



**SIJIL KETUA AUDIT NEGARA
MENGENAI PENYATA KEWANGAN
PERBADANAN PINJAMAN SABAH
BAGI TAHUN BERAKHIR 31 DISEMBER 2021**

**KETUA AUDIT NEGARA
MALAYSIA**



**SIJIL KETUA AUDIT NEGARA
MENGENAI PENYATA KEWANGAN
PERBADANAN PINJAMAN SABAH
BAGI TAHUN BERAKHIR 31 DISEMBER 2021**

Sijil Mengenai Pengauditan Penyata Kewangan

Pendapat

Saya telah memberikan kuasa kepada firma audit swasta di bawah Subseksyen 7 (3) Akta Audit 1957 [Akta 62] untuk mengaudit Penyata Kewangan Penyata Kewangan Perbadanan Pinjaman Sabah. Penyata kewangan tersebut merangkumi Penyata Kedudukan Kewangan pada 31 Disember 2021 Perbadanan Pinjaman Sabah dan Kumpulan dan Penyata Pendapatan Komprehensif, Penyata Perubahan Dalam Ekuiti, Penyata Aliran Tunai serta Ringkasan Asas Perakaunan Utama bagi tahun berakhir pada tarikh tersebut dan nota kepada penyata kewangan termasuklah ringkasan polisi perakaunan yang signifikan seperti yang dinyatakan pada muka surat 4 hingga 53.

Pada pendapat saya, penyata kewangan ini memberikan gambaran yang benar dan saksama mengenai kedudukan kewangan Perbadanan Pinjaman Sabah dan Kumpulan pada 31 Disember 2021 dan prestasi kewangan serta aliran tunai bagi tahun berakhir pada tarikh tersebut selaras dengan Piawaian Pelaporan Kewangan Malaysia (MFRS) dan keperluan Enakmen Tubuh No.6 tahun 1984.

Asas Kepada Pendapat

Pengauditan telah dilaksanakan berdasarkan Akta Audit 1957 dan International Standards of Supreme Audit Institutions. Tanggungjawab saya diuraikan selanjutnya di perenggan Tanggungjawab Juruaudit Terhadap Pengauditan Penyata Kewangan dalam sijil ini. Saya percaya bahawa bukti audit yang diperoleh adalah mencukupi dan bersesuaian untuk dijadikan asas kepada pendapat saya.

Kebebasan dan Tanggungjawab Etika Lain

Saya adalah bebas daripada Perbadanan Pinjaman Sabah dan Kumpulan serta telah memenuhi tanggungjawab etika lain berdasarkan International Standards of Supreme Audit Institutions.

Maklumat Lain Selain Daripada Penyata Kewangan dan Sijil Juruaudit Mengenainya

Ahli Perbadanan, Perbadanan Pinjaman Sabah bertanggungjawab terhadap maklumat lain dalam Laporan Tahunan. Pendapat saya terhadap Penyata Kewangan Perbadanan Pinjaman Sabah dan Kumpulan tidak meliputi maklumat lain selain daripada penyata kewangan dan Sijil Juruaudit mengenainya dan saya tidak menyatakan sebarang bentuk kesimpulan jaminan mengenainya.

Tanggungjawab Ahli Perbadanan Terhadap Penyata Kewangan

Ahli Perbadanan bertanggungjawab terhadap penyediaan Penyata Kewangan Perbadanan Pinjaman Sabah dan Kumpulan yang memberi gambaran benar dan saksama selaras dengan Piawaian Pelaporan Kewangan Malaysia (MFRS) dan keperluan Enakmen Tubuh No.6 Tahun 1984. Ahli Perbadanan juga bertanggungjawab terhadap penetapan kawalan dalaman yang perlu bagi membolehkan penyediaan Penyata Kewangan Perbadanan Pinjaman Sabah dan Kumpulan yang bebas daripada salah nyata yang ketara, sama ada disebabkan fraud atau kesilapan.

Semasa penyediaan Penyata Kewangan Perbadanan Pinjaman Sabah dan Kumpulan, Ahli Perbadanan bertanggungjawab untuk menilai keupayaan Perbadanan Pinjaman Sabah dan Kumpulan untuk beroperasi sebagai satu usaha berterusan, mendedahkannya jika berkaitan serta menggunakannya sebagai asas perakaunan.

Tanggungjawab Juruaudit Terhadap Pengauditan Penyata Kewangan

Objektif saya adalah untuk memperoleh keyakinan yang munasabah sama ada Penyata Kewangan Perbadanan Pinjaman Sabah dan Kumpulan secara keseluruhannya adalah bebas daripada salah nyata yang ketara, sama ada disebabkan fraud atau kesilapan, dan mengeluarkan Sijil Juruaudit yang merangkumi pendapat saya. Jaminan yang munasabah adalah satu tahap jaminan yang tinggi, tetapi bukan satu jaminan bahawa audit yang dijalankan mengikut International Standards of Supreme Audit Institutions akan sentiasa mengesan salah nyata yang ketara apabila ia wujud. Salah nyata boleh wujud daripada fraud atau kesilapan dan dianggap ketara sama ada secara individu atau agregat sekiranya boleh dijangkakan dengan munasabah untuk mempengaruhi keputusan ekonomi yang dibuat oleh pengguna berdasarkan penyata kewangan ini.

Sebagai sebahagian daripada pengauditan mengikut International Standards of Supreme Audit Institutions, saya menggunakan pertimbangan profesional dan mengekalkan keraguan profesional sepanjang pengauditan. Saya juga:

- a. mengenal pasti dan menilai risiko salah nyata ketara dalam Penyata Kewangan Perbadanan Pinjaman Sabah dan Kumpulan, sama ada disebabkan fraud atau kesilapan, merangka dan melaksanakan prosedur audit yang responsif terhadap risiko berkenaan serta mendapatkan bukti audit yang mencukupi dan bersesuaian untuk memberikan asas kepada pendapat saya. Risiko untuk tidak mengesan salah nyata ketara akibat daripada fraud adalah lebih tinggi daripada kesilapan kerana fraud mungkin melibatkan pakatan, pemalsuan, ketinggalan yang disengajakan, representasi yang salah, atau mengatasi kawalan dalaman;
- b. memahami kawalan dalaman yang relevan untuk merangka prosedur audit yang bersesuaian tetapi bukan untuk menyatakan pendapat mengenai keberkesanan kawalan dalaman Perbadanan Pinjaman Sabah dan Kumpulan;
- c. menilai kesesuaian dasar perakaunan yang diguna pakai, kemunasabahan anggaran perakaunan dan pendedahan yang berkaitan oleh Ahli Perbadanan;
- d. membuat kesimpulan terhadap kesesuaian penggunaan asas perakaunan untuk usaha berterusan oleh Ahli Perbadanan dan berdasarkan bukti audit yang diperoleh, sama ada wujudnya ketidakpastian ketara yang berkaitan dengan peristiwa atau keadaan yang mungkin menimbulkan keraguan yang signifikan terhadap keupayaan Perbadanan Pinjaman Sabah atau Kumpulan sebagai satu usaha berterusan. Jika saya membuat kesimpulan bahawa ketidakpastian ketara wujud, saya perlu melaporkan dalam Sijil Juruaudit terhadap pendedahan yang berkaitan dalam Penyata Kewangan Perbadanan Pinjaman Sabah dan Kumpulan atau, jika pendedahan tersebut tidak mencukupi, pendapat saya akan diubah. Kesimpulan saya dibuat berdasarkan bukti audit yang diperoleh sehingga tarikh Sijil Juruaudit;
- e. menilai persembahan secara keseluruhan, struktur dan kandungan Penyata Kewangan Perbadanan Pinjaman Sabah dan Kumpulan, termasuk pendedahannya, dan sama ada penyata kewangan tersebut telah melaporkan asas-asas urus niaga dan peristiwa-peristiwa yang memberikan gambaran saksama; dan
- f. mendapatkan bukti audit yang mencukupi dan bersesuaian berkaitan maklumat kewangan entiti dan aktiviti perniagaan dalam Kumpulan untuk memberikan pendapat terhadap Penyata Kewangan kumpulan. Saya bertanggungjawab untuk hala tuju, pengawasan dan pelaksanaan pengauditan kumpulan. Saya hanya bertanggungjawab terhadap pendapat saya.

Ahli Perbadanan telah dimaklumkan, antaranya mengenai skop dan tempoh pengauditan yang dirancang serta penemuan audit yang signifikan termasuk kelemahan kawalan dalaman yang dikenal pasti semasa pengauditan.

Saya juga telah memaklumkan ahli perbadanan bahawa saya telah mematuhi keperluan etika yang berkaitan dengan kebebasan, dan telah memaklumkan semua hubungan dan hal-hal lain yang berkemungkinan menjejaskan kebebasan dan langkah pencegahan yang bersesuaian, sekiranya berkaitan.

Laporan Mengenai Keperluan Perundangan dan Peraturan Lain

Berdasarkan keperluan Enakmen Tubuh No.6 Tahun 1984, saya juga melaporkan syarikat subsidiari yang tidak diaudit oleh saya, telah dinyatakan di Nota 5 dan 23 dalam penyata kewangan.

Hal-hal Lain

Sijil ini dibuat untuk Ahli Perbadanan, Perbadanan Pinjaman Sabah berdasarkan keperluan Enakmen Tubuh No.6 tahun 1984 dan bukan untuk tujuan lain. Saya tidak bertanggungjawab terhadap pihak lain bagi kandungan sijil ini.



(MOHD NASRI BIN MOHD NASIR)

b.p. KETUA AUDIT NEGARA
MALAYSIA

KOTA KINABALU, SABAH

13 MEI 2022



Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Audited Financial Statements For the Year Ended 31 December 2021

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Financial Statement For the Year Ended 31 December 2021

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Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Statement by Board Members for the financial year ended 31 December 2021

Chairman	Ybhg. Datuk Seri Panglima Dr. Yee Moh Chai
Deputy Chairman	Tuan Haji Baharuddin @ Abidin Bin AB Wahid (service stopped on 29 January 2021) Datuk Sarinum Binti Sadikun (appointed on 1 January 2021)
Ex-Officio Members	Encik Haji Rusdin @ Musidi bin Riman Encik Bernard Liew Chau Min Encik Muhidin Haji Ismail (retired on 25 May 2021) Encik Dzulkifli Hj Ghulamdin (appointed on 25 May 2021)
Members	Datuk Hj. Safar bin Untong Datuk Haji Kaim bin Kalimin Puan Benita Wong Shing Yee (service stopped on 1 January 2021) Encik Jami Bin Berukang @ Jimmy Berukang (service stopped on 29 January 2021) Tuan Hj. Japar Bin Hj. Awang (service stopped on 29 January 2021) Puan Zaitun Binti Dato Mohd Kassim (appointed on 1 January 2021) Encik Willie Tadam (appointed on 1 January 2021) Encik Nixon Bin Haji Abdul Habi (appointed on 1 January 2021)
Chief Executive Officer/Secretary	Encik George Taitim Tulas
Address	Wisma Perbadanan Pinjaman Sabah Pekan Baru Donggongan Penampang 88805 Kota Kinabalu, Sabah
Banks	AmBank Berhad AmIslamic Bank Berhad Alliance Bank Berhad Alliance Islamic Bank Berhad CIMB Islamic Bank Berhad CIMB Bank Berhad Malayan Banking Berhad Malayan Islamic Bank Berhad Bank Islam Malaysia Berhad Public Bank Berhad Public Islamic Bank Berhad Standard Chartered Bank Berhad

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Statement by Board Members for the financial year ended 31 December 2021 (continued)

In our opinion, the financial statements set out on pages 4 to 50 are properly drawn up in accordance with Credit Corporation Enactment 1981, Malaysian Financial Reporting Standards (MFRS) and generally accepted accounting principles in Malaysia so as to give a true and fair view of the state of affairs of the Corporation as at **31 December 2021** and of the results of its operations and cash flows for the period ended on that date.

