THE TRANSFORMATION JOURNEY
(2010 - 2017)
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The Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) was established following the restructuring of Bank Pembangunan dan Infrastruktur Malaysia Berhad (BPIM) and Bank Industri dan Teknologi Malaysia Berhad (BITM) in 2005.

Wholly-owned by the Ministry of Finance Inc, SME Bank commenced operations on 3 October 2005 as a Development Financial Institution (DFI) regulated by Bank Negara Malaysia and supervised by the Ministry of International Trade and Industry (MITI).

Today, the Bank is dedicated to accelerate the growth of Malaysian SMEs by functioning as a one-stop financing and business development centre.

Its principal activities are to provide financing as well as financial and business advisory services to Malaysian SMEs within the pre-defined categories framed within the SME classification guidelines of the National SME Development Council.

The Bank strives to hasten the financing process of eligible SMEs to meet financing needs as well as support their business growth requirements through the provision of timely advisory service through better segmentation of financial and non-financial needs of SMEs by industry, stage of growth and product and market potentials.
In 2010, SME Bank rolled out a Five-Year Transformation Roadmap (2010-2015) which primary objective is to streamline its business model and operational processes. Among others, the exercise entailed the introduction of a new set of vision and mission as well as core values for the Bank.

The core focus encompassed three key areas:
- Restructuring and transformation;
- Self-sustaining and global standard, and
- Pushing for greater financial inclusivity.

**Restructuring and transformation**
A major accomplishment under the five-year transformation plan was the unveiling of Project Wisdom in 2012 which eventually paved the way for a switch from the conventional banking system to Shariah principles in the Bank’s daily operations effective 18 June 2015.

In July 2013, SME Bank unveiled a new brand identity alongside the launch of a new logo as it entered into the second phase of its transformation programme. The exercise was significant in that it highlighted the need to strike a balance between self-sustainability and maximising performance through further expansion and market outreach.

Eventually, SME Bank incorporated a new business model which focuses on enhancing its financing ecosystem so as to be driven by the desired outcomes while enabling it to play a more meaningful role in the national economic transformation agenda.
This led to the introduction of specific intervention programme that focuses on selected Bank customers. Upward migration was facilitated by changing delinquents to performing clients; improving the risk or SCORE rating; improving from NEED to MERIT; moving from BEST to TERAS; and progressing from local sales to exports.

Other initiatives under the Bank’s transformation plan include the changing of its IT systems to the current one to improve its service delivery, efficiency and data accuracy.

**Self-sustaining and global standard**
As a result of its various strategies in turning around the business, the Bank became a self-sustaining entity during the second stage of the five years transformation plan thus becoming less dependent on Government funds. This resulted in SME Bank being able to pay dividends to the Government since 2012.
2012 was also the year SME Bank introduced its maiden RM3 billion Sukuk (Islamic bond) which enabled the Bank to revamp its business while at the same time empower the SMEs ecosystem by providing additional funds to assist more SMEs.

The Bank embarked on measures to strengthen its balance sheet by addressing the issue of legacy impaired financing. Towards this end, a proactive and structural reform programme was initiated through the establishment of SMEB Asset Management Sdn Bhd (SAM) in 2015 to manage stress assets belonging to the Bank.

To date, the Bank has recouped its accumulated losses while its shareholders’ fund has surged 87% to RM1.43 billion from RM765 million in 2010.

**Pushing for greater financial inclusivity**
The third stage of the transformation plan which is currently running is the Bank’s focus on bridging the financing gap especially amongst the un-served and underserved segments of the SME entrepreneurs.

**Playing the development role**
Delivering the mandate given by the Government that is nurturing and developing the SMEs remains top priority at SME Bank. This is evident judging from the 38% market share amongst the DFIs that the Bank has garnered thus far.

Since its establishment in 2005, the SME Bank has approved a total financing amounting RM26 billion and assisted more than 15,000 SME entrepreneurs. The Bank’s Upward Migration programme has successfully upgraded 1085 SME businesses to a higher level.

