	RM'000
Within one year	497,153	254,715
More than one year to three years	141,796	254,033
More than three years to five years	-	-
More than five years	60,592	60,602
	699,541	569,350

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11. Financial investments at amortised cost (cont'd.)

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
	Stage 1	Stage 1
At 1 January	-	649
Writeback made due to changes in credit risk	353	(603)
New financial investments originated or purchased	713	-
Financial investments derecognised	-	(46)
At 30 June / 31 December	<u>1,066</u>	<u>-</u>

The impairment losses by external rating grade are as follows:

	Group and Bank	
	2021	2020
	Stage 1*	Stage 1*
	RM'000	RM'000
<i>External rating grade</i>		
RAM AAA	13	-
MARC AAA	45	-
RAM AA	457	-
MARC AA	398	-
MARC AA-	153	-
Non-rated	-	-
Total	<u>1,066</u>	<u>-</u>

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

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
Malaysian Government Investment Issues	51,748	113,019
Commercial papers	204,314	164,159
Private debt securities	<u>449,970</u>	<u>302,793</u>
	<u>706,032</u>	<u>579,971</u>

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12. Loans, advances and financing

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Term loans/ financing				
- Hire purchase	368,239	337,678	331,921	301,007
- Leasing	343	343	1	1
- Other term loans/ financing	6,149,146	6,001,391	5,800,399	5,647,464
Revolving loans/financing	1,473,066	1,371,677	1,450,176	1,348,461
Staff loans/financing	12,535	13,111	12,535	13,111
Gross loans, advances and financing	<u>8,003,328</u>	<u>7,724,200</u>	<u>7,595,032</u>	<u>7,310,044</u>
Less: Allowance for impairment losses on				
- Stage 1 (Note 12(ix))	(98,121)	(67,708)	(98,121)	(67,708)
- Stage 2 (Note 12(ix))	(24,466)	(18,297)	(24,466)	(18,297)
- Stage 3 (Note 12(ix))	(799,385)	(793,434)	(391,088)	(379,278)
Net loans, advances and financing	<u>7,081,357</u>	<u>6,844,761</u>	<u>7,081,357</u>	<u>6,844,761</u>
Gross impaired loans, advances and financing (Note 12(viii))	<u>1,495,161</u>	<u>1,581,516</u>	<u>1,086,863</u>	<u>1,167,360</u>
Net impaired loans, advances and financing	<u>695,776</u>	<u>788,082</u>	<u>695,775</u>	<u>788,082</u>

Included in loans, advances and financing for the Group and the Bank are gross loans, advances and financing of RM73,096,023 (2020: RM71,440,000) financed by Government funds.

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Within one year	1,706,660	1,596,830	1,416,986	1,305,932
More than one year to three years	572,720	577,349	522,376	526,071
More than three years to five years	1,400,193	1,248,317	1,366,697	1,216,961
More than five years	4,323,755	4,301,704	4,288,973	4,261,080
	<u>8,003,328</u>	<u>7,724,200</u>	<u>7,595,032</u>	<u>7,310,044</u>

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

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Domestic business enterprise	7,990,793	7,711,089	7,582,497	7,296,933
Individual	12,535	13,111	12,535	13,111
	<u>8,003,328</u>	<u>7,724,200</u>	<u>7,595,032</u>	<u>7,310,044</u>

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Constructions	1,307,160	1,261,903	1,304,336	1,259,079
Education, health and others	658,239	638,293	612,456	591,934
Electricity, gas and water supply	68,415	92,441	68,415	92,441
Financial, insurance/takaful, real estate and business services	1,227,149	1,153,977	1,224,402	1,151,224
Manufacturing	1,338,271	1,310,172	1,257,011	1,227,819
Mining and quarrying	112,308	127,238	110,312	125,242
Primary agriculture	7,510	8,320	7,248	8,058
Transportation, storage and communication	969,902	938,770	927,100	895,695
Wholesale, retail trade, restaurants and hotels	2,301,839	2,179,975	2,071,217	1,945,441
Others	12,535	13,111	12,535	13,111
	<u>8,003,328</u>	<u>7,724,200</u>	<u>7,595,032</u>	<u>7,310,044</u>

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	755,124	39,830	192,969	45,729	76,915	196,593	1,307,160
Education, health and others	434,723	25,392	63,131	93,416	30,142	11,435	658,239
Electricity, gas and water supply	56,491	1,542	3,207	2,562	4,613	-	68,415
Financial, insurance/takaful, real estate and business services	787,976	63,731	156,712	37,270	78,038	103,422	1,227,149
Manufacturing	703,617	227,169	191,178	121,890	49,691	44,726	1,338,271
Mining and quarrying	78,863	283	20,384	10,478	1,493	807	112,308
Primary agriculture	262	362	686	100	4,386	1,714	7,510
Transportation, storage and communication	528,461	156,762	55,138	88,275	49,745	91,521	969,902
Wholesale, retail trade, restaurants and hotels	1,152,100	316,800	120,639	282,450	274,131	155,719	2,301,839
Others	12,535	-	-	-	-	-	12,535
At 30 June 2021	4,510,152	831,871	804,044	682,170	569,154	605,937	8,003,328

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	689,472	39,139	234,213	40,684	74,673	183,722	1,261,903
Education, health and others	426,464	26,344	61,478	80,857	27,672	15,478	638,293
Electricity, gas and water supply	82,107	1,635	2,743	2,620	3,149	187	92,441
Financial, insurance/takaful, real estate and business services	744,393	63,473	141,421	28,919	78,292	97,479	1,153,977
Manufacturing	692,659	216,485	182,008	122,966	49,725	46,329	1,310,172
Mining and quarrying	95,148	293	19,328	10,059	1,820	590	127,238
Primary agriculture	262	351	728	-	4,882	2,097	8,320
Transportation, storage and communication	520,374	150,243	60,301	82,730	46,170	78,952	938,770
Wholesale, retail trade, restaurants and hotels	1,114,927	295,530	89,437	258,905	268,262	152,914	2,179,975
Others	13,111	-	-	-	-	-	13,111
At 31 December 2020	4,378,917	793,493	791,657	627,740	554,645	577,748	7,724,200

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	752,300	39,830	192,969	45,729	76,915	196,593	1,304,336
Education, health and others	388,940	25,392	63,131	93,416	30,142	11,435	612,456
Electricity, gas and water supply	56,491	1,542	3,207	2,562	4,613	-	68,415
Financial, insurance/takaful, real estate and business services	785,229	63,731	156,712	37,270	78,038	103,422	1,224,402
Manufacturing	622,357	227,169	191,178	121,890	49,691	44,726	1,257,011
Mining and quarrying	76,867	283	20,384	10,478	1,493	807	110,312
Primary agriculture	-	362	686	100	4,386	1,714	7,248
Transportation, storage and communication	485,659	156,762	55,138	88,275	49,745	91,521	927,100
Wholesale, retail trade, restaurants and hotels	921,478	316,800	120,639	282,450	274,131	155,719	2,071,217
Others	12,535	-	-	-	-	-	12,535
At 30 June 2021	4,101,856	831,871	804,044	682,170	569,154	605,937	7,595,032

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	686,648	39,139	234,213	40,684	74,673	183,722	1,259,079
Education, health and others	380,105	26,344	61,478	80,857	27,672	15,478	591,934
Electricity, gas and water supply	82,107	1,635	2,743	2,620	3,149	187	92,441
Financial, insurance/takaful, real estate and business services	741,640	63,473	141,421	28,919	78,292	97,479	1,151,224
Manufacturing	610,306	216,485	182,008	122,966	49,725	46,329	1,227,819
Mining and quarrying	93,152	293	19,328	10,059	1,820	590	125,242
Primary agriculture	-	351	728	-	4,882	2,097	8,058
Transportation, storage and communication	477,299	150,243	60,301	82,730	46,170	78,952	895,695
Wholesale, retail trade, restaurants and hotels	880,393	295,530	89,437	258,905	268,262	152,914	1,945,441
Others	13,111	-	-	-	-	-	13,111
At 31 December 2020	3,964,761	793,493	791,657	627,740	554,645	577,748	7,310,044