Signed on behalf of the Corporation,



YBHG. DATUK SERI PANGlima DR. YEE MOH CHAI
Chairman



ENCIK GEORGE TAITIM TULAS
Secretary

Date: **16 MAR 2022**

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

**Statement by Board Members
for the financial year ended 31 December 2021 (continued)**

Statutory Declaration

I, Chow Siew Ping @ Patricia Chow, being the officer primarily responsible for the financial management of Sabah Credit Corporation, do solemnly and sincerely declare that the financial statements set out on pages 4 to 50 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provision of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by the above named, Chow Siew Ping @ Patricia Chow at Kota Kinabalu in the State of Sabah on



Chow Siew Ping @ Patricia Chow

Before me



16 MAR 2022

Lot 4, Blok A, Tingkat 1, Sedco
Shoplot, Donggongon Newtownship
89500 Penampang, Sabah

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Statements of Financial Position as at 31 December 2021

	Note	Group		Corporation	
		31.12.2021 RM	31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Assets					
Non-Current Asset					
Property and equipment	3	25,506,732	36,134,816	25,506,732	36,134,816
Investment in property	4	9,948,088	-	9,948,088	-
Investment in jointly controlled entity	5	5,427,760	5,458,240	4,123,199	4,123,199
Investment in subsidiary	23	-	-	500,001	-
Loans , advances and financing	10	2,850,254,832	2,789,108,032	2,850,254,832	2,789,108,032
		<u>2,891,137,412</u>	<u>2,830,701,088</u>	<u>2,890,332,852</u>	<u>2,829,366,047</u>
Current Asset					
Cash and bank balances	6	21,392,714	3,702,868	20,908,933	3,702,868
Deposits and placements with financial institutions	7	12,940,787	13,743,457	12,940,787	13,743,457
Financial assets at fair value through profit or loss	8	1,207,082	1,169,049	1,207,082	1,169,049
Other receivables, deposits and prepayment	9	4,966,056	33,017,627	4,964,003	33,017,627
Loans , advances and financing	10	16,456,834	13,252,787	16,456,834	13,252,787
		<u>56,963,473</u>	<u>64,885,789</u>	<u>56,477,639</u>	<u>64,885,788</u>
Total assets		<u>2,948,100,885</u>	<u>2,895,586,876</u>	<u>2,946,810,491</u>	<u>2,894,251,835</u>
Liabilities and Shareholders' Equity					
Non-Current Liabilities					
Borrowings	11	132,323,956	107,636,660	132,323,956	107,636,660
Debt securities issued	12	690,000,000	740,000,000	690,000,000	740,000,000
Employee benefit	14	4,047,509	4,291,721	4,047,509	4,291,721
		<u>826,371,465</u>	<u>851,928,381</u>	<u>826,371,465</u>	<u>851,928,381</u>
Current Liabilities					
Borrowings	11	348,648,408	397,427,982	348,648,408	397,427,982
Debt securities issued	12	1,010,000,000	930,000,000	1,010,000,000	930,000,000
Employee benefit	14	493,027	281,839	493,027	281,839
Other payables, provision and accrual	13	31,535,513	30,209,595	31,534,312	30,209,595
Overdraft	15	134,120	4,469,580	134,120	4,469,580
Tax payable		1,932,898	3,146,754	1,932,898	3,146,754
		<u>1,392,743,966</u>	<u>1,365,535,750</u>	<u>1,392,742,765</u>	<u>1,365,535,750</u>
Total liabilities		<u>2,219,115,431</u>	<u>2,217,464,131</u>	<u>2,219,114,230</u>	<u>2,217,464,131</u>
Share capital	16	200,000,000	200,000,000	200,000,000	200,000,000
Retained earnings		528,985,454	478,122,745	527,696,261	476,787,704
Total Shareholders' Equity		<u>728,985,454</u>	<u>678,122,745</u>	<u>727,696,261</u>	<u>676,787,704</u>
Total Liabilities and Shareholders' Equity		<u>2,948,100,885</u>	<u>2,895,586,876</u>	<u>2,946,810,491</u>	<u>2,894,251,835</u>

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Statement of Comprehensive Income for the financial year ended 31 December 2021

		Group		Corporation	
	Note	31.12.2021 RM	31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Interest income	17	212,060,145	234,940,865	212,060,145	234,940,865
Interest expense	18	(71,146,840)	(83,698,021)	(71,146,840)	(83,698,021)
Net interest income		140,913,305	151,242,844	140,913,305	151,242,844
Non-interest income	19	17,629,752	19,118,358	17,629,752	19,118,358
		158,543,057	170,361,202	158,543,057	170,361,202
Operating expenses	20	(51,882,470)	(47,519,227)	(51,871,770)	(47,519,227)
Other gain/(loss)		(141,002)	51,413	(141,002)	51,413
Share of profits of jointly controlled entity	5	(30,480)	(23,885)	-	-
Depreciation	3	(3,182,125)	(3,227,030)	(3,182,125)	(3,227,030)
Impairment on loan and advances	21	(11,074,456)	(21,425,913)	(11,074,456)	(21,425,913)
Profit before taxation and zakat		92,232,524	98,216,560	92,273,704	98,240,445
Taxation					
- Corporation	22	(22,810,388)	(25,548,893)	(22,810,388)	(25,548,893)
Zakat		(212,576)	(340,594)	(212,576)	(340,594)
Profit after taxation and zakat		69,209,560	72,327,073	69,250,740	72,350,958
Other comprehensive (expense)/income					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Remeasurement		(842,183)	(1,337,545)	(842,183)	(1,337,545)
Total comprehensive income		68,367,377	70,989,528	68,408,557	71,013,413

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Statements of Changes In Equity for the financial year ended 31 December 2021

Group	Note	Attributable to owner of the parent		
		Share capital RM	Retained profits RM	Total RM
At 1 January 2020		200,000,000	424,133,217	624,133,217
Net profit for the financial year		-	72,327,073	72,327,073
Other comprehensive income		-	(1,337,545)	(1,337,545)
Dividend paid		-	(17,000,000)	(17,000,000)
At 31 December 2020		200,000,000	478,122,745	678,122,745

Group	Note	Attributable to owner of the parent		
		Share capital RM	Retained profits RM	Total RM
At 1 January 2021		200,000,000	478,122,745	678,122,745
Consolidation adjustment		-	(4,668)	(4,668)
Adjusted at 1 January 2021		200,000,000	478,118,077	678,118,077
Net profit for the financial year		-	69,209,560	69,209,560
Other comprehensive income		-	(842,183)	(842,183)
Dividend paid	24	-	(17,500,000)	(17,500,000)
At 31 December 2021		200,000,000	528,985,454	728,985,454

Corporation	Note	Attributable to owner of the parent		
		Share capital RM	Retained profits RM	Total RM
At 1 January 2020		200,000,000	422,774,291	622,774,291
Net profit for the financial year		-	72,350,958	72,350,958
Other comprehensive income		-	(1,337,545)	(1,337,545)
Dividend paid		-	(17,000,000)	(17,000,000)
At 31 December 2020		200,000,000	476,787,704	676,787,704

Corporation	Note	Attributable to owner of the parent		
		Share capital RM	Retained profits RM	Total RM
At 1 January 2021		200,000,000	476,787,704	676,787,704
Net profit for the financial year		-	69,250,740	69,250,740
Other comprehensive income		-	(842,183)	(842,183)
Dividend paid	24	-	(17,500,000)	(17,500,000)
At 31 December 2021		200,000,000	527,696,261	727,696,261

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Statements of Cash Flows for the financial year ended 31 December 2021

	Note	Group 31.12.2021 RM	31.12.2020 RM	Corporation 31.12.2021 RM	31.12.2020 RM
Cash flows from operating activities					
Profit before taxation		92,232,524	98,240,445	92,273,704	98,240,445
Adjustments for:					
Depreciation of property and equipment		3,182,124	3,227,030	3,182,124	3,227,030
Taxation		(1,213,856)	65,303	(1,213,856)	65,303
Allowance for impairment losses on loans and advances		11,074,456	21,425,913	11,074,456	21,425,913
Bad loan and advances written off		(282,616)	(44,010)	(282,616)	(44,010)
Net interest income suspended		(1,607,228)	2,431,287	(1,607,228)	2,431,287
Gain on disposal of property, plant and equipment		(23,520)	(93,034)	(23,520)	(93,034)
Loss from joint venture		30,480			
Written off of property, plant and equipment		89,000	-	89,000	-
Other (gain)/loss		842,183	(1,337,545)	842,183	(1,337,545)
Gross dividend income		65,198	(51,413)	65,198	(51,413)
		12,156,221	25,623,531	12,125,741	25,623,531
Operating profit before working capital changes		104,388,745	123,863,976	104,399,445	123,863,976
Decrease/(increase) in operating assets/liabilities					
Loans and advances		(76,315,207)	35,468,928	(76,310,540)	35,468,928
Other receivables, deposits and prepayment		28,038,547	(27,378,262)	28,040,600	(27,378,262)
Other payables, provision and accrual		1,325,917	(3,334,371)	1,324,717	(3,334,371)
		(46,950,743)	4,756,295	(46,945,223)	4,756,295
Cash used in operating activities		57,438,002	128,620,271	57,454,222	128,620,271
Income tax paid		(20,877,490)	(22,402,139)	(20,877,490)	(22,402,139)
Zakat		(212,576)	(340,594)	(212,576)	(340,594)
Net cash used in operating activities		36,347,936	105,877,538	36,364,156	105,877,538
Cash flows from investing activities					
Purchase of property and equipment		(2,741,620)	(2,713,796)	(2,741,620)	(2,713,796)
Investment in Trust Fund		(103,231)	-	(103,231)	-
Proceeds from disposal of property, plant and equipment		174,011	93,107	174,011	93,107
Net cash generated from investing activities		(2,670,840)	(2,620,689)	(2,670,840)	(2,620,689)
Cash flows from financing activities					
Investment in Subsidiary		-	-	(500,001)	-
Dividend paid		(17,500,000)	(17,000,000)	(17,500,000)	(17,000,000)
Net issuance on loan and advances		5,907,722	(119,844,017)	5,907,722	(119,844,017)
Net cash generated from financing activities		(11,592,278)	(136,844,017)	(12,092,279)	(136,844,017)
Net decrease in cash and cash equivalents		22,084,818	(33,587,168)	21,601,037	(33,587,168)
Cash and cash equivalents at beginning of financial year		2,178,366	35,765,534	2,178,366	35,765,534
Cash and cash equivalents at end of financial year		24,263,184	2,178,366	23,779,403	2,178,366
Cash and cash equivalents comprise:					
Cash and bank balances	6	21,392,714	3,702,868	20,908,933	3,702,868
Bank overdraft	14	(134,120)	(4,469,580)	(134,120)	(4,469,580)
Deposits	7	3,004,590	2,945,078	3,004,590	2,945,078
		24,263,184	2,178,366	23,779,403	2,178,366

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Summary of Significant Accounting Policies for the financial year ended 31 December 2021

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

General information

Sabah Credit Corporation was incorporated on 15 June 1955 under Credit Corporation Ordinance, 1955 which was later repealed and replaced by Credit Corporation Enactment, 1981.