Meanwhile, the Centre for Entrepreneur Development and Research Sdn Bhd (CEDAR), the Bank’s wholly-owned subsidiary, has successfully coached more than 33,000 participants in various SME entrepreneurial training programmes. CEDAR was established in 2013 to offer various unique and effective entrepreneur development and coaching programmes.

Financial inclusivity is the main focus of the Bank and reaching the target groups directly is the key to the Bank’s success. In 2016, the Bank held its outreach programmes in 13 locations nationwide and the first national level outreach programme called SME Bank XCESS.
The Transformation Journey

Coached >34,000 participants

CUSTOMER SATISFACTION INDEX
AVG 87.9%
80% Target

UPWARD MIGRATION
SMEs migrated upward.

Nurtures 15,000 SMEs with RM26 billion approval since 2005.
XCESS 2016 attracted approximately 1,200 participants. In total, the Bank has reached more than 3,000 SME entrepreneurs. Following encouraging response from the SMEs community, SME Bank XCESS has been turned into a yearly affair.

To entice innovative entrepreneurs who aspire to leverage the digital technology to expand their businesses, SME Bank has rolled out the Business in Digital Startup Programme or BID-it. In essence, BID-it aims to propagate new and innovative business ventures that incorporate digitalisation and cross border transaction through technology and e-commerce as business enablers especially for startups.

At the end of the journey, BID-it will be a platform for entrepreneurs to be considered for funding while being offered structured nurturing programmes from the point of ideation to the point of commercialisation.

Efforts in making 2017 as the promotional year for startup and SMEs as emphasised under Budget 2017 has become a reality with the launch of the i-SMART or the SME Bank Upward Migration and Acceleration Programme.

The objective of this programme is to escalate the business of selected entrepreneurs into the global market. Started as Skim Anjakan Usahawan, i-SMART aims to create entrepreneurs who are competent to compete globally through an effective financial management, capacity building, strategic marketing and facilitation assistance from SME Bank. The Ministry of International Trade and Industry (MITI) has allocated a fund amounting to RM60 million for this purpose.

In sync with the Government’s initiatives of embracing the future through adoption of digital technology, the Bank is leveraging on Financial Technology (FinTech), Big Data Analytics and Digital Marketing in its various initiatives.

In this aspect, the Bank launched its Mobile App in April 2015 with the aim of providing convenience for entrepreneur to contact the Bank from mobile devices. SME Bank’s Mobile App can be downloaded from the App Store and Play Store.
Another good example how the Bank embraces technology is the introduction of “Book Your Banker” (BYB) feature in the SME Bank Mobile App that will enable entrepreneurs to secure an on-line appointment to meet up with the Bank’s officer at a branch of their choice and at a time convenient for them.
In keeping up with the distinct shift of the capital market towards Shariah-compliant banking, SME Bank joined the club of Shariah-compliant financiers upon completion of its Project Wisdom project in June 2015. Project Wisdom successfully transformed the Bank’s business model from that of a conventional Development Finance Institution (DFI) to one which adopts Shariah principles in its operations.

As of end-May 2017, 92% of the Bank’s assets are already Shariah-compliant compared to a mere 15% during the Bank’s inception in October 2005.

The above progress is welcome given the World Islamic Banking Competitiveness Report 2016 published by Ernst & Young has acknowledged the need for financial institutions to focus on high-impact opportunities in the likes of payments, mortgages and small investment accounts given they “appear to have the highest pay-off.”

More broadly, the nine core Islamic banking markets – Bahrain, Qatar, Indonesia, Saudi Arabia, Malaysia, United Arab Emirates, Turkey, Kuwait and Pakistan – which together account for 93% of industry assets, continues to show strong growth of 16% to US$882 billion in 2014 (from US$490 billion in 2010) despite political and economic volatility in the major regions. The value of Islamic industry assets was estimated to exceed US$920 billion in 2015.
SME capai 88.8 peratus pembiayaan patuh syariah

Bank SME jadi DFI patuh Syariah

SME Bank goes Shariah compliant

SME Bank capai 90% Islamic financing portfolio

Capacity building continuous in Islamic finance

SME Bank capai sasaran jadi IKP patuh syariah
SME Bank’s efforts in bridging the financing gap as well as developing the SME entrepreneurs through its comprehensive initiatives have proven to be successful when the Bank’s financing portfolio posted 12% growth or RM6 billion in 2016 from RM5.4 billion in 2015.