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

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Fixed rate:				
- Staff loan/financing	12,535	13,111	12,535	13,111
- Hire purchase	182,287	188,981	146,846	153,187
- Leasing	343	343	1	1
- Other term loans/financing	1,857,346	1,770,112	1,614,561	1,522,658
- Revolving loans/financing	157,080	185,893	134,247	162,735
Variable rate				
- Hire purchase	185,952	148,697	185,075	147,820
- Other term loans/financing	4,406,229	4,231,279	4,300,269	4,124,806
- Revolving loans/financing	1,201,556	1,185,784	1,201,498	1,185,726
	8,003,328	7,724,200	7,595,032	7,310,044

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Constructions	136,299	157,685	133,475	154,861
Education, health and others	159,427	171,622	113,644	125,263
Electricity, gas and water supply	43	41	43	41
Financial, insurance/takaful, real estate and business services	207,018	214,375	204,271	211,622
Manufacturing	264,888	302,857	183,628	220,504
Mining and quarrying	10,021	10,142	8,025	8,146
Primary agriculture	539	541	277	279
Transportation, storage and communication	157,159	156,413	114,357	113,338
Wholesale, retail trade, restaurants and hotels	559,767	567,840	329,143	333,306
	1,495,161	1,581,516	1,086,863	1,167,360

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	118,075	1,923	3,384	2,747	7,801	2,369	136,299
Education, health and others	97,558	2,252	19,439	30,848	8,431	899	159,427
Electricity, gas and water supply	-	43					43
Financial, insurance/takaful, real estate and business services	151,551	8,424	8,730	9,848	2,064	26,401	207,018
Manufacturing	171,788	12,715	24,656	48,752	1,712	5,265	264,888
Mining and quarrying	2,707	-	6,989	325	-	-	10,021
Primary agriculture	262	-	66	-	211	-	539
Transportation, storage and communication	105,628	5,159	9,399	18,783	9,184	9,006	157,159
Wholesale, retail trade, restaurants and hotels	394,606	22,203	21,114	58,885	59,118	3,841	559,767
At 30 June 2021	<u>1,042,175</u>	<u>52,719</u>	<u>93,777</u>	<u>170,188</u>	<u>88,521</u>	<u>47,781</u>	<u>1,495,161</u>

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	136,358	1,907	6,690	2,731	7,637	2,362	157,685
Education, health and others	109,234	3,024	19,243	31,009	8,232	880	171,622
Electricity, gas and water supply	-	41	-	-	-	-	41
Financial, insurance/takaful, real estate and business services	158,886	8,227	8,562	10,292	2,788	25,620	214,375
Manufacturing	193,250	12,265	33,440	54,058	3,628	6,216	302,857
Mining and quarrying	2,713	-	7,074	355	-	-	10,142
Primary agriculture	262	-	66	-	213	-	541
Transportation, storage and communication	105,971	5,162	9,733	18,637	9,113	7,797	156,413
Wholesale, retail trade, restaurants and hotels	395,354	22,395	21,181	58,978	66,103	3,829	567,840
At 31 December 2020	1,102,028	53,021	105,989	176,060	97,714	46,704	1,581,516

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	115,251	1,923	3,384	2,747	7,801	2,369	133,475
Education, health and others	51,775	2,252	19,439	30,848	8,431	899	113,644
Electricity, gas and water supply	-	43	-	-	-	-	43
Financial, insurance/takaful, real estate and business services	148,804	8,424	8,730	9,848	2,064	26,401	204,271
Manufacturing	90,528	12,715	24,656	48,752	1,712	5,265	183,628
Mining and quarrying	711	-	6,989	325	-	-	8,025
Primary agriculture	-	-	66	-	211	-	277
Transportation, storage and communication	62,826	5,159	9,399	18,783	9,184	9,006	114,357
Wholesale, retail trade, restaurants and hotels	163,982	22,203	21,114	58,885	59,118	3,841	329,143
At 30 June 2021	633,877	52,719	93,777	170,188	88,521	47,781	1,086,863

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	133,534	1,907	6,690	2,731	7,637	2,362	154,861
Education, health and others	62,875	3,024	19,243	31,009	8,232	880	125,263
Electricity, gas and water supply	-	41	-	-	-	-	41
Financial, insurance/takaful, real estate and business services	156,133	8,227	8,562	10,292	2,788	25,620	211,622
Manufacturing	110,897	12,265	33,440	54,058	3,628	6,216	220,504
Mining and quarrying	717	-	7,074	355	-	-	8,146
Primary agriculture	-	-	66	-	213	-	279
Transportation, storage and communication	62,896	5,162	9,733	18,637	9,113	7,797	113,338
Wholesale, retail trade, restaurants and hotels	160,820	22,395	21,181	58,978	66,103	3,829	333,306
At 31 December 2020	687,872	53,021	105,989	176,060	97,714	46,704	1,167,360

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

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
At 1 January	1,581,516	1,716,707	1,167,360	1,239,497
-Transfers to Stage 1	(5,457)	(131,252)	(5,457)	(131,252)
-Transfers to Stage 2	(2,553)	(342)	(2,553)	(342)
-Transfers to Stage 3	10,028	267,137	10,028	267,137
	<u>1,583,534</u>	<u>1,852,250</u>	<u>1,169,378</u>	<u>1,375,040</u>
Changes due to change in credit risk	(50,713)	(59,601)	(44,855)	3,453
New financial assets originated	-	10,099	-	10,099
Financial assets derecognised	(37,660)	(79,303)	(37,660)	(79,303)
Amount written-off	-	(141,929)	-	(141,929)
At 31 December	<u>1,495,161</u>	<u>1,581,516</u>	<u>1,086,863</u>	<u>1,167,360</u>

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2021	67,708	18,297	793,434	879,439
-Transfers to Stage 1	2,218	(350)	(1,868)	-
-Transfers to Stage 2	(411)	1,930	(1,519)	-
-Transfers to Stage 3	(77)	(121)	198	-
	<u>1,730</u>	<u>1,459</u>	<u>(3,189)</u>	<u>-</u>
Changes due to change in credit risk (Note 20)	23,112	5,478	14,198	42,788
New financial assets originated (Note 20)	12,410	6	-	12,416
Financial assets derecognised (Note 20)	(6,839)	(774)	(5,058)	(12,671)
At 30 June 2021	<u>98,121</u>	<u>24,466</u>	<u>799,385</u>	<u>921,972</u>
At 1 January 2020	48,065	32,696	975,329	1,056,090
-Transfers to Stage 1	1,540	(425)	(1,115)	-
-Transfers to Stage 2	(7,872)	7,881	(9)	-
-Transfers to Stage 3	(35,987)	(31,108)	67,095	-
	<u>(42,319)</u>	<u>(23,652)</u>	<u>65,971</u>	<u>-</u>
Changes due to change in credit risk	51,092	9,819	(87,646)	(26,735)
New financial assets originated	19,913	135	4,781	24,829
Financial assets derecognised	(9,043)	(701)	(23,072)	(32,816)
Amount written-off	-	-	(141,929)	(141,929)
At 31 December 2020	<u>67,708</u>	<u>18,297</u>	<u>793,434</u>	<u>879,439</u>

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

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

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2021	67,708	18,297	379,278	465,283
-Transfers to Stage 1	2,218	(350)	(1,868)	-
-Transfers to Stage 2	(411)	1,930	(1,519)	-
-Transfers to Stage 3	(77)	(121)	198	-
	1,730	1,459	(3,189)	-
Changes due to change in credit risk (Note 20)	23,112	5,478	20,057	48,647
New financial assets originated (Note 20)	12,410	6	-	12,416
Financial assets derecognised (Note 20)	(6,839)	(774)	(5,058)	(12,671)
At 30 June 2021	98,121	24,466	391,088	513,675
At 1 January 2020	48,065	32,696	498,119	578,880
-Transfers to Stage 1	1,540	(425)	(1,115)	-
-Transfers to Stage 2	(7,872)	7,881	(9)	-
-Transfers to Stage 3	(35,987)	(31,108)	67,095	-
	(42,319)	(23,652)	65,971	-
Changes due to change in credit risk	51,092	9,819	(24,592)	36,319
New financial assets originated	19,913	135	4,781	24,829
Financial assets derecognised	(9,043)	(701)	(23,072)	(32,816)
Amount written-off	-	-	(141,929)	(141,929)
At 31 December 2020	67,708	18,297	379,278	465,283

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Net impaired loans, advances and financing as a percentage	9.68%	11.39%	9.68%	11.39%