The Corporation is principally engaged to promote the economic development of Sabah through financing and facilitating the grant of financial credits to small and medium scaled agricultural, industrial, housing, rural and/or urban developments and to stimulate and facilitate private investments in Sabah by local and external capital funds.

All business activities and transactions are carried out at Wisma PPS situated in Donggongon Township, Penampang and its branches located in major towns of Sabah.

Sabah Credit Corporation has been appointed by the State Government of Sabah to manage the Sabah State Urban Transformation Centre.

There were no significant changes to the principal activities during the financial year.

1 Basis of preparation of the financial statements

The financial statements of the Group and the Corporation have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirement of the Credit Corporation Enactment 1981.

The financial statements are presented in Ringgit Malaysia (RM).

The financial statements have been prepared under the historical cost convention, except as disclosed in the summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the reported period. It also requires board members to exercise their judgement in the process of applying the Group's and the Corporation's accounting policies. Although these estimates and judgement are based on the board members best knowledge of current events and actions, actual results may differ.

(a) Amendments to MFRSs that were Adopted or Early Adopted by the Group and Corporation.

The Group and the Corporation has adopted the following in the current year:

Effective for annual periods commencing on or after 1 January 2021

MFRS 140 'Investment Property'

The details and effects of the changes on the application of the new accounting policies will be explained below.

Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Summary of Significant Accounting Policies for the financial period ended 31 December 2021 (continued)

1 Basis of preparation of the financial statements (continued)

(a) Amendments to MFRSs that were Adopted or Early Adopted by the Group and Corporation (continued)

MFRS 140 Investment Property

Investment property is property owned either by the Group or leased under a finance lease held to earn rental income or to add capital value, or both, not for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Investment properties consist of investment properties that have been completed and properties that are being built or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment property is reached.

Investment properties include transaction costs, initially measured at cost. The cost of replacing part of an existing investment property when the cost is incurred, is included in the amount if the recognition criteria are met. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. The depreciation policy for investment properties is in line with the depreciation policy for property, plant and equipment as set out in Note xx.

Investment properties are derecognised when disposed of or no longer in regular use and no future returns are expected from such disposal. Any gain or loss from the discontinuation or disposal of an investment property is recognized in profit or loss in the year in which it arises. Amendments to or from investment properties are only made when there is a change in use.

2 Critical accounting estimates and judgements

(i) Depreciation of Equipment

The estimates for the residual values, useful lives and related depreciation charges for the equipment are based on commercial and production factors, which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. Management anticipates that the residual values of its equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iii) Impairment losses on loans, advances and financing

The measurement of impairment losses on loans, advances and financing requires judgement. In particular, the estimation of the amount and timing of future cash flows, the assessment of a significant increase in credit risk and incorporation of forward-looking information in the measurement of impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of impairment losses. The impairment losses computed based on the expected credit losses ("ECL") models are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Summary of Significant Accounting Policies for the financial period ended 31 December 2021 (continued)

2 Critical accounting estimates and judgements (continued)

(iii) Impairment losses on loans, advances and financing (continued)

A number of significant judgement are also required in applying the accounting requirements for measuring impairment losses, such as determining criteria for significant increase in credit risk, choosing appropriate models and assumptions for the measurement of impairment losses, establishing the segmentation of loans for purposes of measuring impairment losses on a collective basis, determining the number of economic inputs as well as the effect on default rates and recovery rates, and selecting forward-looking macroeconomic scenarios and determining its probability-weightings.

For credit-impaired loans, advances and financing which are individually assessed, judgement by management is required in the estimation of the amount and timing of future cash flow in the determination of impaired losses. In estimating these cash flows, judgements are made about the realisable value of collateral pledged and the borrower's financial position. These estimations are based on assumptions and the actual result may differ, hence resulting in

(iv) Defined Benefit Plan

The defined obligation is determined based on actuarial valuation. The actuarial valuation involves making assumptions regarding the discount rate, future salary increases and attrition rates. Due to the long term nature of the defined benefit plan, such estimates are subject to significant uncertainty. The amount of defined benefit asset recognised in the statement of financial position is limited to the present value of economic benefits in the form of refunds or reductions in future contributions to the fund. The levels of future contributions to the plan which are used to assess this limit is subject to some uncertainties due to other assumptions made regarding fund membership levels and future salary increases.

3 Summary of significant accounting policies

A Recognition of interest income

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group and the Corporation reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees and guarantee fees which are material are recognised as income based on time apportionment. Service charges and other fee income are recognised as income when the services are rendered.

Dividend income is recognised when the rights to receive payment is established.

Rental income is recognised on an accrual basis based on the rental agreements.

B Recognition of fees and other income (Non-interest income)

Revenue from contracts with customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Summary of Significant Accounting Policies for the financial period ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

B Recognition of fees and other income (Non-interest income) (continued)

Revenue is recognised when a customer obtains control of a goods or services and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

C Financial instruments

Financial assets and financial liabilities are recognised when, and only when the Group and the Corporation become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group and the Corporation has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets and financial liabilities are initially measured a fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating profit income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

D Financial assets

(a) Classification

The Group and the Corporation classify their financial assets into the following categories: at fair value through profit or loss and loans and receivables. Management determines the classifications of its financial assets up-front at the point when transactions are entered into.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise of financial assets held-to-maturity and other financial assets designated by the Group and the Corporation as fair value through profit or loss upon initial recognition.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Summary of Significant Accounting Policies for the financial period ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

D Financial assets (continued)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the settlement date, the date an asset is delivered to or by the Group and the Corporation.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs for securities carried at fair value through profit or loss are taken directly to the profit or loss.

(c) Subsequent measurement

Financial investments at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from de-recognition or impairment of the securities are recognised in the profit or loss.

Interest from financial assets held at fair value through profit or loss and financial investments held-to-maturity is calculated using the effective interest method and is recognised in the profit or loss.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including the transaction costs, and measured subsequently at amortised cost using the effective interest rate method. Interest on loans is included in the profit or loss. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the profit or loss.

E Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial liabilities are derecognised when extinguished.

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

Financial liabilities designated at fair value through profit or loss upon initial recognition. The Corporation does not have any non-derivative financial liabilities designated at fair value through profit or loss.

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost.

F Impairment of financial assets

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Summary of Significant Accounting Policies for the financial period ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

F Impairment of financial assets (continued)

At each reporting date, the Group and the Corporation assess whether financial assets are impaired. In general, a financial asset is impaired when one or more event have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The criteria the Group and the Corporation use to determine that there is objective evidence of impairment loss include indications that the borrower or a group computed in conformity with MFRS 9. Consistent with previous years and the adoption of MFRS 9, the Group and the Corporation has adopted a more stringent classification policy on non-performing loans, whereby loans are classified as non-performing and sub-standard when repayments are in arrears for more than three (3) months from the first day of default or after maturity date.

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

i) Stage 1 : 12-month ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

ii) Stage 2 : Lifetime ECL - non-credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL will be recognised.

iii) Stage 3 : Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that has detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are impaired, a lifetime ECL will be recognised.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss

If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedience, the Group and the Corporation may measure impairment on the basis of an instrument's fair value using an observable market price.

When an asset is uncollectible, it is written-off against the related allowance account. Such assets are written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

If in a subsequent period, the amount of impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Summary of Significant Accounting Policies for the financial period ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

G Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group and the Corporation tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Corporation under standard repurchase agreements transactions is not derecognised because the Group and the Corporation retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

H Property and equipment and depreciation

Freehold land is not depreciated as it has an infinite life and work-in-progress which are not yet for use are not depreciated. Land where the estimate leasing lives exceed 50 years is classified as long-term leasehold land.

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes its purchase price and any cost that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the profit or loss during the financial year in which they are incurred.

Property and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	0.11% to 2.326%
Buildings	2% - 10%
Motor vehicles	20%
Office furniture and equipment	20%
Computer equipment	20%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

I Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Summary of Significant Accounting Policies for the financial period ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

I Impairment of non-financial assets (continued)

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

J Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's and the Corporation's operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities, where there is an intention to settle the balance on a net basis.

K Provision

Provisions are recognised by the Group and the Corporation when all of the following conditions have been met:

- (i) the Group and the Corporation have a present legal or constructive obligation as a result of past event;
- (ii) it is probable that an outflow of resources to settle the obligation will be required; and
- (iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Corporation expect to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Summary of Significant Accounting Policies for the financial period ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

K Provision (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present values of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

L Cash and cash equivalents

Cash and cash equivalents are cash and short-term funds held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with the Group and the Corporation, other short term, highly liquid investments with original maturities of three (3) months or less and the Group's and the Corporation's overdrafts. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents. The Group's and the Corporation's overdrafts are included within borrowings in current liabilities in the statements of financial position.

M Share capital

(a) Classification

Ordinary shares is classified as equity. Other shares are classified as equity and/or liability according to the contractual substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividends

Dividends on ordinary is recognised as a liability when the shareholders' right to receive the dividend is established.

N Investment in jointly controlled entity

The Group treats as a jointly controlled entity, corporations, partnerships or other entities over there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control. Investment in a jointly controlled entity is stated at cost less accumulated impairment losses.

Where there is an indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount. The Group's interest in jointly controlled entities is accounted for in the consolidated Financial Statement by the equity method of accounting.

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Summary of Significant Accounting Policies for the financial period ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

N Investment in jointly controlled entity (continued)

Equity accounting involves recognising the Group's share of the results of the joint venture in the profit or loss. Where necessary, when applying the equity method, adjustments are made to the financial statements of joint venture to ensure consistency of the accounting policies with those of the Group.

O Employee benefit

(a) Defined contribution plans

(i) Short term employee benefits

Wages, salaries, paid annual leave, medical benefits, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group and the Corporation.

The amendments to MFRS 119 require an entity to use actuarial assumptions to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset). As there are no proposed changes in the terms or membership of the Group's and the Corporation's defined benefit plan which may result in plan amendment, curtailment or settlement, the adoption of the amendments is not expected to have any financial impact on the Group and of the Corporation.

(ii) Contribution to Employees Provident Fund ("EPF")

For defined contribution plan, the Group and the Corporation pay contribution to Employee Provident Fund (EPF) on a mandatory basis. The Group and the Corporation have no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses in the period

P Contingent assets and liabilities

The Group and the Corporation do not recognise contingent assets and liabilities other than those arising from business combination, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Corporation or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Corporation. The Group and the Corporation do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Summary of Significant Accounting Policies for the financial period ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

Q Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between initial recognised amount and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

R Lease

(i) Recognition of Lease as a Lessee

The Group and the Corporation consider whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group and the Corporation assess whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group and the Corporation.
- the Group and the Corporation have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the define scope of the contract;
- the Group and the Corporation have the right to direct the use of the identified asset throughout the period of use. The Group and the Corporation assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

(ii) Measurement of Lease as a Lessee

At lease commencement date, the Group and the Corporation recognise a right-of-use asset (other than a leasehold land) and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group and the Bank, an estimate of any costs to dismantle and remove the asset or to restore the asset or the site on which it is located at the end of the lease, and any lease payments made in advance of the lease commencement date, less any lease incentives received.