This achievement has contributed towards the Bank successfully recouping its accumulated losses by having retained earnings of RM109 million as opposed to accumulated losses of RM598 million in 2010.

SME Bank also recorded an almost 40% rise in pre-tax profit to RM67 million for its Financial Year (FY) 2016 from RM48 million in 2015, buoyed by higher contribution from banking operations and better investment returns.

Its impressive FY2016 financial performance is further supported by continued growth in gross income of the Bank’s Islamic banking business which grew at 15% to RM336 million from RM292 million.

The Bank has also received the approval to convert its RM500 million financing facilities extended by Ministry of Finance to equity, thus resulting in the Bank strengthening its paid-up capital to RM1.85 billion from RM1.35 billion in 2016, a major improvement from RM755 million in 2010.
KEY PERFORMANCE INDICATORS (2010 - 2016)

FINANCING PORTFOLIO GROWTH CAGR: 7.4%
From RM3.9 bil to RM6.0 bil

FINANCING BEFORE TAX & ZAKAT CAGR: 17.6%
From RM3.9 bil to RM6.0 bil

ASSET GROWTH CAGR: 8.3%
From RM6.6 bil to RM10.6 bil

SHAREHOLDERS’ FUND GROWTH CAGR: 11%
From RM765 mil to RM1.4 bil

FINANCIAL APPROVAL GROWTH CAGR: 24.4%

CAGR: Cumulative Annual Growth Rate
The pinnacle of SME Bank’s achievement at the international level is its acceptance to be a member of The Montreal Group (TMG) in June 2017. TMG is an exclusive global forum for state-owned development banks focused on assisting micro, small and medium-sized enterprises.

Founded in 2012 by seven members with a total estimated combined assets of US$2 trillion (RM8.9 trillion), TMG was established to encourage exchange of ideas, best practices and foster greater understanding of the international market for the growth of SMEs.

Recognised as the first and only DFI in Malaysia and ASEAN to be a member of TMG, SME Bank led the Malaysian delegates for the trade mission in Helsinki, Finland on IOT (Internet of Things) and CleanTech sector in addition to attending the Annual General Meeting in June 2017. SME Bank presented a paper on future modality of DFIs and chosen to be part of the working group for innovation and digital banking. Datuk Mohd Radzif Mohd Yunus, then Group Managing Director of SME Bank is also a member of the Board for The Montreal Group.

There are eight current members of TMG, namely the Business Development Bank of Canada; Banco Nacional De Desenvolvimento Economico E Social (Brazil); Banque Publique d’Investissement (France); China Development Bank; Nacional Financiera Banca de Desarollo (Mexico); Small Industrial Development Bank of India; Finnvera (Finland) and Saudi Industrial Development Fund (Saudi Arabia). With the addition of SME Bank, TMG’s membership has grown to nine.

Being accepted to the Group is part of the Bank’s journey in achieving its vision towards becoming a full-fledged specialised financial institution – an international benchmark for nurturing SME excellence.
Accepted as a member in June 2017.
Enriching our people to serve the SMEs is the centre of everything that we do. Various staff up-skilling, re-skilling and talent development programmes are regularly conducted to ensure staff are equipped with the necessary skills and competence to undertake their tasks effectively and efficiently.