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13. Deposits from customers

	Group		Bank	
	30 June	31 December	30 June	31 December
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Term deposit:				
- Commodity Murabahah/Tawarruq	4,020,362	4,255,632	4,027,428	4,330,869

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	1,400,828	2,283,327	1,400,828	2,283,327
Business enterprise	2,063,813	1,305,690	2,070,879	1,380,927
Others	555,721	666,615	555,721	666,615
	4,020,362	4,255,632	4,027,428	4,330,869

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Less than three months	2,442,248	3,173,795	2,446,403	3,249,032
Three months to six months	774,570	683,831	777,432	683,831
Six months to one year	803,544	398,006	803,593	398,006
	4,020,362	4,255,632	4,027,428	4,330,869

14. Deposits from banks and other financial institutions

	Group and Bank	
	30 June	31 December
	2021	2020
	RM'000	RM'000
Licensed banks and other financial institutions	160,249	-

The deposits maturity structure is as follows:

	Group and Bank	
	30 June	31 December
	2021	2020
	RM'000	RM'000
Less than three months	160,249	-

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15. Borrowings/Fundings

	Group and Bank	
	30 June	31 December
	2021	2020
	RM'000	RM'000
Unsecured borrowings/fundings	<u>1,692,322</u>	<u>1,507,974</u>

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

	Group and Bank	
	30 June	31 December
	2021	2020
	RM'000	RM'000
Within one year	61,485	57,826
More than one year to five years	1,343,639	1,099,664
More than five years	287,198	350,484
	<u>1,692,322</u>	<u>1,507,974</u>

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

		Group and Bank	
		30 June	31 December
		2021	2020
	Note	RM'000	RM'000
Government of Malaysia	(a)	993,798	1,004,336
Other institutions	(b)	698,524	503,638
		<u>1,692,322</u>	<u>1,507,974</u>

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15. Borrowings/fundings (cont'd.)

(a) Borrowings/fundings from Government of Malaysia

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

	Group and Bank	
	30 June	31 December
	2021	2020
	RM'000	RM'000
Maturity structure:		
Within one year	47,302	43,792
More than one year to five years	659,298	647,596
More than five years	287,198	312,948
	<u>993,798</u>	<u>1,004,336</u>

The weighted average interest/profit rates on the borrowings/fundings from the Government of Malaysia range from 0% to 2.75% (2020: 0% to 2.75%) per annum.

(b) Borrowings/fundings from other institutions

	Group and Bank	
	30 June	31 December
	2021	2020
	RM'000	RM'000
Bank Negara Malaysia	698,524	503,638
	<u>698,524</u>	<u>503,638</u>

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

	Group and Bank	
	30 June	31 December
	2021	2020
	RM'000	RM'000
Maturity structure:		
Within one year	14,183	14,034
More than one year to five years	684,341	452,068
More than five years	-	37,536
	<u>698,524</u>	<u>503,638</u>

The weighted average interest/profit rates on the borrowings/fundings from other institutions range from 0% to 1.5% (2020: 0% to 1.5%) per annum.

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16. Interest income

Group and Bank	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	464	1,482	1,133	3,706
	<u>464</u>	<u>1,482</u>	<u>1,133</u>	<u>3,706</u>

17. Interest expense

Group and Bank	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Term loans	3,808	13,044	7,603	26,126
	<u>3,808</u>	<u>13,044</u>	<u>7,603</u>	<u>26,126</u>

18. Other operating income

Group	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Fee income	13	34	15	34
	<u>13</u>	<u>34</u>	<u>15</u>	<u>34</u>
Other income:				
Recovery income	937	618	3,760	1,007
Compensation on late payment charges	287	-	628	-
Others	-	307	20	673
	<u>1,224</u>	<u>925</u>	<u>4,408</u>	<u>1,680</u>
Total other operating income	<u>1,237</u>	<u>959</u>	<u>4,423</u>	<u>1,714</u>
Bank				
Fee income	13	34	15	34
	<u>13</u>	<u>34</u>	<u>15</u>	<u>34</u>
Other income:				
Compensation on late payment charges	287	-	628	-
Others	-	307	20	673
	<u>287</u>	<u>307</u>	<u>648</u>	<u>673</u>
Total other operating income	<u>300</u>	<u>341</u>	<u>663</u>	<u>707</u>

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19. Other operating expenses

Group	Note	Second Quarter Ended		Six Months Ended	
		30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Personnel expenses	(i)	46,180	43,201	92,397	86,753
Establishment related expenses	(ii)	9,954	10,277	19,834	20,404
Promotion and marketing expenses	(iii)	623	863	1,087	1,669
Administration and general expenses	(iv)	7,203	7,337	13,974	14,235
		63,960	61,678	127,292	123,061
(i) Personnel expenses					
Salaries, allowances and bonuses		36,553	34,022	74,139	68,589
Directors' fees and remuneration		519	394	886	823
Social security cost		241	247	479	494
Contribution to Employee Provident Fund		4,202	4,172	8,095	8,480
Other staff related expenses		4,665	4,366	8,798	8,367
		46,180	43,201	92,397	86,753
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		2,914	3,292	5,745	6,764
Depreciation of right-of-use assets		874	854	1,747	1,707
Amortisation of intangible assets		1,620	2,222	3,325	3,926
Rental expenses		(18)	25	(21)	46
Repairs and maintenance of property, plant and equipment		4,564	3,884	9,038	7,961
		9,954	10,277	19,834	20,404
(iii) Promotion and marketing expenses					
Advertisement and publicity		623	863	1,087	1,669
(iv) Administration and general expenses					
Administrative expenses		1,812	1,861	3,615	3,853
Auditors' remuneration		242	241	482	477
General expenses		5,149	5,235	9,877	9,905
		7,203	7,337	13,974	14,235

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19. Other operating expenses (cont'd.)

Bank	Note	Second Quarter Ended		Six Months Ended	
		30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Personnel expenses	(i)	45,258	42,492	90,434	85,290
Establishment related expenses	(ii)	9,940	10,263	19,812	20,379
Promotion and marketing expenses	(iii)	592	925	1,056	1,796
Administration and general expenses	(iv)	6,584	7,062	12,864	13,483
		62,374	60,742	124,166	120,948
(i) Personnel expenses					
Salaries, allowances and bonuses		35,886	33,588	72,575	67,532
Directors' fees and remuneration		520	394	886	823
Social security cost		234	241	466	484
Contribution to Employee Provident Fund		4,092	4,024	7,887	8,252
Other staff related expenses		4,526	4,245	8,620	8,199
		45,258	42,492	90,434	85,290
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		2,912	3,290	5,742	6,761
Depreciation of right-of-use assets		874	854	1,747	1,707
Amortisation of intangible assets		1,619	2,222	3,325	3,926
Rental expenses		(18)	25	(21)	46
Repairs and maintenance of property, plant and equipment		4,553	3,872	9,019	7,939
		9,940	10,263	19,812	20,379
(iii) Promotion and marketing expenses					
Advertisement and publicity		592	925	1,056	1,796
(iv) Administration and general expenses					
Administrative expenses		1,808	1,862	3,610	3,840
Auditors' remuneration		225	225	450	450
General expenses		4,551	4,975	8,804	9,193
		6,584	7,062	12,864	13,483

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20. Allowances for impairment on loans, advances and financing

Group	Second Quarter Ended		Six Months Ended	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Allowance/(writeback) for impairment losses on loans, advances and financing made during the period:				
- Stage 1, net (Note 12(ix))	16,347	12,452	28,683	9,893
- Stage 2, net (Note 12(ix))	2,641	3,088	4,710	22,874
- Stage 3, net (Note 12(ix))	11,729	10,298	9,140	3,350
	<u>30,717</u>	<u>25,838</u>	<u>42,533</u>	<u>36,117</u>
Impaired loans, advances and financing recovered	(8,909)	(6,845)	(17,988)	(13,962)
Total allowances for impairment on loans, advances and financing	<u>21,808</u>	<u>18,993</u>	<u>24,545</u>	<u>22,155</u>
Bank				
Allowance/(writeback) for impairment losses on loans, advances and financing made during the period:				
- Stage 1, net (Note 12(ix))	16,347	12,452	28,683	9,893
- Stage 2, net (Note 12(ix))	2,641	3,088	4,710	22,874
- Stage 3, net (Note 12(ix))	13,456	10,161	14,999	7,389
	<u>32,444</u>	<u>25,701</u>	<u>48,392</u>	<u>40,156</u>
Impaired loan, advances and financing recovered	(8,909)	(6,845)	(17,988)	(13,962)
Total allowances for impairment on loans, advances and financing	<u>23,535</u>	<u>18,856</u>	<u>30,404</u>	<u>26,194</u>

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21. Commitment and contingencies

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

	Group and Bank	
	30 June 2021 RM'000	31 December 2020 RM'000
Direct credit substitutes	206,064	178,973
Transaction-related-contingent items	129,711	133,572
Undisbursed loans/financing		
- original maturity up to one year	168,108	131,082
- original maturity more than one year	1,559,417	1,801,659
	2,063,300	2,245,286

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

	Group and Bank	
	30 June 2021 RM'000	31 December 2020 RM'000
Approved and contracted for Information technology system	10,222	7,110
	10,222	7,110
Total commitments and contingencies	2,073,522	2,252,396

22. Capital adequacy

Capital management

Capital policy

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

Regulatory capital

In order to support its mandated roles, the Bank has strong and adequate capital to support its business activities on an on-going basis. Bank Negara Malaysia ("BNM") has imposed several regulatory capital requirements whereby, the Bank 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.

