




INTEGRATED
ANNUAL
REPORT
2019

LAPORAN
TAHUNAN
BERSEPADU
2019



UNLOCKING
**DIGITAL
INNOVATION**

MERUNGKAI INOVASI DIGITAL



**TRANSFORMED.
DIGITALLY YOURS.
DITRANSFORMASI.
SISTEM DIGITAL UNTUK ANDA.**



**SME
BANK**
GROUP



A CLICK TO PICK

A SELF REGULATED B2B PLATFORM.
PLATFORM B2B SELIAAN SENDIRI.



DO YOU
KNOW?
ADAKAH
ANDA
TAHU?

ODELA is a digital solution that the Bank launched in 2019 to provide access to a more systematic and informative e-Commerce platform especially for business-to-business (B2B) activities.

ODELA adalah penyelesaian digital yang diperkenalkan oleh Bank pada 2019 untuk memberi akses kepada satu platform e-Dagang yang lebih sistematik dan informatif khususnya bagi aktiviti perniagaan-kepada-perniagaan (B2B).







FACILITATING FINANCING
FOR MICRO AND SMALL ENTERPRISES.
MEMUDAHKAN PEMBIAYAAN
UNTUK PERUSAHAAN MIKRO DAN KECIL.



DO YOU
KNOW?
ADAKAH
ANDA
TAHU?

ScoreXcess is a one-stop online platform that uses artificial intelligence (AI) to evaluate the capabilities and needs of micro and small entrepreneurs and matches them with suitable financing products within only 48 hours upon application.

ScoreXcess adalah platform dalam talian setempat yang menggunakan kecerdasan buatan (AI) untuk menilai keupayaan dan keperluan usahawan mikro dan kecil dan memadankan mereka dengan produk pembiayaan bersesuaian hanya dalam tempoh 48 jam selepas permohonan dibuat.



APPLY ANYTIME ANYWHERE.

MOHON BILA-BILA MASA DI MANA SAHAJA.



DO YOU
KNOW?
ADAKAH
ANDA
TAHU?

MySMEBank is online application system with a fully digitalised process which provides end-to-end customer experience, enabling them to enjoy faster approvals for their financing applications.

MySMEBank adalah sistem permohonan dalam talian dengan proses digital lengkap yang menyediakan perkhidmatan kepada pelanggan bagi membolehkan mereka mendapat kelulusan permohonan pembiayaan dengan lebih pantas.







OUR EFFICIENCY FOR YOUR BENEFIT.

KECEKAPAN KAMI DEMI KEPENTINGAN ANDA.



**DO YOU
KNOW?**

**ADAKAH
ANDA
TAHU?**

LifeXcess is a comprehensive web-based human resource (HR) system built on Web technology which incorporates self-service features for staff to manage HR related functions, which subsequently translates into time saved to efficiently increase productivity. SecureXcess is a digital solution which provides access for our staff to the Bank's network from any internet, enabled location, allowing work to be done remotely and efficiently.

LifeXcess adalah sistem sumber manusia (HR) komprehensif berbasaskan web yang dibina dengan teknologi Web yang merangkumi ciri-ciri kendali sendiri bagi kakitangan menguruskan fungsi-fungsi HR yang menyumbang kepada penjimatan masa untuk membolehkan kami mempertingkatkan produktiviti dengan lebih cekap. SecureXcess adalah penyelesaian digital yang menyediakan akses bagi kakitangan kami kepada rangkaian Bank dari mana-mana lokasi dengan capaian internet, membolehkan kerja dilakukan dari jauh dengan cekap.



Strong Teamwork and Integrity	Managing Stakeholders	Innovation via Technology	Leadership and Growth	Efficiency and Productivity (Lean)
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LIVING OUR CORE VALUES MENERAPKAN NILAI KORPORAT KAMI

WE DELIVER THE BEST BY LIVING OUR CORE VALUES OF **S**TRONG TEAMWORK AND INTEGRITY; **M**ANAGING STAKEHOLDERS; **I**NNOVATION VIA TECHNOLOGY; **L**EADERSHIP AND GROWTH; AND **E**FFICIENCY AND PRODUCTIVITY (LEAN). 2019 WAS A DEFINING YEAR FOR SME BANK AS IT MARKED THE FIRST FULL YEAR OF LIVING THESE CORE VALUES, APTLY ABBREVIATED AS **S.M.I.L.E.**

KAMI MENGHASILKAN YANG TERBAIK DENGAN MENERAPKAN NILAI-NILAI KORPORAT KAMI IAITU KERJA BERPASUKAN DAN BERINTEGRITI (*STRONG TEAMWORK AND INTEGRITY*); PENGURUSAN BERHEMAH PIHAK BERKEPENTINGAN (*MANAGING STAKEHOLDERS*); INOVASI MELALUI TEKNOLOGI (*INNOVATION VIA TECHNOLOGY*); KEPIMPINAN DAN KEMAJUAN (*LEADERSHIP AND GROWTH*); DAN KECEKAPAN DAN PRODUKTIVITI (*EFFICIENCY AND PRODUCTIVITY*). 2019 MERUPAKAN TAHUN BERMAKNA BAGI SME BANK KERANA IA MENYAKSIKAN TAHUN PERTAMA KAMI MENERAPKAN SEPENUHNYA NILAI-NILAI KORPORAT INI, YANG DIRINGKASKAN SEBAGAI S.M.I.L.E.

With these revised corporate values, we validated the underlying strength of our business, our strategy for continued growth and long term sustainability, and the quality of our service leadership.

Our results are attributed to the commitment of our over 1,000 employees who have tirelessly worked to achieving the Bank's strategic objectives and, above all, living our core values.

STRONG TEAMWORK AND INTEGRITY thus comes top in our list of core values, because without our people, none of our desired outcome would have ever been possible. We apply our commitment to behaving ethically across our business and operations. And by maintaining a high ethical culture, we shape our organisation as a responsible business.

Dengan nilai-nilai korporat yang dikaji semula ini, kami mengesahkan kekukuhan perniagaan kami, strategi untuk pertumbuhan berterusan dan kemampuan jangka panjang dan kualiti kepimpinan perkhidmatan kami.

Keputusan prestasi kami adalah hasil komitmen lebih 1,000 pekerja kami yang tanpa jemu berusaha mencapai matlamat strategik Bank dan paling utama, menerapkan nilai-nilai korporat kami.

KERJA BERPASUKAN DAN BERINTEGRITI adalah yang teratas dalam senarai nilai korporat kami, oleh kerana tanpa pekerja kami, tiada satupun hasil yang dihasratkan ini akan tercapai. Kami komited untuk menjalankan perniagaan dan operasi dengan penuh beretika. Dan dengan mengekalkan budaya etika yang tinggi, kami membentuk organisasi kami sebagai perniagaan yang bertanggungjawab.

LIVING OUR CORE VALUES MENERAPKAN NILAI KORPORAT KAMI

Inherent in our values are both passion for the work we do and profound understanding of the impact that work has on our stakeholders, which translates into the bright future of the nation's economy.

Many small and medium enterprises (SMEs) are dependent on the products and services we are entrusted to design and offer. We earn their trust, as well as the trust of our other stakeholders, every day through the values-based leadership of our people. **MANAGING STAKEHOLDERS** is thus important to us for it is because of them that we exist.

With our stakeholders in mind, we constantly find ways to innovate and technology is undeniably the most promising way to achieve it. Such a value of **INNOVATION VIA TECHNOLOGY** has brought us to introducing new ways of doing business which ultimately benefit our customers.

Living this third core value has resulted in the Bank's strengthening its position as the country's leading Development Financial Institution (DFI). Along with innovation, our value of **LEADERSHIP AND GROWTH** are intrinsic to every decision we make. We know that as we shape our organisation to grow, we are shaping the growth of our customers and the nation's economy.

While we are extremely proud of these values, it also comes with deep reflection on the fact that we must always ensure we do not derail from being efficient and productive. This is an area from which we should never compromise or lose focus on. It is something that we must always prioritise and sustain. We shall thus be forever dedicated to our final but never the least important value, which is **EFFICIENCY AND PRODUCTIVITY (LEAN)**.

It is our commitment to living these values that has resulted in the outstanding performance in 2019 where we recorded a triple digit growth in profit. It is this same commitment that, in spite of uncertain business environment, has allowed us to continue to be the DFI of choice for SMEs.

Apa yang wujud dalam nilai-nilai kami adalah kesungguhan menjalankan tanggungjawab yang diamanahkan dan pemahaman mendalam akan impak kerja ini kepada pihak berkepentingan kami, yang diterjemahkan kepada masa depan yang cerah bagi ekonomi negara.

Banyak perusahaan kecil dan sederhana (PKS) bergantung kepada produk dan perkhidmatan yang diamanahkan untuk kami bangukan dan tawarkan. Kami meraih kepercayaan mereka, serta pihak berkepentingan lain, setiap hari melalui kepimpinan berasaskan nilai para kakitangan kami. **PENGURUSAN BERHEMAH PIHAK BERKEPENTINGAN** adalah penting bagi kami lantaran kerana merekalah kami wujud.

Dengan mengutamakan pihak berkepentingan, kami secara berterusan mencari jalan untuk berinovasi, dan tidak dinafikan bahawa teknologi adalah cara paling berkesan untuk mencapainya. Nilai **INOVASI MELALUI TEKNOLOGI** telah membawa kami untuk memperkenalkan cara-cara baharu menjalankan perniagaan yang akhirnya memanfaatkan para pelanggan kami.

Penerapan nilai korporat ketiga ini telah membuahkan hasil, dengan Bank mengukuhkan kedudukannya sebagai Institusi Pembangunan Kewangan (DFI) terkemuka negara. Seiring dengan inovasi, nilai **KEPIMPINAN DAN KEMAJUAN** terkandung dalam setiap keputusan yang kami ambil. Kami sedar apabila kami membentuk organisasi untuk maju, kami juga membentuk kemajuan para pelanggan dan ekonomi negara.

Sungguhpun kami berbangga dengan nilai-nilai ini, kami sedar akan hakikat bahawa kami perlu sentiasa memastikan kami tidak tersasar daripada menjadi cekap dan produktif. Ini adalah sesuatu yang tidak akan sesekali kami abaikan atau hilang tumpuan tetapi akan selalu diutamakan dan dikekalkan. Oleh itu kami akan selama-lamanya berpegang teguh kepada nilai terakhir kami yang sama pentingnya, iaitu **KECEKAPAN DAN PRODUKTIVITI**.

Ia adalah komitmen kami untuk menerapkan nilai-nilai ini yang menghasilkan prestasi cemerlang pada 2019 di mana kami mencatat pertumbuhan tiga digit dalam keuntungan. Ia adalah komitmen yang sama dan di sebalik persekitaran perniagaan tidak menentu, telah membolehkan kami terus menjadi DFI pilihan PKS.

LIVING OUR CORE VALUES MENERAPKAN NILAI KORPORAT KAMI

KEY INITIATIVES

AS WE LIVE THESE REVISED CORE VALUES, WE REFLECT ON THIS PAST YEAR AND THE KEY INITIATIVES BY HIGHLIGHTING SOME OF THE ACTIVITIES WHICH ARE FUNDAMENTAL TO OUR VALUES STRATEGY.

These programmes and activities are part of the efforts to further inculcate the S.M.I.L.L.E. culture within the Bank.

- Distribution of S.M.I.L.L.E. stickers and wobblers to all employees to be displayed at work stations.
- Creation of a one-minute video competition on subjects related to S.M.I.L.L.E.
- Nomination and selection of S.M.I.L.L.E. icons from among the employees.
- Quiz and discovery on S.M.I.L.L.E. with five weekly winners.
- Online self-learning and interactive Q&A sessions.
- Corporate Social Responsibility (CSR) activities emphasizing on the S.M.I.L.L.E. principles.
- S.M.I.L.L.E.-Care-Comply (SMILE2C) Roadshows.

IN SUMMARY

WE BEGAN 2019 LIVING OUR NEWLY REVISED CORE VALUES THAT PROVIDE A SOLID FOUNDATION FOR OUR CONTINUED GROWTH.

A number of significant outcomes have been recorded, among them the record breaking profit and the launch of digital services. Beyond all these, our many achievements throughout the year are the results of our outstanding work and commitment to living our core values which will continue for many more years ahead.

INISIATIF UTAMA

SAMBIL KAMI MENERAPKAN NILAI-NILAI KORPORAT YANG DIKAJI SEMULA INI, KAMI MENGIMBAU SEGALA INISIATIF UTAMA TAHUN LALU DENGAN MENYENARAIKAN BEBERAPA AKTIVITI YANG PENTING BAGI STRATEGI NILAI KAMI.

Program dan aktiviti ini adalah sebahagian daripada usaha untuk terus memupuk budaya S.M.I.L.L.E. dalam Bank.

- Pengedaran pelekat dan wobbler S.M.I.L.L.E. kepada semua kakitangan untuk diletakkan di meja kerja mereka.
- Penghasilan video satu minit mengenai subjek yang berkaitan dengan S.M.I.L.L.E.
- Pencalonan dan pemilihan ikon S.M.I.L.L.E. daripada kalangan kakitangan.
- Kuiz dan pengetahuan mengenai S.M.I.L.L.E. dengan lima pemenang mingguan.
- Pembelajaran sendiri secara dalam talian dan sesi soal jawab interaktif.
- Aktiviti Tanggungjawab Sosial Korporat menekankan kepada prinsip-prinsip S.M.I.L.L.E.
- Jerayawara S.M.I.L.L.E.-Care-Comply (SMILE2C).

RUMUSAN

KAMI MEMULAKAN TAHUN 2019 DENGAN MENERAPKAN NILAI-NILAI KORPORAT YANG DIKAJI SEMULA YANG MENYEDIAKAN ASAS KUKUH BAGI PERTUMBUHAN BERTERUSAN KAMI.

Beberapa hasil signifikan telah dicatatkan, antaranya adalah keuntungan terbaik dalam sejarah Bank serta pelancaran perkhidmatan digital. Disebalik pencapaian kami sepanjang tahun ini, ianya adalah hasil kerja cemerlang dan komitmen dalam penerapan nilai-nilai korporat kami yang akan berterusan untuk tahun-tahun akan datang.





smile

Strong Teamwork and Integrity Managing Stakeholders Innovation via Technology Leadership and Growth Efficiency and Productivity (Lean)





KNOW US BETTER KENALI KAMI

SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BERHAD (SME BANK) WHICH WAS ESTABLISHED IN 2005 IS NOW ONE OF THE NATION'S LEADING DEVELOPMENT FINANCIAL INSTITUTIONS (DFIs) WHOLLY OWNED BY THE MINISTRY OF FINANCE (MOF). THE BANK IS REGULATED BY BANK NEGARA MALAYSIA (BNM) AND IS SUPERVISED BY THE MINISTRY OF ENTREPRENEUR DEVELOPMENT AND COOPERATIVES (MEDAC).

SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BERHAD (SME BANK) YANG DITUBUHKAN PADA 2005 KINI MERUPAKAN SALAH SATU DARIPADA INSTITUSI KEWANGAN PEMBANGUNAN (DFI) TERKEMUKA YANG DIMILIKI SEPENUHNYA OLEH KEMENTERIAN KEWANGAN (MOF). SME BANK DIKAWAL SELIA OLEH BANK NEGARA MALAYSIA (BNM) DAN DI BAWAH PENGAWASAN KEMENTERIAN PEMBANGUNAN USAHAWAN DAN KOPERASI (MEDAC).

SME Bank is fully committed in driving the nation's economic growth by providing not only financing assistance, but also development expertise to small and medium scale enterprises, allowing those businesses to prosper and grow.

The Bank plays an important role in supporting the Malaysian Government's economic and development initiatives such as the National Key Economic Areas (NKEAs) (2010-2020) and the Financial Sector Blueprint (2011-2020).

Over the last decade, the Bank has progressed tremendously in its operations and also human capital developments delivered through its strategic Five-Year Transformation Plan.

Moving forward, the Bank aims to strengthen its position as the preferred financial partner for the SMEs.

SME Bank komited sepenuhnya dalam memacu pertumbuhan ekonomi negara dengan menyediakan bukan sahaja bantuan pembiayaan, tetapi juga kepakaran pembangunan kepada perusahaan kecil dan sederhana, yang membolehkan perniagaan itu berkembang maju dan berkembang.

Bank memainkan peranan penting dalam menyokong inisiatif ekonomi dan pembangunan Kerajaan Malaysia seperti Bidang Ekonomi Utama Negara (NKEA) (2010-2020) dan Rangka Tindakan Sektor Kewangan (2011-2020).

Selama sedekad yang lalu, Bank telah berkembang dengan pesat dalam operasi dan juga pembangunan modal insan yang disampaikan melalui Pelan Transformasi Lima Tahun yang strategik.

Melangkah ke hadapan, Bank bertujuan untuk mengukuhkan kedudukannya sebagai rakan niaga kewangan pilihan bagi PKS.



VISION

VISI

**LEADER IN SME ECOSYSTEM
VALUE CREATION BEYOND
FINANCIAL SERVICES**

Peneraju dalam Penciptaan Nilai
Ekosistem PKS yang Melangkaui
Perkhidmatan Pembiayaan



MISSION

MISI

**TO BE THE CENTRE OF
EXCELLENCE (COE) FOR
SME DEVELOPMENT**

Menjadi Pusat Kecemerlangan bagi
Memacu Agenda Pembangunan
Usahawan Negara



CORE VALUES

NILAI-NILAI KORPORAT

**S STRONG TEAMWORK AND
INTEGRITY**

Kerja Berpasukan dan
Berintegriti

**M MANAGING
STAKEHOLDERS**

Pengurusan Berhemah Pihak
Berkepentingan

**I INNOVATION VIA
TECHNOLOGY**

Inovasi melalui Teknologi

**L LEADERSHIP AND
GROWTH**

Kepimpinan dan Kemajuan

**E EFFICIENCY AND
PRODUCTIVITY (LEAN)**

Kecekapan dan Produktiviti

OVERVIEW

TINJAUAN













A YEAR IN REVIEW

ULASAN TAHUNAN



OUR VISIONARY LEADERS

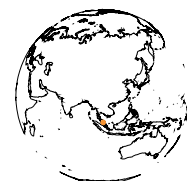
PEMIMPIN BERWAWASAN












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SME BANK GROUP


WHAT'S INSIDE


DALAM LAPORAN INI


CORPORATE GOVERNANCE
TADBIR URUS KORPORAT


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PROMOTING SUSTAINABLE DEVELOPMENT
MENGALAKKAN PEMBANGUNAN MAMPAN







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2019 ROUNDUP
RUMUSAN 2019


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FINANCIAL STATEMENTS
PENYATA KEWANGAN


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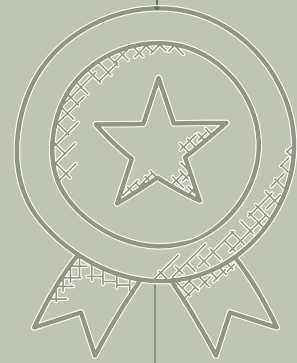
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 This Integrated Annual Report is also available on the microsite. The icons below allow you to access information easily, search for a specific chapters or navigate between pages, chapters and links.
Laporan Tahunan Bersepadu ini juga boleh didapati di laman mikro. Ikon di bawah membolehkan anda mengakses maklumat dengan mudah, mencari bab khusus atau menavigasi antara halaman, bab dan pautan.



CHAPTER 01
BAB 01

OVERVIEW
TINJAUAN



ABOUT THIS REPORT MENGENAI LAPORAN INI

CHAPTER 01
BAB 01

THE 2019 INTEGRATED ANNUAL REPORT PROVIDES INFORMATION AND PERFORMANCE DATA ON THE OPERATIONS OF SME BANK DURING THE CALENDAR YEAR ENDED 31 DECEMBER 2019, WHILE DETAILING OUR JOURNEY IN THE ONGOING DIGITAL TRANSFORMATION TO DELIVER SUSTAINABLE SOLUTIONS.

It reports on our areas of focus in terms of governance and service delivery through innovation and through collaboration with all stakeholders to create more sustainable value for them.

Once again, the corporate reporting section is based on the guiding principles in accordance with the latest Malaysian Code on Corporate Governance while the sustainability section has been guided by Global Reporting Initiative (GRI) standards and reporting criteria. This integrated report also includes the complete financial statements and the Bank's group directory.

MATERIALITY DETERMINATION

As a leading Development Financial Institution (DFI) in Malaysia, SME Bank's key contribution is to develop small and medium enterprises sector to become the nation's engine of economic growth. In our integrated annual report we account for the value created through our business activities and partnerships as well as challenges and impacts from our business.

SUSTAINABLE BUSINESS

SME Bank's ambition is to be a sustainable business. By this we mean:

- creating long-term value for all stakeholders especially the small and medium enterprises by developing innovative and competitive solutions;
- doing business in a financially, environmentally and socially responsible way; and
- anticipating, adapting to and creating new business opportunities from changes in our business environment.

LAPORAN TAHUNAN BERSEPADU 2019 MENYEDIAKAN MAKLUMAT DAN DATA PRESTASI TENTANG OPERASI SME BANK SEPANJANG TAHUN BERAKHIR 31 DISEMBER 2019, DENGAN MEMPERINCIKAN PERJALANAN KAMI DALAM TRANSFORMASI DIGITAL UNTUK MEMBERI PENYELESAIAN MAMPAN.

la melaporkan mengenai bidang-bidang tumpuan kami dari segi tadbir urus dan penyampaian perkhidmatan melalui inovasi dan kerjasama dengan semua pihak berkepentingan untuk mencipta lebih nilai mampan bagi mereka.

Sekali lagi, bahagian pelaporan korporat adalah berdasarkan prinsip-prinsip panduan menurut Kod Tadbir Urus Korporat Malaysia yang terkini manakala bahagian kemampanan berpandukan piawaian dan kriteria pelaporan Inisiatif Pelaporan Global (GRI). Laporan bersepadu ini juga mengandungi penyata kewangan lengkap dan direktori kumpulan Bank.

PENENTUAN MATERIALITI

Sebagai sebuah Institusi Kewangan Pembangunan (DFI) di Malaysia, sumbangan utama SME Bank adalah dalam memajukan sektor perusahaan kecil dan sederhana untuk menjadi penjana pertumbuhan ekonomi negara. Dalam laporan tahunan bersepadu ini, kami mengambil kira nilai yang tercipta daripada aktiviti dan perkongsian perniagaan kami serta cabaran dan impak daripada perniagaan kami.

PERNIAGAAN MAMPAN

Cita-cita SME Bank adalah untuk menjadi sebuah perniagaan mampan. Ini bermakna:

- mencipta nilai jangka panjang untuk semua pihak berkepentingan khususnya perusahaan kecil dan sederhana dengan membangunkan penyelesaian inovatif dan kompetitif;
- menjalankan perniagaan dalam cara yang bertanggungjawab dari segi kewangan, alam sekitar dan sosial; dan
- menjangka, menyesuaikan dan mencipta peluang perniagaan baharu daripada perubahan dalam persekitaran perniagaan.



More info @
Maklumat lanjut @
www.smebank.com.my



ABOUT THIS REPORT
MENGENAI LAPORAN INI

CHAPTER 01
BAB 01

REPORTING FRAMEWORK INFORMATION

The reporting is built around the following key components:

- Organisational overview
- Governance structure and how this supports its ability to create value
- Risks and how they are dealt with
- Strategy and resource allocation
- Performance and achievement for the period and outcomes
- Outlook and challenges facing the company and their implications



MAKLUMAT RANGKA KERJA PELAPORAN

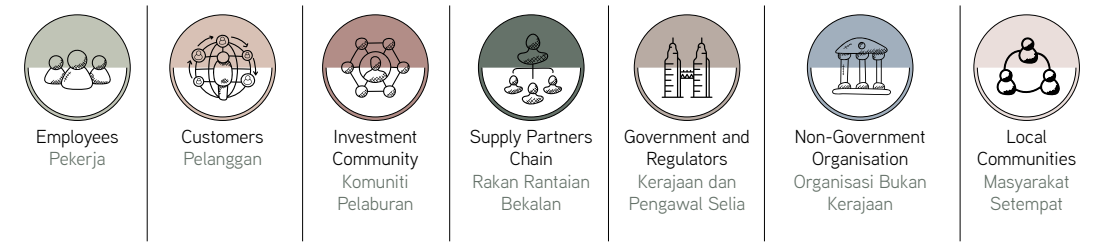
Pelaporan ini dibuat dalam komponen utama berikut:

- Gambaran keseluruhan organisasi
- Struktur tadbir urus dan bagaimana ia menyokong keupayaannya untuk mencipta nilai
- Risiko-risiko dan bagaimana ia diuruskan
- Strategi dan peruntukan sumber
- Prestasi dan pencapaian bagi tempoh tersebut dan hasilnya
- Tinjauan dan cabaran yang mendepani syarikat dan kesannya

REPORTING FRAMEWORK / RANGKA KERJA PELAPORAN

INTEGRATED ANNUAL REPORT 2019 LAPORAN TAHUNAN BERSEPADU 2019	• GRI G4 Sustainability Reporting Framework	• Rangka Kerja Pelaporan Kemampanan GRI G4
	• Bursa Malaysia's Sustainability Reporting Guide	• Panduan Pelaporan Kemampanan Bursa Malaysia
	• International Organisation for Standardisation (ISO) 26000: Guidance on Social Responsibility	• Organisasi Antarabangsa bagi Piawaian (ISO) 26000: Panduan tentang Tanggungjawab Sosial
	• Malaysian Code on Corporate Governance	• Kod Tadbir Urus Korporat Malaysia

OUR MAIN STAKEHOLDERS / PIHAK BERKEPENTINGAN UTAMA KAMI



MORE INFO

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 Fax No. : +603 2698 1748
 Contact Centre : +603 2603 7700

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 No. Faks : +603 2698 1748
 Pusat Khidmat Pelanggan : +603 2603 7700

Scan QR Code
Imbas QR Kod



SME BANK AT A GLANCE

SME BANK SEPINTAS LALU

CHAPTER 01
BAB 01



UNDERSTANDING SME BANK

SME BANK WAS ESTABLISHED IN 2005 AS A DEVELOPMENT FINANCIAL INSTITUTION (DFI) AND IS WHOLLY-OWNED BY THE MINISTRY OF FINANCE.

Regulated by Bank Negara Malaysia (BNM) and supervised by the Ministry of Entrepreneur Development and Cooperatives (MEDAC), the Bank has recorded several significant milestones and its latest Two-year Accelerated Programme has positioned the Bank prominently as the catalyst in adopting digital technology to transform and stay relevant in the market.

Over the years, SME Bank has worked with related agencies towards a common goal to transform small and medium sized enterprises (SMEs) as an engine of the country's economic growth. With over RM32 billion worth of financing approved, SME Bank has since been playing an important role in the promotion and development of the small-scale sector. With a well-defined mandate by the Government and operating without political influence, SME Bank focuses on addressing significant areas where both financing and beyond financing services are needed.

Today, SME Bank takes pride in becoming the catalyst for the growth of SMEs that outpaces Malaysia's Gross Domestic Product (GDP) growth. SMEs recorded a contribution of 38.3% to GDP in 2018.

Through our strong 26 branch networks, comprising seven (7) Regional Centres, 18 Enterprise Centres and one (1) Business Centre, SME Bank is poised to support sustainable growth and development of small and medium enterprises.

In a nutshell, our role extends beyond catalysing growth for the economy but also in improving the environment we live in and creating value for the society as we ensure inclusiveness for sustainable development.

MEMAHAMI SME BANK

SME BANK ADALAH INSTITUSI KEWANGAN PEMBANGUNAN (DFI) YANG DITUBUHKAN PADA 2005 DAN DIMILIKI SEPENUHNYA OLEH KEMENTERIAN KEWANGAN.

Dikawal selia oleh Bank Negara Malaysia (BNM) dan di bawah pengawasan Kementerian Pembangunan Usahawan dan Koperasi (MEDAC), Bank telah mencatat beberapa pencapaian penting dan Program Pemecutan Dua-tahun yang terkini telah meletakkan Bank sebagai pemangkin dalam menggunakan pakai teknologi digital untuk transformasi dan kekal relevan dalam pasaran.

Sejak bertahun-tahun, SME Bank telah bekerjasama dengan agensi-agensi berkaitan bagi satu matlamat yang sama iaitu untuk mengubah perusahaan kecil dan sederhana (PKS) sebagai penyumbang kepada pertumbuhan ekonomi negara. Dengan sejumlah lebih RM32 bilion nilai pembiayaan yang diluluskan, SME Bank telah memainkan peranan penting dalam menggalak dan membangunkan sektor perniagaan berskala kecil dan sederhana. Dengan mandat yang jelas oleh Kerajaan dan beroperasi di luar pengaruh politik, SME Bank menumpukan kepada menangani bidang-bidang penting di mana pembiayaan dan perkhidmatan menjangkau pembiayaan diperlukan.

Hari ini, SME Bank berbangga menjadi pemangkin bagi pertumbuhan PKS yang mengatasi pertumbuhan Keluaran Dalam Negara Kasar (KDNK) Malaysia, yang mencatatkan sumbangan sebanyak 38.3% kepada KDNK pada 2018.

Melalui rangkaian kami sebanyak 26 cawangan, terdiri daripada tujuh (7) Pusat Wilayah, 18 Pusat Enterpris dan satu (1) Pusat Perniagaan, SME Bank terus nekad untuk menyokong pertumbuhan mampan dan perkembangan perusahaan kecil dan sederhana.

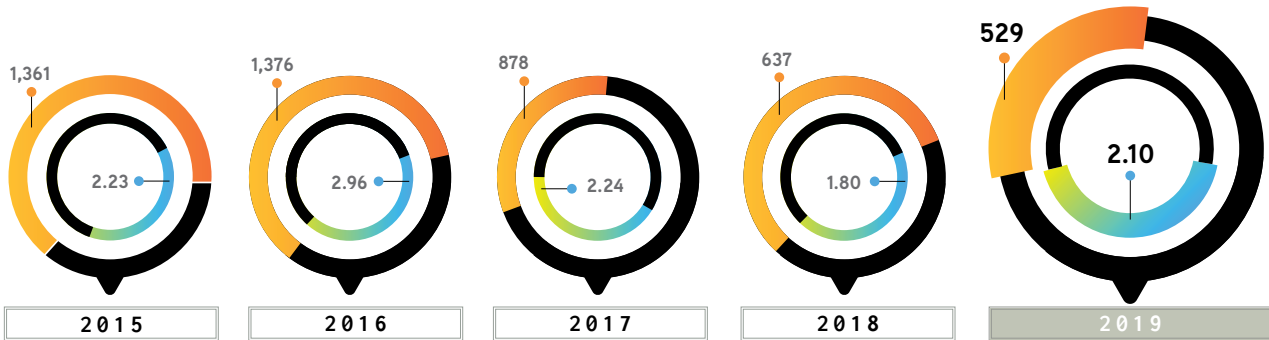
Kesimpulannya, peranan kami menjangkau peranan sebagai pemangkin pertumbuhan ekonomi semata-mata, tetapi merangkumi pembangunan persekitaran yang kita diami bersama dan mencipta nilai untuk masyarakat sambil kami memastikan keterangkuman bagi pertumbuhan mampan.

FINANCIAL HIGHLIGHTS SOROTAN KEWANGAN

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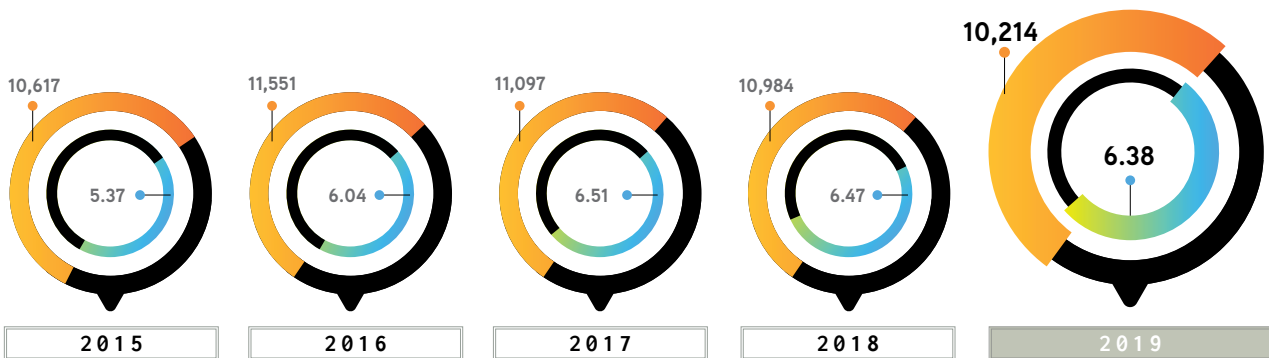
FINANCING APPROVALS KELULUSAN PEMBIAYAAN

● No. of Accounts / Bil. Akaun ● RM billion / RM billion



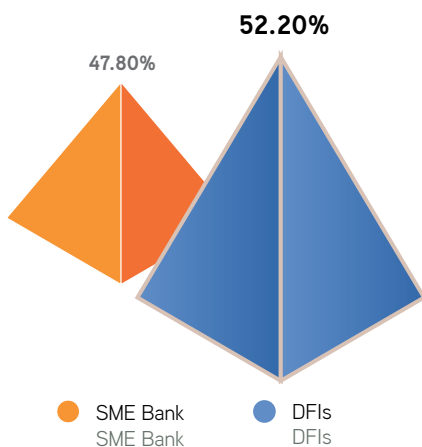
FINANCING PORTFOLIO PORTFOLIO PEMBIAYAAN

● No. of Accounts / Bil. Akaun ● RM billion / RM billion



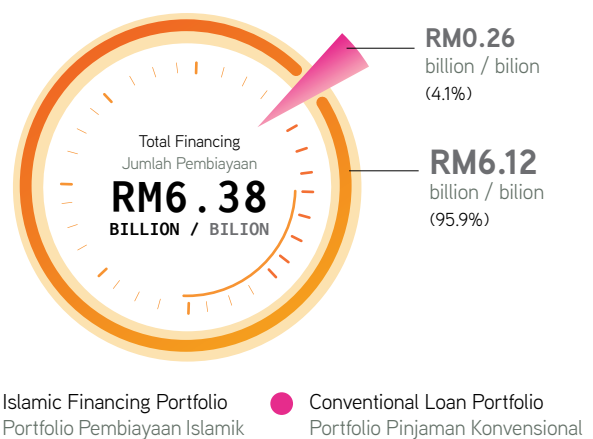
SME BANK MARKET SHARE VS DFIs PENGUASAAN PASARAN SME BANK BERBANDING DFIs

As at December 2019 / Pada Disember 2019



COMPOSITION OF FINANCING KOMPOSISI PEMBIAYAAN

As at December 2019 / Pada Disember 2019

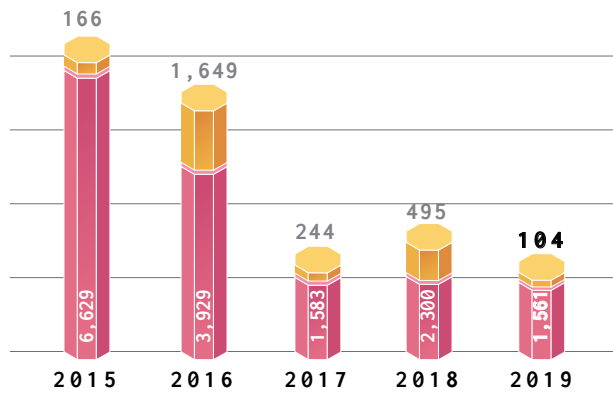


FINANCIAL HIGHLIGHTS
SOROTAN KEWANGAN

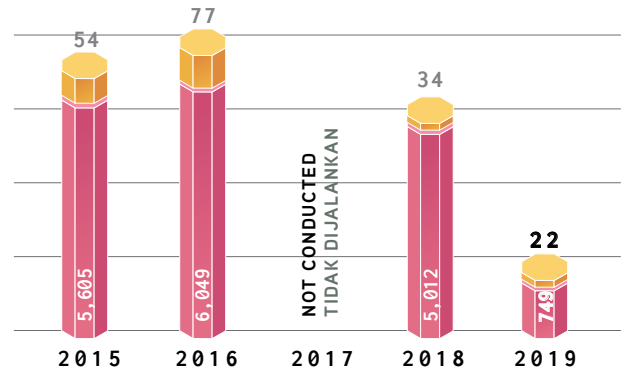
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CEDAR'S ENTREPRENEURIAL PROGRAMME
PROGRAM KEUSAHAWANAN CEDAR

FEE-BASED PROGRAMME
PROGRAM BERASASKAN FI

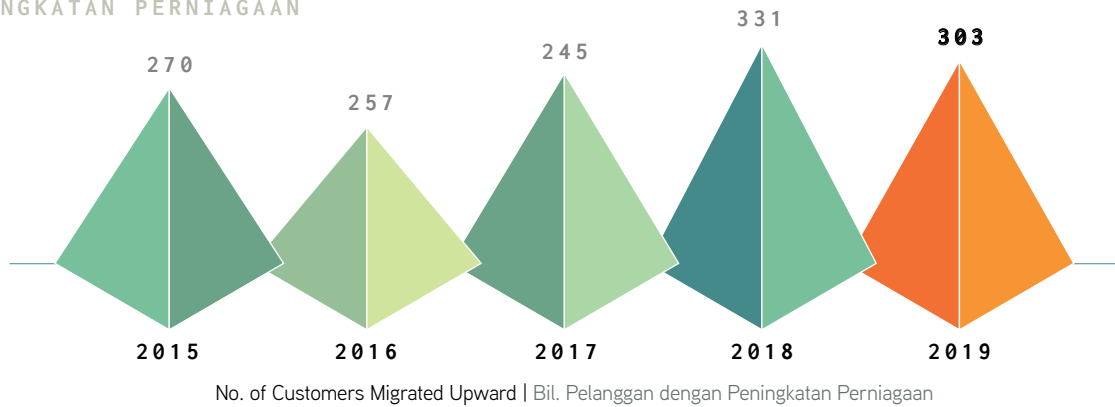


NON-FEE-BASED PROGRAMME
PROGRAM BUKAN BERASASKAN FI

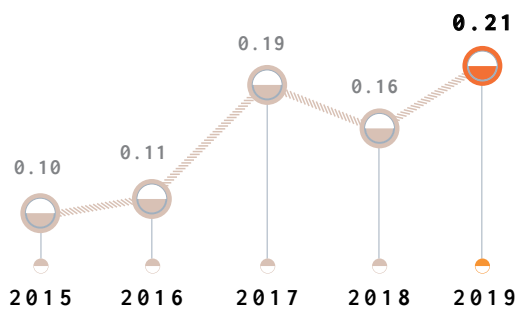


● No. of Sessions / Bil. Sesi ● No. of Participants / Bil. Peserta

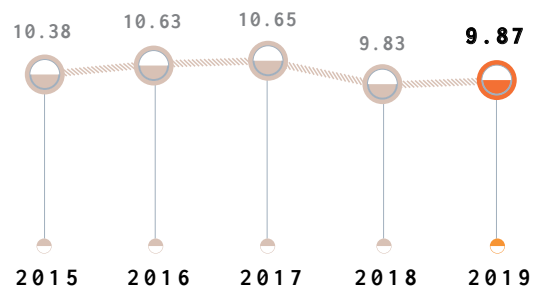
UPWARD MIGRATION
PENINGKATAN PERNIAGAAN



OPERATING PROFIT
KEUNTUNGAN OPERASI
RM billion / RM bilion



TOTAL ASSETS
JUMLAH ASET
RM billion / RM bilion



CORPORATE HIGHLIGHTS SOROTAN KORPORAT

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● JAN-DEC / JAN-DIS

SME BANK ENGAGEMENT SESSIONS

SESI LIBAT URUS SME BANK

SME BANK, IN FULFILLING ITS MANDATE BY THE GOVERNMENT TO DEVELOP AND NURTURE THE SMALL AND MEDIUM ENTERPRISES (SME) TO BE THE NATION'S ENGINE OF GROWTH, HELD 14 ENGAGEMENT SESSIONS AND FIVE "LET'S ENGAGE" SESSIONS THROUGHOUT THE YEAR.

These include beyond financing programs and participation in exhibitions, career, business and motivational talks at both the state and federal level.

Since its inception in 2005, the Bank has approved a total financing of RM32 billion to more than 17,000 customers as at December 2019. Its Upward Migration programme has successfully elevated more than 2,000 entrepreneurs, resulting in their business expansion. Through its wholly owned subsidiary, Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR), more than 45,000 participants received professional business coaching in various SME development programmes.



SME BANK, DALAM MEMENUHI MANDAT OLEH KERAJAAN MALAYSIA UNTUK MEMBANGUNKAN PERUSAHAAN KECIL DAN SEDERHANA (PKS) SEBAGAI PENJANA PERTUMBUHAN NEGARA, TELAH MENGADAKAN 14 SESI LIBAT URUS DAN LIMA SESI "LET'S ENGAGE" SEPANJANG TAHUN INI.

Ia termasuklah kemudahan yang menjangkau pembiayaan, dan penyertaan dalam pameran serta bicara kerjaya, perniagaan dan motivasi pada peringkat persekutuan dan negeri.

Sejak ditubuhkan pada 2005, SME Bank telah meluluskan pembiayaan sejumlah RM32 bilion kepada lebih 17,000 pelanggan pada Disember 2019. Program Peningkatan Perniagaan pula telah berjaya menaikkan lebih 2,000 usahawan, yang membawa kepada pengembangan perniagaan mereka. Melalui anak syarikat milik penuhnya, Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR), lebih 45,000 peserta mendapat bimbingan perniagaan profesional dalam pelbagai program pembangunan PKS.

● FEBRUARY / FEBRUARI

18

SYARIKAT JAMINAN PEMBIAYAAN PERNIAGAAN BERHAD AWARD ANUGERAH SYARIKAT JAMINAN PEMBIAYAAN PERNIAGAAN BERHAD



SME Bank was accorded Top Performance Award by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP), a wholly-owned company of the Minister of Finance Incorporated (MoF Inc). SJPP functions as an administrator and manager of credit guarantee schemes under MoF Inc. The award is in recognition of SME Bank for being among the top financial institutions with the second highest market share of 15.6% of SJPP financing amounting to approximately RM190 million for 195 companies.

SME Bank menerima Anugerah Prestasi Tinggi daripada Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP), syarikat milik penuh Menteri Kewangan Diperbadankan (MoF Inc), yang merupakan pentadbir dan pengurus skim-skim jaminan kredit di bawah MoF Inc. Anugerah ini adalah pengiktirafan kepada SME Bank sebagai antara institusi kewangan utama dengan penguasaan pasaran kedua terbesar sebanyak 15.6% pembiayaan SJPP berjumlah kira-kira RM190 juta kepada 195 syarikat.

20-22

ADFIAP AWARD ANUGERAH ADFIAP



SME Bank won three awards from the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) at the 42nd Annual Meeting in Muscat, Oman. For the Outstanding Development Project (Corporate Social Responsibility), the Bank won for the "Young Entrepreneur Innovation Programme" category for its Y-Biz Challenge. The Bank also received two special awards for "Best Sustainability Report" and "Best Website" respectively.

SME Bank menerima tiga anugerah daripada Persatuan Institusi Kewangan Pembangunan di Asia dan Pasifik (ADFIAP) pada Mesyuarat Tahunan ADFIAP yang ke-42 di Muscat, Oman. Bagi projek Pembangunan Cemerlang (Tanggungjawab Sosial Korporat), SME Bank memenangnya di bawah kategori "Program Inovasi Usahawan Muda" SME Bank Y-Biz Challenge. Bank juga menerima dua anugerah khas untuk "Laporan Kemampanan Terbaik" dan "Laman Web Terbaik".

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MARCH / MAC

2 SPECIAL FUND FOR TOURISM 3 (SFT3) TABUNG KHAS PELANCONGAN 3 (SFT3)



SME Bank launched the Special Fund for Tourism 3 (SFT3) in collaboration with the Ministry of Tourism, Arts and Culture Malaysia. The Government announced the RM500 million fund during the Budget 2019 and it can be used for tourism projects promoted by the Government, to build or renovate tourism or historical properties, transportation services, building resorts, homestays and its infrastructures, manufacturing or supplying of products or facilities related to tourism as well as acquisition of existing facilities which are related to tourism activities.

Melancarkan Tabung Khas Pelancongan 3 (SFT3) dengan kerjasama Kementerian Pelancongan, Seni dan Budaya Malaysia. Kerajaan Malaysia telah mengumumkan dana RM500 juta semasa Belanjawan 2019. Pembiayaan SFT3 boleh digunakan untuk projek-projek pelancongan yang dipromosi oleh Kerajaan, untuk membina atau mengubah suai hartanah bersejarah, perkhidmatan pengangkutan, membina tempat peranginan, rumah inap dan prasarannya, membuat atau membekal produk atau kemudahan berkaitan pelancongan serta membeli kemudahan sedia ada yang berkaitan dengan kegiatan pelancongan.

15 COMPLETION OF BOOK BUILDING EXERCISE FOR RM600 MILLION GOVERNMENT-GUARANTEED SUKUK

PENYELESAIAN KEGIATAN RUNDING NIAGA BAGI RM600 JUTA SUKUK JAMINAN KERAJAAN

SME Bank completed the book building exercise for RM600 million Government Guaranteed Islamic Medium Term Notes (IMTN) to boost SME growth. The IMTNs were with tenures of five and seven years, and with final pricing ranging from 4.03% to 4.10%. The Bank managed to secure investors to close the exercise between 45 basis points (bps) and 31 bps above Government Investment Issue (GII), within the mid-range of the pricing guidance for such securities.

The IMTNs were issued under the Shariah principle of Wakalah with commodity as the underlying assets. This was the fifth issuance from the RM3.0 billion IMTNs Programme. The proceeds from the Sukuk issuance will be utilised to finance Shariah compliant working capital for the SME entrepreneurs.

SME Bank menyelesaikan kegiatan runding niaga bagi Nota Jangka Sederhana Islam (IMTN) Jaminan Kerajaan bernilai RM600 juta untuk melonjakkan pertumbuhan PKS. IMTN tersebut adalah dengan tempoh lima dan tujuh tahun, dan dengan penetapan harga akhir antara 4.03% hingga 4.10%. Bank berjaya mendapatkan pelabur untuk menamatkan kegiatan tersebut antara 45 mata asas (bps) dan 31 bps melebihi Terbitan Pelaburan Kerajaan (GII), dalam lingkungan pertengahan panduan penetapan harga untuk sekuriti seumpamanya.

IMTN ini diterbitkan di bawah prinsip Syariah iaitu Wakalah, dengan komoditi sebagai aset sandaran. Ini merupakan terbitan kelima daripada Program IMTN berjumlah RM3.0 bilion. Hasil daripada terbitan Sukuk ini akan digunakan untuk membiayai modal kerja patuh Syariah bagi usahawan PKS.

APRIL / APRIL

5 MoU WITH ORION IXL BERHAD / MoU DENGAN ORION IXL BERHAD



SME Bank entered into a Memorandum of Understanding (MoU) with Orion IXL Berhad for the latter to assist the Bank to provide financial technology (fintech) solutions by creating a framework for traditional and alternative credit scores and match them with suitable financing from the Bank that would fill the void in the financial needs of the entrepreneurs. Providing a digital platform is one of the Bank's initiatives to create a more dynamic SME ecosystem and subsequently help drive the contribution of SMEs to the national economy.

SME Bank memeterai perjanjian persefahaman (MoU) dengan Orion IXL Berhad bagi membolehkan Bank untuk menawarkan penyelesaian teknologi kewangan (fintech) kepada PKS. Orion IXL Berhad akan membantu SME Bank dengan menyediakan rangka kerja untuk skor kredit biasa dan alternatif dan memadankannya dengan pembiayaan yang sesuai yang ditawarkan oleh Bank. Menyediakan platform digital adalah salah satu inisiatif Bank untuk mewujudkan ekosistem PKS yang lebih dinamik dan seterusnya membantu menggalakkan sumbangan PKS kepada ekonomi negara.

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APRIL / APRIL



30 MoU WITH TELEKOM MALAYSIA AND COMMERCE DOTASIA VENTURES

MoU DENGAN TELEKOM MALAYSIA DAN COMMERCE DOTASIA VENTURES

SME Bank signed a Memorandum of Understanding (MoU) with Telekom Malaysia and Commerce DotAsia Ventures to enable the Bank to leverage on e-Commerce platforms and provide front-end component of online business for SMEs through its marketplace. Telekom Malaysia would provide access to its infrastructure and services, such as high-speed Internet, data centre and cloud computing, which would serve as enablers for the Bank to explore providing digital solutions for the financing needs of the SMEs. Commerce DotAsia Ventures would provide SME Bank access to its database of more than 700,000 SMEs in Malaysia and comprehensive ecosystem of e-Commerce enabling technologies. The MoU complemented the Bank's digital transformation agenda - the National SME Digital Platform - which is set to be a game changer for SMEs.

SME Bank menandatangani perjanjian persefahaman (MoU) dengan Telekom Malaysia dan Commerce DotAsia Ventures bagi membolehkan Bank untuk memanfaatkan platform e-Dagang dan menyediakan komponen duluan perniagaan dalam talian untuk PKS melalui pasarannya. Telekom Malaysia akan menyediakan akses kepada prasarana dan perkhidmatannya, seperti Internet berkelajuan tinggi, pusat data dan pengkomputeran awan, yang akan menjadi pemboleh bagi Bank untuk meneroka penyelesaian digital yang boleh ditawarkan bagi memenuhi keperluan pembiayaan PKS. Commerce DotAsia pula akan memberikan SME Bank akses kepada pangkalan datanya yang mengandungi sebanyak lebih 700,000 PKS di Malaysia serta ekosistem teknologi bagi e-Dagang. MoU ini melengkapi agenda transformasi digital Bank - Platform Digital PKS Kebangsaan - yang bakal mengubah landskap perniagaan PKS.

JULY / JULAI

1 MoU WITH PROWHEELS SDN BHD AND COLLABORATION AGREEMENT WITH KEDAH HOLDINGS

MoU DENGAN PROWHEELS SDN BHD DAN PERJANJIAN KERJASAMA DENGAN KEDAH HOLDINGS



SME Bank signed a Memorandum of Understanding (MoU) with Prowheels Distributor (M) Sdn. Bhd. for the Bank to offer financing from as low as RM100,000 to vendors that have been selected and awarded contracts from Prowheels Distributor (M) Sdn. Bhd.. Aside from the financing for the purchase of assets and working capital, the Bank would also provide the vendors with free entrepreneurial training to further enhance their capacity building.

The agreement on branding collaboration with Kedah Holdings Sdn. Bhd. was for SME Bank to provide financing facilities for the purchase of affordable housing projects around Pokok Sena, Kedah developed by Kedah Holdings Sdn. Bhd. with the addition of SME Bank logo on the housing projects' billboards.

SME Bank menandatangani perjanjian persefahaman (MoU) dengan Prowheels Distributor (M) Sdn. Bhd. untuk Bank menawarkan pembiayaan daripada serendah RM100,000 kepada pembekal yang telah dipilih dan diberi kontrak daripada Prowheels Distributor. Selain pembiayaan untuk pembelian aset dan modal kerja, Bank juga akan menyediakan latihan keusahawanan secara percuma kepada pembekal untuk meningkatkan lagi keupayaan mereka.

Perjanjian kerjasama penjenamaan dengan Kedah Holdings Sdn. Bhd. (Kedah Holdings) adalah untuk SME Bank menyediakan kemudahan pembiayaan bagi pembelian projek perumahan mampu milik di sekitar Pokok Sena, Kedah yang dimajukan oleh Kedah Holdings dengan tambahan logo SME Bank pada papan iklan projek-projek perumahan tersebut.



8 PROGRAM USAHAWAN MUDA: SME BANK 90-DAYS BIZ CHALLENGE 2019

PROGRAM USAHAWAN MUDA: SME BANK 90-DAYS BIZ CHALLENGE 2019

This third edition of SME Bank 90-days Biz Challenge 2019 received a record 192 participants from 108 Community Colleges and Polytechniques nationwide. This programme was introduced in 2015 in collaboration with the Ministry of Education Malaysia. Participants of SME Bank 90-days Biz Challenge have generated sales of more than RM480,000. This Bank's signature Corporate Responsibility (CR) programme has successfully achieved its main objective to encourage entrepreneurship amongst the youths. Before, it is a competition specifically designed for students of Community Colleges who are undergoing the Entrepreneurship Incubator Programme. The SME Bank 90-Days Biz Challenge is organized alternately with SME Bank Y-Biz Challenge.

Edisi ketiga SME Bank 90-days Biz Challenge 2019 menerima rekod penyertaan seramai 192 peserta dari 108 Kolej Komuniti dan Politeknik di seluruh negara. Program ini diperkenalkan pada 2015 dengan kerjasama Kementerian Pendidikan Tinggi. Peserta-peserta SME Bank 90-days Biz Challenge telah menjana jualan sebanyak lebih RM480,000. Program Tanggungjawab Korporat Bank yang unggul ini telah berjaya mencapai matlamat utamanya untuk menggalakkan keusahawanan di kalangan belia. Sebelum ini, ia merupakan pertandingan keusahawanan yang direka khas untuk para penuntut Kolej Komuniti yang menjalani Program Inkubator Keusahawanan. SME Bank 90-Days Biz Challenge dianjurkan secara bergilir-gilir dengan SME Bank Y-Biz Challenge.

CORPORATE HIGHLIGHTS
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AUGUST / OGOS



18

MSOSH OCCUPATIONAL SAFETY AND HEALTH AWARD
ANUGERAH KESELAMATAN DAN KESIHATAN PEKERJAAN MSOSH

SME Bank received the Occupational Safety and Health (OSH) Award 2018 (Silver Award) from the Malaysian Society for Occupational Safety and Health (MSOSH) under the banking industry category for its achievements in commendable safety and health records and improvement in occupational safety and health processes through sound safety and health management systems.

SME Bank menerima Anugerah Keselamatan dan Kesihatan Pekerja 2018 (Anugerah Perak) daripada Persatuan Keselamatan dan Kesihatan Pekerja Malaysia (MSOSH) di bawah kategori industri perbankan atas pencapaiannya dalam rekod keselamatan dan kesihatan yang terpuji dan penambahbaikan dalam proses keselamatan dan kesihatan pekerjaan menerusi sistem pengurusan keselamatan dan kesihatan yang kukuh.

SEPTEMBER / SEPTEMBER

4

AAA RATING WITH A STABLE OUTLOOK
PENARAFAN AAA DENGAN TINJAUAN STABIL

SME Bank received the AAA rating with a stable outlook from the Malaysian Rating Corporation Berhad (MARC). The rating reaffirms the Bank's robust position in nurturing and developing SMEs, in line with the Government's socioeconomic agenda, namely the National Entrepreneurship Policy 2030. The AAA rating and the new direction into digital transformation that the Bank is undertaking promise a positive future for the Malaysian SMEs.

SME Bank menerima penarafan AAA dengan tinjauan stabil daripada Malaysian Rating Corporation Berhad (MARC). Penarafan ini mengesahkan kedudukan kukuh SME Bank dalam memupuk dan membangunkan PKS, seiring dengan agenda sosioekonomi Kerajaan, iaitu Dasar Keusahawanan Nasional 2030. Penarafan AAA dan hala tuju baharu kepada transformasi digital yang Bank sedang laksanakan menjanjikan masa depan positif bagi PKS Malaysia.

12

ZAKAT PAYMENT THROUGH STRATEGIC PARTNERS
PEMBAYARAN ZAKAT MELALUI RAKAN-RAKAN STRATEGIK

SME Bank distributed zakat amounting to RM1.16 million through strategic partners for the first time ever. The eight partners, comprising three hospitals and five public institutions of higher learning would thereafter distribute the zakat to various selected groups. Kuala Lumpur Hospital, Tengku Ampuan Rahimah Hospital and National Cancer Institute received RM220,000 each; while Universiti Sains Islam Malaysia (USIM), Universiti Kebangsaan Malaysia (UKM), Universiti Teknologi MARA (UiTM), Universiti Malaya (UM) and Universiti Islam Antarabangsa Malaysia (UIAM) each received RM100,000. SME Bank has been distributing zakat amounting to more than RM25 million since 2009.

SME Bank mengagihkan zakat sebanyak RM1.16 juta melalui rakan-rakan strategik buat julung-julung kalinya. Lapan rakan ini terdiri daripada tiga hospital dan lima institusi pengajian tinggi yang kemudiannya mengagihkan zakat tersebut kepada pelbagai kumpulan asnaf terpilih. Hospital Kuala Lumpur, Hospital Tengku Ampuan Rahimah dan Institut Kanser Negara masing-masing menerima RM220,000; manakala Universiti Sains Islam Malaysia (USIM), Universiti Kebangsaan Malaysia (UKM), Universiti Teknologi MARA (UiTM), Universiti Malaya (UM) dan Universiti Islam Antarabangsa Malaysia (UIAM) masing-masing menerima RM100,000. SME Bank telah mengagihkan zakat berjumlah lebih RM25 juta sejak 2009.

30

SCOREXCESS
SCOREXCESS

SME Bank launched ScoreXcess, a digital score card platform that provides pre-approval review leveraging on artificial intelligence (AI) technology for relevant agencies when they receive applications for financing from SMEs. ScoreXcess is one of the main components in SME Bank's National SME Digital Platform that would serve as a one stop portal for micro and small entrepreneurs to access to financing provided by the participating agencies based on their business needs. ScoreXcess was developed in collaboration with the Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR), Orion IXL and Telekom Malaysia.



ScoreXcess, platform kad skor digital yang menyediakan kajian pra-kelulusan memanfaatkan kecerdasan buatan (AI) kepada agensi-agensinya berkenaan apabila mereka menerima permohonan untuk pembiayaan daripada PKS. ScoreXcess adalah salah satu komponen dalam Platform Digital PKS Kebangsaan yang bakal menjadi pusat sehenti bagi usahawan mikro dan kecil untuk mendapat akses kepada pembiayaan yang disediakan oleh agensi-agensinya yang mengambil bahagian berdasarkan keperluan perniagaan mereka. ScoreXcess dibangunkan dengan kerjasama Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR), Orion IXL dan Telekom Malaysia.

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10 OCTOBER / OKTOBER



3 MoU WITH OYO MoU DENGAN OYO

SME Bank inked a Memorandum of Understanding (MoU) with OYO Rooms Hospitality Sdn. Bhd. (OYO) to help the Bank's customers who are budget hotel operators to improve their service quality. The MoU would also benefit OYO's business partners who would have the opportunity to obtain financing from SME Bank such as the Special Fund for Tourism 3 (SFT3), a special financing for the tourism sector. In addition, they could also enjoy the financing for working capital and asset purchase as well as entrepreneur development programmes.

SME Bank memeterai perjanjian persefahaman (MoU) dengan OYO Rooms Hospitality Sdn. Bhd. (OYO) untuk membantu pelanggan-pelanggan Bank yang merupakan pengendali hotel kelas ekonomi menambah baik mutu perkhidmatan mereka. MoU tersebut juga akan memanfaatkan rakan-rakan niaga OYO yang akan berpeluang mendapatkan pembiayaan daripada SME Bank seperti Tabung Khas Pelancongan 3 (SFT3), satu pembiayaan khusus untuk sektor pelancongan, selain dari pembiayaan untuk modal kerja dan pembelian aset serta program-program pembangunan usahawan.

18

DATO' SERI NAZIR ARIFF BECOMES SME BANK CHAIRMAN DATO' SERI NAZIR ARIFF MENJADI PENERUSI SME BANK



SME Bank appointed Dato' Seri Nazir Ariff as Chairman, who brings with him vast experience in the corporate and business sectors. Dato' Seri Nazir Ariff, 73, is a successful corporate figure in various industries which include banking, property, mining and commodity. He majors in accountancy from the United Kingdom and is also a Fellow of the British Institute of Management.

SME Bank melantik Dato' Seri Nazir Ariff sebagai Pengerusi, yang membawa bersama-sama beliau pengalaman sangat luas dalam sektor korporat dan perniagaan. Dato' Seri Nazir Ariff, 73, ialah seorang tokoh korporat yang berjaya dalam pelbagai industri termasuk perbankan, hartanah, perlombongan dan komoditi. Beliau merupakan lulusan perakaunan dari United Kingdom dan juga Felo British Institute of Management.

11 NOVEMBER / NOVEMBER

12

MoU WITH CELCOM AXIATA MoU DENGAN CELCOM AXIATA



SME Bank entered into a Memorandum of Understanding (MoU) with Celcom Axiata Berhad to complement SME Bank's digital transformation agenda. The collaboration would lay opportunities for SMEs who are Celcom-registered contractors, vendors and suppliers to gain access to the RM100 million financing facility the Bank provides. The facility offered is in the form of contract financing, working capital and / or purchase of assets.

SME Bank memeterai perjanjian persefahaman (MoU) dengan Celcom Axiata Berhad untuk melengkapi agenda transformasi digital SME Bank. Kerjasama ini akan membuka peluang kepada PKS yang merupakan kontraktor, vendor dan pembekal yang berdaftar dengan Celcom untuk mendapat akses kepada kemudahan pembiayaan sebanyak RM100 juta yang Bank sediakan. Kemudahan ini ditawarkan dalam bentuk pembiayaan kontrak, modal kerja dan / atau pembelian aset.

CORPORATE HIGHLIGHTS
SOROTAN KORPORAT

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NOVEMBER / NOVEMBER



18 **MoU WITH MALAYSIA RAIL LINK SDN. BHD. AND CHINA COMMUNICATIONS CONSTRUCTION COMPANY (M) SDN. BHD.**
MoU DENGAN MALAYSIA RAIL LINK SDN. BHD. DAN CHINA COMMUNICATIONS CONSTRUCTION COMPANY (M) SDN. BHD.

SME Bank signed a Memorandum of Understanding (MoU) with China Communications Construction Sdn. Bhd. (CCC-ECRL) and Malaysia Rail Link Sdn. Bhd. (MRL) to offer RM1 billion in financing specially for local contractors appointed for the civil works packages of the East Coast Rail Link (ECRL) project. The MoU is to facilitate the financial solutions for them to accelerate the commencement of civil works of the 640-km rail infrastructure from Kota Bharu to Port Klang. It is also SME Bank's contribution towards ensuring the success of nation building projects that are impactful to the society.

SME Bank menandatangani perjanjian persefahaman (MoU) dengan China Communications Construction Sdn. Bhd. (CCC-ECRL) dan Malaysia Rail Link Sdn. Bhd. (MRL) untuk menawarkan pembiayaan RM1 bilion khususnya kepada kontraktor tempatan yang dilantik untuk pakej kerja-kerja awam projek Laluan Rel Pantai Timur. MoU ini adalah bagi memudahkan penyelesaian kewangan untuk mereka mempercepatkan permulaan kerja-kerja awam bagi pasrasana rel sepanjang 640 kilometer dari Kota Bharu, Kelantan ke Pelabuhan Klang, Selangor. Ia juga merupakan sumbangan SME Bank untuk memastikan kejayaan projek-projek membina negara yang memberi impak kepada masyarakat.

DECEMBER / DISEMBER

3 **BEST EXPORTERS PROGRAMME CLOSING CEREMONY**
UPACARA PENUTUP BEST EXPORTERS PROGRAMME

SME Bank, Bumiputera Agenda Steering Unit (TERAJU) and MATRADE held a special ceremony to celebrate the 73 companies under the Best Exporters Programme (BEP). They have successfully generated a total of RM141.4 million in export revenue through the programme. 43 companies are from the manufacturing sector while 30 are from the services sector. BEP is a collaboration programme between TERAJU, SME Bank and MATRADE which focuses on developing potential Bumiputera SMEs to become exporters through structured intervention programmes.

SME Bank, Unit Peneraju Agenda Bumiputera (TERAJU) dan MATRADE mengadakan upacara khas untuk meraikan 73 syarikat di bawah *Best Exporters Programme* (BEP). Mereka telah berjaya menjana sejumlah RM141.4 juta dalam hasil eksport melalui program tersebut. 43 syarikat adalah daripada sektor pembuatan manakala 30 adalah daripada sektor perkhidmatan. BEP adalah kerjasama antara TERAJU, SME Bank dan MATRADE yang menumpukan kepada membangunkan pengeksporth Bumiputera yang berpotensi untuk menjadi pengeksporth melalui program intervensi yang tersusun.



