

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

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

| | Notes | Group | | Bank | |
|---|-------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | | 30 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| ASSETS | | | | | |
| Cash and short-term funds | | 980,808 | 1,406,158 | 978,953 | 1,401,826 |
| Financial investments at fair value through other comprehensive income ("FVOCI") | 9 | 1,439,170 | 1,323,857 | 1,439,170 | 1,323,857 |
| Financial investments at fair value through through profit or loss ("FVTPL") | 10 | 168,188 | - | 168,188 | - |
| Financial investments at amortised cost ("AC") | 11 | 748,771 | 569,350 | 748,771 | 569,350 |
| Loans, advances and financing | 12 | 7,192,248 | 6,844,761 | 7,192,248 | 6,844,761 |
| Other assets | | 30,593 | 18,017 | 79,952 | 143,502 |
| Investment in associate | | 2,950 | 2,950 | - | - |
| Property, plant and equipment | | 130,292 | 131,483 | 130,288 | 131,476 |
| Right-of-use assets | | 10,214 | 12,834 | 10,214 | 12,834 |
| Investment properties | | 393,044 | 393,062 | 393,044 | 393,062 |
| Intangible assets | | 16,862 | 14,620 | 16,862 | 14,620 |
| Tax recoverable | | 4,727 | 3,757 | 2,152 | 2,068 |
| Deferred tax assets | | 99,275 | 99,278 | 99,275 | 99,278 |
| TOTAL ASSETS | | 11,217,142 | 10,820,127 | 11,259,117 | 10,936,634 |
| LIABILITIES | | | | | |
| Deposits from customers | 13 | 3,533,816 | 4,255,632 | 3,550,837 | 4,330,869 |
| Deposits from banks and other financial institutions | 14 | 80,069 | - | 80,069 | - |
| Islamic medium-term notes/commercial notes | | 2,662,992 | 1,866,327 | 2,662,992 | 1,866,327 |
| Borrowings/Fundings | 15 | 1,747,757 | 1,507,974 | 1,747,757 | 1,507,974 |
| Lease liabilities | | 10,797 | 13,364 | 10,797 | 13,364 |
| Other liabilities | | 1,091,113 | 1,121,503 | 1,118,639 | 1,149,088 |
| Government funds | | 469,086 | 454,883 | 469,086 | 454,883 |
| TOTAL LIABILITIES | | 9,595,630 | 9,219,683 | 9,640,177 | 9,322,505 |
| EQUITY | | | | | |
| Share capital | | 1,850,000 | 1,850,000 | 1,850,000 | 1,850,000 |
| Accumulated losses | | (248,629) | (301,724) | (251,198) | (288,039) |
| Other reserves | | 20,141 | 52,168 | 20,138 | 52,168 |
| TOTAL EQUITY | | 1,621,512 | 1,600,444 | 1,618,940 | 1,614,129 |
| TOTAL LIABILITIES AND EQUITY | | 11,217,142 | 10,820,127 | 11,259,117 | 10,936,634 |
| COMMITMENTS AND CONTINGENCIES | 21 | 2,246,904 | 2,252,396 | 2,246,904 | 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
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

| Group | Notes | Third Quarter Ended | | Nine Months Ended | |
|---|-------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 30 September 2021 RM'000 | 30 September 2020 RM'000 | 30 September 2021 RM'000 | 30 September 2020 RM'000 |
| Interest income | 16 | 592 | 2,362 | 1,725 | 6,068 |
| Interest expense | 17 | (3,836) | (12,674) | (11,439) | (38,800) |
| Net interest expense | | (3,244) | (10,312) | (9,714) | (32,732) |
| Gross income from Islamic banking business | 23 | 104,233 | 82,421 | 303,228 | 259,754 |
| Other operating income | 18 | 1,298 | 1,055 | 5,721 | 2,769 |
| Net income | | 102,287 | 73,164 | 299,235 | 229,791 |
| Other operating expenses | 19 | (66,252) | (62,505) | (193,544) | (185,566) |
| Operating profit | | 36,035 | 10,659 | 105,691 | 44,225 |
| (Allowances)/Writeback for impairment losses on: | | | | | |
| - loans, advances and financing | 20 | (4,082) | 10,551 | (28,627) | (11,604) |
| - commitments and contingencies | | (1,246) | (611) | (1,695) | (546) |
| - financial investments at FVOCI | 9 | 51 | 5 | (5,235) | (5,861) |
| - financial investments at AC | 11 | 113 | (2) | (952) | 563 |
| - other assets at AC | | 369 | 583 | 198 | 192 |
| Profit before tax expense and zakat | | 31,240 | 21,185 | 69,380 | 26,969 |
| Tax expense | | (275) | (248) | (824) | (745) |
| Zakat | | (750) | 358 | (2,250) | (1,642) |
| Profit for the period | | 30,215 | 21,295 | 66,306 | 24,582 |
| Other comprehensive income/(loss) | | | | | |
| Item that may be reclassified to profit or loss: | | | | | |
| Unrealised gain on revaluation of financial investments at FVOCI | | (9,060) | 8,030 | (37,262) | 23,545 |
| Changes in expected credit losses on financial investments at FVOCI | | (51) | (5) | 5,235 | 5,861 |
| Other comprehensive (loss)/income for the period | | (9,111) | 8,025 | (32,027) | 29,406 |
| Total comprehensive income for the period | | 21,104 | 29,320 | 34,279 | 53,988 |
| Profit for the period attributable to owner of the Bank | | 30,215 | 21,295 | 66,306 | 24,582 |
| Total comprehensive income attributable to owner of the Bank | | 21,104 | 29,320 | 34,279 | 53,988 |

(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 THIRD QUARTER ENDED 30 SEPTEMBER 2021**

| Bank | Notes | Third Quarter Ended | | Nine Months Ended | |
|---|--------------|---|---|---|---|
| | | 30 September 2021 RM'000 | 30 September 2020 RM'000 | 30 September 2021 RM'000 | 30 September 2020 RM'000 |
| Interest income | 16 | 592 | 2,362 | 1,725 | 6,068 |
| Interest expense | 17 | (3,836) | (12,674) | (11,439) | (38,800) |
| Net interest expense | | (3,244) | (10,312) | (9,714) | (32,732) |
| Gross income from Islamic banking business | 23 | 98,991 | 83,834 | 301,689 | 265,707 |
| Other operating income | 18 | 350 | 714 | 1,013 | 1,421 |
| Net income | | 96,097 | 74,236 | 292,988 | 234,396 |
| Other operating expenses | 19 | (64,017) | (61,616) | (188,183) | (182,564) |
| Operating profit | | 32,080 | 12,620 | 104,805 | 51,832 |
| (Allowances)/Writeback for impairment losses on: | | | | | |
| - loans, advances and financing | 20 | (5,376) | 1,530 | (35,780) | (24,664) |
| - commitments and contingencies | | (1,246) | (611) | (1,695) | (546) |
| - financial investments at FVOCI | 9 | 51 | 5 | (5,235) | (5,861) |
| - financial investments at AC | 11 | 113 | (2) | (952) | 563 |
| - other assets at AC | | 369 | 583 | 198 | 192 |
| - other assets at FVOCI | | (2,802) | (3,220) | (8,405) | (9,658) |
| Profit before tax expense and zakat | | 23,189 | 10,905 | 52,936 | 11,858 |
| Tax expense | | (212) | (248) | (634) | (745) |
| Zakat | | (750) | 358 | (2,250) | (1,642) |
| Profit for the period | | 22,227 | 11,015 | 50,052 | 9,471 |
| Other comprehensive income/(loss) | | | | | |
| Item that may be reclassified to profit or loss: | | | | | |
| Unrealised gain on revaluation of financial investments at FVOCI | | (9,060) | 8,030 | (37,262) | 23,545 |
| Changes in expected credit losses on financial investments at FVOCI | | (51) | (5) | 5,235 | 5,861 |
| Other comprehensive (loss)/income for the period | | (9,111) | 8,025 | (32,027) | 29,406 |
| Total comprehensive income for the period | | 13,116 | 19,040 | 18,025 | 38,877 |
| Profit for the period attributable to owner of the Bank | | 22,227 | 11,015 | 50,052 | 9,471 |
| Total comprehensive income attributable to owner of the Bank | | 13,116 | 19,040 | 18,025 | 38,877 |

(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 CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

| Group | Note | <=====Attributable to the Owner of the Bank=====> | | | | |
|---|------|---|---------------------------------|------------------------------|---------------------------------|------------------|
| | | Share capital RM'000 | Fair value reserve RM'000 | General reserve RM'000 | Accumulated losses RM'000 | Total 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 | | - | (37,262) | - | - | (37,262) |
| Changes in expected credit losses of financial investments at FVOCI | 9 | - | 5,235 | - | - | 5,235 |
| Profit for the period | | - | - | - | 66,306 | 66,306 |
| Total comprehensive (loss)/income for the period | | - | (32,027) | - | 66,306 | 34,279 |
| Transaction with owner: Dividends | | - | - | - | (13,211) | (13,211) |
| At 30 September 2021 | | 1,850,000 | 10,027 | 10,114 | (248,629) | 1,621,512 |
| 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 |

(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 CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

| Bank | Note | <=====Attributable to the Owner of the Bank=====> | | | | |
|---|------|---|---------------------------------|------------------------------|---------------------------------|------------------|
| | | Share capital RM'000 | Fair value reserve RM'000 | General reserve RM'000 | Accumulated losses RM'000 | Total 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 | | - | (37,265) | - | - | (37,265) |
| Changes in expected credit losses of financial investments at FVOCI | 9 | - | 5,235 | - | - | 5,235 |
| Profit for the period | | - | - | - | 50,052 | 50,052 |
| Total comprehensive (loss)/income for the period | | - | (32,030) | - | 50,052 | 18,022 |
| Transaction with owner: | | | | | | |
| Dividends | | - | - | - | (13,211) | (13,211) |
| At 30 September 2021 | | 1,850,000 | 10,024 | 10,114 | (251,198) | 1,618,940 |
| 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 | | 1,850,000 | 42,054 | 10,114 | (288,039) | 1,614,129 |