The right-of-use asset (other than leasehold land) is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, and adjusted for certain measurements of the lease liability, if any.

The lease liability is measured at amortised cost using effective interest method, and is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the incremental borrowing rates of the Bank and the respective entities within the Group.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the lease liability will be reduced for payments made and increased for interest accrued. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Summary of Significant Accounting Policies for the financial period ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

R Lease (continued)

(ii) Measurement of Lease as a Lessee (continued)

The Group and the Corporation present right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

The Group and the Corporation have elected not to recognise right-of-use assets and lease liabilities with lease term of less than 12 months and leases of low value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Leasehold land is recognised at cost on initial measurement. Subsequent to initial recognition, leasehold land is stated at cost less accumulated depreciation and accumulated impairment loss, if any.

Leasehold land is depreciated over the remaining leasehold period. When the use of leasehold land changes from owner-occupied to investment property, the leasehold land is measured to fair value and reclassified as

(iii) Recognition and Measurement of Leases as a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Rental income from operating leases is recognised on a straight-line basis over the lease term.

R Related parties

A party is related to an entity if (referred to as the “reporting entity”):-

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

- i) has control or joint control over the reporting entity;
- ii) has significant influence over the reporting entity; or
- iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

iii) Both entities are joint ventures of the same third party;

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

vi) The entity is controlled or jointly controlled by a person identified in (a) above; or

vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Summary of Significant Accounting Policies for the financial period ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

R Related parties (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

S Basis of consolidation

The consolidated financial statement include the financial statements of the Corporation, its subsidiary companies and its controlled entities up to the end of the financial year.

Control is achieved when the Corporation:

- has power over the investee;
- is exposed, or has rights, to variable returns from the involvement with the investee; and
- has the ability to affect those returns through its power over investee.

The Corporation reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above.

When the Corporation has less than a majority of the voting rights but has rights that are sufficient to give it the practical ability to direct the relevant activities unilaterally, the Corporation considers all facts and circumstances in assessing whether or not the voting rights give it power, including:

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

Subsidiary companies are consolidated from the date on which the Corporation controls, and ceases from the date that control ceases. The financial results of the subsidiary companies are included in the consolidated financial statements from the date that control is obtained until the date that the Corporation loses control.

Changes in the Group's ownership interest in a subsidiary company which does not result in a loss of control are treated as transactions between equity holders and are reported in equity.

If the Corporation loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in the consolidated in profit or loss.

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Notes to the Financial Statements for the financial year ended 31 December 2021

3 Property and equipment

The Group and the Corporation	Capital work-in progress RM	Leasehold land RM	Building RM	Office furniture and equipment RM	Motor vehicles RM	Computer equipment RM	Low value assets RM	Total RM
Cost								
At 1 January 2021	151,000	11,116,400	37,665,415	5,527,140	4,198,879	20,876,861	34,956	79,570,651
Transfer	(694,784)	-	(13,266,449)	-	-	-	-	(13,961,233)
Additions	879,164	-	-	1,178,753	483,467	195,854	4,382	2,741,620
Disposals/write-offs	(53,000)	-	(36,000)	(74,426)	(596,817)	(307,633)	(183)	(1,068,059)
At 31 December 2021	282,380	11,116,400	24,362,966	6,631,467	4,085,529	20,765,082	39,155	67,282,979
Accumulated depreciation								
At 1 January 2021	-	2,371,031	16,635,658	4,216,530	2,639,582	17,538,078	34,956	43,435,835
Transfer	-	-	(3,743,620)	-	-	-	-	(3,743,620)
Adjustment	-	-	(1,740)	-	-	-	-	(1,741)
Charge for the financial year	-	150,537	759,602	486,614	419,041	1,092,424	4,382	2,912,600
Disposals/write-offs	-	-	-	(73,934)	(454,816)	(297,895)	(183)	(826,827)
At 31 December 2021	-	2,521,568	13,649,900	4,629,210	2,603,807	18,332,607	39,155	41,776,247
Net book value								
At 31 December 2020	151,000	8,745,369	21,029,757	1,310,610	1,559,297	3,338,783	-	36,134,816
At 31 December 2021	282,380	8,594,832	10,713,066	2,002,257	1,481,722	2,432,475	-	25,506,732

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Notes to the Financial Statements for the financial year ended 31 December 2021

3 Property and equipment (continued)

The Group and the Corporation	Capital work-in progress RM	Leasehold land RM	Building RM	Office furniture and equipment RM	Motor vehicles RM	Computer equipment RM	Low value assets RM	Total RM
Cost								
At 1 January 2020	611,620	11,116,400	37,356,769	5,045,903	3,685,711	19,415,441	33,322	77,265,166
Transfer	(558,620)	-	-	-	-	558,620	-	-
Additions	98,000	-	308,646	507,716	895,000	902,800	1,634	2,713,796
Disposals/write-offs	-	-	-	(26,479)	(381,832)	-	-	(408,311)
At 31 December 2020	151,000	11,116,400	37,665,415	5,527,140	4,198,879	20,876,861	34,956	79,570,651
Accumulated depreciation								
At 1 January 2020	-	2,220,494	15,437,507	3,827,056	2,589,831	16,508,832	33,322	40,617,042
Charge for the financial year	-	150,537	1,198,151	415,882	431,580	1,029,246	1,634	3,227,030
Disposal/write-offs	-	-	-	(26,408)	(381,829)	-	-	(408,237)
At 31 December 2020	-	2,371,031	16,635,658	4,216,530	2,639,582	17,538,078	34,956	43,435,835
Net book value								
At 31 December 2019	611,620	8,895,906	21,919,262	1,218,847	1,095,880	2,906,609	-	36,648,124
At 31 December 2020	151,000	8,745,369	21,029,757	1,310,610	1,559,297	3,338,783	-	36,134,816

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Notes to the Financial Statements for the financial year ended 31 December 2021

4 Investment Property

The Group and the Corporation

Cost

Transfer

At 31 December 2021

Building RM	Total RM
13,961,233	13,961,233
<u>13,961,233</u>	<u>13,961,233</u>

Accumulated depreciation

Transfer

Charge for the financial year

At 31 December 2021

3,743,620	3,743,620
269,525	269,525
<u>4,013,145</u>	<u>4,013,145</u>

Net book value

At 31 December 2021

9,948,088	9,948,088
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Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Notes to the Financial Statements for the financial year ended 31 December 2021

5 Investment in jointly controlled entity

	Group		Corporation	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM	RM	RM	RM
Unquoted shares, at cost	125,000	125,000	125,000	125,000
Invested capital	3,998,199	3,998,199	3,998,199	3,998,199
Share of the assets and liabilities of jointly controlled entity	<u>1,304,561</u>	<u>1,335,041</u>	<u>-</u>	<u>-</u>
	5,427,760	5,458,240	4,123,199	4,123,199

Name of company	Country of incorporation	Effective equity interest		Principal activities
		31.12.2021	31.12.2020	
		%	%	
Bayview Properties Sdn Bhd	Malaysia	50	50	Property developer

The Group's share of the assets and liabilities of the jointly controlled entity are as follows:

	Group	
	31.12.2021	31.12.2020
	RM	RM
Non-current assets	5,094,470	5,094,470
Current assets	351,397	379,019
Non-current liabilities	(3,999,299)	(3,999,099)
Current liabilities	<u>(17,006)</u>	<u>(14,349)</u>
	1,429,562	1,460,041

The Group's share income and expenses of jointly controlled entity are as follows:

	Group	
	31.12.2021	31.12.2020
	RM	RM
Income	2,486	8,887
Expenses	<u>(32,966)</u>	<u>(32,408)</u>
Profit before taxation	<u>(30,480)</u>	<u>(23,521)</u>
Taxation	-	(364)
Profit after taxation	(30,480)	(23,885)

6 Cash and bank balances

	Group		Corporation	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM	RM	RM	RM
Cash and bank balances with banks and other financial institutions	<u>21,392,714</u>	<u>3,702,868</u>	<u>20,908,933</u>	<u>3,702,868</u>

7 Deposits and placements with banks and other financial institutions

	Group and Corporation	
	31.12.2021	31.12.2020
	RM	RM
Licensed banks		
- Fixed deposit	3,004,590	2,945,078
- Conventional investment securities	6,399,701	7,362,332
Other institution	<u>3,536,496</u>	<u>3,436,047</u>
	12,940,787	13,743,457

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Notes to the Financial Statements for the financial year ended 31 December 2021

8 Financial assets at fair value through profit or loss

	Group and Corporation	
	31.12.2021	31.12.2020
	RM	RM
Investment in quoted securities		
In Malaysia:		
At cost	2,569,035	2,390,000
Less: Accumulated impairment losses	<u>(1,361,953)</u>	<u>(1,220,951)</u>
Net carrying amount	<u>1,207,082</u>	<u>1,169,049</u>

9 Other receivables, deposits and prepayment

	Corporation		Corporation	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM	RM	RM	RM
Deposits	1,730,657	309,276	1,730,657	309,276
Other receivables*	<u>3,235,399</u>	<u>32,708,351</u>	<u>3,233,346</u>	<u>32,708,351</u>
	<u>4,966,056</u>	<u>33,017,627</u>	<u>4,964,003</u>	<u>33,017,627</u>

*Included in other receivable is Foreclosed Properties where these properties have been auctioned but unsuccessful (no bidder). The Corporation has participated in bidding the properties handled by Land Office. The value of the properties was valued by professional valuer and has been approved by the Land Office. As of today, these properties remain as "slow-moving inventory" and full provision has been made until there is a successful buyer.

10 Loans, advances and financing

	Note	Group and Corporation	
		31.12.2021	31.12.2020
		RM	RM
Housing and project loans	10 (i)	2,977,577,577	2,929,585,344
Hire-purchase loans		117,164	214,832
Other loans*		<u>2,777,140</u>	<u>3,444,945</u>
Gross loans and advances		<u>2,980,471,881</u>	<u>2,933,245,121</u>
Less:			
Allowance for losses on loans and advances:			
- individual assessment allowance	10 (ii)	(62,475,971)	(82,164,663)
- collective assessment allowance	10 (ii)	(38,275,107)	(34,006,490)
Interest/income-in-suspense	10 (ii)	(12,816,936)	(14,424,164)
Unknown slip		<u>(192,201)</u>	<u>(288,985)</u>
Total net loans and advances		<u>2,866,711,666</u>	<u>2,802,360,819</u>

(i) Analysis of housing and project loans and personal financing by economic sector are as follows:

	Group and Corporation	
	31.12.2021	31.12.2020
	RM	RM
Government staff housing loans	12,616,093	15,550,830
Urban housing loans	12,837,758	13,451,885
Rural housing loans	177,044	193,411
Industrial, animal husbandry and agriculture	1,389,555	4,325,059
Refinancing loans	435,165	486,747
Executive loans	21,866,695	29,249,917
i-Executive financing	2,888,306,819	2,838,495,385
Staff loans	598,896	630,160
Community loans	11,113	10,352
Mortgage loans	7,787,922	8,596,647
YELS	9,883,315	9,282,226
SME	17,568,088	7,586,554
Macro financing	2,103,756	1,726,171
Revolving loan	1,915,358	-
Agro food	80,000	-
	<u>2,977,577,577</u>	<u>2,929,585,344</u>

*Other loans refer to three low cost housing schemes which was taken over by the Corporation from Lembaga Pembangunan Perumahan dan Bandar (LPPB) on 1 January 1995, 17 November 1999 and 1 January 2005 respectively. Consequently, the Corporation also bears the liability of LPPB owed to the Sabah State Government in relation to the three schemes.