3 **ODELA / ODELA**

SME Bank launched an innovative business-to-business (B2B) e-Commerce platform called ODELA in partnership with JNJ Group, as part of the "beyond financing" services SME Bank offers. This new business-to-business (B2B) e-Commerce platform is the first in the country to be backed by a Development Financial Institution (DFI), and is aimed at giving SMEs easy access to trade among themselves. ODELA is one of the components in the National SME Digital Platform that taps on new technologies and custom designed to enable the entrepreneurs to make transaction, facilitate exchange, foster innovation and partnership across vast ecosystems.

SME Bank melancarkan platform e-Dagang perniagaan-kepada-perniagaan (B2B) yang dinamakan ODELA dalam perkongsian dengan Kumpulan JNJ, sebagai sebahagian perkhidmatan menjangkau pembiayaan yang SME Bank tawarkan. Platform e-Dagang B2B ini adalah yang pertama di negara yang disokong oleh sebuah Institusi Kewangan Pembangunan (DFI), dan menyasarkan untuk memberi akses mudah kepada PKS untuk berdagang di kalangan mereka. ODELA adalah salah satu komponen dalam Platform Digital PKS Kebangsaan yang memanfaatkan teknologi baharu dan dicipta khusus untuk membolehkan usahawan membuat transaksi, memudahkan pertukaran, menggalakkan inovasi dan perkongsian di seluruh ekosistem.

AWARDS AND ACCOLADES
ANUGERAH DAN PENCAPAIAN

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ADFIAP AWARDS 2019

ASSOCIATION OF DEVELOPMENT FINANCING INSTITUTIONS IN ASIA AND THE PACIFIC (ADFIAP)

AWARD 01

Outstanding Development Project Awards - Corporate Social Responsibility

AWARD 02

Young Entrepreneur Innovation Programme - SME Bank Y-Biz Challenge

AWARD 03

Best Sustainability Report

Special Awards - Best Website

AWARD 04

TOP PERFORMANCE AWARD

Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPPB)

2018

ASSOCIATION OF DEVELOPMENT FINANCING INSTITUTIONS IN ASIA AND THE PACIFIC (ADFIAP)

- Winner: SME Development Category for SUKSES TV Programme
- Best Sustainability Report

THE BRANDLAUREATE SMES BEST BRAND AWARDS

- The BrandLaureate SMEs Strategic Business Partner Award 2017-2018

THE MSOSH OCCUPATIONAL SAFETY AND HEALTH AWARD

- Silver Winner: The Malaysian Society for Occupational Safety & Health (MSOSH)



2017

ASSOCIATION OF DEVELOPMENT FINANCING INSTITUTIONS IN ASIA AND THE PACIFIC (ADFIAP)

- Merit Award: Human Capital Development Category for Employees Capacity Building Project
- Winner: Trade Development Category for Best Exporter Programme
- Special Award for Best Website

SYARIKAT JAMINAN PEMBIAYAAN PERNIAGAAN BERHAD (SJPP)

- Most Supportive Bank for the Government's Guarantee Schemes



AWARDS AND ACCOLADES
ANUGERAH DAN PENCAPAIAN

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2016

SME ASSOCIATION OF MALAYSIA

- Top SME Supporter (Platinum Business Awards)

ASSOCIATION OF DEVELOPMENT FINANCING INSTITUTIONS IN ASIA AND THE PACIFIC (ADFIAP)

- Winner: Outstanding Development Project Award for Graduate Entrepreneur Fund or Tabung Usahawan Siswazah (TUS)
- Best Sustainability Report

2015

CREDIT GUARANTEE CORPORATION

- Top FI Partner Award (Overall Category)
- Top FI Partner Award (Development FI)

HR AWARDS MALAYSIAN INSTITUTE OF HUMAN RESOURCE MANAGEMENT (MIHRM)

- Silver Award for The Employer of Choice Category Malaysia

SME ASSOCIATION OF MALAYSIA

- Sahabat Negara (SME Recognition Award)

MALAYSIA GOVERNMENT PORTALS AND WEBSITES ASSESSMENT (MGPWA)

- Website 5-Star Rating

2014

ASSOCIATION OF DEVELOPMENT FINANCING INSTITUTIONS IN ASIA AND THE PACIFIC (ADFIAP)

- Plaque of Merit for Young Entrepreneur Innovation Programme (SME Bank Y-Biz Challenge)

SME ASSOCIATION OF MALAYSIA

- Sahabat Negara (SME Recognition Award)

2013

SME ASSOCIATION OF MALAYSIA

- Sahabat Negara (SME Recognition Award)

MALAYSIA GOVERNMENT PORTALS AND WEBSITES ASSESSMENT (MGPWA)

- Website 5-Star Rating

2012

THE BRANDLAUREATE SMES BEST BRAND AWARDS

- Most Preferred Brand in Banking

MALAYSIA GOVERNMENT PORTALS AND WEBSITES ASSESSMENT (MGPWA)

- Website 5-Star Rating

SMI MALAYSIA

- Sahabat Negara SME Award

2011

ASSOCIATION OF DEVELOPMENT FINANCING INSTITUTIONS IN ASIA AND THE PACIFIC (ADFIAP)

- Plaque of Merit for IQ-Dagang

MALAYSIA GOVERNMENT PORTALS AND WEBSITES ASSESSMENT (MGPWA)

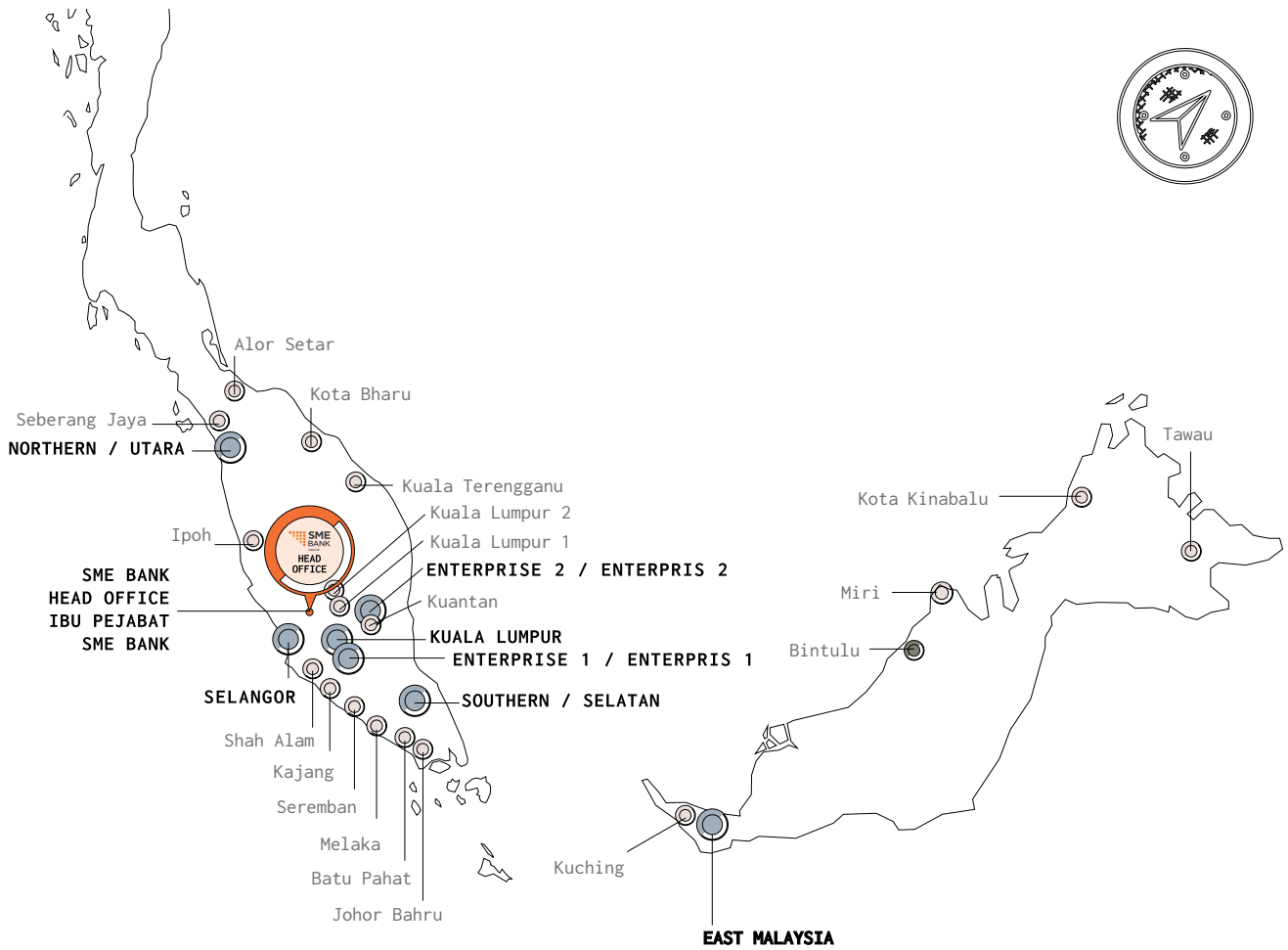
- Website 5-Star Rating

SMI MALAYSIA

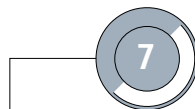
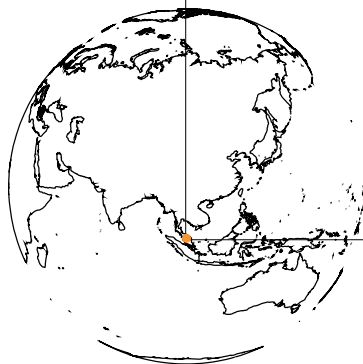
- Sahabat Negara SME Award

BRANCH NETWORK
RANGKAIAN CAWANGAN

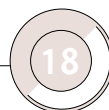
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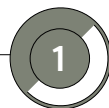
COUNTRY / NEGARA : MALAYSIA



REGIONAL CENTRES
PUSAT WILAYAH



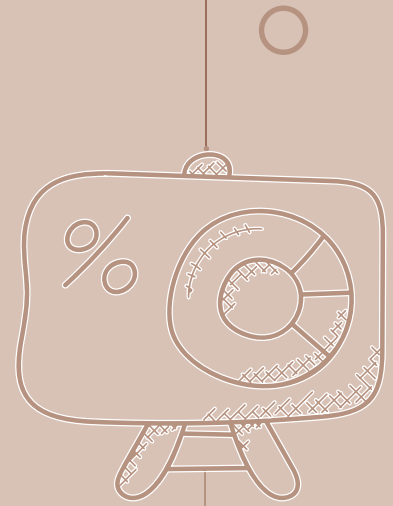
ENTERPRISE CENTRES
PUSAT ENTERPRIS



BUSINESS CENTRES
PUSAT PERNIAGAAN

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**A YEAR
IN REVIEW**
ULASAN TAHUNAN



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SPECIAL MESSAGE

SME BANK RECOGNISES THAT THE CORONAVIRUS PANDEMIC AROUND THE WORLD HAS OVERTAKEN OUR LIVES AND TRANSFORMED OUR WORLD, POSING UNPRECEDENTED MEDICAL, ECONOMIC AND HUMAN CHALLENGES.



DATO' SERI NAZIR ARIFF

CHAIRMAN / Pengerusi

PERUTUSAN KHAS

SME BANK AKUR BAHAWA PANDEMIK CORONAVIRUS DI SELURUH DUNIA TELAH MENGANCAM KEHIDUPAN KITA DAN MENGUBAH DUNIA, LALU MEMBERI CABARAN DARI SEGI PERUBATAN, EKONOMI DAN KEMANUSIAAN YANG BELUM PERNAH DIHADAPI SEBELUM INI.



Malaysia's economic growth in 2019
Pertumbuhan ekonomi Malaysia pada 2019

4.3%
GROWTH /
PERTUMBUHAN



Profit before tax and zakat 2019
Keuntungan sebelum cukai dan zakat 2019

RM213.9
million /
juta

CHAIRMAN'S STATEMENT
PERUTUSAN Pengerusi

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WE RECOGNISE THAT THESE ARE UNSETTLING TIMES AND OUR IMMEDIATE PROACTIVE ACTIONS HAVE BEEN TO PROVIDE RELIEF MEASURES TO HELP THESE SMEs WEATHER THE STORM.

KAMI TAHU BAHAWA INI ADALAH MASA YANG SUKAR DAN TINDAKAN PROAKTIF KAMI ADALAH UNTUK SEGERA MENYEDIAKAN LANGKAH-LANGKAH BANTUAN BAGI MEMBANTU PKS MENGHADAPI CABARAN INI.

DURING THIS CRITICAL TIME, WE ARE COMMITTED TO OUR MISSION OF SUPPORTING THE SMALL AND MEDIUM ENTERPRISES (SMEs) WHILE FIRMLY STANDING BEHIND THE VARIOUS EFFORTS TAKEN BY THE GOVERNMENT AND REGULATORY BODIES.

Given the severe impact of the pandemic, SME Bank has made appropriate decisions in addressing the main concern which is primarily to provide financial assistance and beyond financing support especially to our customers. We recognise that these are unsettling times and our immediate proactive actions have been to provide relief measures to help these SMEs weather the storm. May the little efforts in the form of financing moratorium, suspension of rentals and financing stimulus that we have put forth go a long way in assisting our customers who are most in need.

On behalf of the Board of Directors, it is therefore, my pleasure to present to you SME Bank's Integrated Annual Report for the financial year ended 31 December 2019 (FY2019).

SEPANJANG TEMPOH KRITIKAL INI, KAMI KOMITED TERHADAP MISI KAMI UNTUK MEMBANTU PERUSAHAAN KECIL DAN SEDERHANA (PKS) DAN PADA MASA YANG SAMA MEMBERI SOKONGAN PADU TERHADAP PELBAGAI USAHA YANG DIBUAT OLEH KERAJAAN DAN BADAN-BADAN KAWAL SELIA LAIN.

Berikutan kesan buruk daripada pandemik ini, SME Bank telah membuat keputusan yang betul dan bersesuaian dalam menangani isu utama iaitu untuk menyediakan bantuan kewangan dan bantuan yang menjangkau pembiayaan khususnya kepada para pelanggan. Kami tahu bahawa ini adalah masa yang sukar dan tindakan proaktif kami adalah untuk segera menyediakan langkah-langkah bantuan bagi membantu PKS menghadapi cabaran ini. Semoga usaha kami yang mungkin tidak seberapa ini dalam bentuk moratorium pembiayaan, penangguhan sewa dan rangsangan pembiayaan yang telah kami sediakan, mampu membantu para pelanggan kami yang sangat memerlukan.

Bagi pihak Lembaga Pengarah, saya berbesar hati membentangkan di sini Laporan Tahunan Bersepadu SME Bank bagi tahun kewangan berakhir 31 Disember 2019 (TK2019).

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THE BANK'S IMPROVED BUSINESS MODEL, WITH DIGITALISATION BEING THE FOCUS, AND THE FAR INDUSTRY REACH AND STRONG SUPPORT FROM OUR DIVERSIFIED STAKEHOLDERS ENABLE US TO FURTHER PROVIDE AND FACILITATE FINANCING TO THE SME SECTOR.

MODEL PERNIAGAAN BANK YANG DITAMBAH BAIK, DENGAN USAHA-USAHA PENDIGITALAN SEBAGAI TUMPUAN, DAN CAPAIAN INDUSTRI YANG LUAS SERTA SOKONGAN PADU DARIPADA PELBAGAI PIHAK BERKEPENTINGAN MEMBOLEHKAN KAMI UNTUK TERUS MENYEDIA DAN MEMUDAHKAN PEMBIAYAAN KEPADA SEKTOR PKS.

RECORD BREAKING YEAR

2019 was a record-breaking year for SME Bank when we achieved the highest ever profit before tax and zakat of RM213.9 million. This is a testament to the effectiveness of the Bank's strategy which further strengthened its position as Malaysia's leading Development Financial Institution (DFI) in the dynamic banking and finance landscape.

We maintained our positive growth and our competitive edge by continuing to adapt to the fast-changing business environment and by raising finance to bridge the infrastructure gap and promote economic development.

The Bank's improved business model, with digitalisation being the focus, and the far industry reach and strong support from our diversified stakeholders has enabled us to modernise the business and improve the financial support to the SME sector.

Our focus on innovation and continuous efficiency resulted in sustainable value to our customers and all stakeholders. While innovation is often said to be born out of necessity, it is encouraging to note that the management team of SME Bank has proactively leveraged on the current technology to steer in mobilising resources to deliver on the needs of sustainable infrastructure.

This will lay the foundation for improving the Bank's offerings while benefitting the stakeholders namely our customers and future generations. SME Bank is thus well positioned to provide solutions for sustainable entrepreneurial development.

TAHUN PENCAPAIAN TERTINGGI

2019 merupakan tahun pencapaian terbaik bagi SME Bank apabila kami mencatat keuntungan sebelum cukai dan zakat paling tinggi iaitu sebanyak RM213.9 juta. Ini adalah bukti keberkesanan strategi Bank yang mengukuhkan lagi kedudukannya sebagai Institusi Kewangan Pembangunan (DFI) di Malaysia yang terkemuka dalam landskap perbankan dan kewangan yang dinamik.

Kami mengekalkan pertumbuhan positif dan kelebihan daya saing untuk menyesuaikan dengan persekitaran perniagaan yang pantas berubah dan dengan meningkatkan pembiayaan untuk merapatkan jurang infrastruktur serta menggalakkan pembangunan ekonomi.

Model perniagaan Bank yang ditambah baik, dengan usaha-usaha pendigitalan sebagai tumpuan, dan capaian industri yang luas serta sokongan padu daripada pelbagai pihak berkepentingan membolehkan kami untuk memodenkan perniagaan dan menambah baik sokongan kewangan kepada sektor PKS.

Tumpuan kami terhadap inovasi dan kecekapan berterusan telah berjaya menghasilkan nilai mampan kepada pelanggan dan semua pihak berkepentingan kami. Sungguhpun inovasi sering dikatakan timbul daripada keperluan, ia adalah sesuatu yang membanggakan apabila pada hakikatnya, pihak pengurusan SME Bank telah memanfaatkan secara proaktif teknologi semasa untuk menggunakan sumber bagi memenuhi keperluan infrastruktur mampan.

Ini akan menjadi asas untuk menambah baik penawaran Bank sementara memanfaatkan pihak-pihak berkepentingan iaitu pelanggan dan generasi masa depan. Maka itu, SME Bank berada dalam kedudukan yang betul untuk menyediakan penyelesaian bagi pembangunan mampan.

CHAIRMAN'S STATEMENT PERUTUSAN Pengerusi

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ECONOMIC LANDSCAPE

FY2019 POSED A CHALLENGING OPERATING ENVIRONMENT FOR THE GLOBAL ECONOMY, MARKED BY TRADE TENSIONS NAMELY BETWEEN U.S. AND CHINA, INTEREST RATE HIKES AND MARKET FRAGILITY.

Economic growth slumped to an over one-decade low in the fourth quarter as the U.S.-China trade war-battered Malaysia's external sector. China as the nation's strongest trading partner recorded lower than expected economic growth due to this trade war and its domestic issues.

The uncertainty of trade policy to geopolitical tensions continued to weigh on global economic activity. The countries with more advanced economy were growing at a slower pace mostly due to softer growth in the U.S. (2019: 2.4%, 2018: 2.9%) while emerging market economies have grown weaker than expected due to subdued business activities.

Malaysia's economic growth of 4.3% in 2019 (2018: 4.7%) was at its slowest pace since the global financial crisis in 2008, as it lost further steam during the year due to external factors. The sluggish investment and weak external trade dragged the economy while the trade war with India also affected our commodity exports, particularly refined palm oil.

Notwithstanding this, solid domestic demands from private consumption and investment supported the Malaysian economy for it to remain in an expansion mode.

While these factors might have dampened overall sentiments, we are encouraged with our strong set of financials, including an all-time high profit before tax and zakat of RM213.9 million. Overall, we are confident that our business model and healthy financial condition will put us in a strong position to withstand any external adversities.

LANDSKAP EKONOMI

TK2019 MENYAKSIKAN PERSEKITARAN OPERASI YANG MENCABAR KEPADA EKONOMI GLOBAL, DENGAN KETEGANGAN DAGANGAN ANTARA A.S. DAN CHINA, KENAIKAN KADAR FAEDAH DAN KETIDAKKUKUHAN PASARAN.

Pertumbuhan ekonomi menjunam kepada tahap paling rendah dalam tempoh lebih satu dekad pada suku keempat apabila perang dagangan A.S.-China mengancam sektor luar negara Malaysia. China sebagai rakan dagangan paling besar, mencatat pertumbuhan ekonomi lebih rendah daripada jangkaan akibat perang dagangan ini dan isu-isu domestiknya.

Ketidaktentuan dasar dagangan terhadap ketegangan geopolitik terus memberi kesan kepada aktiviti ekonomi global. Pertumbuhan ekonomi negara-negara maju adalah lebih perlahan kebanyakannya disebabkan oleh pertumbuhan lebih rendah di A.S. (2019: 2.4%, 2018: 2.9%), sementara pertumbuhan ekonomi pasaran-pasaran baharu adalah lebih lemah daripada jangkaan berikutan aktiviti perniagaan yang lebih pasif.

Pertumbuhan ekonomi Malaysia sebanyak 4.3% pada 2019 (2018: 4.7%) adalah pada kadar terendah sejak krisis kewangan global pada 2008, oleh kerana ia kehilangan lonjakan akibat faktor-faktor luaran. Kelembapan pelaburan dan perdagangan luar yang lemah telah memperlambatkan ekonomi sementara perang dagangan dengan India juga memberi kesan terhadap eksport komoditi negara, khususnya minyak sawit.

Meskipun begitu, permintaan domestik yang kukuh daripada penggunaan peribadi dan pelaburan, menyokong ekonomi Malaysia untuk ia kekal berkembang.

Walaupun faktor-faktor ini telah melembapkan sentimen keseluruhan, kami terdorong oleh kewangan kami yang kukuh, termasuk keuntungan sebelum cukai dan zakat paling tinggi yang pernah dicatatkan, iaitu sebanyak RM213.9 juta. Secara keseluruhannya, kami yakin bahawa model perniagaan dan kewangan kami yang kukuh akan meletakkan SME Bank dalam kedudukan yang teguh untuk menghadapi sebarang kesukaran daripada faktor luaran.

CHAIRMAN'S STATEMENT PERUTUSAN PENERUSI

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REVIEW OF 2019

FROM THE ONSET OF 2019, THE BANK'S PRIORITY IS TO CONTINUE TO BUILD A STRONG FOUNDATION, YET AGILE ENOUGH TO EVOLVE TO CATER TO PRESENT NEEDS. THE FOCUS WAS ON FORMULATING DECISIVE POLICIES AND ADMINISTRATIVE MEASURES WITH A VIEW TO INCREASE OVERALL PRODUCTIVITY AND EFFICIENCY.

During the year, major policies have been finalised to enhance operational performance management, transparency and accountability in line with changing trends and stakeholder demands. One notable achievement is the Bank's Digital Transformation Programme in offering new facilities and solutions to SMEs through the ecosystem.

The Bank's Two-year Accelerated Programme that focuses on a digital transformation started in early 2019. It includes key digital initiative such as ODELA, launched as one of the initiatives under the National SME Digital Platform. ODELA enables the Bank to provide access to a more systematic and informative e-Commerce platform especially for business-to-business (B2B) activities. Our ScoreXcess, a one-stop platform for micro and small entrepreneurs to obtain financing from participating Government agencies, is also another game-changer to the SME ecosystem. Embarking on this journey towards digital initiatives helps us to revolutionise the way financing applications and business transactions are made. In addition, we continue to provide other kinds of specialised and personalised support to SMEs, such as business advisory and coaching services.

The shift from traditional banking model into the strategic initiatives has proven to be very successful as it contributed significantly to the Bank's exceptional and highest profit recorded since its establishment. This has strengthened the platform for our next wave of growth.

ULASAN 2019

SEJAK DARI AWAL 2019, KEUTAMAAN BANK ADALAH UNTUK TERUS MEMBINA ASAS YANG KUKUH, NAMUN TANGKAS UNTUK BERUBAH BAGI MEMENUHI KEPERLUAN SEMASA. TUMPUAN ADALAH TERHADAP MERANGKA DASAR YANG JELAS DAN LANGKAH-LANGKAH PENTADBIRAN YANG BERTUJUAN UNTUK MENINGKATKAN KESELURUHAN PRODUKTIVITI DAN KECEKAPAN.

Sepanjang tahun 2019, dasar-dasar utama telah dimuktamadkan untuk meningkatkan prestasi pengurusan operasi, ketelusan menerusi kebertanggungjawaban seiring dengan trend dan permintaan pihak berkepentingan yang berubah. Salah satu pencapaian cemerlang adalah Program Transformasi Digital Bank dalam menawarkan kemudahan dan penyelesaian baharu kepada PKS menerusi ekosistemnya.

Program Pemecutan Dua-tahun Bank yang menumpukan kepada transformasi digital bermula pada awal 2019. Ia merangkumi inisiatif digital utama seperti ODELA, yang dilancarkan sebagai salah satu inisiatif di bawah Platform Digital PKS Kebangsaan. ODELA membolehkan Bank untuk menyediakan akses kepada platform e-Dagang yang sistematik dan informatif khususnya bagi aktiviti perniagaan-kepada-perniagaan (B2B). ScoreXcess, platform sehenti untuk usahawan mikro dan kecil membuat permohonan pembiayaan daripada agensi-agensi Kerajaan yang mengambil bahagian, juga mengubah ekosistem PKS. Memulakan perjalanan ke arah inisiatif digital ini membolehkan kami merevolusikan cara membuat permohonan pembiayaan dan transaksi perniagaan. Di samping itu, kami terus menyediakan bentuk sokongan lain yang khusus dan diperibadikan kepada PKS, seperti khidmat nasihat dan latihan.

Peralihan daripada model perbankan biasa kepada inisiatif strategik sebegini terbukti berjaya menyumbang secara signifikan kepada keuntungan luar biasa dan tertinggi Bank sejak penubuhannya. Ini nyata telah mengukuhkan platform untuk arus pertumbuhan kami selanjutnya.

CHAIRMAN'S STATEMENT**PERUTUSAN Pengerusi****CHAPTER 02****BAB 02****OUTLOOK FOR 2020**

Against the backdrop of growing uncertainty over the duration and overall impact of the Covid-19 pandemic, the continuation of Movement Control Order (MCO) and volatility in crude palm oil prices, Bank Negara Malaysia (BNM) expected that Malaysia's GDP growth in 2020 to be between -2.5% to 0.5% (2019: 4.3%). The Malaysian Government has also announced a stimulus package amounting RM260 billion (as at 6 April 2020) which would support the economy and decelerate the rate of economic slowdown, offering some relief to the market.

The banking sector in Malaysia is expected to remain challenging in 2020. BNM may exercise its discretion to further revise the overnight policy rate to promote economic growth and stimulate demand for financial services.

The world is also increasingly defined by disruptive changes in global governance and trade rules that bring more uncertainty at different levels. These trends force organisations like ours to remain vigilant and alert towards elements that can potentially impact the business. We also have to be very agile in constantly adapting the business and our organisation to seize new opportunities as well as address challenges.

To this end, the transformation plan that the Bank is undergoing will bring a huge impact on the sustainable development of entrepreneurs in Malaysia. There will be significant changes in our business operations, and at the same time we ensure that good governance practices are not compromised. Our stakeholders remain our utmost priority as we ensure that every action we take benefits all of them, especially entrepreneurs.

In 2020, the Board will continue to drive entrepreneurship and facilitate the growth of SMEs, by creating and cultivating an entrepreneurial environment that is aligned with the local, regional and global economic reality. Overall, it will be in line with the government's National Entrepreneurship Policy (DKN 2030), which aims to develop an entrepreneurial ecosystem in Malaysia that will enhance the country's competitiveness in the global economy.

TINJAUAN 2020

Berdasarkan ketidaktentuan yang semakin bertambah sepanjang tempoh pandemik coronavirus dan keseluruhan kesan daripadanya, penerusan Perintah Kawalan Pergerakan (PKP) dan volatiliti dalam harga minyak sawit mentah, Bank Negara Malaysia (BNM) menjangka KDNK pada 2020 akan berada dalam lingkungan -2.5% hingga 0.5% (2019: 4.3%). Kerajaan Malaysia juga telah mengumumkan pakej rangsangan berjumlah RM260 bilion (pada 6 April 2020) yang akan menyokong ekonomi dan memperlahankan kadar kelembapan ekonomi, yang membantu pasaran.

Sektor perbankan di Malaysia dijangka kekal mencabar pada 2020. BNM mungkin melaksanakan budi bicaranya untuk mengkaji semula kadar dasar semalaman bagi menggalakkan pertumbuhan ekonomi dan merangsang permintaan terhadap perkhidmatan kewangan.

Dunia kini juga semakin dipengaruhi oleh perubahan dalam tadbir urus global dan peraturan dagangan yang mendatangkan lebih banyak ketidaktentuan pada peringkat yang berbeza. Segala trend ini mendorong organisasi seperti kami untuk terus berjaga-jaga terhadap elemen yang berkemungkinan memberi kesan kepada perniagaan. Kami juga perlu menjadi sangat tangkas dalam menyesuaikan perniagaan dan organisasi untuk meraih peluang serta menangani cabaran.

Untuk itu, rancangan transformasi yang Bank sedang laksanakan akan memberi impak yang besar kepada pembangunan mampan usahawan-usahawan di Malaysia. Perubahan ketara akan berlaku dalam operasi perniagaan kami, dan pada masa yang sama kami memastikan tiada kompromi dalam amalan-amalan tadbir urus yang baik. Pihak-pihak berkepentingan kekal sebagai keutamaan kami dalam kami memastikan bahawa setiap tindakan yang diambil akan memanfaatkan mereka, khususnya usahawan.

Pada 2020, Lembaga Pengarah akan terus memacu keusahawanan dan membantu pertumbuhan PKS, dengan mewujudkan dan memupuk persekitaran keusahawanan yang dijangka dengan realiti setempat, serantau dan sejagat seiring dengan Dasar Keusahawanan Nasional (DKN 2030) dengan sasaran untuk memajukan ekosistem keusahawanan di Malaysia yang akan meningkatkan daya saing negara dalam ekonomi global.

CHAIRMAN'S STATEMENT PERUTUSAN Pengerusi

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ECONOMIC IMPACT FROM THE CORONAVIRUS PANDEMIC

We believe the national and global economy will be greatly impacted by the coronavirus or Covid-19 outbreak. As stated by BNM, the pandemic will affect Malaysia's economic growth in Q1 2020, with travel and tourism and associated sectors being among the most affected industries in Malaysia. The devastating effects on the Malaysian economy from both external factors namely global supply, demand shocks and domestic factors, i.e. the Movement Control Order (MCO) will disproportionately impact smaller businesses and vulnerable groups such as lower-income individuals and workers.

In view of these impacts, we foresee the Bank to play a role to recharge the economy after the MCO is lifted. The Board shall thus look forward to supporting the work to stimulate the economy thereafter and to help affected businesses rebound. Subject to the regulatory approvals, these may include a revised profit rate for financing, along with cost-alleviation measures and beyond financing assistance.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to put on record our appreciation to the Government, especially the Ministry of Finance (MOF) and our Ministry of Entrepreneur Development and Cooperatives (MEDAC) for their continuous support in spurring the growth of SMEs throughout 2019. I would also like to extend our gratitude to Bank Negara Malaysia (BNM), other ministries and Government agencies, chambers of commerce, key stakeholders as well as business and trade associations for their commitment, support and cooperation throughout the year.

At the same time, I would like to thank all our other stakeholders and customers for their continued support, and to acknowledge the management and employees of the Bank for their hard work throughout the year.

Thank you.



DATO' SERI NAZIR ARIFF

Chairman / Pengerusi

IMPAK EKONOMI DARIPADA PANDEMIK CORONAVIRUS

Kami percaya ekonomi negara dan global akan sangat terkesan daripada wabak coronavirus atau Covid-19. Sepertimana dinyatakan oleh BNM, pandemik ini akan memberi kesan kepada pertumbuhan ekonomi Malaysia dalam suku tahun pertama 2020, dengan sektor perjalanan dan pelancongan dan sektor-sektor berkaitan menjadi industri paling terkesan di Malaysia. Kesan buruk ke atas ekonomi Malaysia daripada faktor luaran iaitu bekalan global, peningkatan atau penurunan ketara dalam permintaan, dan faktor domestik iaitu Perintah Kawalan Pergerakan (PKP) akan memberi impak secara tidak seimbang kepada perniagaan lebih kecil dan golongan mudah terjejas seperti individu dan pekerja berpendapatan rendah.

Berdasarkan segala impak ini, kami menjangkakan Bank akan memainkan peranan untuk menggiatkan semula ekonomi setelah PKP ditamatkan. Oleh itu, Lembaga Pengarah akan menyokong usaha-usaha rangsangan ekonomi dan membantu perniagaan yang terkesan untuk kembali pulih. Tertakluk kepada kelulusan pihak berkuasa dan pengawal selia, ini mungkin termasuk pembiayaan dengan kadar keuntungan yang dikaji semula, berserta langkah-langkah pengurangan kos dan bantuan yang menjangkau pembiayaan.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan kami kepada Kerajaan, khususnya Kementerian Kewangan (MOF) dan Kementerian Pembangunan Usahawan dan Koperasi (MEDAC) atas sokongan berterusan mereka dalam menggalakkan pertumbuhan PKS sepanjang 2019. Saya juga mengucapkan terima kasih kepada Bank Negara Malaysia (BNM), kementerian-kementerian lain dan agensi-agensi Kerajaan, dewan-dewan perniagaan, pihak-pihak berkepentingan utama serta persatuan perniagaan dan perdagangan atas komitmen, sokongan dan kerjasama mereka.

Terima kasih juga saya ucapkan kepada semua pihak berkepentingan dan pelanggan Bank yang terus menyokong kami, kepada pihak pengurusan dan semua kakitangan Bank atas kerja keras mereka sepanjang tahun ini.

Terima kasih.

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CORONAVIRUS HIGHLIGHTS

AT THE TIME OF PUBLISHING THIS REPORT, THE WORLD IS GOING THROUGH A SHATTERING EVENT BROUGHT ABOUT BY THE CORONAVIRUS PANDEMIC. EVERYONE IS NOT SPARED OF THE IMPACT AND WE CONTINUE TO HEAR DEVASTATING STORIES BEING SHARED ESPECIALLY ON SOCIAL MEDIA.

SOROTAN CORONAVIRUS

PADA KETIKA LAPORAN INI DITERBITKAN, DUNIA SEDANG MELALUI TEMPOH GETIR AKIBAT PENULARAN PANDEMIK CORONAVIRUS. SEMUA ORANG TERKESAN DARIPADANYA DAN KAMI TERUS MENDENGAR KISAH-KISAH YANG MENDUKACITAKAN YANG DIKONGSI TERUTAMANYA DI MEDIA SOSIAL.



ARIA PUTERA ISMAIL
 GROUP PRESIDENT / CHIEF EXECUTIVE OFFICER
 PRESIDEN KUMPULAN / KETUA PEGAWAI EKSEKUTIF



During the year, SME Bank continued to fulfil its mandate of nurturing and developing the SMEs. Our financing portfolio stood at **RM6.4 BILLION.**

Pada tahun ini, SME Bank meneruskan mandatnya untuk memupuk dan membangunkan PKS. Portfolio pembiayaan kami adalah sebanyak **RM6.4 BILION.**

GROUP PRESIDENT / CHIEF EXECUTIVE OFFICER'S REVIEW**CHAPTER 02****ULASAN OLEH PRESIDEN KUMPULAN / KETUA PEGAWAI EKSEKUTIF****BAB 02****OUR PRAYERS AND ADMIRATIONS GO TO THE FRONT-LINERS WHO HAVE PUT THE INTEREST OF THE COUNTRY FIRST THUS ALLOWING ALL OF US TO REMAIN SAFE.**

I would like to start my message by sharing our heartfelt support and solidarity with all our stakeholders especially our customers - the small and medium enterprises. The crisis we are now going through has affected businesses particularly the small and medium enterprises, and has forced the business community to embrace a new norm and to rapidly adapt to new ways of doing business.

Despite the challenging economic outlook, we are committed to helping SMEs persevere against the financial adversities by leveraging on all available resources to ensure their business sustainability during these difficult times. This includes tapping into the series of support measures in the form of financing and beyond financing initiatives that are expected to contribute towards reducing the heavy burden shouldered by the entrepreneurs.

As part of the additional efforts to help fight this invisible war, we made zakat contribution amounting of RM300,000 to various deserving parties namely the National Disaster Relief Fund (NADMA), Ministry of Health Malaysia (MOH), Department of Islamic Development Malaysia (JAKIM), Hospital Sg Buloh and Hospital Kuala Lumpur (HKL) through the Association of Islamic Banking and Financial Institutions Malaysia (AIBIM), Hospital Serdang and Hospital Universiti Sains Malaysia (HUSM). The Bank also made direct donations of RM50,000 to the Ministry of Entrepreneur Development and Cooperatives (MEDAC) SME Emergency Special Fund and another RM50,000 to the Malaysian Red Crescent Society (MRCS).

We continue our beyond financing initiatives such as business development training, aimed at helping SMEs reskill and adapt to the new business landscape in an era of Industrial Revolution 4.0. SME Bank's wholly owned subsidiary, the Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR) organised weekly online knowledge sharing sessions to all customers via Facebook Live on various topics such as creativity and innovation, coaching and mentoring, and so forth. Through CEDAR, we also create digital footprint that connects and empowers business under one integrated platform, ODELA. It is a business-to-business (B2B) platform designed to facilitate complete business activities for those registered merchants and members. Specifically for micro and small financing, we launched ScoreXcess which serves as an online financing application system that can be accessed from anywhere, anytime. All of these complement the financing relief facilities summarised on page 29.

KAMI SAMA-SAMA BERDOA DAN KAGUM DENGAN PETUGAS BARISAN HADAPAN YANG MELETAKKAN KEPENTINGAN NEGARA SEBAGAI KEUTAMAAN DAN MEMBOLEHKAN KITA SEMUA KEKAL SELAMAT.

Saya ingin memulakan ulasan saya dengan berkongsi mesej perpaduan dan sokongan ikhlas kami dengan semua pihak berkepentingan terutamanya pelanggan-pelanggan kami - Perusahaan Kecil dan Sederhana (PKS). Krisis yang sedang kita lalui telah memberi kesan kepada perniagaan khususnya PKS, dan telah memaksa komuniti perniagaan untuk menerima norma baharu dan untuk menyesuaikan dengan cara baharu menjalankan perniagaan.

Sungguhpun prospek ekonomi adalah mencabar, kami komited untuk membantu PKS terus bertahan menghadapi kesukaran kewangan dengan memanfaatkan semua sumber yang tersedia bagi memastikan kemampanan perniagaan mereka sepanjang tempoh getir ini. Ini termasuklah memanfaatkan langkah-langkah bantuan dalam bentuk pembiayaan dan usaha-usaha menjangkau pembiayaan yang dijangka akan menyumbang kepada mengurangkan beban yang dipikul oleh para usahawan.

Sebagai sebahagian daripada usaha tambahan untuk membantu melawan ancaman pandemik ini, kami membuat sumbangan bayaran zakat berjumlah RM300,000 kepada pelbagai pihak yang berhak iaitu Dana Bantuan Bencana Negara, Kementerian Kesihatan Malaysia, Jabatan Kemajuan Islam Malaysia, Hospital Sg Buloh dan Hospital Kuala Lumpur menerusi Persatuan Institusi Perbankan dan Kewangan Islam, Hospital Serdang dan Hospital Universiti Sains Malaysia. Bank juga menyumbang secara langsung sebanyak RM50,000 kepada Kementerian Pembangunan Usahawan dan Koperasi untuk Dana Khas Kecemasan PKS dan RM50,000 lagi kepada Persatuan Bulan Sabit Merah Malaysia.

Kami meneruskan usaha-usaha menjangkau pembiayaan seperti latihan pembangunan perniagaan untuk membantu PKS memahirkan semula dan menyesuaikan dengan landskap perniagaan baharu dalam era Revolusi Industri 4.0. Anak syarikat milik penuh SME Bank, Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR) menganjurkan sesi perkongsian pengetahuan secara dalam talian pada setiap minggu untuk semua pelanggan melalui Facebook Live. Pelbagai topik dibincangkan seperti kreativiti dan inovasi, bimbingan dan pementoran, dan lain-lain lagi. Menerusi CEDAR, kami juga mewujudkan saluran digital yang menghubungkan dan memperkasakan perniagaan di bawah satu platform bersepadu, ODELA. Ia adalah platform perniagaan kepada perniagaan (B2B) yang dibangunkan untuk memudahkan aktiviti perniagaan lengkap bagi pedagang dan ahli-ahli berdaftar. Khusus untuk pembiayaan mikro dan kecil, kami melancarkan ScoreXcess yang berfungsi sebagai sistem permohonan pembiayaan dalam talian yang boleh diakses dari mana-mana sahaja pada bila-bila masa. Kesemua ini melengkapi kemudahan bantuan pembiayaan yang diringkaskan di halaman 29.

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WE CONTINUE WITH OUR BEYOND FINANCING INITIATIVES SUCH AS BUSINESS DEVELOPMENT TRAINING, AIMED AT HELPING SMES RESKILL AND ADAPT TO NEW BUSINESS LANDSCAPE IN AN ERA OF INDUSTRIAL REVOLUTION 4.0.

KAMI MENERUSKAN USAHA-USAHA MENJANGKAUI PEMBIAYAAN SEPERTI LATIHAN PEMBANGUNAN PERNIAGAAN UNTUK MEMBANTU PKS MEMAHIRKAN SEMULA DAN MENYESUAIKAN DENGAN LANDSKAP PERNIAGAAN BAHARU DALAM ERA REVOLUSI INDUSTRI 4.0.



RM1 million / juta

financing for a period of 5.5 years.
 pembiayaan untuk tempoh 5.5 tahun.



Special relief facility available for all beneficiaries.
 Kemudahan bantuan khas disediakan untuk semua benefisiari.

SPECIAL RELIEF FACILITY KEMUDAHAN BANTUAN KHAS	BENEFICIARIES BENEFISIARI
Temporary relief for rental payment, up to 6 months from 1 April 2020 for all the 454 lots of the Bank's 26 Entrepreneur Premises Complex throughout the country. Penangguhan pembayaran sewa, sehingga 6 bulan dari 1 April 2020 bagi semua 454 lot di 26 Kompleks Premis Usahawan Bank di seluruh negara.	248 entrepreneurs who will enjoy savings of RM2.3 million in operation cost. 248 usahawan yang akan menikmati penjimatan sebanyak RM2.3 juta dalam kos operasi.
SME Bank Automatic Moratorium offering relief payment up to 6 months effective from 1 April 2020 and this could also include restructuring and rescheduling of financing facilities. This facility is subject to the accounts not being in arrears for a period exceeding 90 days as of 1 April 2020. Moratorium Automatik SME Bank yang menawarkan penangguhan pembayaran sehingga 6 bulan berkuat kuasa dari 1 April 2020 dan ini boleh juga termasuk penyusunan semula dan penjadualan semula kemudahan pembiayaan. Kemudahan ini tertakluk pada akaun yang tidak tertunggak bagi tempoh melebihi 90 hari pada 1 April 2020.	2,800 customers, with total financing worth RM4.5 billion. 2,800 pelanggan, dengan jumlah pembiayaan bernilai RM4.5 bilion.
Financing of up to RM1 million for a period of 5.5 years, at a profit rate of 3.50% per annum and is available until 31 December 2020. Pembiayaan sehingga RM1 juta untuk tempoh 5.5 tahun, pada kadar keuntungan 3.50% setahun dan tersedia hingga 31 Disember 2020.	All entrepreneurs who are eligible under the Special Relief Facility (SRF) scheme by Bank Negara Malaysia (BNM). Semua usahawan yang layak di bawah skim Penawaran Dana Kemudahan Bantuan Khas (SRF) oleh Bank Negara Malaysia (BNM).
Financing of up to RM5 million for a tenure of up to 8 years, at a profit rate of 3.75% per annum. Pembiayaan sehingga RM5 juta bagi tempoh sehingga 8 tahun, pada kadar keuntungan 3.75% setahun.	All entrepreneurs who are eligible under the Agrofood Facility (AF) scheme. Semua usahawan yang layak di bawah skim Kemudahan Pembiayaan Agromakanan (AF).
Financing of up to RM3 million for a tenure of up to 10 years, at a profit rate of 4.00% per annum, and is available until 31 December 2020. Pembiayaan sehingga RM3 juta bagi tempoh sehingga 10 tahun, pada kadar keuntungan 4.00% setahun, dan tersedia hingga 31 Disember 2020.	All entrepreneurs who are eligible under the Automation and Digitalisation Facility (ADF). Semua usahawan yang layak di bawah Kemudahan Pembiayaan Automasi dan Digital PKS (ADF).
Financing of up to RM5 million for a tenure of up to 5 years, at a profit rate of 7.00% per annum (inclusive of any guarantee fee). Pembiayaan sehingga RM5 juta bagi tempoh hingga 5 tahun, pada kadar keuntungan 7.00% setahun (termasuk sebarang fi jaminan).	Entrepreneurs who are eligible under the All Economic Sectors (AES) Facility. Usahawan yang layak di bawah Kemudahan Pembiayaan Semua Sektor Ekonomi (AES).

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OVERVIEW

I am pleased to report on yet another year of SME Bank's progress and share our future plans. The economic landscape today is characterised by deep and wide-ranging change. The world we inhabit seems poised between opportunity and uncertainty. Change is happening at a much faster pace than anyone is anticipating. Nevertheless, we at SME Bank continue to reflect on the development and execute changes quickly and leveraging it to adapt and deliver on our mandate.

In responding to change, we ensure that the Bank's foundation remains strong. In 2019, we welcomed new members to the Board with the appointment of our Chairman as well three Independent Non-Executive Directors and two Non-Independent Non-Executive Directors who represent the Ministry of Finance (MOF) and Ministry of Entrepreneur Development and Cooperatives (MEDAC), respectively. Their diverse background and broad knowledge and experience form one of the pillars of a robust corporate governance framework.

Speed, agility and innovative thinking are the prerequisites needed to succeed and meet aspirations in a world where rapid change is a given fact. SME Bank entered the year 2019 with a clear goal to contribute to the overall success of its customers. I believe it is essential that positive changes in efficiency, productivity and quality be linked to innovation.

We chart a new competitive landscape as we embrace innovation and digitalisation of our business. Our strategy of embarking into a digital transformation with deep customer reach has indeed given us competitive differentiation.

Harnessing the digital opportunity not only helps us grow organically but more importantly, it becomes a game-changer to help extend our reach to a broader customer base in the market without the need for an extensive physical branch network.

We have been deeply immersed in the digital transforming agenda as we embrace the Industrial Revolution 4.0 simply because we want to ensure that we remain true to our basic value proposition, which is to become the catalyst for the growth of small and medium enterprises (SMEs) in Malaysia.

We have already begun to see the positive financial returns from this effort. We are also witnessing cultural transformation as we make headway in creating a workforce that re-imagine the customer experience which is simple, seamless and complete.

TINJAUAN

Sukacita saya melaporkan mengenai kemajuan SME Bank untuk tahun 2019 dan berkongsi rancangan masa depan kami. Perubahan yang pesat dan pantas membentuk landskap ekonomi pada masa ini. Dunia yang kita diami bagaikan berada di antara peluang dengan ketidakpastian. Perubahan berlaku pada kadar yang lebih pantas daripada yang sesiapa pun jangkakan. Kami di SME Bank sentiasa memikirkan sama ada kami cepat bertindak balas terhadap perubahan ini dan bagaimana kami memanfaatkannya dengan baik untuk menyesuaikan dan memenuhi mandat kami.

Dalam kami bertindak balas terhadap perubahan, kami memastikan bahawa asas Bank kekal kukuh. Pada 2019, kami mengalu-alukan kehadiran ahli Lembaga Pengarah baharu dengan pelantikan Pengerusi kami serta tiga orang Pengarah Bebas Bukan Eksekutif dan dua orang Pengarah Bukan Bebas Bukan Eksekutif yang masing-masing mewakili Kementerian Kewangan (MOF) dan Kementerian Pembangunan Usahawan dan Koperasi (MEDAC). Latar belakang mereka serta pengetahuan dan pengalaman yang luas membentuk salah satu tunjang rangka kerja tadbir urus korporat yang teguh.

Kepantasan, ketangkasan dan pemikiran inovatif adalah prasyarat yang diperlukan untuk berjaya dan memenuhi iltizam dalam dunia di mana perubahan pantas adalah satu hakikat yang nyata. SME Bank melangkah ke tahun 2019 dengan matlamat yang jelas untuk menyumbang kepada keseluruhan kejayaan para pelanggannya. Saya percaya ia penting bagi perubahan dalam kecekapan, produktiviti dan kualiti dikaitkan dengan inovasi.

Kami mencipta landskap berdaya saing yang baharu apabila kami menerima inovasi dan pendigitalan perniagaan. Strategi kami dalam memulakan transformasi digital dengan capaian pelanggan yang lebih besar sesungguhnya telah memberikan kami perbezaan daya saing.

Dengan memanfaatkan peluang digital, ia bukan sahaja membantu kami berkembang secara organik tetapi lebih penting lagi, ia menjadi suatu pengubah cara untuk membantu kami meluaskan capaian kepada asas pelanggan lebih besar dalam pasaran tanpa memerlukan rangkaian cawangan fizikal yang banyak.

Kami memberi tumpuan mendalam terhadap agenda transformasi digital dalam kami menerima Revolusi Industri 4.0 semata-mata kerana kami mahu memastikan bahawa kami mengekalkan usul nilai asas kami, iaitu untuk menjadi pemangkin kepada pertumbuhan Perusahaan Kecil dan Sederhana (PKS) di Malaysia.

Kami telah mula melihat pulangan kewangan yang positif daripada usaha ini. Kami juga menyaksikan transformasi budaya apabila kami mara dalam mewujudkan tenaga kerja yang memberi keutamaan pada pengalaman pelanggan yang mudah, lancar dan lengkap.

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THE YEAR 2019 WAS A SIGNIFICANT YEAR FOR SMALL AND MEDIUM ENTERPRISES (SMEs) WITH THE LAUNCH OF THE NATIONAL ENTREPRENEURSHIP POLICY (DKN 2030) BY THE GOVERNMENT.

The DKN 2030 targets to empower the bottom 40% of the household income (B40) group by inculcating a culture of entrepreneurship, in line with the aspiration to create one million jobs.

By 2030, the Government wants SMEs to contribute up to 50% of the Gross Domestic Product (GDP). SMEs contributed 38.3% to GDP in 2018 amounting to RM521.7 billion as compared to 37.8% or RM491.2 billion in 2017. SME's GDP growth for 2018 increased at 6.2%, which exceeded Malaysia's overall GDP which registered at 4.7%

During the year, SME Bank continued to fulfil its mandate of nurturing and developing SMEs. Our financing portfolio stood at RM6.4 billion. The Bank also continued offering value-added services that go beyond the role of a provider of financing facilities. Such 'beyond financing' services contributed towards wider economic and social development by implementing several development initiatives throughout the year.

ULASAN TAHUNAN

TAHUN 2019 ADALAH SATU TAHUN YANG SIGNIFIKAN BAGI PERUSAHAAN KECIL DAN SEDERHANA (PKS) DENGAN PELANCARAN DASAR KEUSAHAWANAN NASIONAL (DKN 2030) OLEH KERAJAAN.

DKN 2030 menyasarkan untuk memperkasakan kumpulan 40% isi rumah berpendapatan rendah (B40) dengan memupuk budaya keusahawanan, seiring dengan aspirasi untuk mewujudkan satu juta pekerjaan.

Menjelang 2030, Kerajaan berhasrat agar PKS akan menyumbang sehingga 50% kepada Keluaran Dalam Negara Kasar (KDNK). PKS menyumbang 38.3% kepada KDNK pada 2018 berjumlah RM521.7 bilion berbanding 37.8% atau RM491.2 bilion pada 2017. Pertumbuhan KDNK oleh PKS bagi 2018 meningkat 6.2% yang mana mengatasi keseluruhan KDNK Malaysia yang mencatat 4.7%.

Pada tahun ini, SME Bank meneruskan mandatnya untuk memupuk dan membangunkan PKS. Portfolio pembiayaan kami adalah sebanyak RM6.4 bilion. Bank juga terus menawarkan perkhidmatan bernilai tambah yang menjangkau peranannya sebagai penyedia kemudahan pembiayaan. Perkhidmatan 'menjangkau pembiayaan' sebegini menyumbang lebih lagi kepada perkembangan ekonomi dan sosial yang lebih meluas melalui pelaksanaan beberapa inisiatif pembangunan di sepanjang tahun.

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In addressing the needs of SMEs, we are guided by BNM's Performance Measurement Framework (PMF) initiatives. The framework aims at revitalising Development Financial Institutions (DFIs) to achieve greater socioeconomic outcomes. We view the framework as a progressive step to generate "additionalities", i.e. positive impact resulting from DFI participation, beyond that which would have occurred without DFI participation.

Through these "additionalities", SME Bank can create an enabling environment for economic segments namely the SMEs to flourish through the implementation of programmes, and demonstrate evidence of impact as a result of our participation in the targeted sector in line with the mandate set by the Government.

The PMF also proves that the Bank has been moving in the right direction. For example, under the upward migration initiative, we successfully assisted a record of 576 companies. This intervention programme helps them to achieve improvement in various areas such as profit and revenue growth, increased number of employees, and the move towards digital transformation and expansion into the export market.

Dalam menangani keperluan PKS, kami berpandukan kepada Rangka Kerja Pengukuran Prestasi (RKPP) oleh BNM. Rangka kerja ini bertujuan menggiatkan semula Institusi Kewangan Pembangunan (DFI) untuk mencapai hasil sosioekonomi lebih besar. Kami melihat rangka kerja ini sebagai langkah progresif ke arah menjana "additionalities", iaitu impak positif yang terhasil daripada penyertaan DFI, menjangkau apa yang mungkin telah berlaku tanpa penyertaan DFI.

Melalui "additionalities" ini, SME Bank boleh mewujudkan persekitaran yang membolehkan segmen ekonomi iaitu PKS untuk maju melalui pelaksanaan program, dan menunjukkan bukti impak sebagai hasil penyertaan kami dalam sektor sasaran, sejajar dengan mandat yang ditetapkan oleh Kerajaan.

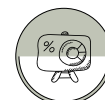
RKPP juga membuktikan bahawa Bank telah membuat perkara yang betul selama ini. Contohnya, di bawah inisiatif peningkatan perniagaan, kami berjaya membantu 576 syarikat. Program intervensi ini membantu mereka mencapai penambahbaikan dalam pelbagai bidang seperti peningkatan dalam keuntungan dan hasil, penambahan dalam bilangan pekerja serta peralihan kepada transformasi digital dan pengembangan ke pasaran eksport.

SME's
CONTRIBUTION TO
GROSS DOMESTIC
PRODUCT (GDP)
SUMBANGAN PKS
KEPADA KELUARAN
DALAM NEGARA
KASAR (KDNK)



- SME's Gross Domestic Product growth for 2018 increased at Pertumbuhan Keluaran Dalam Negara Kasar oleh PKS bagi 2018 meningkat

6.2%



- FY2018
RM521.7
billion /
bilion



- FY2017
RM491.2
billion /
bilion

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INNOVATIVE SOLUTIONS TO SPUR SME GROWTH**PENYELESAIAN INOVATIF UNTUK MEMACU PERTUMBUHAN PKS**

WE MADE PROGRESS TOWARDS OUR VISION TO BE THE LEADER IN SME ECOSYSTEM VALUE CREATION BEYOND FINANCIAL SERVICES .

In 2019, we launched our digital transformation programme which is our strategic agenda to upgrade our business and to leverage the possibilities of digital in financing solutions.

We kicked off our Two-year Accelerated Programme in 2019 where we set new directions and initiatives to improve our services. This includes the National SME Digital Platform which is in line with the DKN 2030 and endorsed by the National Development Council (MPN) and National Entrepreneur and SME Development Council (NESDC) to empower the adoption of innovative technology.

We acknowledge technology as having a big, mostly positive impact right across the financing value chain. Digital platforms make it possible for our existing and potential customers to take advantage of our technology and knowledge.

At the same time, with digital solutions we are improving our business capabilities to better support our customers wherever they are and whenever they need. We work with our customers to provide innovative solutions that meet their specific needs.

KAMI MENCATAT KEMAJUAN DALAM VISI KAMI UNTUK MENJADI PENERAJU DALAM PENCIPTAAN NILAI EKOSISTEM PKS YANG MENJANGKAUI PERKHIDMATAN PEMBIAYAAN .

Pada 2019, kami melancarkan program transformasi digital yang merupakan satu agenda strategik untuk menaik taraf perniagaan kami dan untuk memanfaatkan peluang digital dalam penyelesaian pembiayaan.

Kami memulakan Program Pemecutan Dua-tahun pada 2019 di mana kami menetapkan hala tuju baharu dan inisiatif untuk menambah baik perkhidmatan kami. Ini termasuk Platform Digital PKS Kebangsaan, sejajar dengan DKN 2030 dan diiktiraf oleh Majlis Pembangunan Nasional (MPN) dan Majlis Pembangunan Usahawan dan PKS Kebangsaan (NESDC) bagi memperkasakan penggunaan teknologi inovatif.

Kami sedar bahawa teknologi mempunyai impak yang besar dan amat positif dalam seluruh rangkaian nilai pembiayaan. Platform digital memungkinkan para pelanggan kami yang sedia ada dan berpotensi untuk meraih peluang daripada teknologi dan pengetahuan kami.

Pada masa yang sama, dengan penyelesaian digital, kami menambah baik keupayaan perniagaan untuk menyokong para pelanggan kami di mana sahaja mereka berada dan bila-bila masa mereka memerlukan. Kami bekerjasama dengan para pelanggan untuk menyediakan penyelesaian inovatif yang memenuhi keperluan khusus mereka.

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IN 2019, WE LAUNCHED OUR DIGITAL TRANSFORMATION PROGRAMME WHICH IS OUR STRATEGIC AGENDA TO UPGRADE OUR BUSINESS AND TO LEVERAGE THE POSSIBILITIES OF DIGITAL IN FINANCING SOLUTIONS.

PADA 2019, KAMI MELANCARKAN PROGRAM TRANSFORMASI DIGITAL YANG MERUPAKAN SATU AGENDA STRATEGIK UNTUK MENAIK TARAF PERNIAGAAN KAMI DAN UNTUK MEMANFAATKAN PELUANG DIGITAL DALAM PENYELESAIAN PEMBIAYAAN.



One of the components under this programme, ScoreXcess, is a one-stop portal for SMEs to apply for micro and small financing. It will provide pre-screening approval assessment by using Artificial Intelligence (AI) to participating agencies when customers apply for financing.

Meanwhile, ODELA is a one-stop business centre to serve the needs of business-to-business (B2B) community. It supports digitalisation efforts and connects business players across the trade value chain and aims to be a market aggregator while providing business development training, besides serving as a smart financing hub.

Both ScoreXcess and ODELA will be the game changer in SME business landscape as they provide access to more systematic and informative e-Commerce platforms and at the same time help achieve the Government's aspiration to strengthen the country's digital economy.

While our digital transformation programme involves a great deal of investment, it underpins our financial commitments to grow our business as we also strive to increase our financing portfolio and to generate sustainable and strong financial returns.

Salah satu komponen di bawah program ini, ScoreXcess, adalah portal setempat bagi PKS untuk memohon pembiayaan mikro dan kecil. Ia akan menyediakan penilaian penapisan kelulusan menggunakan kecerdasan buatan (AI) kepada agensi-agensi yang mengambil bahagian apabila pelanggan memohon untuk mendapatkan pembiayaan.

ODELA pula adalah pusat perniagaan setempat untuk memenuhi keperluan komuniti perniagaan-kepada-perniagaan (B2B). Ia menyokong usaha-usaha pendigitalan dan menghubungkan perniagaan di seluruh rantai nilai perdagangan, dan menasarkankan untuk menjadi pengagregat pasaran dan pada masa yang sama menyediakan latihan pembangunan perniagaan di samping menjadi hub pembiayaan pintar.

ScoreXcess dan ODELA bakal mengubah landskap perniagaan PKS memandangkan ia menyediakan akses kepada platform e-Dagang yang lebih sistematik dan informatif dan pada masa yang sama membantu mencapai aspirasi Kerajaan untuk mengukuhkan ekonomi digital negara.

Sungguhpun program transformasi digital kami melibatkan jumlah pelaburan yang banyak, ia menyokong komitmen kewangan kami untuk memajukan perniagaan kami dalam kami berusaha meningkatkan portfolio pembiayaan dan menjana pulangan kewangan yang kukuh dan mampan.

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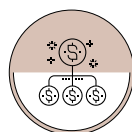
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EXCEPTIONAL FINANCIAL PERFORMANCE

PRESTASI KEWANGAN YANG CEMERLANG

THE INVESTMENTS IN DIGITAL TRANSFORMATION THAT BEGAN IN 2018 AND CONTINUED IN 2019 ARE NOW STARTING TO DELIVER POSITIVE RESULTS, LAYING STRONG FOUNDATIONS FOR 2019 AND BEYOND.

PELABURAN DALAM TRANSFORMASI DIGITAL YANG BERMULA PADA 2018 DAN DITERUSKAN PADA 2019 KINI MULA MENUNJUKKAN HASIL POSITIF, LALU MEMBINA ASAS YANG KUKUH UNTUK 2019 DAN SETERUSNYA.

**529 SMEs**

approved in 2019
total approval was
RM2.1 billion

529 PKS

kelulusan
berjumlah RM2.1
bilion pada 2019

The Bank attained a triple-digit growth to a record profit before tax and zakat of RM213.9 million in 2019. The best result since the Bank's inception in 2005 was mainly attributed to concerted efforts in strategized recovery approach and better account management.

Our total financing approval to 529 SMEs was RM2.1 billion in 2019. Wholesale and retail trade as well as restaurants and hotels sector contributed 24.3%, followed by construction (19.8%), and finance, real estate and business activities (16.6%).

The Bank registered RM6.4 billion of gross financing portfolio. Financing the Small entrepreneur's category made up the majority of the portfolio (39.2%) and followed by Medium category at 36.7%. The top three sectors were Services at 66.6%, Construction at 16.9%, and Manufacturing at 14.7%.

To support the initiative of Visit Malaysia 2020, the Government, through SME Bank allocated RM500 million Special Fund for Tourism (SFT3) to provide financing for SMEs involved in tourism projects promoted by the Government. The projects include building or renovating tourism or historical properties, improving transportation services as well as building resorts and its infrastructures, manufacturing or supplying products or facilities related to tourism and acquiring or redeeming existing facilities. SFT3 also helps boost the economy and intensifies the growth of homestay and handicraft entrepreneurs in the country's tourism sector.

As of 31 December 2019, SME Bank has approved financing amounting RM229,757 million to nine (9) companies.

Bank mencatat pertumbuhan tiga digit apabila mencapai keuntungan sebelum cukai dan zakat sebanyak RM213.9 juta pada 2019. Keputusan terbaik sejak penubuhan Bank pada 2005 ini terutamanya adalah kerana usaha bersepadu dalam pendekatan strategi pemulihan dan pengurusan akaun yang lebih baik.

Jumlah kelulusan pembiayaan kami kepada 529 PKS adalah sebanyak RM2.1 bilion pada 2019. Perdagangan pukal dan runcit serta sektor restoran dan hotel menyumbang 24.3%, disusuli oleh pembinaan (19.8%), dan kewangan, hartanah dan aktiviti perniagaan (16.6%).

Bank mencatat portfolio pembiayaan kasar sebanyak RM6.4 bilion. Majoriti portfolio adalah dalam pembiayaan kepada usahawan Kecil (39.2%) dan diikuti dengan usahawan kategori Sederhana sebanyak 36.7%. Tiga sektor teratas adalah Perkhidmatan sebanyak 66.6%, Pembinaan sebanyak 16.9%, dan Pembuatan sebanyak 14.7%.

Bagi menyokong inisiatif Tahun Melawat Malaysia 2020, Kerajaan, menerusi SME Bank telah memperuntukkan RM500 juta Tabung Khas Pelancongan (SFT3). Dana ini adalah untuk menyediakan pembiayaan kepada PKS yang terlibat dalam projek-projek pelancongan yang dipromosi oleh Kerajaan. Ia termasuk membina atau mengubah suai hartanah bersejarah, menambah baik perkhidmatan pengangkutan serta membina tempat peranginan dan prasarannya, membuat atau membekal produk atau kemudahan berkaitan pelancongan dan membeli atau menebus kemudahan sedia ada. SFT3 juga membantu meningkatkan ekonomi dan mengukuhkan pertumbuhan usahawan inap desa dan kraftangan di dalam sektor pelancongan negara.