(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 CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021**

| | Group | | Bank | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 30 September 2021 RM'000 | 30 September 2020 RM'000 | 30 September 2021 RM'000 | 30 September 2020 RM'000 |
| Cash flows from/(used in) operating activities | | | | |
| Profit before tax expense and zakat | 69,380 | 26,969 | 52,936 | 11,858 |
| Adjustments for: | | | | |
| Net impairment loss on loans, advances and financing | 55,148 | 30,440 | 62,301 | 43,500 |
| Net impairment loss of commitment and contingencies | 1,695 | 546 | 1,695 | 546 |
| Net impairment loss on financial investment at FVOCI | 5,235 | 5,861 | 5,235 | 5,861 |
| Net impairment loss/(writeback) on financial investment at AC | 952 | (563) | 952 | (563) |
| Impairment writeback on other assets at AC | (198) | (192) | (198) | (192) |
| Impairment loss on other assets at FVOCI | - | - | 8,405 | 9,658 |
| Depreciation of property, plant and equipment | 8,582 | 10,001 | 8,579 | 9,997 |
| Depreciation of right-of-use assets | 2,620 | 2,560 | 2,620 | 2,560 |
| Amortisation of intangible assets | 5,347 | 5,648 | 5,347 | 5,648 |
| Fair value adjustment on investment properties | 18 | - | 18 | - |
| Government funds released | (13,381) | (2,465) | (13,381) | (2,465) |
| Income from financial investments at FVOCI | (36,151) | (36,216) | (36,151) | (36,216) |
| Income from financial investments at FVTPL | (4,672) | - | (4,672) | - |
| Income from financial investments at AC | (16,229) | (23,063) | (16,229) | (23,063) |
| Profit expense on medium-term notes | 54,656 | 50,356 | 54,656 | 50,356 |
| Profit expense on borrowings/fundings | 22,234 | 39,625 | 22,234 | 39,625 |
| Finance cost on lease liabilities | 353 | 414 | 353 | 414 |
| Profit income on amount due from a subsidiary company | - | - | (8,405) | (9,658) |
| Operating profit before working capital changes | 155,589 | 109,921 | 146,295 | 107,866 |
| Changes in working capital: | | | | |
| Net changes in operating assets | (411,176) | (746,289) | (340,881) | (698,302) |
| Net changes in operating liabilities | (677,260) | 855,954 | (735,537) | 811,579 |
| Cash (used in)/generated from operating activities | (932,847) | 219,586 | (930,123) | 221,143 |
| Interest and profit paid | (229,143) | (90,799) | (229,143) | (90,799) |
| Interest and profit received | 117,063 | 667,429 | 117,063 | 667,429 |
| Tax and zakat paid | (666) | (5,070) | (913) | (3,096) |
| Net cash (used in)/generated from operating activities | (1,045,593) | 791,146 | (1,043,116) | 794,677 |
| Cash flows from/(used in) investing activities | | | | |
| Net purchase of financial investment | (332,003) | (125,000) | (332,003) | (125,000) |
| Net purchase of property, plant and equipment | (14,176) | (3,135) | (14,176) | (3,135) |
| Net purchase of investment properties | - | (501) | - | (501) |
| Net purchase of intangible assets | (7,590) | (3,480) | (7,590) | (3,480) |
| Net cash (used in)/generated from investing activities | (353,769) | (132,116) | (353,769) | (132,116) |
| Cash flows from/(used in) financing activities | | | | |
| Proceeds from medium term notes/commercial notes | 742,008 | 100,000 | 742,008 | 100,000 |
| Proceeds from borrowings/fundings | 245,211 | 416,682 | 245,211 | 416,682 |
| Proceeds from government funds | 2,923 | 15,000 | 2,923 | 15,000 |
| Payment of lease liabilities | (2,919) | (2,810) | (2,919) | (2,810) |
| Dividend paid | (13,211) | (37,000) | (13,211) | (37,000) |
| Net cash generated from financing activities | 974,012 | 491,872 | 974,012 | 491,872 |
| Net (decrease)/increase in cash and cash equivalents | (425,350) | 1,150,902 | (422,873) | 1,154,433 |
| 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 | 980,808 | 2,269,806 | 978,953 | 2,267,127 |
| Cash and cash equivalents comprise: | | | | |
| - Cash and short term funds | 980,808 | 2,269,806 | 978,953 | 2,267,127 |

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

1. Basis of preparation

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

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

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 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 third quarter ended 30 September 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 third quarter ended 30 September 2021.

7. Changes in estimates

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

8. Dividends

During the financial period ended 30 September 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 September 2021 | 31 December 2020 |
| | RM'000 | RM'000 |
| At fair value | | |
| Government securities | | |
| Malaysian Government Investment Issues | 872,329 | 553,558 |
| Non-money market instruments | | |
| Equity securities | | |
| - Private debt securities | 31,239 | 30,569 |
| - Unquoted shares | 9,540 | 9,540 |
| Debt securities | | |
| - Private debt securities | 526,062 | 730,190 |
| | <u>566,841</u> | <u>770,299</u> |
| Total financial investment at FVOCI | <u>1,439,170</u> | <u>1,323,857</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.

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

| | Group and Bank | | | |
|--|-----------------------|----------------|----------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2021 | - | 900 | 10,000 | 10,900 |
| Allowance/(Writeback) made due to changes in credit risk | 224 | (900) | 5,911 | 5,235 |
| At 30 September 2021 | <u>224</u> | <u>-</u> | <u>15,911</u> | <u>16,135</u> |
| 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 | <u>-</u> | <u>900</u> | <u>10,000</u> | <u>10,900</u> |

The impairment losses by external rating grade are as follows:

| | Group and Bank | | | |
|------------------------------|-----------------------|----------------|----------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <i>External rating grade</i> | | | | |
| RAM AAA | 27 | - | - | 27 |
| MARC AAA | 61 | - | - | 61 |
| RAM AA | 116 | - | - | 116 |
| MARC AA | 20 | - | - | 20 |
| RAM C | - | - | 5,911 | 5,911 |
| RAM D | - | - | 10,000 | 10,000 |
| At 30 September 2021 | <u>224</u> | <u>-</u> | <u>15,911</u> | <u>16,135</u> |

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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 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 September 2021 RM'000 | 31 December 2020 RM'000 |
| At fair value | | |
| Government securities | | |
| Malaysian Government Investment Issues | 73,395 | - |
| Money market instruments | | |
| Commercial papers | 94,793 | - |
| Total financial investment at FVTPL | <u>168,188</u> | <u>-</u> |

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11. Financial investments at amortised cost

| | Group and Bank | |
|---|------------------------------|-----------------------------|
| | 30 September 2021 | 31 December 2020 |
| | RM'000 | RM'000 |
| At amortised cost | | |
| Government securities | | |
| Malaysian Government Investment Issues | 50,461 | 111,416 |
| Money market instruments | | |
| Commercial papers | 242,936 | 164,159 |
| Non-money market instruments | | |
| Private debt securities | 456,326 | 293,775 |
| | 749,723 | 569,350 |
| Less: Accumulated impairment losses | (952) | - |
| Total financial investment at amortised cost | 748,771 | 569,350 |

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

| | Group and Bank | |
|-------------------------------------|------------------------------|-----------------------------|
| | 30 September 2021 | 31 December 2020 |
| | RM'000 | RM'000 |
| Within one year | 597,527 | 254,715 |
| More than one year to three years | 71,299 | 254,033 |
| More than three years to five years | 20,150 | - |
| More than five years | 60,747 | 60,602 |
| | 749,723 | 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 |
| Allowance/(writeback) made due to changes in credit risk | 342 | (603) |
| New financial investments originated or purchased | 610 | - |
| Financial investments derecognised | - | (46) |
| At 30 September/31 December | <u>952</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 | 605 | - |
| MARC AA | 135 | - |
| MARC AA- | 154 | - |
| Total | <u>952</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 | 51,084 | 113,019 |
| Commercial papers | 242,936 | 164,159 |
| Private debt securities | 460,731 | 302,793 |
| | <u>754,751</u> | <u>579,971</u> |

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12. Loans, advances and financing

| | Group | | Bank | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | 30 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Term loans/financing | | | | |
| - Hire purchase | 366,178 | 337,678 | 329,860 | 301,007 |
| - Leasing | 343 | 343 | 1 | 1 |
| - Other term loans/financing | 7,047,054 | 6,001,391 | 6,699,466 | 5,647,464 |
| Revolving loans/financing | 700,999 | 1,371,677 | 678,244 | 1,348,461 |
| Staff loans/financing | 12,261 | 13,111 | 12,261 | 13,111 |
| Gross loans, advances and financing | <u>8,126,835</u> | <u>7,724,200</u> | <u>7,719,832</u> | <u>7,310,044</u> |
| Less: Allowance for impairment losses on | | | | |
| - Stage 1 (Note 12(ix)) | (97,548) | (67,708) | (97,548) | (67,708) |
| - Stage 2 (Note 12(ix)) | (27,198) | (18,297) | (27,198) | (18,297) |
| - Stage 3 (Note 12(ix)) | (809,841) | (793,434) | (402,838) | (379,278) |
| Net loans, advances and financing | <u>7,192,248</u> | <u>6,844,761</u> | <u>7,192,248</u> | <u>6,844,761</u> |
| Gross impaired loans, advances and financing (Note 12(viii)) | <u>1,472,808</u> | <u>1,581,516</u> | <u>1,065,805</u> | <u>1,167,360</u> |
| Net impaired loans, advances and financing | <u>662,967</u> | <u>788,082</u> | <u>662,967</u> | <u>788,082</u> |

Included in loans, advances and financing for the Group and the Bank are gross loans, advances and financing of RM76,540,000 (2020: RM71,440,000) financed by Government funds.