The first scheme comprised of 42 projects in the State of Sabah with an aggregate carrying value of RM35,767,874. The Group and the Corporation took over 2,750 tenancy accounts under this scheme. The second scheme comprised of 6 projects in the State of Sabah with an aggregate carrying value of RM20,772,148. The Group and the Corporation took over 593 tenancy account under this scheme.

The third scheme comprised of 5 projects in the State of Sabah with an aggregate carrying value of RM14,981,992. The Corporation took over 599 tenancy accounts under this scheme.

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Notes to the Financial Statements for the financial year ended 31 December 2021

10 Loans, advances and financing (continued)

	Note	Group and Corporation	
		2021	2020
		RM	RM
(ii) Movement in allowance for individual and collective assessment impairment on loans and advances and interest-in-suspense are as follows:			
Individual assessment impairment			
At 1 January		82,164,663	78,586,093
Allowance made during the financial year	21	40,741,559	52,635,457
Allowance written-back during the financial year	21	(28,262,887)	(29,802,666)
Allowance written off		(26,211,915)	(16,472,174)
ECL adjustment	21	(5,955,449)	(2,782,047)
At 31 December		62,475,971	82,164,663
Collective assessment impairment			
At 1 January		34,006,490	32,675,331
Allowance made during the financial year	21	1,009,740	1,331,159
ECL adjustment	21	3,258,877	-
At 31 December		38,275,107	34,006,490

	Group and Corporation	
	2021	2020
	RM	RM
Interest-in-suspense		
At 1 January	14,424,164	11,992,877
Allowance made during the financial year	11,601,583	11,975,642
Allowance written-back during the financial year	(7,469,850)	(6,990,395)
Allowance written off	(5,738,961)	(2,553,960)
At 31 December	12,816,936	14,424,164

The following is the breakdown of the total loans by repayment period:

	Group and Corporation	
	31.12.2021	31.12.2020
	RM	RM
Repayable within one year	16,456,834	13,252,787
One to five years	424,038,964	332,886,521
Over five years	2,426,215,868	2,456,221,511
	2,866,711,666	2,802,360,819

(iii) The following is the breakdown of the total non-performing gross loans by category:

	Group and Corporation	
	31.12.2021	31.12.2020
	RM	RM
Personal credit	7,281,060	9,461,339
Hire purchase	120,805	221,591
Project loan	10,580,681	10,917,744
Residential properties	10,431,960	10,787,364
Islamic financing	72,233,281	92,207,092
	100,647,787	123,595,130
Gross impaired loan (GIL) ratio	2.94%	3.74%

(iv) Impact on Covid-19

The outbreak of Covid-19 has resulted in global economic and social uncertainties. Malaysian government has announced an unprecedented large-scale social restriction – Movement Control Order (MCO) for the first time effective in 18 March 2020 to curb the outbreak of Covid-19.

In July 2021, Bank Negara has announced to continued the moratorium to all affected individuals (B40, M40 and T20), micro-enterprises, and SMEs. However, the Corporation only granted repayment deferment for 3 months. Applications are open from July 2021 to December 2021 to the existing clients provided the application is approved.

The moratorium has affected the monthly profit estimated of RM18.8 million. However, the monthly profit continue to accrue during the moratorium period.

Perbadanan Pinjaman Sabah

(Ditubuh dibawah Ordinan Perbadanan Pinjaman 1955, seperti yang dipinda)

Notes to the Financial Statements for the financial year ended 31 December 2021

10 Loans, advances and financing (continued)

(v) Movement in provision for doubtful debt

	Note	Collective provision 12-mth ECL RM	Collective provision Lifetime ECL not credit impaired RM	Specific provision Lifetime ECL credit impaired RM	Total RM
2021					
Group and Corporation					
Balance at the beginning of period		32,441,607	1,564,883	82,164,663	116,171,153
Addition during the year:					
- Transfer to 12-Month ECL (Stage 1)	10 (ii)	929,322	-	-	929,322
- Transfer to Lifetime ECL not credit impaired (Stage 2)	10 (ii)	-	3,339,295	-	3,339,295
- Transfer to Lifetime ECL credit impaired (Stage 3)	10 (ii)	-	-	(5,955,449)	(5,955,449)
Written-back during the year	10 (ii)	-	-	(28,262,887)	(28,262,887)
Bad debt written-off	10 (ii)	-	-	(26,211,915)	(26,211,915)
Charges to income statement	10 (ii)	-	-	40,741,559	40,741,559
Total provision for doubtful debt		33,370,929	4,904,178	62,475,971	100,751,078

Perbadanan Pinjaman Sabah

(Ditubuh dibawah Ordinan Perbadanan Pinjaman 1955, seperti yang dipinda)

Notes to the Financial Statements for the financial year ended 31 December 2021

10 Loans, advances and financing (continued)

(v) Movement in provision for doubtful debt

		Collective provision 12-mth ECL RM	Collective provision Lifetime ECL not credit impaired RM	Specific provision Lifetime ECL credit impaired RM	Total RM
2020	Note				
Group and Corporation					
Balance at the beginning of period		31,110,448	1,564,883	78,586,093	111,261,424
Addition during the year:					
- Transfer to 12-Month ECL (Stage 1)	10 (ii)	1,331,159	-	-	1,331,159
- Transfer to Lifetime ECL not credit impaired (Stage 2)	10 (ii)	-	-	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	10 (ii)	-	-	(2,782,047)	(2,782,047)
Written-back during the year	10 (ii)	-	-	(29,802,666)	(29,802,666)
Bad debt written-off	10 (ii)	-	-	(16,472,174)	(16,472,174)
Charges to income statement	10 (ii)	-	-	52,635,457	52,635,457
Total provision for doubtful debt		32,441,607	1,564,883	82,164,663	116,171,153

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Notes to the Financial Statements for the financial year ended 31 December 2021

11 Borrowings

	Group and Corporation	
	31.12.2021	31.12.2020
	RM	RM
Unsecured		
Borrowings from Sabah State Government (i)	369,475,334	344,112,634
Borrowings from licensed banks*	110,000,000	160,000,000
	479,475,334	504,112,634
Interest payable	1,497,030	952,008
Total borrowings	480,972,364	505,064,642

* Borrowings from licensed banks are unsecured facilities include Revolving Credit at an interest rate range between 2.82% to 2.94% (2020: 2.82% to 4.27%) and 4.56% (2020: 4.56%) respectively per annum. Bank overdraft facility is held on negative pledge over all the assets of the Corporation at an interest rate of 6.85% (2020: 6.85%) per annum.

(i) Sabah State Government

Borrowings from Sabah State Government are repayable as follows:

	Interest free RM	Interest bearing RM	Total RM
31.12.2021			
Repayable within one year	-	237,151,378	237,151,378
One to five years	-	61,325,832	61,325,832
Over 5 years	1,000,000	69,998,124	70,998,124
Total	1,000,000	368,475,334	369,475,334
31.12.2020			
Repayable within one year	-	236,475,974	236,475,974
One to five years	-	39,277,216	39,277,216
Over 5 years	1,000,000	67,359,444	68,359,444
Total	1,000,000	343,112,634	344,112,634

Borrowings from Sabah State Government which are repayable within one year, are only payable upon demand by the Sabah State Government.

The interest rate for Sabah State Government ranges between 0% to 7.5% per annum (2020: 0% to 7.5%) per annum.

The following is the breakdown of the total borrowings by repayment period:

	Group and Corporation	
	31.12.2021	31.12.2020
	RM	RM
Repayable within one year	348,648,408	397,427,982
One to five years	61,325,832	39,277,216
Over five years	70,998,124	68,359,444
	480,972,364	505,064,642

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Notes to the Financial Statements for the financial year ended 31 December 2021

12 Debt securities issued

Sukuk is issued under the constitution of unsecured liabilities of the Corporation, and are subordinated to Government loans.

In June 2021, a new RM1.75 billion Islamic Commercial Paper ("ICP") Sukuk Programme has been setup as the RM3.5 billion iCP matured in 2021. The first issuance for the new ICP programme was in June 2021 amounted RM50 million. Under the RM3.5 billion Islamic Medium Term Notes ("iMTN") Musharakah Programmes, 7 tranches of iMTNs amounting RM910 million were rolled over by bearing a range of distribution rate from 1 to 7 years from 2.65% per annum to 3.80% per annum.

13 Other payables, provision and accrual

	Corporation		Corporation	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM		RM	RM
Other payables	5,495,115	6,827,443	5,495,115	6,827,443
Provision *	9,484,133	10,139,113	9,484,133	10,139,113
Accruals	16,556,265	13,243,039	16,555,064	13,243,039
	31,535,513	30,209,595	31,534,312	30,209,595

* Included in the provision are as follows:

a) Provision for Medical Retiree Trust Fund

At 1 January
Adjustment
Restated as at 1 January
Addition during the year
Utilised during the year
At 31 December

Group and Corporation	
2021	2020
RM	RM
3,279,689	3,171,083
(717)	-
3,278,972	3,171,083
101,166	110,951
(56,336)	(2,345)
3,323,802	3,279,689

14 Employee benefits

Gantian Cuti Rehat

At 1 January
Addition during the year
Utilised during the year
Remeasurement
At 31 December

Group and Corporation	
2021	2020
RM	RM
2,817,544	1,942,367
-	183,215
(416,840)	(277,361)
261,836	969,323
2,662,540	2,817,544

Long Service Award

At 1 January
Addition from previous year (under recorded)
Addition during the year
Utilised during the year
Remeasurement
At 31 December

1,756,016	-
-	1,011,823
-	692,188
(458,367)	(316,217)
580,347	368,222
1,877,996	1,756,016

Total employee benefits

4,540,536	4,573,560
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The following is the breakdown of the total employee benefits by repayment period:

	Group and Corporation	
	31.12.2021	31.12.2020
	RM	RM
Repayable within one year	493,027	281,839
Repayable more than one year	4,047,509	4,291,721
	4,540,536	4,573,560

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Notes to the Financial Statements for the financial year ended 31 December 2021

15 Overdraft

	Group and Corporation	
	31.12.2021	31.12.2020
	RM	RM
Bank overdraft/cashline	134,120	4,469,580

16 Share capital

	Group and Corporation	
	2021	2020
	RM	RM
Authorised:		
At 1 January	200,000,000	200,000,000
Issued and fully paid capital:		
Ordinary shares of RM1.00 each		
At 1 January	200,000,000	200,000,000
Issued during the financial year	-	-
At 31 December	200,000,000	200,000,000

17 Interest income

	Group and Corporation	
	31.12.2021	31.12.2020
	RM	RM
Income from Financing*	210,648,687	234,068,819
Profit received from financial institution	1,411,458	872,046
	212,060,145	234,940,865

*Included in the income from financing of the Group and the Corporation is a modification loss of RM18.8 million relating to several relief measures provided by the Group and the Corporation to assist customers that were affected by Covid-19 pandemic.