Setakat 31 Disember 2019, SME Bank telah meluluskan pembiayaan berjumlah RM229,757 juta kepada sembilan (9) syarikat.



REMARKABLE BEYOND FINANCING

In 2019, we continued with our market outreach and developmental agenda to intervene as a supportive partner to ensure SMEs' success, and ultimately fulfil our mandate to make SMEs the nation's engine of growth.

In addition to the Bank's upward migration programme, we assisted 55 out of 73 companies that participated in the Best Exporters Programme (BEP) to record total incremental export revenues of RM141.4 million.

The programme is in collaboration with Bumiputera Agenda Steering Unit (TERAJU) and Malaysia External Trade Development Corporation (MATRADE) to recruit and develop potential Bumiputera SMEs to become exporters through a structured intervention programme. Started in 2016, BEP aims at supporting the Government's initiatives to enhance the export growth of Bumiputera SMEs.

Entrepreneur Premises Programme (EPP) is the Bank's special programme that provides 26 Entrepreneur Premises Complex (EPC) located nationwide with 454 factory spaces at affordable and competitive rates for rental to entrepreneurs. Out of the total spaces, 77% have been rented out.

The Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR), a subsidiary of SME Bank, continues to complement our role by offering its unique effective entrepreneur development and coaching programmes. Its main objective is to enable entrepreneurs to realise the business, create values and sustain their growth. In 2019, we recorded a total of 2,310 participants in 126 coaching and training programmes.

The SME Bank Business Strategic Series (SBSS), a non fee based programme benefitted 749 participants who took part in 22 sessions. The sessions covered topics such as marketing for growth, creating and leading high performing teams, accounting and financial management strategies, and business planning strategies.

MENJANGKAUI PEMBIAYAAN YANG LUAR BIASA

Pada 2019, kami meneruskan agenda pembangunan dan jangkauan pasaran untuk turut serta sebagai rakan yang menyokong dan memastikan kejayaan PKS, dan akhirnya memenuhi mandat kami untuk menjadikan PKS sebagai penjana pertumbuhan ekonomi negara.

Di samping program peningkatan perniagaan, kami membantu 55 daripada sejumlah 73 syarikat yang mengambil bahagian dalam program Best Exporters (BEP) untuk mencatat peningkatan hasil eksport sebanyak RM141.4 juta.

Program ini adalah kerjasama dengan Unit Peneraju Agenda Bumiputera Bumiputera (TERAJU) dan Perbadanan Pembangunan Perdagangan Luar Malaysia (MATRADE) untuk mengambil dan membangunkan PKS Bumiputera yang berpotensi untuk menjadi pengeksport melalui program intervensi tersusun. Dimulakan pada 2016, BEP adalah untuk menyokong usaha Kerajaan dalam meningkatkan pertumbuhan eksport PKS Bumiputera.

Program Premis Usahawan (EPP) adalah program khas oleh SME Bank yang menyediakan 26 Kompleks Premis Usahawan (EPC) di seluruh negara dengan 454 ruang kilang pada kadar yang mampu dan berdaya saing untuk disewa kepada para usahawan. Daripada jumlah ini, 77% ruang kilang telah disewakan.

Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR), anak syarikat SME Bank, terus melengkapkan peranan kami dengan menawarkan program-program pembangunan dan latihan usahawan yang unik dan berkesan. Matlamat utamanya adalah untuk membolehkan usahawan merealisasikan perniagaan, mencipta nilai dan mengekalkan pertumbuhan mereka. Pada 2019, kami mencatat sejumlah 2,310 peserta dalam 126 program bimbingan dan latihan.

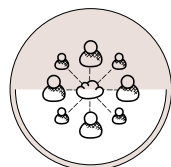
Siri Strategik Perniagaan SME Bank (SBSS), satu program bukan berasaskan yuran memanfaatkan 749 peserta yang mengambil bahagian dalam 22 sesi. Ia merangkumi topik seperti pemasaran untuk pertumbuhan, mewujudkan dan memimpin pasukan berprestasi tinggi, strategi perakaunan dan pengurusan kewangan, dan strategi perancangan perniagaan.

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THE SME BANK 90-DAYS BIZ CHALLENGE OFFERED TOTAL CASH PRIZE OF RM45,000 AND IS ORGANISED ALTERNATELY WITH SME BANK Y-BIZ CHALLENGE.

SME BANK 90-DAYS BIZ CHALLENGE MENAWARKAN HADIAH WANG TUNAI BERJUMLAH RM45,000 DAN DIANJURKAN SECARA BERGILIR-GILIR DENGAN SME BANK Y-BIZ CHALLENGE.

PROMOTING ENTREPRENEURSHIP

We acknowledge that fostering entrepreneurship as one of the successful development efforts in growing the SME sector. In playing our role as a catalyst for SME growth, we constantly look for ways to instil interest amongst future entrepreneurs and provide deeper understanding, particularly to nascent entrepreneurs on what the Bank has to offer.

Following the success of our television programme SUKSES, we continued with its third season during the year. The show is in collaboration with Astro Awani TV station which serves as a platform for an in-depth discussion on issues and challenges faced by the SME entrepreneurs and sharing on their success stories. SUKSES 3 comprised 13 episodes and was rebranded as SUKSES@90-Days Biz Challenge. It showcased 20 teams who were finalists of the third edition of SME Bank 90-Days Biz Challenge.

SME Bank 90-Days Biz Challenge is a programme which was introduced in 2015 in collaboration with the Ministry of Higher Education. In 2019, participation was also open to students from Polytechnics following the merger of the Ministry of Education and Ministry of Higher Education. It is an entrepreneurship competition that was previously designed especially for students of Community Colleges who are undergoing the Entrepreneurship Incubator Programme, before it is also open to Polytechnics students. The SME Bank 90-Days Biz Challenge offered a total cash prize of RM45,000 and is organised alternately with SME Bank Y-Biz Challenge, which is an entrepreneurship competition for the secondary school students.

SME Bank continued to fulfil its mandate of developing entrepreneurs and advancing SME growth. With our fundamental strength that rests on a diversified portfolio of businesses that we serve, we are well-positioned to help Malaysian SMEs expand. We do this by providing holistic support including skills and targeted consultation at all points of the business process.

MENGGALAKKAN KEUSAHAWANAN

Menggalakkan keusahawanan adalah salah satu daripada usaha pembangunan yang berjaya untuk mengembangkan sektor PKS. Dalam memainkan peranan kami sebagai pemangkin pertumbuhan PKS, kami secara berterusan mencari jalan untuk menerapkan minat di kalangan bakal usahawan dan memberikan pemahaman lebih mendalam, khususnya kepada usahawan yang baru bermula tentang apa yang Bank boleh tawarkan.

Berikutan kejayaan rancangan televisyen kami iaitu SUKSES, kami menyambunginya untuk musim ketiga pada 2019. Rancangan ini adalah kerjasama dengan stesen TV Astro Awani yang menjadi wadah bagi perbincangan terperinci tentang isu dan cabaran yang dihadapi oleh usahawan PKS dan berkongsi kisah kejayaan mereka. SUKSES 3 mengandungi 13 episod dan dijenamakan semula sebagai SUKSES@90-Days Biz Challenge. Ia memaparkan 20 pasukan yang merupakan finalis edisi ketiga SME Bank 90-Days Biz Challenge.

SME Bank 90-Days Biz Challenge adalah program yang diperkenalkan pada 2015 dengan kerjasama Kementerian Pengajian Tinggi. Pada 2019, penyertaan juga dibuka kepada penuntut dari Politeknik berikutan penggabungan Kementerian Pendidikan dengan Kementerian Pengajian Tinggi. Ia merupakan pertandingan keusahawanan yang direka khas untuk para pelajar Kolej Komuniti yang menjalani Program Inkubator Keusahawanan, sebelum ia juga dibuka kepada pelajar-pelajar Politeknik. SME Bank 90-Days Biz Challenge menawarkan hadiah wang tunai berjumlah RM45,000 dan dianjurkan secara bergilir-gilir dengan SME Bank Y-Biz Challenge, iaitu pertandingan keusahawanan untuk pelajar sekolah menengah.

SME Bank terus memenuhi mandatnya untuk membangunkan usahawan dan memajukan pertumbuhan PKS. Dengan kekukuhan asas kami yang bertunjangkan kepelbagaian portfolio perniagaan yang kami berikan perkhidmatan, kami berada dalam kedudukan yang baik untuk membantu PKS Malaysia berkembang. Kami melakukannya dengan menawarkan bantuan yang menyeluruh termasuk kepakaran dan khidmat nasihat yang disasarkan pada semua peringkat proses perniagaan.

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In 2019, the Bank identified 14 potential companies to take part in the first phase of Project TITAN. It is a comprehensive business accelerator platform to discover and back talented entrepreneurs while helping them to form successful companies at scale and build thriving ecosystems. The main objective of this project is to produce leading industrial players to support national economic and social growth.

ENHANCING STRATEGIC PARTNERSHIPS

During the year, we collaborated with several partners to help meet our goal of being the centre of excellence for SME development, and ultimately to achieve our vision as a leader in SME ecosystem value creation beyond financial services.

Most of the strategic partnerships were part of our major initiatives in 2019 to create a more dynamic SME ecosystem and subsequently helped to drive the contribution of SMEs to the national economy. Some of the other partnerships also served as the Bank's contribution towards ensuring the success of nation-building projects that are impactful to the society.

Pada 2019, Bank mengenal pasti 14 syarikat berpotensi untuk mengambil bahagian dalam fasa pertama Projek TITAN. Ia merupakan satu platform pemecutan perniagaan yang lengkap untuk mencari dan menyokong usahawan-usahawan berbakat, sementara membantu mereka membentuk syarikat yang berjaya dan membina ekosistem yang berkembang maju. Matlamat utama projek ini adalah untuk menghasilkan pemain industri terkemuka bagi menyokong pertumbuhan ekonomi dan sosial negara.

MEMPERTINGKATKAN PERKONGSIAN STRATEGIK

Sepanjang tahun ini, kami berkerjasama dengan beberapa rakan strategik untuk membantu kami mencapai matlamat menjadi pusat kecemerlangan bagi pembangunan PKS, dan akhirnya mencapai visi kami sebagai peneraju dalam penciptaan nilai ekosistem PKS yang menjangkau perkhidmatan pembiayaan.

Kebanyakan perkongsian strategik ini adalah sebahagian daripada inisiatif utama kami pada 2019 untuk mewujudkan ekosistem PKS yang lebih dinamik dan seterusnya membantu memacu sumbangan PKS kepada ekonomi negara. Beberapa perkongsian lain juga menjadi sumbangan Bank terhadap kejayaan projek-projek membina negara yang memberi impak kepada masyarakat.

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I AM PLEASED TO LIST A SUMMARY OF MEMORANDUM OF UNDERSTANDINGS (MOUs) THAT THE BANK ENTERED THROUGHOUT THE YEAR:

- MoU with Orion IXL Berhad to enable the Bank to offer financial technology (fintech) solutions to the SMEs. Orion IXL Berhad would assist us by creating a framework for traditional and alternative credit scores and match them with suitable financing from the Bank.
- MoU with Telekom Malaysia and Commerce DotAsia Ventures to enable the Bank to leverage on e-Commerce platforms and provide front-end component of online business for SMEs through its marketplace. Telekom Malaysia would provide access to its infrastructure and services, such as high-speed Internet, data centre and cloud computing, which would serve as enablers for the Bank to explore providing digital solutions for the financing needs of the SMEs. Commerce DotAsia on the other hand would provide SME Bank access to its database of more than 700,000 SMEs in Malaysia and a comprehensive ecosystem of e-Commerce enabling technologies.
- MoU with Prowheels Distributor (M) Sdn. Bhd. for the Bank to offer financing from as low as RM100,000 to vendors that have been selected and awarded contracts from Prowheels Distributor. Aside from the financing for the purchase of assets and working capital, the Bank would also provide the vendors with free entrepreneurial training to further enhance their capacity building.
- Agreement on branding collaboration agreement with Kedah Holdings Sdn. Bhd. (Kedah Holdings) for the Bank to provide financing facilities for the purchase of affordable housing projects around Pokok Sena, Kedah developed by Kedah Holdings with the addition of SME Bank logo on the housing projects' billboards.

SUKACITA SAYA MENYENARAIKAN RINGKASAN PERJANJIAN PERSEFAHAMAN (MOU) YANG DIMETERAI OLEH BANK SEPANJANG TAHUN INI:

- MoU dengan Orion IXL Berhad bagi membolehkan Bank untuk menawarkan penyelesaian teknologi kewangan (fintech) kepada PKS. Orion IXL Berhad akan membantu kami dengan mewujudkan rangka kerja untuk skor kredit biasa dan alternatif dan memadangkannya dengan pembiayaan yang sesuai yang ditawarkan oleh Bank.
- MoU dengan Telekom Malaysia dan Commerce DotAsia Ventures bagi membolehkan Bank untuk memanfaatkan platform e-Dagang dan menyediakan komponen duluan perniagaan dalam talian untuk PKS melalui pasarannya. Telekom Malaysia akan menyediakan akses kepada pasrasana dan perkhidmatannya, seperti Internet berkelajuan tinggi, pusat data dan pengkomputeran awan, yang akan menjadi pemboleh bagi Bank untuk meneroka penyelesaian digital yang boleh ditawarkan bagi memenuhi keperluan pembiayaan PKS. Commerce DotAsia pula akan memberikan SME Bank akses kepada pangkalan datanya yang mengandungi sebanyak lebih 700,000 PKS di Malaysia serta ekosistem teknologi bagi e-Dagang.
- MoU dengan Prowheels Distributor (M) Sdn. Bhd. untuk Bank menawarkan pembiayaan daripada serendah RM100,000 kepada pembekal yang telah dipilih dan diberi kontrak daripada Prowheels Distributor. Selain pembiayaan untuk pembelian aset dan modal kerja, Bank juga akan menyediakan latihan keusahawanan secara percuma kepada pembekal untuk meningkatkan lagi keupayaan mereka.
- Perjanjian kerjasama penjenamaan dengan Kedah Holdings Sdn. Bhd. (Kedah Holdings) untuk Bank menyediakan kemudahan pembiayaan bagi pembelian projek perumahan mampu milik di sekitar Pokok Sena, Kedah yang dimajukan oleh Kedah Holdings dengan tambahan logo SME Bank pada papan iklan projek-projek perumahan tersebut.

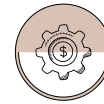
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- MoU with Celcom Axiata Berhad to complement SME Bank's digital transformation agenda, and for the latter to enhance the sustainability of its Vendor Development Programme (VDP). The collaboration would lay opportunities for SMEs who are Celcom-registered contractors, vendors and suppliers to gain access to the RM100 million financing facility the Bank provides. The facility offered is in the form of contract financing, working capital and / or purchase of assets.
- MoU with China Communications Construction Sdn. Bhd. (CCC-ECRL) and Malaysia Rail Link Sdn. Bhd. (MRL) to offer RM1 billion in financing specially for local contractors appointed for the civil works packages of the East Coast Rail Link (ECRL) project. The MoU is to facilitate the financial solutions for them to accelerate the commencement of civil works of the 640-km rail infrastructure from Kota Bharu, Kelantan to Port Klang, Selangor.
- MoU with OYO Rooms Hospitality Sdn. Bhd. (OYO) to help our customers who are budget hotel operators to improve their service quality. OYO's business partners would have the opportunity to obtain financing from SME Bank such as the Special Fund for Tourism 3 (SFT3), a special financing for the tourism sector, in addition to financing for working capital and asset purchase.
- MoU dengan Celcom Axiata Berhad (Celcom) bagi melengkapi agenda transformasi digital SME Bank, dan bagi Celcom meningkatkan kemamparan Program Pembangunan Vendor syarikat tersebut. Kerjasama ini akan memberi peluang kepada PKS yang merupakan kontraktor, vendor dan pembekal yang berdaftar dengan Celcom untuk mendapat akses kepada kemudahan pembiayaan sebanyak RM100 juta yang Bank sediakan. Kemudahan ini ditawarkan dalam bentuk pembiayaan kontrak, modal kerja dan / atau pembelian aset.
- MoU dengan China Communications Construction Sdn. Bhd. (CCC-ECRL) dan Malaysia Rail Link Sdn. Bhd. (MRL) untuk menawarkan pembiayaan RM1 bilion khususnya kepada kontraktor tempatan yang dilantik untuk pakej kerja-kerja awam projek Laluan Rel Pantai Timur. MoU ini adalah bagi memudahkan penyelesaian kewangan untuk mereka mempercepatkan permulaan kerja-kerja awam bagi prasarana rel sepanjang 640 kilometer dari Kota Bharu, Kelantan ke Pelabuhan Klang, Selangor.
- MoU dengan OYO Rooms Hospitality Sdn. Bhd. (OYO) untuk membantu para pelanggan kami yang merupakan pengendali hotel kelas ekonomi menambah baik mutu perkhidmatan mereka. Rakan-rakan niaga OYO akan berpeluang mendapatkan pembiayaan daripada SME Bank seperti Tabung Khas Pelancongan 3 (SFT3), satu pembiayaan khusus untuk sektor pelancongan, selain dari pembiayaan untuk modal kerja dan pembelian aset.

SME Bank also extended the effort in a strategic partnership in its commitment as a responsible corporate citizen. For the first time, we distributed zakat amounting to RM1.16 million through eight strategic partners. They comprise three hospitals and five public institutions of higher learning that distributed the zakat to various selected Asnaf.

SME Bank juga melanjutkan usaha perkongsian strategik dalam komitmennya sebagai warga korporat yang bertanggungjawab. Buat julung kalinya, kami mengagihkan zakat sebanyak RM1.16 juta melalui lapan rakan strategik. Mereka terdiri daripada tiga hospital dan lima institusi pengajian tinggi yang mengagihkan zakat ini kepada golongan asnaf terpilih.



**FOR THE FIRST
 TIME, WE
 DISTRIBUTED
 ZAKAT
 AMOUNTING TO
 RM1.16
 MILLION
 THROUGH EIGHT
 STRATEGIC
 PARTNERS.**

**BUAT JULUNG
 KALINYA, KAMI
 MENGAGIHKAN
 ZAKAT SEBANYAK
 RM1.16
 JUTA
 MELALUI LAPAN
 RAKAN STRATEGIK.**



GROUP PRESIDENT / CHIEF EXECUTIVE OFFICER'S REVIEW**CHAPTER 02****ULASAN OLEH PRESIDEN KUMPULAN / KETUA PEGAWAI EKSEKUTIF****BAB 02****DEVELOPING HUMAN CAPITAL EXCELLENCE**

Excellence in human capital remains an important aspect for the Bank to achieve its mission and vision. We acknowledge that our people are the backbone of the Bank's overall success.

During the year, the Bank took several transformative initiatives on talent management and development, workplace climate engagement and corporate culture.

We carried out a total review of the existing job evaluation and salary structure which has been outstanding for the past seven years. This exercise was completed in five months, and would contribute to higher job satisfaction and elevated performance of our employees.

The Bank also initiated a technology-driven human capital service when in 2019, we enhanced the human resources information system. Amongst the improvements made were in the introduction of e-Letters for correspondence as well as paperless online feedback and registration for events or programmes.

Following the revision of the Bank's core values in 2018 with an appropriate acronym of S.M.I.L.E. (Strong teamwork and integrity; Managing stakeholders; Innovation via technology; Leadership and growth; and Efficiency and productivity), we implemented several initiatives to assimilate our people to a new culture. One of the initiatives was to improve employees' engagement activities in demonstrating the S.M.I.L.E. spirit such as S.M.I.L.E. 2C Roadshow, and Brainstorm Session - Promoting SME Bank New Core Values (S.M.I.L.E.) etc.

MEMBANGUNKAN KECEMERLANGAN MODAL INSAN

Kecermerlangan dalam modal insan kekal sebagai aspek penting bagi Bank untuk mencapai misi dan visinya. Kami mengiktiraf bahawa kakitangan adalah tulang belakang keseluruhan kejayaan Bank.

Sepanjang tahun ini, Bank melaksanakan beberapa usaha perubahan ke atas pengurusan dan pembangunan bakat, penglibatan suasana tempat kerja dan budaya korporat.

Kami menjalankan semakan secara menyeluruh ke atas penilaian pekerjaan dan penyusunan gaji sedia ada yang telah tertunggak sejak tujuh tahun lalu. Kegiatan ini diselesaikan dalam masa lima bulan, dan akan menyumbang kepada kepuasan kerja yang lebih tinggi dan peningkatan prestasi kakitangan.

Bank juga memulakan perkhidmatan modal insan yang dipandu teknologi apabila pada 2019, kami mempertingkatkan sistem maklumat sumber manusia. Antara penambahbaikan yang dibuat adalah pengenalan e-Surat untuk berkomunikasi serta maklum balas dan pendaftaran tanpa kertas secara dalam talian untuk acara atau program.

Lanjutan kepada semakan nilai-nilai teras Bank pada 2018 dengan akronim yang sesuai, S.M.I.L.E. yang merujuk kepada Kerja berpasukan dan integriti; Pengurusan berhemah pihak berkepentingan; Inovasi melalui teknologi; Kepimpinan dan kemajuan; dan Kecekapan dan produktiviti, kami melaksanakan beberapa inisiatif untuk mengasimilasikan kakitangan kami dengan budaya baharu ini. Salah satu inisiatif adalah untuk menambah baik aktiviti hubungan dengan kakitangan dalam menunjukkan semangat S.M.I.L.E. seperti Jerayawara S.M.I.L.E. 2C, Sesi Sumbang Saran – Menggalakkan Nilai Korporat Baharu SME Bank (S.M.I.L.E.); dan lain-lain.

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STRENGTHENING OUR POSITION

In 2019, Malaysian Rating Corporation Berhad (MARC) endorsed our achievement when it assigned SME Bank a financial institution rating of AAA with a stable outlook.

The AAA rating primarily reflects the Bank's status as a DFI that has received strong Government support, underscored by our strategic role in the Government's socioeconomic agenda to develop the SME sector.

We also received recognition during the year which further strengthened our position as the country's leading DFI. The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) presented us with three achievement awards namely the Outstanding Development Project Awards – Corporate Social Responsibility for SME Bank Y-Biz Challenge, as well as Special Awards for Best Sustainability Report and Best Website. The other recognition was the Top Performance Award from Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP). Our outstanding Occupational Safety and Health performance has been recognised by the Malaysian Society for Occupational Safety and Health (MSOSH) who conferred us with the Occupational Safety and Health Award 2018 (Silver Award). We were also the finalist for the Best Occupational Safety and Health Workplace for Banking and Financial Sector 2019.

MENGUKUHKAN KEDUDUKAN KAMI

Pada 2019, Malaysian Rating Corporation Berhad (MARC) mengesahkan pencapaian kami apabila ia memberi penarafan institusi kewangan AAA dengan tinjauan stabil kepada SME Bank.

Penarafan AAA terutamanya menggambarkan status Bank sebagai Institusi Pembangunan Kewangan (DFI) yang menerima sokongan padu daripada Kerajaan, dengan penekanan pada peranan strategik kami dalam agenda sosioekonomi Kerajaan untuk membangunkan sektor PKS.

Kami juga menerima pengiktirafan pada tahun ini yang mengukuhkan lagi kedudukan kami sebagai DFI terkemuka di negara. Persatuan Institusi Kewangan Pembangunan di Asia dan Pasifik (ADFIAP) memberi tiga anugerah pencapaian kepada kami iaitu Anugerah Merit bagi Projek Pembangunan Cemerlang – Tanggungjawab Sosial Korporat bagi SME Bank Y-Biz Challenge, Anugerah Khas untuk Laporan Kemampanan Terbaik dan Laman Web Terbaik. Pengiktirafan lain adalah Anugerah Prestasi Tinggi daripada Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP). Prestasi Keselamatan dan Kesihatan Pekerjaan kami telah diiktiraf oleh Persatuan Keselamatan dan Kesihatan Pekerjaan Malaysia (MSOSH) yang memberi Anugerah Keselamatan dan Kesihatan Pekerjaan 2018 (Anugerah Perak). Kami juga merupakan finalis Keselamatan dan Kesihatan Tempat Kerja Terbaik bagi Sektor Perbankan dan Kewangan 2019.

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I WANT TO THANK THE MINISTRY OF FINANCE (MOF), MINISTRY OF ENTREPRENEUR DEVELOPMENT AND COOPERATIVES (MEDAC) AND BANK NEGARA MALAYSIA (BNM) AS WELL AS ALL MEMBERS OF THE BOARD, OUR STRATEGIC PARTNERS, CUSTOMERS AND EMPLOYEES FOR CHARTING THE PATH TO OUR SUCCESS IN DELIVERING OUR MANDATE.

SAYA INGIN BERTERIMA KASIH KEPADA KEMENTERIAN KEWANGAN (MOF), KEMENTERIAN PEMBANGUNAN USAHAWAN DAN KOPERASI (MEDAC) DAN BANK NEGARA MALAYSIA (BNM) SERTA SEMUA AHLI LEMBAGA PENGARAH, RAKAN STRATEGIK, PELANGGAN DAN KAKITANGAN KERANA BERSAMA-SAMA DALAM PERJALANAN MENUJU KEJAYAAN BAGI MEMENUHI MANDAT KAMI.

LOOKING AHEAD

With 2019 being a remarkable year for us in terms of a record financial performance, the summit of our achievement has to be the beginning of our transition into a Digital SME Bank as we embrace the fourth industrial revolution (IR4.0). Our strategic intent is to put in place a plan to ensure we can continue to seamlessly service our customers across Malaysia in our mission to be the centre of excellence for SME development, and ultimately achieve our vision to be the leader in SME ecosystem value creation beyond financial services.

The combined strength of our businesses is brought to life through our ecosystem. It sets us apart from the competition and stands out in the minds of our customers. It allows us to create customised solutions to meet our customers' needs, throughout their business and economic cycles.

SMEs receive a major boost under the National Budget 2020. The initiatives include RM455 million earmarked for Bumiputera entrepreneurs as well as RM100 million and RM20 million financing allocated for Chinese and Indian community entrepreneurs, respectively.

SME Bank will also introduce two new funds comprising RM200 million dedicated to women entrepreneurs and RM300 million to support Bumiputera SMEs with the potential to become regional champions. Additionally, we received a total of RM15 million grant for the Upward Migration programme and RM5 million for BEP.

Under our Tazkiya Project which is expected to complete in 2020, we are transforming the Bank into a full-fledged Islamic Development Bank by realigning our business and operations in line with values and virtues underlined by Shariah principles. Our focus is not only on the conversion of assets and liabilities but also on adopting a Shariah-compliant culture throughout our business activities.

MENINJAU KE HADAPAN

Dengan 2019 menjadi tahun yang bermakna bagi kami dari segi prestasi kewangan terbaik, kemuncak pencapaian kami semestinya adalah permulaan peralihan kami kepada SME Bank Digital apabila kami menerima revolusi industri keempat (IR4.0). Hasrat strategik kami adalah untuk menyediakan satu rancangan bagi memastikan kami akan terus menawarkan perkhidmatan secara lancar kepada para pelanggan kami di seluruh Malaysia dalam mencapai misi untuk menjadi pusat kecemerlangan bagi pembangunan PKS, dan akhirnya mencapai visi untuk menjadi peneraju dalam penciptaan nilai ekosistem PKS yang menjangkau perkhidmatan pembiayaan.

Gabungan kekuatan perniagaan kami dizahirkan melalui ekosistem kami. Ia membezakan kami dan meletakkan kami di minda para pelanggan. Ia membolehkan kami mencipta penyelesaian yang disesuaikan untuk memenuhi keperluan pelanggan kami, di sepanjang kitaran perniagaan dan ekonomi mereka.

PKS menerima peruntukan besar di bawah Belanjawan Negara 2020. Inisiatif ini adalah termasuk RM455 juta diperuntukkan kepada usahawan Bumiputera serta RM100 juta dan RM20 juta pembiayaan masing-masing untuk usahawan Cina dan India.

SME Bank akan memperkenalkan dua dana baharu terdiri dari RM200 juta yang diperuntukkan kepada usahawanita dan RM300 juta untuk menyokong PKS Bumiputera yang berpotensi menjadi jaguh serantau. Tambahan lagi, kami menerima RM15 juta geran untuk program Peningkatan Perniagaan dan RM5 juta untuk BEP.

Di bawah Projek Tazkiya yang dijangka selesai pada 2020, kami akan melalui transformasi menjadi Bank Pembangunan Islam sepenuhnya dengan mengatur semula perniagaan dan operasi sejajar dengan nilai-nilai yang digariskan oleh prinsip-prinsip Syariah. Tumpuan kami bukan hanya pada penukaran aset dan liabiliti, tetapi juga untuk mengamalkan budaya patuh Syariah di seluruh kegiatan perniagaan.

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Moving forward, sustainability will remain the bedrock of our mission and the work we do. We consider it a key factor in SME Bank's success, which is why we acknowledge economic, environmental and social aspects in our decision-making processes.

I am proud of the continuing positive impact which SME Bank has created in the SME community that we serve. I want to thank the Ministry of Finance (MOF), Ministry of Entrepreneur Development and Cooperatives (MEDAC) and Bank Negara Malaysia (BNM) as well as all members of the Board, our strategic partners, customers and employees for charting the path to our success in delivering our mandate. I very much look forward to working with them in 2020 and beyond to deliver our long term priorities to our stakeholders and our commitment to a sustainable future.

Thank you.

A handwritten signature in black ink, appearing to read 'Aria Putera Ismail'.

ARIA PUTERA ISMAIL

Group President / Chief Executive Officer

Presiden Kumpulan / Ketua Pegawai Eksekutif

Melangkah ke hadapan, kemampanan akan kekal sebagai dasar misi dan kerja yang kami lakukan. Kami menganggapnya sebagai satu faktor utama dalam kejayaan SME Bank, maka itulah kami mengambil kira aspek ekonomi, alam sekitar dan sosial dalam proses membuat keputusan.

Saya berbangga dengan impak berterusan yang SME Bank telah wujudkan dalam komuniti PKS yang mana kami berikan perkhidmatan kami. Saya ingin berterima kasih kepada Kementerian Kewangan (MOF), Kementerian Pembangunan Usahawan dan Koperasi (MEDAC) dan Bank Negara Malaysia (BNM) serta semua ahli Lembaga Pengarah, rakan strategik, pelanggan dan kakitangan kerana bersama-sama dalam perjalanan menuju kejayaan bagi memenuhi mandat kami. Saya juga berharap akan bekerjasama dengan mereka pada 2020 dan tahun-tahun seterusnya dalam memenuhi tanggungjawab jangka panjang kami kepada pihak berkepentingan dan komitmen kami terhadap masa depan yang mampan.

Terima kasih.



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OUR VISIONARY
LEADERS
PEMIMPIN BERWAWASAN



BOARD OF DIRECTORS

LEMBAGA PENGARAH

**DATO' SERI
NAZIR ARIFF**
CHAIRMAN / PENERUSI



**MOHD
SAKERI
ABDUL KADIR**



**DATO'
MUSLIM
HUSSAIN**



**DATUK AHMAD
HIZZAD
BAHARUDDIN**



**ZULKIFLEE
HASHIM**



**PROF. DR.
ABDUL BASIR
MOHAMAD**

Tenure Ended : 3 June 2020
Tempoh Berakhir : 3 Jun 2020



**MUHAMMAD
RAZMAN ABU
SAMAH**



**DATO' MOHD
SUKARNO TUN
SARDON**



**DATO'
MOHD SHUKRI
HUSSIN**



**DATO'
ASRI
HAMIDON**



**KHAIRUZZAMAN
MUHAMMAD**



**DATO'
JAMELAH
JAMALUDDIN**

BOARD OF DIRECTORS' PROFILE PROFIL LEMBAGA PENGARAH

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● DATO' SERI NAZIR ARIFF

Non-Executive Chairman
Pengerusi Bukan Eksekutif



● **DATO' SERI NAZIR ARIFF WAS APPOINTED AS A NON-EXECUTIVE CHAIRMAN OF SME BANK ON 18 OCTOBER 2019.**

He is a successful corporate figure with vast experience in various industries which among others include banking, property, mining and commodities trading. Majoring in accountancy from the United Kingdom, he is also a Fellow of the British Institute of Management.

As an entrepreneur, he is the co-founder of the Aspen (Group) Holdings Limited and is currently the Executive Deputy Chairman. Prior to this, he was the Deputy Chairman / Executive Director at the Ivory Properties Group Berhad from 2006 until 2013. Dato' Seri Nazir Ariff started his working career in 1974, holding various key positions at Escoy Holdings Berhad (formerly known as Datuk Keramat Holdings Berhad) until the end of his tenure as the Managing Director in 2006. He was the Chairman of the Malaysian International Chamber of Commerce and Industry (Northern Branch) from 1995 to 2018. He served as a Board member of the Kuala Lumpur Commodities Exchange and as the founding Board member and Chairman of the Kuala Lumpur Tin Market. He was also the past President of Majlis Dato-Dato Negeri Pulau Pinang.

Currently, Dato' Seri Nazir Ariff is an Independent Director of Texchem Resources Berhad and PBA Holdings Berhad and is a Director at Thailand Smelting & Refining Co. Limited.

Dato' Seri Nazir Ariff is also active in sports and had served as President of the Football Association of Penang from 2013 to 2017. He is also active in charity work in Penang and holds important positions in various non-government organizations such as the Children Protection Society and Penang Future Foundation.

DATO' SERI NAZIR ARIFF DILANTIK SEBAGAI PENERUSI BUKAN EKSEKUTIF SME BANK PADA 18 OKTOBER 2019.

Beliau ialah seorang ahli korporat yang berjaya dengan pengalaman dalam pelbagai industri yang antara lainnya termasuk perbankan, hartanah, perlombongan dan perdagangan komoditi. Berkelulusan dalam Perakaunan dari United Kingdom, beliau juga ialah Felo British Institute of Management.

Sebagai usahawan, beliau merupakan pengasas bersama Aspen (Group) Holdings Limited di mana beliau kini ialah Timbalan Pengerusi Eksekutifnya. Sebelum itu, beliau ialah Timbalan Pengerusi / Pengarah Eksekutif di Ivory Properties Group Berhad dari 2006 hingga 2013. Dato' Seri Nazir Ariff memulakan kerjaya beliau pada 1974, menyandang pelbagai jawatan penting di Escoy Holdings Berhad (sebelumnya dikenali sebagai Datuk Keramat Holdings Berhad) hingga ke akhir tempohnya sebagai Pengarah Urusan pada 2006. Beliau juga ialah Pengerusi Dewan Perdagangan dan Industri Antarabangsa Malaysia (Cawangan Utara) dari 1995 hingga 2018. Beliau pernah menjadi ahli Lembaga Pengarah Kuala Lumpur Commodities Exchange dan ahli pengasas Lembaga Pengarah dan Pengerusi Kuala Lumpur Tin Market. Beliau juga ialah mantan Presiden Majlis Dato-Dato Pulau Pinang.

Dato' Seri Nazir Ariff kini ialah Pengarah Bebas Texchem Resources Berhad dan PBA Holdings Berhad, serta Pengarah Thailand Smelting & Refining Co. Limited.

Dato' Seri Nazir Ariff juga aktif dalam sukan dan pernah menjadi Presiden Persatuan Bolasepak Pulau Pinang dari 2013 hingga 2017. Beliau turut aktif dalam kerja amal di Pulau Pinang dan menyandang pelbagai jawatan penting di organisasi bukan kerajaan seperti Persatuan Perlindungan Kanak-kanak dan Yayasan Masa Depan Pulau Pinang.

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MOHD SAKERI ABDUL KADIR

Non-Independent Non-Executive Director
 Pengarah Bukan Bebas Bukan Eksekutif



MOHD SAKERI ABDUL KADIR WAS APPOINTED AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR ON 28 FEBRUARY 2019.

He holds a Master in Economics from Universiti Putra Malaysia, Bachelor of Arts in Mathematical Economics from Temple University, United States of America and Post Graduate Diploma in Public Administration from National Institute of Public Administration (INTAN).

He has more than 25 years of experience in the public services sector, especially with the Ministry of Finance (MOF). Prior to the current appointment as the Undersecretary to the Statutory Body Management Division, he was the Deputy Undersecretary, Tax Division and the Deputy Director of the National Budget Office, MOF.

MOHD SAKERI ABDUL KADIR DILANTIK SEBAGAI PENGARAH BUKAN BEBAS BUKAN EKSEKUTIF PADA 28 FEBRUARI 2019.

Beliau ialah lulusan Sarjana Ekonomi dari Universiti Putra Malaysia, Sarjana Muda dalam Ekonomi Matematik dari Temple University, Amerika Syarikat dan Diploma Lيسان Ijazah dalam Pentadbiran Awam dari Institut Tadbiran Awam Negara (INTAN).

Beliau mempunyai lebih 25 tahun pengalaman dalam sektor perkhidmatan awam, khususnya dengan Kementerian Kewangan (MOF). Sebelum pelantikannya sekarang sebagai Setiausaha Rendah untuk Bahagian Pengurusan Badan Berkanun, beliau ialah Timbalan Setiausaha Rendah, Divisyen Cukai dan Timbalan Pengarah Pejabat Belanjawan Negara, Kementerian Kewangan.

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DATO' MUSLIM HUSSAIN

Independent Non-Executive Director
 Pengarah Bebas Bukan Eksekutif



DATO' MUSLIM HUSSAIN WAS APPOINTED AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF SME BANK ON 1 SEPTEMBER 2018.

He holds a B.A (Hons) from the University of Malaya, Certificate in Police High Law from the Royal Malaysian Police College and certificate in TESL.

Dato' Muslim has vast experience in Risk and Credit Management and has more than 30 years in the banking sector. He started his banking career as a Branch Credit Officer in Maybank and rose to the position of Executive Vice President and Head of Maybank Group Operational Risk Management before moving on to Agrobank as its Chief Risk Officer.

Dato' Muslim is the Chairman of Risk Management Committee of Dana Peladang Kebangsaan (DPK), Pertubuhan Peladang Kebangsaan (NAFAS) and also member of the Steering Committee of DPK / NAFAS.

DATO' MUSLIM HUSSAIN DILANTIK SEBAGAI PENGARAH BEBAS BUKAN EKSEKUTIF SME BANK PADA 1 SEPTEMBER 2018.

Beliau ialah lulusan Sarjana Muda (Kepujian) dari Universiti Malaya, Sijil dalam Undang-Undang Polis dari Kolej Polis Diraja Malaysia dan Sijil dalam Pengajaran Bahasa Inggeris sebagai Bahasa Kedua (TESL).

Beliau mempunyai pengalaman luas dalam Kredit dan Pengurusan Risiko, dengan lebih 30 tahun pengalaman dalam industri perbankan. Beliau memulakan kerjaya sebagai Pegawai Kredit Cawangan di Maybank dan dinaikkan pangkat ke jawatan Naib Presiden Eksekutif dan Ketua Pengurusan Risiko Operasi Kumpulan Maybank sebelum menyertai Agrobank sebagai Ketua Pegawai Risiko.

Dato' Muslim ialah Pengerusi Jawatankuasa Pengurusan Risiko Dana Peladang Kebangsaan (DPK), Pertubuhan Peladang Kebangsaan (NAFAS) dan juga ahli Jawatankuasa Pemandu DPK / NAFAS.

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DATUK AHMAD HIZZAD BAHARUDDIN

Independent Non-Executive Director
Pengarah Bebas Bukan Eksekutif



DATUK AHMAD HIZZAD BAHARUDDIN WAS APPOINTED AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF SME BANK ON 6 MARCH 2019.

He holds a Master of Business Administration from St. Louis University, Missouri and Bachelor in Business Studies from Eastern Illinois University, Illinois, both in the United States of America.

Before his retirement, he was the Assistant Governor, Central Bank of Malaysia (BNM) and has also served as Director in various departments at BNM including Islamic Banking & Takaful Department, Payment Systems Department and Financial Sector Development Department. He was also the Director General of Labuan Financial Services Authority.

Datuk Hizzad is currently the Chairman of Payment Network Malaysia (PayNet) and Mizuho Bank Malaysia Berhad. In addition, Datuk Hizzad is a fellow Chartered Banker, Asian Institute of Chartered Banker.

DATUK AHMAD HIZZAD BAHARUDDIN DILANTIK SEBAGAI PENGARAH BEBAS BUKAN EKSEKUTIF SME BANK PADA 6 MAC 2019.

Beliau ialah lulusan Sarjana Pentadbiran Perniagaan dari St. Louis University, Missouri dan Sarjana Muda dalam Pengajian Perniagaan dari Eastern Illinois University, Amerika Syarikat.

Sebelum persaraannya, beliau pernah menyandang jawatan Penolong Gabenor Bank Negara Malaysia (BNM) di mana beliau berkhidmat sebagai Pengarah dalam pelbagai jabatan di BNM termasuk Perbankan Islam & Takaful, Sistem Pembayaran, dan Pembangunan Sektor Kewangan. Beliau juga pernah menjadi Ketua Pengarah Lembaga Perkhidmatan Kewangan Labuan.

Datuk Ahmad Hizzad kini merupakan Pengerusi Payment Network Malaysia (PayNet) dan Mizuho Bank Malaysia Berhad. Di samping itu, beliau ialah Felo Jurubank Berkanun, Institut Jurubank Berkanun Asia.

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ZULKIFLEE HASHIM

Independent Non-Executive Director
 Pengarah Bebas Bukan Eksekutif



ZULKIFLEE HASHIM WAS APPOINTED AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF SME BANK ON 6 MARCH 2019.

Zulkiflee has over 35 years experience in the banking industry. He started his career with Citibank Malaysia in 1979 and left his position as Vice President in November 1991. From December 1991 to November 1997, Zulkiflee was with Deutsche Bank Malaysia. He was the Deputy Managing Director responsible for Corporate Banking, International Trade Finance, Operations and Transaction Banking Services. From July 1998 to October 2011, Zulkiflee was the Executive Director of Hong Leong Bank Berhad (HLB). Prior to his retirement in 2015, he was HLB's Chief Operating Officer, Group Strategic Support from November 2011 to January 2015. During the tenure with HLB, he was given the responsibility to oversee various areas such as Branch and Banking Operations, Integrated Risk Management, Credit Management, Information Technology, Islamic Banking, Wholesale Operations, Retail Operations, Legal and Corporate Communications & Public Relations.

Zulkiflee graduated with a Diploma in Credit Management from Institut Teknologi MARA (now known as Universiti Teknologi MARA).

Zulkiflee is presently an Independent Non-Executive Director of GuocoLand (Malaysia) Berhad and Hong Leong MSIG Takaful Berhad. He was previously a Director of Hong Leong Bank Berhad.

ZULKIFLEE HASHIM DILANTIK SEBAGAI PENGARAH BEBAS BUKAN EKSEKUTIF SME BANK PADA 6 MAC 2019.

Zulkiflee mempunyai lebih 35 tahun pengalaman dalam industri perbankan. Beliau memulakan kerjaya dengan Citibank Malaysia pada 1979 dan meninggalkan jawatan terakhirnya sebagai Naib Presiden pada November 1991. Beliau berpindah ke Deutsche Bank Malaysia di mana beliau berkhidmat dari Disember 1991 hingga November 1997 sebagai Timbalan Pengarah Urusan yang bertanggungjawab bagi Perbankan Korporat, Kewangan Perdagangan Antarabangsa, Perkhidmatan Perbankan Transaksi dan Operasi. Dari Julai 1998 hingga Oktober 2011, beliau menjadi Pengarah Eksekutif Hong Leong Bank Berhad (HLB). Sebelum persaraannya pada 2015, beliau ialah Ketua Pegawai Operasi, Sokongan Strategik Kumpulan dari November 2011 hingga Januari 2015. Sepanjang tempohnya dengan HLB, beliau dipertanggungjawabkan untuk mengawasi pelbagai bidang seperti Operasi Cawangan dan Perbankan, Pengurusan Risiko Bersepadu, Pengurusan Kredit, Teknologi Maklumat, Perbankan Islam, Operasi Pukal, Operasi Runcit, Undang-undang dan Komunikasi Korporat & Hal Ehwal Awam.

Zulkiflee ialah lulusan Diploma dalam Pengurusan Kredit dari Institut Teknologi MARA (kini dikenali sebagai Universiti Teknologi MARA).

Zulkiflee kini ialah Pengarah Bebas Bukan Eksekutif GuocoLand (Malaysia) Berhad dan Hong Leong MSIG Takaful Berhad. Beliau sebelumnya ialah Pengarah Hong Leong Bank Berhad.

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PROF. DR. ABDUL BASIR MOHAMAD

Independent Non-Executive Director
 Pengarah Bebas Bukan Eksekutif

Tenure Ended : 3 June 2020
 Tempoh Berakhir : 3 Jun 2020



PROF. DR. ABDUL BASIR MOHAMAD WAS APPOINTED AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF SME BANK ON 3 JUNE 2015.

He holds a PhD from the University of Edinburgh, Scotland specializing in the Islamic Law of Torts and Criminal Islamic Laws and has written many books and journals on the subjects. He also holds a Bachelor Degree in Shariah, National University of Malaysia (UKM). Besides serving in various capacities at UKM, he is also on the panel of advisors for various institutions such as the Islamic College of Johor, Sultan Zainal Abidin University, Islamic Science University of Malaysia and many others.

Prof. Basir is currently the Chairman of Shariah Committee of SME Bank, Chairman of Key Result Areas, Wealth Creation Strategies and Intensive, Faculty of Islamic Studies, UKM besides being member of other committees.

PROF. DR. ABDUL BASIR MOHAMAD DILANTIK SEBAGAI PENGARAH BEBAS BUKAN EKSEKUTIF SME BANK PADA 3 JUN 2015.

Beliau menerima PhD dari University of Edinburgh, Scotland dengan pengkhususan dalam Undang-Undang Tort Islam dan Undang-Undang Jenayah Islam dan telah menulis banyak buku dan jurnal mengenai subjek tersebut. Beliau juga ialah lulusan Ijazah Sarjana Muda dalam Syariah dari Universiti Kebangsaan Malaysia (UKM). Selain dari berkhidmat dalam pelbagai jawatan di UKM, beliau juga merupakan ahli panel penasihat untuk berbagai institusi termasuk Kolej Pengajian Islam Johor, Universiti Sultan Zainal Abidin, Universiti Sains Islam Malaysia dan banyak lagi.

Prof. Basir kini merupakan Pengerusi Jawatankuasa Syariah SME Bank, Pengerusi Bidang Keberhasilan Utama, Strategi dan Intensif Penciptaan Kekayaan, Fakulti Pengajian Islam, Universiti Kebangsaan Malaysia, dan ahli pelbagai jawatankuasa lain.

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MUHAMMAD RAZMAN ABU SAMAH

Non-Independent Non-Executive Director
 Pengarah Bukan Bebas Bukan Eksekutif

Tenure Ended : 28 April 2020
 Tempoh Berakhir : 28 April 2020



MUHAMMAD RAZMAN ABU SAMAH WAS APPOINTED AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR OF SME BANK ON 1 SEPTEMBER 2019.

He graduated with a Bachelor of Science in Chemistry from University of Malaya in 1993 and a Diploma in Public Management Program from National Institute of Public Administration (INTAN) in 1996.

He is currently the Deputy Secretary General (Management) at the Ministry of Housing and Local Government. He has more than 25 years of experience in various divisions in the Ministry of International Trade and Industry (MITI) prior to him joining MEDAC.

He is also a Board member of Malaysia Co-operative Societies Commission and Co-operative Institute of Malaysia (CIM).

MUHAMMAD RAZMAN ABU SAMAH DILANTIK SEBAGAI PENGARAH BUKAN BEBAS BUKAN EKSEKUTIF SME BANK PADA 1 SEPTEMBER 2019.

Beliau ialah lulusan Sarjana Muda Sains (Kimia) dari Universiti Malaya pada 1993 dan Diploma dalam program Pengurusan Awam dari Institut Tadbiran Awam Negara (INTAN) pada 1996.

Beliau kini ialah Timbalan Ketua Setiausaha (Pengurusan) di Kementerian Perumahan dan Kerajaan Tempatan. Beliau mempunyai lebih daripada 25 tahun pengalaman dalam pelbagai divisyen di Kementerian Perdagangan Antarabangsa dan Industri sebelum menyertai MEDAC.

Beliau juga kini merupakan ahli Lembaga Pengarah Suruhanjaya Koperasi Malaysia dan Institut Koperasi Malaysia.

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● DATO' MOHD SUKARNO TUN SARDON

Independent Non-Executive Director
Pengarah Bebas Bukan Eksekutif

Tenure Ended : 8 April 2020
Tempoh Berakhir : 8 April 2020



DATO' MOHD SUKARNO TUN SARDON WAS APPOINTED AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR ON 8 APRIL 2019.

He holds a Bachelor of Science (Hons.) in Economics and Accounting from the University of Bristol, England and is a Fellow of the Institute of Chartered Accountants in England and Wales.

He began his career at Ernst & Young, Norwich, England before moving on to Ernst & Young, Kuala Lumpur, Malaysia. Throughout his entire career, he has served in various capacities including Group Chief Internal Auditor and later, Financial Controller at KUB Berhad Group; Deputy Head of Internal Audit, Maybank Group; and Chief Financial Officer, Petronas Dagangan Berhad. The last position he held until his retirement was as Audit Partner at Ernst & Young Kuala Lumpur.

Dato' Sukarno is a member of Tun Sardon Foundation Board of Governors, MBI Selangor Investment Committee and La Salle Brickfields School Board of Governors.

DATO' MOHD SUKARNO TUN SARDON DILANTIK SEBAGAI PENGARAH BEBAS BUKAN EKSEKUTIF PADA 8 APRIL 2019.

Beliau ialah lulusan Sarjana Muda (Kepujian) Ekonomi dan Perakaunan dari University of Bristol, England, dan Felo Institut Akauntan Berkanun (England dan Wales).

Beliau memulakan kerjaya di Ernst & Young, Norwich, England sebelum beralih ke Ernst & Young, Kuala Lumpur, Malaysia. Sepanjang kerjayanya, beliau telah menyandang pelbagai jawatan termasuk Ketua Juruaudit Dalaman Kumpulan dan kemudian, Pengawal Kewangan di Kumpulan KUB Berhad; Timbalan Ketua Audit Dalaman, Kumpulan Maybank; dan Ketua Pegawai Kewangan, Petronas Dagangan Berhad. Jawatan terakhir yang disandang beliau sebelum bersara adalah Rakan Audit di Ernst & Young Kuala Lumpur.

Dato' Mohd Sukarno ialah ahli Lembaga Gabenor Yayasan Tun Sardon, Jawatankuasa Pelaburan Selangor MBI dan Lembaga Gabenor Sekolah La Salle Brickfields.

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DATO' MOHD SHUKRI HUSSIN

 Independent Non-Executive Director
 Pengarah Bebas Bukan Eksekutif

 Tenure Ended : 30 April 2019
 Tempoh Berakhir : 30 April 2019

DATO' MOHD SHUKRI HUSSIN WAS APPOINTED AS INDEPENDENT NON-EXECUTIVE DIRECTOR ON 1 MAY 2016.

He holds a Bachelor in Economics (Hons.) from University of Malaya and is qualified as a Chartered Accountant with the Institute of Chartered Accountants (England and Wales).

He began his career as Management Executive with Petronas Carigali and later worked as Audit Supervisor at Touche Ross London, UK for four years before returning to Malaysia to become Audit Supervisor at Hanafiah Raslan & Mohamad. He has since served in various management positions at several companies including Bank of Commerce (M) Berhad, CIMB Securities Sdn. Bhd., Bank Muamalat (M) Berhad and Bumiputera Commerce Holdings Berhad. The last position before his retirement in 2011 was Executive Director of CIMB Group Holdings Berhad.

Dato' Shukri currently assumes directorship in Urusharta Jemaah Sdn. Bhd., Sun Life Malaysia Assurance Berhad and Pelaburan Hartanah Berhad, as well as a member of the CIMB Foundation's Board of Trustees.

DATO' MOHD SHUKRI HUSSIN DILANTIK SEBAGAI PENGARAH BEBAS BUKAN EKSEKUTIF PADA 1 MEI 2016.

Beliau ialah lulusan Sarjana Muda Ekonomi (Kepujian) dari Universiti Malaya dan Akauntan Bertauliah dari Institut Akauntan Berkanun (England dan Wales).

Beliau memulakan kerjayanya sebagai Eksekutif Pengurusan di Petronas Carigali Sdn. Bhd. dan kemudian bertugas sebagai Penyelia Audit di Touche Ross London, UK selama empat tahun sebelum kembali ke Malaysia dan menyandang jawatan Penyelia Audit di Hanafiah Raslan & Mohamad. Sejak itu, beliau telah menyandang pelbagai jawatan pengurusan di beberapa syarikat termasuk Bank of Commerce (M) Berhad, CIMB Securities Sdn. Bhd., Bank Muamalat (M) Berhad dan Bumiputera Commerce Holdings Berhad. Jawatan terakhir beliau sebelum bersara pada 2011 adalah Pengarah Eksekutif CIMB Group Holdings Berhad.

Dato' Mohd Shukri kini merupakan ahli Lembaga Pengarah Urusharta Jemaah Sdn. Bhd., Sun Life Malaysia Assurance Berhad dan Pelaburan Hartanah Berhad serta ahli Lembaga Pemegang Amanah bagi Yayasan CIMB.

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● DATO' ASRI HAMIDON

Non-Independent Non-Executive Director
Pengarah Bukan Bebas Bukan Eksekutif

Tenure Ended : 31 March 2019
Tempoh Berakhir : 31 Mac 2019



DATO' ASRI HAMIDON WAS APPOINTED AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR ON 2 MAY 2013.

He holds a Master of Economics from Hiroshima University, Japan and a Bachelor of Economics from University of Malaya. He has served as Assistant Secretary in the Ministry of Finance, Administrative and Diplomatic Officer in the Public Service Department, Assistant Director of the Anti-Corruption Commission, and Assistant Director, Economic Planning Unit in the Prime Minister's Department.

He is currently the Secretary General of Treasury, Minister of Finance Incorporated and a member of the Administrative and Diplomatic Officer Association. He also sits on the Board of Bina Darulaman Berhad, Malaysia Convention & Exhibition Bureau, IJN Holdings Sdn. Bhd., DanaInfra Nasional Berhad, Prokhas Sdn. Bhd., Syarikat Perumahan Negara Berhad and Telekom Malaysia Berhad as an Alternate Director.

DATO' ASRI BIN HAMIDON DILANTIK SEBAGAI PENGARAH BUKAN BEBAS BUKAN EKSEKUTIF PADA 2 MEI 2013.

Beliau ialah lulusan Sarjana Ekonomi dari Universiti Hiroshima, Jepun dan Sarjana Muda Ekonomi dari Universiti Malaya. Beliau telah berkhidmat sebagai Penolong Setiausaha di Kementerian Kewangan, Pegawai Pentadbiran dan Diplomatik di Jabatan Perkhidmatan Awam, Penolong Pengarah Suruhanjaya Pencegahan Rasuah dan Penolong Pengarah Unit Perancangan Ekonomi di Jabatan Perdana Menteri.

Beliau kini ialah Ketua Setiausaha Perbendaharaan, Minister of Finance Incorporated dan ahli Persatuan Pegawai Tadbir dan Diplomatik. Beliau juga merupakan ahli Lembaga Pengarah Bina Darulaman Berhad, Biro Pameran dan Persidangan Malaysia, IJN Holdings Sdn. Bhd., DanaInfra Nasional Berhad, Prokhas Sdn. Bhd., Syarikat Perumahan Negara Berhad dan Telekom Malaysia Berhad sebagai Pengarah Alternatif.

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KHAIRUZZAMAN MUHAMMAD

 Independent Non-Executive Director
 Pengarah Bebas Bukan Eksekutif

 Tenure Ended : 31 January 2019
 Tempoh Berakhir : 31 Januari 2019

KHAIRUZZAMAN MUHAMMAD WAS APPOINTED AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR ON 2 FEBRUARY 2011.

He graduated with a LLB (Hons.) Degree from Essex Institute of Higher Education (now known as Anglia Ruskin University), England in 1988. He was called to the English Bar by receiving the degree of an Utter Barrister from the Honourable Society of Lincoln's Inn, England in 1989 and a Graduate Diploma in Commercial Law from University of Sydney, Australia in 2000. He was admitted as an Advocate and Solicitor by the High Court of Malaya in 1990.

Khairuzzaman is one of the partners of Messrs. Zul Rafique & Partners, Advocates & Solicitors, and currently sits on the Boards of MIMOS Berhad and several other private companies.

KHAIRUZZAMAN MUHAMMAD DILANTIK SEBAGAI PENGARAH BEBAS BUKAN EKSEKUTIF PADA 2 FEBRUARI 2011.

Beliau menerima Ijazah (Kepujian) Undang-Undang dari Essex Institute of Higher Education (kini dikenali sebagai Anglia Ruskin University), England pada 1988. Beliau juga menerima Ijazah Utter Barrister dari Honourable Society of Lincoln's Inn, England pada 1989 dan Diploma Ijazah dalam Undang-Undang Komersial dari University of Sydney, Australia pada 2000. Beliau dilantik sebagai Peguambela dan Peguamcara oleh Mahkamah Tinggi Malaya pada 1990.

Khairuzzaman ialah salah seorang rakan kongsi Tetuan Zul Rafique & Partners dan kini menjadi ahli Lembaga Pengarah MIMOS Berhad dan beberapa syarikat swasta lain.

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DATO' JAMELAH JAMALUDDIN

Independent Non-Executive Director
 Pengarah Bebas Bukan Eksekutif

Tenure Ended : 31 January 2019
 Tempoh Berakhir : 31 Januari 2019



DATO' JAMELAH JAMALUDDIN WAS APPOINTED AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR ON 1 FEBRUARY 2014.

She holds a Master in Business Administration (Finance) from Central Michigan University, USA and Bachelor of Business Administration (Finance) from Western Michigan University, USA.

She was the Chief Executive Officer, Kuwait Finance House (Malaysia) Berhad, Managing Director, RHB Islamic Bank Berhad and Chief Operations Officer, RHB Sakura Merchant Bankers Berhad. She currently sits on the Board of Weida (M) Berhad, PMB Tijari Berhad and several other private companies.

DATO' JAMELAH JAMALUDDIN DILANTIK SEBAGAI PENGARAH BEBAS BUKAN EKSEKUTIF PADA 1 FEBRUARI 2014.

Beliau ialah lulusan Sarjana dalam Pentadbiran Perniagaan (Kewangan) dari Central Michigan University dan Sarjana Muda Pentadbiran Perniagaan (Kewangan) dari Western Michigan University, Amerika Syarikat.

Beliau pernah menyandang jawatan Ketua Pegawai Eksekutif Kuwait Finance House (Malaysia) Berhad., Pengarah Urusan RHB Islamic Bank Berhad dan Ketua Pegawai Operasi RHB Sakura Merchant Bankers Berhad. Beliau kini ialah ahli Lembaga Pengarah Weida (M) Berhad, PMB Tijari Berhad, dan beberapa syarikat swasta lain.

● **SENIOR
MANAGEMENT
PENGURUSAN
KANAN**

**ARIA
PUTERA ISMAIL**

Group President /
Chief Executive Officer
Presiden Kumpulan /
Ketua Pegawai Eksekutif

1



**HAIZAD
RIZAL AZIZ**

Group Chief Financial Officer
Ketua Pegawai Kewangan
Kumpulan

2



**KHAIRIL ANUAR
MOHAMMAD ANUAR**

Group Chief Operating Officer
Ketua Pegawai Operasi
Kumpulan

3



**MOHAMMAD HARDEE
IBRAHIM**

Chief Banking Officer
Ketua Pegawai Perbankan

4

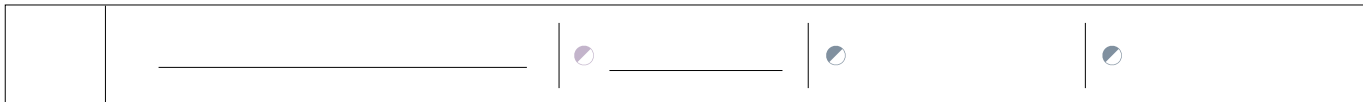


**HAIRIL IZWAR
ABD RAHMAN**

Group Chief Digital
& Technology
Transformation Officer
Ketua Pegawai
Transformasi
Digital & Teknologi
Kumpulan

5





SAINURSALWA SANI

Group Chief Human Capital Officer
Ketua Pegawai Modal Insan Kumpulan

6



MOHAMMAD AZAM AHMAD

Group Chief Risk Officer
Ketua Pegawai Risiko Kumpulan

7



MOHD FIKRI ABDUL GHAPAR

Group Legal Counsel
Penasihat Undang-Undang Kumpulan

8



ZARINA NOR ISMAIL

Chief Credit Officer
Ketua Pegawai Kredit

9



HASRUL FARID HASNAN

Group Chief Internal Auditor
Ketua Juruaudit Dalaman Kumpulan

10



NORSRAH MOHD ISA

Acting Group Chief Compliance Officer
Pemangku Ketua Pegawai Pematuhan Kumpulan

11



SHARIAH COMMITTEE JAWATANKUASA SYARIAH

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**TUAN HAJI JALIL
HAJI SAID**

Member / Ahli

(Tenure ended on 1 June 2019)
(Tempoh berakhir pada 1 Jun 2019)

**PROF. DR.
ABDUL BASIR MOHAMAD**

Chairman / Pengerusi

**DR. TAJUL ARIS
AHMAD BUSTAMI**

Member / Ahli



DR. MARJAN MUHAMMAD

Member / Ahli

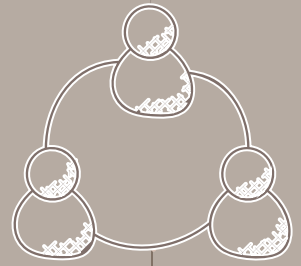
(Resigned on 1 November 2019)
(Meletak jawatan pada 1 November 2019)

**PROF. DR. NORHASHIMAH
MOHD YASIN**

Member / Ahli

**ASSOCIATE PROF. DR. ASMAK
AB RAHMAN**

Member / Ahli



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CORPORATE GOVERNANCE TADBIR URUS KORPORAT

STATEMENT ON CORPORATE GOVERNANCE PENYATA TADBIR URUS KORPORAT

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THE BOARD OF DIRECTORS (BOARD) OF SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BERHAD (BANK) IS COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE AND SUBSCRIBES TO BANK NEGARA MALAYSIA (BNM)'S POLICY DOCUMENT ON CORPORATE GOVERNANCE IN ACHIEVING AN OPTIMAL GOVERNANCE FRAMEWORK AND MAXIMISING THE SHAREHOLDER VALUE.

A. BOARD OF DIRECTORS

The Board is governed by eight (8) members consisting of one (1) Non-Executive Chairman, two (2) Non-Independent Non-Executive Directors representing Minister of Finance Incorporated (MOF) and Ministry of Entrepreneur Development and Cooperatives (MEDAC) respectively and five (5) Independent Non-Executive Directors.

The Directors' background are diversified, ranging from the fields of Management, Banking, Finance, Accounting, Entrepreneur Development, Information Technology, Risk Management and Treasury. Their accumulated experiences while serving both in private and government sectors, brings to the Board the necessary range of expertise and experience required by the Board to effectively perform its functions.

The Chairman and all the Directors are experts in their respective field and have contributed significantly to the Board's decision making process. The Group President / Chief Executive Officer (GP / CEO) executes the policies of the Board and manages the day-to-day affairs of the Bank.

The Board is responsible to ensure the effectiveness of the Bank's operations. This includes the responsibility of determining the Bank's overall strategic direction, approval of performance targets, monitoring of management achievements, providing overall policy guidance and ensuring that policies and procedures for internal control system and succession planning are in place.

The Board meets at minimum 6 times a year to discuss matters relating to policies, strategies, performance, resources, overall conduct of the Bank's business and financial matters as well as to monitor the Bank's overall performance, amongst others.

The appointment of the Chairman and all the Directors are in accordance to the BNM's Policy Document on Corporate Governance and the Bank's Memorandum and Articles of Association.

Based on the assessment conducted on the probity, personal integrity and reputation, competence and capability and financial integrity, all Directors are fit and proper to hold the position as Directors of the Bank.