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

| | Group | | Bank | |
|-------------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | 30 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Within one year | 1,641,719 | 1,596,830 | 1,330,686 | 1,305,932 |
| More than one year to three years | 534,452 | 577,349 | 505,884 | 526,071 |
| More than three years to five years | 1,394,949 | 1,248,317 | 1,361,962 | 1,216,961 |
| More than five years | 4,555,715 | 4,301,704 | 4,521,300 | 4,261,080 |
| | <u>8,126,835</u> | <u>7,724,200</u> | <u>7,719,832</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 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Domestic business enterprise | 8,114,574 | 7,711,089 | 7,707,571 | 7,296,933 |
| Individual | 12,261 | 13,111 | 12,261 | 13,111 |
| | <u>8,126,835</u> | <u>7,724,200</u> | <u>7,719,832</u> | <u>7,310,044</u> |

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

| | Group | | Bank | |
|--|---|--|---|--|
| | 30 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Constructions | 1,278,894 | 1,261,903 | 1,276,069 | 1,259,079 |
| Education, health and others | 665,820 | 638,293 | 620,098 | 591,934 |
| Electricity, gas and water supply | 76,906 | 92,441 | 76,906 | 92,441 |
| Financial, insurance/takaful, real estate and business services | 1,210,236 | 1,153,977 | 1,207,486 | 1,151,224 |
| Manufacturing | 1,389,560 | 1,310,172 | 1,309,483 | 1,227,819 |
| Mining and quarrying | 115,873 | 127,238 | 113,877 | 125,242 |
| Primary agriculture | 7,686 | 8,320 | 7,424 | 8,058 |
| Transportation, storage and communication | 983,602 | 938,770 | 940,807 | 895,695 |
| Wholesale, retail trade, restaurants and hotels | 2,385,997 | 2,179,975 | 2,155,421 | 1,945,441 |
| Others | 12,261 | 13,111 | 12,261 | 13,111 |
| | <u>8,126,835</u> | <u>7,724,200</u> | <u>7,719,832</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 | 851,167 | 42,648 | 76,225 | 42,627 | 78,092 | 188,135 | 1,278,894 |
| Education, health and others | 437,041 | 26,333 | 62,358 | 94,771 | 33,386 | 11,931 | 665,820 |
| Electricity, gas and water supply | 64,444 | 1,527 | 3,077 | 2,584 | 5,035 | 239 | 76,906 |
| Financial, insurance/takaful, real estate and business services | 737,244 | 108,666 | 151,463 | 36,784 | 78,525 | 97,554 | 1,210,236 |
| Manufacturing | 735,224 | 230,426 | 221,646 | 118,425 | 51,638 | 32,201 | 1,389,560 |
| Mining and quarrying | 75,996 | 286 | 23,548 | 13,181 | 2,011 | 851 | 115,873 |
| Primary agriculture | 262 | 367 | 641 | 101 | 4,614 | 1,701 | 7,686 |
| Transportation, storage and communication | 535,250 | 158,995 | 56,072 | 99,655 | 52,805 | 80,825 | 983,602 |
| Wholesale, retail trade, restaurants and hotels | 1,207,521 | 318,887 | 131,382 | 278,723 | 286,298 | 163,186 | 2,385,997 |
| Others | 12,261 | - | - | - | - | - | 12,261 |
| At 30 September 2021 | 4,656,410 | 888,135 | 726,412 | 686,851 | 592,404 | 576,623 | 8,126,835 |

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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 | 848,342 | 42,648 | 76,225 | 42,627 | 78,092 | 188,135 | 1,276,069 |
| Education, health and others | 391,319 | 26,333 | 62,358 | 94,771 | 33,386 | 11,931 | 620,098 |
| Electricity, gas and water supply | 64,444 | 1,527 | 3,077 | 2,584 | 5,035 | 239 | 76,906 |
| Financial, insurance/takaful, real estate and business services | 734,494 | 108,666 | 151,463 | 36,784 | 78,525 | 97,554 | 1,207,486 |
| Manufacturing | 655,147 | 230,426 | 221,646 | 118,425 | 51,638 | 32,201 | 1,309,483 |
| Mining and quarrying | 74,000 | 286 | 23,548 | 13,181 | 2,011 | 851 | 113,877 |
| Primary agriculture | - | 367 | 641 | 101 | 4,614 | 1,701 | 7,424 |
| Transportation, storage and communication | 492,455 | 158,995 | 56,072 | 99,655 | 52,805 | 80,825 | 940,807 |
| Wholesale, retail trade, restaurants and hotels | 976,945 | 318,887 | 131,382 | 278,723 | 286,298 | 163,186 | 2,155,421 |
| Others | 12,261 | - | - | - | - | - | 12,261 |
| At 30 September 2021 | 4,249,407 | 888,135 | 726,412 | 686,851 | 592,404 | 576,623 | 7,719,832 |

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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 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Fixed rate: | | | | |
| - Staff loan/financing | 12,261 | 13,111 | 12,261 | 13,111 |
| - Hire purchase | 181,613 | 188,981 | 146,171 | 153,187 |
| - Leasing | 343 | 343 | 1 | 1 |
| - Other term loans/financing | 2,147,828 | 1,770,112 | 1,906,226 | 1,522,658 |
| - Revolving loans/financing | 95,255 | 185,893 | 72,558 | 162,735 |
| Variable rate | | | | |
| - Hire purchase | 184,566 | 148,697 | 183,689 | 147,820 |
| - Other term loans/financing | 4,899,225 | 4,231,279 | 4,793,240 | 4,124,806 |
| - Revolving loans/financing | 605,744 | 1,185,784 | 605,686 | 1,185,726 |
| | 8,126,835 | 7,724,200 | 7,719,832 | 7,310,044 |

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

| | Group | | Bank | |
|--|---|--|---|--|
| | 30 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Constructions | 135,778 | 157,685 | 132,955 | 154,861 |
| Education, health and others | 159,219 | 171,622 | 113,497 | 125,263 |
| Electricity, gas and water supply | 43 | 41 | 43 | 41 |
| Financial, insurance/takaful, real estate and business services | 196,406 | 214,375 | 193,656 | 211,622 |
| Manufacturing | 262,306 | 302,857 | 182,229 | 220,504 |
| Mining and quarrying | 10,134 | 10,142 | 8,138 | 8,146 |
| Primary agriculture | 539 | 541 | 277 | 279 |
| Transportation, storage and communication | 154,325 | 156,413 | 111,530 | 113,338 |
| Wholesale, retail trade, restaurants and hotels | 554,058 | 567,840 | 323,480 | 333,306 |
| | 1,472,808 | 1,581,516 | 1,065,805 | 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 | 118,210 | 1,915 | 3,414 | 3,067 | 7,914 | 1,258 | 135,778 |
| Education, health and others | 97,613 | 2,265 | 18,876 | 31,011 | 8,550 | 904 | 159,219 |
| Electricity, gas and water supply | - | 43 | - | - | - | - | 43 |
| Financial, insurance/takaful, real estate and business services | 152,638 | 8,489 | 2,191 | 9,649 | 2,143 | 21,296 | 196,406 |
| Manufacturing | 168,878 | 13,660 | 26,422 | 46,686 | 1,208 | 5,452 | 262,306 |
| Mining and quarrying | 2,711 | - | 7,097 | 326 | - | - | 10,134 |
| Primary agriculture | 262 | - | 66 | - | 211 | - | 539 |
| Transportation, storage and communication | 102,280 | 5,225 | 9,660 | 18,881 | 8,955 | 9,324 | 154,325 |
| Wholesale, retail trade, restaurants and hotels | 389,596 | 21,872 | 20,911 | 57,906 | 59,771 | 4,002 | 554,058 |
| At 30 September 2021 | <u>1,032,188</u> | <u>53,469</u> | <u>88,637</u> | <u>167,526</u> | <u>88,752</u> | <u>42,236</u> | <u>1,472,808</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 | <u>1,102,028</u> | <u>53,021</u> | <u>105,989</u> | <u>176,060</u> | <u>97,714</u> | <u>46,704</u> | <u>1,581,516</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.):

| 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 | 115,387 | 1,915 | 3,414 | 3,067 | 7,914 | 1,258 | 132,955 |
| Education, health and others | 51,891 | 2,265 | 18,876 | 31,011 | 8,550 | 904 | 113,497 |
| Electricity, gas and water supply | - | 43 | - | - | - | - | 43 |
| Financial, insurance/takaful, real estate and business services | 149,888 | 8,489 | 2,191 | 9,649 | 2,143 | 21,296 | 193,656 |
| Manufacturing | 88,801 | 13,660 | 26,422 | 46,686 | 1,208 | 5,452 | 182,229 |
| Mining and quarrying | 715 | - | 7,097 | 326 | - | - | 8,138 |
| Primary agriculture | - | - | 66 | - | 211 | - | 277 |
| Transportation, storage and communication | 59,485 | 5,225 | 9,660 | 18,881 | 8,955 | 9,324 | 111,530 |
| Wholesale, retail trade, restaurants and hotels | 159,018 | 21,872 | 20,911 | 57,906 | 59,771 | 4,002 | 323,480 |
| At 30 September 2021 | 625,185 | 53,469 | 88,637 | 167,526 | 88,752 | 42,236 | 1,065,805 |

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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 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 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 | (5,368) | (131,252) | (5,368) | (131,252) |
| -Transfers to Stage 2 | (2,553) | (342) | (2,553) | (342) |
| -Transfers to Stage 3 | 12,701 | 267,137 | 12,701 | 267,137 |
| | <u>1,586,296</u> | <u>1,852,250</u> | <u>1,172,140</u> | <u>1,375,040</u> |
| Changes due to change in credit risk | (59,368) | (59,601) | (52,215) | 3,453 |
| New financial assets originated | 629 | 10,099 | 629 | 10,099 |
| Financial assets derecognised | (54,749) | (79,303) | (54,749) | (79,303) |
| Amount written-off | - | (141,929) | - | (141,929) |
| At 30 September/31 December | <u>1,472,808</u> | <u>1,581,516</u> | <u>1,065,805</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 | 2,176 | (336) | (1,840) | - |
| -Transfers to Stage 2 | (452) | 1,970 | (1,518) | - |
| -Transfers to Stage 3 | (87) | (170) | 257 | - |
| | <u>1,637</u> | <u>1,464</u> | <u>(3,101)</u> | <u>-</u> |
| Changes due to change in credit risk (Note 20) | 17,039 | 8,295 | 29,655 | 54,989 |
| New financial assets originated (Note 20) | 19,682 | 8 | 36 | 19,726 |
| Financial assets derecognised (Note 20) | (8,518) | (866) | (10,183) | (19,567) |
| At 30 September 2021 | <u>97,548</u> | <u>27,198</u> | <u>809,841</u> | <u>934,587</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 | 2,176 | (336) | (1,840) | - |
| -Transfers to Stage 2 | (452) | 1,970 | (1,518) | - |
| -Transfers to Stage 3 | (87) | (170) | 257 | - |
| | 1,637 | 1,464 | (3,101) | - |
| Changes due to change in credit risk (Note 20) | 17,039 | 8,295 | 36,808 | 62,142 |
| New financial assets originated (Note 20) | 19,682 | 8 | 36 | 19,726 |
| Financial assets derecognised (Note 20) | (8,518) | (866) | (10,183) | (19,567) |
| At 30 September 2021 | 97,548 | 27,198 | 402,838 | 527,584 |
| 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 follows:

| | Group | | Bank | |
|--|---|--|---|--|
| | 30 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Net impaired loans, advances and financing as a percentage | 9.08% | 11.39% | 9.08% | 11.39% |