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22. Capital adequacy (cont'd.)

Regulatory capital (cont'd.)

Pursuant to BNM's Policy Document on Transitional Arrangements for Regulatory Capital Treatment of Account Provisions for Development Financial Institutions, the Bank had elected to apply the transitional arrangements where the Bank are allowed to add back a portion of the Stage 1 and Stage 2 provisions for 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 and lifetime expected credit losses to the extent they are ascribed to non-credit-impaired exposures to Tier 1 Capital.

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
<u>Tier I Capital</u>				
Paid-up share capital	1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses	(314,935)	(301,724)	(301,250)	(288,039)
General reserves	10,114	10,114	10,114	10,114
General provision for loans, advances and financing*	40,807	3,776	40,807	3,776
Less: Deferred tax assets	(99,275)	(99,278)	(99,275)	(99,278)
Less: Property revaluation reserve	(232,382)	(232,382)	(232,382)	(232,381)
Total Tier I capital	1,254,329	1,230,506	1,268,014	1,244,192
<u>Tier II Capital</u>				
General provision for loans, advances and financing*	87,163	87,163	87,163	87,163
Property revaluation reserve [^]	116,191	116,191	116,191	116,191
Government funds [#]	407,563	406,108	407,563	406,108
Total Tier II capital	610,917	609,462	610,917	609,462
Total capital	1,865,246	1,839,968	1,878,931	1,853,654
Less: Investment in subsidiaries	-	-	-	-
Total capital base	1,865,246	1,839,968	1,878,931	1,853,654

* 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.

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

[#] An amount of RM39,682,000 (2020: RM36,452,000) for Teraju Facilitation fund was channelled as placement with profit sharing of 70:30 between the Group and the Bank; and Teraju.

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22. Capital adequacy (cont'd.)

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
20%	195,351	279,650	195,351	279,650
50%	6,012	6,131	6,012	6,131
100%	9,813,134	9,384,804	9,851,057	9,505,644
	10,014,497	9,670,585	10,052,420	9,791,425

Before deducting dividends:

Core capital ratio	12.525%	12.724%	12.614%	12.707%
Risk-weighted capital ratio	18.625%	19.026%	18.691%	18.931%

After deducting dividends:

Core capital ratio	12.525%	12.588%	12.614%	12.572%
Risk-weighted capital ratio	18.625%	18.890%	18.691%	18.796%

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.

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23. Islamic banking business

The state of affairs as at 30 June 2021 and results for the financial period then ended under the Islamic Banking business of the Bank and included in the Group's and the Bank's financial statements are summarised as follows:-

Unaudited Statements of Financial Position
As at 30 June 2021

	Note	Group		Bank	
		30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Assets					
Cash and short-term funds		970,111	1,399,622	967,537	1,396,061
Financial investments at FVOCI	23(a)	1,205,834	1,314,317	1,205,834	1,314,317
Financial investments at FVTPL	10	258,754	-	258,754	-
Financial investments at AC	11	698,475	569,350	698,475	569,350
Advances and financing	23(b)	7,020,349	6,754,846	7,020,349	6,754,846
Other assets		42,811	17,486	89,826	142,971
Property, plant and equipment		134,665	131,483	134,660	131,476
Right-of-use assets		11,087	12,834	11,087	12,834
Investment properties		393,062	393,062	393,062	393,062
Intangible assets		12,385	14,620	12,385	14,620
Tax recoverables		4,482	3,757	2,084	2,068
Deferred tax assets		99,275	99,278	99,275	99,278
Total assets		10,851,290	10,710,655	10,893,328	10,830,883
Liabilities					
Deposits from customers	13	4,020,362	4,255,632	4,027,428	4,330,869
Deposits from banks and other financial institutions	14	160,249	-	160,249	-
Islamic medium-term notes		1,866,124	1,866,327	1,866,124	1,866,327
Term financing/fundings	23(c)	698,524	660,180	698,524	660,180
Other liabilities		1,127,898	1,120,358	1,154,286	1,147,985
Lease liabilities		11,675	13,364	11,675	13,364
Amount due to conventional operations		1,002,399	821,384	1,198,904	1,025,721
Government funds		445,740	454,883	445,740	454,883
Total liabilities		9,332,971	9,192,128	9,562,930	9,499,329
Islamic general funds		1,518,319	1,518,527	1,330,398	1,331,554
Total liabilities and Islamic banking funds		10,851,290	10,710,655	10,893,328	10,830,883
Commitments	23(i)	2,053,530	2,234,224	2,053,530	2,234,224

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to these financial statements)

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23. Islamic banking business (cont'd.)

Unaudited Statements of Comprehensive Income
 For the second quarter ended 30 June 2021

Group	Note	Second Quarter Ended		Six Months Ended	
		30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Income from Islamic banking business	23(d)	131,898	123,655	260,058	251,410
Profit expense attributable to Islamic banking business	23(e)	(43,758)	(44,983)	(88,023)	(92,134)
Gross income from Islamic banking business		88,140	78,672	172,035	159,276
Other operating income	23(f)	16,106	8,518	26,960	18,057
Other operating expenses	23(g)	(63,001)	(59,476)	(126,221)	(118,501)
Operating profit		41,245	27,714	72,774	58,832
(Allowances)/Writeback for impairment losses on :					
- advances and financing	23(h)	(24,856)	(19,192)	(27,833)	(27,796)
- commitments and contingencies		(241)	(219)	(451)	(219)
- financial investments at FVOCI	9	(50)	(5,866)	(5,286)	(5,866)
- financial investments at AC	11	(1,065)	565	(1,065)	565
- other assets at AC		102	(391)	(171)	(391)
Profit before tax expense and zakat		15,135	2,611	37,968	25,125
Tax expense		(338)	-	(549)	-
Zakat		(750)	(2,000)	(1,500)	(2,000)
Net profit for the period		14,047	611	35,919	23,125
Other comprehensive income Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		1,565	113	(28,202)	113
Changes in expected credit losses on financial investments at FVOCI		50	5,866	5,286	5,866
Other comprehensive loss for the period		1,615	5,979	(22,916)	5,979
Total comprehensive (loss)/income for the period		15,662	6,590	13,003	29,104

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to these financial statements)

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23. Islamic banking business (cont'd.)

Unaudited Statements of Comprehensive Income
 For the second quarter ended 30 June 2021 (cont'd.)