LEMBAGA PENGARAH SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BERHAD (BANK) KOMITED TERHADAP TADBIR URUS KORPORAT YANG TINGGI DAN MEMATUHI DOKUMEN DASAR BANK NEGARA MALAYSIA (BNM) BAGI TADBIR URUS KORPORAT DALAM MENCAPAI RANGKA KERJA TADBIR URUS YANG TERBAIK DAN MEMAKSIMUMKAN NILAI PEMEGANG SAHAM.

A. LEMBAGA PENGARAH

Lembaga Pengarah diterajui oleh lapan (8) ahli terdiri daripada seorang (1) Pengerusi Bukan Eksekutif, dua (2) Pengarah Bukan Bebas Bukan Eksekutif mewakili Menteri Kewangan Diperbadankan (MOF) dan Kementerian Pembangunan Usahawan dan Koperasi (MEDAC) dan lima (5) Pengarah Bebas Bukan Eksekutif.

Para Lembaga Pengarah mempunyai latar belakang dari pelbagai bidang antaranya Pengurusan, Perbankan, Kewangan, Perakaunan, Undang-Undang, Pembangunan Keusahawanan, Teknologi Maklumat, Pengurusan Risiko dan Perbendaharaan. Pengalaman dan kepakaran yang diperolehi semasa mereka berkhidmat di sektor awam dan swasta, menyumbang kepada keperluan dalam melaksanakan fungsi dan tugas mereka sebagai Lembaga Pengarah dengan berkesan.

Pengerusi dan semua ahli Lembaga Pengarah memiliki kemahiran dan pengalaman dalam bidang kepakaran masing-masing yang sekaligus menyumbang kepada proses pengambilan keputusan. Presiden Kumpulan / Ketua Pegawai Eksekutif (GP / CEO) melaksanakan dasar-dasar yang ditetapkan oleh Lembaga Pengarah dan menguruskan hal ehwal harian Bank.

Lembaga Pengarah bertanggungjawab dalam memastikan keberkesanan operasi Bank. Ini termasuk tanggungjawab menentukan hala tuju strategik secara keseluruhan, kelulusan sasaran prestasi, pemantauan pencapaian pengurusan, memberi panduan dasar keseluruhan dan memastikan bahawa dasar dan prosedur untuk sistem kawalan dalaman dan perancangan penggantian ditetapkan.

Lembaga Pengarah bermesyuarat sekurang-kurangnya enam kali setahun untuk membincangkan antara lainnya hal-hal berkaitan dasar, strategi, prestasi, sumber, keseluruhan urusan perniagaan dan hal-hal kewangan serta memantau prestasi Bank secara keseluruhan.

Pelantikan Pengerusi dan semua Pengarah adalah mematuhi Dokumen Dasar BNM bagi Tadbir Urus Korporat serta Memorandum dan Artikel Perbadanan Bank.

Berdasarkan penilaian yang dijalankan ke atas moraliti, integriti dan reputasi, kecekapan dan keupayaan dan integriti kewangan, semua Pengarah adalah layak untuk menyanggud jawatan sebagai Pengarah Bank.

STATEMENT ON CORPORATE GOVERNANCE
PENYATA TADBIR URUS KORPORAT
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The composition of the Board during the year 2019 is as follows:
 Komposisi Lembaga Pengarah pada tahun 2019 adalah seperti berikut:

	NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN
1	Dato' Seri Nazir Ariff Mushir Ariff	Non-Executive Chairman (appointed on 18 October 2019) Pengerusi Bukan Eksekutif (dilantik pada 18 Oktober 2019)
2	Encik Mohd Sakeri Abdul Kadir	Non-Independent Non-Executive Director (representing MOF) (appointed on 28 February 2019) Pengarah Bukan Bebas Bukan Eksekutif (mewakili MOF) (dilantik pada 28 Februari 2019)
3	Prof. Dr. Abdul Basir Mohamad	Independent Non-Executive Director Pengarah Bebas Bukan Eksekutif
4	Dato' Muslim Hussain	Independent Non-Executive Director Pengarah Bebas Bukan Eksekutif
5	Datuk Ahmad Hizzad Baharuddin	Independent Non-Executive Director (appointed on 6 March 2019) Pengarah Bebas Bukan Eksekutif (dilantik pada 6 Mac 2019)
6	Encik Zulkiflee Hashim	Independent Non-Executive Director (appointed on 6 March 2019) Pengarah Bebas Bukan Eksekutif (dilantik pada 6 Mac 2019)
7	Dato' Mohd Sukarno Tun Sardon	Independent Non-Executive Director (appointed on 8 April 2019) Pengarah Bebas Bukan Eksekutif (dilantik pada 8 April 2019)
8	Encik Muhammad Razman Abu Samah	Non-Independent Non-Executive Director (appointed on 1 September 2019) (representing MEDAC) Pengarah Bukan Bebas Bukan Eksekutif (dilantik pada 1 September 2019) (mewakili MEDAC)
9	Dato' Mohd Shukri Hussin	Independent Non-Executive Director (tenure ended on 1 May 2019) Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 1 Mei 2019)
10	Dato' Asri Hamidon	Non-Independent Non-Executive Director (resigned on 31 March 2019) Pengarah Bukan Bebas Bukan Eksekutif (meletak jawatan pada 31 Mac 2019)
11	Dato' Jamelah Jamaluddin	Independent Non-Executive Director (tenure ended on 31 January 2019) Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 31 Januari 2019)
12	Encik Khairuzzaman Muhammad	Independent Non-Executive Director (tenure ended on 31 January 2019) Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 31 Januari 2019)

STATEMENT ON CORPORATE GOVERNANCE
PENYATA TADBIR URUS KORPORAT

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For the year 2019, fifteen (15) Board Meetings were held. The record of attendance by the Directors at the Board Meetings for 2019 is as follows:

Bagi tahun 2019, lima belas (15) mesyuarat diadakan. Rekod kehadiran Pengarah pada Mesyuarat Lembaga Pengarah bagi 2019 adalah seperti berikut:

	NAME OF DIRECTOR NAMA PENGARAH	NO. OF MEETINGS ATTENDED* BIL. MESYUARAT DIHADIRI*
1	Dato' Seri Nazir Ariff Mushir Ariff	2 / 2 (appointed on 18 October 2019) 2 / 2 (dilantik pada 18 Oktober 2019)
2	Encik Mohd Sakeri Abdul Kadir	10 / 13 (appointed on 28 February 2019) 10 / 13 (dilantik pada 28 Februari 2019)
3	Prof. Dr. Abdul Basir Mohamad	15 / 15
4	Dato' Muslim Hussain	15 / 15
5	Datuk Ahmad Hizzad Baharuddin	12 / 13 (appointed on 6 March 2019) 12 / 13 (dilantik pada 6 Mac 2019)
6	Encik Zulkiflee Hashim	13 / 13 (appointed on 6 March 2019) 13 / 13 (dilantik pada 6 Mac 2019)
7	Dato' Mohd Sukarno Tun Sardon	6 / 11 (appointed on 8 April 2019) 6 / 11 (dilantik pada 8 April 2019)
8	Encik Muhammad Razman Abu Samah	3 / 4 (appointed on 1 September 2019) 3 / 4 (dilantik pada 1 September 2019)
9	Dato' Mohd Shukri Hussin	5 / 5 tenure ended on 1 May 2019) 5 / 5 (tempoh berakhir pada 1 Mei 2019)
10	Dato' Asri Hamidon	4 / 4 (resigned on 31 March 2019) 4 / 4 (meletak jawatan pada 31 Mac 2019)
11	Dato' Jamelah Jamaluddin	1 / 1 (tenure ended on 31 January 2019) 1 / 1 (tempoh berakhir pada 31 Januari 2019)
12	Encik Khairuzzaman Muhammad	1 / 1 (tenure ended on 31 January 2019) 1 / 1 (tempoh berakhir pada 31 Januari 2019)

* Reflects the number of meetings attended during the time the Director held office.

* Mewakili bilangan mesyuarat dihadiri semasa Pengarah berkhidmat.

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B. SUPPLY OF INFORMATION

Directors are provided with notices and Board papers prior to Board Meetings to give Directors time to deliberate on issues raised at meetings.

All Directors have direct access to the services of the Company Secretary and the Senior Management. Independent professional advice is also made available to Directors in furtherance of their duties in the event such services are required.

C. TRAINING OF DIRECTORS

A comprehensive Induction Programme had been established to ease new Directors into their new role and to assist them in their understanding of the Bank's history, operations and financial performance. New Directors are required to attend Induction Programme as soon as possible once they have been appointed and they will be briefed and updated on the challenges and issues faced by the Bank.

The Bank encourages Directors to attend training programmes and seminars to update themselves on new developments in the business environment. In addition, the Bank also organises Trainings and Knowledge Sharing Sessions for the Board in the following areas:

- (i) Integrity Awareness Talk - Corporate Liability Provision: Awareness & Impact towards Organization;
- (ii) Regulatory requirements and management of the Liquidity Coverage Ratio for SME Bank;
- (iii) Battling Money Laundering & Terrorism Financing in Malaysia;
- (iv) The New Perspective of Waqf and its Implementation in the Banking Industry;
- (v) Banking Recovery Proceedings; and
- (vi) Cyber Security & Technology Development.

Some of the new Directors of the Bank have attended the Financial Institutions Directors' Education (FIDE) Program organized by The Iclif Leadership and Governance Centre during the year 2019 whilst the rest have registered to attend in 2020.

D. BOARD COMMITTEES

There are four (4) Board Committees established to assist the Board in discharging its duties and responsibilities, namely the Board Audit Committee, Board Risk Management Committee, Board Nomination and Compensation Committee and Board Financing and Investment Committee.

B. BEKALAN MAKLUMAT

Pengarah menerima notis dan laporan mesyuarat sebelum Mesyuarat Lembaga Pengarah dijalankan bagi membolehkan mereka memahami kandungan laporan mesyuarat dan membincangkan isu-isu yang dibangkitkan di dalam mesyuarat.

Semua Pengarah mempunyai akses langsung kepada khidmat Setiausaha Syarikat dan Pengurusan Kanan. Nasihat profesional bebas juga tersedia untuk Pengarah dalam melaksanakan tugas-tugas mereka bilamana khidmat seumpamanya diperlukan.

C. LATIHAN PENGARAH

Program Induksi yang lengkap telah diperkenalkan untuk memudahkan Pengarah-Pengarah yang dilantik memahami peranan dan tanggungjawab mereka serta membantu dalam memahami sejarah, operasi dan prestasi kewangan Bank. Pengarah baharu perlu menghadiri Program Induksi yang telah ditetapkan oleh Bank bagi mengetahui keadaan maklumat terkini serta cabaran dan isu yang dihadapi oleh Bank.

Lembaga Pengarah digalakkan untuk menghadiri program latihan dan seminar untuk mendedahkan mereka kepada perkembangan baharu dalam persekitaran perniagaan. Di samping itu, Bank juga menganjurkan Sesi Latihan dan Perkongsian Pengetahuan bagi Lembaga Pengarah dalam bidang-bidang berikut:

- (i) Bicara Kesedaran Integriti – Peruntukan Tanggungan Korporat: Kesedaran & Kesan terhadap Organisasi;
- (ii) Keperluan kawal selia dan pengurusan Nisbah Lindung Kecairan bagi SME Bank;
- (iii) Membanteras Pengubahan Wang Haram & Pembiayaan Keganasan di Malaysia;
- (iv) Perspektif Baharu Waqf dan pelaksanaannya dalam Industri Perbankan;
- (v) Prosiding Pemulihan Perbankan; dan
- (vi) Keselamatan Siber & Pembangunan Teknologi.

Beberapa Pengarah baharu telah menghadiri Program Pendidikan Pengarah Institusi Kewangan (FIDE) anjuran Pusat Kepimpinan dan Tadbir Urus Iclif pada 2019 sementara yang lainnya telah mendaftar untuk menyertai program pada 2020.

D. JAWATANKUASA LEMBAGA PENGARAH

Terdapat empat (4) Jawatankuasa Lembaga Pengarah yang ditubuhkan untuk membantu Lembaga Pengarah dalam melaksanakan tugas-tugas dan tanggungjawabnya, iaitu Jawatankuasa Lembaga Audit, Jawatankuasa Lembaga Pengurusan Risiko, Jawatankuasa Lembaga Pencalonan dan Pampasan dan Jawatankuasa Lembaga Pembiayaan dan Pelaburan.

BOARD NOMINATION AND COMPENSATION COMMITTEE JAWATANKUASA LEMBAGA PENCALONAN DAN PAMPASAN

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THE NOMINATION AND COMPENSATION COMMITTEE (NCC) OF THE BANK HAS BEEN ESTABLISHED EFFECTIVE 1 FEBRUARY 2018. DURING THE YEAR 2019, THE BOARD OF DIRECTORS AT ITS 159TH BOARD OF DIRECTORS MEETING HELD ON 29 OCTOBER 2019 HAD APPROVED THE CHANGE OF ITS NAME TO BOARD NOMINATION AND COMPENSATION COMMITTEE (BNCC) AND ADOPTED A REVISED TERMS OF REFERENCE WHICH ALSO APPROVED ADDITIONAL ROLES AND RESPONSIBILITIES TO BNCC.

1. OBJECTIVE

The primary objective of BNCC is to support SME Bank's Board of Directors to oversee management and to provide strategic direction as follows:

Nomination Objective

- 1.1 To establish a documented and transparent procedure for the appointment of the Key Responsible Persons of the Bank and to assess the effectiveness of individual Key Responsible Persons and the various Board Committees of the Board of Directors.

Compensation Objective

- 1.2 To provide a documented and transparent procedure for developing a remuneration policy for Key Responsible Persons¹ of the Bank and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategy.
- 1.3 To endorse any Human Capital matters including any changes deemed necessary to the schemes, terms of services and new terms for Executives and Staff of SME Bank before submission to the Board of Directors for final approval.

JAWATANKUASA LEMBAGA PENCALONAN DAN PAMPASAN (BNCC) BANK TELAH DITUBUHKAN BERKUAT KUASA 1 FEBRUARI 2018. PADA MESYUARAT LEMBAGA PENGARAH KE-159 PADA 29 OKTOBER 2019, LEMBAGA PENGARAH TELAH MELULUSKAN PERTUKARAN NAMA KEPADA JAWATANKUASA LEMBAGA PENCALONAN DAN PAMPASAN (BNCC) DAN MENERIMA PAKAI TERMA RUJUKAN YANG DISEMAK SEMULA YANG JUGA MELULUSKAN PERANAN DAN TANGGUNGJAWAB TAMBAHAN BAGI BNCC.

1. OBJEKTIF

Objektif utama BNCC adalah untuk menyokong Lembaga Pengarah dalam memantau pengurusan dan untuk menyediakan hala tuju strategik seperti berikut:

Objektif Pencalonan

- 1.1 Untuk menetapkan prosedur yang telus dan didokumentasikan bagi pelantikan Individu dengan Tanggungjawab Utama bagi Bank dan untuk menilai keberkesanan mereka dan pelbagai jawatankuasa Lembaga Pengarah.

Objektif Pampasan

- 1.2 Untuk menyediakan prosedur yang telus dan telah didokumentasikan bagi membangunkan polisi imbuhan untuk Individu dengan Tanggungjawab Utama bagi Bank dan memastikan bahawa pampasan tersebut adalah kompetitif dan konsisten dengan budaya, objektif dan strategi Bank.
- 1.3 Untuk mengesahkan hal-hal Modal Insan termasuk sebarang perubahan yang dianggap perlu kepada skim, terma perkhidmatan dan terma-terma baharu bagi Eksekutif dan Kakitangan SME Bank sebelum diserahkan kepada Lembaga Pengarah untuk kelulusan akhir.

¹ The Definition of Key Responsible Persons is as per the BNM's Fit and Proper Criteria which includes Chairman, Board of Directors, Members of Shariah Committee, Managing Director / Chief Executive Officer, Company Secretary, Senior Officers comprising Chief Operating Officer (Operations & Group Corporate Management), Chief Operating Officer (Banking), Chief Internal Auditor, Director Group Compliance & Risk Management, Director, Group Financial Management and including those Covering / Acting for the above positions).

¹ Definisi Individu dengan Tanggungjawab Utama bagi Bank adalah sepertimana syarat Kriteria Sesuai dan Betul oleh BNM yang termasuk Pengerusi, Lembaga Pengarah, Ahli-ahli Jawatankuasa Syariah, Pengarah Urusan / Ketua Pegawai Eksekutif, Setiausaha Syarikat, Pegawai-pegawai Kanan terdiri daripada Ketua Pegawai Operasi (Operasi & Pengurusan Korporat Kumpulan), Ketua Pegawai Operasi (Perbankan), Ketua Juruaudit Dalaman, Pengarah Pematuhan & Pengurusan Risiko Kumpulan, Pengarah, Pengurusan Kewangan Kumpulan dan termasuk mereka yang Menggantikan/Memangku jawatan-jawatan di atas).

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2. COMPOSITION, MEETING AND ATTENDANCE

During the financial year ended 31 December 2019, BNCC held eight (8) meetings. The composition of BNCC during the year 2019 and the record of attendance of the Committee Members at BNCC Meetings are as follows:

2. KOMPOSISI, MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2019, BNCC mengadakan lapan (8) mesyuarat. Komposisi BNCC sepanjang tahun 2019 dan rekod kehadiran Ahli Jawatankuasa pada Mesyuarat BNCC adalah seperti berikut:

	NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN	NO. OF MEETINGS ATTENDED BIL. MESYUARAT DIHADIRI
1	Datuk Ahmad Hizzad Baharuddin	Chairman / Independent Non-Executive Director (appointed on 6 March 2019) Pengerusi / Pengarah Bebas Bukan Eksekutif (dilantik pada 6 Mac 2019)	8 / 8
2	Dato' Seri Nazir Ariff Mushir Ariff	Member / Non-Executive Chairman (appointed on 1 December 2019) Ahli / Pengerusi Bukan Eksekutif (dilantik pada 1 Disember 2019)	0 / 1
3	Dato' Muslim Hussain	Member / Independent Non-Executive Director Ahli / Pengarah Bebas Bukan Eksekutif	8 / 8
4	Encik Mohd Sakeri Abdul Kadir	Member / Non-Independent Non-Executive Director (appointed on 28 February 2019) Ahli / Pengarah Bukan Bebas Bukan Eksekutif (dilantik 28 Februari 2019)	8 / 8
5	Dato' Mohd Sukarno Tun Sardon	Member / Independent Non-Executive Director (appointed on 8 April 2019) Ahli / Pengarah Bebas Bukan Eksekutif (dilantik pada 8 April 2019)	5 / 8
6	Encik Muhammad Razman Abu Samah	Member / Non-Independent Non-Executive Director (appointed on 26 September 2019) Ahli / Pengarah Bukan Bebas Bukan Eksekutif (dilantik pada 26 September 2019)	1 / 2
7	Encik Khairuzzaman Muhammad	Chairman / Independent Non-Executive Director (tenure ended 31 January 2019) Pengerusi / Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 31 Januari 2019)	2 / 2
8	Dato' Jamelah Jamaluddin	Member / Independent Non-Executive Director (tenure ended 31 January 2019) Ahli / Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 31 Januari 2019)	2 / 2
9	Dato' Asri Hamidon	Member / Non-Independent Non-Executive Director (tenure ended 31 March 2019) Ahli / Pengarah Bukan Bebas Bukan Eksekutif (tempoh berakhir 31 Mac 2019)	2 / 2
10	Dato' Mohd Shukri Hussin	Member / Independent Non-Executive Director (tenure ended 1 May 2019) Ahli / Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 1 Mei 2019)	3 / 3
11	Prof. Dr. Abdul Basir Mohamad	Member / Independent Non-Executive Director (ceased as member on 26 September 2019) Ahli / Pengarah Bebas Bukan Eksekutif (tamat pada 26 September 2019)	7 / 8
12	Encik Zulkiflee Hashim	Member / Independent Non-Executive Director (appointed 6 March 2019 and ceased as member on 26 September 2019) Ahli / Pengarah Bebas Bukan Eksekutif (dilantik pada 6 Mac 2019 dan tamat pada 26 September 2019)	6 / 6

* Reflects the number of meetings attended during the time the Director held office.

* Mewakili bilangan mesyuarat dihadiri semasa Pengarah berkhidmat.

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3. ROLES AND RESPONSIBILITIES

The roles and responsibilities of BNCC are, but not limited to the following:

A) Nominating responsibilities

1. To establish minimum requirements for the Board of Directors that is, the required mix of skills, experience, qualification and other core competencies required of a director. The Committee is also responsible for establishing minimum requirements for the GP / CEO. The requirements and criteria should be approved by the Board of Directors.
2. To recommend and assess the nominees for directorship, the directors for the board committees, as well as nominees for the position of GP / CEO, before an application for verification of 'fit and proper' is submitted to BNM. The recommended nominees then to be escalated to the Board of Directors for decision.
3. Establish a mechanism for a formal assessment on the effectiveness of the Board of Directors as a whole, the contribution of the Board of Director's various committees, each Key Responsible Persons and to conduct the assessment annually based on objective performance criteria. Such performance criteria should be approved by the Board of Directors.
4. To oversee appointment and reappointment, management succession planning and performance evaluation of Key Responsible Persons and recommending to the Board of Directors the removal of Key Responsible Persons and Management Directors if they are ineffective, errant and negligent in discharging their responsibilities;
5. To ensure that members of the Board of Directors undergo appropriate induction programs within three (3) months of appointment and receive an appropriate and continuous training programme in order to keep abreast with the latest developments in the industry.
6. To assess, on an annual basis, to ensure that the directors and GP / CEO are not disqualified under Section 7 of the Developmental Financial Institution Act 2002 (DFIA 2002).

3. PERANAN DAN TANGGUNGJAWAB

Peranan dan tanggungjawab BNCC adalah, tetapi tidak hanya terhad kepada perkara berikut:

A) Tanggungjawab pencalonan

1. Untuk menetapkan keperluan minimum bagi Lembaga Pengarah iaitu, kombinasi kemahiran, pengalaman, kelayakan dan kecekapan teras lain yang diperlukan oleh seseorang pengarah. Jawatankuasa juga bertanggungjawab untuk menetapkan keperluan minimum bagi Presiden Kumpulan / Ketua Pegawai Eksekutif. Keperluan dan kriteria hendaklah diluluskan oleh Lembaga Pengarah.
2. Untuk mengesyor dan menilai calon bagi pengarah, para pengarah bagi jawatankuasa lembaga, serta calon untuk jawatan Presiden Kumpulan / Ketua Pegawai Eksekutif, sebelum permohonan untuk pengesahan 'sesuai dan betul' dikemukakan kepada BNM. Nama calon yang disyorkan kemudian akan dipanjangkan kepada Lembaga Pengarah untuk membuat keputusan.
3. Menetapkan mekanisme bagi penilaian rasmi terhadap keberkesanan Lembaga Pengarah secara keseluruhan, sumbangan pelbagai jawatankuasa lembaga, setiap Individu dengan Tanggungjawab Utama dan untuk menjalankan penilaian tahunan berdasarkan kriteria prestasi objektif. Kriteria prestasi ini mesti diluluskan oleh Lembaga Pengarah.
4. Untuk mengawasi pelantikan dan pelantikan semula, perancangan penggantian pengurusan dan penilaian prestasi Individu dengan Tanggungjawab Utama dan mengesyorkan kepada Lembaga Pengarah tentang penyingkiran Individu dengan Tanggungjawab Utama dan Pengarah Pengurusan sekiranya mereka tidak efektif, salah dan cuai dalam melaksanakan tanggungjawab mereka.
5. Untuk memastikan ahli-ahli Lembaga Pengarah menjalani program induksi yang sesuai dalam tempoh tiga (3) bulan dari tarikh pelantikan dan menerima program latihan yang berterusan untuk mendapat perkembangan terkini dalam industri.
6. Untuk menilai secara tahunan dan untuk memastikan bahawa para pengarah dan Presiden Kumpulan / Ketua Pegawai Eksekutif tidak dibatalkan kelayakan di bawah Seksyen 7 Akta Institusi Kewangan Pembangunan 2002 (DFIA 2002).

BOARD NOMINATION AND COMPENSATION COMMITTEE
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B) Remunerating responsibilities

1. Recommend a framework of remuneration for Key Responsible Persons. The remuneration policy should:
 - (i) Be documented and approved by the Board of Directors and any changes thereto should be subject to the endorsement of the Board of Directors.
 - (ii) Support the Bank's culture, objectives and strategy and reflect the experience and level of responsibility and commitment borne by individual Key Responsible Persons.
 - (iii) Be sufficient to attract and retain Key Responsible Persons and Management Directors but at the same time be balanced against the need to ensure that the funds of the Bank are not used to subsidize excessive remuneration packages.
2. Recommend specific remuneration packages for Key Responsible Persons. The Remuneration Packages should:-
 - (i) Be based on an objective consideration and approved by the Board of Directors;
 - (ii) Take due consideration of the assessments of the committees of the effectiveness and contribution of the Key Responsible Persons concerned;
 - (iii) Not be decided by the exercise of sole discretion or any one individual or restricted group of individuals; and
 - (iv) Be competitive and is consistent with the Bank's culture, objective and strategy.
3. Endorsing any changes deemed necessary to the schemes, terms of services and new terms for Executives and Staff of SME Bank before submission to the Board of Directors for final approval.

B) Tanggungjawab imbuhan

1. Mengesyorkan rangka kerja imbuhan untuk Individu dengan Tanggungjawab Utama. Dasar imbuhan harus:
 - (i) Didokumen dan diluluskan oleh Lembaga Pengarah dan sebarang perubahan kepadanya hendaklah tertakluk kepada pengesahan Lembaga Pengarah.
 - (ii) Menyokong budaya, objektif, dan strategi Bank dan mencerminkan pengalaman dan tahap tanggungjawab dan komitmen yang ditanggung oleh Individu dengan Tanggungjawab Utama.
 - (iii) Mencukupi untuk menarik dan mengekalkan Individu dengan Tanggungjawab Utama dan Pengarah Urusan dan pada masa yang sama harus seimbang dengan keperluan untuk memastikan bahawa dana Bank tidak digunakan untuk memberi subsidi pakej imbuhan yang berlebihan.
2. Mengesyorkan pakej imbuhan khusus untuk Individu dengan Tanggungjawab Utama. Pakej Imbuhan perlu:
 - (i) Berdasarkan objektif yang dipertimbang dan diluluskan oleh Lembaga Pengarah;
 - (ii) Mempertimbangkan dengan sewajarnya penilaian jawatankuasa mengenai keberkesanan dan sumbangan Individu dengan Tanggungjawab Utama yang berkenaan
 - (iii) Tidak diputuskan hanya mengikut budi bicara mana-mana individu atau sekumpulan individu yang terhad; dan
 - (iv) Berdaya saing dan tekal dengan budaya, objektif dan strategi Bank.
3. Mengesahkan apa-apa perubahan yang dianggap perlu untuk skim, terma perkhidmatan dan terma baharu untuk Eksekutif dan Kakitangan SME Bank sebelum dikemukakan kepada Lembaga Pengarah untuk kelulusan akhir.

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- C) Other than the above, the roles and responsibilities of the Committee extend to both the Bank and its subsidiaries. The Committee shall also carry out the roles and responsibilities as outlined in the DFIA 2002, Companies Act 2016, relevant Bank Negara Guidelines, Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan), the Bank's M&A / constitution and other relevant policy documents / memo issued by the BNM / governing authorities as revised from time to time.
- D) The Definition of Key Responsible Persons includes Chairman, Board of Directors, Members of Shariah Committee, Managing Director / Group President / Chief Executive Officer, Company Secretary, Senior Management Officers comprising Group Chief Financial Officer, Chief Banking Officer, Chief Operating Officer, Group Chief Strategy Officer, Group Chief Digital and Technology Transformation Officer, Group Chief Human Capital Officer, Group Legal Counsel, Chief Risk Officer, Chief Internal Auditor, and other position as may be required by BNCC from time to time, including those Covering / Acting for the above positions in the Bank and its subsidiaries.
- E) To carry out such other responsibilities as may be delegated to it by the Board of Directors for notification and deliberation where appropriate.
- C) Di samping itu, peranan dan tanggungjawab Jawatankuasa diperluaskan kepada Bank dan anak-anak syarikatnya. Jawatankuasa juga perlu menjalankan peranan dan tanggungjawab seperti yang digariskan dalam DFIA 2002, Akta Syarikat 2016, Garis Panduan Bank Negara yang berkaitan, Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan), perlembagaan Bank dan dokumen dasar / memo yang berkenaan yang dikeluarkan oleh BNM / pihak berkuasa kerajaan sebagaimana yang disemak dari semasa ke semasa.
- D) Definisi Individu dengan Tanggungjawab Utama adalah termasuk Pengerusi, Lembaga Pengarah, Ahli-ahli Jawatankuasa Syariah, Pengarah Urusan / Presiden Kumpulan / Ketua Pegawai Eksekutif, Setiausaha Syarikat, Pegawai-pegawai Kanan terdiri daripada Ketua Pegawai Kewangan Kumpulan, Ketua Pegawai Perbankan, Ketua Pegawai Operasi, Ketua Pegawai Strategi Kumpulan, Ketua Pegawai Transformasi Digital dan Teknologi Kumpulan, Ketua Pegawai Modal Insan Kumpulan, Penasihat Undang-Undang Kumpulan, Ketua Pegawai Risiko, Ketua Juruaudit Dalaman, dan jawatan-jawatan lain yang diperlukan oleh BNCC dari semasa ke semasa, termasuk mereka yang Mengganti / Memangku jawatan-jawatan di atas dalam Bank dan anak-anak syarikatnya.
- E) Untuk melaksanakan tanggungjawab lain seperti yang diserahkan oleh Lembaga Pengarah untuk makluman dan perbincangan bilamana sesuai.

BOARD RISK MANAGEMENT COMMITTEE JAWATANKUASA LEMBAGA PENGURUSAN RISIKO

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DURING THE YEAR 2019, THE BOARD OF DIRECTORS AT ITS 159TH BOARD OF DIRECTORS MEETING HELD ON 29 OCTOBER 2019 HAD APPROVED THE CHANGE OF ITS NAME FROM RISK MANAGEMENT COMMITTEE TO BOARD RISK MANAGEMENT COMMITTEE (BRMC) AND ADOPTED A REVISED TERMS OF REFERENCE WHICH ALSO APPROVED ADDITIONAL ROLES AND RESPONSIBILITIES TO BRMC.

1. OBJECTIVE

The primary objective of BRMC is support the Board of Directors to oversee the senior management's activities in managing the key risk areas of SME Bank and the Group and to ensure that the risk management process is in place and implemented effectively.

2. COMPOSITION, MEETING AND ATTENDANCE

During the financial year ended 31 December 2019, BRMC held twelve (12) meetings. The composition of BRMC during the year 2019 and the record of attendance of the Committee Members at BRMC Meetings are as follows:

SEMASA MESYUARAT LEMBAGA PENGARAH KE-159 PADA 29 OKTOBER 2019, LEMBAGA PENGARAH TELAH MELULUSKAN PERTUKARAN NAMA KEPADA JAWATANKUASA LEMBAGA PENGURUSAN RISIKO (BRMC) DAN MENERIMA PAKAI TERMA RUJUKAN YANG DISEMAK SEMULA YANG JUGA MELULUSKAN PERANAN DAN TANGGUNGJAWAB TAMBAHAN BAGI BRMC.

1. OBJEKTIF

Objektif utama BRMC adalah untuk menyokong Lembaga Pengarah dalam menyelia aktiviti pengurusan kanan dalam menguruskan bidang risiko utama SME Bank dan Kumpulan untuk memastikan bahawa adanya proses pengurusan risiko dan dilaksanakan secara berkesan.

2. KOMPOSISI, MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2019, BRMC mengadakan dua belas (12) mesyuarat. Komposisi BRMC sepanjang tahun 2019 dan rekod kehadiran Ahli-ahli Jawatankuasa pada Mesyuarat BRMC adalah seperti berikut:

	NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN	NO. OF MEETINGS ATTENDED BIL. MESYUARAT DIHADIRI
1	Dato' Muslim Hussain	Chairman / Independent Non-Executive Director Pengerusi / Pengarah Bebas Bukan Eksekutif	12 / 12
2	Prof. Dr. Abdul Basir Mohamad	Member / Independent Non-Executive Director Ahli / Pengarah Bebas Bukan Eksekutif	10 / 11
3	Datuk Ahmad Hizzad Baharuddin	Member / Independent Non-Executive Director (appointed on 6 March 2019) Ahli / Pengarah Bebas Bukan Eksekutif (dilantik pada 6 Mac 2019)	10 / 11
4	Encik Zulkiflee Hashim	Member / Independent Non-Executive Director (appointed on 6 March 2019) Ahli / Pengarah Bebas Bukan Eksekutif (dilantik pada 6 Mac 2019)	10 / 11
5	Dato' Mohd Sukarno Tun Sardon	Member / Independent Non-Executive Director (appointed on 8 April 2019) Ahli / Pengarah Bebas Bukan Eksekutif (dilantik pada 8 April 2019)	7 / 10
6	Encik Muhammad Razman Abu Samah	Member / Non-Independent Non-Executive Director (appointed on 26 September 2019) Ahli / Pengarah Bukan Bebas Bukan Eksekutif (dilantik pada 26 September 2019)	2 / 5
7	Dato' Jamelah Jamaluddin	Chairman / Independent Non-Executive Director (tenure ended on 31 January 2019) Pengerusi / Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 31 Januari 2019)	1 / 1

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	NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN	NO. OF MEETINGS ATTENDED BIL. MESYUARAT DIHADIRI
8	Dato' Asri Hamidon	Member / Non-Independent Non-Executive Director (tenure ended 31 March 2019) Ahli / Pengarah Bukan Bebas Bukan Eksekutif (tempoh berakhir pada 31 Mac 2019)	0 / 2
9	Encik Khairuzzaman Muhammad	Member / Independent Non-Executive Director (tenure ended 31 January 2019) Ahli / Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 31 Januari 2019)	1 / 1
10	Dato' Mohd Shukri Hussin	Member / Independent Non-Executive Director (tenure ended 1 May 2019) Ahli / Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 1 Mei 2019)	1 / 3
11	Encik Mohd Sakeri Abdul Kadir	Member / Non-Independent Non-Executive Director (appointed on 28 February 2019 and ceased on 26 September 2019) Ahli / Pengarah Bukan Bebas Bukan Eksekutif (dilantik pada 28 Februari dan tamat pada 26 September 2019)	4 / 7

* Reflects the number of meetings attended during the time the Director held office.

* Mewakili bilangan mesyuarat yang dihadiri semasa Pengarah berkhidmat.

3. ROLES AND RESPONSIBILITIES

The BRMC is established to support the Board of Directors to fulfill its responsibilities in:

1. Review and recommend risk strategy, including risk appetite and oversee its implementation, BRMC shall provide oversight:
 - (i) that it addresses the major types of risk that the Bank needs to manage (including but not limited to credit risk, market risk, liquidity risk including intraday liquidity risk, operational risk, Shariah risk, IT risk, Business Continuity Management and any other emerging risks associated with the Bank's business and operations) and the tolerance levels around specific risks that are acceptable to the Bank in executing its business strategy;
 - (ii) that it is in line with the Bank's mandated role as a development bank;
 - (iii) that it continues to be relevant and reflects any changes in the Bank's capacity to take on risk, its inherent risk profile, as well as market and macroeconomic conditions;

3. PERANAN DAN TANGGUNGJAWAB

BRMC ditubuhkan untuk menyokong Lembaga Pengarah bagi memenuhi tanggungjawabnya dalam:

1. Menyemak dan mengesyorkan strategi risiko, termasuk selera risiko dan menyelia pelaksanaannya. BRMC akan menyelia:
 - (i) bahawa ia menangani jenis-jenis risiko utama yang perlu diuruskan oleh Bank (termasuk tetapi tidak terhad kepada risiko kredit, risiko pasaran, risiko kecairan termasuk risiko kecairan antara-hari, risiko operasi, risiko ketidakpatuhan Syariah, risiko IT, risiko Pengurusan Kesenambungan Perniagaan dan sebarang risiko baharu yang berkaitan dengan perniagaan dan operasi Bank) dan tahap toleransi risiko-risiko khusus yang boleh diterima oleh Bank dalam melaksanakan strategi perniagaannya;
 - (ii) bahawa ia sejajar dengan peranan yang diamanahkan kepada Bank sebagai bank pembangunan;
 - (iii) bahawa ia kekal relevan dan bertindakbalas dengan sebarang perubahan dalam keupayaan Bank untuk mengambil risiko, profil risikonya yang ada, serta keadaan pasaran dan ekonomi makro;

BOARD RISK MANAGEMENT COMMITTEE**JAWATANKUASA LEMBAGA PENGURUSAN RISIKO****CHAPTER 04****BAB 04**

- (iv) that it reflects the willingness and capacity of the institution to take on risk while taking a longer-term view that considers the Bank's financial capacity and continuing ability to meet obligations towards stakeholders;
- (v) that it is consistent with the skills and resources available within the Bank to manage and monitor risk exposures; and
- (vi) on management's implementation of an appropriate risk strategy and obtaining assurance that organisational units are operating within the parameters of the Bank's appetite for specific types of risk.
- (vii) on approval of risk management methodologies and measurement tools;
- (viii) on the management of reputational risk arising from business and social activities undertaken by the Bank.
2. In particular for credit risk strategy, BRMC must consider the interactions between the credit risk strategy and Bank-specific factors – such as the Bank's risk appetite, existing levels of capital and provisioning needs in business-as-usual and stressed scenarios, adequacy of internal resources – as well as the wider operating environment.
3. Oversee, review and approve the design and development of risk management policies and frameworks and ensure that the policies and frameworks are effective for controlling risk-taking activities of the Bank. To that extent, BRMC shall:
- (i) promote an integrated approach to evaluate, monitor and address interrelated risks in the Bank;
- (ii) provide oversight on the adequacy of the policies and frameworks in identifying, measuring, monitoring, controlling and reporting risks and the extent to which these are operating effectively; and
- (iii) provide oversight on the adequacy of infrastructure, internal systems and competence and expertise of resources to support the risk management processes.
- (iv) bahawa ia menggambarkan kesediaan dan keupayaan institusi untuk mengambil risiko dan pada masa yang sama mengambil pandangan jauh yang mempertimbangkan keupayaan kewangan dan keupayaan berterusan Bank untuk memenuhi kewajipan terhadap pihak berkepentingan;
- (v) bahawa ia konsisten dengan kemahiran dan sumber yang tersedia dalam Bank untuk mengurus dan memantau pendedahan risiko; dan
- (vi) tentang pengurusan strategi risiko yang betul yang dibuat oleh pihak pengurusan dan mendapat kepastian bahawa unit-unit organisasi beroperasi dalam parameter selera risiko Bank untuk jenis risiko khusus.
- (vii) tentang kelulusan kaedah pengurusan dan pengukuran risiko;
- (viii) tentang pengurusan risiko reputasi yang timbul daripada aktiviti perniagaan dan sosial yang dijalankan oleh Bank.
2. Untuk strategi risiko kredit khususnya, BRMC mesti mempertimbangkan interaksi antara strategi risiko kredit dan faktor khusus Bank - seperti selera risiko, tahap modal yang sedia ada dan keperluan peruntukan yang sedia ada dalam perniagaan seperti biasa dan senario tekanan, kecukupan sumber dalaman – serta persekitaran operasi yang lebih luas.
3. Menyelia, menyemak dan meluluskan pembentukan dan pembangunan dasar dan rangka kerja pengurusan risiko dan memastikan bahawa dasar dan rangka kerja berkesan untuk mengawal aktiviti pengambilan risiko. Untuk itu, BRMC akan:
- (i) menggalakkan pendekatan bersepadu untuk menilai, memantau dan menangani risiko yang saling berkaitan dalam Bank;
- (ii) mengawal kecukupan dasar dan rangka kerja dalam mengenal pasti, mengukur, memantau, mengawal dan melapor risiko dan tahap yang mana ia berfungsi dengan berkesan; dan
- (iii) mengawal kecukupan infrastruktur, sistem dalaman dan sumber yang cekap dan mahir untuk menyokong proses pengurusan risiko.

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4. Provide oversight that the risk management control functions have the proper authority and are adequately staffed and resourced to carry out their responsibility independently and effectively. To that extent:
 - (i) risk management function must be independent of the business units whose activities and exposures it reviews;
 - (ii) risk management function must be equipped with risk management personnel who possess sufficient experience and qualifications which commensurate with the Bank's risk profile; and
 - (iii) risk management personnel should have the ability, credibility and willingness to challenge business lines regarding all aspects of risk arising from the Bank's activities.
5. Provide oversight that risk management activity is not carried out in isolation but is well-integrated throughout the organisation.
6. Regularly obtain information from senior management on adherence to the institution's risk appetite and the implementation of risk management policies, processes, and controls within the institution in managing the key risks to the institution as well as emerging risks. In doing so, BRMC shall:
 - (i) review management's periodic information / reports on risk exposures, risk portfolio composition and risk management activities in relation to the Bank's risk tolerance and appetite;
 - (ii) provide oversight on the adequacy and effectiveness of overall risk management processes and internal controls through receiving regular and timely risk exposure report(s) and shall be supported by independent assessments by the risk management and control functions;
 - (iii) provide constructive challenge to senior management and critically review the risk information and developments affecting the Bank; and
 - (iv) set clear expectations for senior management to ensure the integrity of the essential reporting and monitoring systems i.e. reporting structures do not distort or suppress material information.
4. Menyelia bahawa fungsi kawalan pengurusan risiko mempunyai kuasa yang betul dan kakitangan yang mencukupi untuk menjalankan tanggungjawab mereka secara bebas dan berkesan. Untuk itu:
 - (i) fungsi pengurusan risiko mesti bebas daripada unit-unit perniagaan yang mana aktiviti dan pendedahan disemak;
 - (ii) fungsi pengurusan risiko mesti dilengkapkan dengan kakitangan pengurusan risiko yang mempunyai pengalaman mencukupi dan kelayakan yang bersesuaian dengan profil risiko Bank; dan
 - (iii) kakitangan pengurusan risiko mesti mempunyai keupayaan, kredibiliti dan kesanggupan untuk mencabar perjalanan perniagaan berhubung segala aspek risiko yang timbul daripada aktiviti Bank.
5. Menyelia bahawa aktiviti pengurusan risiko tidak dijalankan secara berasingan tetapi secara bersepadu di seluruh organisasi.
6. Mendapatkan maklumat secara berkala daripada pengurusan kanan tentang pematuhan terhadap selera risiko institusi dan pelaksanaan dasar, proses dan kawalan pengurusan risiko dalam institusi dalam menguruskan risiko-risiko utama untuk institusi serta risiko-risiko yang baharu. Dalam melaksanakan ini, BRMC akan:
 - (i) menyemak maklumat / laporan pengurusan berhubung pendedahan risiko, komposisi portfolio risiko dan kegiatan pengurusan risiko berkaitan dengan toleransi dan selera risiko Bank;
 - (ii) menyelia kecukupan dan keberkesanan proses dan kawalan dalaman keseluruhan pengurusan risiko dengan menerima laporan pendedahan risiko secara berkala dan pada masanya dan harus disokong oleh penilaian bebas oleh pengurusan risiko dan fungsi kawalan;
 - (iii) mencabar secara membina pihak pengurusan kanan dan menyemak secara kritikal maklumat dan perkembangan risiko yang memberi kesan kepada Bank; dan
 - (iv) menetapkan jangkaan yang jelas kepada pengurusan kanan bagi memastikan integriti pelaporan penting dan sistem pemantauan iaitu struktur pelaporan tidak mengganggu atau menahan maklumat penting.

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7. Establish the frequency, content and form of risk reports to be submitted to the BRMC, so as to ensure the risk reports facilitate understanding and the determination of appropriate risk responses to facilitate informed decisions. To that extent, BRMC shall:
- (i) be aware that excessive detail, volume and complexity in the context of the risk reports can lead to overlook of critical risk developments and complicate an accurate picture of the Bank's overall key risk exposures; and
 - (ii) have high-level risk information and the ability to drill down into specific risk areas which will assist BRMC in providing constructive challenge to senior management.
8. Specifically on Business Continuity Management (BCM), BRMC shall provide oversight on the Bank-wide implementation of sound BCM practices as part of good corporate governance and prudent risk management. To that extent, BRMC shall:
- (i) review and recommend overall BCM policy and strategies, which shall be consistent with the Bank's risk tolerance level as well as the nature, complexity and materiality of the Bank's business operations;
 - (ii) be aware of and assess the potential threats and risks to the Bank and the corresponding impact on critical business functions;
 - (iii) provide leadership, direction and oversight in ensuring effective BCM practices, recovery and resumption procedures are in place for the continuation of critical business functions should a major operational disruption occur;
 - (iv) be aware of potential impact on the Bank's operations of any potential failure or disruption in services provided by vendors and other third-party services;
 - (v) provide oversight that the Bank has a workable Business Continuity Plan (BCP) in place for all critical business functions which is consistent with the Bank's overall business objectives; and
 - (vi) provide oversight that the BCP is adequately tested and regularly updated to reflect changes in the operational environment and business activities and the level of risk that the Bank represents to the operation of the financial system.
7. Menetapkan kekerapan, kandungan dan bentuk laporan risiko untuk diserahkan kepada BRMC, untuk memastikan laporan risiko tersebut memudahkan pemahaman dan penentuan tindak balas risiko yang betul untuk memudahkan proses membuat keputusan secara berhemah. Untuk itu, BRMC harus:
- (i) sedar bahawa butiran yang berlebihan, volum dan kerumitan dalam konteks laporan risiko boleh menjurus kepada terlepas pandang perkembangan risiko kritikal dan menyukarkan gambaran yang tepat sesuatu pendedahan risiko utama Bank; dan
 - (ii) mempunyai maklumat risiko tahap tinggi dan keupayaan untuk mengkaji bidang risiko khusus yang akan membantu BRMC dalam memberi cabaran membina kepada pengurusan kanan.
8. Terutamanya bagi Pengurusan Kesenambungan Perniagaan (BCM), BRMC menyelia pelaksanaan amalan BCM yang kukuh di seluruh Bank sebagai sebahagian tadbir urus korporat yang baik dan pengurusan risiko yang teliti. Untuk itu, BRMC akan:
- (i) menyemak dan mengesyorkan keseluruhan dasar dan strategi BCM, yang harus konsisten dengan tahap toleransi risiko Bank serta bentuk, kerumitan dan kepentingan operasi perniagaan Bank;
 - (ii) sedar dan menilai kemungkinan ancaman dan risiko kepada Bank dan kesan daripadanya ke atas fungsi perniagaan yang kritikal;
 - (iii) memberi kepimpinan, hala tuju dan penyeliaan untuk memastikan amalan BCM yang berkesan, terdapat kaedah pemulihan dan penerusan untuk kesinambungan fungsi perniagaan yang kritikal sekiranya gangguan besar berlaku;
 - (iv) tahu tentang kemungkinan kesan ke atas operasi Bank akibat daripada kemungkinan kegagalan atau gangguan dalam perkhidmatan yang disediakan oleh pembekal dan pihak ketiga lain;
 - (v) menyelia agar Bank mempunyai Rancangan Kesenambungan Perniagaan (BCP) untuk semua fungsi perniagaan kritikal yang konsisten dengan keseluruhan objektif perniagaan Bank; dan
 - (vi) menyelia agar BCP diuji secukupnya dan sentiasa dikemas kini bagi menggambarkan perubahan dalam persekitaran operasi dan aktiviti perniagaan dan tahap risiko kepada operasi sistem kewangan.

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9. Specifically for stress testing, BRMC shall exercise oversight on the development and implementation of the stress testing programme. To that extent, BRMC shall:
- (i) review and recommend policies governing the stress testing programme and ensuring sufficient resources and expertise to effectively implement the programme;
 - (ii) provide oversight on the design of stress testing is consistent with the Bank's risk appetite and is appropriate to the nature, scale and complexity of its risk-taking activities and overall business strategy;
 - (iii) provide constructive challenge on the results of stress tests, scenarios, key assumptions and methodologies used in the stress tests;
 - (iv) review the appropriateness of management actions proposed by senior management to mitigate potential vulnerabilities; and
 - (v) consider the implication of stress testing results on the Bank's risk appetite, capital and liquidity planning, and strategic business decisions.
10. Actively promote consistent culture of risk awareness, risk management and compliance, by taking the lead in establishing the tone-at-the-top and in upholding standards of conduct, organizational practice and corporate values that are consistent with the Bank's overall risk appetite.
11. Periodically meet with BAC to ensure effective exchange of information so as to enable effective coverage of all risks, including emerging risk issues that could have an impact on the Bank's risk appetite and business plans.
12. In assisting the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Nomination & Compensation Committee. To that extent, BRMC shall be actively involved in the performance reviews of individuals primarily responsible for control functions including compliance and risk management.
9. Khususnya untuk ujian tekanan, BRMC menyelia perkembangan dan pelaksanaan program ujian tekanan. Untuk itu, BRMC akan:
- (i) menyemak dan mengesyorkan dasar-dasar untuk program pengujian tekanan dan memastikan sumber-sumber mencukupi dan kemahiran untuk melaksanakan program dengan berkesan;
 - (ii) menyelia bahawa reka bentuk pengujian tekanan adalah konsisten dengan selera risiko Bank dan bahawa ia betul dengan bentuk, skala dan kerumitan kegiatan pengambilan risiko dan strategi keseluruhan perniagaan;
 - (iii) memberi cabaran membina bagi keputusan ujian tekanan, senario, andaian utama dan kaedah yang digunakan dalam ujian tekanan;
 - (iv) menyemak kesesuaian tindakan yang dicadangkan oleh pengurusan kanan untuk mengurangkan kemungkinan kelemahan; dan
 - (v) mempertimbangkan kesan keputusan ujian tekanan ke atas selera risiko Bank, perancangan modal dan kecairan, dan keputusan perniagaan strategik.
10. Menggalakkan secara aktif dan konsisten budaya kesedaran risiko, pengurusan risiko dan pematuhan, dengan memupuknya dari peringkat atasan dan dengan mendukung standard tata laku, amalan organisasi dan nilai-nilai korporat yang konsisten dengan keseluruhan selera risiko Bank.
11. Bertemu secara berkala dengan Jawatankuasa Lembaga Audit untuk memastikan pertukaran maklumat yang berkesan bagi membolehkan liputan risiko secara menyeluruh dan berkesan, termasuk isu-isu risiko baharu yang boleh memberi kesan kepada selera risiko dan rancangan perniagaan Bank
12. Dalam membantu pelaksanaan sistem imbuhan yang baik, menyemak sama ada insentif yang disediakan oleh sistem imbuhan mengambil kira risiko, modal, kecairan dan kemungkinan dan penetapan masa pendapatan, tanpa prejudis kepada tugas-tugas Jawatankuasa Lembaga Pencalonan & Pampasan. Untuk itu, BRMC akan terlibat secara aktif dalam semakan prestasi individu-individu yang terutamanya bertanggungjawab ke atas fungsi kawalan termasuk pematuhan dan pengurusan risiko.

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13. Understanding the Bank's operational and organizational structure and the risks it poses and be satisfied that it is not overly complex or opaque such that it hampers effective risk management by the financial institution.
14. In respect of overseeing the management of the Bank's compliance risk, BRMC shall:
- (i) review and recommend the Bank's compliance policy and oversee its implementation;
 - (ii) receive periodic reports and updates on compliance issues and ensure adequate time and priority is provided in the agenda to deliberate compliance issues and that such issues are resolved effectively and expeditiously;
 - (iii) review and monitor Compliance initiatives and activities, including anti-money laundering / counter financing of terrorism (AML / CFT) and any other regulatory requirements; and
 - (iv) at least annually, evaluate the effectiveness of the Bank's overall management of compliance risk, having regard to the assessments of senior management and internal audit, as well as interactions with the Head of Group Compliance.
15. Providing oversight over technology-related matters, including reviewing the technology-related frameworks and ensuring that risk assessments undertaken in relation to material technology applications are robust and comprehensive.
16. BRMC shall have access to the full company records, properties and personnel.
17. BRMC shall have access to advice and services of any officers of the Group Risk Management Division and Group Compliance Division.
18. Other than the above, the Committee shall also carry out the roles in responsibilities as delegated by the Board of Directors from time to time.
13. Memahami struktur operasi dan organisasi Bank dan risiko-risikonya dan berpuas hati bahawa ia tidak terlalu rumit atau samar sehinggakan ia mengganggu pengurusan risiko yang berkesan oleh institusi kewangan.
14. Dalam hal menyelia pengurusan risiko pematuhan Bank, BRMC akan:
- (i) menyemak dan mengesyorkan dasar pematuhan Bank dan menyelia pelaksanaannya;
 - (ii) menerima laporan berkala dan maklumat terkini tentang isu-isu pematuhan dan memastikan masa yang mencukupi dan keutamaan diberikan dalam agenda untuk membincangkan isu-isu pematuhan dan bahawa isu-isu sedemikian diselesaikan dengan berkesan dan segera;
 - (iii) menyemak dan memantau inisiatif dan aktiviti Pematuhan, termasuk pencegahan pengubahan wang haram / pembiayaan keganasan (AML / CFT) dan mana-mana keperluan undang-undang lain; dan
 - (iv) sekurang-kurangnya setiap tahun, melakukan penilaian tentang keberkesanan keseluruhan pengurusan risiko pematuhan Bank, yang merujuk kepada penilaian pengurusan kanan dan audit dalaman, serta interaksi dengan Ketua Pematuhan Kumpulan.
15. Menyelia hal-hal berkaitan teknologi, termasuk menyemak rangka kerja berkaitan teknologi dan memastikan bahawa penilaian risiko dijalankan bagi penggunaan teknologi penting adalah kukuh dan menyeluruh.
16. BRMC mempunyai akses kepada semua rekod, harta dan kakitangan syarikat.
17. BRMC mempunyai akses kepada nasihat dan perkhidmatan mana-mana pegawai Divisyen Pengurusan Risiko Kumpulan dan Divisyen Pematuhan Kumpulan.
18. Selain dari yang dinyatakan di atas, Jawatankuasa juga menjalankan peranan tanggungjawab sebagaimana ditugaskan oleh Lembaga Pengarah dari semasa ke semasa.

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DURING THE YEAR 2019, THE BOARD OF DIRECTORS AT ITS 159TH BOARD OF DIRECTORS MEETING HELD ON 29 OCTOBER 2019 HAD APPROVED THE CHANGE OF ITS NAME FROM AUDIT COMMITTEE TO BOARD AUDIT COMMITTEE (BAC) AND ADOPTED A REVISED TERMS OF REFERENCE WHICH ALSO APPROVED ADDITIONAL ROLES AND RESPONSIBILITIES TO BAC.

1. OBJECTIVE

The primary objective of BAC is to support the Board of Directors in providing independent oversight of the Bank and its subsidiaries' financial reporting and internal control system and ensuring check and balances within the Bank.

2. COMPOSITION, MEETING AND ATTENDANCE

During the financial year ended 31 December 2019, BAC held eleven (11) meetings. The composition of BAC during the year 2019 and the record of attendance of the Committee Members at BAC Meetings are as follows:

SEMASA MESYUARAT LEMBAGA PENGARAH KE-159 PADA 29 OKTOBER 2019, LEMBAGA PENGARAH TELAH MELULUSKAN PERTUKARAN NAMA DARIPADA JAWATANKUASA AUDIT KEPADA JAWATANKUASA LEMBAGA AUDIT (BAC) DAN MENERIMA PAKAI TERMA RUJUKAN YANG DISEMAK SEMULA YANG JUGA MELULUSKAN PERANAN DAN TANGGUNGJAWAB TAMBAHAN BAGI BAC.

1. OBJEKTIF

Objektif utama BAC adalah untuk menyokong Lembaga Pengarah menyelia secara bebas pelaporan kewangan dan sistem kawalan dalaman dan memastikan semak danimbang dalam Bank.

2. KOMPOSISI, MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2019, BAC mengadakan sebelas (11) mesyuarat. Komposisi BAC pada tahun 2019 dan rekod kehadiran Ahli Jawatankuasa pada Mesyuarat BAC adalah seperti berikut:

	NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN	NO. OF MEETINGS ATTENDED BIL. MESYUARAT DIHADIRI
1	Dato' Mohd Sukarno Tun Sardon	Chairman / Independent Non-Executive Director (appointed on 8 April 2019) Pengerusi / Pengarah Bebas Bukan Eksekutif (dilantik pada 8 April 2019)	4 / 7
2	Dato' Seri Nazir Ariff Mushir Ariff	Member / Non-Executive Chairman (appointed on 1 December 2019) Ahli / Pengerusi Bukan Eksekutif (dilantik pada 1 Disember 2019)	0 / 1
3	Dato' Muslim Hussain	Member / Independent Non-Executive Director Ahli / Pengarah Bebas Bukan Eksekutif	11 / 11
4	Prof. Dr. Abdul Basir Mohamad	Member / Independent Non-Executive Director Ahli / Pengarah Bebas Bukan Eksekutif	10 / 11
5	Encik Mohd Sakeri Abdul Kadir	Member / Non-Independent Non-Executive Director (appointed on 28 February 2019) Ahli / Pengarah Bukan Bebas Bukan Eksekutif (dilantik pada 28 Februari 2019)	7 / 9
6	Datuk Ahmad Hizzad Baharuddin	Member / Independent Non-Executive Director (tenure ended on 6 March 2019) Ahli / Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 6 Mac 2019)	7 / 9
7	Encik Zulkiflee Hashim	Member / Independent Non-Executive Director (tenure ended on 6 March 2019) Ahli / Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 6 Mac 2019)	9 / 9
8	Dato' Mohd Shukri Hussin	Chairman / Independent Non-Executive Director (tenure ended 1 May 2019) Pengerusi / Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 1 Mei 2019)	5 / 5

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NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN	NO. OF MEETINGS ATTENDED BIL. MESYUARAT DIHADIRI
9 Dato' Asri Hamidon	Member / Non-Independent Non-Executive Director (tenure ended 31 March 2019) Ahli / Pengarah Bukan Bebas Bukan Eksekutif (tempoh berakhir pada 31 Mac 2019)	3 / 4
10 Encik Khairuzzaman Muhammad	Member / Independent Non-Executive Director (tenure ended 31 January 2019) Ahli / Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 31 Januari 2019)	1 / 1

* Reflects the number of meetings attended during the time the Director held office.

* Mewakili bilangan mesyuarat yang dihadiri semasa Pengarah berkhidmat.

3. ROLES AND RESPONSIBILITIES

The roles and responsibilities of BAC are as follows: -

1. Fair and transparent reporting

- (i) Ensure fair and transparent reporting and prompt publication of annual accounts.
- (ii) Review the quarterly and annual financial statements, preliminary results release and any other formal release relating to its financial performance prior to escalation to the Board of Directors.

With reference to the year-end financial statements, the External Auditor will conduct the presentation to BAC with particular focus on the following:-

- (a) Any changes in or implementation of major accounting policy changes.
 - (b) Adequacy of provisions against contingencies, bad and doubtful debts.
 - (c) Significant and unusual events.
 - (d) Compliance with accounting standards and other regulatory requirements.
- (iii) Review the Statement on Risk Management and Internal Control (SORMIC), prior to approval by the Board of Directors.

3. PERANAN DAN TANGGUNGJAWAB

Peranan dan tanggungjawab BAC adalah seperti berikut:

1. Pelaporan adil dan telus

- (i) Memastikan pelaporan yang adil dan telus dan penerbitan segera akaun tahunan.
- (ii) Menyemak penyata-penyata kewangan suku tahun dan tahunan, pengumuman keputusan kewangan awal dan sebarang pengumuman rasmi berkaitan prestasi kewangan sebelum dibawa kepada perhatian Lembaga Pengarah.

Merujuk kepada penyata kewangan akhir tahun, Juruaudit Luar akan membuat pembentangan kepada BAC dengan tumpuan khusus berhubung:-

- (a) Sebarang perubahan dalam atau pelaksanaan perubahan dasar perakaunan utama.
 - (b) Kecukupan peruntukan terhadap hutang luar jangka, hutang lapuk dan hutang ragu.
 - (c) Peristiwa penting dan tidak biasa.
 - (d) Pematuhan terhadap piawaian perakaunan dan keperluan undang-undang lain.
- (iii) Menyemak Penyata Pengurusan Risiko dan Kawalan Dalaman, sebelum kelulusan oleh Lembaga Pengarah.

2. Effectiveness of Internal Audit

- (i) Oversee the functions of the Internal Audit function in providing risk-based and independent objective assurance, advice, insight and consulting activity designed to add value and improve organization's operations.
- (ii) Ensure the Internal Audit function complies with BNM internal audit requirements.
- (iii) Review the adequacy of scope, functions and resources of the Group Audit Division and, that it has the necessary authority and appropriate access to information to enable them to carry out its work effectively and in accordance with the relevant professional standards.
- (iv) Review and approve the internal audit plan, programme and processes, internal audit findings / reports and recommend actions to be taken by management.
- (v) Evaluate the performance and decide on the remuneration package of the internal auditors.
- (vi) Appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the Chief Internal Auditor.
- (vii) To establish an appropriate mechanism to address and managing situations where there is a threat to objectivity of Group Audit Division.

3. Internal Controls

- (i) Review the effectiveness of internal controls and risk management processes.
- (ii) Review reports relating to the perpetration and prevention of fraud and recommend actions to be taken by management.
- (iii) Review and endorse the status and progress of management's response and corrective measures on issues raised in the Composite Risk Rating (CRR) letter from BNM before it is tabled to the Board of Directors for approval.

2. Keberkesanan Audit Dalam

- (i) Mengawasi fungsi-fungsi Audit Dalam menyediakan jaminan objektif berasaskan risiko dan bebas, memberi nasihat, pemahaman dan rundingan untuk menambah nilai dan menambah baik operasi organisasi.
- (ii) Memastikan fungsi Audit Dalam mematuhi keperluan audit dalaman BNM.
- (iii) Menyemak kecukupan skop, fungsi dan sumber Divisyen Audit Kumpulan dan, bahawa ia mempunyai kuasa yang perlu dan akses kepada maklumat bagi membolehkan mereka menjalankan tugas dengan berkesan dan menurut piawaian profesional yang relevan.
- (iv) Menyemak dan meluluskan rancangan audit dalaman, program dan proses, penemuan / laporan audit dalaman dan mencadangkan tindakan untuk diambil oleh pengurusan.
- (v) Menilai prestasi dan menentukan pakej imbuhan juruaudit dalaman.
- (vi) Melantik, menetapkan pampasan, menilai prestasi dan menentukan pemindahan dan penyingkiran Ketua Juruaudit Dalam.
- (vii) Menetapkan mekanisme yang betul untuk menangani dan menguruskan situasi bilamana terdapat ancaman kepada objektiviti Divisyen Audit Kumpulan.

3. Kawalan Dalam

- (i) Menyemak keberkesanan proses kawalan dalaman dan pengurusan risiko.
- (ii) Menyemak laporan berkaitan kegiatan dan halangan penipuan dan mencadangkan tindakan untuk diambil oleh pengurusan.
- (iii) Menyemak dan mengesahkan status dan kemajuan tindak balas pengurusan dan langkah-langkah pembetulan tentang isu-isu yang dibangkitkan dalam surat Penarafan Risiko Komposit (CRR) daripada BNM sebelum ia dibentangkan kepada Lembaga Pengarah untuk kelulusan.

BOARD AUDIT COMMITTEE**JAWATANKUASA LEMBAGA AUDIT****CHAPTER 04****BAB 04****4. External Auditor**

- (i) Recommend to the Board of Directors on the appointment or re-appointment of the External Auditor, the fee and matters pertaining to the resignation or termination or change or removal of the External Auditor.
- (ii) Assess objectivity, performance and independence of external auditor.
- (iii) Review the external auditor's audit reports, management letter and management's response (including action to be taken).
- (iv) Approve the provision of non-audit service by the external auditors.
- (v) Ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the auditors.
- (vi) Regularly review the audit findings and ensuring that issues are being managed and rectified appropriately and in a timely manner.
- (vii) Have direct communication channels with the external auditors and able to meet with the external auditor without the presence of management, at least annually.
- (viii) Review and approve the scope of the External Auditor's audit plan and system of internal accounting controls.
- (ix) Review the level of assistance given by the Management and staff to the External Auditor.
- (x) The External Auditor may request for meeting with BAC to discuss audit issues, which they consider necessary and relevant.