In total, the Bank introduced three initiatives under its people and cultural transformation agenda that include the Corporate Teambuilding, Internalising Mindset & Shared Values (In-MINDS) and Brand Internalisation (BRAIN) programmes.
Driven by the tagline ‘New Look with Renewed Commitment’, the BRAIN Project was launched in 2014 to enhance the Bank’s service delivery internally and also externally. Various initiatives were organised with the aim to enhance the BRAIN brand values of Care, Empathy and Subject Matter Expert to ensure that staff embrace these values in their daily activities. This is further complemented by the adoption of Blue Ocean Strategy (BOS) to develop blockbuster products and enhancing operational efficiency (by spurring productivity and improving turnaround time).
In line with the Bank's adoption of the Shariah principles in its operations and to ensure the work force is well versed in Islamic banking operations and management, SME Bank conducted the Certified in Islamic Development Banking (CIDB) programme in collaboration with the Institute of Banking and Islamic Finance of Malaysia (IBFIM) in early 2014. As at to-date, 538 employees have been certified through this programme.
On 10 October 2015, SME Bank honoured its clients with the inaugural SME Bank Entrepreneur Awards in conjunction with its 10th anniversary celebration. Five categories of awards were presented to top performing clients, namely the SME Bank Most Promising Entrepreneur Award; the SME Bank Most Innovative Entrepreneur Award; the SME Bank Women Entrepreneur Award; the SME Bank Most Outstanding Entrepreneur Award, and the SME Bank Perdana Award (for the overall champion).

Also in conjunction with its 10th anniversary celebration, the Bank set aside an initial RM200 million allocation to roll out its very own Women Entrepreneur Financing Programme (WEP) fund.

WEP aims to provide assistance to women entrepreneurs to finance their business expansion. The financing is for between RM500,000 and RM2.5 million with margin of financing for working capital of up to 100% except for renovation, and up to 90% for purchase of business assets.

### SME BANK ENTREPRENEUR AWARD WINNER

#### SME Bank Perdana Award
Encik Shamsul Bahrain (Advance Pact Sdn Bhd)

#### SME Bank Most Outstanding Entrepreneur Award
1. Encik Shamsul Bahrain (Advance Pact Sdn Bhd)
2. Y.Bhg. Dato’ Hj Ramly bin Mokni (Ramly Food Processing Sdn Bhd)

#### SME Bank Most Promising Entrepreneur Award
1. Encik Mohd Pozi bin Hassan (Pozi Food Services)
2. Puan Siti Sulaida binti Hamzah (Road Asphalt Sdn Bhd)

#### SME Bank Women Entrepreneur Award
1. Puan Norsharina binti Mohd Shahar (Gaia Plas Sdn Bhd)
2. Puan Noor Azimah binti Mustafa (Era Lab Sdn Bhd)

#### SME Bank Innovative Entrepreneur Award
1. Y.Bhg. Dato’ Ir. Muhammad Gunto Mansor Tobeng bin Mansor Tobeng (Gading Kencana Sdn Bhd)
2. Y.Bhg. Dato’ Goh Hwan Hua (I-Serve Technology Sdn Bhd)
The Transformation Journey
In the quest to nurture the spirit of entrepreneurship amongst the younger generation, the SME Bank Y-Biz Challenge has remained steadfast as a viable platform to create successful young entrepreneurs. Since the inaugural competition took place in 2012, the event has attracted 409 teams involving 1,344 secondary school students.

The quality of products on display continues to improve and schools have started to market their products domestically and abroad. For example, the D’Lapique – a portable tablecloth used in schools, kindergartens and canteens throughout Malaysia – which is a brainchild of SMK Malim, Melaka, has sold more than 18,000 units.

Elsewhere, the “E-Pro Buster”, a pest repellent gel developed by Madrasah Idrisiah, Kuala Kangsar, Perak has sold more than 31,000 units. The product is today distributed in Malaysia, Indonesia and Brunei.

Winners of Y-Biz Challenge have participated in international competition and won various prestigious awards. Among others, SM Sains Hulu Selangor who emerged the Y-Biz champion for 2014 bagged a gold medal at the European Exhibition of Creativity and Innovation 2015 (EurolInvent 2015) while SM St. Michael of Penampang, Sabah received a silver award at the Istanbul International Inventions Fair 2016 (ISIF 2016).