Bank	Note	Second Quarter Ended		Six Months Ended	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		RM'000	RM'000	RM'000	RM'000
Income from Islamic banking business	23(d)	131,898	123,655	260,058	251,410
Profit expense attributable to Islamic banking business	23(e)	(43,783)	(45,048)	(88,226)	(92,254)
Gross income from Islamic banking business		88,115	78,607	171,832	159,156
Other operating income	23(f)	17,952	10,955	30,866	22,717
Other operating expenses	23(g)	(62,220)	(58,896)	(123,901)	(117,033)
Operating profit		43,847	30,666	78,797	64,840
(Allowances)/Writeback for impairment losses on :					
- advances and financing		(25,995)	(19,264)	(29,328)	(29,215)
- commitments and contingencies		(241)	(219)	(451)	(219)
- financial investments at FVOCI	9	(50)	(5,866)	(5,286)	(5,866)
- financial investments at AC	11	(1,065)	565	(1,065)	565
- other assets at AC		102	(391)	(171)	(391)
- other assets at FVOCI		(2,801)	(3,219)	(5,603)	(3,219)
Profit before tax expense and zakat		13,797	2,272	36,893	26,495
Tax expense		(211)	-	(422)	-
Zakat		(750)	(2,000)	(1,500)	(2,000)
Net profit for the period		12,836	272	34,971	24,495
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		1,565	113	(28,202)	113
Changes in expected credit losses on financial investments at FVOCI		50	5,866	5,286	5,866
Other comprehensive loss for the period		1,615	5,979	(22,916)	5,979
Total comprehensive (loss)/income for the period		14,451	6,251	12,056	30,474

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to these financial statements)

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23. Islamic banking business (cont'd.)

Statements of changes in Islamic General Funds
For the second quarter ended 30 June 2021

Group	Note	Share capital RM'000	Non-distributable fair value reserve RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2021		1,050,564	37,174	430,789	1,518,527
Unrealised gain on revaluation of financial investments at FVOCI		-	(28,202)	-	(28,202)
Changes in expected credit losses of financial investments at FVOCI	9	-	5,286	-	5,286
Profit for the period		-	-	35,919	35,919
Total comprehensive (loss)/income for the period		-	(22,916)	35,919	13,003
Transaction with owner:					
Dividends				(13,211)	(13,211)
At 30 June 2021		1,050,564	14,258	453,497	1,518,319
At 1 January 2020		1,050,564	24,107	328,914	1,403,585
Unrealised gain on revaluation of financial investments at FVOCI		-	22,675	-	22,675
Reclassification of gains included in profit or loss		-	(1,654)	-	(1,654)
Changes in expected credit losses of financial investments at FVOCI		-	(2,909)	-	(2,909)
Income tax relating to components of other comprehensive income		-	(5,045)	-	(5,045)
Profit for the year		-	-	138,875	138,875
Total comprehensive income for the period		-	13,067	138,875	151,942
Transaction with owner:					
Dividends		-	-	(37,000)	(37,000)
At 31 December 2020		1,050,564	37,174	430,789	1,518,527

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23. Islamic banking business (cont'd.)

Statements of changes in Islamic General Funds
For the second quarter ended 30 June 2021 (cont'd.)

Bank	Note	Share capital RM'000	Non-distributable fair value reserve RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2021		1,050,564	37,174	243,816	1,331,554
Unrealised gain on revaluation of financial investments at FVOCI		-	(28,202)	-	(28,202)
Changes in expected credit losses of financial investments at FVOCI	9	-	5,286	-	5,286
Profit for the period		-	-	34,971	34,971
Total comprehensive (loss)/income for the period		-	(22,916)	34,971	12,055
Transaction with owner:					
Dividends				(13,211)	(13,211)
At 30 June 2021		1,050,564	14,258	265,576	1,330,398
At 1 January 2020		1,050,564	24,107	83,404	1,158,075
Unrealised gain on revaluation of financial investments at FVOCI		-	22,675	-	22,675
Reclassification of gains included in profit or loss		-	(1,654)	-	(1,654)
Changes in expected credit losses of financial investments at FVOCI		-	(2,909)	-	(2,909)
Income tax relating to components of other comprehensive income		-	(5,045)	-	(5,045)
Profit for the year		-	-	197,412	197,412
Total comprehensive income for the period		-	13,067	197,412	210,479
Transaction with owner:					
Dividends		-	-	(37,000)	(37,000)
At 31 December 2020		1,050,564	37,174	243,816	1,331,554

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to these financial statements)

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23. Islamic banking business (cont'd.)

(a) Financial investments at FVOCI

	Group and Bank	
	30 June 2021 RM'000	31 December 2020 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	645,756	553,558
Non-money market instruments		
Equity securities - Private debt securities	30,580	30,569
Debt securities - Private debt securities	529,498	730,190
	<u>560,078</u>	<u>760,759</u>
Total financial investment at FVOCI	<u>1,205,834</u>	<u>1,314,317</u>

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

(b) Advances and financing

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Bai' Bithaman Ajil	1,509	1,509	-	-
Murabahah	1,589,439	1,609,661	1,536,765	1,556,843
Istisna'	43,553	121,534	33,618	111,653
Ijarah	84	84	-	-
Ijarah Thumma Al-Bai	391,767	362,421	331,921	302,310
Bai' Dayn	7,022	6,559	7,022	6,559
Tawarruq	5,583,535	5,208,768	5,583,530	5,208,763
Bai' Inah	21,752	23,533	20,482	22,262
Gross advances and financing	<u>7,638,661</u>	<u>7,334,069</u>	<u>7,513,338</u>	<u>7,208,390</u>
Less: Allowance for impairment losses on				
- Stage 1 (Note 22(b)(x))	(98,090)	(67,685)	(98,090)	(67,685)
- Stage 2 (Note 22(b)(x))	(24,466)	(18,294)	(24,466)	(18,294)
- Stage 3 (Note 22(b)(x))	(495,754)	(493,244)	(370,431)	(367,565)
Net advances and financing	<u>7,020,351</u>	<u>6,754,846</u>	<u>7,020,351</u>	<u>6,754,846</u>
Gross impaired advances and financing (Note 22(b)(vii))	<u>1,131,128</u>	<u>1,200,035</u>	<u>1,005,805</u>	<u>1,074,357</u>
Net impaired advances and financing	<u>635,374</u>	<u>706,791</u>	<u>635,374</u>	<u>706,792</u>

Included in advances and financing are gross advances and financing amounting to RM73,096,023 (2020: RM71,440,000) financed by the Government funds.

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23. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Maturity within one year	2,537,568	1,393,973	2,434,839	1,290,840
More than one year to three years	744,056	538,001	729,171	523,932
More than three years to five years	1,086,587	1,213,797	1,085,637	1,212,086
More than five years	3,270,450	4,188,298	3,263,691	4,181,532
	<u>7,638,661</u>	<u>7,334,069</u>	<u>7,513,338</u>	<u>7,208,390</u>

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Domestic business enterprise	7,626,128	7,320,968	7,500,805	7,195,289
Individual	12,533	13,101	12,533	13,101
	<u>7,638,661</u>	<u>7,334,069</u>	<u>7,513,338</u>	<u>7,208,390</u>

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Constructions	1,305,817	1,260,560	1,304,335	1,259,078
Education, health and others	644,939	620,887	610,434	586,327
Electricity, gas and water supply	68,415	92,441	68,415	92,441
Financial, insurance/takaful, real estate and business services	1,226,197	1,153,018	1,224,401	1,151,222
Manufacturing	1,298,001	1,265,098	1,256,362	1,223,432
Mining and quarrying	110,312	125,242	110,312	125,242
Primary agriculture	7,248	8,058	7,248	8,058
Transportation, storage and communication	920,082	890,689	888,418	858,755
Wholesale, retail trade, restaurants and hotels	2,045,117	1,904,975	2,030,880	1,890,734
Others	12,533	13,101	12,533	13,101
	<u>7,638,661</u>	<u>7,334,069</u>	<u>7,513,338</u>	<u>7,208,390</u>

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23. Islamic banking business (cont'd.)

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	753,782	39,830	192,969	45,729	76,914	196,593	1,305,817
Education, health and others	421,423	25,392	63,131	93,416	30,142	11,435	644,939
Electricity, gas and water supply	56,491	1,542	3,207	2,562	4,613	-	68,415
Financial, insurance/takaful, real estate and business services	787,024	63,731	156,712	37,270	78,038	103,422	1,226,197
Manufacturing	663,877	226,640	191,177	121,890	49,691	44,726	1,298,001
Mining and quarrying	76,867	283	20,384	10,478	1,493	807	110,312
Primary agriculture	-	362	686	100	4,386	1,714	7,248
Transportation, storage and communication	483,059	156,762	50,723	88,275	49,742	91,521	920,082
Wholesale, retail trade, restaurants and hotels	928,651	312,949	120,516	268,121	259,161	155,719	2,045,117
Others	12,533	-	-	-	-	-	12,533
At 30 June 2021	4,183,707	827,491	799,505	667,841	554,180	605,937	7,638,661

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23. Islamic banking business (cont'd.)