5. Related Party Transactions

Review any related party transactions and conflict of interest situation that may arise in the Bank or within the Banking group including any transaction, procedure or conduct that raises questions of Management integrity and keep the Board informed of such transactions.

4. Juruaudit Luar

- (i) Mengesyorkan kepada Lembaga Pengarah berhubung pelantikan Juruaudit Luar, yuran dan hal-hal berkaitan pemberhentian atau penamatan atau pertukaran atau pemecatan Juruaudit Luar.
- (ii) Menilai secara objektif, prestasi dan kebebasan juruaudit luar.
- (iii) Menyemak laporan audit oleh juruaudit luar, surat pengurusan dan tindak balas pengurusan (termasuk tindakan untuk diambil).
- (iv) Meluluskan peruntukan perkhidmatan bukan audit oleh juruaudit luar.
- (v) Memastikan bahawa terdapat semak dan imbang yang betul supaya peruntukan perkhidmatan bukan audit tidak mengganggu penilaian bebas juruaudit.
- (vi) Menyemak secara berkala penemuan audit dan memastikan bahawa isu-isu diuruskan dan diperbetulkan dengan sewajarnya dan pada masanya.
- (vii) Mempunyai saluran komunikasi langsung dengan juruaudit luar dan boleh bertemu dengan juruaudit luar tanpa kehadiran pengurusan, sekurang-kurangnya sekali setahun.
- (viii) Menyemak dan meluluskan skop rancangan audit Juruaudit Luar dan sistem kawalan perakaunan dalaman.
- (ix) Menyemak tahap bantuan yang diberikan oleh Pengurusan dan kakitangan kepada Juruaudit Luar.
- (x) Juruaudit Luar boleh meminta untuk mengadakan mesyuarat dengan BAC untuk membincangkan isu-isu audit, yang mereka anggap perlu dan relevan.

5. Transaksi Pihak Berkaitan

Menyemak sebarang transaksi pihak berkaitan dan situasi konflik kepentingan yang mungkin wujud dalam Bank atau dalam kumpulan perbankan termasuk sebarang transaksi, prosedur atau tata laku yang menimbulkan persoalan tentang integriti pengurusan dan memaklumkan transaksi tersebut kepada Lembaga Pengarah.

BOARD AUDIT COMMITTEE**JAWATANKUASA LEMBAGA AUDIT****CHAPTER 04****BAB 04**

6. The BAC shall update the Board on the issues and concerns discussed during its meetings including those raised by the External Auditor, and where appropriate, make the necessary recommendations to the Board of Directors.

7. Authority of Board Audit Committee

- (i) BAC shall have the authority to investigate any matter within its Terms of Reference
 - (ii) In carrying out its duties, BAC shall have full and unrestricted access to any information and documents relevant to its activities. All employees are directed to co-operate with any request made by BAC.
 - (iii) BAC shall have the authority to obtain external or independent professional advice or expertise if necessary.
 - (iv) BAC shall have direct communication channels with the External Auditor, Internal Auditors and Senior Management of the Bank and its subsidiaries.
 - (v) BAC shall be able to convene meetings with the External Auditor without any Executive Director or Management being present.
 - (vi) Reports of the internal auditors and BAC shall not be subject to the clearance of the Executive Directors or the Management.
 - (vii) At least once a year, BAC shall meet with the Chief Internal Auditor and the External Auditor without presence of Executive Directors or Management to discuss any matter that either party believes should be discussed privately.
8. To carry out such other responsibilities as may be delegated to it by the Board of Directors from time to time.

6. BAC akan memaklumkan kepada Lembaga Pengarah tentang sebarang isu dan kebimbangan yang dibincangkan semasa mesyuaratnya termasuk yang mana dibangkitkan oleh Juruaudit Luar, dan bilamana sesuai, membuat cadangan yang perlu kepada Lembaga Pengarah.

7. Jawatankuasa Lembaga Audit

- (i) BAC mempunyai kuasa untuk menyiasat sebarang perkara dalam Terma Rujukannya.
 - (ii) Dalam menjalankan tugasnya, BAC mempunyai akses penuh dan tanpa had kepada sebarang maklumat dan dokumen yang relevan kepada aktiviti. Semua kakitangan diarahkan untuk bekerjasama dengan sebarang permintaan yang dibuat oleh BAC.
 - (iii) BAC mempunyai kuasa untuk mendapat nasihat luar atau profesional bebas atau nasihat pakar jika perlu.
 - (iv) BAC mempunyai saluran komunikasi langsung dengan Juruaudit Luar, Juruaudit Dalam dan Pengurusan Kanan Bank dan anak-anak syarikatnya.
 - (v) BAC boleh mengadakan mesyuarat dengan Juruaudit Luar tanpa mana-mana Pengarah Eksekutif atau Pengurusan yang hadir.
 - (vi) Laporan juruaudit dalaman dan BAC tidak perlu tertakluk kepada kelulusan oleh Pengarah Eksekutif atau Pengurusan.
 - (vii) Sekurang-kurangnya sekali setahun, BAC bermesyuarat dengan Ketua Juruaudit Dalam dan Juruaudit Luar tanpa kehadiran Pengarah Eksekutif atau Pengurusan untuk membincangkan sebarang perkara yang mana-mana pihak rasakan perlu dibincangkan secara sulit.
8. Untuk menjalankan tanggungjawab lain seumpamanya sebagaimana diserahkan kepadanya oleh Lembaga Pengarah dari semasa ke semasa.

BOARD FINANCING AND INVESTMENT COMMITTEE JAWATANKUASA LEMBAGA PEMBIAYAAN DAN PELABURAN

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DURING THE YEAR 2019, THE BOARD OF DIRECTORS AT ITS 156TH BOARD OF DIRECTORS MEETING HELD ON 25 JULY 2019 HAD APPROVED THE CHANGE OF ITS NAME OF THE ASSET AND QUALITY REVIEW COMMITTEE (AQRC) TO BOARD FINANCING AND INVESTMENT COMMITTEE (BFIC) AND ADOPTED A NEW OBJECTIVE AND RESPONSIBILITIES.

1. OBJECTIVE

The primary objective of BFIC is to support the Board to oversee the management and provide strategic direction with regards to the financing, investment and asset quality of the Bank.

2. COMPOSITION, MEETING AND ATTENDANCE

During the financial year ended 31 December 2019, the BFIC held 16 meetings. The composition of the BFIC during the year 2019 and the record of attendance of the Committee Members at the BFIC Meetings are as follows:

SEMASA MESYUARAT LEMBAGA PENGARAH KE-156 PADA 25 JULAI 2019, LEMBAGA PENGARAH TELAH MELULUSKAN PERTUKARAN NAMA JAWATANKUASA SEMAKAN KUALITI DAN ASET (AQRC) KEPADA JAWATANKUASA LEMBAGA PEMBIAYAAN DAN PELABURAN (BFIC) DAN MENERIMA PAKAI OBJEKTIF DAN TANGGUNGJAWAB BAHARU.

1. OBJEKTIF

Objektif utama BFIC adalah untuk menyokong Lembaga Pengarah dalam mengawasi pengurusan dan memberi hala tuju strategik berhubung pembiayaan, pelaburan dan kualiti aset Bank.

2. KOMPOSISI, MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2019, BFIC mengadakan enam belas (16) mesyuarat. Komposisi BFIC pada tahun 2019 dan rekod kehadiran Ahli Jawatankuasa pada Mesyuarat BFIC adalah seperti berikut:

	NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN	NO. OF MEETINGS ATTENDED BIL. MESYUARAT DIHADIRI
1	Encik Zulkiflee Hashim	Chairman / Independent Non-Executive Director (appointed on 6 March 2019) Pengerusi / Pengarah Bebas Bukan Eksekutif (dilantik pada 6 Mac 2019)	15 / 15
2	Dato' Muslim Hussain	Member / Independent Non-Executive Director Ahli / Pengarah Bebas Bukan Eksekutif	16 / 16
3	Prof. Dr. Abdul Basir Mohamad	Member / Independent Non-Executive Director Ahli / Pengarah Bebas Bukan Eksekutif	13 / 16
4	Datuk Ahmad Hizzad Baharuddin	Member / Independent Non-Executive Director (appointed on 6 March 2019) Ahli / Pengarah Bebas Bukan Eksekutif (dilantik pada 6 Mac 2019)	13 / 15
5	Dato' Mohd Sukarno Tun Sardon	Member / Independent Non-Executive Director (appointed on 8 April 2019) Ahli / Pengarah Bebas Bukan Eksekutif (dilantik pada 8 April 2019)	10 / 14
6	Encik Mohd Sakeri Abdul Kadir	Member / Non-Independent Non-Executive Director (appointed on 28 February 2019 and ceased on 26 September 2019) Ahli / Pengarah Bukan Bebas Bukan Eksekutif (dilantik pada 28 Februari 2019 dan tamat pada 26 September 2019)	6 / 9
7	Dato' Jamelah Jamaluddin	Member / Independent Non-Executive Director (tenure ended on 31 January 2019) Ahli / Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 31 Januari 2019)	1 / 1
8	Encik Khairuzzaman Muhammad	Member / Independent Non-Executive Director (tenure ended on 31 January 2019) Ahli / Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 31 Januari 2019)	1 / 1
9	Dato' Shukri Hussin	Member / Independent Non-Executive Director (tenure ended on 1 May 2019) Ahli / Pengarah Bebas Bukan Eksekutif (tempoh berakhir pada 1 Mei 2019)	1 / 3

* Reflects the number of meetings attended during the time the Director held office.

* Mewakili bilangan mesyuarat yang dihadiri semasa Pengarah berkhidmat.

BOARD FINANCING AND INVESTMENT COMMITTEE**JAWATANKUASA LEMBAGA PEMBIAYAAN DAN PELABURAN****CHAPTER 04****BAB 04****3. ROLES AND RESPONSIBILITIES**

The roles and responsibilities of BFIC are as follows:-

- 1.1 To endorse (with or without amendments to the terms and conditions) or decline or recommend on all financing and investment related proposed terms and conditions.

Note: Financing is defined as financing proposal including annual review (excluding annual review for non-watchlist with no changes), change requests, restructuring and rescheduling as well as any decision on asset quality matters.

- 1.2 The limits of authority for BFIC shall be as follows:

- (i) Financing related proposals of more than RM20.0 million and up to RM75.0 million (on aggregated basis).
- (ii) To approve financing principal waiver subject to a maximum of 50% of principal or RM5 million, whichever is lower.

- 1.3 The following policy financing, write off / write down, purchase of shares and investment matters shall be approved by the Board of Directors; however it shall be subject to BFIC's review and recommendation:-

- (i) Financing to connected parties;
- (ii) Financing that exceed sectoral limit;
- (iii) Financing above RM75.0 million;
- (iv) Write offs and / or write downs proposals as recommended by FIC on without limit basis; and
- (v) Purchases of Shares.

Anything not mentioned above, would go directly to the Board of Directors.

- 1.4 To determine and provide input on strategic direction to improve on management of asset growth and asset quality of SME Bank.

- 1.5 BFIC shall have full authority to seek / obtain any information it requires from any employee of the Bank and to commission any investigations, reports, surveys, as it deems necessary.

- 1.6 To take note of the Treasury Report which is to be presented monthly and also to take note of the Economic Report and its recommendation when presented as required or on quarterly basis.

- 1.7 To carry out such other responsibilities as may be delegated to it by the Board from time to time.

3. PERANAN DAN TANGGUNGJAWAB

Peranan dan tanggungjawab BFIC adalah seperti berikut:-

- 1.1 Untuk melulus (dengan atau tanpa pindaan kepada terma dan syarat) atau menolak atau mencadangkan bagi semua cadangan terma dan syarat yang berkaitan pembiayaan dan pelaburan.

Nota: Pembiayaan ditafsirkan sebagai cadangan pembiayaan termasuk semakan tahunan (tidak termasuk semakan tahunan untuk bukan senarai lihat dengan tiada perubahan), permohonan perubahan, penyusunan semula dan penjadualan semula serta sebarang keputusan berhubung hal kualiti aset.

- 1.2 Had kuasa bagi BFIC adalah seperti berikut:

- (i) Cadangan berkaitan pembiayaan sebanyak lebih daripada RM20.0 juta dan hingga RM75.0 juta (pada asas agregat).
- (ii) Untuk meluluskan pembatalan prinsipal pembiayaan tertakluk kepada maksimum 50% daripada prinsipal atau RM5 juta, yang mana lebih rendah.

- 1.3 Dasar pembiayaan, hapus kira / turun nilai, pembelian saham dan pelaburan mesti diluluskan oleh Lembaga Pengarah; walau bagaimanapun ia tertakluk kepada semakan dan cadangan BFIC:-

- (i) Pembiayaan kepada pihak-pihak berkaitan;
- (ii) Pembiayaan yang melebihi had sektor;
- (iii) Pembiayaan melebihi RM75.0 juta;
- (iv) Cadangan hapus kira dan / atau turun nilai sebagaimana dicadangkan oleh FIC pada asas tanpa had; dan
- (v) Pembelian saham.

Sebarang perkara yang tidak disebutkan di atas, akan dibawa terus kepada Lembaga Pengarah.

- 1.4 Untuk menentukan dan memberi pandangan tentang hala tuju strategik bagi menambah baik pengurusan pertumbuhan aset dan kualiti aset SME Bank.

- 1.5 BFIC mempunyai kuasa penuh untuk mendapatkan sebarang maklumat daripada kakitangan Bank dan untuk menjalankan siasatan, laporan, kaji selidik, bilamana ianya difikirkan perlu.

- 1.6 Untuk mengambil perhatian tentang Laporan Perbendaharaan yang perlu dibentangkan setiap bulan dan juga untuk mengambil perhatian tentang Laporan Ekonomi dan cadangannya apabila dibentangkan bila diperlukan atau pada setiap suku tahun.

- 1.7 Untuk menjalankan tanggungjawab lain seumpamanya sebagaimana diserahkan kepadanya oleh Lembaga Pengarah dari semasa ke semasa.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL PENYATA PENGURUSAN RISIKO DAN KAWALAN DALAMAN

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INTRODUCTION

THE BOARD OF DIRECTORS (BOARD) IS COMMITTED TO NURTURE AND PRESERVE THROUGHOUT SME BANK GROUP A SOUND SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROLS AND GOOD CORPORATE GOVERNANCE PRACTICES AS SET OUT IN THE BOARD'S STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL, MADE IN ACCORDANCE WITH THE RESOLUTION OF THE BOARD DATED 25 FEBRUARY 2020.

The Board has established the Board Risk Management Committee (BRMC), Board Audit Committee (BAC) and Board Financing and Investment Committee (BFIC). For the purposes of this statement, associates are not dealt with as part of the Group, and are therefore not covered by this statement.

RESPONSIBILITIES

The Board acknowledges its overall responsibility in providing oversight for the internal control environment and its effectiveness in safeguarding shareholder's interests and the Group's assets. The internal control measures are designed to manage rather than eliminate the risk of failure in the achievement of goals and objectives of the Group, and therefore only provide reasonable assurance against material misstatement of financial information or against financial losses and fraud.

The system of internal control that is instituted throughout the Group is updated from time to time to align with the changes in the business environment as well as process improvement initiatives undertaken. The Board confirms that the Management of the Group responsibly implements the policies, procedures and guidelines on risks and controls via identifying and evaluating the risks faced, and the achievement of business objectives and strategies.

The Board is of the view that the risk management and internal control system is in place for the year under review, and up to the date of issuance of the financial statements, is adequate and effective to safeguard the shareholder's investment, the interests of customers, regulators and employees, and the Group's assets.

PENGENALAN

LEMBAGA PENGARAH KOMITED UNTUK MENERAP DAN MEMULIHARA PENGURUSAN RISIKO DAN SISTEM KAWALAN DALAMAN YANG KUKUH SERTA AMALAN TADBIR URUS YANG TERBAIK DI SELURUH KUMPULAN SME BANK, YANG DIBUAT MENURUT RESOLUSI LEMBAGA PENGARAH BERTARIKH 25 FEBRUARI 2020.

Lembaga Pengarah telah menubuhkan Jawatankuasa Lembaga Pengurusan Risiko (BRMC), Jawatankuasa Lembaga Audit (BAC) dan Jawatankuasa Lembaga Pembiayaan dan Pelaburan (BFIC). Bagi tujuan penyata ini, syarikat-syarikat bersekutu tidak diuruskan sebagai sebahagian daripada Kumpulan, dan oleh itu tidak disertakan dalam kenyataan ini.

TANGGUNGJAWAB

Lembaga Pengarah akur akan tanggungjawabnya dalam menyediakan pengawasan terhadap persekitaran kawalan dalaman dan keberkesannya untuk melindungi kepentingan pemegang saham dan aset-aset Kumpulan. Langkah-langkah kawalan dalaman dibuat untuk mengurus dan bukannya menghapus risiko kegagalan dalam pencapaian matlamat dan objektif Kumpulan, dan oleh itu hanya menyediakan jaminan munasabah terhadap salah nyata penting maklumat kewangan atau terhadap kerugian dan penipuan kewangan.

Sistem kawalan dalaman yang diwujudkan di seluruh Kumpulan dikemas kini dari semasa ke semasa untuk diujarkannya dengan perubahan dalam persekitaran perniagaan serta usaha-usaha penambahbaikan proses yang dibuat. Lembaga Pengarah mengesahkan bahawa pihak Pengurusan Kumpulan melaksanakan dengan penuh tanggungjawab segala dasar, prosedur dan garis panduan berhubung risiko dan kawalan secara mengenal pasti dan menilai risiko-risiko yang dihadapi, dan menerusi pencapaian objektif dan strategi perniagaan.

Lembaga Pengarah berpendapat bahawa pengurusan risiko dan sistem kawalan dalaman yang tersedia bagi tahun dalam kajian dan sehingga tarikh penerbitan penyata kewangan adalah mencukupi dan berkesan untuk melindungi pelaburan pemegang saham, kepentingan pelanggan, pengawal selia dan pekerja, dan aset Kumpulan.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
PENYATA PENGURUSAN RISIKO DAN KAWALAN DALAMAN

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KEY FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Group has a well-defined organisational structure with clearly delineated lines of accountability, authority and responsibility to the Board, its committees and operating units. Key processes have been established in reviewing the adequacy and effectiveness of the risk management and internal control system.

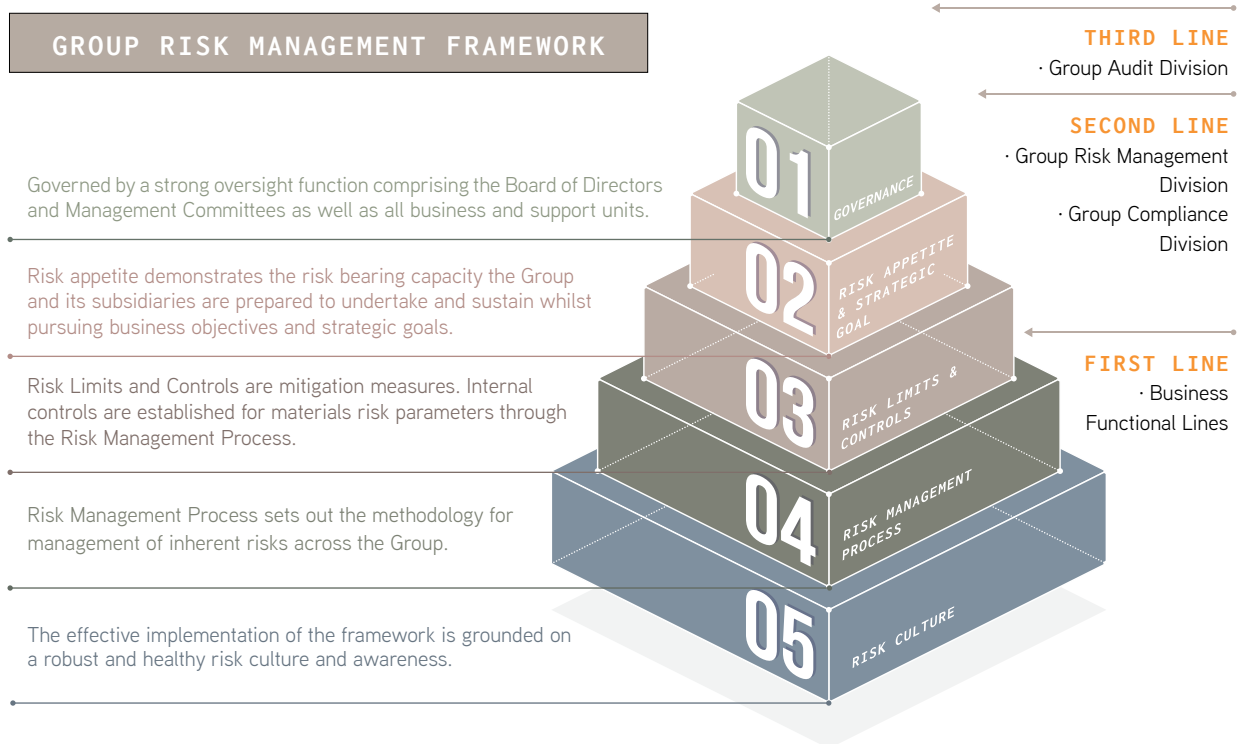
1. RISK MANAGEMENT FUNCTION

Risk management is a core discipline which supports the Group’s aim to achieve a measured balance between risk and return, and is embedded across all business functional lines throughout the Group. As an integral part of the control functions in providing the check and balance to the business processes and management strategic planning, risk management ensures timely and effective identification, measurement, mitigation and reporting of significant and emerging risks faced by the Group.

The Group Risk Management Division (GRMD) undertakes the implementation of an integrated risk management approach in creating continuous risk awareness and understanding of procedures and controls, thus enhancing the overall control environment. During the year, risk management policies and processes were enhanced to reflect changes in the markets, products and regulatory environment to ensure that the policies remain relevant and the Group’s risk profile remains prudent and within the risk appetite of the Group.

The Group Risk Management Framework (GRMF) is in place as an integrated enterprise-wide risk management framework, which includes amongst others, governance, risk appetite, risk compliance and internal controls which support business and strategic activities across the Group.

The governance of risk is premised on the three lines of defence concept which outlines the functional segregation and key responsibilities of the independent oversight and control functions, as well as the business and support units.



The first level of defence entails the responsibilities of risk owners (business functional lines) in the day-to-day management of risks inherent in the various business and operational activities. At the second level of defence, the control functions (Group Compliance Division and Group Risk Management Division) perform the role of policy setting which includes the development of relevant tools and methodologies to identify, measure, mitigate and report significant and emerging risks. Complementing this, at the third level of defence, is internal audit (Group Audit Division), which provides independent assurance of the effectiveness of the risk management approach.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
PENYATA PENGURUSAN RISIKO DAN KAWALAN DALAMAN

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CIRI-CIRI UTAMA PENGURUSAN RISIKO DAN RANGKA KERJA KAWALAN DALAMAN

Kumpulan mempunyai struktur organisasi yang nyata dengan aliran tanggungjawab dan kuasa yang jelas terhadap Lembaga Pengarah, jawatankuasanya dan unit-unit operasi. Proses-proses utama telah ditetapkan dalam menyemak kecukupan dan keberkesanan pengurusan risiko dan sistem kawalan dalaman.

1. FUNGSI PENGURUSAN RISIKO

Pengurusan risiko adalah satu disiplin teras yang menyokong matlamat Kumpulan untuk mencapai keseimbangan antara risiko dan pulangan, dan dimasukkan di seluruh fungsi perniagaan Kumpulan. Sebagai satu bahagian penting fungsi kawalan dalam menyediakan semak dan imbang kepada proses perniagaan dan perancangan strategik, pengurusan risiko memastikan pengenalpastian, pengukuran, mitigasi dan pelaporan risiko baharu dan ketara yang dihadapi oleh Kumpulan.

Divisyen Pengurusan Risiko Kumpulan (GRMD) menjalankan pelaksanaan bagi pendekatan pengurusan risiko bersepadu dalam mewujudkan kesedaran risiko dan pemahaman prosedur dan kawalan, dan oleh itu meningkatkan keseluruhan persekitaran kawalan. Pada tahun ini, dasar dan proses pengurusan risiko telah dipertingkatkan seiring dengan perubahan dalam persekitaran pasaran, produk dan kawal selia untuk memastikan bahawa dasar-dasar tersebut kekal relevan dan profil risiko Kumpulan kekal berhemat dan berada dalam selera risiko Kumpulan.

Rangka Kerja Pengurusan Risiko Kumpulan (GRMF) tersedia sebagai satu rangka kerja pengurusan risiko yang menyeluruh dan bersepadu, yang merangkumi antara lainnya, tadbir urus, selera risiko, pematuhan risiko dan kawalan dalaman yang menyokong perniagaan dan aktiviti strategik di seluruh Kumpulan.

Tadbir urus risiko adalah bertunjangkan konsep tiga barisan pertahanan yang menggariskan pemisahan fungsi dan tanggungjawab utama fungsi penyeliaan dan kawalan, serta unit-unit perniagaan dan sokongan.



Peringkat pertama pertahanan melibatkan tanggungjawab pemilik risiko (baris fungsi perniagaan) dalam pengurusan harian risiko yang wujud dalam pelbagai aktiviti perniagaan dan operasi. Pada peringkat kedua pertahanan, fungsi kawalan (Divisyen Pematuhan Kumpulan dan Divisyen Pengurusan Risiko Kumpulan) melaksanakan peranan penetapan dasar yang termasuk pembangunan alat dan kaedah yang relevan untuk mengenal pasti, mengukur, mengurangkan dan melaporkan risiko-risiko ketara dan baharu. Peringkat ketiga pertahanan adalah audit dalaman (Divisyen Audit Kumpulan) yang memberi jaminan bebas terhadap keberkesanan pendekatan pengurusan risiko.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CHAPTER 04

PENYATA PENGURUSAN RISIKO DAN KAWALAN DALAMAN

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The Board, via Board Risk Management Committee (BRMC), drives the overall risk oversight agenda of the Group in risk management activities involving credit, market, liquidity, operational, legal, reputational and other material risks as well as ensuring that the risk management process and compliance framework are in place and functioning effectively. BRMC is responsible for setting the overall tone of the Group's risk strategy and ensuring effective communication and integration of risk appetite and compliance within the business, operations and culture. It also assists the Board in undertaking the oversight responsibilities on the Group's internal controls, risk management and compliance strategies, policies, processes, frameworks and other risk related matters.

The BRMC, in discharging its roles and responsibilities, is supported by a number of senior management committees; namely the Executive Committee (EXCO), Financing & Investment Committee (FIC), Asset and Liability Committee (ALCO), Compliance and Risk Management Committee (CRMC) and IT Steering Committee (ITSC). These committees are accountable for the effectiveness of the day-to-day risk assessment and controls, in an effort to balance the Group's risk and return as well as maintain its competitive advantage.

In line with the Group's aspiration to become a Full-Fledged Islamic Bank (FFIB), internal Shariah risk framework and policies have been established to guide and strengthen the management of potential Shariah non-compliance risk which may arise from business activities and operations. The key functions of Shariah Review, Shariah Risk Management and Shariah Audit are documented with clear roles and responsibilities, in accordance with the Shariah Governance Policy Document issued by BNM and other relevant regulatory requirements. The main objective is to reinforce sound decision-making process and robustness of internal control functions for effective management of Shariah non-compliance risks.

Lembaga Pengarah, melalui Jawatankuasa Lembaga Pengurusan Risiko (BRMC), memacu agenda pengawasan risiko keseluruhan Kumpulan dalam aktiviti pengurusan risiko yang melibatkan risiko kredit, pasaran, kecairan, operasi, undang-undang, reputasi dan risiko-risiko penting lain serta memastikan bahawa proses pengurusan risiko dan rangka kerja pematuhan tersedia dan berfungsi dengan berkesan. BRMC bertanggungjawab menetapkan keseluruhan haluan bagi strategi risiko Kumpulan dan memastikan komunikasi berkesan serta penyatuan selera risiko dan pematuhan dalam perniagaan, operasi dan budaya. Ia juga membantu Lembaga Pengarah dalam menjalankan tanggungjawab pengawasan terhadap kawalan dalaman, pengurusan risiko dan strategi pematuhan, dasar, proses, rangka kerja dan hal-hal lain yang berkaitan risiko.

Dalam melaksanakan peranan dan tanggungjawabnya, BRMC disokong oleh beberapa jawatankuasa pengurusan kanan, iaitu Jawatankuasa Eksekutif (EXCO), Jawatankuasa Pelaburan & Pembiayaan (FIC), Jawatankuasa Aset dan Liabiliti, Jawatankuasa Pematuhan dan Pengurusan Risiko (CRMC) dan Jawatankuasa Pemacu IT (ITSC). Jawatankuasa-jawatankuasa ini bertanggungjawab ke atas keberkesanan langkah-langkah dan kawalan risiko hari ke hari, dalam usaha untuk mengimbangi risiko dan pulangan Kumpulan serta mengekalkan kelebihan daya saingnya.

Selaras dengan aspirasi Kumpulan untuk menjadi Institusi Kewangan Pembangunan Islam (FFIB) sepenuhnya, rangka kerja dan dasar risiko Syariah dalaman telah dibuat untuk memandu dan mengukuhkan pengurusan kemungkinan risiko ketidakpatuhan Syariah yang timbul daripada aktiviti dan operasi perniagaan. Fungsi utama Semakan Syariah, Pengurusan Risiko Syariah dan Audit Syariah didokumenkan dengan peranan dan tanggungjawab yang jelas, menurut Dokumen Dasar Tadbir Urus Syariah yang dikeluarkan oleh BNM dan keperluan pengawalseliaan lain. Objektif utama adalah untuk mengukuhkan proses membuat keputusan dan fungsi kawalan dalaman bagi tujuan pengurusan yang berkesan ke atas risiko ketidakpatuhan Syariah.

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Taking into consideration the rapid advancement in technological capability, especially on digitisation initiatives, the Group has established the Information Security Policy and Technology Risk Management Framework. This is to address the risk management information technology (RMIT) requirement in ensuring effective management of technology risks arising from failures or breaches of IT systems, applications, platforms or infrastructure, which could result in financial loss, disruptions in financial services or operations, or reputational threat.

The Group's Business Continuity Management (BCM) is in place solely to focus on business recovery strategies and to proactively anticipate and undertake recovery planning. Activities such as the crisis simulation exercise are periodically conducted to test the viability and reliability of the response plans, recovery and continuity strategies to enhance the BCM's preparedness and readiness.

The Group adopts and promotes risk management culture throughout the organisation to enhance and inculcate risk awareness culture which is a key aspect of an effective enterprise-wide risk management framework. Fundamental to the Group's Risk Management Culture are strong corporate governance, organisational structure with clearly defined roles and responsibilities, effective communication and training, commitment to compliance with laws, regulations and internal controls, integrity in fiduciary responsibilities and clear policies, procedures and guidelines cascaded across the Group.

2. COMPLIANCE FUNCTION

Staying true to the motto "compliance is everyone's responsibility", Group Compliance Division (GCD) has initiated various strategies to meet all regulatory, operational, Shariah, Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 and Malaysia Anti-Corruption Commission Act 2009 (Amendment 2018) requirements, while reinforcing a high standard of compliance culture within the Group.

GCD is responsible for strengthening compliance culture within the Group. The Board's oversight, coupled with the management's commitment help in ensuring effective implementation of compliance programmes and staff adherence to the applicable compliance standards.

Dengan kemajuan dalam keupayaan teknologi yang pantas, khususnya inisiatif pendigitalan, Kumpulan telah mewujudkan Dasar Keselamatan Maklumat dan Rangka Kerja Pengurusan Risiko Teknologi. Ini adalah untuk menangani keperluan pengurusan risiko teknologi maklumat dalam memastikan pengurusan berkesan ke atas risiko teknologi yang timbul daripada kegagalan atau pelanggaran sistem, penggunaan, platform atau infrastruktur IT, yang boleh mengakibatkan kerugian kewangan, gangguan dalam perkhidmatan kewangan atau operasi, atau ancaman reputasi.

Pengurusan Kesenambungan Perniagaan Kumpulan (BCM) pula adalah khususnya untuk menumpukan kepada strategi pemulihan perniagaan dan untuk secara proaktif menjangka dan menjalankan rancangan pemulihan. Aktiviti seperti latihan simulasi krisis dijalankan secara berkala untuk menguji daya maju dan kebolehpercayaan tindak balas rancangan, pemulihan dan strategi kesinambungan untuk meningkatkan tahap kesediaan BCM.

Kumpulan menerima pakai dan menggalakkan budaya pengurusan risiko di seluruh organisasi bagi memupuk dan meningkatkan budaya kesedaran risiko yang merupakan aspek utama rangka kerja pengurusan risiko menyeluruh yang berkesan. Asas kepada budaya pengurusan risiko Kumpulan adalah tadbir urus korporat yang kukuh, struktur organisasi dengan peranan dan tanggungjawab yang jelas, komunikasi dan latihan yang berkesan, peraturan dan kawalan dalaman, integriti dalam tanggungjawab undang-undang dan dasar, prosedur dan garis panduan yang jelas yang difahami di seluruh Kumpulan.

2. FUNGSI PEMATUHAN

Mendukung cogan kata "pematuhan adalah tanggungjawab semua orang", Divisyen Pematuhan Kumpulan (GCD) telah memulakan pelbagai inisiatif untuk memenuhi semua keperluan undang-undang, operasi, Syariah, Akta Pencegahan Pengubahan Wang Haram, Pencegahan Pembiayaan Keganasan dan Hasil daripada Aktiviti Haram 2001 dan Akta Suruhanjaya Pencegahan Rasuah Malaysia (Pindaan 2018), serta mengukuhkan piawaian tinggi budaya pematuhan dalam Kumpulan.

GCD bertanggungjawab mengukuhkan budaya pematuhan dalam Kumpulan. Pengawasan Lembaga Pengarah, berserta komitmen pihak pengurusan membantu memastikan keberkesanan pelaksanaan program-program pematuhan dan kakitangan mematuhi piawaian pematuhan yang berkenaan.

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GCD, in its role as the second line of defence, is also responsible to coordinate the process of identifying, assessing and monitoring of compliance risk at the Group level which includes compliance with regulatory, operational, Shariah, Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 and Malaysia Anti-Corruption Commission Act 2009 (Amendment 2018) requirements.

The assessment on the level of compliance is through the establishment of compliance programme, periodic compliance assessments and regular engagement sessions with business and operational functions. In addition, GCD provides advisory, training and engagement sessions to update and communicate compliance-related matters within the Group. In managing compliance risk, it is also responsible to regularly report its assessment and / or activities to the Board and senior management.

3. INTERNAL AUDIT FUNCTION

The Group Audit Division (GAD) is governed by its Audit Charter, which defines among others; the purpose, mission, responsibility, independence, and ethical standards of the Internal Audit (IA) function of the Group.

GAD undertakes periodic review of the Group's business and operations to provide objective assurance to the Board that the risk management, internal control and governance processes are adequate and effective. In addition, GAD provides consulting services, advice and insight to the stakeholders to add value and improve the Group's operations. The reviews are mainly guided by the Annual Audit Plan (AAP) approved by the BAC. In formulating the AAP, GAD adopts a risk-based approach, which takes into account regulatory requirements and the top emerging risks affecting the Group's business and operations such as asset quality, regulators' assessments, cyber security, previous audit rating and criticality of functions. Audit observations on significant risks and non-compliances impacting the Group together with the recommendations are highlighted, deliberated and followed up with the stakeholders until resolution to ensure that the controls are effectively implemented to mitigate the risks.

Dalam peranannya sebagai barisan kedua pertahanan, GCD juga bertanggungjawab menyelaraskan proses mengenal pasti, menilai dan memantau risiko pematuhan pada peringkat Kumpulan yang termasuk pematuhan terhadap keperluan pengawal selia, operasi, Syariah, Akta Pencegahan Pengubahan Wang Haram, Pencegahan Pembiayaan Keganasan dan Hasil daripada Aktiviti Haram 2001 dan Akta Suruhanjaya Pencegahan Rasuah Malaysia 2009 (Pindaan 2018).

Penilaian tahap pematuhan adalah melalui pengwujudan program pematuhan, penilaian pematuhan secara berkala dan sesi interaksi secara berterusan dengan fungsi perniagaan dan operasi. Di samping itu, GCD menyediakan khidmat nasihat, latihan dan sesi interaksi untuk menyampaikan maklumat terkini berkenaan hal-hal berkaitan pematuhan dalam Kumpulan. Dalam menguruskan risiko pematuhan, GCD juga bertanggungjawab melaporkan secara berkala penilaiannya dan / atau aktiviti yang dijalankannya kepada Lembaga Pengarah dan pengurusan kanan.

3. FUNGSI AUDIT DALAMAN

Divisyen Audit Kumpulan (GAD) ditadbir oleh Piagam Audit, yang menakrifkan antara lainnya; matlamat, misi, tanggungjawab, kebebasan, dan piawaian etika fungsi Audit Dalaman (IA) Kumpulan.

GAD membuat semakan berkala bagi perniagaan dan operasi Kumpulan untuk menyediakan jaminan objektif kepada Lembaga Pengarah bahawa proses pengurusan risiko, kawalan dalaman dan tadbir urus adalah mencukupi dan berkesan. Di samping itu, GAD menyediakan khidmat rundingan, nasihat dan memberi pandangan kepada pihak berkepentingan untuk menambah nilai dan menambah baik operasi Kumpulan. Semakan ini terutamanya berpandukan Pelan Audit Tahunan (AAP) yang diluluskan oleh BAC. Dalam merangka AAP, GAD mengguna pakai pendekatan berasaskan risiko, yang mengambil kira keperluan undang-undang dan risiko utama yang muncul yang memberi kesan kepada perniagaan dan operasi Kumpulan seperti kualiti aset, penilaian pengawal selia, keselamatan maya, penarafan audit lalu dan kekritisan fungsi. Pemerhatian audit ke atas risiko-risiko ketara dan ketidakpatuhan yang memberi kesan kepada Kumpulan berserta dengan cadangan diutarakan, dibincang dan dibuat susulan dengan pihak-pihak berkepentingan sehingga penyelesaian bagi bahawa kawalan dilaksanakan dengan berkesan untuk mengurangkan risiko.

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GAD also carries out investigation on any alleged negligence, frauds and misconducts reported. Audit on the information systems of the Group is conducted to determine whether the IT environment is operating effectively to achieve Group's objectives while safeguarding the assets and maintaining data integrity and confidentiality.

GAD also provides consultation as well as advice and insight to the stakeholders to add value and improve the Group's operations. In ensuring its capabilities to provide the necessary assurance to BAC more effectively and efficiently, GAD makes continuous improvements to internal audit processes and the competency of internal auditors through various internal and external trainings including certification of auditors. To objectively evaluate its service quality and to ensure it constantly improves service delivery, Quality Assurance and Improvement Programme (QAIP) review is conducted via yearly self-assessment and by qualified external independent reviewer at least once in every five years. The programme also serves to assess GAD's conformance with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA).

INDEPENDENT ROLE, MANAGEMENT AUDIT COMMITTEE AND BOARD AUDIT COMMITTEE

As per requirement of BNM / RH / GL013-4 - Guidelines on Internal Audit Function of Licensed Institutions 2010, the Chief Internal Auditor reports functionally to the BAC and administratively to the Group President / Chief Executive Officer. In addition, Chief Internal Auditor presents the Shariah audit reports to the Shariah Committee as per requirement of the Shariah Governance Framework for Islamic Financial Institutions.

The Management Audit Committee (MAC) is established to ensure the adequacy of deliberation of issues and findings raised by GAD. The committee is chaired by the Group Chief Financial Officer and comprises senior level representatives. MAC meets on a scheduled basis to deliberate the findings highlighted in the audit reports and decides on the appropriate remedial actions required. Minutes of MAC meeting together with the relevant audit reports are subsequently tabled to the BAC.

GAD juga menjalankan siasatan ke atas sebarang dakwaan kecuai, penipuan dan salah laku yang dilaporkan. Audit ke atas sistem maklumat Kumpulan dijalankan bagi menentukan sama ada persekitaran IT beroperasi dengan berkesan untuk mencapai objektif Kumpulan dan pada sama melindungi aset dan mengekalkan integriti dan kerahsiaan data.

GAD juga memberi khidmat rundingan serta nasihat dan pandangan kepada pihak berkepentingan untuk menambah nilai dan menambah baik operasi Kumpulan. Dalam memastikan keupayaannya untuk menyediakan jaminan yang perlu kepada BAC dengan lebih cekap dan berkesan, GAD membuat penambahbaikan berterusan kepada proses audit dalaman dan kecekapan juruaudit dalaman melalui latihan dalaman dan luar termasuk pensijilan juruaudit. Untuk menilai secara objektif mutu perkhidmatannya dan untuk memastikan ia terus menambah baik penyampaian perkhidmatan, semakan Program Jaminan Kualiti dan Penambahbaikan (QAIP) dijalankan menerusi penilaian sendiri dan oleh penilai luar yang layak sekurang-kurangnya sekali dalam setiap lima tahun. Program ini juga adalah untuk menilai kepatuhan GAD terhadap Rangka Kerja Amalan Profesional Antarabangsa, Institut Juruaudit Dalaman.

PERANAN BEBAS, JAWATANKUASA AUDIT PENGURUSAN DAN JAWATANKUASA LEMBAGA AUDIT

Sepertimana keperluan BNM / RH / GL013-4 - Garis Panduan bagi Fungsi Audit Dalaman Institusi Berlesen 2010, Ketua Juruaudit Dalaman melapor kepada BAC dan kepada Presiden Kumpulan / Ketua Pegawai Eksekutif. Di samping itu, Ketua Juruaudit Dalaman membentangkan laporan audit Syariah kepada Jawatankuasa Syariah sepertimana keperluan Rangka Kerja Tadbir Urus Syariah bagi Institusi Kewangan Islam.

Jawatankuasa Audit Pengurusan (MAC) ditubuhkan untuk memastikan kecukupan perbincangan isu dan penemuan yang dibangkitkan oleh GAD. Jawatankuasa ini dipengerusikan oleh Ketua Pegawai Kewangan Kumpulan dan terdiri daripada wakil-wakil pegawai kanan. MAC mengadakan mesyuarat secara berjadual bagi membincangkan penemuan yang diutarakan dalam laporan audit dan menentukan tindakan pembetulan yang diperlukan. Minit mesyuarat MAC berserta laporan audit yang berkenaan kemudiannya dibentangkan kepada BAC.

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The BAC is chaired by an Independent Non-Executive Director of the Board. All BAC's decisions and recommendations are duly cascaded down to the relevant stakeholders for corrective actions and are followed through until the issues are closed. The BAC Chairman's reports and minutes of the BAC meetings are subsequently tabled to the Board.

**The details of Board Audit Committee are discussed in Corporate Governance section.*

4. OTHER KEY ELEMENTS OF INTERNAL CONTROLS

The other key elements of the procedures established by the Board that provides effective internal control include:

- Other Board Committee is also established to assist the Board in performing its oversight function namely Board Nomination and Compensation Committee (BNCC) and Board Financing and Investment Committee (BFIC). Specific responsibilities have been delegated to these Board Committees, which has formalised terms of reference.
- The Board reviews regular reports from the management on the key operating statistics, as well as legal and regulatory matters. An annual business plan and budget are submitted to the Board for approval. Performance achievements are reviewed against the targeted results on a periodic basis allowing timely responses and corrective actions to be taken to mitigate risks. The Board also approves any changes or amendments to the Group's policies.
- There are recruitment and performance appraisal policies / guidelines established within the Group to ensure that the right and appropriate persons are selected to fill available positions. Formal training programmes and other relevant procedures are in place to ensure that staff are adequately trained and competent to enable them to discharge their duties and responsibilities effectively. Proper guidelines are also drawn up for termination of staff.

BAC dipengerusikan oleh Pengarah Bebas Bukan Eksekutif daripada Lembaga Pengarah. Semua keputusan dan cadangan BAC disampaikan kepada pihak berkepentingan yang berkenaan bagi tujuan tindakan pembetulan dan disusuli sehinggalah isu tersebut ditutup. Pengerusi BAC melapor dan minit mesyuarat seterusnya dibentangkan kepada Lembaga Pengarah.

**Butiran lanjut Jawatankuasa Lembaga Audit dibincangkan dalam bahagian Tadbir Urus Korporat.*

4. UNSUR UTAMA LAIN BAGI KAWALAN DALAMAN

Unsur-unsur utama prosedur yang diwujudkan oleh Lembaga Pengarah yang menyediakan kawalan dalaman berkesan adalah termasuk:

- Jawatankuasa Lembaga lain juga ditubuhkan untuk membantu Lembaga Pengarah dalam melaksanakan fungsi pengawasannya iaitu Jawatankuasa Lembaga Percalonan dan Pampasan (BNCC) dan Jawatankuasa Lembaga Pembiayaan dan Pelaburan (BFIC). Tanggungjawab khusus telah diberi kepada jawatankuasa-jawatankuasa ini, yang telah memformalkan terma rujukan.
- Lembaga Pengarah menyemak laporan berkala daripada pengurusan tentang perangkaan utama operasi, serta hal-hal undang-undang dan kawal selia. Rancangan perniagaan dan belanjawan tahunan diserahkan kepada Lembaga Pengarah untuk kelulusan. Pencapaian prestasi disemak berbanding dengan keputusan yang disasarkan secara berkala yang membolehkan tindak balas dan tindakan pembetulan dibuat pada masanya untuk mengurangkan risiko. Lembaga Pengarah juga meluluskan perubahan atau pindaan terhadap dasar Kumpulan.
- Dasar / garis panduan perekrutan dan penilaian prestasi dibuat dalam Kumpulan bagi memastikan bahawa orang yang betul dipilih untuk mengisi kekosongan jawatan. Program latihan rasmi dan prosedur lain yang berkenaan tersedia untuk memastikan kakitangan dilatih secukupnya dan cekap dalam menjalankan tugas mereka. Garis panduan yang betul juga dirangka bagi tujuan pemberhentian pekerja.

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- Establishment of SME Bank's Corporate Integrity Pledge which stipulates that SME Bank pledges that it shall: (i) not, through any of its employees, representatives or agents, commit any corruption offence under any law, such as Malaysian Anti-Corruption Commission (MACC) Act 2009 or Penal Code; (ii) not conduct any business practices or activities that would require or encourage any of its employees, representatives or agents to commit such offences; (iii) work together with its business partners, regulators and law enforcement agencies to create a business environment that is free from corruption; (iv) uphold the SME Bank's Corporate Integrity Principles in Malaysia in the conduct of its business and in its interactions with its business partners and the Government; and (v) take strict action against any party who tarnishes the integrity and SME Bank's image.
- SME Bank has established whistleblowing channel under supervision of Board Audit Committee. SME Bank's management ensures that all complaints received are independently analysed and information is communicated only to the people required to the investigation and resolution. The communication process is completely confidential and the anonymity of the communication is assured.
- The Board approves the code of conduct for SME Bank's directors, which reflects its strong fundamental and reinforces the values of integrity.
- Penetapan Ikrar Integriti Korporat SME Bank yang menyatakan bahawa ia akan: (i) tidak, melalui mana-mana kakitangan, wakil atau ejennya, melakukan kesalahan rasuah di bawah mana-mana undang-undang, seperti Akta Suruhanjaya Pencegahan Rasuah Malaysia (SPRM) 2009 atau Kanun Keseksaan; (ii) tidak menjalankan sebarang amalan atau kegiatan perniagaan yang akan memerlukan atau menggalakkan mana-mana kakitangan, wakil atau ejennya untuk melakukan kesalahan seumpamanya; (iii) bekerjasama dengan rakan niaga, pengawal selia dan agensi penguat kuasa undang-undang untuk mewujudkan persekitaran perniagaan yang bebas daripada rasuah; (iv) mendukung Prinsip Ikrar Integriti Korporat SME Bank di Malaysia dalam menjalankan perniagaannya dan interaksinya dengan rakan niaga dan Kerajaan; dan (v) mengambil tindakan tegas ke atas mana-mana pihak yang merosakkan integriti dan imej SME Bank.
- SME Bank telah menyediakan saluran pemberi maklumat (whistleblowing) di bawah seliaan Jawatankuasa Lembaga Audit. Pihak pengurusan SME Bank memastikan bahawa semua aduan yang diterima dianalisis secara bebas dan maklumat disampaikan hanya kepada orang yang perlu untuk tujuan siasatan dan penyelesaian. Proses komunikasi adalah sulit dan kerahsiaan identiti adalah dijamin.
- Lembaga Pengarah meluluskan kod tata laku bagi para pengarah SME Bank, menggambarkan asasnya yang teguh dan memperkukuhkan nilai-nilai integriti.

5) ASSURANCE FROM MANAGEMENT

The Board has also received reasonable assurance from the Group President / Chief Executive Officer and Group Chief Financial Officer that the Group's risk management and internal control system for the year ended 2019 is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

5. JAMINAN DARIPADA PENGURUSAN

Lembaga Pengarah juga menerima jaminan munasabah daripada Presiden Kumpulan / Ketua Pegawai Eksekutif dan Ketua Pegawai Kewangan Kumpulan bahawa sistem pengurusan risiko dan kawalan dalaman bagi tahun berakhir 2019 beroperasi secukupnya dan dengan berkesan, dalam semua aspek material, berdasarkan pengurusan risiko dan sistem kawalan dalaman Kumpulan.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL**PENYATA PENGURUSAN RISIKO DAN KAWALAN DALAMAN****CHAPTER 04****BAB 04****REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS**

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2019. The external auditors conducted the review in accordance in accordance with the scope set out in Audit and Assurance Practice Guide 3 (AAPG 3), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report (previously, Recommended Practice Guide (RPG) 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report) issued by the Malaysian Institute of Accountants (MIA). They have reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers; or
- b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

SEMAKAN PENYATA OLEH JURUAUDIT LUAR

Juruaudit luar telah menyemak Penyata Pengurusan Risiko dan Kawalan Dalaman untuk dimasukkan dalam Laporan Tahunan bagi tahun Berakhir 31 Disember 2019. Juruaudit luar menjalankan semakan menurut skop yang ditetapkan dalam Panduan Amalan Audit dan Jaminan 3 (AAPG 3), Panduan bagi Juruaudit tentang Penglibatan kepada Laporan bagi Penyata Pengurusan Risiko dan Kawalan Dalaman yang disertakan dalam Laporan Tahunan (sebelumnya, Cadangan Panduan Amalan (RPG) 5 (Disemak 2015), Panduan bagi Juruaudit tentang Penglibatan kepada Laporan bagi Penyata Pengurusan Risiko dan Kawalan Dalaman yang disertakan dalam Laporan Tahunan) yang dikeluarkan oleh Institut Akauntan Malaysia (MIA). Mereka telah melaporkan kepada Lembaga Pengarah bahawa tiada apa yang sampai kepada perhatian mereka menyebabkan mereka percaya bahawa penyata yang bertujuan disertakan dalam laporan tahunan Kumpulan, dalam semua aspek material:

- a) tidak disediakan menurut pendedahan yang diperlukan oleh perenggan 41 dan 42 Penyata Pengurusan Risiko dan Kawalan Dalaman: Garis Panduan untuk Pengarah Penerbit Terserai; atau
- b) adalah dari segi faktanya tidak tepat.

AAPG 3 tidak memerlukan juruaudit luar untuk mempertimbangkan sama ada Penyata Pengurusan Risiko dan Kawalan Dalaman Pengarah meliputi semua risiko dan kawalan, atau untuk membentuk pandangan tentang kecukupan dan keberkesanan pengurusan risiko dan sistem kawalan dalaman Kumpulan termasuk penilaian dan pandangan oleh Lembaga Pengarah dan pengurusan. Juruaudit juga tidak diperlukan untuk mempertimbangkan sama ada proses yang diterangkan untuk menguruskan aspek kawalan dalaman bagi sebarang masalah ketara yang didedahkan dalam laporan tahunan akan, pada hakikatnya, membetulkan masalah itu.

SHARIAH COMMITTEE JAWATANKUASA SYARIAH

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THE SHARIAH COMMITTEE IS GOVERNED BY SHARIAH GOVERNANCE FRAMEWORK FOR ISLAMIC FINANCIAL INSTITUTIONS (SGF) ISSUED BY BNM AS A DISTINCT FEATURE IN THE ORGANIZATIONAL STRUCTURE OF THE BANK, WHICH INCLUDES ESTABLISHMENT OF THE SHARIAH COMMITTEE (SC) IN LINE WITH THE REQUIREMENT OF SECTION 33F OF THE DEVELOPMENT FINANCIAL INSTITUTIONS ACT (DFIA 2002).

1. COMPOSITION

As at 31 December 2019, the SC consist of four (4) members of diverse backgrounds in terms of qualification, experience and knowledge, which includes the fields of law and economics, to support the depth and breadth of the Shariah deliberations. The majority of members are scholars who have the qualification, expertise and experience in the areas of Shariah especially Islamic Jurisprudence (Usul al-Fiqh) and Islamic Commercial Law (Fiqh al-Muamalat).

2. COMPOSITION, MEETING AND ATTENDANCE

During the financial year ended 31 December 2019, the SC held nine (9) meetings. The composition of the SC during the year 2019 and the record of attendance of the Committee Members at the SC Meetings are as follows:

	NAME OF SHARIAH COMMITTEE MEMBERS NAMA AHLI JAWATANKUASA SYARIAH	DESIGNATION JAWATAN	NO. OF MEETINGS ATTENDED BIL. MESYUARAT DIHADIRI
1	Prof. Dr. Abdul Basir Mohamad	Chairman Pengerusi	9 / 9
2	Prof. Madya Dr. Asmak Ab Rahman	Member Ahli	8 / 9
3	Prof. Dr. Norhashimah Mohd Yasin	Member Ahli	7 / 9
4	Dr. Tajul Aris Ahmad Bustami	Member Ahli	8 / 9
5	Dr. Marjan Muhammad	Member (resigned on 1 November 2019) Ahli (meletak jawatan pada 1 November 2019)	7 / 7
6	Tuan Haji Jalil Haji Said	Member (tenure ended on 1 June 2019) Ahli (tempoh berakhir pada 1 Jun 2019)	3 / 3

* Reflects the number of meetings attended during the time the Shariah Committee Member held office.

* Mewakili bilangan mesyuarat yang dihadiri dalam tempoh perkhidmatan Ahli Jawatankuasa Syariah.

JAWATANKUASA SYARIAH DITADBIR OLEH RANGKA KERJA TADBIR URUS SYARIAH UNTUK INSTITUSI KEWANGAN ISLAM YANG DIKELUARKAN OLEH BANK NEGARA MALAYSIA (BNM) SEBAGAI CIRI KHUSUS DALAM STRUKTUR ORGANISASI BANK. PENUBUHAN JAWATANKUASA SYARIAH (JS) ADALAH SELARI DENGAN KETETAPAN SEKSYEN 33F AKTA INSTITUSI KEWANGAN PEMBANGUNAN (DFIA 2002).

1. KOMPOSISI

Setakat 31 Disember 2019, JS terdiri daripada empat (4) ahli daripada pelbagai latar belakang dari segi kelayakan, pengalaman dan pengetahuan, termasuk kepakaran dalam bidang undang-undang dan ekonomi, dalam mewujudkan perbincangan serta pandangan Syariah yang mampan, mendalam dan menyeluruh. Kebanyakan ahli adalah terdiri daripada para cendekiawan akademik yang berkelayakan, berpengalaman dan pakar dalam bidang Syariah terutamanya dalam bidang Usul Fiqh dan Fiqh Muamalat.

2. KOMPOSISI, MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2019, JS telah mengadakan sembilan (9) mesyuarat. Komposisi JS pada tahun 2019 dan rekod kehadiran Ahli Jawatankuasa pada Mesyuarat JS adalah seperti berikut:

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3. ROLES AND RESPONSIBILITIES

The roles and responsibilities of Shariah Committee are, but not limited to the following:

- a) Understand that in the course of discharging the duties and responsibilities as a Shariah Committee member, they are responsible and accountable for all Shariah decisions, opinions and views provided by them.
- b) Provide advice to the Bank's Board of Directors and / or the Management on Shariah matters in order to ensure that at all times, the Islamic banking business of the Bank adhere with Shariah principles.
- c) Approve the Bank's annual Shariah Committee Report as contained in the Bank's annual report on the state of compliance for Shariah-related matters of the Bank as per regulatory requirements.
- d) Well informed of the latest development of Islamic banking business, regulatory changes affecting the Bank's business, the rulings made by the Shariah Advisory Council (the SAC) and the changes in the latest Shariah research, ijthid, fatwas or finding.
- e) Advise the Bank to refer to the SAC of Bank Negara Malaysia on any Shariah matter that requires the SAC's endorsement.
- f) To review and recommend the policies and procedures for the Bank's Islamic banking business and endorse all the operating manual and policy governing the Islamic banking business of the Bank including recommendation for revision, improvement and updates whenever necessary.
- g) To review and recommend the policies and guidelines to allow the Shariah Division of the Bank to process and decide on submissions from divisions in the Bank.
- h) Endorse, validate and approve relevant documentations including but not limited to:
 - (i) The terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions.
 - (ii) The product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

3. PERANAN DAN TANGGUNGJAWAB

Peranan dan tanggungjawab Jawatankuasa Syariah adalah, tetapi tidak hanya terhad kepada yang berikut:

- a) Memahami bahawa dalam menjalankan tugas dan tanggungjawab sebagai ahli Jawatankuasa Syariah, mereka bertanggungjawab ke atas semua keputusan, pendapat dan pandangan Syariah yang diberikan oleh mereka.
- b) Memberi nasihat kepada Lembaga Pengarah dan / atau Pihak Pengurusan berhubung hal-hal Syariah untuk memastikan bahawa, aktiviti perniagaan perbankan Islam Bank mematuhi prinsip-prinsip Syariah pada setiap masa.
- c) Meluluskan Laporan Jawatankuasa Syariah tahunan sebagaimana terkandung dalam Laporan Tahunan berhubung pematuhan terhadap hal-hal Bank berkaitan Syariah menurut keperluan pengawalseliaan.
- d) Mempunyai pengetahuan yang baik tentang perkembangan terkini industri Perbankan Islam, perubahan kawal selia yang memberi kesan kepada perniagaan Bank, resolusi Majlis Penasihat Syariah (MPS) dan perubahan dalam kajian Syariah, ijthid, fatwa atau penemuan yang terkini.
- e) Menasihati Bank agar merujuk kepada MPS BNM tentang sebarang hal-hal Syariah yang memerlukan kelulusan MPS.
- f) Menyemak dan meluluskan polisi, prosedur, dan manual operasi berkaitan aktiviti perniagaan perbankan Islam Bank termasuk semakan, penambahbaikan dan pemakluman terkini dokumen-dokumen tersebut sekiranya diperlukan.
- g) Menyemak dan meluluskan polisi dan garis panduan bagi membolehkan Divisyen Syariah Bank menguruskan dan membuat keputusan Syariah berkenaan isu-isu yang dibangkitkan oleh mana-mana Divisyen / Jabatan dalam Bank.
- h) Mengesah dan meluluskan dokumentasi berkaitan, termasuk tetapi tidak hanya terhad kepada:
 - (i) Terma dan syarat yang terkandung dalam borang, kontrak, perjanjian atau dokumen undang-undang lain digunakan dalam melaksanakan transaksi; dan
 - (ii) Manual produk, iklan pemasaran, ilustrasi jualan dan risalah yang digunakan untuk penerangan produk.

SHARIAH COMMITTEE JAWATANKUASA SYARIAH

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|---|--|
| <ul style="list-style-type: none"> i) Review the work carried out by Shariah functions including Shariah Division, Shariah review, Shariah audit and Shariah risk management. Additionally, review Shariah risk management framework that it is being supported by various tools such as Shariah compliance review and Shariah audit functions in the Bank. j) The Committee members are expected to engage actively in deliberating Shariah issues presented. The Committee must have active participation through attending meetings, evaluating reports, reviewing minutes, and other mandated task. k) Ensure high standard in arriving at Shariah decision through proper and comprehensive Shariah ruling. l) Review and respond to proposals submitted for the Circular Resolution within seven (7) days after the proposals have been circulated. m) Portray professionalism in the best manner to reflect the integrity of the Committee. n) Ensure attendance of at least 75% of all meetings held in a year. Any Committee Member who does not meet the minimum requirement might be subjected to a review of his or her service. o) Assist related parties such as the Bank's legal counsel, auditor or consultant that may seek advice on Shariah matters from the Shariah Committee. p) Provide written Shariah opinions in circumstances where the Bank makes reference to the SAC for further deliberation, or where the Bank submits applications to the BNM for new product approval. | <ul style="list-style-type: none"> i) Menyemak kerja yang dijalankan oleh fungsi Syariah termasuk Divisyen Syariah, Semakan Syariah, Audit Syariah dan Pengurusan Risiko Syariah. Di samping itu, menyemak rangka kerja pengurusan risiko Syariah yang disokong oleh pelbagai medium seperti fungsi semakan kepatuhan Syariah dan fungsi audit Syariah dalam Bank. j) Ahli-ahli Jawatankuasa adalah dijangkakan untuk terlibat secara aktif dalam membincangkan isu-isu Syariah yang dibentangkan. Jawatankuasa ini memerlukan penyertaan aktif daripada semua ahli dengan menghadiri mesyuarat, menilai laporan, membaca minit, dan lain-lain tugas yang diberi mandat. k) Memastikan piawaian yang tinggi dalam mencapai keputusan Syariah melalui pandangan Syariah yang tepat dan komprehensif. l) Menyemak dan memberi maklum balas terhadap kertas cadangan yang diserahkan untuk Resolusi Pekeliling dalam tempoh tujuh (7) hari selepas cadangan telah dihantar. m) Menampilkan sikap profesionalisme yang baik untuk mencerminkan integriti Jawatankuasa. n) Memastikan kehadiran sekurang-kurangnya 75% daripada semua mesyuarat yang diadakan dalam setahun. Mana-mana Ahli Jawatankuasa yang tidak memenuhi syarat minimum ini mungkin tertakluk kepada semakan perkhidmatannya. o) Membantu pihak berkaitan seperti peguam, juruaudit atau perunding Bank yang mungkin mendapatkan nasihat berhubung hal-hal Syariah daripada Jawatankuasa Syariah. p) Memberi pandangan Syariah dalam keadaan Bank diperlukan untuk membuat rujukan kepada MPS bagi perbincangan lanjut, atau bilamana Bank menyerahkan permohonan kepada BNM untuk kelulusan produk baharu. |
|---|--|

Other than the above, the Committee members shall also carry out the roles and responsibilities as outlined in the Bank Negara Malaysia Shariah Governance framework, relevant Bank Negara Guidelines and other relevant policy documents / memo issued by the Bank / governing authorities as revised from time to time.

Selain daripada yang tersebut di atas, ahli-ahli Jawatankuasa juga perlu melaksanakan peranan dan tanggungjawab seperti yang digariskan dalam rangka kerja Tadbir Urus Syariah Bank Negara Malaysia, Garis Panduan Bank Negara dan dokumen / memo polisi lain yang berkaitan yang dikeluarkan oleh Bank / pihak berkuasa sepertimana yang disemak dari semasa ke semasa.

CHAPTER 05

BAB 05

PROMOTING SUSTAINABLE
DEVELOPMENT

MENGGALAKKAN

PEMBANGUNAN MAMPAN



OVERVIEW TINJAUAN

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SME BANK'S MISSION IS TO BE THE CENTRE OF EXCELLENCE FOR THE DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES. THIS MISSION SETS THE DIRECTION IN ACHIEVING THE BANK'S LONG TERM VISION TO CREATE VALUE OF SME ECOSYSTEM BEYOND FINANCIAL SERVICES.

We are committed to do so by living our values, which are guided by our ethics and integrity in conducting our business; while continuing to focus on processes and profits, and caring for the people and the planet.

Sustainability is fully embedded in our values through these four areas of process, profit, people and planet. Our approach to sustainability contributes to addressing challenges presented by the complex systems, susceptible environment, safety, increasing energy demands, security of data, and more.

Innovation for sustainability is key for us. A 'sustainable technology' enables us to deliver significant sustainable impacts such as environmental or social benefits. More broadly, SME Bank's updated business strategy supports and helps us promote sustainability across the Bank. It allows us to minimise risks and seize opportunities to create value for all our stakeholders. This includes, amongst others, reducing the environmental impact of our business operations by minimising carbon and use of physical papers as we offer online platforms as an alternative for business transactions.

SME Bank is also built on its employees, whose diversity, expertise and long-term commitment combined to build a successful organization and shape a responsible future. We are committed to doing more, such as in improving employee experience and increasing job satisfaction.