18 Interest expense

	Group and Corporation	
	31.12.2021	31.12.2020
	RM	RM
Finance cost	71,146,840	83,698,021

19 Non-interest income

	Group and Corporation	
	31.12.2021	31.12.2020
	RM	RM
Fee income		
Fees on loan and advances	1,106,089	2,520,091
Insurance commission	35,630	128,747
Takaful commission	5,482,002	4,495,954
	6,623,721	7,144,792
Other income		
Office rental	317,053	296,961
Income on recovery	5,327,723	4,090,235
Other non-operating income	5,361,255	7,586,370
	11,006,031	11,973,566
Total non-interest income	17,629,752	19,118,358

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Notes to the Financial Statements for the financial year ended 31 December 2021

20 Operating expenses

	Group		Corporation	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM	RM	RM	RM
Personnel costs				
Salary	14,848,525	14,408,474	14,842,816	14,408,474
Bonus	4,531,767	5,124,830	4,531,767	5,124,830
EPF	1,992,284	2,018,172	1,991,894	2,018,172
SOCSO	71,368	66,288	71,316	66,288
Other emoluments	2,405,650	3,952,184	2,405,644	3,952,184
	23,849,594	25,569,948	23,843,437	25,569,948
CSR				
Donation/community service	7,044,824	3,349,078	7,044,824	3,349,078
Talentcorp Expenses	38,741	28,059	38,741	28,059
Talentcorp Trainee Allowance	285,123	194,043	285,123	194,043
Trainee Allowance	-	30	-	30
	7,368,688	3,571,210	7,368,688	3,571,210
Outsourcing fees				
Outsource expenses	241,153	50,784	241,153	50,784
Management fees - ANGKASA	4,472,308	4,101,109	4,472,308	4,101,109
Computer expenses	5,193,679	4,946,741	5,193,679	4,946,741
	9,907,140	9,098,634	9,907,140	9,098,634
Consultancy fees				
Shariah Advisory	36,040	19,080	36,040	19,080
Accounting fees	282,199	250,927	282,199	250,927
Legal fees	25,018	21,243	25,018	21,243
Professional fee	2,475	-	1,378	-
	345,732	291,250	344,635	291,250
Administration and general expenses				
Audit fee	50,800	50,000	50,000	50,000
Advertisement	85,726	33,060	85,726	33,060
Board members expenses	1,818,808	1,438,254	1,818,808	1,438,254
Entertainment	8,884	36,409	8,884	36,409
Expenses on recovery	622,665	652,358	622,665	652,358
Marketing Expense	2,236,456	1,487,847	2,236,456	1,487,847
Rental expenses	34,000	3,500	34,000	3,500
Upkeep of office	1,553,739	1,415,322	1,553,739	1,415,322
UTC expenses	2,430,237	2,534,681	2,430,237	2,534,681
Others	1,570,001	1,336,754	1,567,355	1,336,754
	10,411,316	8,988,185	10,407,870	8,988,185
Total overhead expenses	51,882,470	47,519,227	51,871,770	47,519,227

Included in the board members expenses are Non-Executive Directors' remuneration as follows:

	Corporation	
	31.12.2021	31.12.2020
	RM	RM
Salary	1,071,000	409,419
EPF contribution	54,765	50,380
	1,125,765	459,799

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Notes to the Financial Statements for the financial year ended 31 December 2021

21 Impairment on loans and advances

Note	Group and Corporation	
	31.12.2021 RM	31.12.2020 RM
Write-back of/(allowance for) losses on impaired loans and advances:		
(a) Individual assessment allowance		
- made during the financial year	10 34,786,110	49,853,410
- written-back during the financial year	10 (28,262,887)	(29,802,666)
- additional allowance for write off	282,616	44,010
(b) Collective assessment allowance		
- made during the financial year	10 4,268,617	1,331,159
	11,074,456	21,425,913

22 Taxation

Group and Corporation	
31.12.2021 RM	31.12.2020 RM
Malaysian income tax:	
- current financial year's charge	23,932,898
- under/(over) provision in prior financial years	(1,122,510)
	22,810,388
	22,402,139
	3,146,754
	25,548,893

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to tax income at the effective income tax rate of the Group and the Corporation is as follows:

Group and Corporation	
31.12.2021 RM	31.12.2020 RM
Profit before taxation	92,273,704
Tax calculated at a rate of 24% (2020: 24%)	22,145,689
Tax effects of:	23,577,707
- Income not subject to tax	(1,116,560)
- Expenses not deductible for tax purposes	2,903,769
- under/(over) provision in prior financial years	(1,122,510)
Tax charge for the financial year	22,810,388
	25,548,893

Sabah Credit Corporation

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Notes to the Financial Statements for the financial year ended 31 December 2021

23 Significant related party transaction

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both.

(a) Related parties and relationship

The related parties and their relationship with the Corporation are as follow:

<u>Related parties</u>	<u>Relationship</u>
Sabah State Government	Ultimate Shareholder
Borneo Integrated Resource Sdn Bhd ("BIRSB")	Subsidiary
Key Management personnel	The key management personnel of the Corporation consists of: - All Directors of the Corporation and key management personnel of the Corporation who are in charge of the Corporation

(b) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Corporation either directly or indirectly. The key management personnel of the Group and of the Corporation includes top management and board members of the Corporation.

Remuneration of directors of key management are as follow:

	Group and Corporation	
	31.12.2021	31.12.2020
	RM	RM
Short-term employee benefits		
Salary	749,186	490,541
Bonuses	731,619	636,735
Allowances	581,000	422,225
EPF contribution	208,181	221,453
	2,269,986	1,770,954

(c) Investment in subsidiary

	Corporation	
	2021	2020
	RM	RM
At Cost:		
Unquoted share - in Malaysia	500,001	-
Less: Accumulated impairment loss	-	-
	500,001	-

Name	Company Incorporated	Principal Activities	% equity hold by the Group		% equity holding by non-controlling interest	
Hold by the Corporation:			2021	2020	2021	2,020
Borneo Intergrated Resource Sdn Bhd	Malaysia	Property Administration	100	-	100	-
Hold by Borneo Intergrated Resource Sdn Bhd:						
Borneo Intergrated Pay Sdn Bhd	Malaysia	E-wallet Services	100	-	100	-

All the above subsidiaries are not audited by Jabatan Audit Negara.

24 Dividends

During the financial year, the Corporation paid cash dividend of RM17.5 million in respect of the previous financial year. The dividend approved by the Board members during the 3rd Corporation meeting on 6 July 2021.

25 Capital Commitment

In the normal course of business, the Corporation makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

There is no capital commitment incurred during the year.

Sabah Credit Corporation

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Notes to the Financial Statements for the financial year ended 31 December 2021

26 Financial instruments

(a) Classification of financial instruments

	Group		Corporation	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM	RM	RM	RM
Loans and receivables				
Financing and advances	2,866,711,666	2,802,360,818	2,866,711,666	2,802,360,818
Other receivables	3,235,399	32,708,351	3,233,346	32,708,351
Deposits and placements with financial institutions	12,940,787	13,743,457	12,940,787	13,743,457
Cash and short-term funds	21,392,714	3,702,868	20,908,933	3,702,868
	2,904,280,566	2,852,515,495	2,903,794,732	2,852,515,495
Other financial liabilities				
Borrowings	480,972,364	505,064,642	480,972,364	505,064,642
Debt securities issued	1,700,000,000	1,990,000,000	1,700,000,000	1,990,000,000
Other payables, provision and accrual	31,535,513	30,209,595	31,534,312	30,209,595
Overdraft	134,120	4,469,580	134,120	4,469,580
	2,212,641,997	2,529,743,817	2,212,640,796	2,529,743,817

(b) Risk management objectives and policies

Dashboard committees cum as risk management forms an integral part of the Corporation's activities and is an important feature in all its business operation, deliver channels and decision making processes. The Corporation is able to identify, assess, monitor, manage and report each type of risk, which is critical to its strength, soundness and profitability.

Risk management systems are independently reviewed by the Internal Audit function and communicated to the Board of Members via the Audit & Examination Committee.

The Corporation has exposure to the following risks from its use of financial instruments:

- i) Credit risk
- ii) Market risk
- iii) Liquidity risk

Market risks consist of:

- (i) Foreign currency exchange risk – risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
- (ii) Fair value interest rate risk – risk that the value of a financial instrument will fluctuate due to changes in market interest rates.
- (iii) Cash flow interest rate risk – risk that future cash flows associated with a financial instrument will fluctuate. In the case of a floating rate debt instrument, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.
- (iv) Price risk – risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instrument traded in the market.
- (v) Credit risk – risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.
- (vi) Liquidity risk (funding risk) – risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Sabah Credit Corporation

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Notes to the Financial Statements for the financial year ended 31 December 2021

26 Financial instruments (continued)

(c) Credit risk

Credit risk is the risk of financial loss due to failure by customers or counterparties to financial instrument in meeting their contractual obligations. The Corporation's exposure to credit risk arises principally from financing granted to customers and investment of funds with other counterparties.

The Corporation's financing bases are mainly comprised of personal financing facilities for civil servants. The Corporation enjoys the privilege of direct salary deduction administered by Biro ANGKASA and the State Treasury. The repayment mechanism mitigates the significant credit risk from its large exposure to unsecured personal financing.

The Corporation has a financing policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring financing. Collateral is required for the business and housing financing.

The Corporation has established a comprehensive credit policy that integrates the internal grading system to ensure creditworthiness of potential customers and this is further certified by the formation of a Loan Application Appraisal Committee which analyses loan applications for Board members approval. To further mitigate the credit risk the Corporation faces, a non-performing account (NPA) prevention squad was created. Processes that provide early warning that an account is about to become an NPA have also been placed.

The Corporation writes off a financing upon being assessed and determined as bad loans. Assessment is by way of considering any significant change of clients' financial position, employment status, behaviour and so forth. Write off also takes place on balance outstanding upon disposal of loan securities. The Corporation's write off process has to undergo approval by Bad Debt Sub-Committee and thereafter endorsement by Board members prior to submission to the Ministry of Finance.

(i) Maximum exposure to credit risk

The following table presents the Corporation's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments.

For on-balance sheet assets, the exposure to credit risk equals the carrying amount.

For credit commitments, maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Corporation	
	31.12.2021	31.12.2020
	RM	RM
Cash and cash balance	20,908,933	3,702,868
Deposits and placements with financial institution	12,940,787	13,743,457
Financial assets at fair value through profit or loss	1,207,082	1,169,049
Loans and advances	180,684,536	147,118,409
	215,741,338	165,733,783

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Notes to the Financial Statements for the financial year ended 31 December 2021

26 Financial instruments (continued)

(c) Credit risk (continued)

(ii) Collaterals

In mitigating credit risk on financing and advances granted to customers, collaterals are obtained as follows:

- a) Housing loan - charges over residential properties
- b) Mortgage loan - charges over landed properties
- c) Business loan - charges over landed properties

(iii) Credit quality

(a) Loans and advances

i) Neither past due nor impaired financing and investment securities

These are financing and investment securities from which contractual payment of profit or principal have not defaulted and therefore are not impaired since there is no objective evidence of impairment.

ii) Past due but impaired financing and investment securities

Past due but not impaired financing and investment securities, other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but it is believed that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Corporation.