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	688,130	39,139	234,213	40,684	74,672	183,722	1,260,560
Education, health and others	409,474	26,344	61,478	80,857	27,256	15,478	620,887
Electricity, gas and water supply	82,107	1,635	2,743	2,620	3,149	187	92,441
Financial, insurance/takaful, real estate and business services	743,434	63,473	141,421	28,919	78,292	97,479	1,153,018
Manufacturing	650,698	215,958	182,008	120,380	49,725	46,329	1,265,098
Mining and quarrying	93,152	293	19,328	10,059	1,820	590	125,242
Primary agriculture	-	351	728	-	4,882	2,097	8,058
Transportation, storage and communication	476,542	150,243	56,055	82,730	46,167	78,952	890,689
Wholesale, retail trade, restaurants and hotels	887,755	285,887	89,316	244,617	244,486	152,914	1,904,975
Others	13,101	-	-	-	-	-	13,101
At 31 December 2020	4,044,393	783,323	787,290	610,866	530,449	577,748	7,334,069

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23. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	752,300	39,830	192,969	45,729	76,914	196,593	1,304,335
Education, health and others	386,918	25,392	63,131	93,416	30,142	11,435	610,434
Electricity, gas and water supply	56,491	1,542	3,207	2,562	4,613	-	68,415
Financial, insurance/takaful, real estate and business services	785,228	63,731	156,712	37,270	78,038	103,422	1,224,401
Manufacturing	622,238	226,640	191,177	121,890	49,691	44,726	1,256,362
Mining and quarrying	76,867	283	20,384	10,478	1,493	807	110,312
Primary agriculture	-	362	686	100	4,386	1,714	7,248
Transportation, storage and communication	451,395	156,762	50,723	88,275	49,742	91,521	888,418
Wholesale, retail trade, restaurants and hotels	914,414	312,949	120,516	268,121	259,161	155,719	2,030,880
Others	12,533	-	-	-	-	-	12,533
At 30 June 2021	4,058,384	827,491	799,505	667,841	554,180	605,937	7,513,338

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23. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	686,648	39,139	234,213	40,684	74,672	183,722	1,259,078
Education, health and others	374,914	26,344	61,478	80,857	27,256	15,478	586,327
Electricity, gas and water supply	82,107	1,635	2,743	2,620	3,149	187	92,441
Financial, insurance/takaful, real estate and business services	741,638	63,473	141,421	28,919	78,292	97,479	1,151,222
Manufacturing	609,032	215,958	182,008	120,380	49,725	46,329	1,223,432
Mining and quarrying	93,152	293	19,328	10,059	1,820	590	125,242
Primary agriculture	-	351	728	-	4,882	2,097	8,058
Transportation, storage and communication	444,608	150,243	56,055	82,730	46,167	78,952	858,755
Wholesale, retail trade, restaurants and hotels	873,514	285,887	89,316	244,617	244,486	152,914	1,890,734
Others	13,101	-	-	-	-	-	13,101
At 31 December 2020	3,918,714	783,323	787,290	610,866	530,449	577,748	7,208,390

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23. Islamic banking business (cont'd.)

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

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

Group	Hire purchase RM'000	Leasing RM'000	Other term financing RM'000	Revolving financing RM'000	Staff financing RM'000	Total RM'000
Bai' Bithaman Ajil	-	-	390	1,119	-	1,509
Murabahah	-	-	1,524,165	52,741	12,533	1,589,439
Istisna'	-	-	43,553	-	-	43,553
Ijarah	-	84	-	-	-	84
Ijarah Thumma Al-Bai	366,453	-	25,321	-	-	391,767
Bai' Dayn	-	-	-	7,022	-	7,022
Tawarruq	-	-	4,294,496	1,289,032	-	5,583,535
Bai' Inah	-	-	21,752	-	-	21,752
At 30 June 2021	366,453	84	5,909,677	1,349,914	12,533	7,638,661
Bai' Bithaman Ajil	-	-	388	1,121	-	1,509
Murabahah	-	-	1,528,110	68,450	13,101	1,609,661
Istisna'	-	-	121,534	-	-	121,534
Ijarah	-	84	-	-	-	84
Ijarah Thumma Al-Bai	335,883	-	26,538	-	-	362,421
Bai' Dayn	-	-	-	6,559	-	6,559
Tawarruq	5	-	3,926,136	1,282,627	-	5,208,768
Bai' Inah	-	-	23,533	-	-	23,533
At 31 December 2020	335,888	84	5,626,239	1,358,757	13,101	7,334,069

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23. Islamic banking business (cont'd.)

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

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

Bank	Hire purchase RM'000	Other term financing RM'000	Revolving financing RM'000	Staff financing RM'000	Total RM'000
Murabahah	-	1,484,758	39,474	12,533	1,536,765
Istisna'	-	33,618	-	-	33,618
Ijarah Thumma Al-Bai	331,921	-	-	-	331,921
Bai' Dayn	-	-	7,022	-	7,022
Tawarruq	-	4,294,498	1,289,032	-	5,583,530
Bai' Inah	-	20,482	-	-	20,482
At 30 June 2021	331,921	5,833,356	1,335,528	12,533	7,513,338
Murabahah	-	1,488,639	55,103	13,101	1,556,843
Istisna'	-	111,653	-	-	111,653
Ijarah Thumma Al-Bai	301,006	1,304	-	-	302,310
Bai' Dayn	-	-	6,559	-	6,559
Tawarruq	-	3,926,136	1,282,627	-	5,208,763
Bai' Inah	-	22,262	-	-	22,262
At 31 December 2020	301,006	5,549,994	1,344,289	13,101	7,208,390

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23. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Fixed rate				
- Staff financing	12,533	13,101	12,533	13,101
- Hire purchase	180,508	187,198	146,846	153,186
- Leasing	84	84	-	-
- Other term financing	1,612,037	1,503,623	1,541,345	1,433,049
- Revolving financing	148,554	176,773	134,225	162,364
Variable rate				
- Hire purchase	185,945	148,690	185,075	147,820
- Other term financing	4,297,639	4,122,616	4,292,011	4,116,945
- Revolving financing	1,201,361	1,181,984	1,201,303	1,181,925
	7,638,661	7,334,069	7,513,338	7,208,390

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Constructions	134,957	156,343	133,475	154,861
Education, health and others	146,321	157,137	111,816	122,577
Electricity, gas and water supply	43	41	43	41
Financial, insurance/takaful, real estate and business services	206,067	213,419	204,271	211,623
Manufacturing	224,638	258,947	182,999	217,281
Mining and quarrying	8,025	8,146	8,025	8,146
Primary agriculture	277	279	277	279
Transportation, storage and communication	107,510	108,446	75,846	76,512
Wholesale, retail trade, restaurants and hotels	303,290	297,277	289,053	283,037
	1,131,128	1,200,035	1,005,805	1,074,357

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23. Islamic banking business (cont'd.)

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	116,733	1,923	3,384	2,747	7,801	2,369	134,957
Education, health and others	84,452	2,252	19,439	30,848	8,431	899	146,321
Electricity, gas and water supply		43					43
Financial, insurance/takaful, real estate and business services	150,600	8,424	8,730	9,848	2,064	26,401	206,067
Manufacturing	132,066	12,187	24,656	48,752	1,712	5,265	224,638
Mining and quarrying	711	-	6,989	325	-	-	8,025
Primary agriculture	-	-	66	-	211	-	277
Transportation, storage and communication	60,386	5,159	4,995	18,783	9,181	9,006	107,510
Wholesale, retail trade, restaurants and hotels	171,182	18,376	20,991	44,713	44,187	3,841	303,290
At 30 June 2021	<u>716,130</u>	<u>48,364</u>	<u>89,250</u>	<u>156,016</u>	<u>73,587</u>	<u>47,781</u>	<u>1,131,128</u>

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23. Islamic banking business (cont'd.)