Moreover, the Y-Biz Challenge 2013 itself was awarded the Plaque of Merit in the Corporate Social Responsibility Programme category in conjunction with the Association of Development Financing Institutions in Asia and the Pacific’s (ADFIAP) 37th annual meeting held in Moscow, Russia from 23 to 25 April 2014.
Aside from the SME Bank Y-Biz Challenge which focuses primarily on secondary school pupils, SME Bank has developed yet another entrepreneurship programme by introducing the 90-Business Days Challenge which targets students of Community Colleges under the purview of the Higher Education Ministry.

Based on the reality show concept, the 90 Days Business Challenge is intended to produce graduates who are able to position themselves as job creators (as opposed to being job seekers). Participation in the 90 Days Business Challenge has reached 93% with 560 students being involved in the Challenge.

In addition to Y-Biz Challenge and 90 Days Business Challenge, SME Bank continuously contribute to society through its various CSR activities as well as zakat contributions.
ZAKAT CONTRIBUTION & CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES
The Bank has to date received a total of 23 awards locally and internationally. At the international level, SME Bank was recently conferred a Merit Award under the Outstanding Development Projects category for its Human Capital Development programme during the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Awards 2017.

Also at the ADFIAP Awards 2017, SME Bank was adjudged the winner in the Trade Development category for its Exporter Programme as well as Special Award winner for the Best Website.

Earlier, SME Bank Group Managing Director Datuk Radzif Mohd Yunus was named the Outstanding CEO during ADFIAP Awards 2016 for his contributions to the Bank.

At the local front and in March 2017, SME Bank was chosen as the Most Supportive Bank for the Government’s Guarantee Schemes by Syarikat Jaminan Pembiayaan Perniagaan Bhd (SJPP). The Bank has also received five years in a row the Sahabat Negara SME Recognition Award (2015, 2014, 2013, 2012, 2011) by the SME Association of Malaysia for the Bank’s efforts in nurturing and developing SMEs in the country.

Below is the full list of the awards conferred to SME Bank (as of end-May 2017):

- Merit Award under the Outstanding Development Projects category for Human Capital Development programme during the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Awards 2017.
- Winner in the Trade Development category for Exporter Programme at the ADFIAP Awards 2017.
Special Award for Best Website at ADFIAP Awards 2017.
Top SME Supporter Award at the SME Association of Malaysia’s Platinum Business Awards 2016.
Outstanding Development Project Award for the Graduate Entrepreneur Fund or Tabung Usahawan Siswazah 2 (TUS 2) at the ADFIAP Awards 2016.
Best Sustainability Report at the ADFIAP Awards 2016.
Top F1 Partner Award (Overall) at the Credit Guarantee Corporation Malaysia Bhd SME Awards 2015.
Top F1 Partner Award (Development Financial Institutions) at the Credit Guarantee Corporation Malaysia Bhd SME Awards 2015.
Silver Award for the Employer of Choice Category during the Malaysia HR Awards 2015 by the Malaysian Institute of Human Resource Management.
Plaque of Merit for Young Entrepreneur Innovation Programme (SME Bank Y-Biz Challenge) at the ADFIAP Awards 2014.
Most Preferred Brand in Banking 2012 by the Brand Laureate SMEs Best Brand Awards
Plaque of Merit for IQ-Dagang at the ADFIAP Awards 2011.
The past seven years have witnessed the emergence of SME Bank as a formidable Development Financial Institution (DFI) following holistic efforts to strengthen the Bank’s foundation as the financier of choice among aspiring entrepreneurs.

SME Bank’s unique value proposition of “Beyond Financing” in developing SMEs has been recognised both at the international as well as local level. Acceptance as a member of The Montreal Group, amongst others, is a testimony of how SME Bank has contributed to the development of SMEs in the country.

From a humble beginning, SME Bank has grown to be a formidable player in the SME landscape. The foundations are now strongly laid and the future promises to be very exciting with abundance of opportunities to take the Bank into the next leap of success.