Loans and advances are summarised as follows:

Group and Corporation	31.12.2021 RM	31.12.2020 RM
Neither past due nor impaired	2,380,492,220	2,309,121,220
Past due but not impaired		
1 month	307,704,577	152,634,361
2 months	134,298,575	237,907,882
3 months	57,328,722	109,986,528
	499,331,874	500,528,771
Past due and impaired		
4 months to 6 months	20,186,583	27,478,403
7 months to 9 months	13,113,472	17,574,739
More than 9 months	67,347,732	78,541,988
	100,647,787	123,595,130
Gross loans and advances	2,980,471,881	2,933,245,121
Less:		
Allowance for losses on loans and advances:		
- individual assessment allowance	(62,475,971)	(82,164,663)
- collective assessment allowance	(38,275,107)	(34,006,490)
Interest/income-in-suspense	(12,816,936)	(14,424,164)
Unknown slip	(192,201)	(288,985)
Total net loans and advances	2,866,711,666	2,802,360,819

Sabah Credit Corporation

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Notes to the Financial Statements for the financial year ended 31 December 2021

26 Financial instruments (continued)

(c) Credit risk (continued)

Customers profile past due and impaired are summarised as follows:

Group and Corporation	31.12.2021	31.12.2020
	RM	RM
Residential property	10,431,960	10,787,364
Hire purchase	120,805	221,591
Islamic financing	72,233,281	92,207,092
Personal credit	7,281,060	9,461,339
Project loan	10,580,681	10,917,744
	<u>100,647,787</u>	<u>123,595,130</u>

(d) Market risk

Market risk is the risk of loss arising from adverse fluctuation in market prices, such as interest rates, equity prices and foreign currency and other macro-economic factors that eventually affect the Corporation's profitability, cash flows and capital preservation.

(i) Profit rate sensitivity analysis

The Group and Corporation finances its operation through internal and external sources of funds. External sources of funds consist of borrowing from Sabah State Government and other financial institution which carries different fixed interest rates. The policy of the Group and Corporation is to maximise the returns of the interests and at the same time able to service the interest costs of various loan portfolios.

Although Group and Corporation has exposure to sensitivity of profit rate due to its investment in quoted securities, Management considers the exposure as not material to the Group's and Corporation's financial statements.

(ii) Equity price risk

Although Group and Corporation has exposure to equity price risk due to its investments in quoted securities, Management considers the risk as not material to the Group's and Corporation's financial statements.

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Notes to the Financial Statements for the financial year ended 31 December 2021

26 Financial instruments (continued)

(d) Market risk (continued)

Exposure to profit rate/ interest rate risk

The tables below summarise the Group's and the Corporation's exposure to profit rate risks. Included in the tables are the Group's and the Corporation's financial assets and financial liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As profit rates and yield curves change over time, the Group and the Corporation may be exposed to loss in earnings due to the effects of profit rates on the structure of the statements of financial position. Sensitivity to profit rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

Group and Corporation 31.12.2021	1-12 months RM	1 – 5 years RM	Over 5 years RM	Non-profit sensitive RM	Total RM
Assets					
Cash and short-term funds	20,908,933	-	-	-	20,908,933
Deposits and placements with financial institutions	12,940,787	-	-	-	12,940,787
Other receivables	-	-	-	3,233,346	3,233,346
Loans and advances	16,456,834	424,038,964	2,426,215,868	-	2,866,711,666
Total assets	50,306,554	424,038,964	2,426,215,868	3,233,346	2,903,794,732

Group and Corporation 31.12.2021	1 to 12 months RM	1 – 5 years RM	Over 5 years RM	Non-profit sensitive RM	Total RM
Liabilities					
Borrowings	348,648,408	61,325,832	69,998,124	1,000,000	480,972,364
Debt securities issued	1,010,000,000	380,000,000	310,000,000	-	1,700,000,000
Other payables, provision and accrual	-	-	-	31,534,312	31,534,312
Overdraft	134,120	-	-	-	134,120
Total liabilities	1,358,782,528	441,325,832	379,998,124	32,534,312	2,212,640,796

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Notes to the Financial Statements for the financial year ended 31 December 2021

26 Financial instruments (continued)

(d) Market risk (continued)

Exposure to profit rate risk (continued)

The tables below summarise the Group's and the Corporation's exposure to profit rate risks. Included in the tables are the Group's and the Corporation's financial assets and financial liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As profit rates and yield curves change over time, the Group and the Corporation may be exposed to loss in earnings due to the effects of profit rates on the structure of the Statements of Financial Position. Sensitivity to profit rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

Group and Corporation 31.12.2020	1 to 12 months RM	1 – 5 years RM	Over 5 years RM	Non-profit sensitive RM	Total RM
Assets					
Cash and short-term funds	3,702,868	-	-	-	3,702,868
Deposits and placements with financial institution	13,743,457	-	-	-	13,743,457
Other receivables	-	-	-	32,708,351	32,708,351
Loans and advances	13,252,787	332,886,521	2,456,221,511	-	2,802,360,819
Total assets	30,699,112	332,886,521	2,456,221,511	32,708,351	2,852,515,495

Group and Corporation 31.12.2020	1 to 12 months RM	1 – 5 years RM	Over 5 years RM	Non-profit sensitive RM	Total RM
Liabilities					
Borrowings	397,427,982	39,277,216	67,359,444	1,000,000	505,064,642
Debt securities issued	930,000,000	630,000,000	110,000,000	-	1,670,000,000
Other payables, provision and accrual	-	-	-	30,209,595	30,209,595
Overdraft	4,469,580	-	-	-	4,469,580
Total liabilities	1,331,897,562	669,277,216	177,359,444	31,209,595	2,209,743,817

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)

Notes to the Financial Statements for the financial year ended 31 December 2021

26 Financial instruments (continued)

(e) Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arises from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. The Corporation practices prudence concept in managing liquidity risks by maintaining sufficient cash and the availability of funding through certain committed facilities.

The Corporation diversified its sources of funds where the borrowings maturity profile are identified and the Corporation maintain optimum ratios of long term funding. This ratio significantly match the ratio of long term financing receivable determined based on customers' contracted terms of repayment and payment patterns.

As Corporation does not have access to deposit taking, it has become increasingly more dependent on bank borrowing and the debt capital market, thus exposing it to refinancing and liquidity risk.

(i) Liquidity risk of assets and liabilities

The main thrust of liquidity management is the projection up to one year of the maturity profile of the Corporation's assets, liabilities and off-balance sheet commitments from a given position.

The focus is on ability of the Corporation to match its short-term liquidity requirements arising from maturing obligations with maturing assets, followed by a medium term assessment of liquidity of up to one year. The primary basis for determining the appropriate time bands is the contractual maturity, which is when the cash flows crystallises.

Group and Corporation 31.12.2021	1 to 12 months RM	1 – 5 years RM	Over 5 years RM	Non-profit sensitive RM	Total RM
Liabilities					
Borrowings	348,648,408	61,325,832	69,998,124	1,000,000	480,972,364
Other payables, provision and accrual	-	-	-	31,534,312	31,534,312
Overdraft	134,120	-	-	-	134,120
Debt securities issued	1,010,000,000	380,000,000	310,000,000	-	1,700,000,000
Total liabilities	1,358,782,528	441,325,832	379,998,124	32,534,312	2,212,640,796

Sabah Credit Corporation

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Notes to the Financial Statements for the financial year ended 31 December 2021

26 Financial instruments (continued)

(e) Liquidity risk (continued)

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arises from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. The Corporation practices prudence concept in managing liquidity risks by maintaining sufficient cash and the availability of funding through certain committed facilities.

The Corporation diversified its sources of funds where the borrowings maturity profile are identified and the Corporation maintain optimum ratios of long term funding. This ratio significantly match the ratio of long term financing receivable determined based on customers' contracted terms of repayment and payment patterns.

As Corporation does not have access to deposit taking, it has become increasingly more dependent on bank borrowing and the debt capital market, thus exposing it to refinancing

(i) Liquidity risk of assets and liabilities

The main thrust of liquidity management is the projection up to one year of the maturity profile of the Corporation's assets, liabilities and off-balance sheet commitments from a given position.

The focus is on ability of the Corporation to match its short-term liquidity requirements arising from maturing obligations with maturing assets, followed by a medium term assessment of liquidity of up to one year. The primary basis for determining the appropriate time bands is the contractual maturity, which is when the cash flows crystallises.(continued)

Group and Corporation 31.12.2020	1 to 12 months RM	1 – 5 years RM	Over 5 years RM	Non-profit sensitive RM	Total RM
Liabilities					
Borrowings	397,427,982	39,277,216	67,359,444	1,000,000	505,064,642
Other payables, provision and accrual	-	-	-	30,209,595	30,209,595
Overdraft	4,469,580	-	-	-	4,469,580
Debt securities issued	930,000,000	630,000,000	110,000,000	-	1,670,000,000
Total liabilities	1,331,897,562	669,277,216	177,359,444	31,209,595	2,209,743,817

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Notes to the Financial Statements for the financial year ended 31 December 2021

26 Financial instruments (continued)

(e) Fair value measurement

The Corporation measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active market where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2.

In cases where quoted prices are generally not available, the Corporation then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's and the Corporation's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's and the Corporation's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Group and the Corporation recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input.

- (i) The table below summarises the fair value hierarchy of the Group's and the Corporation's financial assets and liabilities measured at fair values.

Group and Corporation 31.12.2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at fair value through profit or loss				
- quoted securities	<u>1,207,082</u>	-	-	<u>1,207,082</u>
	<u>1,207,082</u>	-	-	<u>1,207,082</u>
31.12.2020				
Financial assets				
Financial assets at fair value through profit or loss				
- quoted securities	<u>1,169,049</u>	-	-	<u>1,169,049</u>
	<u>1,169,049</u>	-	-	<u>1,169,049</u>

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Notes to the Financial Statements for the financial year ended 31 December 2021

26 Financial instruments (continued)

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with banks and financial institutions

For deposits and placements with banks and other financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market profit rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Loans and advances

The value of fixed rate loans with remaining maturity of less than one year and floating rate loans are estimated to approximate their carrying amounts. For fixed rate loans with remaining maturity of more than one year, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of individual assessment allowance, being the expected recoverable amount.

Deposits and placements of other financial institutions

The estimated fair values of deposits and placements of other financial institutions with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market profit rates with similar remaining period to maturities.

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in 'other assets and liabilities' are assumed to approximate their fair values as these items are short term in nature.