We shall continue to play a positive role in communities where we operate and beyond. We contribute to the development of local economies by supporting community projects that are based on the needs of the locals. Our aspiration is in designing more initiatives to bring wider benefits for greater impacts amongst societies that we serve.

For several years now, SME Bank has been on the right path in its sustainability journey. We remain steadfast to move on to the next phase and are fully committed to ensuring that we remain a leader in conducting our business responsibly, leveraging our values and contributing positively to the lives of all our stakeholders as we promote a business that is inclusive and sustainable.

MISI SME BANK ADALAH UNTUK MENJADI PUSAT KECEMERLANGAN BAGI MEMACU AGENDA PEMBANGUNAN USAHAWAN NEGARA. IANYA ADALAH UNTUK MENETAPKAN HALA TUJU DALAM MENCAPAI VISI JANGKA PANJANG BANK BAGI MENCIPTA NILAI EKOSISTEM PERUSAHAAN KECIL DAN SEDERHANA (PKS) YANG MENJANGKAUI PERKHIDMATAN PEMBIAYAAN.

Kami komited dalam melaksanakan semua ini melalui penerapan nilai-nilai kami, yang dipandukan oleh etika dan integriti dalam menjalankan perniagaan, sementara terus memberi tumpuan kepada proses dan keuntungan, serta menjaga kesejahteraan orang ramai dan bumi ini.

Konsep kemampan dimasukkan sepenuhnya dalam nilai-nilai kami menerusi empat bidang iaitu proses, keuntungan, masyarakat dan bumi. Pendekatan kami terhadap kemampan menyumbang kepada cara kami menangani cabaran yang timbul daripada sistem yang kompleks, alam sekitar yang mudah tercemar, keselamatan, peningkatan permintaan tenaga, keselamatan data, dan lain-lain.

Inovasi bagi tujuan kemampan adalah kunci bagi kami. 'Teknologi mampan' membolehkan kami memberi kesan mampan yang penting seperti alam sekitar atau manfaat sosial. Strategi perniagaan SME Bank yang dikemas kini secara amnya menyokong dan membantu kami menggalakkan kemampan di seluruh Bank. Ia membolehkan kami mengurangkan risiko dan meraih peluang untuk mencipta nilai bagi semua pihak berkepentingan. Antara lainnya termasuklah mengurangkan kesan alam sekitar daripada operasi perniagaan kami dengan meminimumkan karbon dan penggunaan kertas apabila kami menawarkan platform dalam talian sebagai alternatif kepada transaksi perniagaan.

SME Bank juga bergantung pada kakitangannya, yang mana gabungan kepelbagaian, kepakaran dan komitmen mereka membina sebuah organisasi yang berjaya dan membentuk masa depan yang bertanggungjawab. Kami komited untuk melakukan lebih banyak lagi, seperti menambah baik pengalaman pelanggan dan meningkatkan kepuasan kerja.

Kami akan terus memainkan peranan positif dalam komuniti di mana kami beroperasi dan dalam masyarakat yang lebih besar. Kami menyumbang kepada pembangunan ekonomi negara dengan menyokong projek-projek kemasyarakatan yang berasaskan keperluan komuniti tempatan. Iltizam kami adalah agar dapat membuat lebih banyak inisiatif untuk memberi lebih banyak manfaat.

Selama beberapa tahun ini, SME Bank telah berada di laluan yang betul dalam perjalanan kemampanannya. Kami nekad untuk beralih ke fasa seterusnya dan begitu komited untuk memastikan bahawa kami kekal sebagai peneraju dalam menjalankan perniagaan secara bertanggungjawab, memanfaatkan nilai-nilai kami dan berusaha menyumbang secara positif kepada kehidupan semua pihak berkepentingan dalam kami menggalakkan perniagaan yang terangkum dan mampan.

SUSTAINABILITY FRAMEWORK RANGKA KERJA KEMAMAPAN

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In 2018, SME Bank declared the GRI's Sustainability Disclosure which was integrated in its corporate annual report. This 'integrated reporting' is the Bank's effort to create an internationally accepted concept, in line with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines which framework defines what an integrated reporting comprises. This effort influences the Bank's reporting landscape, the result from which provides a window into how the sustainability is promoted across its business and operations. It also allows the Bank to explore and develop a variety of approaches to a sustainable development.

The integration of sustainability reporting is in line with the global best practices where the financial sector self-declares more integrated reports than any other sector.

In tandem, by clearly embedding sustainability and financial information together, SME Bank creates a platform to provide its stakeholders the whole corporate narrative regarding value creation and performance on material issues. Furthermore, it is an appropriate approach for the Bank when sustainability is already embedded in its core business.

The GRI reporting processes proves useful to the Bank because GRI helps in defining and selecting a range of GRI disclosures to fit with its current sustainable practices. Reporting on a focused set of indicators enables the Bank to analytically review to what degree a sustainability practices and efforts helped the organisation in achieving its mission and vision, and in meeting the needs of its stakeholders.

Pada 2018, SME Bank membuat Pendedahan Kemampanan GRI yang disatukan dalam laporan tahunan korporatnya. Pelaporan bersepadu ini adalah usaha Bank untuk mewujudkan satu konsep yang diterima pada peringkat antarabangsa, sejajar dengan Garis Panduan Pelaporan Kemampanan oleh Inisiatif Pelaporan Global (GRI) yang menghasilkan rangka kerja yang menentukan isi kandungan pelaporan bersepadu. Usaha ini mempengaruhi bentuk pelaporan Bank, yang mana hasilnya memberi gambaran tentang bagaimana kemampanan digalakkan di seluruh perniagaan dan operasinya. Ia juga membolehkan Bank untuk mencari dan menerima pakai beberapa pendekatan terhadap pembangunan mampan.

Penyatuan pelaporan kemampanan adalah sejajar dengan amalan terbaik global di mana sektor kewangan mengeluarkan laporan bersepadu lebih banyak berbanding sektor lain.

Pada masa yang sama, dengan menyertakan maklumat kemampanan bersama-sama dengan maklumat kewangan, SME Bank mewujudkan satu platform untuk memberikan pihak berkepentingan, naratif korporat berkenaan penciptaan nilai dan prestasi bagi isu-isu penting. Tambahan lagi, ia adalah satu pendekatan yang betul bagi Bank apabila kemampanan sememangnya dimasukkan dalam perniagaan terasnya.

Proses pelaporan GRI terbukti berguna kepada Bank oleh kerana GRI membantu dalam menentu dan memilih jenis pendedahan GRI untuk dipadankan dengan amalan kemampanan semasanya. Pelaporan tertumpu tentang petunjuk yang membolehkan Bank mengkaji secara analitik sehingga tahap manakah amalan dan usaha kemampanan telah membantu organisasi dalam mencapai misi dan visinya, dalam memenuhi keperluan pihak berkepentingannya.

SUSTAINABILITY FRAMEWORK
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SUSTAINABILITY FRAMEWORK
REFERENCE DOCUMENT

THIS DOCUMENT INCLUDES REFERENCES TO A VARIETY OF PUBLICLY AVAILABLE DOCUMENTS THAT CONTAIN GOVERNANCE, ECONOMIC, ENVIRONMENTAL, AND SOCIAL INFORMATION FOR 2019, INCLUDED IN THIS INTEGRATED ANNUAL REPORT.

This section includes data for SME Bank’s sustainability reporting reference of GRI Standards.

DOKUMEN RUJUKAN
RANGKA KERJA KEMAMPANAN

DOKUMEN INI TERMASUK RUJUKAN KEPADA PELBAGAI DOKUMEN YANG TERSEDIA SECARA UMUM YANG MENGANDUNGI MAKLUMAT TADBIR URUS, EKONOMI, ALAM SEKITAR, DAN SOSIAL BAGI TAHUN 2019, YANG DISERTAKAN DALAM LAPORAN TAHUNAN BERSEPADU INI.

Bahagian ini menyenaraikan data bagi rujukan Piawaian GRI bagi pelaporan kemampuan SME Bank.

STANDARD REFERENCE / RUJUKAN PIAWAIAN	DISCLOSURE / PENDEDAHAN	
GENERAL DISCLOSURES / PENDEDAHAN AM		
GRI 102-1	Name of the organisation Nama organisasi	✓
GRI 102-2	Activities, brands, products, and services Aktiviti, jenama, produk, dan perkhidmatan	✓
GRI 102-3	Location of head office Lokasi ibu pejabat	✓
GRI 102-4	Location of operations Lokasi operasi	✓
GRI 102-5	Ownership and legal form Pemilikan dan bentuk undang-undang	✓
GRI 102-6	Markets served Pasaran di mana perkhidmatan diberikan	✓
GRI 102-7	Scale of the organisation Skala organisasi	✓
GRI 102-8	Information on employees and other workers Maklumat kakitangan dan pekerja lain	✓
GRI 102-14	Statement from senior decision maker Pernyataan daripada pembuat keputusan kanan	✓
GRI 102-16	Values, principles, standards, and norms of behaviour Nilai, prinsip, standard, dan norma tata laku	✓
GRI 102-17	Mechanisms for advice and concerns about ethics Mekanisme nasihat yang menitikberatkan tentang etika	✓
GRI 102-18	Governance structure Struktur tadbir urus	✓
GRI 102-22	Composition of the highest governance body and its committees Komposisi badan tadbir urus tertinggi dan jawatankuasa-jawatankuasanya	✓
GRI 102-26	Role of highest governance body in setting purpose, values and strategy Peranan badan tadbir urus tertinggi dalam menetapkan tujuan, nilai dan strategi	✓
GRI 102-40	List of stakeholder groups Senarai kumpulan pihak berkepentingan	✓
GRI 102-43	Approach to stakeholder engagement Pendekatan terhadap hubungan pihak berkepentingan	✓
GRI 102-55	GRI content index Indeks kandungan GRI	✓

SUSTAINABILITY FRAMEWORK
RANGKA KERJA KEMAMPANAN

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STANDARD REFERENCE / RUJUKAN PIAWAIAN		DISCLOSURE / PENDEDAHAN	
MATERIAL TOPICS / TOPIK PENTING			
ECONOMIC / EKONOMI			
GRI 201-1	Economic value generated and distributed Nilai ekonomi yang dijana dan diagihkan		✓
GRI 203-2	Indirect economic impacts Impak ekonomi tidak langsung		✓
GRI 204	<u>Procurement practices</u> 103-1 Explanation of the material topic and its boundary 103-2 The management approach and its components <u>Amalan perolehan</u> 103-1 Penjelasan topik penting dan batasannya 103-2 Pendekatan pengurusan dan komponen-komponennya		✓
GRI 205	<u>Anti-corruption</u> 103-1 Explanation of the material topic and its boundary 103-2 The management approach and its components <u>Pencegahan rasuah</u> 103-1 Penjelasan topik penting dan batasannya 103-2 Pendekatan pengurusan dan komponen-komponennya		✓
ENVIRONMENT / ALAM SEKITAR			
GRI 302	<u>Energy</u> 103-1 Explanation of the material topic and its boundary 103-2 The management approach and its components <u>Tenaga</u> 103-1 Penjelasan topik penting dan batasannya 103-2 Pendekatan pengurusan dan komponen-komponennya		✓
GRI 302-1	Energy consumption within the organisation Penggunaan tenaga di dalam organisasi		✓
GRI 302-4	Reduction of energy consumption Pengurangan penggunaan tenaga		✓
GRI 303	<u>Water</u> 103-1 Explanation of the material topic and its boundary 103-2 The management approach and its components <u>Air</u> 103-1 Penjelasan topik penting dan batasannya 103-2 Pendekatan pengurusan dan komponen-komponennya		✓
GRI 306	<u>Effluents and waste</u> 103-1 Explanation of the material topic and its boundary 103-2 The management approach and its components <u>Buangan dan sisa</u> 103-1 Penjelasan topik penting dan batasannya 103-2 Pendekatan pengurusan dan komponen-komponennya		✓
GRI 306-2	Waste by type and disposal method Sisa mengikut jenis dan kaedah pembuangan		✓
GRI 307	<u>Environmental compliance</u> 103-1 Explanation of the material topic and its boundary 103-2 The management approach and its components <u>Pematuhan alam sekitar</u> 103-1 Penjelasan topik penting dan batasannya 103-2 Pendekatan pengurusan dan komponen-komponennya		✓

SUSTAINABILITY FRAMEWORK
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STANDARD REFERENCE / RUJUKAN PIAWAIAN	DISCLOSURE / PENDEDAHAN		
MATERIAL TOPICS / TOPIK PENTING			
SOCIAL / SOSIAL			
GRI 401	103-1 103-2 103-1 103-2	<u>Employment</u> Explanation of the material topic and its boundary The management approach and its components <u>Pengambilan pekerja</u> Penjelasan topik penting dan batasannya Pendekatan pengurusan dan komponen-komponennya	√
GRI 401-1		New employee hires and employee turnover Pengambilan pekerja baharu dan pemberhentian kerja	√
GRI 402	103-1 103-1	<u>Labour management / relations</u> Explanation of the material topic and its boundary <u>Pengurusan / hubungan pekerja</u> Penjelasan topik penting dan batasannya	√
GRI 403	103-1 103-2 103-1 103-2	<u>Occupational health and safety</u> Explanation of the material topic and its boundary The management approach and its components <u>Keselamatan dan kesihatan pekerjaan</u> Penjelasan topik penting dan batasannya Pendekatan pengurusan dan komponen-komponennya	√
GRI 403-1		Workers representation in formal joint management-worker health and safety committees Perwakilan pekerja dalam jawatankuasa bersama rasmi kesihatan dan keselamatan antara pengurusan-pekerja	√
GRI 404	103-1 103-1	<u>Training and education</u> Explanation of the material topic and its boundary <u>Latihan dan pendidikan</u> Penjelasan topik penting dan batasannya	√
GRI 404-1		Average hours of training per year per employee Purata jam latihan setiap tahun setiap kakitangan	√
GRI 404-2		Programmes for upgrading employee skills and transition assistance programmes Program untuk menaik taraf kemahiran kakitangan dan program bantuan peralihan	√
GRI 405	103-1 103-2 103-1 103-2	<u>Diversity and equal opportunity</u> Explanation of the material topic and its boundary The management approach and its components <u>Kepelbagaian dan peluang sama rata</u> Penjelasan topik penting dan batasannya Pendekatan pengurusan dan komponen-komponennya	√
GRI 405-1		Diversity of governance bodies and employees Kepelbagaian badan tadbir urus dan kakitangan	√
GRI 406	103-1 103-2 103-1 103-2	<u>Non-discrimination</u> Explanation of the material topic and its boundary The management approach and its components <u>Tiada diskriminasi</u> Penjelasan topik penting dan batasannya Pendekatan pengurusan dan komponen-komponennya	√
GRI 413	103-1 103-2 103-1 103-2	<u>Local Communities</u> Explanation of the material topic and its boundary The management approach and its components <u>Komuniti setempat</u> Penjelasan topik penting dan batasannya Pendekatan pengurusan dan komponen-komponennya	√
GRI 413-1		Operations with local community engagement, impact assessments, and development programmes Operasi dengan penglibatan masyarakat setempat, penilaian kesan, dan program pembangunan	√

STAKEHOLDER ENGAGEMENT

HUBUNGAN DENGAN PIHAK BERKEPENTINGAN



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STAKEHOLDER ENGAGEMENT

Stakeholder relations are critical for the sustainable growth of our business, therefore we seek to maintain an open, permanent, and transparent dialogue with these parties. Particularly important are groups formed primarily by employees, customers, investment community, supply chain partners, Government and regulators, non-government organisations and local communities. This is because we acknowledge the influence they have on the business and the impacts they have on our operations and organisational strategy.

In 2019, these seven clusters of stakeholders completed the stakeholder framework with which we also maintain engagement activities, to help us deepen our insights into the drivers of our business and the needs of society, and thus be proactive in adjusting to changing demands.

Below are the key stakeholders with whom the Bank engaged during the year and the means of engagement.

STAKEHOLDER	MEANS OF ENGAGEMENT
 <p>EMPLOYEES</p>	<ul style="list-style-type: none"> • Routine and specifically scheduled functional and cross-functional meetings as required. • Notice boards to display relevant announcements are accessible to staff across the departments. • Formal and informal face-to-face meetings as well as video and teleconference meetings are regularly held with and between employees throughout the Bank. • Town hall sessions every quarter of the year. • SME News, a newsletter published four (4) times a year which reports on developments in the Bank and enables all employees to keep abreast with information on business unit activities. • Business and functional conferences are held and attended by executives and representatives from the relevant business and support functions. • e-Letters / emails are sent to employees regarding policies, procedures and / or employment related information. • Workshop and training sessions are held to create awareness of and provide training on new processes, new technology and for continuous learning. • Annual results presentations and selected strategic announcements are delivered to the Bank's executives and management who then disseminate the information to operational staff. • An open-door policy / culture exists for on-going communication and interaction among colleagues. • The SME Bank intranet site is available to provide access to employees across the Bank. • Employee performance is managed through formal performance assessments. • Employee surveys is conducted to provide a platform for employees, leaders and executives to engage in feedbacks, sharing ideas and experience.
 <p>CUSTOMERS</p>	<ul style="list-style-type: none"> • Direct communication by the Bank's representatives with the various customer groups. • Representatives' participation at relevant conferences / seminar / roadshows / talks to interact with customers. • Brand / product / service promotion is undertaken to create brand awareness and market products / services. • Implementation of brand / product / service awareness programmes, as relevant. • Correspondence is sent to customers, as and when required. • Interaction via SME Bank's website www.smebank.com.my • SME Bank's publications namely SME News which features corporate news and the Bank's activities, InFront Magazine which features clients' success stories and BizPulse Bulletin published online covering general and relevant information about the SME sector and other related information about the Bank and its offerings. • A customer contact centre system is available to improve the Bank's interaction and provide better services to customers. • SME Bank Outreach Programmes to provide advisory and assistance and promoting the Bank's services. • Focus Group sessions to build rapport with the Bank's selected customers. • Mindlab Series, a knowledge / experience sharing programme to expose customers with knowledge, skills and confidence in managing and increasing their wealth. • Site visits to business facilities as arranged.

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HUBUNGAN DENGAN PIHAK BERKEPENTINGAN

Hubungan pihak berkepentingan adalah penting bagi pertumbuhan mampan perniagaan kami, oleh itu kami berusaha mengekalkan dialog yang terbuka dan telus dengan mereka. Paling utama adalah dengan pihak-pihak yang tergolong dalam kumpulan pekerja, pelanggan, komuniti pelaburan, rakan rantaian bekalan, Kerajaan dan pengawal selia, organisasi bukan kerajaan dan masyarakat setempat. Ini adalah kerana kami mengiktiraf pengaruh mereka terhadap perniagaan dan impak mereka ke atas kesan operasi dan strategi organisasi kami.


Pada 2019, tujuh kumpulan pihak berkepentingan ini melengkapkan rangka kerja untuk kami mengekalkan aktiviti hubungan, bagi membantu kami untuk lebih memahami apa yang mendorong perniagaan dan keperluan masyarakat, dan dengan itu menjadikan kami proaktif dalam membuat penyesuaian terhadap permintaan yang berubah-ubah.

Berikut adalah jalinan hubungan Bank dengan pihak berkepentingan utama untuk sepanjang tahun ini, berserta bentuk hubungan yang dibuat.

PIHAK BERKEPENTINGAN	BENTUK HUBUNGAN
 <p>PEKERJA</p>	<ul style="list-style-type: none"> • Mesyuarat rutin dan mesyuarat bahagian dan antara bahagian yang dijadualkan secara khusus, sepertimana diperlukan. • Papan kenyataan untuk memaparkan pengumuman relevan boleh diakses oleh kakitangan di seluruh jabatan. • Mesyuarat rasmi dan tidak rasmi secara bersemuka serta mesyuarat melalui video dan telesidang diadakan dengan dan antara kakitangan di seluruh Bank. • Sesi "town hall" setiap suku tahun. • SME News, surat berita yang diterbitkan 4 kali setahun yang melaporkan perkembangan dalaman Bank termasuk aktiviti korporat dan kakitangan, dan membolehkan semua kakitangan mendapat maklumat terkini tentang aktiviti unit perniagaan. • Persidangan perniagaan dan bahagian diadakan dan dihadiri oleh eksekutif dan wakil-wakil dari bahagian perniagaan dan sokongan berkenaan. • e-Surat / e-mel dihantar kepada kakitangan mengenai dasar, prosedur dan/atau maklumat berkaitan. • Bengkel dan sesi latihan dijalankan untuk mewujudkan kesedaran dan memberi latihan mengenai proses dan teknologi baharu bagi tujuan pembelajaran berterusan. • Pembentangan prestasi tahunan dan pengumuman strategik terpilih dibuat oleh eksekutif dan pihak pengurusan Bank yang kemudiannya menyampaikan maklumat tersebut kepada kakitangan operasi. • Polisi/budaya terbuka bagi tujuan komunikasi dan interaksi berterusan di kalangan pekerja. • Laman intranet SME Bank tersedia untuk memberi akses kepada kakitangan di seluruh Bank. • Prestasi pekerja diuruskan menerusi penilaian prestasi rasmi. • Kaji selidik pekerja dijalankan untuk menyediakan platform kepada kakitangan, ketua dan eksekutif memberi maklum balas, berkongsi idea dan pengalaman.
 <p>PELANGGAN</p>	<ul style="list-style-type: none"> • Komunikasi secara langsung antara wakil-wakil Bank dengan pelbagai kumpulan pelanggan. • Penyertaan wakil Bank di persidangan / seminar/ jerayawara / bicara untuk berinteraksi dengan pelanggan. • Promosi jenama / produk / perkhidmatan dibuat untuk mewujudkan kesedaran jenama dan memasarkan produk / perkhidmatan. • Pelaksanaan program kesedaran jenama / produk / perkhidmatan, sebagaimana yang berkenaan. • Surat menyurat dihantar kepada pelanggan, sepertimana dan bilamana diperlukan. • Interaksi melalui laman sesawang SME Bank di www.smebank.com.my • Penerbitan dalam talian SME Bank iaitu SME News yang memaparkan berita korporat dan aktiviti-aktiviti Bank; Majalah InFront yang memaparkan kisah kejayaan pelanggan dan BizPulse Bulletin yang diterbitkan secara dalam talian merangkumi maklumat umum dan relevan mengenai sektor PKS dan maklumat lain yang berkaitan tentang Bank dan penawarannya. • Sistem pusat hubungan pelanggan tersedia untuk menambah baik interaksi Bank dan memberi perkhidmatan lebih baik kepada pelanggan. • Program Jangkauan SME Bank untuk memberi khidmat nasihat dan bantuan dan mempromosi perkhidmatan Bank. • Sesi Kelompok Sasaran untuk membina hubungan baik dengan pelanggan terpilih. • <i>Mindlabs Series</i>, program perkongsian pengetahuan / pengalaman untuk mendedahkan pelanggan kepada pengetahuan, kepakaran dan keyakinan dalam mengurus dan meningkatkan kekayaan mereka. • Lawatan ke tapak perniagaan sepertimana yang diaturkan.

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STAKEHOLDER	MEANS OF ENGAGEMENT
 <p>INVESTMENT COMMUNITY</p>	<ul style="list-style-type: none"> • Annual general meetings are held as per statutory requirements. • SME Bank Integrated Annual Report which contains corporate and financial information, including information on corporate governance and sustainability report is available in print and online for everyone to access. • SME Bank announcements communicate information pertaining to statutory corporate activities. • Selected statutory information is available online. • Selected announcements are published in the media. • Statutory correspondence is posted to investors as required by the applicable legislation. • Investor-relevant information can be accessed online.
 <p>SUPPLY CHAIN PARTNERS</p>	<ul style="list-style-type: none"> • Formalised procurement policies and procedures have been established throughout the Bank. • Meetings are held with suppliers and service providers as necessary. • Supplier audits are conducted where required. • Identified suppliers are involved in assisting with the supply of materials for new product launch processes where necessary. • Site visits to facilities, as arranged. • Personal interaction with third parties by relevant senior executives. • Dedicated technical and advisory teams to promote understanding of the Bank's policy, governance and so forth.
 <p>GOVERNMENT AND REGULATORS</p>	<ul style="list-style-type: none"> • Interaction with Government departments and officials as required. • Co-operation in and contributions to community upliftment projects initiated by Government departments and regulators. • Engagement on matters such as business incentives, pricing regulation and industrial policy as well as commenting on policy proposals.
 <p>NON-GOVERNMENT ORGANISATIONS</p>	<ul style="list-style-type: none"> • Interaction by means of collaborative engagements, including participating in programmes organized by the non-government organisations (NGOs) through pocket talks and booth manning focused on social and community upliftment. • Interaction with activist organisations either through multilateral forums attended by the relevant Senior Executives or through personal one-on-one interaction by these executives. • Engagement with national or international organisations via direct, indirect and multilateral engagements.
 <p>LOCAL COMMUNITIES</p>	<ul style="list-style-type: none"> • SME Bank supports local community projects in Malaysia through its corporate social responsibility programmes. • SME Bank employees nationwide participate in the community programmes by the Financial Industry Collective Outreach (FINCO), namely FINCO Mentor and FINCO Reads. • A dedicated department in SME Bank interacts directly with community project initiators. • SME Bank actively engages in philanthropic programmes in Malaysia.

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PIHAK BERKEPENTINGAN	BENTUK HUBUNGAN
 <p>KOMUNITI PELABURAN</p>	<ul style="list-style-type: none"> • Mesyuarat agung tahunan diadakan menurut keperluan berkanun. • Laporan Tahunan Bersepadu SME Bank yang mengandungi maklumat korporat dan kewangan, termasuk maklumat mengenai tadbir urus korporat dan laporan kemampuan tersedia dalam bentuk bercetak dan secara dalam talian untuk diakses oleh semua orang. • Pengumuman oleh SME Bank menyampaikan maklumat berhubung aktiviti korporat berkanun. • Maklumat berkanun terpilih tersedia dalam talian. • Pengumuman terpilih dikeluarkan di media. • Surat menyurat berkanun dihantar kepada pelabur sepertimana diperlukan oleh undang-undang. • Maklumat yang relevan kepada pelabur boleh diakses secara dalam talian.
 <p>RAKAN RANTAIAN BEKALAN</p>	<ul style="list-style-type: none"> • Dasar dan prosedur perolehan yang rasmi telah diwujudkan di seluruh Bank. • Mesyuarat diadakan dengan pembekal dan penyedia perkhidmatan bila perlu. • Audit pembekal dijalankan bilamana perlu. • Pembekal yang dikenal pasti terlibat dalam membantu pembekalan bahan bagi proses pelancaran produk baharu bilamana perlu. • Lawatan ke tapak perniagaan, jika diperlukan. • Interaksi peribadi dengan pihak ketiga oleh Eksekutif Kanan. • Pasukan teknikal dan rundingan khusus untuk menggalakkan pemahaman berhubung dasar, tadbir urus Bank dan sebagainya.
 <p>KERAJAAN DAN PENGAWAL SELIA</p>	<ul style="list-style-type: none"> • Interaksi dengan jabatan dan pegawai Kerajaan sebagaimana diperlukan. • Kerjasama dan sumbangan kepada projek peningkatan taraf komuniti yang dimulakan oleh jabatan Kerajaan dan pengawal selia. • Hubungan tentang hal-hal seperti insentif perniagaan, peraturan penetapan harga dan dasar industri serta memberi pandangan tentang cadangan dasar.
 <p>ORGANISASI BUKAN KERAJAAN</p>	<ul style="list-style-type: none"> • Interaksi dengan cara hubungan kerjasama, termasuk mengambil bahagian dalam program-program yang dianjurkan oleh organisasi bukan kerajaan menerusi bicara dan pengendalian reruai yang tertumpu pada peningkatan taraf sosial dan masyarakat. • Interaksi dengan aktivis organisasi sama ada melalui forum pelbagai hala yang dihadiri oleh Eksekutif Kanan atau melalui interaksi secara bersemuka oleh eksekutif-eksekutif ini. • Hubungan dengan organisasi kebangsaan atau antarabangsa menerusi hubungan secara langsung, tidak langsung dan pelbagai hala.
 <p>MASYARAKAT SETEMPAT</p>	<ul style="list-style-type: none"> • SME Bank menyokong projek-projek kemasyarakatan di Malaysia melalui program tanggungjawab sosial korporatnya. • Kakitangan SME Bank di seluruh negara mengambil bahagian dalam program-program kemasyarakatan oleh <i>Financial Industry Collective Outreach (FINCO)</i>, iaitu <i>FINCO Mentor</i> dan <i>FINCO Reads</i>. • Jabatan khusus dalam SME Bank berinteraksi secara langsung dengan pihak-pihak yang memulakan projek kemasyarakatan. • SME Bank membuat penglibatan aktif dalam program-program kederewanan di Malaysia.

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EMPLOYEE ENGAGEMENT



ENGAGED EMPLOYEES PERFORM THEIR WORK WITH PASSION, LOOK FOR CHALLENGES, HAVE AN ON-GOING FOCUS ON INNOVATION, ADOPT A MORE EFFECTIVE, EFFICIENT AND CUSTOMER-CENTRIC ATTITUDE AND DELIVER HIGHER QUALITY RESULTS.

Employee engagement is high on SME Bank's agenda. We are convinced that engaged and effective employees are key to our success. It is important to involve employees in all work-related issues of relevance to them. This includes the strategic direction of the organisation as a whole and the division in which they are employed, along with day-to-day operations, leadership styles and so forth.

To increase productivity, execute business strategies, improve company performance and develop roles within the company, we carried out various other programmes and activities during the year including Leaders' Convention, GTP Engagement Session, SME Bank Sports Day, and Teh Tarik Session with Directors.

The employee survey remains an important tool that we use for measuring progress and to define specific action plans to achieve our goal. In our continuous effort to gauge the employers' engagement level this year, we conducted the Pulse Survey edition of employee survey. The survey offers the employees the opportunity to express themselves freely and give their opinion on a range of important topics associated with their work and the Bank.

More information on Employees is detailed under the Social section of this report.

HUBUNGAN DENGAN PEKERJA



HUBUNGAN RAPAT DENGAN PEKERJA MENDORONG MEREKA MELAKUKAN TUGAS DENGAN DEDIKASI, MENDEPANI CABARAN, MEMPUNYAI TUMPUAN BERTERUSAN TERHADAP INOVASI, MENGAMBIL SIKAP LEBIH BERKESAN, CEKAP DAN MENGUTAMAKAN PELANGGAN, SERTA MEMBERI HASIL KERJA YANG LEBIH BERMUTU.

Hubungan dengan pekerja adalah satu agenda penting di SME Bank. Kami yakin bahawa pekerja yang efektif adalah kunci kepada kejayaan kami. Maka penting untuk melibatkan kakitangan dalam semua isu berkaitan pekerjaan yang relevan kepada mereka. Ini termasuk hala tuju strategik organisasi secara keseluruhan atau pada peringkat bahagian di mana mereka bertugas, berserta operasi harian, cara kepimpinan dan sebagainya.

Untuk meningkatkan produktiviti, melaksanakan strategi perniagaan, menambah baik prestasi dan membangunkan peranan dalam organisasi, kami menjalankan pelbagai program dan aktiviti lain sepanjang tahun ini, antara lainnya termasuklah Persidangan Ketua, Sesi Hubungan GTP, Hari Sukan SME Bank, dan Sesi Teh Tarik dengan Pengarah.

Kaji selidik pekerja kekal sebagai kaedah penting yang kami gunakan untuk mengukur kemajuan dan untuk menentukan rancangan khusus bagi mencapai matlamat kami. Dalam usaha berterusan kami untuk mengukur tahap keterlibatan kakitangan pada tahun ini, kami telah menjalankan kaji selidik kakitangan melalui platform Tinjauan Pulse. Kaji selidik tersebut memberi peluang kepada kakitangan untuk memberi pendapat mereka dengan bebas serta pandangan mereka berhubung pelbagai topik penting yang berkaitan dengan kerja mereka dan Bank.

Maklumat lanjut mengenai Pekerja boleh didapati di bahagian Sosial laporan ini.

STAKEHOLDER ENGAGEMENT**HUBUNGAN DENGAN PIHAK BERKEPENTINGAN****CHAPTER 05****BAB 05****CUSTOMER ENGAGEMENT**

ENGAGING WITH OUR CUSTOMERS IS NOT ONLY ESSENTIAL TO OUR BUSINESS' SUCCESS, BUT IS ALSO VITAL TO DELIVER OUR SUSTAINABILITY AMBITIONS.

SME Bank believes that customer engagement is about inspiring our customers to interact with us and willingly take part in the initiatives we are introducing for them.

Our objective is to develop long-term relationships with customers and become the DFI of choice, based on excellent service and high-quality product. One way in which we achieve this is by engaging with customers on key sustainability issues and aligning our sustainability agenda with theirs.

We believe excellent service is a direct correlation to sustainable growth. Our Customer Service Management Department ensures that the "Customer First Strategy" and the Bank's Brand promise "We are committed to Excellence" are upheld and sustained through quality of products, quality of processes and quality of relationships. Dedicated to engaging with customers, the department ensures customers' positive experience with the Bank by providing several platforms and delivering convenient access to a complete range of financial services.

We also carried out an external customer satisfaction survey as a means for understanding and adapting to the customers' needs, and evolving to stay ahead in meeting their expectations.

All these platforms enable us to gain customer insight which helps us understand the need to serve better as we respond to and learn from customer communication, and ultimately promote business sustainability.

HUBUNGAN DENGAN PELANGGAN

MENJALIN HUBUNGAN DENGAN PELANGGAN BUKAN SAHAJA PENTING BAGI KEJAYAAN PERNIAGAAN, MALAH IA JUGA PENTING UNTUK MENCAPAI CITA-CITA KEMAMPANAN KAMI.

SME Bank percaya bahawa hubungan dengan pelanggan adalah mengenai menginspirasi para pelanggan untuk berinteraksi dengan kami dan bersedia mengambil bahagian dalam segala inisiatif yang kami perkenalkan untuk mereka.

Matlamat kami adalah untuk membina hubungan jangka panjang dengan pelanggan dan menjadi Institusi Kewangan Pembangunan (DFI) pilihan, berdasarkan perkhidmatan cemerlang dan produk bermutu tinggi. Salah satu cara untuk mencapainya adalah dengan menjalin hubungan dengan pelanggan mengenai isu-isu utama kemampunan dan dengan menjajarkan agenda kemampunan kami dengan agenda mereka.

Kami percaya perkhidmatan cemerlang berhubung kait secara langsung dengan pertumbuhan mampan. Jabatan Pengurusan Khidmat Pelanggan Bank memastikan bahawa "Strategi Mengutamakan Pelanggan" dan janji jenama Bank "Kami komited terhadap Kecemerlangan" didukung dan dikekalkan menerusi produk yang bermutu, kualiti proses dan kualiti perhubungan. Jabatan tersebut memastikan pengalaman positif pelanggan dengan Bank dengan menyediakan beberapa platform dan akses mudah kepada serangkaian lengkap perkhidmatan kewangan.

Kami juga menjalankan kaji selidik kepuasan pelanggan sebagai satu cara untuk memahami dan menyesuaikan keperluan pelanggan, dan untuk memenuhi jangkaan mereka.

Kesemua platform ini membolehkan kami mendapat pandangan pelanggan yang membantu kami memahami keperluan untuk memberi perkhidmatan lebih baik apabila kami memberi respon dan belajar daripada komunikasi dengan pelanggan, dan akhirnya menggalakkan kemampunan perniagaan.

STAKEHOLDER ENGAGEMENT HUBUNGAN DENGAN PIHAK BERKEPENTINGAN

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SME BANK CONTACT CENTRE

The Bank's Customer Service Management Department through the Contact Centre System enhances the communication within the Bank to ensure that all responses and status of feedbacks, complaints, suggestions or appeals are tracked, validated, responded timely for customer satisfaction.

The Contact Centre System helps to improve our interaction and provide better services to customers.

The Customer Service Management Department will continue to be the contact point for answering all customers' enquiries on our products and services via the Contact Centre (03-2603 7700) which operates daily from Monday to Friday from 8.30 a.m. to 5.30 p.m. or via email (customercare@smebank.com.my).

CUSTOMER SATISFACTION SURVEY

In 2019, we conducted the customer satisfaction survey to gain feedback on actual customer's experiences and expectation on the level of services and products offered by the Bank. End result was to gauge at the best method to enhance our customer service level.

The survey involved 579 participants from 14 Outreach Programmes nationwide, comprising the Bank's existing and potential customers. In essence, the survey assessed the relationship and courtesy of the Bank's employees as well as the financing process in timely manner, products and services, accessibility of contact channels, and overall quality of banking services.

The finding produced a score of 89% in customer satisfaction index, indicates an improvement in Bank's service level as it surpassed the key performance indicator target of 80%.

PUSAT KHIDMAT PELANGGAN SME BANK

Jabatan Pengurusan Khidmat Pelanggan Bank, menerusi Sistem Pusat Khidmat Pelanggan, meningkatkan komunikasi dalam Bank untuk memastikan bahawa semua respon dan status maklum balas, aduan, cadangan atau rayuan dijejak, disahkan, dibalas pada masanya bagi tujuan memenuhi kepuasan pelanggan.

Sistem Pusat Khidmat Pelanggan ini membantu untuk menambah baik interaksi kami dan menyediakan perkhidmatan lebih baik kepada pelanggan.

Jabatan Pengurusan Khidmat Pelanggan akan terus menjadi pusat perhubungan untuk menjawab segala pertanyaan pelanggan tentang produk dan perkhidmatan kami melalui Pusat Khidmat Pelanggan di talian (03-2603 7700) yang beroperasi setiap hari dari Isnin hingga Jumaat dari 8.30 pagi hingga 5.30 petang atau melalui e-mel (customercare@smebank.com.my).

KAJI SELIDIK KEPUASAN PELANGGAN

Pada 2019, kami menjalankan kaji selidik kepuasan pelanggan untuk mendapatkan maklum balas berhubung pengalaman dan jangkaan sebenar pelanggan terhadap tahap perkhidmatan dan produk yang Bank tawarkan. Hasil daripada kaji selidik ini juga adalah untuk mengenang pasti cara menambah baik tahap perkhidmatan kami.

Kaji selidik ini melibatkan 579 peserta dari 14 Program *Outreach* di seluruh negara, terdiri daripada pelanggan Bank yang sedia ada dan berpotensi. Pada asasnya, kaji selidik ini menilai perhubungan dan budi bahasa kakitangan Bank serta proses pembiayaan dalam masa yang sepatutnya, produk dan perkhidmatan yang berkaitan, kebolehcapaian saluran hubungan, dan mutu keseluruhan perkhidmatan perbankan.

Penemuan yang dibuat menghasilkan skor 89% dalam indeks kepuasan pelanggan, yang menandakan penambahbaikan dalam tahap perkhidmatan Bank oleh kerana ia melepasi sasaran petunjuk prestasi utama iaitu 80%.

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FOCUS GROUP SESSIONS


SESI KELOMPOK SASARAN


In our continuous efforts in engaging with customers and receiving their feedback, the Bank held 14 Focus Group sessions which served as a platform in building rapport between both parties.


Dalam usaha berterusan kami untuk berhubung dengan pelanggan dan mendapat maklum balas mereka, Bank mengadakan 14 sesi Kelompok Sasaran yang menjadi platform dalam membina hubungan baik antara kedua-dua pihak.


MAIN OBJECTIVES / OBJEKTIF UTAMA


- 


Creating better awareness about latest information of the Bank's initiatives and strategies
 Mewujudkan kesedaran lebih baik tentang maklumat terkini inisiatif dan strategi Bank
- 

Get clear understanding of the customer's view and overall impact of the Bank's contribution to their businesses
 Mendapatkan pemahaman lebih jelas berhubung pandangan pelanggan dan kesan keseluruhan sumbangan Bank kepada perniagaan mereka
- 

Identify issues faced by entrepreneurs and assist in resolving them by improving our operational efficiency
 Mengenal pasti isu-isu yang dihadapi oleh usahawan dan membantu menyelesaikannya dengan menambah baik kecekapan operasi kami
- 

Identify the entrepreneurs "future strategic planning" in order to sustain and grow our business in partnership with our customer
 Mengenal pasti "perancangan strategik masa depan" usahawan untuk mengekal dan mengembangkan perniagaan kami dalam perkongsian dengan pelanggan kami
- 

Close the gap between customer engagement and experience which eventually enhances customers satisfaction
 Menutup jurang antara hubungan dengan pengalaman pelanggan yang kemudiannya akan meningkatkan kepuasan pelanggan
- 

Continuous engagement with the customer to gauge their expectation on the areas of improvement and future opportunities
 Menjalin hubungan berterusan dengan pelanggan untuk mengukur jangkaan mereka berhubung bidang penambahbaikan dan peluang akan datang
- 

Create business matching and loyalty
 Mewujudkan pepadanan dan kesetiaan perniagaan

KEY BENEFITS / MANFAAT UTAMA

 <p>Improved shared understanding of network challenges and our customers' concerns. Pemahaman bersama yang lebih baik tentang cabaran rangkaian dan kebimbangan pelanggan.</p>	 <p>Improve the efficiency of customer service delivery towards understanding our customer's need. Menambah baik kecekapan khidmat pelanggan ke arah memahami keperluan pelanggan.</p>	 <p>Ensuring the opinions and needs of our customers are known and understood. Memastikan pendapat dan keperluan pelanggan diketahui dan difahami.</p>	 <p>Greater customer improvement in the process to improve service delivery. Penglibatan pelanggan yang lebih giat dalam proses untuk menambah baik penyampaian perkhidmatan.</p>	 <p>Continue efforts to improve our customer service delivery holistic approach. Meneruskan usaha untuk menambah baik perkhidmatan pelanggan melalui pendekatan holistik.</p>	 <p>Recognizing the importance of sustainability of decisions which support affordability, reliability & choice. Menyedari kepentingan kelestarian keputusan yang menyokong kemampuan, kebolehpercayaan dan pilihan..</p>	 <p>More targeted programmes and future plans that better reflect customer preferences. Lebih banyak program sasaran dan rancangan masa depan yang menggambarkan pilihan pelanggan dengan lebih baik.</p>
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AREAS FOR IMPROVEMENT / RUANG UNTUK PENAMBAHBAIKAN



**CUSTOMER
 FINANCING JOURNEY**
**PERJALANAN
 PEMBIAYAAN
 PELANGGAN**

Convey the customer financing journey, better manage expectations, product affordability and more convenience banking option
 Membantu perjalanan pembiayaan pelanggan, mengurus jangkaan dengan lebih baik, kebolehmbaan produk dan pilihan perbankan yang lebih mudah



**TURN AROUND TIME
 ENHANCEMENT**
**PENINGKATAN MASA
 PEMROSESAN**

Identify opportunities to streamline internal processes via the digitalization solutions to facilitate the daily work, faster application process and minimize the administrative manually activities
 Mengenal pasti peluang untuk menyelaraskan proses dalaman menerusi penyelesaian pendigitalan untuk memudahkan tugas harian, proses permohonan lebih pantas dan mengurangkan kegiatan pentadbiran secara manual



**FINANCING
 APPLICATION
 STATUS UPDATES**
**PENGEMASKINIAN
 STATUS PERMOHONAN
 PEMBIAYAAN**

Developing an automated push notifications to provide a periodic update to the customers on the status of financing application
 Membangunkan notifikasi secara automasi untuk memberi pengemaskinian berkala kepada pelanggan mengenai status permohonan pembiayaan



**ONLINE FINANCING
 APPLICATION**
**PERMOHONAN
 PEMBIAYAAN DALAM
 TALIAN**

Expanding the functionality of the digital platform to provide customer a greater visibility and possibility to attract with the Bank throughout the financing process
 Mengembangkan fungsi platform digital untuk memberi lebih banyak visibiliti kepada pelanggan dan kemungkinan untuk menarik minat terhadap Bank di sepanjang proses pembiayaan



**SUBJECT MATTER
 EXPERT**
PAKAR SUBJEK

Continuously build more superior leadership and creating talent in pipeline in various fields. In addition, enhancing the SME's information in our various platform and network in making Bank as the Best leader in financial services.
 Secara berterusan membina kepimpinan dan membangunkan bakat dalam pelbagai bidang. Di samping itu, meningkatkan maklumat PKS dalam pelbagai platform dan rangkaian kami untuk menjadikan Bank sebagai peneraju dalam perkhidmatan kewangan.

STAKEHOLDER ENGAGEMENT**HUBUNGAN DENGAN PIHAK BERKEPENTINGAN****CHAPTER 05****BAB 05****ENGAGEMENT WITH INVESTMENT COMMUNITY**

We engage and collaborate with the investment community across the country, sharing knowledge and solutions innovation while building on the knowledge of others to progress our operations.

Having reached a level of maturity in our responsible stewardship, we engage with the investment community to align our sustainability strategy and approach more closely with theirs. The strong relationships we have built with this segment of stakeholders have improved our understanding of the externalities and trends that could affect us in the future.

We seek to better understand the material issues that affect them, which is why we are constantly working to improve our engagement processes. By sharing and creating value, it has enabled both parties to benefit, as we shape our strategy based on what is material to them.

The Bank's engagement with the investment community involves market disclosure obligations, as we aim to generate a positive effect on their long-term growth. Our communication with them is based on clear principles, and we make our investor relations team available to actively provide the required information. We disclose information constantly and appropriately to meet the needs of the investment community, thereby increasing understanding of our business. All information is communicated to all stakeholders at the same time in an open and transparent manner, and reporting is active and as comprehensive as possible.

The Bank proactively discloses information on its operations by making available the latest information on SME Bank's website www.smebank.com.my which serves as a communication platform that includes the Bank's financial and sustainability reports. The Bank's Integrated Annual Report combines corporate and financial reports together with a report on sustainability. This report contains the management report and the consolidated financial statements as well as the corporate governance report and also provides detailed information on sustainability indicators as defined by the GRI.

HUBUNGAN DENGAN KOMUNITI PELABURAN

Kami berhubung dan bekerjasama dengan komuniti pelaburan di seluruh negara, berkongsi pengetahuan dan inovasi penyelesaian dan pada masa sama memanfaatkan pengetahuan pihak lain untuk memajukan operasi kami.

Dengan kematangan dalam pengawasan penuh tanggungjawab, kami berhubung dengan komuniti pelaburan untuk menjajarkan strategi dan pendekatan kemampuan kami secara lebih rapat dengan mereka. Hubungan kukuh yang kami bina dengan segmen ini telah meningkatkan pemahaman kami tentang eksternaliti dan trend yang boleh memberi kesan kepada kami di masa akan datang.

Kami cuba memahami dengan lebih baik isu-isu penting yang memberi kesan kepada mereka. Maka kerana itulah kami terus berusaha menambah baik proses hubungan dengan mereka. Dengan berkongsi dan mencipta nilai, ia telah membolehkan kedua-dua pihak untuk mendapat manfaat, apabila kami merangka strategi kami berdasarkan apa yang penting bagi mereka.

Hubungan Bank dengan komuniti pelaburan melibatkan kewajipan pendedahan pasaran, apabila kami menasaskan untuk menghasilkan kesan positif terhadap kemajuan jangka panjang mereka. Komunikasi kami dengan mereka adalah berdasarkan prinsip yang jelas, dan kami memastikan bahawa pasukan hubungan pelabur tersedia untuk memberi maklumat yang diperlukan. Kami mendedahkan maklumat secara berterusan dan betul demi memenuhi keperluan komuniti pelaburan, dan dengan itu meningkatkan pemahaman tentang perniagaan kami. Semua maklumat disampaikan kepada pihak berkepentingan pada masa yang sama dalam cara yang terbuka dan telus, dan pelaporan adalah aktif dan dengan selengkap mungkin.

Bank secara proaktif membuat pendedahan maklumat mengenai operasinya dengan menyediakan maklumat terkini di laman sesawang SME Bank www.smebank.com.my yang menjadi platform komunikasi yang turut menyertakan laporan kewangan dan kemampuan Bank. Laporan Tahunan Bersepadu Bank menggabungkan laporan korporat dan kewangan dengan kemampuan. Laporan ini mengandungi laporan pengurusan dan penyata-penyata kewangan disatukan serta laporan tadbir urus korporat serta menyediakan maklumat terperinci mengenai petunjuk kemampuan sepertimana ditetapkan oleh Inisiatif Pelaporan Global (GRI).

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In addition, market announcements, information on the annual general meeting, outreach programmes and all other information on the Bank's offerings are also available to these stakeholders on our website.

In our pursuit of providing these market participants with the most realistic evaluation of the company's development, we shall continue our in-depth engagement with the investment community and the inclusion of dedicated outreach programmes for this group of stakeholders. We are confident that these efforts will positively create strong ownership of the programmes the Bank has implemented, as we meet the needs of sustainability-oriented investors.

Di samping itu, pengumuman pasaran, maklumat mengenai mesyuarat agung tahunan, program jangkauan dan segala maklumat tentang penawaran Bank juga tersedia kepada pihak berkepentingan ini di laman sesawang kami.

Dalam usaha kami memberi penilaian paling realistik ke atas perkembangan Bank kepada peserta pasaran, kami akan meneruskan hubungan dengan komuniti pelaburan dan menyertakan program-program jangkauan bagi kumpulan pihak berkepentingan ini. Kami yakin bahawa usaha-usaha ini akan mewujudkan secara positif sokongan mereka terhadap program yang Bank laksanakan, apabila kami memenuhi keperluan mereka yang berasaskan kemampuan.

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**ENGAGEMENT WITH
SUPPLY CHAIN PARTNERS**

SME Bank's diverse supply chain partners include vendors, service providers, consultants, contractors, distributors and agents. Focusing on our supply chain partners motivates and ignites our inspiration to perfect our business. We yield our best results when we are open to other perspectives and work together for the best outcome. The Bank therefore is committed to develop relationships with its suppliers and vendors, ensuring that both parties meet the high ethical standards and align their sustainability strategies.

We strive to ensure we act ethically and responsibly throughout our operations. Maintaining close ties with suppliers is thus crucial for managing risks throughout our network as their behaviour reflects on our own reputation. We work together with them to ensure they meet our ethical and compliance standards and to drive improvements in our supply chain. At the same time, we commit to serve their needs by ensuring that their expectations are realised.

The Bank maintains that the most basic requirement of its supply chain is that it be reliable and ethical. Our robust internal standards and principles that we have established is shared with our supply chain partners. They are made known of our Code of Ethics which we developed to create an environment of strong ethical compliance. Understanding the Code of Ethics ensures that they adhere to it through our Terms and Conditions, which include a clause establishing the ethical principles with which we expect our supply chain partners to comply.

During the year, our engagements with supply chain partners involve on-going communication and interaction such as meetings, site visits to facilities, personal interaction, and information sharing by dedicated technical and advisory teams to promote understanding of the Bank's policy.

Having developed our sustainability integration and reporting for the past three years, we continue to explore further ways to encourage best practices through our supply chain. These include due diligence and strict procurement process which further promote a sustainable development.

More information on Compliance and Ethics is detailed under the Governance and Compliance section of this report.

**HUBUNGAN DENGAN RAKAN
RANTAIAN BEKALAN**

Rakan rantaian bekalan SME Bank termasuklah pembekal, penyedia perkhidmatan, perunding, kontraktor, pengedar dan ejen. Tumpuan kepada rakan rantaian bekalan mendorong dan membakar semangat kami untuk menjadikan perniagaan kami sempurna. Kami mendapat hasil terbaik apabila bersikap terbuka terhadap pandangan pihak lain dan bekerjasama dengan mereka untuk mendapat keputusan yang terbaik. Oleh itu, Bank komited membina hubungan dengan pembekal dan vendor, memastikan bahawa kedua-dua pihak memenuhi piawaian etika tertinggi dan menjajarkan strategi keselamatan mereka.

Kami berusaha memastikan segala kegiatan adalah secara beretika dan bertanggungjawab di seluruh operasi kami. Maka ia penting bagi kami mengekalkan jalinan erat dengan para pembekal untuk menguruskan risiko di seluruh rangkaian kami oleh kerana tata laku dan tindakan mereka menggambarkan reputasi kami. Kami bekerjasama dengan mereka bagi memastikan mereka memenuhi piawaian etika dan pematuhan dan bagi memacu penambahbaikan dalam rantaian bekalan kami. Pada masa yang sama, kami komited memenuhi keperluan mereka bagi memastikan jangkaan mereka dizahirkan.

Bank percaya bahawa keperluan paling asas bagi rantaian bekalnya adalah bahawa ia boleh dipercayai dan beretika. Piawaian dan prinsip dalaman kami yang kukuh yang telah kami tetapkan dikongsi dengan rakan rantaian bekalan. Mereka dimaklumkan mengenai Kod Etika yang kami bangunkan untuk mewujudkan satu persekitaran pematuhan beretika yang kukuh. Pemahaman Kod Etika ini memastikan pematuhan mereka terhadapnya melalui Terma dan Syarat kami, yang termasuk klausa yang menetapkan prinsip etika yang mereka perlu patuhi.

Sepanjang tahun ini, hubungan kami dengan rakan rantaian bekalan melibatkan komunikasi berterusan dan interaksi seperti mesyuarat, lawatan ke tapak perniagaan, interaksi peribadi, dan perkongsian maklumat oleh pasukan teknikal dan khidmat nasihat khusus untuk menggalakkan pemahaman mengenai dasar Bank.

Setelah membangunkan penyatuan dan pelaporan kemampuan kami sepanjang tiga tahun lalu, kami terus mencari cara untuk menggalakkan amalan terbaik menerusi rantaian bekalan kami. Ini termasuk usaha wajar dan proses perolehan yang ketat yang mendorong pembangunan mampan.

Maklumat lanjut mengenai Pematuhan dan Etika boleh didapati di bahagian Tadbir Urus dan Pematuhan laporan ini.

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ENGAGEMENT WITH GOVERNMENT / REGULATORS

SME Bank has a mandated role to develop small and medium enterprise (SME) as the nation's engine of economic growth. Fulfilling this mandate, we recognise that the decisions we make and the actions we take in supporting the Government / regulatory policies affect a wide range of work that we do.

We work with the Government and regulators to help implement effective policies and regulations particularly those that are for SMEs. This work ranges across a variety of policy and regulatory areas and Government ministries and departments, including individual ministries and foreign trade agency, independent regulators and national human rights institutions. As facilitators, we assist the Government to engage in strategic dialogues with companies and trade unions on business and other related topics. As advocates and experts on SMEs, we provide insights to the Government and regulator on SME development.

Our engagement with the Government and regulators calls for our operations to adhere to their stringent regulations. At the same time, we continue to implement policy decisions and other governmental announcements at all levels.

We are committed to trailing improvement in our approaches to engagement by reviewing our organisational policies. This enables us to verify whether these policies are operating effectively and if they meet our expectations and those of our stakeholders, namely the Government and regulators.

As part of our efforts to have more constructive engagements with the Government and regulators, we held various meetings with and welcomed visits by Government ministries and Bank Negara Malaysia during the year. All these provided the platforms for us to advocate mutual understanding of each other's roles in achieving a common objective.

In addition to meetings and visits, we participated in various events organised by the Government and participate in exhibitions, business talks, career and motivation talks organised by state and Federal Government, its Agencies and Bank Negara Malaysia.

In 2019, we also continued our efforts to inform the Bank's policy and foster contacts with the Government and regulators to raise the profile and understanding of our technologies and contribute to the discourse on material-related issues.

HUBUNGAN DENGAN KERAJAAN / PENGAWAL SELIA

SME Bank mempunyai peranan yang diamanahkan untuk membangunkan perusahaan kecil dan sederhana (PKS) sebagai penjana pertumbuhan ekonomi negara. Memenuhi mandat ini, kami akur bahawa keputusan yang kami buat dan tindakan yang kami ambil dalam menyokong dasar-dasar Kerajaan / pengawal selia memberi kesan kepada sebahagian besar kerja yang kami lakukan.

Kami bekerjasama dengan Kerajaan dan pengawal selia untuk membantu melaksanakan dasar-dasar dan peraturan berkesan khususnya yang melibatkan PKS. Ini merangkumi pelbagai bidang dasar dan peraturan serta kementerian dan jabatan Kerajaan, termasuk kementerian tertentu dan agensi perdagangan antarabangsa, pengawal selia bebas dan badan hak asasi manusia. Sebagai pemudah cara, kami membantu Kerajaan untuk berhubung dengan syarikat dan kesatuan perdagangan dalam dialog mengenai perniagaan dan topik-topik lain yang berkaitan. Sebagai penyokong dan pakar mengenai PKS, kami menyediakan pandangan kepada Kerajaan dan pengawal selia tentang perkembangan PKS.

Hubungan kami dengan Kerajaan dan pengawal selia memerlukan operasi kami untuk mematuhi peraturan ketat mereka. Pada masa yang sama, kami meneruskan pelaksanaan keputusan dasar dan pengumuman lain oleh Kerajaan pada semua peringkat.

Kami komited untuk menambah baik pendekatan terhadap hubungan dengan mengkaji semula dasar-dasar dan keperluan organisasi serta matlamat perniagaan kami. Ini membolehkan kami untuk mengesahkan sama ada dasar-dasar ini berfungsi secara berkesan dan sekiranya ia memenuhi jangkaan kami dan jangkaan pihak berkepentingan, iaitu Kerajaan dan pengawal selia.

Sebagai sebahagian daripada usaha kami untuk berhubung dengan lebih konstruktif dengan Kerajaan dan pengawal selia, kami mengadakan pelbagai mesyuarat dengan kementerian Kerajaan dan Bank Negara Malaysia, di samping menerima kunjungan mereka di sepanjang tahun ini. Ini menyediakan platform untuk kami menambahkan pemahaman berhubung peranan masing-masing demi mencapai matlamat yang sama.

Selain dari mesyuarat dan lawatan, kami turut mengambil bahagian dalam pelbagai acara seperti pameran, bicara niaga, kerjaya dan motivasi yang dianjurkan oleh Kerajaan Persekutuan dan negeri, agensi-agensinya dan Bank Negara Malaysia.

Pada 2019, kami juga meneruskan usaha untuk memaklumkan dasar Bank dan menambah hubungan dengan pihak Kerajaan dan pengawal selia bagi meningkatkan profil dan pemahaman mengenai teknologi kami serta menyumbang kepada perbincangan tentang isu-isu penting.

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A DEEP ENGAGEMENT WITH NGOS HAS HELPED US TO DEVELOP MUTUAL TRUST AS A RESULT OF BEING PROACTIVELY TRANSPARENT ABOUT OUR MOTIVATIONS AND GOALS.

HUBUNGAN DENGAN NGO TELAH MEMBANTU KAMI MEMBINA KEPERCAYAAN ANTARA SATU SAMA LAIN HASIL DARIPADA KETELUSAN BERHUBUNG MOTIVASI DAN MATLAMAT KAMI.



ENGAGEMENT WITH NON-GOVERNMENT ORGANISATIONS
HUBUNGAN DENGAN ORGANISASI BUKAN KERAJAAN



In view of the impact Non-Government Organisations (NGOs) has on the Bank's overall business, engagement with this group of stakeholders remain our priority. We recognise that thought leaders and influencers from NGOs play a crucial role in creating and maintaining business value. A strategic and structured approach to our relations with NGOs is therefore essential and one that we must never overlook.

Our strategic approach begins with the end in mind by identifying the large-scale impact and the ideal role the NGOs play in such impact. This requires us to plan from the beginning to engage them to achieve that end.

We continue to meet regularly with stakeholders from the NGOs community as well as industry representatives to listen to all viewpoints and gather additional data. All of these allow us to formally solicit views and opinions which could be helpful for regulatory revisions, environmental review and community upliftment, which may impact our overall business strategies and activities.

A deep engagement with NGOs has helped us to develop mutual trust as a result of being proactively transparent about our motivations and goals. Engaging with trade associations and industry relevant NGOs also helps us to understand their causes and find constructive ways to work together to deliver mutually beneficial outcome.

Memandangkan kesan oleh Organisasi Bukan Kerajaan (NGO) ke atas keseluruhan perniagaan Bank, hubungan dengan kumpulan pihak berkepentingan ini kekal menjadi keutamaan kami. Kami akur bahawa ketua pemikir dan orang yang berpengaruh daripada NGO memainkan peranan penting dalam mewujudkan dan mengekalkan nilai perniagaan. Maka pendekatan yang strategik dan tersusun bagi hubungan kami dengan NGO adalah utama dan sesuatu yang tidak boleh diabaikan.

Pendekatan strategik kami bermula dengan tujuan atau matlamat yang mahu dicapai, secara mengenal pasti impak besar dan peranan ideal yang NGO mainkan dalam impak tersebut. Ini memerlukan kami merancang daripada awal untuk mencapai matlamat yang dihasratkan melalui kerjasama dengan NGO yang dikenal pasti.

Kami meneruskan pertemuan dengan pihak berkepentingan daripada komuniti NGO serta wakil-wakil industri untuk mendengar segala pandangan dan mengumpul maklumat tambahan. Semua ini membolehkan kami mendapatkan pendapat dan pandangan secara rasmi yang mampu membantu bagi tujuan semakan kawal selia, semakan alam sekitar dan peningkatan taraf masyarakat, yang boleh memberi kesan terhadap strategi dan aktiviti perniagaan kami secara keseluruhannya.

Hubungan dengan NGO telah membantu kami membina kepercayaan antara satu sama lain hasil daripada ketelusan berhubung motivasi dan matlamat kami. Berhubung dengan NGO berkaitan persatuan perdagangan dan industri juga membantu kami memahami tujuan mereka dan mencari jalan yang konstruktif untuk bersama-sama berusaha ke arah pencapaian hasil yang memanfaatkan.

STAKEHOLDER ENGAGEMENT

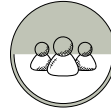
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ENGAGEMENT WITH LOCAL COMMUNITIES

HUBUNGAN DENGAN MASYARAKAT SETEMPAT



SME Bank's engagement with its stakeholders goes beyond financial focus. In addition to the commitment in generating strong returns, we also strive to enhance quality of life and contribute to addressing certain critical environmental or societal challenges.

Businesses depend on thriving local communities to support their sustainable growth. We value the wellbeing of our communities and put in efforts to empower them in our engagement activities.

Engaging in continuous transparent and accountable dialogue with the local communities while ensuring the effectiveness of corporate responsibility initiatives enable us to play our part as a responsible corporate citizen. It is also an opportunity to listen to their views and to know the issues and challenges they face. In tandem, we are able to hear their most pressing concerns and aspirations for the future through direct communication with them which we see as an integral part of our stakeholder engagement.

Through our engagement, we are able to understand their needs while explaining our intentions to create value for them. We recognise that support is crucial in empowering lives, and our help comes in many forms. Our goal is for local residents to take up the opportunities we offer to improve their lives for themselves.

Apart from the various corporate social responsibility programmes and activities, we support sustainable livelihoods through women's empowerment, micro financing and skill development via the Bank's products and initiatives.

More information on Community is detailed under the Social section of this report.

Hubungan SME Bank dengan pihak berkepentingan menjangkau tumpuan kewangan. Selain dari komitmen untuk menjana pulangan yang tinggi, kami juga berusaha untuk meningkatkan mutu kehidupan dan menyumbang kepada menangani cabaran-cabaran penting alam sekitar dan masyarakat.

Perniagaan bergantung kepada masyarakat setempat yang makmur untuk menyokong pertumbuhan mampanya. Kami menghargai kesejahteraan masyarakat dan berusaha untuk memperkasakan mereka dalam kegiatan-kegiatan hubungan kami.

Berhubung dengan mereka melalui dialog yang telus dan boleh dipercayai di samping memastikan keberkesanan usaha tanggungjawab sosial korporat membolehkan kami memainkan peranan kami sebagai warga korporat yang bertanggungjawab. Pada masa yang sama, kami boleh mendengar kebimbangan mereka dan harapan untuk masa depan menerusi komunikasi secara langsung dengan mereka. Bagi kami, ini adalah bahagian penting dalam hubungan dengan pihak berkepentingan.

Menerusi hubungan ini, kami dapat memahami keperluan mereka sementara menjelaskan hasrat kami untuk mencipta nilai bagi semua pihak. Kami sedar bahawa sokongan adalah penting dalam memperkasakan kehidupan, dan bantuan yang kami sampaikan adalah dalam berbagai-bagai bentuk. Matlamat kami adalah agar penghuni setempat memanfaatkan peluang yang kami tawarkan untuk menambah baik kehidupan mereka demi diri mereka sendiri.

Selain daripada program dan aktiviti tanggungjawab sosial, kami menyokong kehidupan mampan menerusi pemerkasakan wanita, pembiayaan mikro dan pembangunan kepakaran melalui produk dan inisiatif Bank.