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13. Deposits from customers

| | Group | | Bank | |
|--------------------------------|----------------------|---------------------|----------------------|---------------------|
| | 30 September 2021 | 31 December 2020 | 30 September 2021 | 31 December 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Term deposit: | | | | |
| - Commodity Murabahah/Tawarruq | 3,533,816 | 4,255,632 | 3,550,837 | 4,330,869 |

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

| | Group | | Bank | |
|---------------------------------|----------------------|---------------------|----------------------|---------------------|
| | 30 September 2021 | 31 December 2020 | 30 September 2021 | 31 December 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Government and statutory bodies | 1,098,655 | 2,283,327 | 1,115,676 | 2,283,327 |
| Business enterprise | 1,893,469 | 1,305,690 | 1,893,469 | 1,380,927 |
| Others | 541,692 | 666,615 | 541,692 | 666,615 |
| | 3,533,816 | 4,255,632 | 3,550,837 | 4,330,869 |

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

| | Group | | Bank | |
|----------------------------|----------------------|---------------------|----------------------|---------------------|
| | 30 September 2021 | 31 December 2020 | 30 September 2021 | 31 December 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Less than three months | 1,986,198 | 3,173,795 | 2,003,219 | 3,249,032 |
| Three months to six months | 406,461 | 683,831 | 406,461 | 683,831 |
| Six months to one year | 1,141,157 | 398,006 | 1,141,157 | 398,006 |
| | 3,533,816 | 4,255,632 | 3,550,837 | 4,330,869 |

14. Deposits from banks and other financial institutions

| | Group and Bank | |
|---|----------------------|---------------------|
| | 30 September 2021 | 31 December 2020 |
| | RM'000 | RM'000 |
| Licensed banks and other financial institutions | 80,069 | - |

The deposits maturity structure is as follows:

| | Group and Bank | |
|------------------------|----------------------|---------------------|
| | 30 September 2021 | 31 December 2020 |
| | RM'000 | RM'000 |
| Less than three months | 80,069 | - |

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15. Borrowings/Fundings

| | Group and Bank | |
|-------------------------------|------------------------------|-----------------------------|
| | 30 September 2021 | 31 December 2020 |
| | RM'000 | RM'000 |
| Unsecured borrowings/fundings | <u>1,747,757</u> | <u>1,507,974</u> |

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

| | Group and Bank | |
|----------------------------------|------------------------------|-----------------------------|
| | 30 September 2021 | 31 December 2020 |
| | RM'000 | RM'000 |
| Within one year | 484,820 | 57,826 |
| More than one year to five years | 990,261 | 1,099,664 |
| More than five years | <u>272,676</u> | <u>350,484</u> |
| | <u>1,747,757</u> | <u>1,507,974</u> |

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

| | | Group and Bank | |
|------------------------|-------------|------------------------------|-----------------------------|
| | | 30 September 2021 | 31 December 2020 |
| | Note | RM'000 | RM'000 |
| Government of Malaysia | (a) | 974,215 | 1,004,336 |
| Other institutions | (b) | <u>773,542</u> | <u>503,638</u> |
| | | <u>1,747,757</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 September 2021 | 31 December 2020 |
| | RM'000 | RM'000 |
| Maturity structure: | | |
| Within one year | 477,437 | 43,792 |
| More than one year to five years | 224,102 | 647,596 |
| More than five years | 272,676 | 312,948 |
| | <u>974,215</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 September 2021 | 31 December 2020 |
| | RM'000 | RM'000 |
| Bank Negara Malaysia | <u>773,542</u> | <u>503,638</u> |

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

| | Group and Bank | |
|----------------------------------|------------------------------|-----------------------------|
| | 30 September 2021 | 31 December 2020 |
| | RM'000 | RM'000 |
| Maturity structure: | | |
| Within one year | 7,383 | 14,034 |
| More than one year to five years | 766,159 | 452,068 |
| More than five years | - | 37,536 |
| | <u>773,542</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

| | Third Quarter Ended | | Nine Months Ended | |
|---------------------------------|---------------------|-------------------|-------------------|-------------------|
| | 30 September 2021 | 30 September 2020 | 30 September 2021 | 30 September 2020 |
| Group and Bank | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income from: | | | | |
| - Loans, advances and financing | 592 | 2,362 | 1,725 | 6,068 |

17. Interest expense

| | Third Quarter Ended | | Nine Months Ended | |
|----------------|---------------------|-------------------|-------------------|-------------------|
| | 30 September 2021 | 30 September 2020 | 30 September 2021 | 30 September 2020 |
| Group and Bank | RM'000 | RM'000 | RM'000 | RM'000 |
| Term loans | 3,836 | 12,674 | 11,439 | 38,800 |

18. Other operating income

| | Third Quarter Ended | | Nine Months Ended | |
|--------------------------------------|---------------------|-------------------|-------------------|-------------------|
| | 30 September 2021 | 30 September 2020 | 30 September 2021 | 30 September 2020 |
| Group | RM'000 | RM'000 | RM'000 | RM'000 |
| Fee income | 6 | 19 | 21 | 53 |
| Other income: | | | | |
| Recovery income | 948 | 341 | 4,708 | 1,348 |
| Compensation on late payment charges | 344 | 1,024 | 972 | 1,024 |
| Others | - | (566) | 20 | 107 |
| Total other operating income | 1,298 | 818 | 5,721 | 2,532 |
| Bank | | | | |
| Fee income | 6 | 19 | 21 | 53 |
| Other income: | | | | |
| Compensation on late payment charges | 344 | 359 | 972 | 1,024 |
| Others | - | 99 | 20 | 107 |
| Total other operating income | 350 | 477 | 1,013 | 1,184 |

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19. Other operating expenses

| Group | Note | Third Quarter Ended | | Nine Months Ended | |
|--|-------|---------------------|---------------|-------------------|----------------|
| | | 30 September | 30 September | 30 September | 30 September |
| | | 2021 | 2020 | 2021 | 2020 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel expenses | (i) | 47,173 | 42,989 | 139,570 | 129,742 |
| Establishment related expenses | (ii) | 10,601 | 10,333 | 30,435 | 30,737 |
| Promotion and marketing expenses | (iii) | 538 | 858 | 1,625 | 2,527 |
| Administration and general expenses | (iv) | 7,940 | 8,325 | 21,914 | 22,560 |
| | | <u>66,252</u> | <u>62,505</u> | <u>193,544</u> | <u>185,566</u> |
| (i) Personnel expenses | | | | | |
| Salaries, allowances and bonuses | | 37,267 | 34,266 | 111,406 | 102,855 |
| Directors' fees and remuneration | | 504 | 474 | 1,390 | 1,297 |
| Social security cost | | 242 | 246 | 721 | 740 |
| Contribution to Employee Provident Fund | | 4,129 | 4,093 | 12,224 | 12,573 |
| Other staff related expenses | | 5,031 | 3,910 | 13,829 | 12,277 |
| | | <u>47,173</u> | <u>42,989</u> | <u>139,570</u> | <u>129,742</u> |
| (ii) Establishment related expenses | | | | | |
| Depreciation of property, plant and equipment | | 2,837 | 3,237 | 8,582 | 10,001 |
| Depreciation of right-of-use assets | | 873 | 853 | 2,620 | 2,560 |
| Amortisation of intangible assets | | 2,022 | 1,722 | 5,347 | 5,648 |
| Rental expenses | | (15) | 22 | (36) | 68 |
| Repairs and maintenance of property, plant and equipment | | 4,884 | 4,499 | 13,922 | 12,460 |
| | | <u>10,601</u> | <u>10,333</u> | <u>30,435</u> | <u>30,737</u> |
| (iii) Promotion and marketing expenses | | | | | |
| Advertisement and publicity | | 538 | 858 | 1,625 | 2,527 |
| (iv) Administration and general expenses | | | | | |
| Administrative expenses | | 1,763 | 1,761 | 5,378 | 5,614 |
| Auditors' remuneration | | 241 | 237 | 723 | 714 |
| General expenses | | 5,936 | 6,327 | 15,813 | 16,232 |
| | | <u>7,940</u> | <u>8,325</u> | <u>21,914</u> | <u>22,560</u> |

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19. Other operating expenses (cont'd.)

| Bank | Note | Third Quarter Ended | | Nine Months Ended | |
|---|-------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 30 September 2021 RM'000 | 30 September 2020 RM'000 | 30 September 2021 RM'000 | 30 September 2020 RM'000 |
| Personnel expenses | (i) | 46,141 | 42,251 | 136,575 | 127,541 |
| Establishment related expenses | (ii) | 10,590 | 10,322 | 30,402 | 30,701 |
| Promotion and marketing expenses | (iii) | 537 | 870 | 1,593 | 2,666 |
| Administration and general expenses | (iv) | 6,749 | 8,173 | 19,613 | 21,656 |
| | | <u>64,017</u> | <u>61,616</u> | <u>188,183</u> | <u>182,564</u> |
| (i) Personnel expenses | | | | | |
| Salaries, allowances and bonuses | | 36,440 | 33,671 | 109,015 | 101,203 |
| Directors' fees and remuneration | | 504 | 474 | 1,390 | 1,297 |
| Social security cost | | 235 | 242 | 701 | 726 |
| Contribution to Employee Provident Fund | | 4,023 | 4,023 | 11,910 | 12,275 |
| Other staff related expenses | | 4,939 | 3,841 | 13,559 | 12,040 |
| | | <u>46,141</u> | <u>42,251</u> | <u>136,575</u> | <u>127,541</u> |
| (ii) Establishment related expenses | | | | | |
| Depreciation of property, plant and equipment | | 2,837 | 3,236 | 8,579 | 9,997 |
| Depreciation of right-of-use assets | | 873 | 853 | 2,620 | 2,560 |
| Amortisation of intangible assets | | 2,022 | 1,722 | 5,347 | 5,648 |
| Rental expenses | | (15) | 22 | (36) | 68 |
| Repairs and maintenance of property, plant and equipment | | 4,873 | 4,489 | 13,892 | 12,428 |
| | | <u>10,590</u> | <u>10,322</u> | <u>30,402</u> | <u>30,701</u> |
| (iii) Promotion and marketing expenses | | | | | |
| Advertisement and publicity | | 537 | 870 | 1,593 | 2,666 |
| (iv) Administration and general expenses | | | | | |
| Administrative expenses | | 1,763 | 1,758 | 5,373 | 5,598 |
| Auditors' remuneration | | 225 | 225 | 675 | 675 |
| General expenses | | 4,761 | 6,190 | 13,565 | 15,383 |
| | | <u>6,749</u> | <u>8,173</u> | <u>19,613</u> | <u>21,656</u> |