Valuation of financial instruments not carried at fair value

Set out below is a comparison of the carrying amount and fair value of the financial instruments that are not measured at fair value in the

		Carrying amount		Fair value	
	Note	31.12.2021 RM	31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Group and Corporation					
Financial assets					
Financing and advances	10	2,866,711,666	2,802,360,818	2,866,711,666	2,802,360,818
Other receivables	9	3,233,346	32,708,351	3,233,346	32,708,351
Deposits and placements with financial institutions	7	12,940,787	13,743,457	12,940,787	13,743,457
Cash and bank balance	6	20,908,933	3,702,868	20,908,933	3,702,868
		2,903,794,732	2,852,515,495	2,903,794,732	2,852,515,495
Other financial liabilities					
Borrowings	11	480,972,364	505,064,642	480,972,364	505,064,642
Debt securities issued	12	1,700,000,000	1,990,000,000	1,700,000,000	1,990,000,000
Other payables, provision and accrual	13	31,534,312	30,209,595	31,534,312	30,209,595
Overdraft	15	134,120	4,469,580	134,120	4,469,580
		2,212,640,796	2,529,743,817	2,212,640,796	2,529,743,817

Sabah Credit Corporation

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Notes to the Financial Statements for the financial year ended 31 December 2021

27 Islamic Banking Business

The state of affairs as at 31 December 2021 and results for the year ended on this date under the Islamic banking business of the Corporation are summarised as follows:

Statements of financial position as at 31 December 2021

	Note	Corporation	
		31.12.2021 RM	31.12.2020 RM
Assets			
Current Asset			
Cash and bank balances		182,054	71,378
Islamic investment	c	3,625,953	2,624,814
Fixed deposits	d	300,000	300,000
Other receivables, deposits and prepayment	e	171,651,213	125,645,031
Financing and advances	f	2,786,087,086	2,722,734,306
Total assets		2,961,846,306	2,851,375,529
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Borrowings	g	110,000,000	160,000,000
Debt securities issued	h	690,000,000	740,000,000
		800,000,000	900,000,000
Current Liabilities			
Debt securities issued	h	1,010,000,000	930,000,000
Other payables, provision and accrual	i	12,466,426	10,944,191
Overdraft	j	133,593	4,462,264
		1,022,600,019	945,406,455
Total liabilities		1,822,600,019	1,845,406,455
Share capital		112,000,000	112,000,000
Retained earnings		1,027,246,287	893,969,074
Total Shareholders' Equity		1,139,246,287	1,005,969,074
Total Liabilities and Shareholders' Equity		2,961,846,306	2,851,375,529

Sabah Credit Corporation

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Notes to the Financial Statements for the financial year ended 31 December 2021

27 Islamic Banking Business (continued)

Statement of comprehensive income for the period ended 31 December 2021

		Corporation 31.12.2021 RM	31.12.2020 RM
Note			
Financing income	k	207,039,915	229,495,464
Profit expense	l	(68,912,010)	(82,938,403)
Net profit income		138,127,905	146,557,061
Non-profit income	m	12,813,281	12,126,094
		150,941,186	158,683,155
Operating expenses	n	(5,348,895)	(4,584,574)
Impairment on financing and advances	o	(12,102,502)	(28,696,350)
Profit before taxation and zakat		133,489,789	125,402,231
Zakat		(212,576)	(340,594)
Profit after taxation/total comprehensive income		133,277,213	125,061,637

Statement of changes in equity for the period ended 31 December 2021

	Attributable to owner of the parent		
	Share capital	Retained profits Restated	Total Restated
	RM	RM	RM
2020			
At 1 January	112,000,000	768,907,437	880,907,437
Net profit for the financial year	-	125,061,637	125,061,637
At 31 December	112,000,000	893,969,074	1,005,969,074

	Attributable to owner of the parent		
	Share capital	Retained profits	Total
	RM	RM	RM
2021			
At 1 January	112,000,000	893,969,074	1,005,969,074
Net profit for the financial year	-	133,277,213	133,277,213
At 31 December	112,000,000	1,027,246,287	1,139,246,287

Sabah Credit Corporation

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Notes to the Financial Statements for the financial year ended 31 December 2021

27 Islamic Banking Business (continued)

Statements of cash flows for the financial year ended 31 December 2021

	Corporation	
	31.12.2021	31.12.2020
		Restated
	RM	RM
Cash flows from operating activities		
Profit before taxation	133,489,789	125,402,231
Adjustments for:		
Allowance for impairment losses on financing and advances	12,102,503	28,696,351
Bad debt written off	(44,986)	(9,932)
Net profit suspended	(416,546)	1,699,583
	11,640,971	30,386,002
Operating profit before working capital changes	145,130,760	155,788,233
Decrease/(increase) in operating assets/liabilities		
Financing and advances	(74,993,751)	45,520,323
Other receivables, deposits and prepayment	(46,006,181)	(23,583,853)
Other payables, provision and accrual	1,522,236	29,259,111
	(119,477,696)	51,195,581
Cash used in operating activities	25,653,064	206,983,814
Zakat	(212,576)	(340,594)
Net cash used in operating activities	25,440,488	206,643,220
Cash flows from investing activities		
Purchase of investment securities	(1,001,141)	(353,056)
Net cash generated from investing activities	(1,001,141)	(353,056)
Cash flows from financing activities		
Net issuance on financing and advances	(20,000,000)	(210,000,000)
Net cash generated from financing activities	(20,000,000)	(210,000,000)
Net decrease in cash and cash equivalents	4,439,347	(3,709,836)
Cash and cash equivalents at beginning of financial year	(4,090,886)	(381,050)
Cash and cash equivalents at end of financial year	348,461	(4,090,886)
Cash and cash equivalents comprise:		
Cash and bank balances	182,054	71,378
Bank overdraft	(133,593)	(4,462,264)
Deposits	300,000	300,000
	348,461	(4,090,886)

Sabah Credit Corporation

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Notes to the Financial Statements for the financial year ended 31 December 2021

27 Islamic Banking Business (continued)

Notes to the financial statements for the year ended 31 December 2021

(a) Significant accounting policies

The accounting policies adopted by the Islamic banking business are consistent with those adopted by the Corporation as disclosed in the summary of accounting policies of the Corporation.

(b) Basis of preparation

The financial statements of the Islamic banking business have been prepared on the accrual basis and are in accordance with the accounting standards.

(c) Islamic investment

	Note	31.12.2021 RM	31.12.2020 RM
Total Islamic Investment Securities		<u>3,625,953</u>	<u>2,624,814</u>

(d) Deposits

		31.12.2021 RM	31.12.2020 RM
Fixed deposits (Mudharabah)		<u>300,000</u>	<u>300,000</u>

(e) Other receivable

		31.12.2021 RM	31.12.2020 RM
Other receivables		<u>171,651,213</u>	<u>125,645,031</u>

(f) Financing and advances

		31.12.2021 RM	31.12.2020 RM
Bai Al Inah financing		2,888,306,818	2,838,495,385
Less:			
Allowance for losses on financing and advances:			
- individual assessment allowance		(58,644,018)	(76,123,945)
- collective assessment allowance		(37,466,268)	(33,111,142)
Profit-in-suspense		(6,109,346)	(6,525,892)
Unknown slip		(100)	(100)
Total net financing and advances		<u>2,786,087,086</u>	<u>2,722,734,306</u>

Movements in the allowance for bad and doubtful financing and profit-in-suspense are as follows:

		2021 RM	2020 RM
Individual assessment impairment			
At 1 January		76,123,945	65,327,464
Allowance made during the financial year	o	36,886,457	48,892,528
Allowance written-back during the financial year	o	(24,666,824)	(25,881,983)
Allowance written off		(25,182,317)	(15,630,354)
ECL adjustment	o	(4,517,243)	3,416,290
At 31 December		<u>58,644,018</u>	<u>76,123,945</u>

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Notes to the Financial Statements for the financial year ended 31 December 2021

27 Islamic Banking Business (continued)

Notes to the financial statements for the period ended 31 December 2021 (continued)

	Note	2021 RM	2020 RM
Collective assessment impairment			
At 1 January		33,111,142	30,851,559
Allowance made during the financial year	o	940,872	2,259,583
ECL adjustment	o	3,414,254	-
At 31 December		<u>37,466,268</u>	<u>33,111,142</u>
At % of gross financing and advances less specific allowance and profit-in-suspense			
		<u>1.50%</u>	<u>1.50%</u>
Interest-in-suspense			
At 1 January		6,525,892	4,826,309
Allowance made during the financial year		8,464,972	8,476,991
Allowance written-back during the financial year		(5,270,717)	(4,581,362)
Allowance written off		<u>(3,610,801)</u>	<u>(2,196,046)</u>
At 31 December		<u>6,109,346</u>	<u>6,525,892</u>
(g) Borrowings			
		31.12.2021 RM	FALSE RM
Unsecured, Financing from licensed banks		<u>110,000,000</u>	<u>160,000,000</u>
(h) Debt securities issued			
Sukuk is issued under the constitution of unsecured liabilities of the Corporation, and are subordinated to Government loans.			
In June 2021, a new Islamic Commercial Paper ("ICP") Sukuk Programme has been setup as the RM3.5 billion iCP matured in 2021. The first issuance for the new ICP programme was in June 2021 amounted RM150 million. Under the RM3.5 billion Islamic Medium Term Notes ("iMTN") Musharakah Programmes, 3 tranches of iMTNs amounting RM230 million were rolled over by bearing a range of distribution rate from 2 to 7 years from 3.07% per annum to 3.80% per annum.			
(i) Other payables, provision and accrual			
		31.12.2021 RM	31.12.2020 RM
Provision		1,261,205	1,805,584
Accruals		<u>11,205,221</u>	<u>9,138,607</u>
		<u>12,466,426</u>	<u>10,944,191</u>

Sabah Credit Corporation

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Notes to the Financial Statements for the financial year ended 31 December 2021

27 Islamic Banking Business (continued)

Notes to the financial statements for the period ended 31 December 2021 (continued)

(j) Overdraft

	Note	31.12.2021 RM	31.12.2020 RM
Cashline		133,593	4,462,264

(k) Interest income

		31.12.2021 RM	31.12.2020 RM
Income from Financing		205,996,604	229,072,856
Profit received from financial institution		1,043,311	422,608
		<u>207,039,915</u>	<u>229,495,464</u>

(l) Profit expense

		31.12.2021 RM	31.12.2020 RM
Financing		68,912,010	82,938,403

(m) Non-profit income

		31.12.2021 RM	31.12.2020 RM
Fee income			
Fees on financing and advances		920,889	2,373,534
Takaful commission		5,482,042	4,495,954
		<u>6,402,931</u>	<u>6,869,488</u>
Other income			
Income on recovery		3,819,797	2,487,309
Other non-operating income		2,590,553	2,769,297
		<u>6,410,350</u>	<u>5,256,606</u>
Total non-profit income		<u>12,813,281</u>	<u>12,126,094</u>

(n) Operating expenses

		31.12.2021 RM	31.12.2020 RM
Shariah Advisory		36,040	19,080
Expenses on recovery		417,285	506,572
Marketing Expense		4,893,648	4,042,475
Others		1,922	16,447
		<u>5,348,895</u>	<u>4,584,574</u>

(o) Impairment on financing and advances

		31.12.2021 RM	31.12.2020 RM
Write-back of/(allowance for) losses on impaired financing and advances:			
(i) Individual assessment allowance			
- made during the financial year	f	32,369,214	52,308,818
- written-back during the financial year	f	(24,666,824)	(25,881,983)
- additional allowance for write off		44,986	9,932
(ii) Collective assessment allowance			
- made during the financial year	f	4,355,126	2,259,583
		<u>12,102,502</u>	<u>28,696,350</u>