Maklumat lanjut mengenai Komuniti boleh didapati di bahagian Sosial laporan ini.



WE RECOGNISE THAT SUPPORT IS CRUCIAL IN EMPOWERING LIVES, AND OUR HELP COMES IN MANY FORMS.

KAMI SEDAR BAHAWA SOKONGAN ADALAH PENTING DALAM MEMPERKASAKAN KEHIDUPAN, DAN BANTUAN YANG KAMI SAMPAIKAN ADALAH DALAM BERBAGAI-BAGAI BENTUK.



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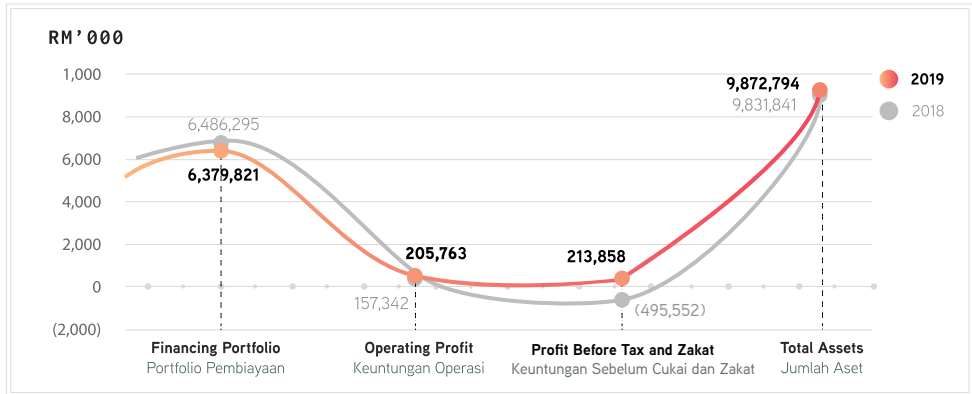
**A SOUND PROFIT FOR SUSTAINABILITY
KEUNTUNGAN YANG TINGGI UNTUK KEMAMPANAN**

OUR COMMITMENT TO SUSTAINABILITY IS CRITICAL TO OUR LONG-TERM BUSINESS SUCCESS. OUR ACTIONS TO DRIVE SUSTAINABLE PROGRESS BY UNLOCKING DIGITAL INNOVATION ARE TRANSLATED INTO OUR FINANCIAL PERFORMANCE, AND SUPPORT OUR REPUTATION AMONG STAKEHOLDERS AS AN INNOVATIVE PARTNER IN BUSINESS.

KOMITMEN KAMI TERHADAP KEMAMPANAN ADALAH PENTING UNTUK KEJAYAAN JANGKA PANJANG PERNIAGAAN. SEGALA USAHA DAN TINDAKAN KAMI UNTUK MEMACU KEMAJUAN MAMPAN MELALUI INOVASI DIGITAL DITERJEMAHKAN KEPADA PRESTASI KEWANGAN KAMI, DAN MENYOKONG REPUTASI KAMI DI KALANGAN PIHAK BERKEPENTINGAN SEBAGAI RAKAN YANG BERINOVASI DALAM PERNIAGAAN.

FINANCIAL PERFORMANCE

2019 was a milestone year for SME Bank. We achieved significant increase in profitability and strong operating cash flow. We also continued to invest to drive growth opportunities and operating efficiency during the year.



We achieved our objective to increase our bottom line, with profit before tax and zakat up more than 100% compared to 2018, reaching RM213.86 million. Total assets grew in tandem with the profit before tax and zakat at 0.4% registering a total of RM9.87 billion compared to RM9.83 billion in the previous year. Gross profit was 30.8% higher than the previous year while the total financing portfolio decreased slightly by 1.6% to RM6.38 billion in 2019 compared to RM6.49 billion in the previous year. SME Bank's profit improved significantly in 2019 with a triple digit growth. Our innovative service portfolio, together with healthy acceptance from among the small and medium enterprises (SME) boosted growth across all our offerings.

Our focus on industry megatrends and development of new and innovative programmes enabled us to record this achievement. Profitability grew both at the operating and profit before tax and zakat level up 30.8% and more than 100%, respectively. Additionally, our capital structure was further strengthened with capital expenditure totalling RM10.1 million in 2019.

We are highly encouraged by the progress we have made during the year and the prospects to further promote sustainability through a sound financial performance.

PRESTASI KEWANGAN

2019 merupakan tahun kejayaan bagi SME Bank. Kami mencapai peningkatan tinggi dalam keuntungan dan aliran tunai. Kami juga terus membuat pelaburan untuk memacu peluang pertumbuhan dan kecekapan operasi di sepanjang tahun ini.

Kami mencapai matlamat kami untuk meningkatkan keuntungan, dengan keuntungan sebelum cukai dan zakat bertambah lebih daripada 100% berbanding 2018, kepada RM213.86 juta. Seiring dengan peningkatan keuntungan sebelum cukai dan zakat jumlah aset bertambah 0.4% RM9.87 bilion berbanding RM9.83 bilion pada tahun sebelumnya. Untung kasar adalah 30.8% lebih tinggi berbanding tahun sebelumnya, manakala jumlah portfolio pembiayaan berkurang sedikit sebanyak 1.6% kepada RM6.38 bilion pada 2019 berbanding RM6.49 bilion pada tahun sebelumnya. Keuntungan SME Bank meningkat ketara pada 2019 dengan pertambahan tiga digit. Portfolio perkhidmatan berinovatif kami, berserta penerimaan yang baik daripada perusahaan kecil dan sederhana (PKS) melonjakkan pertumbuhan dalam keseluruhan penawaran kami.

Tumpuan kami kepada arah aliran industri dan pembangunan program baharu dan inovatif membolehkan kami mencatat pencapaian ini. Keuntungan operasi dan keuntungan sebelum cukai dan zakat kedua-duanya meningkat, masing-masing sebanyak 30.8% dan lebih 100%. Perbelanjaan modal yang berjumlah RM10.1 juta pada 2019 mengukuhkan lagi struktur modal kami.

Kami bangga dan teruja dengan kemajuan yang dicapai pada tahun ini serta prospek untuk menggalakkan lagi kemampnan melalui prestasi kewangan yang tinggi.



CONTRIBUTING TO THE ECONOMY

For 2019, our primary objectives are to continue in delivering sustainable profitability and creating value to stakeholders. To support these goals and to implement our strategic technology and digital innovation, we shoulder the responsibility to work proactively on issues of business and finance and to conduct our operations ethically and sustainably.

Credit rating institutions regularly evaluate our corporate behaviour and performance. The financial institution rating of AAA with a stable outlook by Malaysian Rating Corporation Berhad (MARC) attested our status as a Development Financial Institution (DFI) that plays a strategic role in the Government's socio-economic agenda to develop the SME sector.

While it is a testimony of the Bank's strength, the recognition is also an encouragement for us to further promote a sound economy for the society at large by helping businesses grow and expand, providing advice and support on financial matters, while at the same time offering beyond financial services.

Striking a balance between economic growth and sustainability is the appropriate way in fulfilling our mandated role to help SMEs. Their growth and prosperity lead to various spill-over economic and socio economic impacts, which in turn enable them to contribute to the economic development of society and the country as a whole.

MENYUMBANG KEPADA EKONOMI

Pada 2019, matlamat utama kami adalah untuk terus menjana keuntungan mampan dan mencipta nilai untuk pihak berkepentingan. Bagi menyokong matlamat ini dan melaksanakan teknologi strategik dan inovasi digital, kami memikul tanggungjawab untuk berusaha secara proaktif terhadap isu-isu perniagaan dan kewangan dan menjalankan operasi kami secara beretika dan mampan.

Institusi penarafan kredit secara berkala menilai tata laku dan prestasi korporat kami. Penarafan institusi kewangan AAA dengan tinjauan stabil oleh Malaysian Rating Corporation Berhad (MARC) membuktikan status kami sebagai Institusi Kewangan Pembangunan (DFI) yang memainkan peranan strategik dalam agenda sosioekonomi Kerajaan bagi membangunkan sektor PKS.

Selain dari menjadi bukti keteguhan Bank, pengiktirafan ini juga adalah satu pendorong bagi kami untuk terus menggalakkan ekonomi yang kukuh bagi masyarakat secara amnya dengan membantu perniagaan untuk maju dan berkembang, menyediakan khidmat nasihat dan sokongan bagi hal-hal kewangan, dan pada masa yang sama menawarkan perkhidmatan menjangkau pembiayaan.

Mencapai keseimbangan antara pertumbuhan ekonomi dengan kemampan adalah satu cara yang betul dalam memenuhi mandat kami untuk membantu PKS. Kemajuan dan kemakmuran mereka membawa kepada pelbagai kesan limpahan ekonomi dan sosioekonomi, yang kemudiannya membolehkan mereka menyumbang kepada perkembangan ekonomi, masyarakat dan negara amnya.

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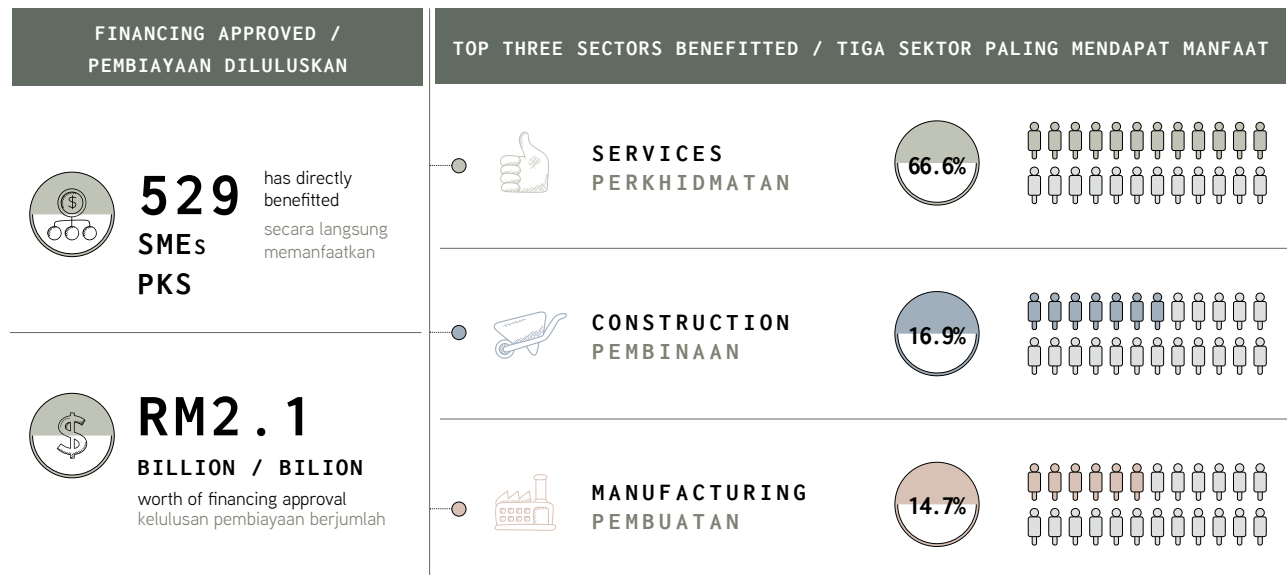
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**VALUES GENERATED
FROM ECONOMIC SUSTAINABILITY**

**NILAI-NILAI YANG TERHASIL
DARIPADA KEMAMPANAN EKONOMI**

WE DEFINE ECONOMIC SUSTAINABILITY AS MAKING SURE THE BUSINESS MAKES A PROFIT AND THAT BUSINESS OPERATIONS DO NOT CREATE NEITHER ENVIRONMENTAL NOR SOCIAL ISSUES THAT WOULD HARM THE COMPANY, THE SOCIETY AND THE PLANET.

KAMI MENTAFSIRKAN KEMAMPANAN EKONOMI SEBAGAI MEMASTIKAN PERNIAGAAN MENJANA KEUNTUNGAN DAN BAHAWA OPERASI PERNIAGAAN TIDAK MENDATANGKAN ISU ALAM SEKITAR ATAU ISU SOSIAL YANG AKAN MEMBAHAYAKAN ORGANISASI, MASYARAKAT DAN BUMI.



Economic sustainability issues have always been the focus in the Bank as they can impact or even threaten business longevity. Therefore, to achieve a sustainable development, we measure our environmental and social impact by also applying financial values, where relevant, to a range of indicators on people, environment and community and progress on these is as stated in this report.

Isu-isu kemampuan ekonomi sentiasa menjadi tumpuan dalam Bank kerana ia boleh memberi impak atau malah boleh mengancam jangka hayat perniagaan. Maka untuk mencapai pembangunan mampan, kami mengukur kesan alam sekitar dan sosial dengan mengguna pakai nilai-nilai kewangan, bilamana relevan, ke atas petunjuk bagi pekerja, alam sekitar dan masyarakat. Kemajuan tentang semua ini adalah sepertimana dinyatakan dalam laporan ini.

Economic sustainability, derived from responsible investments, good organisation reputation and better financial performance, creates sustainable value. This helps drive our commitment to spur the growth of SMEs further, while at the same time ensure sustainable environment and social well-being of the community.

Kemampuan ekonomi, yang terhasil daripada pelaburan bertanggungjawab, reputasi organisasi dan prestasi kewangan yang lebih baik, mencipta nilai mampan. Ini membantu komitmen kami dalam melonjakkan lagi pertumbuhan PKS, dan pada masa yang sama memastikan kemampuan alam sekitar dan kesejahteraan sosial masyarakat.

Specifically, we categorise the values generated from economic sustainability into two areas of direct and indirect impacts.

Secara khususnya, kami mengkategorikan nilai-nilai yang terhasil daripada kemampuan ekonomi ke dalam dua bahagian iaitu impak langsung dan tidak langsung.

**DIRECT ECONOMIC IMPACT**

Direct economic impact to us is the measure of the total amount of additional expenditure we incur both inside and outside the Bank, which is directly attributed to our financial performance. The impact from strong economic performance is translated into:

- Value which is delivered to our shareholders;
- Value which is delivered through our services to society;
- Competitive salaries and benefits offered to our employees;
- Fulfilment of obligations to suppliers and creditors;
- Fulfilment of customers' needs; and
- Investment benefits to local communities.

Meanwhile, the significant funding allocation of RM500 million the Bank received from the Government in 2019 to facilitate the implementation of various funds was channelled to SME entrepreneurs.

This has directly benefitted 529 SMEs who, during the year, received financing approval totalling RM2.1 billion from the Bank. The majority of approvals were for small and medium sized entrepreneurs, of 42.8% and 38.3%, respectively.

This has brought the Bank's gross financing portfolio in 2019 to RM6.4 billion. Financing to 'Small' entrepreneurs category made up the majority of the portfolio (39.2%) and followed by 'Medium' scale entrepreneurs at 36.7%. The top three sectors which benefitted from this are Services at 66.6%, Construction at 16.9%, and Manufacturing at 14.7%.

A total of 10,214 SMEs has directly benefitted from the financing SME Bank provides since 2005 when it was established, which amounts to approximately RM6.38 billion.

IMPAK EKONOMI LANGSUNG

Impak ekonomi langsung bagi kami adalah pengukuran jumlah perbelanjaan tambahan yang kami buat di dalam dan di luar Bank, yang secara langsung adalah daripada prestasi kewangan kami. Impak daripada prestasi kewangan yang kukuh diterjemahkan kepada:

- Nilai yang disampaikan kepada pemegang saham kami;
- Nilai yang disampaikan melalui khidmat kami kepada masyarakat;
- Gaji dan manfaat yang berdaya saing yang ditawarkan kepada pekerja kami;
- Penunai kewajipan kepada pembekal dan pemiutang;
- Pemenuhan keperluan pelanggan; dan
- Manfaat pelaburan kepada masyarakat setempat.

Sementara itu, peruntukan besar pendanaan sebanyak RM500 juta yang Bank terima daripada Kerajaan pada 2019 untuk pelaksanaan pelbagai dana disalurkan kepada usahawan PKS.

Dana ini secara langsung memanfaatkan 529 PKS yang mana, sepanjang tahun ini, mendapat kelulusan pembiayaan berjumlah RM2.1 bilion daripada Bank. Sebilangan besar kelulusan ini adalah untuk usahawan kecil dan sederhana, masing-masing sebanyak 42.8% dan 38.3%.

Ini telah menjadikan portfolio pembiayaan kasar Bank pada 2019 sebanyak RM6.4 bilion. Pembiayaan kepada kategori usahawan 'Kecil' yang membentuk sebahagian besar daripada portfolio (39.2%) dan diikuti oleh usahawan berskala 'Sederhana' pada 36.7%. Tiga sektor teratas yang menerima manfaat daripada dana ini adalah Perkhidmatan (66.6%), Pembinaan (16.9%), dan Pembuatan (14.7%).

Sebanyak 10,214 PKS telah mendapat manfaat langsung daripada pembiayaan yang disediakan oleh SME Bank, sejak ia ditubuhkan pada 2005, dengan jumlah kira-kira RM6.38 bilion.

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INDIRECT ECONOMIC IMPACT

The economic dimension of sustainability at SME Bank concerns not only its impacts on the economic conditions of its stakeholders, but also on the overall economic systems at the local and national level. We address the flow of capital among our various stakeholders, both internal and external.

Our indirect economic impacts are both monetary and non-monetary, which go beyond extrinsic values in relation to knowledge, development, safety, health, conservation and wellbeing, amongst many others.

More than 1,000 employees and 1,812 vendors where we operate our business benefit from the extensive indirect economic impacts. Some examples include:

- Increased efficiency and productivity of SME entrepreneurs and the whole economy of the SME sector;
- Economic development in the communities;
- Improved social or environmental conditions;
- Availability of innovative products and services for businesses;
- Enhanced skills and knowledge amongst employees as well as young, potential and existing entrepreneurs; and
- Greater compliance in the supply chain;

Promoting sustainability in all its forms and being a good corporate citizen remain important to the way we operate our business. Many of our services, which go beyond financing, have indirect economic impacts, as highlighted in the Environmental and Social sections of this report.



IMPAK EKONOMI TIDAK LANGSUNG

Dimensi kemampanan ekonomi di SME Bank bukan hanya menekankan pada kesannya ke atas keadaan ekonomi pihak berkepentingan, tetapi juga ke atas keseluruhan sistem ekonomi setempat dan negara. Kami mengendalikan aliran modal di kalangan pelbagai pihak berkepentingan, dalam dan luar.

Impak ekonomi tidak langsung adalah dalam bentuk monetari dan bukan monetari, yang menjangkau nilai-nilai ekstrinsik yang antara lainnya berkaitan dengan pengetahuan, pembangunan, keselamatan, kesihatan, pemulihan dan kesejahteraan.

Lebih daripada 1,000 kakitangan dan 1,812 pembekal di mana kami menjalankan perniagaan kami mendapat manfaat daripada impak ekonomi tidak langsung. Antara beberapa contohnya termasuklah:

- Peningkatan kecekapan dan produktiviti usahawan PKS dan seluruh ekonomi sektor PKS;
- Perkembangan ekonomi dalam komuniti;
- Keadaan sosial dan alam sekitar yang ditambah baik;
- Ketersediaan produk dan perkhidmatan inovatif untuk perniagaan;
- Peningkatan kepakaran dan pengetahuan di kalangan kakitangan serta usahawan muda, berpotensi dan yang sedia ada; dan
- Pematuhan lebih tinggi dalam rantaian bekalan.

Menggalakkan kemampanan dalam segala bentuknya dan menjadi warga korporat yang baik kekal sebagai sesuatu yang penting dalam cara kami menjalankan perniagaan. Kebanyakan perkhidmatan kami, yang menjangkau pembiayaan, mempunyai impak ekonomi tidak langsung, sepertimana dinyatakan dalam bahagian Alam Sekitar dan Sosial laporan ini.



UNLOCKING DIGITAL INNOVATION MERUNGKAI INOVASI DIGITAL



At a time when technology has become the centrepiece of most organisations' transformation to business digitalisation, SME Bank takes every effort and is fully committed to meet stakeholders' demands for innovative solutions. The ubiquitous nature of technology in the daily life further compounds these demands, and this has led us to seek technology solutions.

We pursued digital innovation to create added value in wider society by establishing new service offerings such as those that leverage on technology as we launched our two-year Accelerated Programme in 2019. The programme sets new directions and initiatives for the Bank to improve its services.

Included in this programme is the National SME Digital Platform which is in line with the National Entrepreneurship Policy (DKN 2030). The aim is to empower the adoption of innovation technology in this current fourth industrial revolution era. By providing digital platforms to SMEs, we help them in their transition from a traditional business to a digital business, and subsequently enhance their productivity. The Bank's digital innovation thus brings about businesses' increased efficiency and productivity as well as expanded market reach; and in a broader scope, advances the growth of SMEs.

Pada ketika teknologi telah menjadi penumpuan bagi kebanyakan organisasi untuk berubah kepada pendigitalan perniagaan, SME Bank mengambil langkah sewajarnya dan begitu komited untuk memenuhi permintaan pihak berkepentingan terhadap penyelesaian inovatif. Bentuk teknologi yang sentiasa wujud dalam kehidupan harian meningkatkan lagi permintaan ini, dan telah mendorong kami untuk mencari penyelesaian teknologi.

Kami meneruskan inovasi digital untuk mencipta nilai tambah dalam masyarakat yang lebih besar dengan menyediakan penawaran perkhidmatan baharu yang memanfaatkan teknologi apabila kami melancarkan Program Pecutan dua-tahun pada 2019. Program ini menetapkan hala tuju dan inisiatif Bank untuk menambah baik mutu perkhidmatannya.

Termasuk dalam program ini adalah Platform Digital PKS Kebangsaan, seiring dengan Dasar Keusahawanan Nasional (DKN 2030). Matlamatnya adalah untuk memperkasakan penggunaan teknologi inovasi dalam era revolusi industri keempat masa kini. Dengan menyediakan platform digital untuk PKS, kami membantu dalam peralihan mereka daripada perniagaan biasa kepada perniagaan digital, dan seterusnya meningkatkan produktiviti mereka. Oleh itu, inovasi digital Bank membawa kepada peningkatan kecekapan dan produktiviti sekaligus mengembangkan capaian pasaran, dan dalam skop lebih luas, memajukan pertumbuhan PKS.

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DEVELOPING THE SME ECOSYSTEM
MEMBANGUNKAN EKOSISTEM PKS



**WE SEEK TO BOOST INNOVATION
IN THE SME ECOSYSTEM THROUGH A
COMPREHENSIVE APPROACH, CONTRIBUTING
IN A VARIETY OF WAYS.**

We entered into strategic partnerships with firms and service providers that help us develop and implement the digital integration into our business.

As SME Bank conducts more of its business through collaborations and networks, the key focus in digital innovation is shifting to a supply chain which is a part of the wider business ecosystem. After all, it is our vision to be the leader in SME ecosystem value creation beyond financial services. Therefore, this call for a new approach to our infrastructure; one that enables SMEs to develop, adapt and use innovative applications and services quickly and easily.

In 2019, we successfully launched two new digital platforms which become the game changer in SME business landscape as they provide access to more systematic and informative e-Commerce platforms and at the same time help achieve the Government's aspiration to strengthen the country's digital economy.

SCOREXCESS

The SME Bank ScoreXcess is a one-stop online financing application platform that the Bank launched in 2019 for micro and small entrepreneurs to obtain financing.

Participated by several other DFIs and selected financing agencies with various financing programmes in the country, ScoreXcess will ease entrepreneurs to apply financing through a single platform and match them with the respective DFIs, and financing agencies. The applicants will be pre-screened through the system's credibility scoring and payment behaviour analysis using artificial intelligence (AI) before they are channelled to the recommended agencies on board ScoreXcess for further processing and approval decision.

ScoreXcess benefitted the country as well as it minimizes the retrofit efforts by DFIs towards efficient cost to serve SMEs according to their size categorization (nano, micro and small) and enabled targeted financing programme.

Since it was launched in September 2019, we have received 172 applications as at December 2019, for financing amounting to RM2 million.

**KAMI BERUSAHA MERANGSANG INOVASI
DALAM EKOSISTEM PKS MENERUSI
PENDEKATAN MENYELURUH, MENYUMBANG DALAM
PELBAGAI CARA.**

Kami memeterai perkongsian strategik dengan firma-firma dan penyedia perkhidmatan yang membantu kami membangun dan melaksanakan penyatuan digital ke dalam perniagaan kami.

Pada masa SME Bank mengendalikan lebih banyak perniagaannya melalui kerjasama dan hubungan rangkaian, tumpuan utama dalam inovasi digital beralih kepada rantai bekalan yang merupakan sebahagian daripada ekosistem perniagaan yang lebih besar. Lebih-lebih lagi, ia adalah visi kami untuk menjadi peneraju dalam penciptaan nilai ekosistem PKS yang menjangkau perkhidmatan pembiayaan. Oleh itu ia memerlukan pendekatan baharu terhadap infrastruktur kami; sesuatu yang membolehkan PKS untuk berkembang, menyesuaikan dan menggunakan aplikasi dan perkhidmatan inovatif dengan pantas dan mudah.

Pada 2019, kami berjaya melancarkan dua platform digital baharu yang menjadi pengubah keadaan dalam landskap perniagaan PKS yang mana ia menyediakan platform e-Dagang yang lebih sistematik dan informatif dan pada masa yang sama membantu mencapai aspirasi Kerajaan untuk mengukuhkan ekonomi digital negara.

SCOREXCESS

SME Bank ScoreXcess adalah platform dalam talian setempat yang Bank perkenalkan pada 2019 untuk usahawan mikro dan kecil membuat permohonan pembiayaan.

Dengan pernyataan daripada beberapa DFI lain dan agensi-agensi pembiayaan terpilih dengan pelbagai program pembiayaan di negara ini, ScoreXcess akan memudahkan usahawan untuk memohon pembiayaan melalui platform tunggal dan memadankan mereka dengan DFI dan agensi pembiayaan tertentu. Pemohon akan dinilai dengan analisis pemarkahan kredit dan gaya pembayaran menggunakan kecerdasan buatan (AI) sebelum mereka disalurkan kepada agensi-agensi yang dicadangkan bagi tujuan keputusan pemprosesan dan kelulusan.

ScoreXcess memanfaatkan negara di samping mengurangkan usaha naik taraf oleh DFI ke arah kos berkesan untuk memberi perkhidmatan kepada PKS berdasarkan kategori saiz mereka (nano, mikro dan kecil) dan membolehkan program pembiayaan yang disasarkan.

Sejak pelancarannya pada September 2019, kami telah menerima 172 permohonan pada Disember 2019, untuk pembiayaan berjumlah RM2 juta.

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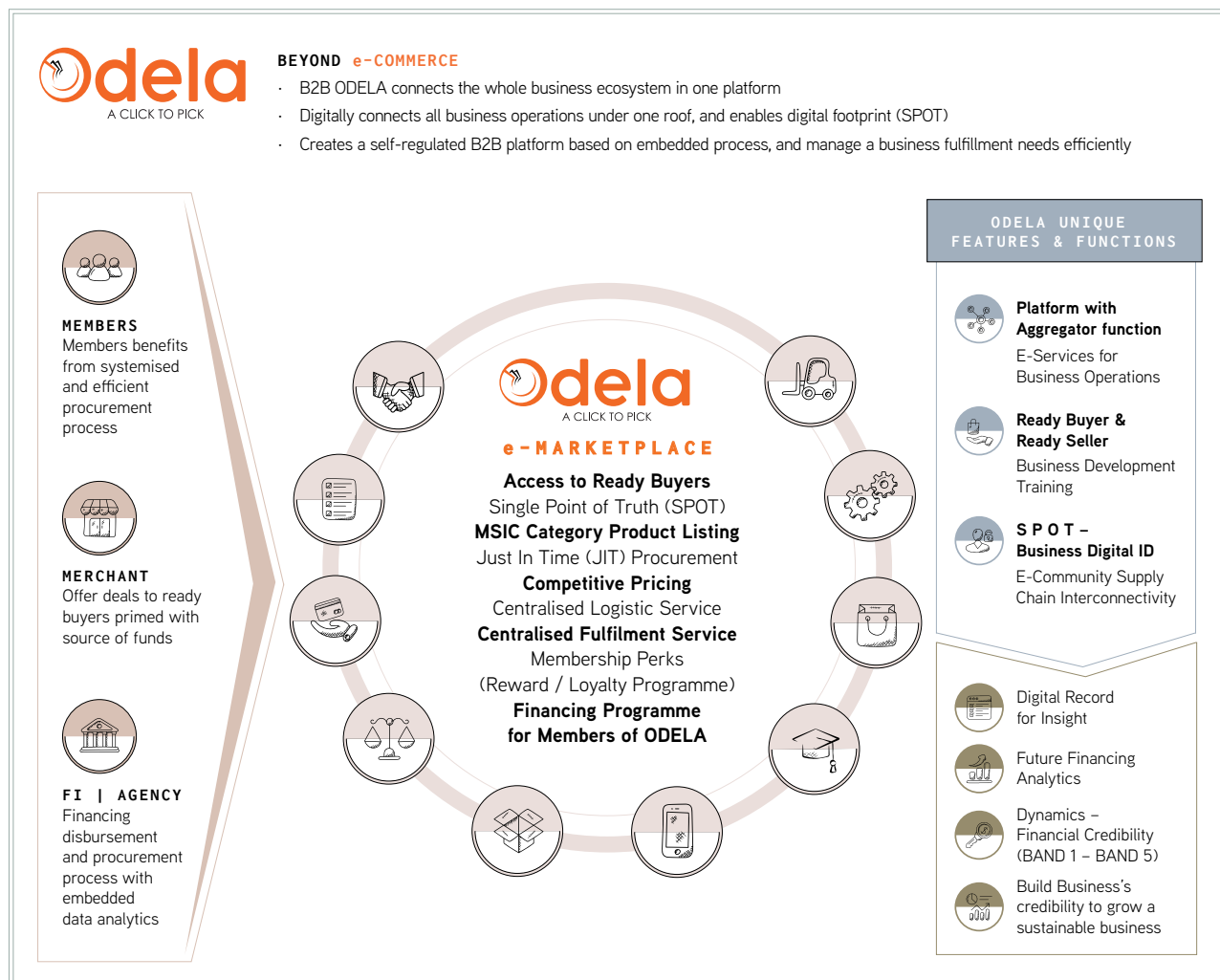
O D E L A

O DELA IS AN E-COMMERCE PLATFORM THAT THE BANK LAUNCHED IN DECEMBER, 2019. IT PROVIDES ACCESS TO A MORE SYSTEMATIC AND INFORMATIVE E-COMMERCE PLATFORM ESPECIALLY FOR BUSINESS-TO-BUSINESS (B2B) ACTIVITIES.

It is an end-to-end digital solution that will change the way SMEs operate their businesses. We expect around 8,000 merchants and buyers will use ODELA in the first year of its launch.

O DELA is our commitment to drive the SME growth and nurture them to be more competitive in the market. The B2B landscape has undergone tremendous change particularly with the younger generation emphasising on a faster, easier, safer and more profitable business management.

A revolutionary platform beyond e-Marketplace, ODELA encapsulates other aspects apart of business transaction for SMEs, as shown in the following diagram:



With sustainability taking many forms, we believe that all these digital platforms and solutions will bring a huge impact on economic growth that transforms into inclusive development with greater impact on many fronts, including governance, environment and social.

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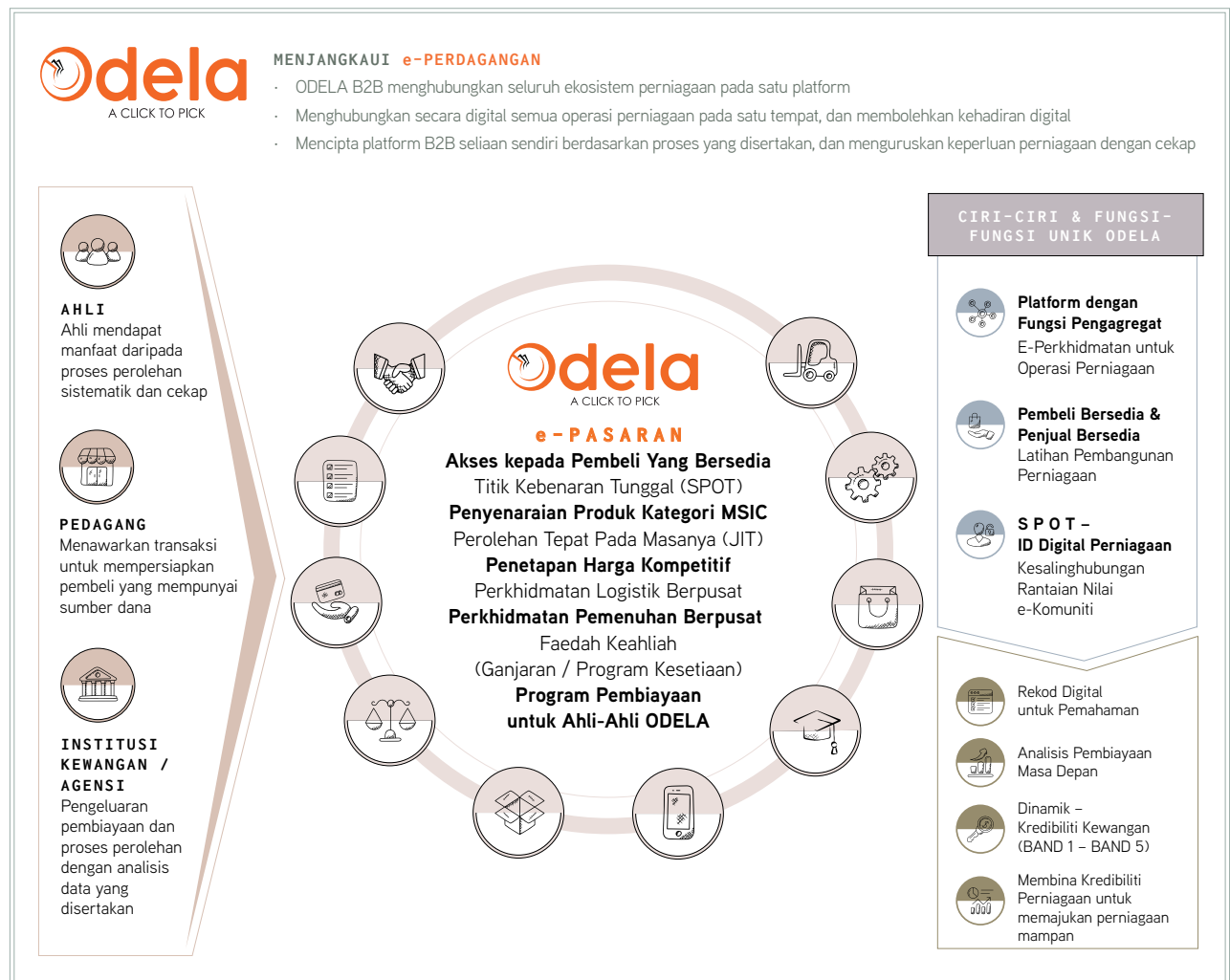
O D E L A

O DELA ADALAH PLATFORM E-DAGANG YANG BANK PERKENALKAN PADA DISEMBER 2019. IA MENYEDIAKAN AKSES KEPADA PLATFORM E-DAGANG YANG LEBIH SISTEMATIK DAN INFORMATIF KHUSUSNYA UNTUK AKTIVITI PERNIAGAAN-KEPADA-PERNIAGAAN (B2B).

la merupakan penyelesaian digital lengkap yang bakal mengubah cara PKS menjalankan perniagaan mereka. Kami menjangka sekitar 8,000 pedagang dan pembeli yang akan menggunakan ODELA dalam tahun pertama pelancarannya.

O DELA adalah komitmen kami untuk memacu pertumbuhan PKS dan memupuk mereka agar menjadi lebih berdaya saing dalam pasaran. Landskap B2B telah melalui perubahan besar khususnya dengan generasi muda yang menekankan kepada pengurusan perniagaan yang lebih pantas, mudah, selamat dan menguntungkan.

Satu platform revolusioner yang menjangkai e-Pasaran, ODELA merangkumi aspek lain selain daripada transaksi perniagaan, sebagaimana ditunjukkan dalam gambar rajah berikut:



Dengan kemampanan yang hadir dalam banyak bentuk, kami percaya bahawa semua platform dan penyelesaian digital ini akan membawa impak besar kepada pertumbuhan ekonomi yang berubah menjadi pembangunan terangkum dengan kesan lebih besar dari banyak segi, termasuk tadbir urus, alam sekitar dan sosial.

**MY SME BANK**

Since going live on 2 February 2018, MySMEBank has been well received by the SME entrepreneurs. An online financing application system, it provides a full digital end-to-end customer experience to the users. It has transformed the way SME Bank delivers convenience to the customers.

This online application system enables customers to enjoy faster approvals for their financing applications. This is because the Bank is now able to cut turnaround time to only 14 days due to the total of 41% steps being reduced as the processes from the point of application right to disbursement are now entirely online.

With a tagline 'Apply Anytime Anywhere', MySMEBank provides a complete digital end to end customer experience. Such a seamless financing application improves turnaround time in a more dynamic and systematic way - from when a customer first applies for financing right up to the financing disbursement.

'BOOK YOUR BANKER' (BYB)

MySMEBank is integrated with the Book Your Banker (BYB) service which is an online registration for customers to apply for financing. BYB is located in SME Bank's mobile App and uses financial technology tool which improves service delivery.

With BYB application, SME entrepreneurs are able to secure an appointment to meet the Bank's officer at the branch of their choice and at their convenient time. This innovative service enables SME Bank to cut the turnaround time for financing applications, while ensuring that all communications with the Bank with regard to financing matters is well documented.

MY SME BANK

Sejak ia mula dilancarkan pada 2 Februari 2018, MySMEBank telah mendapat sambutan daripada usahawan PKS. Sebagai sistem permohonan dalam talian, ia menawarkan pengalaman digital lengkap kepada pengguna, dan telah mengubah cara SME Bank menyediakan kemudahan kepada para pelanggannya.

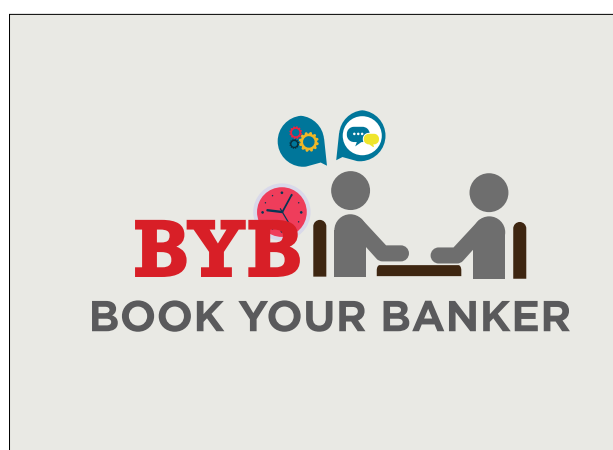
Sistem permohonan dalam talian ini membolehkan pelanggan mendapat kelulusan lebih cepat bagi permohonan pembiayaan mereka. Ini kerana Bank kini boleh mengurangkan masa hanya kepada 14 hari, hasil daripada jumlah 41% langkah yang dikurangkan bermula daripada proses permohonan sehingga pengeluaran dana keseluruhannya berlaku secara dalam talian.

Dengan slogan 'Mohon Bila-Bila Masa Di Mana Sahaja', MySMEBank menawarkan pengalaman digital lengkap. Permohonan pembiayaan yang lancar menambah baik masa pusingan dalam cara yang lebih dinamik dan sistematik - dari ketika pelanggan mula memohon pembiayaan sehingga ke peringkat apabila pembiayaan dikeluarkan.

BOOK YOUR BANKER (BYB)

MySMEBank disepadukan dengan perkhidmatan *Book Your Banker (BYB)* iaitu perkhidmatan pendaftaran dalam talian untuk pelanggan memohon pembiayaan. BYB tersedia pada aplikasi mudah alih SME Bank dan menggunakan teknologi kewangan untuk menambah baik penyampaian perkhidmatan.

Dengan aplikasi BYB, usahawan PKS boleh membuat temujanji dengan pegawai Bank di cawangan pilihan mereka, pada masa yang sesuai. Perkhidmatan inovatif ini membolehkan SME Bank memendekkan tempoh permohonan pembiayaan, di samping memastikan semua komunikasi berkaitan urusan pembiayaan didokumenkan dengan sempurna.



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PROMOTING ENTREPRENEURSHIP FOR SUSTAINABLE DEVELOPMENT
MENGALAKKAN KEUSAHAWANAN UNTUK PEMBANGUNAN MAMPAN



SME BANK DIRECTLY SUPPORTS
ENTREPRENEURSHIP FOR SUSTAINABLE
DEVELOPMENT WHICH ENABLES ENTREPRENEURS
TO PURSUE ECONOMIC VIABILITY.

We acknowledge that entrepreneurship can have a catalytic effect in efforts to achieve mainly economic prosperity. The potential of entrepreneurship is also a possible solution to sustainable development challenges including environmental and social challenges.

Small and Medium Enterprises (SME) are drivers of job creation and beyond its economic benefits where entrepreneurship contributes to social outcomes by fostering the creation of wealth to certain groups such as youths and women.

We recognise youth entrepreneurship as one of the solutions that can play an important role to address unemployment challenge. Women entrepreneurship on the other hand, promotes equality and enhances women’s economic empowerment while contributing to the nation’s economic growth.

True to the mandate by the Government for SME Bank to nurture and grow Small and Medium Enterprises (SME) in the country, we continued to help in their entrepreneurship journey by offering various types of financing. Complementing this, the Bank’s intervention programmes provide the avenue for improving efficiency and enhancing skills. Leveraging on digitalisation and technology, our new and innovative delivery channels help to further promote entrepreneurship in our efforts towards sustainable development.

SME BANK SECARA LANGSUNG MENYOKONG
KEUSAHAWANAN UNTUK MENCAPAI PEMBANGUNAN
MAMPAN YANG MEMBOLEHKAN USAHAWAN
MENERUSKAN DAYA MAJU EKONOMI.

Kami akur bahawa keusahawanan boleh mempunyai kesan pemangkin dalam usaha terutamanya untuk mencapai kemakmuran ekonomi. Potensi keusahawanan juga adalah kemungkinan penyelesaian kepada cabaran pembangunan mampan termasuk cabaran alam sekitar dan sosial.

Perusahaan Kecil dan Sederhana (PKS) adalah pemacu pengwujudan pekerjaan dan lebih daripada manfaat ekonominya, keusahawanan menyumbang kepada hasil sosial dengan menggalakkan penciptaan kekayaan untuk golongan tertentu seperti belia dan wanita.

Kami mengiktiraf keusahawanan sebagai salah satu daripada penyelesaian yang boleh memainkan peranan penting untuk menangani cabaran pengangguran. Keusahawanan wanita sebaliknya pula menggalakkan kesamaan dan meningkatkan pemerkasaaan ekonomi wanita sementara menyumbang kepada pertumbuhan ekonomi negara.

Bertepatan dengan mandat yang diberikan oleh Kerajaan kepada SME Bank untuk memupuk dan mengembangkan Perusahaan Kecil dan Sederhana (PKS) di negara ini, kami terus membantu dalam perjalanan keusahawanan PKS dengan menawarkan pelbagai jenis pembiayaan. Sementara itu, program jangkauan Bank menyediakan ruang untuk menambah baik kecekapan dan meningkatkan kepakaran mereka. Memanfaatkan pendigitalan dan teknologi pula, saluran penyampaian kami yang baharu dan inovatif membantu menggalakkan lagi keusahawanan dalam usaha kami ke arah pembangunan mampan.





SUPPORTING SME EXPANSION

TO ACHIEVE THE HIGHEST SUSTAINABLE ECONOMIC GROWTH, WHILE MAINTAINING FINANCIAL STABILITY, AND THUS CONTRIBUTE TO THE OVERALL DEVELOPMENT OF THE ECONOMY, SME BANK CONTINUED WITH ITS DEVELOPMENTAL AND INTERVENTION PROGRAMMES IN 2019.

We contribute to the expansion of SMEs on a multilateral basis in accordance with sustainability obligations.

MIGRATING MATURE MICRO ENTERPRISES INTO SMEs

In 2019, we continued to help mature micro enterprises wishing to explore their upside potential through the Bank's Small Business Financing (SBF) package. With an allocation of RM100 million, SBF aims at helping micro entrepreneurs to move up the value chain to become SMEs. The SBF offers a working capital of between RM100,000 and RM750,000 to increase their product marketability and enhance operations.

We use a diagnostic tool to rate and enhance the competitiveness of SMEs based on their performance and capabilities. The SME Competitiveness Rating for Enhancement (SCORE) has three (3) key performance index (KPI) as a guide for SMEs to be to be migrated upward. The KPIs are improvement in Risk or SCORE rating; market expansion from the domestic to export market; and / or migration from being a need-based to a merit-based client.

A total of 331 companies successfully migrated upward in 2019. These include the creation of new start-ups and entrepreneurs that registered growth in their profit, as well as the increased number of employees and expansion to the export market.

MENYOKONG PERKEMBANGAN PKS

UNTUK MENCAPAI PERTUMBUHAN TERTINGGI EKONOMI MAMPAN, SEMENTARA MENGEKALKAN KESTABILAN KEWANGAN, LALU MENYUMBANG KEPADA PERKEMBANGAN EKONOMI, SME BANK MENERUSKAN PROGRAM PEMBANGUNAN DAN INTERVENSI PADA 2019.

Kami menyumbang kepada pengembangan PKS dalam pelbagai hala berdasarkan obligasi kemampunan.

MENINGKATKAN TARAF SYARIKAT MIKRO MATANG MENJADI PKS

Pada 2019, kami terus membantu syarikat mikro matang yang berhasrat mencari ruang potensi menaik taraf perniagaan mereka menerusi pakej Pembiayaan Perniagaan Kecil (SBF) SME Bank. Dengan peruntukan sebanyak RM100 juta, SBF menasaskan untuk membantu usahawan-usahawan mikro menaik taraf kepada PKS. SBF menawarkan modal kerja antara RM100,000 dan RM750,000 untuk menambah kebolehpasaran produk dan meningkatkan operasi.

Kami menggunakan kaedah diagnostik untuk menarafkan dan meningkatkan daya saing PKS berdasarkan prestasi dan keupayaan mereka. SME *Competitiveness Rating for Enhancement (SCORE)* mempunyai tiga indeks prestasi utama (KPI) sebagai panduan untuk PKS dinaik taraf, iaitu KPI untuk penambahbaikan dalam penarafan risiko atau *SCORE*; pengembangan pasaran daripada pasaran tempatan kepada pasaran eksport; dan/atau penghijrahan daripada menjadi pelanggan berasaskan keperluan kepada pelanggan berasaskan merit.

Sejumlah 331 syarikat telah berjaya dinaik taraf pada 2019. Ini termasuk pengwujudan syarikat dan usahawan baharu yang mencatat peningkatan keuntungan, serta pertambahan bilangan pekerja dan pengembangan ke pasaran eksport.

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EMPOWERING WOMEN IN BUSINESS

To further spur economic growth which contributes to sustainable development that extends benefits to all, and reduces any form of inequalities including gender, we offer a unique product called MySMELady.

MySMELady is a market fund with an allocation of RM200 million to provide financing to women entrepreneurs who are acquiring assets, namely plants, machinery and equipment. This financing is also meant to help them meet their working capital requirement as they expand and grow their business.

Women entrepreneurs who qualify can apply for a minimum financing of RM500,000 to a maximum of RM3 million with no collateral. The financing tenure is up to five years.

ADVANCING HIGH POTENTIAL SMES INTO SME CHAMPIONS

In 2019, SME Bank as the implementing agency for the Entrepreneur Acceleration Scheme (Skim Anjakan Usahawan) or more commonly known as i-SMART initiative, was given an allocation of RM20 million by the Ministry of Entrepreneur Development and Cooperatives to execute the programme.

The i-SMART initiative aims at developing and elevating high potential SMEs into becoming SME champions, to achieve our target of creating 30 national SME champions, 10 regional champions and 5 international champions.

FACILITATING BUSINESS FOR SMES

SME Bank's Entrepreneur Premises Programme (EPP) offers Bumiputera entrepreneurs affordable and competitive factory spaces for rental. Under this programme, we provide 26 Entrepreneur Premises Complex (EPC) with 454 factory lots strategically located nationwide. In 2019, there has been an encouraging demand with 80.8% occupancy rate.

Contributing further to ensuring their sustainable expansion, the EPP officers are on hand to ensure optimum supervision of each tenant's progress and development throughout the tenancy period.



MEMPERKASAKAN WANITA DALAM PERNIAGAAN

Untuk menggalakkan lagi pertumbuhan ekonomi yang menyumbang kepada pembangunan mampan yang memberi manfaat kepada semua orang, dan mengurangkan sebarang bentuk ketidaksamaan termasuk jantina, kami menawarkan produk unik, *MySMELady*.

MySMELady merupakan dana pasaran dengan peruntukan sebanyak RM200 juta untuk menyediakan pembiayaan kepada usahawanita yang berhasrat membeli aset, iaitu loji, jentera dan peralatan. Pembiayaan ini juga bertujuan membantu mereka memenuhi keperluan modal kerja untuk mereka mengembang dan membangunkan perniagaan mereka.

Usahawanita yang layak boleh memohon pembiayaan minimum sebanyak RM500,000 hingga maksimum sebanyak RM3 juta tanpa cagaran. Tempoh pembiayaan adalah sehingga lima tahun.

MEMAJUKAN PKS BERPOTENSI TINGGI MENJADI JAGUH PKS

Pada 2019, SME Bank sebagai agensi pelaksana bagi Skim Anjakan Usahawan atau lebih biasa dikenali sebagai inisiatif i-SMART, telah diberi RM20 juta oleh Kementerian Pembangunan Usahawan dan Koperasi (MEDAC) untuk melaksanakan program ini.

Inisiatif i-SMART menyasarkan untuk membangun dan meningkatkan PKS berpotensi tinggi menjadi jaguh PKS, bagi mencapai sasaran kami mewujudkan 30 jaguh PKS di dalam negara, 10 jaguh serantau dan 5 jaguh di peringkat antarabangsa.

MEMBANTU PERNIAGAAN UNTUK PKS

Program Premis Usahawan (EPP) SME Bank menawarkan ruang kilang mampu milik dan berdaya saing kepada usahawan Bumiputera. Di bawah program ini, kami menyediakan 26 Kompleks Premis Usahawan (EPC) dengan 454 lot kilang dengan lokasi strategik di seluruh negara. Pada 2019, permintaan adalah menggalakkan dengan kadar pendudukan sebanyak 80.8%.

Sebagai menyumbang lagi untuk memastikan pembangunan mampan mereka, pegawai-pegawai EPP sentiasa memantau kemajuan dan perkembangan setiap penyewa sepanjang tempoh sewaan.

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**ACCELERATING TALENTED SMES
FOR LARGER GROWTH**

During the year, we embarked on TITAN Initiative Creation, or aptly called TITAN, which is a comprehensive business acceleration platform to discover and support Malaysia's talented entrepreneurs.

Through TITAN, we aim to help entrepreneurs build successful companies. A TITAN company is defined as an exceptional company with a unique insight focused on a market which is poised for growth. Under this programme, our focus is on building capacity through providing comprehensive advice to the company. These include providing value-creation plans to enhance business sustainability through organic and inorganic growth, enhancement of fund raising capabilities, and improving the corporate governance process as efforts to ensure the company has less obstacles for further expansion. Ultimately, this five-year programme is to produce leading industrial players to support national economic and social growth.

**BUILDING UP EXPORTS GROWTH
FOR SMEs**

Following the Government's call for local SMEs to expand their markets beyond Malaysia, SME Bank offers the *MySMEExport* and *Best Exporter Programme (BEP)* financing package to entrepreneurs to support *Going-Export* programme under the Malaysian External Trade Development Corporation (MATRADE).

We assisted 55 out of 73 companies that participated in the BEP during the year. Total incremental export revenues that these companies recorded were RM141.4 million.

MySMEExport facilitates entrepreneurs to acquire new assets and working capital as well as access to trade facilities from commercial banks for export purposes. Through this scheme, we offer financing up to RM5 million for working capital including trade facilities, purchase of machine or equipment and financing for advertising and promotion as well as certification for export.



MEMPERCEPATKAN PKS UNTUK PERTUMBUHAN LEBIH BESAR

Pada tahun ini, kami memulakan Pengwujudan Inisiatif TITAN, atau ringkasnya dipanggil TITAN, yang merupakan platform pemecutan perniagaan yang lengkap untuk mencari dan menyokong usahawan Malaysia yang berbakat.

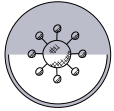
Menerusi TITAN, kami menasaskan untuk membantu usahawan membina syarikat yang berjaya. Syarikat TITAN ditafsirkan sebagai sebuah syarikat yang luar biasa dengan tinjauan unik dan menumpukan kepada pasaran yang berkembang maju. Di bawah program ini, tumpuan kami adalah untuk membangunkan keupayaan dengan cara menyediakan khidmat nasihat yang lengkap kepada syarikat tersebut. Ini termasuk menyediakan rancangan penciptaan nilai untuk meningkatkan kemampanan perniagaan melalui pertumbuhan organik dan bukan organik, pertambahan keupayaan pemerolehan, dan menambah baik proses tadbir urus sebagai usaha memastikan syarikat mempunyai kurang halangan untuk pengembangan selanjutnya. Akhirnya, program lima tahun ini adalah untuk menghasilkan pemain industri terkemuka yang akan menyokong pertumbuhan ekonomi dan sosial negara.

MEMBINA PERTUMBUHAN EKSPORT UNTUK PKS

Berikutan seruan Kerajaan supaya PKS tempatan mengembangkan pasaran mereka ke luar Malaysia, SME Bank menawarkan pakej pembiayaan *MySMEExport* dan *Best Exporter Programme (BEP)* kepada usahawan sebagai menyokong program *Going-Export* di bawah Perbadanan Pembangunan Perdagangan Luar Malaysia (MATRADE).

Kami membantu 55 daripada 73 syarikat yang mengambil bahagian dalam BEP sepanjang tahun ini. Hasil tambahan eksport yang dicatat oleh syarikat-syarikat ini adalah sebanyak RM141.4 juta.

MySMEExport membantu usahawan untuk mendapatkan aset-aset baharu dan modal kerja serta akses kepada kemudahan perdagangan daripada bank-bank komersial bagi tujuan eksport. Melalui skim ini, kami menawarkan pembiayaan sehingga RM5 juta untuk modal kerja termasuk kemudahan perdagangan, pembelian mesin atau peralatan, dan pembiayaan untuk pengiklanan dan promosi serta pensijilan untuk eksport.



BEYOND FINANCING INITIATIVES FOR A SUSTAINABLE ECONOMY INISIATIF MENJANGKAUI PEMBIAYAAN UNTUK EKONOMI MAMPAN



OVER THE YEARS, SME BANK HAS BEEN ENGAGING WITH THE BUSINESS COMMUNITY IN THE TASK OF PROMOTING A SUSTAINABLE ECONOMY THROUGH VARIOUS BEYOND FINANCING EFFORTS.

To ensure deeper and lasting economic progress, the architecture of our development agenda calls for the design of developmental programmes.

While we have moved into a digitalisation journey by introducing automation to improve efficiency and reduce costs, we continue to assist entrepreneurs through "nurturing" and "intervention" activities. We remain committed to guide and develop SMEs throughout their lifecycle from the growth stage right to the maturity stage. Our "handholding" approach is essential to ensure that SMEs can sustain business growth until they finally manage to penetrate the global market.

SELAMA BERTAHUN-TAHUN, SME BANK BERHUBUNG DENGAN KOMUNITI PERNIAGAAN UNTUK MENGGALAKKAN EKONOMI MAMPAN MELALUI PELBAGAI USAHA YANG MENJANGKAUI PEMBIAYAAN.

Bagi memastikan kemajuan ekonomi yang lebih pesat dan berpanjangan, agenda yang kami rangkakan adalah dalam bentuk program pembangunan.

Dalam kami mengorak langkah ke arah pendigitalan dengan memperkenalkan automasi untuk menambah baik kecekapan dan mengurangkan kos, kami terus membantu usahawan menerusi aktiviti "pemupukan" dan "intervensi". Kami kekal komited untuk memandu dan membangunkan PKS sepanjang jangka hayat mereka daripada peringkat pertumbuhan sehingga peringkat kematangan. Pendekatan "bimbingan peribadi" kami adalah penting untuk memastikan PKS boleh mengekalkan pertumbuhan perniagaan sehinggalah mereka akhirnya berjaya menembusi pasaran global.

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CENTRE FOR ENTREPRENEUR DEVELOPMENT AND RESEARCH SDN. BHD. (CEDAR)

The Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR) is a wholly-owned subsidiary of SME Bank, established in 2013 to complement the developmental role of SME Bank. As an outcome-based coaching outfit that is very focused on entrepreneur development as its flagship programme, CEDAR's mission is to continuously develop the capability of entrepreneurs to sustain their growth and contribute to the nation's economy.

SME Bank is the only Malaysian Development Financial Institution with such a subsidiary. Programmes undertaken by CEDAR are unique, with an identity that defined the Group's slogan of 'beyond financing' that is championed by the Bank.

With business coaching and engagement as the essence, CEDAR's market growth can be attributed to its unique tailor-made approach that addresses entrepreneurs' needs throughout the various stages of the SME lifecycle. CEDAR offers SMEs a holistic learning strategy, from conception to inception, in every business coaching module it conducts. In achieving its broad agenda, CEDAR executes its role through unique outcome-driven intervention programmes.

In 2019, CEDAR took over the implementation of the Upward Migration programme, the Bank's specific intervention programme which was introduced in 2017. Working closely with the entrepreneurs to achieve their targeted growth such as an increase in sales, profitability, export revenue, employment and technology adoption and enhancement, the Upward Migration programme has successfully assisted 1,092 companies to date, which surpasses the targeted number of 910 companies.

CENTRE FOR ENTREPRENEUR DEVELOPMENT AND RESEARCH SDN. BHD. (CEDAR)

Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR) adalah anak syarikat milik penuh SME Bank, ditubuhkan pada 2013 bagi melengkapi peranan pembangunan SME Bank. Sebagai entiti kejurulatihan, misi CEDAR adalah untuk terus membangunkan keupayaan usahawan bagi memastikan pertumbuhan mampan mereka dan menyumbang kepada ekonomi negara.

SME Bank adalah satu-satunya Institusi Kewangan Pembangunan Malaysia yang mempunyai anak syarikat sebegini. Program-program yang dijalankan adalah unik, dengan identiti yang menepati slogan 'menjangkau pembiayaan' yang diterajui oleh SME Bank.

Dengan bimbingan perniagaan dan penglibatan sebagai intipati, pertumbuhan pasaran CEDAR boleh disumbangkan oleh pendekatan yang disesuaikan dengan keperluan usahawan sepanjang pelbagai peringkat jangka hayat PKS. CEDAR menawarkan strategi pembelajaran menyeluruh kepada PKS, daripada konsep sehingga pengwujudan, dalam setiap modul latihan perniagaan yang dijalankan. Untuk mencapai agenda menyeluruh ini, CEDAR melaksanakan peranannya melalui program-program pembangunan berasaskan hasil.

Pada 2019, CEDAR mengambil alih pelaksanaan program Peningkatan Perniagaan, program intervensi khusus Bank yang diperkenalkan pada 2017. Bekerjasama rapat dengan usahawan untuk mencapai sasaran pertumbuhan seperti peningkatan dalam jualan, keuntungan, hasil eksport, pengambilan pekerja dan penggunaan, dan peningkatan teknologi, program ini telah berjaya membantu 1,092 syarikat, yang mana melepasi bilangan yang disasarkan iaitu sebanyak 910 syarikat.

UPWARD MIGRATION PROGRAMME / PROGRAM PENINGKATAN PERNIAGAAN (2017 - 2019)

YEAR TAHUN	TARGET NO. OF SMES BIL. PKS DISASARKAN	ACHIEVED NO. OF SMES BIL. PKS DICAPAI
2017	210	245
2018	300	331
2019	400	516
Total	910	1,092

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BROAD FRAMEWORK FOR NON-FINANCING INTERVENTION
RANGKA KERJA KESELURUHAN BAGI INTERVENSI BUKAN PEMBIAYAAN



In addition, 2,310 participants have benefitted from the 126 coaching sessions CEDAR had organised in 2019. They were from various organisations which include the government linked corporations, private sector, higher learning institutions and SMEs.

In support of the SME Bank Group Digital Transformation initiatives, CEDAR had also embarked in working together with GrowthWheel International Inc. leveraging on the GrowthWheel platform. GrowthWheel is a visual toolbox and online platform used by business advisors, incubators, and entrepreneurship educators to help businesses make decisions and take actions. It helps start-up and growth companies build their businesses through a simple action oriented process - one that stays true to the way most entrepreneurs think and work. All of CEDAR business coaches are Certified GrowthWheel Business Advisors and also professionally certified coaches.

Di samping itu, 2,310 peserta telah mendapat manfaat daripada 126 sesi latihan yang CEDAR anjurkan pada 2019. Mereka adalah daripada pelbagai organisasi termasuklah syarikat berkaitan kerajaan, sektor swasta, insituti pendidikan tinggi dan PKS.

Sebagai menyokong usaha Transformasi Digital Kumpulan SME Bank, CEDAR turut memulakan kerjasama dengan GrowthWheel International Inc. dengan memanfaatkan platform GrowthWheel. GrowthWheel adalah kaedah visual dan platform dalam talian yang digunakan oleh penasihat perniagaan, inkubator, dan pendidik keusahawanan untuk membantu peniagaan membuat keputusan dan mengambil tindakan. Ia membantu syarikat-syarikat baharu dan yang maju untuk membina perniagaan mereka melalui proses berorientasikan tindakan yang ringkas – yang bertepatan dengan cara kebanyakan usahawan berfikir dan bekerja. Semua jurulatih perniagaan CEDAR adalah Penasihat Perniagaan GrowthWheel Bertauliah dan juga jurulatih bertauliah secara profesional.

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RAKAN-RAKAN STRATEGIK CEDARGOVERNMENT AGENCIES
AGENSI KERAJAANGLCs & PRIVATE COMPANIES
SYARIKAT BERKAITAN KERAJAAN & SWASTAHIGHER LEARNING INSTITUTIONS
INSTITUSI PENDIDIKAN TINGGINON-GOVERNMENTAL ORGANISATIONS
ORGANISASI BUKAN KERAJAANINTERNATIONAL
ANTARABANGSA

In total, CEDAR conducted 16 programmes throughout the year.

Secara keseluruhannya, CEDAR menjalankan 16 program sepanjang tahun ini.

Total Programme Jumlah Program	Programme Program	Categories Kategori	YTD TKT		Method Kaedah	Coaching Bimbingan		Training Latihan	
			Pax Peserta	Session Sesi		Pax Peserta	Session Sesi	Pax Peserta	Session Sesi
1	CEDAR GROW Coaching Programme Program Bimbingan CEDAR GROW	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	45	8	Coaching Bimbingan	45			
1	Best Exporter Programme Batch 02/2017 Program Best Exporter Kumpulan 02/2017	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	35	10	Coaching Bimbingan	35	10		
1	UEM Vendor Development Programme Batch 03/2018 Program Pembangunan Vendor UEM Kumpulan 03/2018	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	134	25	Training Latihan			134	25
1	MITI-CEDAR BVDP Batch 02/2018 MITI-CEDAR BVDP Kumpulan 02/2018	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	17	7	Coaching Bimbingan	17	7		
1	Developmental Financial Institution for CEDA, Botswana Institusi Kewangan Pembangunan untuk CEDA, Botswana	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	108	8	Training Latihan			108	8
1	Best Exporter Programme New Batch 03/2019 Program Best Exporter Kumpulan Baharu 03/2019	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	68	12	Coaching Bimbingan	68	12		
1	SME Bank Business Strategic Series (SBSS) Siri Strategik Perniagaan SME Bank (SBSS)	Non-Fee Based Programme (NFBP) Program Bukan Berasaskan Yuran (NFBP)	749	22	Training Latihan			749	22
1	SMEs Enrichment Workshop (SEW) Bengkel Pengayaan PKS (SEW)	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	13	2	Training Latihan			13	2
1	"Bengkel" Business Coaching CEDAR Bengkel Bimbingan Perniagaan CEDAR	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	277	3	Training Latihan			277	3
1	"Bengkel Dinamik" CEDAR Bengkel Dinamik CEDAR	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	25	1	Training Latihan			25	1
1	USM - Certificate in Coaching Skills & Business Coaching USM - Sijil Kemahiran Bimbingan & Bimbingan Perniagaan	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	70	2	Training Latihan			70	2
1	Doupharma Halal Biotech Pharmapreneur Programme Batch 3 Program Farmapreneur Doupharma Halal Biotech Kumpulan 3	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	379	10	Coaching Bimbingan	379	10		
1	KPJ Healthcare - KPJ Management Retreat KPJ Healthcare - Perumahan Pengurusan KPJ	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	22	1	Training Latihan			22	1
1	IKM - Certificate in Coaching Skills & Business Coaching IKM - Sijil Kemahiran Bimbingan & Bimbingan Perniagaan	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	41	2	Training Latihan			41	2
1	"Program Induksi Protege F6 RTW" (Entrepreneurial Track): Start-Up Equation For Protege - TNB ILSAS Program Induksi Protege F6 RTW (Jejak Keusahawanan): Panduan Syarikat Baharu untuk Protege - TNB ILSAS	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	223	9	Training Latihan			223	9
1	"Program Induksi Protege F6K3 RTW": The Art of Start - TNB ILSAS Program Induksi Protege F6K3 RTW: The Art of Start - TNB ILSAS	Fee Based Programme (FBP) Program Berasaskan Yuran (FBP)	104	4	Training Latihan			104	4
16	TOTAL / JUMLAH		2,310	126		544	47	1,766	79



PROFESSIONAL CERTIFICATION PROGRAMMES

In 2019, CEDAR introduced two certification programmes targeted for the niche market which reaffirms CEDAR as a unique entity to the entrepreneurship community.