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	135,016	1,907	6,690	2,731	7,637	2,362	156,343
Education, health and others	94,749	3,024	19,243	31,009	8,232	880	157,137
Electricity, gas and water supply	-	41	-	-	-	-	41
Financial, insurance/takaful, real estate and business services	157,930	8,227	8,562	10,292	2,788	25,620	213,419
Manufacturing	152,449	11,738	33,440	51,476	3,628	6,216	258,947
Mining and quarrying	717	-	7,074	355	-	-	8,146
Primary agriculture	-	-	66	-	213	-	279
Transportation, storage and communication	62,243	5,162	5,497	18,637	9,110	7,797	108,446
Wholesale, retail trade, restaurants and hotels	-	-	-	-	-	-	-
	168,207	16,968	21,060	44,847	42,366	3,829	297,277
At 31 December 2020	771,311	47,067	101,632	159,347	73,974	46,704	1,200,035

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23. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	115,251	1,923	3,384	2,747	7,801	2,369	133,475
Education, health and others	49,947	2,252	19,439	30,848	8,431	899	111,816
Electricity, gas and water supply	-	43	-	-	-	-	43
Financial, insurance/takaful, real estate and business services	-	-	-	-	-	-	-
	148,804	8,424	8,730	9,848	2,064	26,401	204,271
Manufacturing	90,427	12,187	24,656	48,752	1,712	5,265	182,999
Mining and quarrying	711	-	6,989	325	-	-	8,025
Primary agriculture	-	-	66	-	211	-	277
Transportation, storage and communication	-	-	-	-	-	-	-
	28,722	5,159	4,995	18,783	9,181	9,006	75,846
Wholesale, retail trade, restaurants and hotels	-	-	-	-	-	-	-
	156,945	18,376	20,991	44,713	44,187	3,841	289,053
At 30 June 2021	590,807	48,364	89,250	156,016	73,587	47,781	1,005,805

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23. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	133,534	1,907	6,690	2,731	7,637	2,362	154,861
Education, health and others	60,189	3,024	19,243	31,009	8,232	880	122,577
Electricity, gas and water supply	-	41	-	-	-	-	41
Financial, insurance/takaful, real estate and business services	156,134	8,227	8,562	10,292	2,788	25,620	211,623
Manufacturing	110,783	11,738	33,440	51,476	3,628	6,216	217,281
Mining and quarrying	717	-	7,074	355	-	-	8,146
Primary agriculture	-	-	66	-	213	-	279
Transportation, storage and communication	30,309	5,162	5,497	18,637	9,110	7,797	76,512
Wholesale, retail trade, restaurants and hotels	153,967	16,968	21,060	44,847	42,366	3,829	283,037
At 31 December 2020	645,633	47,067	101,632	159,347	73,974	46,704	1,074,357

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23. Islamic banking business (cont'd.)

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

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
At 1 January	1,200,035	1,276,942	1,074,357	1,131,310
-Transfers to Stage 1	(5,457)	(130,461)	(5,457)	(130,461)
-Transfers to Stage 2	(2,553)	(342)	(2,553)	(342)
-Transfers to Stage 3	10,028	238,732	10,028	238,732
	<u>1,202,053</u>	<u>1,384,871</u>	<u>1,076,375</u>	<u>1,239,239</u>
Changes due to change in credit risk	(37,233)	6,619	(36,878)	26,573
New financial assets originated	-	10,099	-	10,099
Financial assets derecognised	(33,692)	(59,625)	(33,692)	(59,625)
Write-off/Write-down	-	(141,929)	-	(141,929)
	<u>1,131,128</u>	<u>1,200,035</u>	<u>1,005,805</u>	<u>1,074,357</u>

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2021	67,685	18,294	493,244	579,223
-Transfers to Stage 1	2,218	(350)	(1,868)	-
-Transfers to Stage 2	(411)	1,930	(1,519)	-
-Transfers to Stage 3	(77)	(121)	198	-
	<u>1,730</u>	<u>1,459</u>	<u>(3,189)</u>	<u>-</u>
Changes due to change in credit risk (Note 22(h))	23,091	5,480	10,620	39,191
Net financial assets originated (Note 22(h))	12,410	6	-	12,416
Financial assets derecognised (Note 22(h))	(6,826)	(772)	(4,921)	(12,519)
At 30 June 2021	<u>98,090</u>	<u>24,467</u>	<u>495,754</u>	<u>618,311</u>
At 1 January 2020	47,627	30,559	629,945	708,131
-Transfers to Stage 1	1,513	(399)	(1,114)	-
-Transfers to Stage 2	(7,850)	7,859	(9)	-
-Transfers to Stage 3	(33,706)	(31,108)	64,814	-
	<u>(40,043)</u>	<u>(23,648)</u>	<u>63,691</u>	<u>-</u>
Changes due to change in credit risk	49,200	11,949	(41,093)	20,056
Net financial assets originated	19,898	135	4,781	24,814
Financial assets derecognised	(8,997)	(701)	(22,151)	(31,849)
Amount written-off	-	-	(141,929)	(141,929)
At 31 December 2020	<u>67,685</u>	<u>18,294</u>	<u>493,244</u>	<u>579,223</u>

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23. Islamic banking business (cont'd.)

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

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

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2021	67,685	18,294	367,565	453,544
-Transfers to Stage 1	2,218	(350)	(1,868)	-
-Transfers to Stage 2	(411)	1,930	(1,519)	-
-Transfers to Stage 3	(77)	(121)	198	-
	1,730	1,459	(3,189)	-
Changes due to change in credit risk (Note 22(h))	23,091	5,480	10,976	39,547
Net financial assets originated (Note 22(h))	12,410	6	-	12,416
Financial assets derecognised (Note 22(h))	(6,826)	(772)	(4,921)	(12,519)
At 30 June 2021	98,090	24,467	370,431	492,988
At 1 January 2020	47,627	30,559	484,313	562,499
-Transfers to Stage 1	1,513	(399)	(1,114)	-
-Transfers to Stage 2	(7,850)	7,859	(9)	-
-Transfers to Stage 3	(33,706)	(31,108)	64,814	-
	(40,043)	(23,648)	63,691	-
Changes due to change in credit risk	49,200	11,949	(21,140)	40,009
Net financial assets originated	19,898	135	4,781	24,814
Financial assets derecognised	(8,997)	(701)	(22,151)	(31,849)
Amount written-off	-	-	(141,929)	(141,929)
At 31 December 2020	67,685	18,294	367,565	453,544

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Net impaired advances and financing as a percentage	8.91%	10.35%	8.91%	10.35%

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23. Islamic banking business (cont'd.)

(c) Term financing/Fundings

	Group and Bank	
	30 June	31 December
	2021	2020
	RM'000	RM'000
Unsecured term financing/fundings	698,524	660,180

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

	Group and Bank	
	30 June	31 December
	2021	2020
	RM'000	RM'000
Within one year	25,012	25,372
More than one year to five years	607,617	522,533
More than five years	65,895	112,275
	<u>698,524</u>	<u>660,180</u>

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

	Group and Bank	
	30 June	31 December
	2021	2020
	RM'000	RM'000
Financing from:		
- Government of Malaysia	-	156,543
- Bank Negara Malaysia ("BNM")	698,524	503,637
	<u>698,524</u>	<u>660,180</u>

The profit rates on the financing from the Government of Malaysia is 0% to 2.75% (2020: 0% - 2.75%) per annum. The rate for financing from BNM ranges from 0% - 1.50% (2020: 0% - 1.50%) per annum.

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23. Islamic banking business (cont'd.)

(d) Income from Islamic banking business

Group and Bank	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Income from advances and financing				
- Murabahah	33,383	18,626	53,310	49,379
- Istisna'	900	1,065	2,511	2,933
- Ijarah Thumma Al-Bai	1,974	7,633	6,520	12,457
- Bai' Dayn	45	167	154	277
- Tawarruq	72,168	66,230	149,390	124,301
- Bai' Inah	145	836	478	1,515
Total income from advances and financing	108,615	94,557	212,363	190,862
Tawarruq deposit placements	4,575	9,339	9,355	18,529
Financial investments at FVOCI	11,336	11,881	24,499	25,435
Financial investments at FVTPL	2,058	-	3,385	-
Financial investments at AC	5,314	7,878	10,456	16,584
Total income from Islamic banking business	131,898	123,655	260,058	251,410

(e) Profit expense attributable to Islamic banking business

Group	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	21,725	26,584	44,589	55,300
Islamic medium-term notes	17,384	16,480	34,576	32,781
Term financing/Fundings	3,609	274	7,218	577
Deposits from banks and other financial institutio	622	170	766	668
Others	418	1,475	874	2,808
	43,758	44,983	88,023	92,134

Bank	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	21,750	26,649	44,792	55,420
Islamic medium-term notes	17,384	16,480	34,576	32,781
Term financing/Fundings	3,609	274	7,218	577
Deposits from banks and other financial institutio	622	170	766	668
Others	418	1,475	874	2,808
	43,783	45,048	88,226	92,254

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23. Islamic banking business (cont'd.)