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20. Allowances for impairment on loans, advances and financing

| Group | Third Quarter Ended | | Nine Months Ended | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 30 September 2021 RM'000 | 30 September 2020 RM'000 | 30 September 2021 RM'000 | 30 September 2020 RM'000 |
| (Writeback)/allowance for impairment losses on loans, advances and financing made during the period: | | | | |
| - Stage 1, net (Note 12(ix)) | (480) | 8,273 | 28,203 | 18,166 |
| - Stage 2, net (Note 12(ix)) | 2,727 | (7,308) | 7,437 | 15,566 |
| - Stage 3, net (Note 12(ix)) | 10,368 | (6,642) | 19,508 | (3,292) |
| | <u>12,615</u> | <u>(5,677)</u> | <u>55,148</u> | <u>30,440</u> |
| Impaired loans, advances and financing recovered | <u>(8,533)</u> | <u>(4,874)</u> | <u>(26,521)</u> | <u>(18,836)</u> |
| Total allowance for impairment on loans, advances and financing | <u>4,082</u> | <u>(10,551)</u> | <u>28,627</u> | <u>11,604</u> |
| Bank | | | | |
| (Writeback)/allowance for impairment losses on loans, advances and financing made during the period: | | | | |
| - Stage 1, net (Note 12(ix)) | (480) | 8,273 | 28,203 | 18,166 |
| - Stage 2, net (Note 12(ix)) | 2,727 | (7,308) | 7,437 | 15,566 |
| - Stage 3, net (Note 12(ix)) | 11,662 | 2,379 | 26,661 | 9,768 |
| | <u>13,909</u> | <u>3,344</u> | <u>62,301</u> | <u>43,500</u> |
| Impaired loan, advances and financing recovered | <u>(8,533)</u> | <u>(4,874)</u> | <u>(26,521)</u> | <u>(18,836)</u> |
| Total allowance for impairment on loans, advances and financing | <u>5,376</u> | <u>(1,530)</u> | <u>35,780</u> | <u>24,664</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 September 2021 RM'000 | 31 December 2020 RM'000 |
| Direct credit substitutes | 193,163 | 178,973 |
| Transaction-related-contingent items | 141,148 | 133,572 |
| Undisbursed loans/financing | | |
| - original maturity up to one year | 187,927 | 131,082 |
| - original maturity more than one year | 1,717,331 | 1,801,659 |
| | 2,239,569 | 2,245,286 |

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

| | Group and Bank | |
|--|---|--|
| | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Approved and contracted for Information technology system | 7,335 | 7,110 |
| Total commitments and contingencies | 2,246,904 | 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 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 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 | (314,939) | (301,724) | (301,250) | (288,039) |
| General reserves | 10,114 | 10,114 | 10,114 | 10,114 |
| General provision for loans, advances and financing* | 45,254 | 3,776 | 45,254 | 3,776 |
| Less: Deferred tax assets | (99,275) | (99,278) | (99,275) | (99,278) |
| Less: Property revaluation reserve | (232,432) | (232,432) | (232,432) | (232,381) |
| Total Tier I capital | 1,258,722 | 1,230,456 | 1,272,411 | 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 [^] | 116,216 | 116,191 | 116,216 | 116,191 |
| Government funds [#] | 426,701 | 406,108 | 426,701 | 406,108 |
| Total Tier II capital | 630,080 | 609,462 | 630,080 | 609,462 |
| Total capital | 1,888,802 | 1,839,918 | 1,902,491 | 1,853,654 |
| Less: Investment in subsidiaries | - | - | - | - |
| Total capital base | 1,888,802 | 1,839,918 | 1,902,491 | 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 RM31,791,000 (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 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| 20% | 192,600 | 279,650 | 192,600 | 279,650 |
| 50% | 5,736 | 6,131 | 5,736 | 6,131 |
| 100% | 9,943,790 | 9,384,804 | 9,987,620 | 9,505,644 |
| | 10,142,126 | 9,670,585 | 10,185,956 | 9,791,425 |

Before deducting dividends:

| | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|
| Core capital ratio | 12.411% | 12.724% | 12.492% | 12.707% |
| Risk-weighted capital ratio | 18.623% | 19.026% | 18.678% | 18.931% |

After deducting dividends:

| | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|
| Core capital ratio | 12.411% | 12.587% | 12.492% | 12.572% |
| Risk-weighted capital ratio | 18.623% | 18.889% | 18.678% | 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 September 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 September 2021

| | Note | Group | | Bank | |
|--|-------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | | 30 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Assets | | | | | |
| Cash and short-term funds | | 979,979 | 1,399,622 | 978,514 | 1,396,061 |
| Financial investments at FVOCI | 23(a) | 1,429,630 | 1,314,317 | 1,429,630 | 1,314,317 |
| Financial investments at FVTPL | 10 | 168,188 | - | 168,188 | - |
| Financial investments at AC | 11 | 748,771 | 569,350 | 748,771 | 569,350 |
| Advances and financing | 23(b) | 7,138,317 | 6,754,846 | 7,138,317 | 6,754,846 |
| Other assets | | 30,253 | 17,486 | 79,609 | 142,971 |
| Property, plant and equipment | | 130,292 | 131,483 | 130,288 | 131,476 |
| Right-of-use assets | | 10,214 | 12,834 | 10,214 | 12,834 |
| Investment properties | | 393,044 | 393,062 | 393,044 | 393,062 |
| Intangible assets | | 16,862 | 14,620 | 16,862 | 14,620 |
| Tax recoverables | | 4,727 | 3,757 | 2,152 | 2,068 |
| Deferred tax assets | | 99,275 | 99,278 | 99,275 | 99,278 |
| Total assets | | 11,149,552 | 10,710,655 | 11,194,864 | 10,830,883 |
| Liabilities | | | | | |
| Deposits from customers | 13 | 3,533,816 | 4,255,632 | 3,550,837 | 4,330,869 |
| Deposits from banks and other financial institutions | 14 | 80,069 | - | 80,069 | - |
| Islamic medium-term notes/ commercial notes | | 2,662,992 | 1,866,327 | 2,662,992 | 1,866,327 |
| Term financing/fundings | 23(c) | 773,542 | 660,180 | 773,542 | 660,180 |
| Other liabilities | | 1,090,325 | 1,120,358 | 1,117,751 | 1,147,985 |
| Lease liabilities | | 10,797 | 13,364 | 10,797 | 13,364 |
| Amount due to conventional operations | | 989,334 | 821,384 | 1,184,175 | 1,025,721 |
| Government funds | | 469,086 | 454,883 | 469,086 | 454,883 |
| Total liabilities | | 9,609,961 | 9,192,128 | 9,849,249 | 9,499,329 |
| Islamic general funds | | 1,539,591 | 1,518,527 | 1,345,615 | 1,331,554 |
| Total liabilities and Islamic banking funds | | 11,149,552 | 10,710,655 | 11,194,864 | 10,830,883 |
| Commitments | 23(i) | 2,231,736 | 2,234,224 | 2,231,736 | 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 third quarter ended 30 September 2021**

| Group | Note | Third Quarter Ended | | Nine Months Ended | |
|---|-------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 30 September 2021 RM'000 | 30 September 2020 RM'000 | 30 September 2021 RM'000 | 30 September 2020 RM'000 |
| Income from Islamic banking business | 23(d) | 130,262 | 119,176 | 390,320 | 370,586 |
| Profit expense attributable to Islamic banking business | 23(e) | (45,017) | (42,936) | (133,040) | (135,070) |
| Gross income from Islamic banking business | | 85,245 | 76,240 | 257,280 | 235,516 |
| Other operating income | 23(f) | 18,988 | 6,418 | 45,948 | 24,475 |
| Other operating expenses | 23(g) | (66,909) | (60,372) | (193,130) | (178,873) |
| Operating profit | | 37,324 | 22,286 | 110,098 | 81,118 |
| Writeback/(Allowances) for impairment losses on: | | | | | |
| - advances and financing | 23(h) | 712 | 10,664 | (33,029) | (23,036) |
| - commitments and contingencies | | (1,494) | (219) | (1,704) | (219) |
| - financial investments at FVOCI | 9 | 1 | (5,861) | (5,235) | (5,861) |
| - financial investments at AC | 11 | (952) | 563 | (952) | 563 |
| - other assets at AC | | 471 | 192 | 198 | 192 |
| Profit before tax expense and zakat | | 36,062 | 27,625 | 69,376 | 52,757 |
| Tax expense | | (613) | - | (824) | - |
| Zakat | | (1,500) | (1,642) | (2,250) | (1,642) |
| Net profit for the period | | 33,949 | 25,983 | 66,302 | 51,115 |
| Other comprehensive income/(loss) Item that may be reclassified to profit or loss: | | | | | |
| Unrealised gain on revaluation of financial investments at FVOCI | | (7,495) | 113 | (37,262) | 113 |
| Changes in expected credit losses on financial investments at FVOCI | | (1) | 5,861 | 5,235 | 5,861 |
| Other comprehensive (loss)/income for the period | | (7,496) | 5,974 | (32,027) | 5,974 |
| Total comprehensive income for the period | | 26,453 | 31,957 | 34,275 | 57,089 |

(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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23. Islamic banking business (cont'd.)