(f) Other operating income

Group	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Fee income	3,056	791	5,941	2,782
Commission fee income	361	315	585	495
Rental income	1,728	2,376	3,052	4,940
Government fund released	4,718	711	8,836	1,600
Government compensation	(443)	1,283	688	2,609
Recovery income	367	700	665	1,084
Ta'widh/Compensation on late payment charges	1,162	911	2,547	2,168
Others	5,157	1,431	4,646	2,379
	16,106	8,518	26,960	18,057

Bank	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Fee income	2,442	697	4,841	2,033
Commission fee income	361	315	585	495
Rental income	1,728	2,376	3,052	4,940
Government fund released	4,718	711	8,836	1,600
Government compensation	(443)	1,283	688	2,609
Management fees	44	44	89	89
Profit income on amount owing by subsidiary company	2,801	3,219	5,603	6,438
Ta'widh/Compensation on late payment charges	1,162	911	2,547	2,168
Others	5,139	1,399	4,625	2,345
	17,952	10,955	30,866	22,717

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23. Islamic banking business (cont'd.)

(g) Other operating expenses

Group	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	46,180	41,739	92,397	83,657
Establishment related expenses	9,954	10,156	19,834	20,144
Promotion and marketing expenses	623	832	1,087	1,604
Administration and general expenses	6,244	6,749	12,903	13,096
	<u>63,001</u>	<u>59,476</u>	<u>126,221</u>	<u>118,501</u>

Bank	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	45,258	41,030	90,434	82,194
Establishment related expenses	9,940	10,142	19,812	20,119
Promotion and marketing expenses	592	893	1,056	1,731
Administration and general expenses	6,430	6,831	12,599	12,989
	<u>62,220</u>	<u>58,896</u>	<u>123,901</u>	<u>117,033</u>

(h) Allowances for impairment on advances and financing

Group	Second Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net allowance for impairment losses on advances, and financing made during the period:				
- Stage 1 (Note 23(b)(x))	16,323	12,348	28,675	10,002
- Stage 2 (Note 23(b)(x))	2,642	2,771	4,714	21,401
- Stage 3 (Note 23(b)(x))	11,799	9,977	4,560	6,385
	<u>30,764</u>	<u>25,096</u>	<u>37,949</u>	<u>37,788</u>
Impaired advances and financing recovered	<u>(5,908)</u>	<u>(5,904)</u>	<u>(10,116)</u>	<u>(9,992)</u>
Total allowances for impairment on advances and financing	<u>24,856</u>	<u>19,192</u>	<u>27,833</u>	<u>27,796</u>

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22. Islamic banking business (cont'd.)

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

	Second Quarter Ended		Six Months Ended	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Bank				
Net allowance for impairment losses on advances, and financing made during the period:				
- Stage 1 (Note 23(b)(x))	16,323	12,348	28,675	10,002
- Stage 2 (Note 23(b)(x))	2,642	2,771	4,714	21,401
- Stage 3 (Note 23(b)(x))	12,938	10,049	6,055	7,804
	<u>31,903</u>	<u>25,168</u>	<u>39,444</u>	<u>39,207</u>
Impaired advances and financing recovered	(5,908)	(5,904)	(10,116)	(9,992)
Total allowances for impairment on advances and financing	<u>25,995</u>	<u>19,264</u>	<u>29,328</u>	<u>29,215</u>

(i) Commitments

	Group and Bank	
	30 June 2021 RM'000	31 December 2020 RM'000
Direct credit substitutes	206,064	178,973
Transaction-related-contingent items	129,711	133,572
Undisbursed financing		
- original maturity up to one year	165,108	129,531
- original maturity more than one year	1,552,647	1,792,148
	<u>2,053,530</u>	<u>2,234,224</u>

(j) Capital adequacy

Capital management

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Tier I Capital				
Capital funds	1,050,564	1,050,564	1,050,564	1,050,564
Retained earnings	417,578	430,789	230,605	243,816
General provision for advances and financing*	43,353	6,326	43,353	6,326
Less: Deferred tax assets	(99,275)	(99,278)	(99,275)	(99,278)
Less: Property revaluation reserves	(232,382)	(232,383)	(232,382)	(232,382)
Total Tier I capital	<u>1,179,838</u>	<u>1,156,018</u>	<u>992,865</u>	<u>969,046</u>

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22. Islamic banking business (cont'd.)

(j) Capital adequacy (cont'd.)

Capital management (cont'd.)

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
Tier II Capital				
General provision for advances and financing*	84,565	84,565	84,565	84,565
Property revaluation reserve^	116,191	116,192	116,191	116,191
Government funds#	407,563	406,108	407,563	406,108
Total Tier II capital	608,319	606,865	608,319	606,864
Total capital	1,788,157	1,762,883	1,601,184	1,575,910
Less: Investment in subsidiaries	-	-	-	-
Total capital base	1,788,157	1,762,883	1,601,184	1,575,910

* 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.

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

An amount of RM39,682,000 (2020: RM36,452,000) for Teraju Facilitation fund was channelled as placement with profit sharing of 70:30 between the Group and the Bank; and Teraju.

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

	Group		Bank	
	30 June 2021 RM'000	31 December 2020 RM'000	30 June 2021 RM'000	31 December 2020 RM'000
20%	194,567	278,867	194,567	278,867
50%	6,011	6,127	6,011	6,127
100%	9,399,440	9,281,014	9,784,439	9,404,803
	9,600,018	9,566,008	9,985,017	9,689,797

Before deducting dividends:

Core capital ratio	12.290%	12.085%	9.944%	10.001%
Risk-weighted capital ratio	18.627%	18.429%	16.036%	16.264%

After deducting dividends:

Core capital ratio	12.290%	11.947%	9.944%	9.864%
Risk-weighted capital ratio	18.627%	18.291%	16.036%	16.127%

24. Analysis of financial performance

Current Year-to-date vs. Previous Year-to-date

Key Profit or Loss item:	GROUP Six months ended			
	30 June 2021 RM'000	30 June 2020 RM'000	Variances RM'000 %	
Profit before tax expense and zakat	38,140	5,784	32,356	559.4%
Ratio of profit before tax to average shareholders' funds	2.38%	0.38%	-	2.00%
Ratio of profit before tax to average total assets	0.35%	0.12%	-	0.23%

Key Balance Sheet	GROUP As at			
	30 June 2021 RM'000	30 June 2020 RM'000	Variances RM'000 %	
Gross loans, advances and financing	8,003,328	7,273,346	729,982	10.04%
Gross impaired loans, advances and financing (%)	18.68%	23.41%	-	4.72%
Deposits from customers	4,020,362	3,698,603	321,759	8.70%

SME Bank Group (the "Group") reported pre-tax profit of RM38.14 million for the second quarter of financial year 2021 ("Q2FY21"). It was higher by RM32.35 million from same period last year PBT of RM5.78 million mainly due to increase in gross income from Islamic Banking Businesses and lower interest expenses since EPF settlement in FY2020.

Income from loans, advances and financing for the six months period ended 30 June 2021 recorded higher in comparison to 30 June 2020. This was consistent with the higher gross financing portfolio of RM8.00 billion as at 30 June 2021 as compared to RM7.27 billion same period last year.

However, net allowances for impairment amounting RM31.52 million was higher against same period last year of RM27.78 million, an increase on of RM3.73 million mainly due to higher impairment on loans, advances and financing by RM2.39 million and financing investment at amortised cost by RM1.63 million.

Ratio of PBT to average shareholders' funds and ratio of PBT to average total assets was calculated at 2.38% and 0.38% respectively as at 30 June 2021.

The Group's total assets strengthen to RM10.93 billion as at 30 June 2021 as compared to RM10.80 billion as at 30 June 2020. This was primarily contributed from higher net loans, advances and financing of RM7.08 billion as at 30 June 2021 as compared to corresponding period last year of RM6.18 billion.

The Group's gross impaired ratio was lower to 18.68% as at 30 June 2021 from 23.41% as at 30 June 2020. As at 30 June 2021, the Group's Risk-Weighted Capital Ratio stood at 18.63% while its Core Capital Ratio stood at 12.53%.