**Unaudited Statements of Comprehensive Income
For the third quarter ended 30 September 2021 (cont'd.)**

| Bank | Note | Third Quarter Ended | | Nine Months Ended | |
|---|-------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 30 September 2021 RM'000 | 30 September 2020 RM'000 | 30 September 2021 RM'000 | 30 September 2020 RM'000 |
| Income from Islamic banking business | 23(d) | 130,262 | 119,176 | 390,320 | 370,586 |
| Profit expense attributable to Islamic banking business | 23(e) | (45,072) | (42,993) | (133,298) | (135,247) |
| Gross income from Islamic banking business | | 85,190 | 76,183 | 257,022 | 235,339 |
| Other operating income | 23(f) | 13,801 | 7,888 | 44,667 | 30,605 |
| Other operating expenses | 23(g) | (63,867) | (59,770) | (187,768) | (176,803) |
| Operating profit | | 35,124 | 24,301 | 113,921 | 89,141 |
| (Allowances)/Writeback for impairment losses on: | | | | | |
| - advances and financing | 23(h) | (404) | 4,883 | (35,640) | (30,236) |
| - commitments and contingencies | | (1,494) | (219) | (1,704) | (219) |
| - financial investments at FVOCI | 9 | 1 | (5,861) | (5,235) | (5,861) |
| - financial investments at AC | 11 | (952) | 563 | (952) | 563 |
| - other assets at AC | | 471 | 192 | 198 | 192 |
| - other assets at FVOCI | | (5,603) | (3,219) | (8,405) | (3,219) |
| Profit before tax expense and zakat | | 27,143 | 20,640 | 62,183 | 50,361 |
| Tax expense | | (423) | - | (634) | - |
| Zakat | | (1,500) | (1,642) | (2,250) | (1,642) |
| Net profit for the period | | 25,220 | 18,998 | 59,299 | 48,719 |
| Other comprehensive income/(loss) Item that may be reclassified to profit or loss: | | | | | |
| Unrealised gain on revaluation of financial investments at FVOCI | | (7,495) | 113 | (37,262) | 113 |
| Changes in expected credit losses on financial investments at FVOCI | | (1) | 5,861 | 5,235 | 5,861 |
| Other comprehensive (loss)/income for the period | | (7,496) | 5,974 | (32,027) | 5,974 |
| Total comprehensive income for the period | | 17,724 | 24,972 | 27,272 | 54,693 |

(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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23. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
For the third quarter ended 30 September 2021**

| Group | Note | <=====Non-distributable=====> | | Distributable | Total RM'000 |
|--|------|-------------------------------|---------------------------------|--------------------------------|------------------|
| | | Share capital RM'000 | Fair value reserve RM'000 | retained earnings 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 | | - | (37,262) | - | (37,262) |
| Changes in expected credit losses of financial investments at FVOCI | 9 | - | 5,235 | - | 5,235 |
| Profit for the period | | - | - | 66,302 | 66,302 |
| Total comprehensive (loss)/income for the period | | - | (32,027) | 66,302 | 34,275 |
| Transaction with owner: | | | | | |
| Dividends | | - | - | (13,211) | (13,211) |
| At 30 September 2021 | | 1,050,564 | 5,147 | 483,880 | 1,539,591 |
| 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 |

(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
(Incorporated in Malaysia)**

23. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
For the third quarter ended 30 September 2021 (cont'd.)**

| Bank | Note | <=====Non-distributable=====> | | Distributable retained earnings RM'000 | Total RM'000 |
|--|------|-------------------------------|---------------------------------|---|------------------|
| | | Share capital RM'000 | Fair value reserve 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 | | - | (37,262) | - | (37,262) |
| Changes in expected credit losses of financial investments at FVOCI | 9 | - | 5,235 | - | 5,235 |
| Profit for the period | | - | - | 59,299 | 59,299 |
| Total comprehensive (loss)/income for the period | | - | (32,027) | 59,299 | 27,272 |
| Transaction with owner: Dividends | | | | (13,211) | (13,211) |
| At 30 September 2021 | | 1,050,564 | 5,147 | 289,904 | 1,345,615 |
| 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)

**Small Medium Enterprise Development Bank Malaysia Berhad
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23. Islamic banking business (cont'd.)

(a) Financial investments at FVOCI

| | Group and Bank | |
|---|--------------------------------|-------------------------------|
| | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| At fair value | | |
| Government securities | | |
| Malaysian Government Investment Issues | 872,329 | 553,558 |
| Non-money market instruments | | |
| Equity securities - Private debt securities | 31,239 | 30,569 |
| Debt securities - Private debt securities | 526,062 | 730,190 |
| | 557,301 | 760,759 |
| Total financial investment at FVOCI | 1,429,630 | 1,314,317 |

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 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Bai' Bithaman Ajil | 1,509 | 1,509 | - | - |
| Murabahah | 1,552,359 | 1,609,661 | 1,500,779 | 1,556,843 |
| Istisna' | 39,407 | 121,534 | 29,411 | 111,653 |
| Ijarah | 84 | 84 | - | - |
| Ijarah Thumma Al-Bai | 388,485 | 362,421 | 329,861 | 302,310 |
| Bai' Dayn | 2,934 | 6,559 | 2,934 | 6,559 |
| Tawarruq | 5,758,372 | 5,208,768 | 5,758,367 | 5,208,763 |
| Bai' Inah | 20,550 | 23,533 | 19,280 | 22,262 |
| Gross advances and financing | 7,763,700 | 7,334,069 | 7,640,632 | 7,208,390 |
| Less: Allowance for impairment losses on | | | | |
| - Stage 1 (Note 23(b)(x)) | (97,548) | (67,685) | (97,548) | (67,685) |
| - Stage 2 (Note 23(b)(x)) | (27,198) | (18,294) | (27,198) | (18,294) |
| - Stage 3 (Note 23(b)(x)) | (500,637) | (493,244) | (377,569) | (367,565) |
| Net advances and financing | 7,138,317 | 6,754,846 | 7,138,317 | 6,754,846 |
| Gross impaired advances and financing (Note 23(b)(vii)) | 1,110,109 | 1,200,035 | 987,041 | 1,074,357 |
| Net impaired advances and financing | 609,472 | 706,791 | 609,472 | 706,792 |

Included in advances and financing are gross advances and financing amounting to RM76,540,000 (2020: RM71,440,000) financed by the Government funds.

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

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 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Maturity within one year | 1,433,523 | 1,393,973 | 1,320,206 | 1,290,840 |
| More than one year to three years | 505,446 | 538,001 | 503,375 | 523,932 |
| More than three years to five years | 1,358,433 | 1,213,797 | 1,357,120 | 1,212,086 |
| More than five years | 4,466,298 | 4,188,298 | 4,459,931 | 4,181,532 |
| | <u>7,763,700</u> | <u>7,334,069</u> | <u>7,640,632</u> | <u>7,208,390</u> |

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

| | Group | | Bank | |
|------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | 30 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Domestic business enterprise | 7,751,441 | 7,320,968 | 7,628,373 | 7,195,289 |
| Individual | 12,259 | 13,101 | 12,259 | 13,101 |
| | <u>7,763,700</u> | <u>7,334,069</u> | <u>7,640,632</u> | <u>7,208,390</u> |

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

| | Group | | Bank | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | 30 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Constructions | 1,277,550 | 1,260,560 | 1,276,068 | 1,259,078 |
| Education, health and others | 652,313 | 620,887 | 618,322 | 586,327 |
| Electricity, gas and water supply | 76,906 | 92,441 | 76,906 | 92,441 |
| Financial, insurance/takaful, real estate and business services | 1,209,277 | 1,153,018 | 1,207,484 | 1,151,222 |
| Manufacturing | 1,348,805 | 1,265,098 | 1,308,840 | 1,223,432 |
| Mining and quarrying | 113,877 | 125,242 | 113,877 | 125,242 |
| Primary agriculture | 7,424 | 8,058 | 7,424 | 8,058 |
| Transportation, storage and communicatior | 935,919 | 890,689 | 904,228 | 858,755 |
| Wholesale, retail trade, restaurants and hotels | 2,129,370 | 1,904,975 | 2,115,224 | 1,890,734 |
| Others | 12,259 | 13,101 | 12,259 | 13,101 |
| | <u>7,763,700</u> | <u>7,334,069</u> | <u>7,640,632</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 | 849,824 | 42,648 | 76,225 | 42,627 | 78,091 | 188,135 | 1,277,550 |
| Education, health and others | 423,534 | 26,333 | 62,358 | 94,771 | 33,386 | 11,931 | 652,313 |
| Electricity, gas and water supply | 64,444 | 1,527 | 3,077 | 2,584 | 5,035 | 239 | 76,906 |
| Financial, insurance/takaful, real estate and business services | 736,285 | 108,666 | 151,463 | 36,784 | 78,525 | 97,554 | 1,209,277 |
| Manufacturing | 694,989 | 229,906 | 221,646 | 118,425 | 51,638 | 32,201 | 1,348,805 |
| Mining and quarrying | 74,000 | 286 | 23,548 | 13,181 | 2,011 | 851 | 113,877 |
| Primary agriculture | - | 367 | 641 | 101 | 4,614 | 1,701 | 7,424 |
| Transportation, storage and communication | 492,051 | 158,995 | 51,591 | 99,655 | 52,802 | 80,825 | 935,919 |
| Wholesale, retail trade, restaurants and hotels | 983,915 | 315,436 | 131,382 | 264,200 | 271,251 | 163,186 | 2,129,370 |
| Others | 12,259 | - | - | - | - | - | 12,259 |
| At 30 September 2021 | 4,331,301 | 884,164 | 721,931 | 672,328 | 577,353 | 576,623 | 7,763,700 |

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

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 |

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

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 | 848,342 | 42,648 | 76,225 | 42,627 | 78,091 | 188,135 | 1,276,068 |
| Education, health and others | 389,543 | 26,333 | 62,358 | 94,771 | 33,386 | 11,931 | 618,322 |
| Electricity, gas and water supply | 64,444 | 1,527 | 3,077 | 2,584 | 5,035 | 239 | 76,906 |
| Financial, insurance/takaful, real estate and business services | 734,492 | 108,666 | 151,463 | 36,784 | 78,525 | 97,554 | 1,207,484 |
| Manufacturing | 655,024 | 229,906 | 221,646 | 118,425 | 51,638 | 32,201 | 1,308,840 |
| Mining and quarrying | 74,000 | 286 | 23,548 | 13,181 | 2,011 | 851 | 113,877 |
| Primary agriculture | - | 367 | 641 | 101 | 4,614 | 1,701 | 7,424 |
| Transportation, storage and communication | 460,360 | 158,995 | 51,591 | 99,655 | 52,802 | 80,825 | 904,228 |
| Wholesale, retail trade, restaurants and hotels | 969,769 | 315,436 | 131,382 | 264,200 | 271,251 | 163,186 | 2,115,224 |
| Others | 12,259 | - | - | - | - | - | 12,259 |
| At 30 September 2021 | 4,208,233 | 884,164 | 721,931 | 672,328 | 577,353 | 576,623 | 7,640,632 |

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

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 |

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

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 | - | - | 389 | 1,120 | - | 1,509 |
| Murabahah | - | - | 1,507,954 | 32,146 | 12,259 | 1,552,359 |
| Istisna' | - | - | 39,407 | - | - | 39,407 |
| Ijarah | - | 84 | - | - | - | 84 |
| Ijarah Thumma Al-Bai | 364,385 | - | 24,100 | - | - | 388,485 |
| Bai' Dayn | - | - | 236 | 2,698 | - | 2,934 |
| Tawarruq | 5 | - | 5,101,722 | 656,645 | - | 5,758,372 |
| Bai' Inah | - | - | 20,550 | - | - | 20,550 |
| At 30 September 2021 | 364,390 | 84 | 6,694,358 | 692,609 | 12,259 | 7,763,700 |
| 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 |

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

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 | - | 1,469,641 | 18,879 | 12,259 | 1,500,779 |
| Istisna' | - | 29,411 | - | - | 29,411 |
| Ijarah Thumma Al-Bai | 329,861 | - | - | - | 329,861 |
| Bai' Dayn | - | 236 | 2,698 | - | 2,934 |
| Tawarruq | - | 5,101,722 | 656,645 | - | 5,758,367 |
| Bai' Inah | - | 19,280 | - | - | 19,280 |
| At 30 September 2021 | 329,861 | 6,620,290 | 678,222 | 12,259 | 7,640,632 |
| 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 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Fixed rate | | | | |
| - Staff financing | 12,259 | 13,101 | 12,259 | 13,101 |
| - Hire purchase | 179,829 | 187,198 | 146,170 | 153,186 |
| - Leasing | 84 | 84 | - | - |
| - Other term financing | 1,904,890 | 1,503,623 | 1,835,974 | 1,433,049 |
| - Revolving financing | 86,865 | 176,773 | 72,536 | 162,364 |
| Variable rate | | | | |
| - Hire purchase | 184,561 | 148,690 | 183,691 | 147,820 |
| - Other term financing | 4,789,468 | 4,122,616 | 4,784,316 | 4,116,945 |
| - Revolving financing | 605,744 | 1,181,984 | 605,686 | 1,181,925 |
| | <u>7,763,700</u> | <u>7,334,069</u> | <u>7,640,632</u> | <u>7,208,390</u> |

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

| | Group | | Bank | |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | 30 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Constructions | 134,437 | 156,343 | 132,955 | 154,861 |
| Education, health and others | 145,712 | 157,137 | 111,721 | 122,577 |
| Electricity, gas and water supply | 43 | 41 | 43 | 41 |
| Financial, insurance/takaful, real estate and business services | 195,449 | 213,419 | 193,656 | 211,623 |
| Manufacturing | 221,571 | 258,947 | 181,606 | 217,281 |
| Mining and quarrying | 8,138 | 8,146 | 8,138 | 8,146 |
| Primary agriculture | 277 | 279 | 277 | 279 |
| Transportation, storage and communicati Wholesale, retail trade, restaurants and hotels | 106,811 | 108,446 | 75,120 | 76,512 |
| | <u>297,671</u> | <u>297,277</u> | <u>283,525</u> | <u>283,037</u> |
| | <u>1,110,109</u> | <u>1,200,035</u> | <u>987,041</u> | <u>1,074,357</u> |

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

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 | 116,869 | 1,915 | 3,414 | 3,067 | 7,914 | 1,258 | 134,437 |
| Education, health and others | 84,106 | 2,265 | 18,876 | 31,011 | 8,550 | 904 | 145,712 |
| Electricity, gas and water supply | - | 43 | - | - | - | - | 43 |
| Financial, insurance/takaful, real estate and business services | 151,681 | 8,489 | 2,191 | 9,649 | 2,143 | 21,296 | 195,449 |
| Manufacturing | 128,663 | 13,140 | 26,422 | 46,686 | 1,208 | 5,452 | 221,571 |
| Mining and quarrying | 715 | - | 7,097 | 326 | - | - | 8,138 |
| Primary agriculture | - | - | 66 | - | 211 | - | 277 |
| Transportation, storage and communication | 59,240 | 5,225 | 5,189 | 18,881 | 8,952 | 9,324 | 106,811 |
| Wholesale, retail trade, restaurants and hotels | 166,010 | 18,444 | 20,911 | 43,541 | 44,763 | 4,002 | 297,671 |
| At 30 September 2021 | 707,284 | 49,521 | 84,166 | 153,161 | 73,741 | 42,236 | 1,110,109 |

**Small Medium Enterprise Development Bank Malaysia Berhad
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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 |

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

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 | 115,387 | 1,915 | 3,414 | 3,067 | 7,914 | 1,258 | 132,955 |
| Education, health and others | 50,115 | 2,265 | 18,876 | 31,011 | 8,550 | 904 | 111,721 |
| Electricity, gas and water supply | - | 43 | - | - | - | - | 43 |
| Financial, insurance/takaful, real estate and business services | 149,888 | 8,489 | 2,191 | 9,649 | 2,143 | 21,296 | 193,656 |
| Manufacturing | 88,698 | 13,140 | 26,422 | 46,686 | 1,208 | 5,452 | 181,606 |
| Mining and quarrying | 715 | - | 7,097 | 326 | - | - | 8,138 |
| Primary agriculture | - | - | 66 | - | 211 | - | 277 |
| Transportation, storage and communication | 27,549 | 5,225 | 5,189 | 18,881 | 8,952 | 9,324 | 75,120 |
| Wholesale, retail trade, restaurants and hotels | 151,864 | 18,444 | 20,911 | 43,541 | 44,763 | 4,002 | 283,525 |
| At 30 September 2021 | 584,216 | 49,521 | 84,166 | 153,161 | 73,741 | 42,236 | 987,041 |

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

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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(Incorporated in Malaysia)**

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 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 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 | (5,368) | (130,461) | (5,368) | (130,461) |
| -Transfers to Stage 2 | (2,553) | (342) | (2,553) | (342) |
| -Transfers to Stage 3 | 12,701 | 238,732 | 12,701 | 238,732 |
| | <u>1,204,815</u> | <u>1,384,871</u> | <u>1,079,137</u> | <u>1,239,239</u> |
| Changes due to change in credit risk | (44,983) | 6,619 | (42,373) | 26,573 |
| New financial assets originated | 629 | 10,099 | 629 | 10,099 |
| Financial assets derecognised | (50,352) | (59,625) | (50,352) | (59,625) |
| Amount written-off | - | (141,929) | - | (141,929) |
| At 30 September/31 December | <u>1,110,109</u> | <u>1,200,035</u> | <u>987,041</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 | 2,176 | (336) | (1,840) | - |
| -Transfers to Stage 2 | 1,066 | 452 | (1,518) | - |
| -Transfers to Stage 3 | (87) | (170) | 257 | - |
| | <u>3,155</u> | <u>(54)</u> | <u>(3,101)</u> | <u>-</u> |
| Changes due to change in credit risk (Note 23(h)) | 15,529 | 9,814 | 20,490 | 45,833 |
| Net financial assets originated (Note 23(h)) | 19,682 | 8 | 36 | 19,726 |
| Financial assets derecognised (Note 23(h)) | (8,503) | (864) | (10,032) | (19,399) |
| At 30 September 2021 | <u>97,548</u> | <u>27,198</u> | <u>500,637</u> | <u>625,383</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> |

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

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 | 2,176 | (336) | (1,840) | - |
| -Transfers to Stage 2 | 1,066 | 452 | (1,518) | - |
| -Transfers to Stage 3 | (87) | (170) | 257 | - |
| | 3,155 | (54) | (3,101) | - |
| Changes due to change in credit risk (Note 23(h)) | 15,529 | 9,814 | 23,101 | 48,444 |
| Net financial assets originated (Note 23(h)) | 19,682 | 8 | 36 | 19,726 |
| Financial assets derecognised (Note 23(h)) | (8,503) | (864) | (10,032) | (19,399) |
| At 30 September 2021 | 97,548 | 27,198 | 377,569 | 502,315 |
| 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 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Net impaired advances and financing as a percentage | 8.41% | 10.35% | 8.41% | 10.35% |

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(Incorporated in Malaysia)**

23. Islamic banking business (cont'd.)

(c) Term financing/Fundings

| | Group and Bank | |
|-----------------------------------|-----------------------|--------------------|
| | 30 September | 31 December |
| | 2021 | 2020 |
| | RM'000 | RM'000 |
| Unsecured term financing/fundings | 773,542 | 660,180 |

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

| | Group and Bank | |
|----------------------------------|-----------------------|--------------------|
| | 30 September | 31 December |
| | 2021 | 2020 |
| | RM'000 | RM'000 |
| Within one year | 7,383 | 25,372 |
| More than one year to five years | 766,159 | 522,533 |
| More than five years | - | 112,275 |
| | <u>773,542</u> | <u>660,180</u> |

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

| | Group and Bank | |
|--------------------------------|-----------------------|--------------------|
| | 30 September | 31 December |
| | 2021 | 2020 |
| | RM'000 | RM'000 |
| Financing from: | | |
| - Government of Malaysia | - | 156,543 |
| - Bank Negara Malaysia ("BNM") | 773,542 | 503,637 |
| | <u>773,542</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 | Third Quarter Ended | | Nine Months Ended | |
|---|---------------------|----------------|-------------------|----------------|
| | 30 September | 30 September | 30 September | 30 September |
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income from advances and financing | | | | |
| - Murabahah | 16,528 | 24,498 | 69,838 | 73,877 |
| - Istisna' | 501 | 1,797 | 3,012 | 4,730 |
| - Ijarah Thumma Al-Bai | 4,429 | 4,328 | 10,949 | 16,785 |
| - Bai' Dayn | 44 | 103 | 198 | 380 |
| - Tawarruq | 85,390 | 61,843 | 234,780 | 186,144 |
| - Bai' Inah | 202 | 667 | 680 | 2,182 |
| Total income from advances and financing | 107,094 | 93,236 | 319,457 | 284,098 |
| Tawarruq deposit placements | 4,456 | 8,680 | 13,811 | 27,209 |
| Financial investments at FVOCI | 11,652 | 10,781 | 36,151 | 36,216 |
| Financial investments at FVTPL | 1,287 | - | 4,672 | - |
| Financial investments at AC | 5,773 | 6,479 | 16,229 | 23,063 |
| Total income from Islamic banking business | 130,262 | 119,176 | 390,320 | 370,586 |

(e) Profit expense attributable to Islamic banking business

| Group | Third Quarter Ended | | Nine Months Ended | |
|--|---------------------|---------------|-------------------|----------------|
| | 30 September | 30 September | 30 September | 30 September |
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits from customers | 19,990 | 23,124 | 64,579 | 78,424 |
| Islamic medium-term notes | 20,080 | 17,575 | 54,656 | 50,356 |
| Term financing/Fundings | 3,577 | 248 | 10,795 | 825 |
| Deposits from banks and other financial institutio | 551 | - | 1,317 | 668 |
| Others | 819 | 1,989 | 1,693 | 4,797 |
| | 45,017 | 42,936 | 133,040 | 135,070 |

| Bank | Third Quarter Ended | | Nine Months Ended | |
|--|---------------------|---------------|-------------------|----------------|
| | 30 September | 30 September | 30 September | 30 September |
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits from customers | 20,046 | 23,181 | 64,838 | 78,601 |
| Islamic medium-term notes | 20,080 | 17,575 | 54,656 | 50,356 |
| Term financing/Fundings | 3,577 | 248 | 10,795 | 825 |
| Deposits from banks and other financial institutio | 551 | - | 1,317 | 668 |
| Others | 818 | 1,989 | 1,692 | 4,797 |
| | 45,072 | 42,993 | 133,298 | 135,247 |

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23. Islamic banking business (cont'd.)

(f) Other operating income

| Group | Third Quarter Ended | | Nine Months Ended | |
|--|---------------------|--------------|-------------------|---------------|
| | 30 September | 30 September | 30 September | 30 September |
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fee income | 3,276 | 2,368 | 9,217 | 5,150 |
| Commission fee income | 332 | 286 | 917 | 781 |
| Rental income | (10) | (2,095) | 3,042 | 2,845 |
| Government fund released | 4,545 | 865 | 13,381 | 2,465 |
| Government compensation | 1,821 | 1,330 | 2,509 | 3,939 |
| Recovery income | 7,547 | 1,095 | 8,212 | 2,179 |
| Ta'widh/Compensation on late payment charges | 1,035 | 1,214 | 3,582 | 3,382 |
| Others | 442 | 1,355 | 5,088 | 3,734 |
| | <u>18,988</u> | <u>6,418</u> | <u>45,948</u> | <u>24,475</u> |

| Bank | Third Quarter Ended | | Nine Months Ended | |
|---|---------------------|--------------|-------------------|---------------|
| | 30 September | 30 September | 30 September | 30 September |
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fee income | 2,835 | 1,720 | 7,676 | 3,753 |
| Commission fee income | 332 | 286 | 917 | 781 |
| Rental income | (10) | (2,095) | 3,042 | 2,845 |
| Government fund released | 4,545 | 865 | 13,381 | 2,465 |
| Government compensation | 1,821 | 1,330 | 2,509 | 3,939 |
| Management fees | 45 | 45 | 134 | 134 |
| Profit income on amount owing by subsidiary company | 2,802 | 3,220 | 8,405 | 9,658 |
| Ta'widh/Compensation on late payment charges | 1,035 | 1,214 | 3,582 | 3,382 |
| Others | 396 | 1,303 | 5,021 | 3,648 |
| | <u>13,801</u> | <u>7,888</u> | <u>44,667</u> | <u>30,605</u> |

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(Incorporated in Malaysia)

23. Islamic banking business (cont'd.)

(g) Other operating expenses

| Group | Third Quarter Ended | | Nine Months Ended | |
|-------------------------------------|---------------------|---------------|-------------------|----------------|
| | 30 September | 30 September | 30 September | 30 September |
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel expenses | 47,173 | 41,640 | 139,570 | 125,297 |
| Establishment related expenses | 10,602 | 10,195 | 30,436 | 30,339 |
| Promotion and marketing expenses | 538 | 830 | 1,625 | 2,434 |
| Administration and general expenses | 8,596 | 7,707 | 21,499 | 20,803 |
| | <u>66,909</u> | <u>60,372</u> | <u>193,130</u> | <u>178,873</u> |

| Bank | Third Quarter Ended | | Nine Months Ended | |
|-------------------------------------|---------------------|---------------|-------------------|----------------|
| | 30 September | 30 September | 30 September | 30 September |
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel expenses | 46,141 | 40,902 | 136,575 | 123,096 |
| Establishment related expenses | 10,590 | 10,184 | 30,402 | 30,303 |
| Promotion and marketing expenses | 537 | 842 | 1,593 | 2,573 |
| Administration and general expenses | 6,599 | 7,842 | 19,198 | 20,831 |
| | <u>63,867</u> | <u>59,770</u> | <u>187,768</u> | <u>176,803</u> |

(h) Allowances for impairment on advances and financing

| Group | Third Quarter Ended | | Nine Months Ended | |
|---|---------------------|-----------------|-------------------|-----------------|
| | 30 September | 30 September | 30 September | 30 September |
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (Writeback)/allowance for impairment losses on advances and financing made during the period: | | | | |
| - Stage 1 (Note 23(b)(x)) | (1,967) | 8,214 | 26,708 | 18,216 |
| - Stage 2 (Note 23(b)(x)) | 4,244 | (6,771) | 8,958 | 14,630 |
| - Stage 3 (Note 23(b)(x)) | 5,934 | (4,168) | 10,494 | 2,217 |
| | <u>8,211</u> | <u>(2,725)</u> | <u>46,160</u> | <u>35,063</u> |
| Impaired advances and financing recovered | <u>(8,923)</u> | <u>(7,939)</u> | <u>(13,131)</u> | <u>(12,027)</u> |
| Total allowance for impairment on advances and financing | <u>(712)</u> | <u>(10,664)</u> | <u>33,029</u> | <u>23,036</u> |

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(Incorporated in Malaysia)

22. Islamic banking business (cont'd.)

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

| | Third Quarter Ended | | Nine Months Ended | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 30 September 2021 RM'000 | 30 September 2020 RM'000 | 30 September 2021 RM'000 | 30 September 2020 RM'000 |
| Bank | | | | |
| (Writeback)/allowance for impairment losses on advances and financing made during the period: | | | | |
| - Stage 1 (Note 23(b)(x)) | (1,967) | 8,214 | 26,708 | 18,216 |
| - Stage 2 (Note 23(b)(x)) | 4,244 | (6,771) | 8,958 | 14,630 |
| - Stage 3 (Note 23(b)(x)) | 7,050 | 1,614 | 13,105 | 9,418 |
| | <u>9,327</u> | <u>3,057</u> | <u>48,771</u> | <u>42,264</u> |
| Impaired advances and financing recovered | (8,923) | (7,940) | (13,131) | (12,028) |
| Total allowance for impairment on advances and financing | 404 | (4,883) | 35,640 | 30,236 |

(i) Commitments

| | Group and Bank | |
|--|--------------------------------|-------------------------------|
| | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| Direct credit substitutes | 193,163 | 178,973 |
| Transaction-related-contingent items | 141,148 | 133,572 |
| Undisbursed financing | | |
| - original maturity up to one year | 187,927 | 129,531 |
| - original maturity more than one year | 1,709,498 | 1,792,148 |
| | <u>2,231,736</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 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 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 | 230,607 | 243,816 |
| General provision for advances and financing* | 47,838 | 6,326 | 47,838 | 6,326 |
| Less: Deferred tax assets | (99,275) | (99,278) | (99,275) | (99,278) |
| Less: Property revaluation reserves | (232,432) | (232,433) | (232,432) | (232,382) |
| Total Tier I capital | 1,184,273 | 1,155,968 | 997,302 | 969,046 |

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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 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 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 [^] | 116,216 | 116,217 | 116,216 | 116,191 |
| Government funds [#] | 426,701 | 406,108 | 426,701 | 406,108 |
| Total Tier II capital | 627,482 | 606,890 | 627,482 | 606,864 |
| Total capital | 1,811,755 | 1,762,858 | 1,624,784 | 1,575,910 |
| Less: Investment in subsidiaries | - | - | - | - |
| Total capital base | 1,811,755 | 1,762,858 | 1,624,784 | 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 RM31,791,000 (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 September 2021 RM'000 | 31 December 2020 RM'000 | 30 September 2021 RM'000 | 31 December 2020 RM'000 |
| 20% | 191,817 | 278,867 | 191,817 | 278,867 |
| 50% | 5,736 | 6,127 | 5,736 | 6,127 |
| 100% | 9,877,032 | 9,281,014 | 9,923,813 | 9,404,803 |
| | 10,074,585 | 9,566,008 | 10,121,366 | 9,689,797 |

Before deducting dividends:

| | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|
| Core capital ratio | 11.755% | 12.084% | 9.853% | 10.001% |
| Risk-weighted capital ratio | 17.983% | 18.428% | 16.053% | 16.264% |

After deducting dividends:

| | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|
| Core capital ratio | 11.755% | 11.946% | 9.853% | 9.864% |
| Risk-weighted capital ratio | 17.983% | 18.290% | 16.053% | 16.127% |

24. Analysis of financial performance

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

| Key Profit or Loss item: | GROUP | | | |
|---|----------------------|----------------------|-----------|--------|
| | Nine months ended | | Variances | |
| | 30 September 2021 | 30 September 2020 | RM'000 | % |
| | RM'000 | RM'000 | RM'000 | % |
| Profit before tax expense and zakat | 69,380 | 26,969 | 42,411 | 157.3% |
| Ratio of profit before tax to average shareholders' funds | 4.31% | 1.78% | - | 2.52% |
| Ratio of profit before tax to average total assets | 0.63% | 0.26% | - | 0.37% |

| Key Balance Sheet | GROUP | | | |
|--|----------------------|----------------------|-----------|----------|
| | As at | | Variances | |
| | 30 September 2021 | 30 September 2020 | RM'000 | % |
| | RM'000 | RM'000 | RM'000 | % |
| Gross loans, advances and financing | 8,126,835 | 7,598,561 | 528,274 | 6.95% |
| Gross impaired loans, advances and financing (%) | 18.12% | 22.00% | - | 3.88% |
| Deposits from customers | 3,533,816 | 4,038,586 | (504,770) | (12.50%) |

SME Bank Group (the "Group") reported pre-tax profit of RM69.38 million for the third quarter of financial year 2021 ("Q3FY21"). It was higher by RM42.41 million from same period last year's PBT of RM26.96 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 nine months period ended 30 September 2021 recorded higher in comparison to 30 September 2020. This was consistent with higher gross financing portfolio of RM8.13 billion as at 30 September 2021 as compared to RM7.60 billion same period last year.

However, net allowances for impairment amounting RM36.31 million was higher against same period last year of RM17.25 million, an increase on of RM19.06 million mainly due to higher impairment on loans, advances and financing by RM17.02 million and financing investment at amortised cost by RM1.51 million.

Ratio of PBT to average shareholders' funds and ratio of PBT to average total assets was calculated at 4.31% and 0.63% respectively as at 30 September 2021.

The Group's total assets strengthen to RM11.22 billion as at 30 September 2021 as compared to RM11.18 billion as at 30 September 2020. This was primarily contributed by higher net loans, advances and financing of RM7.19 billion as at 30 September 2021 as compared to corresponding period last year of RM6.5 billion.

The Group's gross impaired ratio was lower at 18.17% as at 30 September 2021 from 22.00% as at 30 September 2020. As at 30 September 2021, the Group's Risk-Weighted Capital Ratio stood at 18.61% while its Core Capital Ratio stood at 12.40%.