GROWTHWHEEL CERTIFICATION PROGRAMME

The GrowthWheel Certification is a coaching tool that empowers certified business coaches or advisors to facilitate SMEs in decision making.

The programme supplies participants with visual toolkits for dialogue, focus, agenda setting, decision-making and action taking; provides a simple action-oriented process to help business grow; and helps entrepreneurs determine which areas to focus on in order to strengthen and grow their business.

PROFESSIONAL CERTIFICATION IN BUSINESS COACHING

Professional Certification in Business Coaching (PCBC) is a home grown product of CEDAR. It provides core principles of application of business coaching and its execution.

The programme introduces all the important coaching competencies, methodology, business tools and applications as well as critical thinking techniques for a person to strategically execute and enhance problem-solving skills through effective coaching techniques and skills.

PROGRAM PENSIJILAN PROFESIONAL

Pada 2019, CEDAR memperkenalkan dua program pensijilan yang disasarkan kepada pasaran tumpuan yang mengesahkan CEDAR sebagai satu entiti unik bagi komuniti keusahawanan.

PROGRAM PENSIJILAN *GROWTHWHEEL*

Pensijilan *GrowthWheel* adalah kaedah latihan yang memperkasa pelatih atau penasihat perniagaan bertauliah untuk membantu PKS membuat keputusan.

Program ini menyediakan alat latihan maya kepada peserta bagi tujuan dialog, fokus, penetapan agenda, membuat keputusan dan mengambil tindakan; memberi proses mudah berorientasikan tindakan untuk membantu perniagaan berkembang; dan membantu usahawan menentukan bidang manakah untuk ditumpukan bagi mengukuh dan memajukan perniagaan mereka.

PENSIJILAN PROFESIONAL DALAM LATIHAN PERNIAGAAN

Pensijilan Profesional dalam Latihan Perniagaan (PCBC) adalah produk CEDAR yang dibangunkan secara dalaman. Ia menyediakan prinsip-prinsip teras bagi latihan perniagaan serta pelaksanaannya.

Program ini memperkenalkan semua kecekapan latihan penting, kaedah, alat dan aplikasi perniagaan serta teknik pemikiran kritis bagi seseorang untuk melaksana secara strategik dan meningkatkan kemahiran penyelesaian masalah melalui teknik dan kepakaran latihan yang berkesan.

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**PUBLICATIONS
PENERBITAN**

THE BANK PUBLISHES MAGAZINES AND BULLETINS THAT CONTAIN CURATED ARTICLES FOR OUR STAKEHOLDERS PARTICULARLY THE SMES TO KEEP ABREAST OF THE DEVELOPMENTS IN THE SECTOR, MARKET, ECONOMY, COUNTRY AND THE WORLD.

Sharing of information, news and updates becomes a platform for us to promote sustainability beyond financing.

All our publications are circulated free to customers and SME associations which are obtainable from the Bank's website via www.smebank.com.my/en/media1/publication.

SME NEWS

Twenty issues have been published since 2014. The newsletter is published four times a year and contains articles on developments in the Bank, enabling all employees to keep abreast with information and updates on corporate and staff activities.

INFRONT

A magazine that includes success stories of SMEs that the Bank has assisted throughout their entrepreneurial journey. Seventeen editions have been in publication since the first one in 2014.

BIZPULSE

The newsletter has to date a total of 47 issues covering a comprehensive view of the industry and bringing together statements, issues, summaries of roundtables and other discussions.

BANK MENERBITKAN MAJALAH DAN BULETIN YANG MENGANDUNGI ARTIKEL UNTUK PIHAK-PIHAK BERKEPENTINGAN KAMI KHUSUSNYA PKS SUPAYA MEREKA MENDAPAT BERITA DAN MAKLUMAT TERKINI MENGENAI PERKEMBANGAN DALAM SEKTOR, PASARAN, EKONOMI, NEGARA DAN DUNIA.

Perkongsian maklumat, berita dan berita terkini yang menjadi platform bagi kami menggalakkan kemampanan yang menjangkau pembiayaan.

Kesemua penerbitan kami diedarkan secara percuma kepada pelanggan dan persatuan-persatuan PKS dan ianya boleh didapati melalui laman web Bank di www.smebank.com.my/en/media1/publication.

SME NEWS

Dua puluh edisi telah diterbitkan sejak 2014. Surat berita ini diterbitkan empat kali setahun dan mengandungi artikel tentang perkembangan dalam Bank, membolehkan semua kakitangan mendapat maklumat terkini mengenai aktiviti korporat dan aktiviti yang melibatkan kakitangan.

INFRONT

Majalah yang mengandungi kisah-kisah kejayaan PKS yang telah dibantu oleh SME Bank sepanjang perjalanan perniagaan mereka. Tujuh belas edisi telah diterbitkan sejak terbitannya yang pertama pada 2014.

BIZPULSE

Surat berita ini yang sehingga kini berjumlah 47 edisi menyertakan tinjauan menyeluruh tentang industri dan berserta dengan kenyataan, isu, ringkasan rundingan meja bulat dan perbincangan lain.





PERFORMANCE MEASUREMENT FRAMEWORK FOR DEVELOPMENT FINANCIAL INSTITUTIONS (DFIs): CONTRIBUTING TO THE ENHANCED ROLE OF DFIs

During the year, SME Bank's programmes and activities continued to be guided by the Performance Measurement Framework (PMF) which was developed by Bank Negara Malaysia in collaboration with the World Bank and DFIs.

PMF is an enhanced performance measurement framework for DFIs to capture the broader contributions of DFIs by moving beyond the narrow focus of financing growth indicators. In particular, the PMF integrates developmental key result indicators to measure the socio-economic impact of our operations and to create strong incentives for strategic alignment to achieve greater development impact.

This structured and comprehensive framework has helped us measure our crucial role in supporting the development agenda of the nation. As a specialised financial institution, we play an important role in bridging financing gaps by participating in markets or sectors that are not adequately served by the private sector.

The PMF also helps strengthen our capacity and capability including, embedding a development culture and mindset in delivering value to society by:

- orienting organisational culture to prioritising development impact, supported by an outcome-based performance reward system;
 - enhancing institutional ability to self-assess mandate relevance in response to evolving economic landscape;
 - improving product design to provide tailored solutions for targeted segments; and
 - increasing transparency and accountability as key government instruments of change.
- In essence, the framework has since provided a direction which emphasises the need for us, as a DFI to be financially sustainable, while minimising credit market distortions. We are committed to institutionalise this enhanced performance measurement framework and ensure its effective implementation will continue to be a key priority for us.

RANGKA KERJA PENGUKURAN PRESTASI BAGI INSTITUSI- INSTITUSI KEWANGAN PEMBANGUNAN (DFI): MENYUMBANG KEPADA PERANAN DFI YANG DIPERTINGKATKAN

Sepanjang tahun ini, program dan aktiviti SME Bank terus berpandukan Rangka Kerja Pengukuran Prestasi (PMF) yang dibangunkan oleh Bank Negara Malaysia dengan kerjasama Bank Dunia dan Institusi-institusi Kewangan Pembangunan (DFI).

PMF adalah rangka kerja pengukuran prestasi yang dipertingkatkan bertujuan untuk mendapatkan sumbangan lebih besar daripada DFIs dengan cara beralih daripada petunjuk pertumbuhan pembiayaan semata-mata. Secara khususnya, PMF menyatukan petunjuk keberhasilan utama pembangunan untuk mengukur impak sosioekonomi daripada operasi kami dan untuk mewujudkan insentif kukuh penajajaran strategik untuk mencapai impak pembangunan lebih besar.

Rangka kerja yang lebih tersusun dan menyeluruh ini telah membantu kami mengukur peranan penting kami dalam menyokong agenda pembangunan negara. Sebagai institusi kewangan yang khusus, kami memainkan peranan penting untuk merapatkan jurang pembiayaan dengan mengambil bahagian dalam pasaran atau sektor yang tidak mendapat perhatian secukupnya daripada sektor swasta.

PMF juga membantu mengukuhkan keupayaan dan kemampuan kami termasuk menyerapkan budaya dan pola fikir pembangunan dalam menyampaikan nilai kepada masyarakat dengan cara:

- melaraskan budaya organisasi kepada mengutamakan impak pembangunan, disokong oleh sistem ganjaran berasaskan hasil;
 - meningkatkan kebolehan institusi untuk menilai sendiri mandat yang berkenaan sebagai bertindak balas terhadap landskap ekonomi yang berkembang;
 - menambah baik reka bentuk produk bagi menyediakan penyelesaian yang disesuaikan untuk segmen sasaran; dan
 - meningkatkan ketelusan dan kebertanggungjawaban sebagai instrumen perubahan utama kerajaan.
- Pada asasnya, rangka kerja ini telah menyediakan hala tuju yang menekankan keperluan bagi kami, sebagai DFI untuk lebih mampan daripada segi kewangan, sementara mengurangkan gangguan pasaran kredit. Kami komited memasukkan rangka kerja pengukuran prestasi yang dipertingkatkan ini dan memastikan pelaksanaannya yang berkesan akan terus menjadi keutamaan bagi kami.

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Given SME Bank's significant role in developing and promoting the identified strategic sector of the economy, it is important for us to be strong, effective and efficient in performing our mandated roles better. Since our establishment in 2005, we have taken into consideration our unique roles, functions and objectives as well as the relevant provisions in the existing statutes. Therefore, we aim to ensure that our policies and objectives are consistent with the Government's initiatives and policy direction in developing and promoting the identified targeted sector namely the small and medium enterprises to support the national economic development agenda.

Snapshot of SME Bank Performance Management Framework, showing some of the indicators that SME Bank sees as important levers to development impact.

Dengan peranan signifikan SME Bank dalam membangun dan menggalakkan sektor strategik yang dikenal pasti, maka ia penting bagi kami untuk menjadi kukuh, berkesan dan cekap dalam melaksanakan peranan yang diamanahkan kepada kami dengan lebih baik. Sejak ditubuhkan pada 2005, kami telah mempertimbangkan peranan unik ini, fungsi dan objektif serta peruntukan tertentu dalam peraturan sedia ada. Oleh itu kami menyasarkan untuk memastikan bahawa dasar dan matlamat kami konsisten dengan usaha dan hala tuju dasar Kerajaan dalam membangun dan menggalakkan sektor sasaran iaitu perusahaan kecil dan sederhana bagi menyokong agenda ekonomi negara.

Paparan Ringkas Rangka Kerja Pengukuran Prestasi SME Bank, menunjukkan beberapa petunjuk yang SME Bank anggap sebagai tuas penting kepada impak pembangunan.

PERFORMANCE INDICATORS PETUNJUK PRESTASI	DEVELOPMENT IMPACT IMPAK PEMBANGUNAN	SUPPORT SOKONGAN	FY2019 TK2019	YOY GROWTH VS 2018 PERTUMBUHAN TAHUN KE TAHUN BERBANDING TK2018
Financing approved to underserved segments Pembiayaan yang diluluskan kepada segmen terabai	Economic development Pembangunan ekonomi	SMEs and / or micro entrepreneurs PKS dan / atau usahawan mikro	RM1.8 billion approved financing RM1.8 bilion pembiayaan diluluskan	12%
		New businesses Perniagaan baharu	RM120 million approved financing RM120 juta pembiayaan diluluskan	116%
		New exporters Pengeksport baharu	RM5.7 million approved financing RM5.7 juta pembiayaan diluluskan	152%
		Long term business Perniagaan jangka panjang	RM598 million approved financing RM598 juta pembiayaan diluluskan	65%
		Digital economy Ekonomi digital	RM83.8 million approved financing RM83.8 juta pembiayaan diluluskan	133%
		Tourism Pelancongan	RM187.7 million approved financing RM187.7 juta pembiayaan diluluskan	8%
		Green technology Teknologi hijau	RM372.5 million approved financing RM372.5 juta pembiayaan diluluskan	70%

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PERFORMANCE INDICATORS PETUNJUK PRESTASI	DEVELOPMENT IMPACT IMPAK PEMBANGUNAN	SUPPORT SOKONGAN	FY2019 TK2019	YOY GROWTH VS 2018 PERTUMBUHAN TAHUN KE TAHUN BERBANDING TK2018
Financial inclusion Keterangkuman kewangan	Social empowerment Pemeriksaan sosial	Access to financing and banking channels (branches, ATM, CDM, agent banks) Akses kepada saluran pembiayaan dan perbankan (cawangan, ATM, CDM, bank-bank ejen)	19 branches 19 cawangan	Less 2 branches as a result of digitalisation and automation Kurang 2 cawangan hasil daripada pendigitalan dan automasi
Impact on financing Kesan ke atas pembiayaan	Economic development Pembangunan ekonomi	Increase in customers' revenue Peningkatan dalam hasil pelanggan	RM161.3 million RM161.3 juta	N/A
		Job creation Pengwujudan peluang pekerjaan	3584 employment creation and RM45,000 per employee for year 2019. 3584 pengwujudan peluang pekerjaan dan RM45,000 setiap pekerja bagi tahun 2019.	For year 2018, the tracking was done based on Growth, Sales, Technology & Export (GSTX). Bagi tahun 2018, penjejakan dibuat berdasarkan Pertumbuhan, Jualan, Teknologi & Eksport (GSTX).
		Productivity of businesses (Revenue / employee) Produktiviti perniagaan (hasil / pekerja)	The tracking of employment started in year 2019. Penjejakan pekerjaan bermula pada 2019.	
Policy advisory to Government Khidmat nasihat dasar kepada Kerajaan	Economic development, social empowerment and environment sustainability Pembangunan ekonomi, pemeriksaan sosial & kemampuan alam sekitar	National SME Digital Platform Platform Digital PKS Kebangsaan	Endorsed and approved by National Entrepreneur and SME Development Council (NESDC) and National Development Council (MPN) Disah dan diluluskan oleh Majlis Pembangunan Usahawan dan PKS Kebangsaan (NESDC) dan Majlis Pembangunan Nasional (MPN)	

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We continued with our focus to provide further support to the Malaysia SMEs through our specific programmes as well as the various products and services. The Government has entrusted us with several funds which have benefitted many SMEs as we develop them into becoming the nation's engine of growth, while at the same time cement our position as the leading Development Financial Institution.

Kami meneruskan tumpuan terhadap sokongan kepada PKS melalui program-program khusus serta pelbagai produk dan perkhidmatan. Kerajaan telah mengamanahkan beberapa dana kepada kami yang telah memanfaatkan banyak PKS dalam usaha kami memajukan mereka sebagai penjana ekonomi negara, sementara mengukuhkan kedudukan kami sebagai Institusi Kewangan Pembangunan yang terkemuka.

Summary of Government funds received:

Ringkasan dana-dana Kerajaan yang diterima:

TYPES OF FUND JENIS DANA	PURPOSE OF FUND TUJUAN DANA	SOURCE SUMBER	GRANT GERAN DITERIMA	ACHIEVEMENTS (AS AT 31 DEC 2019) PENCAPAIAN (PADA 31 DIS 2019)	
				OUTSTANDING LOANS, ADVANCES AND FINANCING JUMLAH PINJAMAN, PENDAHULUAN DAN PEMBIAYAAN	NO. OF CUSTOMERS ASSISTED BIL. PELANGGAN YANG DIBANTU
Soft loan schemes Skim pinjaman mudah	To provide soft loans / financing to Bumiputera entrepreneurs Untuk menyediakan pinjaman / pembiayaan mudah kepada usahawan Bumiputera	Ministry of International Trade and Industry Kementerian Perdagangan Antarabangsa dan Industri	RM34,400,000	RM5,128,000	113
<i>Tabung Usahawan Pahang</i>	To provide loans / financing for furniture industry in Temerloh, Pahang Untuk menyediakan pinjaman / pembiayaan bagi industri perabot di Temerloh, Pahang	Pahang State Government Kerajaan Negeri Pahang	RM1,000,000	-	-
<i>Tabung Inkubator Pertanian Kelantan</i>	To support business expansion of livestock business Untuk menyokong pengembangan perniagaan ternakan	Ministry of International Trade and Industry Kementerian Perdagangan Antarabangsa dan Industri	RM2,992,000	-	-
<i>Tabung Usahawan Siswazah</i>	To encourage graduates into entrepreneurship Untuk menggalakkan siswazah menceburi bidang keusahawanan	Ministry of International Trade and Industry Kementerian Perdagangan Antarabangsa dan Industri	RM62,000,000	RM4,545,000	81
<i>Dana Usahawan Negeri Terengganu</i>	To promote Bumiputera entrepreneurs in Terengganu Untuk menggalakkan usahawan Bumiputera di Terengganu	Ministry of International Trade and Industry Kementerian Perdagangan Antarabangsa dan Industri	RM33,000,000	RM4,535,000	56
<i>Program dan Skim Usahawan Batik</i>	To promote Bumiputera entrepreneurs in batik industry Untuk menggalakkan usahawan Bumiputera dalam industri batik	Ministry of International Trade and Industry Kementerian Perdagangan Antarabangsa dan Industri	RM5,000,000	-	-

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TYPES OF FUND JENIS DANA	PURPOSE OF FUND TUJUAN DANA	SOURCE SUMBER	GRANT GERAN DITERIMA	ACHIEVEMENTS (AS AT 31 DEC 2019) PENCAPAIAN (PADA 31 DIS 2019)	
				OUTSTANDING LOANS, ADVANCES AND FINANCING JUMLAH PINJAMAN, PENDAHULUAN DAN PEMBIAYAAN	NO. OF CUSTOMERS ASSISTED BIL. PELANGGAN YANG DIBANTU
Basic Capital Scheme Skim Modal Asas	To promote Bumiputera entrepreneurs with basic capital Untuk menggalakkan usahawan Bumiputera dengan modal asas	Ministry of International Trade and Industry Kementerian Perdagangan Antarabangsa dan Industri	RM75,835,000	RM11,776,000	78
<i>Skim Perusahaan Kapal Tradisional</i>	To promote ship making in Terengganu Untuk menggalakkan pembuatan kapal di Terengganu	Ministry of International Trade and Industry Kementerian Perdagangan Antarabangsa dan Industri	RM3,000,000	-	-
<i>Program dan Skim Usahawan Kraf</i>	To promote Bumiputera entrepreneurs in craft industry Untuk menggalakkan usahawan Bumiputera dalam industri kraf	Ministry of International Trade and Industry Kementerian Perdagangan Antarabangsa dan Industri	RM5,000,000	RM90,000	1
<i>Kompleks Kilang Bimbingan</i>	To provide premises for Bumiputera entrepreneurs Untuk menyediakan premis bagi usahawan Bumiputera	Ministry of International Trade and Industry Kementerian Perdagangan Antarabangsa dan Industri	RM220,775,000	RM393,062,000*	
<i>Skim Anjakan Usahawan</i>	To promote business expansions for Bumiputera entrepreneurs Untuk menggalakkan pengembangan perniagaan bagi usahawan Bumiputera	Ministry of International Trade and Industry Kementerian Perdagangan Antarabangsa dan Industri	RM120,000,000	RM38,571,000	265
Teraju Facilitation Fund	To finance project cost and acquisition of machinery for Bumiputera entrepreneurs Untuk membiayai kos projek dan pembelian mesin bagi usahawan Bumiputera	Teraju Bumiputera Corporation	RM50,000,000	RM893,000	1

* Refers to fair value of the land and building of the said complex.

* Merujuk kepada nilai saksama tanah dan bangunan bagi kompleks tersebut.

The performance measurement framework (PMF) has guided our key strategies in 2019, for us to remain on track as we commit to delivering outstanding financial performance while ensuring a sustainable growth.

Rangka kerja pengukuran prestasi (PMF) menjadi panduan dalam strategi-strategi utama kami pada 2019, agar kami kekal berada di landasan yang betul untuk menghasilkan prestasi kewangan yang cemerlang dan pada masa sama memastikan pembangunan mampan.

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REDUCING OUR ENVIRONMENTAL FOOTPRINT MENGURANGKAN KESAN ALAM SEKITAR

AS A DEVELOPMENT FINANCIAL INSTITUTION (DFI) WITH CUSTOMERS COMPRISING SMALL AND MEDIUM ENTERPRISES IN SEVERAL INDUSTRIES, WE RECOGNISE OUR RESPONSIBILITY TO SAFEGUARD THE ENVIRONMENT.

SEBAGAI INSTITUSI KEWANGAN PEMBANGUNAN (DFI) DENGAN PELANGGAN YANG TERDIRI DARIPADA PERUSAHAAN KECIL DAN SEDERHANA DALAM BERBAGAI-BAGAI INDUSTRI, KAMI SEDAR AKAN TANGGUNGJAWAB UNTUK MELINDUNGI ALAM SEKITAR.



This means taking a long-term view and continuously adapting and investing in our environmental stewardship to use resources more efficiently and minimise any adverse impacts.

Environmental stewardship enables us to minimise the impact of our activities, products and services. We strictly comply with all laws, educate our people and continuously seek to care for the environment. Preserving the environment is intrinsic to our relationship with all stakeholders, contributing to a healthy life for everyone.

As part of our commitment to sustainability, we take into account the environmental impact of our operations, and strive to continuously improve our environmental performance. We actively participate in the management and remediation of risks that arise as a result of operations. We also take every effort to facilitate and encourage responsible design, use, re-use, recycling and disposal of our products.

Ini bermakna mengambil pandangan jauh dan secara terus menerus menerima pakai dan melabur dalam pengawasan alam sekitar untuk menggunakan sumber-sumber dengan lebih berkesan serta mengurangkan sebarang kesan buruk.

Pengawasan alam sekitar membolehkan kami untuk mengurangkan kesan daripada aktiviti, produk dan perkhidmatan kami. Kami mematuhi dengan tegas semua undang-undang, mendidik pekerja kami dan secara berterusan berusaha menjaga alam sekitar. Memelihara alam sekitar adalah nilai yang terkandung dalam perhubungan kami dengan semua pihak berkepentingan, yang menyumbang kepada kehidupan sihat buat semua orang.

Sebagai sebahagian komitmen kami terhadap alam sekitar, kami mempertimbangkan kesan alam sekitar daripada operasi kami, dan berusaha untuk terus menambah baik prestasi alam sekitar. Kami secara aktif mengambil bahagian dalam pengurusan dan pemulihan risiko yang berpunca daripada operasi. Kami juga mengambil setiap langkah untuk memudah dan menggalakkan penciptaan, penggunaan, penggunaan semula dan pelupusan produk-produk kami.

ENVIRONMENT**ALAM SEKITAR****CHAPTER 05****BAB 05****A COMPREHENSIVE APPROACH**

SME Bank strives to minimise the impact of its activities on the environment and to develop products which contribute to a greener world. We adopt a comprehensive and holistic approach as we recognise the importance of conducting business and managing environmental issues in a responsible manner in order to ensure long-term sustainability.

In 2019, there was heightened public awareness on a number of crucial environmental issues, from plastic pollution in the ocean to biodiversity loss and climate change. Internally, the year saw the Bank continuing its committed journey in environmental sustainability. The pillar of our approach focuses on the continual reduction of our most material environmental impacts: energy, water and waste.

While focusing on reducing our own environmental impacts is pertinent, we are aware we can have a far greater positive environmental impact through helping our customers and supply chain partners to address their sustainability challenges. Our focus throughout 2019 has been on strengthening this obligation.

Our Commitment

With environmental concern remains an integral part of SME Bank's business strategy, it is therefore present in all our activities through the following commitments:

- Produce products with lower environmental impact.
- Make our distribution more eco-efficient.
- Strive for reduced consumption of energy and natural resources and reduction of waste.
- Incorporate environmental criteria into all stages of business decision, from the design phase right to procurement.
- Make continuous improvement in our environmental performance.
- Comply with environmental regulations, including those by the Department of Environment of the Ministry of Natural Resources and Environment.
- Commitment to internal and external controls and auditing to ensure that environmental procedures are carried out and to identify and prioritise areas for improvement.
- Provide appropriate educational awareness to all our employees and all necessary information to our stakeholders.
- Promote environmental responsibility amongst employees.

PENDEKATAN MENYELURUH

SME Bank berusaha untuk mengurangkan kesan daripada aktiviti-aktivitinya ke atas alam sekitar dan untuk membangunkan produk yang menyumbang kepada bumi hijau. Kami menerima pakai pendekatan menyeluruh sebagai mengiktiraf kepentingan menjalankan perniagaan dan menguruskan isu-isu alam sekitar dalam cara yang bertanggungjawab bagi memastikan kemampanan jangka panjang.

Pada 2019, terdapat peningkatan dalam kesedaran awam tentang beberapa isu penting alam sekitar, daripada pencemaran plastik di lautan kepada kehilangan biodiversiti dan perubahan iklim. Pada tahun ini, di SME Bank kami meneruskan perjalanan dalam kemampanan alam sekitar. Pendekatan kami menumpukan kepada pengurangan berterusan dalam kesan alam sekitar paling penting: tenaga, air dan sisa.

Walaupun tumpuan untuk mengurangkan kesan alam sekitar adalah bersangkut-paut, kami sedar bahawa kami akan mempunyai kesan alam sekitar positif yang lebih besar dengan membantu pelanggan dan rakan rantaian bekalan untuk menangani cabaran kemampanan mereka. Tumpuan kami di sepanjang 2019 adalah dalam mengukuhkan kewajipan ini.

Komitmen Kami

Dengan tumpuan alam sekitar kekal sebagai bahagian penting strategi perniagaan SME Bank, maka itu ia hadir dalam segala aktiviti kami melalui komitmen berikut:

- Menghasilkan produk-produk dengan kesan alam sekitar lebih rendah.
- Menjadikan pengagihan kami lebih cekap eko.
- Berusaha untuk pengurangan penggunaan tenaga dan sumber asli serta pengurangan sisa.
- Memasukkan kriteria alam sekitar korporat ke dalam semua peringkat keputusan perniagaan, daripada fasa reka bentuk sehingga kepada fasa perolehan.
- Membuat penambahbaikan berterusan dalam prestasi alam sekitar kami.
- Mematuhi pengawalan alam sekitar, termasuk yang mana oleh Jabatan Alam Sekitar, Kementerian Tenaga dan Sumber Asli.
- Komitmen terhadap kawalan dan pengauditan dalaman dan luar untuk memastikan prosedur alam sekitar dijalankan dan untuk mengenal pasti dan memberi keutamaan ruang penambahbaikan.
- Memberi kesedaran pendidikan bersesuaian kepada semua kakitangan dan segala maklumat yang perlu kepada pihak-pihak berkepentingan.
- Menggalakkan tanggungjawab alam sekitar di kalangan kakitangan.



APPLYING TECHNOLOGY FOR ENVIRONMENTAL SUSTAINABILITY MENGUNAKAN TEKNOLOGI BAGI KEMAMPUAN ALAM SEKITAR

AS A LEADING DFI,
OUR AMBITION IS
TO HELP MAKE THE
DIGITAL REVOLUTION
AN OPPORTUNITY
FOR SMES AND TO
PROVIDE A BRIDGE
BETWEEN TECHNOLOGY
AND SOCIETY.

SEBAGAI DFI
TERKEMUKA, CITA-
CITA KAMI ADALAH
BAGI MEMBANTU
MENJADIKAN
REVOLUSI DIGITAL
SATU PELUANG
UNTUK PKS DAN
UNTUK MENYEDIAKAN
HUBUNGAN ANTARA
TEKNOLOGI DAN
MASYARAKAT.



Since embarking on digital transformation in 2018, SME Bank has been actively exploring ways to progress the SME sector and to evolve the societies we serve. Our Two-year Accelerated Programme is one where we leverage our focus on technology to help SMEs to benefit from the impact of the digital and automation revolution.

We want to be the architect for a positive future that is both economically and environmentally sustainable. Using our experts, operational excellence, innovative assets and added-value partnerships, we link technology, business and society to deliver sustainable value to all stakeholders and the communities in which we operate.

Embedded in the concept of digitalisation is the use of analytics and artificial intelligence (AI) revolution. These directly translate to carbon free environment, which also includes the reduction of natural resources and physical waste.

Sejak memulakan transformasi digital pada 2018, SME Bank telah secara aktif mencari jalan untuk memajukan sektor PKS dan masyarakat yang mana kami berkhidmat. Program Pemecutan Dua-tahun kami merupakan satu program yang memberi tumpuan kepada teknologi bagi membantu khususnya PKS untuk mendapat manfaat daripada revolusi digital dan automasi.

Kami mahu menjadi arkitek untuk masa depan positif yang mampan dari segi ekonomi mahupun alam sekitar. Menggunakan pakar-pakar kami, kecemerlangan operasi, aset-aset inovatif dan perkongsian bernilai tambah, kami menghubungkan teknologi, perniagaan dan masyarakat untuk menyampaikan nilai mampan kepada semua pihak berkepentingan dan komuniti yang mana kami berkhidmat.

Termasuk dalam konsep pendigitalan ini adalah penggunaan analisis dan revolusi kecerdasan buatan (AI) yang secara langsung diterjemah kepada alam sekitar bebas karbon, yang juga termasuk pengurangan penggunaan sumber asli dan pengurangan sisa pejal.

ENVIRONMENT**ALAM SEKITAR****CHAPTER 05****BAB 05**

Digital technology is changing the way we deliver our services to customers and is impacting how businesses operate. More specifically, the impact of technology and AI support major environmental evolution which in the long run helps in our quest for sustainability.

The most significant development of our digital innovation in terms of sustainability is the introduction of two new digital platforms – ScoreXcess and ODELA – which increase the ability to generate, capture, and transmit data. The implication from this is a critical feature for our sustainability agenda.

ScoreXcess is a one-stop online platform for micro and small entrepreneurs to obtain financing, while ODELA is an e-Commerce platform for business-to-business (B2B) activities. Both indirectly address sustainability concerns associated with the growing population and urbanisation. At the same time, they become an alternative resolution to the rising rates of energy consumption, natural resources depletion and carbon emission.

It is no doubt that technology helps us to improve overall operations and drive growth. Digital transformation therefore is part of the solution to our environmental sustainability commitment and impact.

Digital kini mengubah cara kami menyampaikan perkhidmatan kepada pelanggan dan memberi impak kepada cara perniagaan beroperasi. Lebih khusus lagi, kesan teknologi dan AI kedua-duanya menyokong evolusi alam sekitar utama yang membantu dalam pencapaian kemampanan.

Perkembangan paling signifikan inovasi digital kami daripada segi kemampanan adalah pengenalan dua platform digital baharu – ScoreXcess dan ODELA – yang meningkatkan keupayaan untuk menghasilkan, mendapat dan menyampaikan data. Implikasi daripada ini adalah ciri penting bagi agenda kemampanan kami.

ScoreXcess adalah platform sehenti untuk usahawan mikro dan kecil mendapatkan pembiayaan, manakala ODELA adalah platform e-Dagang untuk aktiviti perniagaan-kepada-perniagaan (B2B). Kedua-duanya secara tidak langsung menangani isu kemampanan yang berkaitan dengan kependudukan dan pembandaran yang semakin bertambah. Pada masa yang sama, ia menjadi penyelesaian alternatif kepada peningkatan kadar penggunaan tenaga, pengurangan sumber asli dan pelepasan karbon.

Ia tidak diragui bahawa teknologi membantu kami menambah baik operasi keseluruhan dan memacu pertumbuhan. Oleh yang demikian, transformasi digital adalah sebahagian penyelesaian kepada komitmen kami terhadap alam sekitar dan kesannya.





PROMOTING ECO-EFFICIENCY MENGALAKKAN KECEKAPAN EKO



**WE FOCUS ON ENERGY EFFICIENCY
TO OPTIMISE THE SUSTAINABILITY
PERFORMANCE OF OUR OWN OPERATIONS.**

Our success is measured in our ability to make sustainability a competitive advantage by being increasingly energy and material efficient.

We aim to drive an even more efficient consumption of energy in our operations to balance environmental and economic factors. We put in various eco-efficiency initiatives to generate compelling value through reduced costs while minimising our carbon footprint and optimising use of energy and water.

Waste management issues are also a crucial aspect for us in promoting eco-efficiency. We look into ways to reap greater economic and environmental benefits by way of proper management practices.

Going green is another of our focus areas which we no longer view as a cost of doing business; but rather a catalyst for innovation, new market opportunity, and wealth creation. Digital transformation lays the path for the development of innovative solutions and has enabled us to create a pipeline for creating an important component of our long-term eco-efficiency performance.

**KAMI MENUMPUKAN KEPADA KECEKAPAN
TENAGA UNTUK MENGOPTIMUMKAN PRESTASI
KEMAMPUAN OPERASI KAMI.**

Kejayaan kami diukur dalam keupayaan kami untuk menjadikan kemampuan satu kelebihan berdaya saing dengan terus mengamalkan kecekapan tenaga dan bahan.

Kami menyasarkan untuk memandu penggunaan tenaga dengan lebih cekap dalam operasi kami bagi mengimbangi faktor alam sekitar dan ekonomi. Kami melaksanakan pelbagai inisiatif kecekapan eko untuk menghasilkan nilai yang menarik melalui pengurangan kos, sementara meminimumkan karbon dan mengoptimumkan penggunaan tenaga dan air.

Isu-isu pengurusan sisa juga adalah aspek penting bagi kami dalam menggalakkan kecekapan eko. Kami mencari jalan untuk meraih lebih banyak manfaat ekonomi dan alam sekitar dengan cara amalan pengurusan yang betul.

Alam sekitar hijau adalah satu lagi bidang tumpuan kami yang mana kami tidak menganggapnya sebagai kos menjalankan perniagaan; tetapi sebaliknya sebagai pemangkin untuk inovasi, peluang pasaran baharu, dan penciptaan kekayaan. Bahawasanya transformasi digital membuka laluan kepada pembangunan penyelesaian inovatif telah membolehkan kami mewujudkan komponen penting bagi prestasi kecekapan eko untuk jangka panjang.

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ENERGY EFFICIENCY

We constantly monitor energy consumption at all our buildings and premises. Menara SME Bank, our head office in Kuala Lumpur has in place the Building Energy Management Systems (BEMS). BEMS are computer-based systems which automatically monitor and control a range of parameters such as air-conditioning, ventilation, room temperature, humidity, lighting and carbon dioxide.

The BEMS system also monitors energy usage and targets by providing real-time data on energy flows, consumption, trends and the overall performance of the head office building. After the official working hours, we installed a timer to control and monitor the on/off function of the lighting based on when it is needed, ultimately reducing needless energy consumption.

Throughout our head office, at Menara SME Bank, we have replaced conventional light bulbs with LED bulbs which are energy efficient with a longer life span. An LED bulb can reduce energy consumption by over 75% compared to a conventional light bulb and can last up to 25% longer. LED lighting is also more environmentally friendly as it uses significantly less power to produce bright lights.

In 2019, our energy consumption only increased by 0.5% to 3,480,174 kWh from 3,461,628 kWh in 2018 due to frequent usage of electricity after office hours and an increased number of new staff. However, the kWh was still within targeted parameter control of 300,000 kWh per month. Meanwhile, the maximum demand (kilowatt) remained below 1,080 kWh.

KECEKAPAN GUNA TENAGA

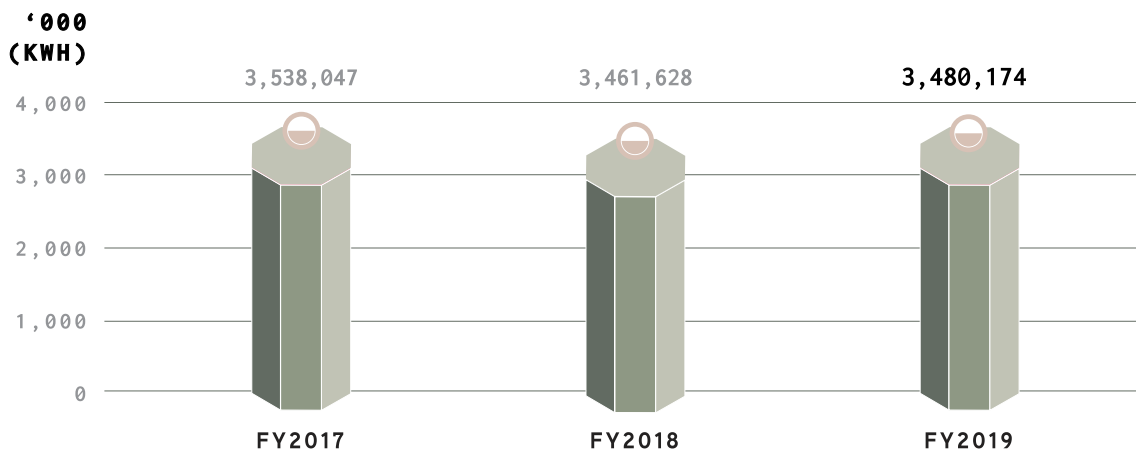
Kami berterusan memantau penggunaan tenaga di semua bangunan dan premis kami. Menara SME Bank, ibu pejabat kami di Kuala Lumpur dilengkapi Sistem Pengurusan Tenaga Bangunan (BEMS). BEMS adalah sistem berasaskan komputer yang secara automatik memantau dan mengawal serangkaian parameter seperti pendinginan hawa, pengudaraan, suhu bilik, kelembapan, pencahayaan dan karbon dioksida.

Sistem BEMS juga membantu kami memantau penggunaan dan sasaran tenaga dengan membekalkan data masa nyata berkenaan aliran, penggunaan dan trend tenaga, serta prestasi keseluruhan bangunan. Di luar waktu kerja, kami memasang alat penjaga masa untuk mengawal dan memantau fungsi buka / tutup pencahayaan berdasarkan waktu bekerja atau apabila diperlukan, akhirnya mengurangkan penggunaan tenaga yang tidak perlu.

Di seluruh ibu pejabat, Menara SME Bank, kami menggantikan lampu biasa dengan mentol lampu LED yang cekap tenaga dengan jangka hayat lebih lama. Lampu LED boleh mengurangkan penggunaan tenaga sehingga lebih 75% berbanding lampu biasa dan boleh tahan sehingga 25% lebih lama. Pencahayaan LED juga lebih mesra alam oleh sebab ia kurang menggunakan tenaga untuk menyalakan lampu.

Pada 2019, penggunaan tenaga kami hanya bertambah sebanyak 0.5 % kepada 3,480,174 kWh daripada 3,461,628 kWh pada 2018 disebabkan kekerapan penggunaan elektrik selepas waktu pejabat dan pertambahan bilangan pekerja. Walau bagaimanapun, kWh ini masih dalam kawalan parameter sasaran sebanyak 300,000 kWh sebulan. Sementara itu, permintaan maksimum (kilowatt) kekal di bawah 1,080 kWh.

ELECTRICITY CONSUMPTION (KWH) / PENGGUNAAN ELEKTRIK (KWH)



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WATER EFFICIENCY

Sustainable use of natural resources is ever more critical for our society. Therefore, we regard water efficiency as part of our focus in environmental sustainability. We constantly aim to achieve sustainable water management that requires a multidisciplinary and holistic approach in which technical, environmental, economic, landscape aesthetic and societal issues are addressed. We thus have in place the appropriate sustainable water management measures, strategies and policies.

We strive to protect water resources by improving the water-saving functions as well as ensuring more efficient water use in our operational activities.

In 2018, we pursued our efforts in improving efficient use of water resources through the installation of various water-saving features such as water-saving taps and showerheads as well as low-flush or dual-flush toilets. We also undertake regular maintenance and at the same time, address leakage problems promptly especially those related to toilets, taps and other water fixtures.

In 2019, we consumed 25,389 m³ of water, reflecting a 19.65% increase from the previous year, mainly due to the increase in the number of employees. Notwithstanding, it was within the parameter control target of 28,000 m³, as a result of consistent monitoring and proactive repair works to minimise leakage.

KECEKAPAN PENGURUSAN AIR

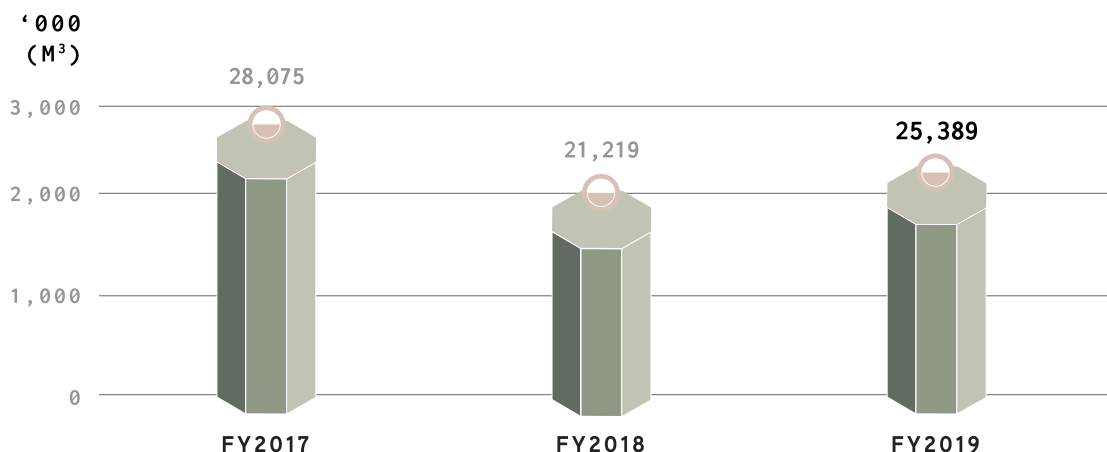
Penggunaan sumber asli secara mampan adalah lebih penting bagi masyarakat dan oleh itu, kami menganggap kecekapan pengurusan air sebagai sebahagian tumpuan kami dalam kemampanan alam sekitar. Kami sentiasa menyasarkan untuk mencapai pengurusan air mampan yang memerlukan pendekatan menyeluruh dalam mana isu-isu teknikal, alam sekitar, landskap dan masyarakat ditangani. Maka itu kami menetapkan langkah, strategi dan dasar yang betul berhubung pengurusan air mampan.

Kami berusaha melindungi sumber air dengan menambah baik fungsi penjimatan air serta memastikan penggunaan air yang lebih cekap dalam aktiviti operasi kami.

Kami meneruskan usaha untuk menambah baik penggunaan sumber air yang cekap dengan memasang pelbagai alat penjimatan air seperti paip jimat air dan pancuran mandi serta tandas siraman perlahan atau tandas dua siraman. Kami juga kerap melaksanakan penyelenggaraan dan pada masa yang sama, menangani masalah kebocoran dengan serta-merta terutamanya yang berkaitan tandas, paip dan kelengkapan air yang lain.

Pada 2019, kami menggunakan 25,389 m³ air, iaitu 19.65% peningkatan dari tahun sebelumnya, terutamanya disebabkan pertambahan dalam bilangan kakitangan. Namun begitu, ia adalah dalam sasaran kawalan parameter sebanyak 28,000 m³, hasil daripada pemantauan konsisten dan kerja-kerja pembaikan yang proaktif untuk mengurangkan kebocoran.

WATER CONSUMPTION (M³) / PENGGUNAAN AIR (M³)



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WASTE MANAGEMENT EFFICIENCY

We recognise waste management issue as a crucial aspect in promoting environmental sustainability. While a proper management of waste is often said to be one of the most complex and costly efforts services, it is not seen as a burden, rather it presents an opportunity.

Our approach to this area involves technical, organisational and financial strategies for sustainable waste management to be incorporated into our daily operations. We realise that recycled rubbish can be turned into a valuable resource. We strive to efficiently treat solid wastes and conclude solutions to recycle items that were originally intended for the landfill.

In addition, we ensure safe and efficient disposal of wastes because we understand that improper solid waste disposal can create unhygienic conditions that may lead to environmental pollution and the outbreak of vector-borne diseases. Over the past years, we have transitioned to a sustainable waste management system, and have been appointing only licensed contractors to collect and send the wastes to Kuala Lumpur City Hall’s dumping site two times a week.

We adopt the 3R (Reduce, Reuse, Recycle) approach to effectively manage wastes. We understand that the most effective and efficient method to manage wastes is through Reduction because it also can reduce the cost for transportation, waste disposal and waste recycling. Reuse means we are able to use the same material more than once for the same function, and when reduction and reuse become difficult, Recycling is desired. Some new materials can be made out through recycling.

KECEKAPAN PENGURUSAN SISA

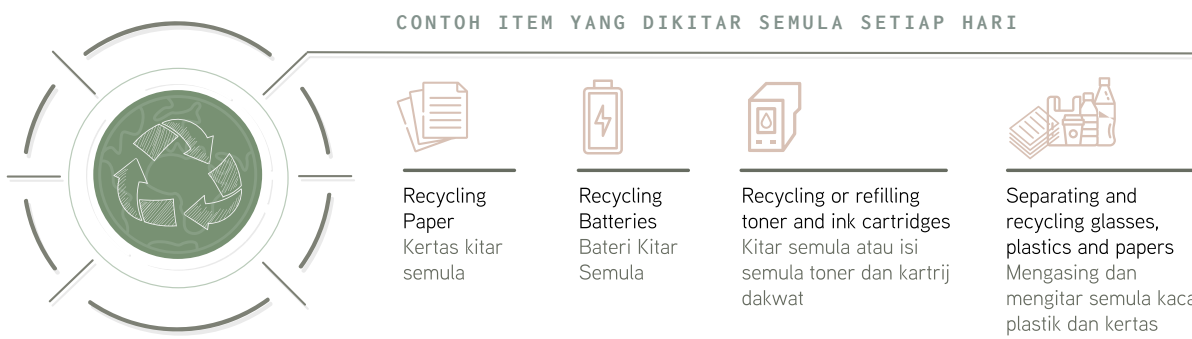
Kami menganggap isu pengurusan sisa sebagai aspek penting dalam menggalakkan kemampanan alam sekitar. Walaupun pengurusan sisa sering dikatakan sebagai salah satu usaha paling rumit dan melibatkan kos yang tinggi, ia pada hakikatnya bukanlah beban tetapi satu peluang.





Pendekatan kami terhadap bahagian ini melibatkan strategi teknikal, organisasi dan kewangan agar pengurusan sisa yang mampan digabungkan dalam operasi harian Bank. Kami sedar bahawa sampah yang dikitar semula boleh berubah menjadi sumber bernilai. Kami berusaha untuk merawat sisa pepejal dengan cekap dan memberi penyelesaian untuk barang kitar semula yang asalnya dimaksudkan untuk tapak pelupusan.

Selain itu, kami memastikan pelupusan sisa yang selamat dan cekap kerana kami memahami bahawa pelupusan sisa pepejal yang tidak betul boleh mewujudkan keadaan tidak sihat yang mungkin menjurus kepada pencemaran alam sekitar dan wabak penyakit bawaan vektor. Sejak beberapa tahun yang lalu, kami telah beralih kepada sistem pengurusan sisa yang mampan, dan melantik hanya kontraktor yang berlesen untuk memungut sisa setiap hari.

Kami menerima pakai pendekatan 3R (*Reduce, Reuse, Recycle* – Kurang, Guna Semula, Kitar Semula) untuk mengurus sisa secara berkesan. Kami faham bahawa kaedah paling berkesan dan cekap untuk menguruskan sisa melalui Pengurangan kerana ia juga boleh mengurangkan kos pengangkutan, pelupusan sisa dan kitar semula sisa. Guna Semula bermakna kita boleh menggunakan bahan yang sama lebih daripada sekali untuk fungsi yang sama. Apabila pengurangan dan guna semula menjadi sukar, Kitar Semula diperlukan. Beberapa bahan baharu boleh dibuat melalui kitar semula.

EXAMPLES OF ITEMS THAT ARE RECYCLED DAILY
CANTOH ITEM YANG DIKITAR SEMULA SETIAP HARI



			
Recycling Paper Kertas kitar semula	Recycling Batteries Bateri Kitar Semula	Recycling or refilling toner and ink cartridges Kitar semula atau isi semula toner dan kartrij dakwat	Separating and recycling glasses, plastics and papers Mengasing dan mengitar semula kaca, plastik dan kertas

In a nutshell, the proper disposal of waste as well as the recovery and reuse of valuable resources, among others, are the result of the effective and efficient management of waste that has been leading the way in safeguarding our planet and towards sustainable development.

Secara kesimpulannya, pelupusan sisa yang betul serta pemuliharaan dan penggunaan semula sumber-sumber bernilai, antara lainnya, hasil pengurusan sisa yang berkesan dan cekap yang telah membantu melindungi bumi dan ke arah pembangunan mampan.

ENVIRONMENT**ALAM SEKITAR****CHAPTER 05****BAB 05****PAPER RESOURCE MANAGEMENT EFFICIENCY**

Efficient management of paper resources means the saving of more trees being cut down. As a wood product, paper continues to store carbon throughout its lifetime. In our concern over the environment, we adapt to prove that our business is invested in the overall well-being of the environment.

Paper is one of the main raw materials consumed during the routine operations of the Bank; as such, this resource is managed in an effort to reduce consumption and increase recycling.

The drive to reduce paper consumption at the Bank continued in 2019. Special attention was devoted to fully maximise the potential for automation of paper-consuming processes.

We have in place several “paperless” initiatives which are the main result of our digital transformation. The present MySMEBank means exclusion of traditional paper usage where SME entrepreneurs are now able to apply for financing online.

In 2019, the two new online platforms we introduced as part of the components of the Bank’s National SME Digital Platform under the Two-year Accelerated Programme - ScoreXcess for micro and small entrepreneurs to obtain financing, and ODELA, a business-to-business e-Commerce platform – further contribute to paperless transactions.

Internally, we continue with the use of e-Forms for certain business functions such as our Information Technology and Human Resources also contribute to the reduction of paper consumption. We also enhanced the Human Resources information system during the year, which saw the introduction of e-Letters for correspondences.

We are committed to significantly reduce paper consumption and to make it a part of our culture by encouraging employees to break their traditional habits. We realise that employees often resort to printing documents because they do not have the right tools to work with them digitally. Thus, we have started to equip employees with digital tools that enable document creation, editing, and collaboration on a computer or mobile device to effectively replace paper in their document workflows.

KECEKAPAN PENGURUSAN SUMBER KERTAS

Pengurusan cekap sumber kertas bermakna menyelamatkan lebih banyak pokok daripada ditebang. Sebagai produk berasaskan kayu, kertas terus menyimpan karbon di sepanjang jangka hayatnya. Dalam hal ini, kami sentiasa memastikan bahawa perniagaan kami mengutamakan kesejahteraan alam sekitar.

Kertas merupakan salah satu bahan mentah yang digunakan dalam menjalankan operasi rutin Bank; oleh yang demikian, sumber ini diuruskan sebagai usaha untuk mengurangkan penggunaan dan meningkatkan kitar semula.

Usaha untuk mengurangkan penggunaan kertas di Bank diteruskan pada 2019. Perhatian khas ditumpukan ke arah memaksimumkan potensi pengautomatan pemprosesan menggunakan kertas sebelumnya.

Kami melakukan beberapa inisiatif “tanpa kertas” yang terutamanya hasil daripada transformasi digital. Perkhidmatan MySMEBank yang sedia ada bermakna pengecualian penggunaan kertas di mana usahawan PKS boleh memohon pembiayaan secara dalam talian.

Pada 2019, dua platform dalam talian baharu yang kami perkenalkan sebagai sebahagian komponen Platform Digital PKS Kebangsaan di bawah Program Pemecutan Dua-tahun - ScoreXcess untuk usahawan mikro dan kecil mendapatkan pembiayaan, dan ODELA, platform e-Dagang perniagaan-kepada-perniagaan – menyumbang kepada transaksi tanpa kertas.

Urusan dalaman Bank menggunakan e-Borang bagi beberapa Divisyen atau Jabatan tertentu seperti Teknologi Maklumat dan Sumber Manusia juga terus menyumbang kepada pengurangan penggunaan kertas. Kami juga meningkatkan sistem maklumat Sumber Manusia pada tahun ini, dengan pengenalan e-Surat untuk tujuan surat menyurat.

Kami komited untuk mengurangkan penggunaan kertas dan menjadikannya sebahagian daripada budaya kami dengan menggalakkan kakitangan mengikis tabiat lama mereka. Kami sedar bahawa kakitangan sering terpaksa mencetak dokumen kerana ketiadaan peralatan yang sewajarnya untuk menjalankan tugas secara digital. Maka itu kami telah mula membekalkan peralatan digital kepada kakitangan; membolehkan penghasilan dokumen, penyuntingan, dan kolaborasi pada komputer atau peranti mudah alih untuk menggantikan kertas secara berkesan dalam aliran kerja dokumen mereka.

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To this end, we set up printing centres and have since reorganised printers, photocopiers, fax machines and scanners, by switching from each employee having his own individual printer to central printers. This is an effort taken to save paper, electricity, maintenance costs and toners, through secure and controlled printing.

We also aim to streamline and reduce mailings to customers. In certain allowable circumstances, the Bank sends mails electronically via e-mails. Notwithstanding this, under various regulatory directives, the Bank is required to send paper printed mails to its customers and will continue to do so.

GOING GREEN: SME BANK'S GBI CERTIFICATION

SME Bank recognises that climate change is a problem and we are increasing our efforts to address this by going green. We began incorporating green building features in the design and construction of our head office, Menara SME Bank in 2014 to mitigate any possible environmental impact from our activities.

As a result, we successfully obtained the full Green Building Index (GBI) certification in 2018. The Green Building Index (GBI) is Malaysia's industry recognised green rating tool for buildings to promote sustainability in the built environment and raise awareness among developers, architects, engineers, planners, designers, contractors and the public about environmental issues and our responsibility to the future generations.

This acknowledgement is the result of our various Green Building activities. Our green office building concept and design covers six focus areas. These include indoor environmental quality, sustainable site planning and management, innovation, water efficiency, materials and resources, and energy efficiency.

The green building concept we have adopted concentrates mainly on two aspects:

1. Increasing the efficiency of the building in terms of energy, water and materials usage; and
2. Reducing its impact on human health and the environment through better site selection, design, construction, operation, maintenance and removal throughout the complete life cycle of the building.

Untuk itu, kami menyediakan pusat percetakan dan telah menyusun semula pencetak, mesin fotokopi, mesin faks dan pengimbas pencetak, dengan membuat perubahan daripada setiap kakitangan memiliki pencetak individu kepada penggunaan pencetak pusat. Ini merupakan suatu usaha untuk menjimatkan kertas, elektrik, kos penyelenggaraan dan toner melalui percetakan yang selamat dan terkawal.

Kami juga berhasrat untuk menyelaraskan dan mengurangkan surat-menyurat kepada pelanggan. Dalam beberapa keadaan tertentu, Bank menghantar surat elektronik melalui e-mel. Walau bagaimanapun, mengikut pelbagai arahan kawal selia tertentu, kami tetap dikehendaki menghantar surat bercetak kertas kepada pelanggannya dan akan terus berbuat demikian.

INISIATIF BANGUNAN HIJAU: PENSIJILAN GBI SME BANK

SME Bank akur bahawa perubahan iklim merupakan satu masalah dan kami berusaha untuk menanganinya melalui inisiatif bangunan hijau. Kami mula memasukkan ciri-ciri bangunan hijau ke dalam reka bentuk dan pembinaan ibu pejabat kami, Menara SME Bank, pada 2014 dengan matlamat untuk mengurangkan sebarang kesan alam sekitar yang mungkin timbul daripada aktiviti kami.

Hasilnya, Menara SME Bank berjaya menerima pensijilan penuh indeks Bangunan Hijau (GBI) pada 2018. GBI ialah alat penarafan hijau yang diiktiraf industri Malaysia untuk bangunan yang menggalakkan kemampuhan dalam pembinaan bangunan dan meningkatkan kesedaran di kalangan pemaju, jurutera, perancang, pereka, kontraktor dan orang awam mengenai isu-isu alam sekitar dan tanggungjawab kami terhadap generasi akan datang.

Pengiktirafan ini merupakan hasil daripada pelbagai aktiviti Bangunan Hijau kami. Konsep dan reka bentuk bangunan pejabat hijau kami merangkumi enam bidang tumpuan. Ini termasuk kualiti persekitaran dalaman, perancangan dan pengurusan tapak, inovasi, kecekapan pengurusan air, bahan dan sumber, dan kecekapan guna tenaga.

Konsep bangunan hijau yang diguna pakai tertumpu kepada dua aspek utama:

1. Meningkatkan kecekapan bangunan daripada segi penggunaan tenaga, air dan bahan; dan
2. Mengurangkan kesan ke atas kesihatan manusia dan alam sekitar melalui pilihan, reka bentuk, pembinaan, operasi, penyelenggaraan dan pelupusan tapak yang lebih berkesan sepanjang jangka hayat lengkap bangunan.

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We shall continue with our Green Building practices for the benefits are immense. Going green means it will help reduce the building operating cost by as much as 9%, increase building values by 7.5% and realise a 6.6% increase in return on investment. For SME Bank, a green building brings multiple benefits in sound ecological and environmental sense as well sound economic sense, and ultimately leads to a sustainable development.

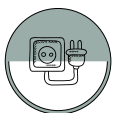
Kami akan meneruskan amalan Bangunan Hijau kerana manfaatnya begitu banyak. Mengamalkan operasi hijau akan membantu mengurangkan kos operasi bangunan sebanyak 9%, meningkatkan nilai bangunan sebanyak 7.5% dan menzahirkan peningkatan pulangan pelaburan sebanyak 6.6%. Bagi SME Bank, bangunan hijau membawa pelbagai manfaat daripada segi ekologi dan alam sekitar serta faktor ekonomi yang kukuh, yang akhirnya menjurus kepada pembangunan mampan.

KEY GREEN FEATURES IMPLEMENTED AT MENARA SME BANK**CIRI-CIRI HIJAU UTAMA DI MENARA SME BANK****LIGHTING ZONING**

- ✔ Flexible lighting controls to maximise energy savings;
- ✔ Individual switches for all individual or enclosed spaces; and
- ✔ Timer controlled lighting with day lighting strategy for all perimeter zones and daylight areas.

PENZEZONAN PENCAHAYAAN

- ✔ Kawalan pencahayaan yang anjal untuk memaksimumkan penjimatan tenaga;
- ✔ Suis individu untuk semua individu dan ruang yang sempit; dan
- ✔ Sistem masa pencahayaan yang dikawal oleh pemasa dengan strategi cahaya siang untuk semua zon perimeter dan ruang cahaya siang.

**ELECTRICAL SUB-METERING**

- ✔ Sub-metering for all energy usage more than or equivalent to 100kVa.

SUB-METERING ELEKTRIK

- ✔ Sub-metering untuk semua penggunaan tenaga letrik melebihi atau bersamaan 100kVa.

**RENEWABLE ENERGY**

- ✔ The use of renewable energy is encouraged.

TENAGA BOLEH DIPERBAHARUI

- ✔ Penggunaan tenaga boleh diperbaharui sememangnya digalakkan.

**ENHANCED COMMISSIONING**

- ✔ Improvements to ensure the building's major energy-using systems are repaired, operated and maintained effectively to optimise energy performance;
- ✔ To ensure high consumption equipment such as Chiller for the building centralised air-conditioning to be operated on time as per schedule to avoid equipment running on peak hours which will impact on Maximum Demand cost;
- ✔ Commissioning plan for the building's major energy-using systems;

PENGGUNAAN YANG DIPERTINGKATKAN

- ✔ Penambahbaikan untuk memastikan sistem utama bangunan yang menggunakan tenaga dibaiki, dikendali dan dikekalkan dengan berkesan untuk mengoptimumkan prestasi tenaga;
- ✔ Untuk memastikan peralatan dengan penggunaan tinggi seperti pendingin untuk penyaman udara dikendalikan pada masa sepertimana jadual bagi mengelakkan peralatan digunakan semasa masa puncak yang mana akan memberi impak kepada kos Permintaan Maksimum;
- ✔ Pelan penggunaan untuk sistem utama bangunan yang menggunakan tenaga;

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KEY GREEN FEATURES IMPLEMENTED AT MENARA SME BANK (CONT'D)
CIRI-CIRI HIJAU UTAMA DI MENARA SME BANK (SAMB.)

ENHANCED COMMISSIONING (CONT'D)

- ⊙ Management training to raise awareness and improve skills on a broad range of sustainable building operation topics such as energy efficiency as well as building, equipment and systems operations and maintenance; and
- ⊙ An updated building operating plan to reflect any changes in the occupancy schedule, equipment run-time schedule, design set points and lighting levels.

PENGUNAAN YANG DIPERTINGKATKAN (SAMB.)

- ⊙ Latihan pengurusan untuk meningkatkan kesedaran dan menambah baik kepakaran bagi topik yang luas tentang operasi bangunan mampan seperti keberkesanan tenaga serta bangunan, peralatan dan operasi dan penyelenggaraan sistem; dan
- ⊙ Pelan operasi bangunan yang dikemas kini bagi menunjukkan sebarang perubahan dalam jadual pendudukan, jadual run-time peralatan, titik set reka bentuk dan tahap pencahayaan.


ENVIRONMENTAL TOBACCO SMOKE (ETS) CONTROL

- ⊙ Smoking is prohibited in the building and exterior designated smoking areas are located away from entries, outdoor air intakes and operable windows; and
- ⊙ Smoking is prohibited in the building except in designated smoking area located at the back of the building.

KAWALAN PERSEKITARAN ASAP ROKOK

- ⊙ Merokok dilarang di dalam bangunan dan kawasan merokok yang ditetapkan di luar bangunan adalah jauh dari tempat makan, ruang masuk udara luar dan tingkap; dan
- ⊙ Merokok dilarang di dalam bangunan kecuali di dalam bilik merokok yang ditetapkan.


THERMAL COMFORT: DESIGN & CONTROLLABILITY OF SYSTEMS

- ⊙ Individual comfort controls for 50% of the building's occupants that allow adjustments to suit individual tasks and preferences.

KESELESAAN UDARA PANAS: REKA BENTUK & KEBOLEHKAWALAN SISTEM

- ⊙ Keselesaan individu mengawal sebanyak 50% daripada penghuni bangunan yang membolehkan penyelarasan untuk memenuhi tugas dan keutamaan individu.


AIR CHANGE EFFECTIVENESS

- ⊙ Effective delivery of clean air through reduced mixing with indoor pollutants to promote a healthy indoor environment; and
- ⊙ Carbon Dioxide (CO²) is controlled by BEMS system to ensure CO² in the building is always below 1,000 parts per million (ppm) parameter reading level as per OSHA standard requirement.

KEBERKESANAN PENUKARAN UDARA

- ⊙ Penyampaian udara bersih yang berkesan melalui pengurangan campuran dengan bahan cemar dalaman untuk menggalakkan persekitaran dalaman yang sihat; dan
- ⊙ Karbon Dioksida (CO²) dikawal oleh sistem BEMS bagi memastikan CO² di dalam bangunan sentiasa di bawah parameter tahap bacaan 1,000 bahagian per juta (ppm) sepertimana keperluan piawaian OSHA.


INTERNAL NOISE LEVELS

- ⊙ Internal noise levels maintained at a safe level that ensure 90% of noise levels do not exceed the following ambient internal noise levels:
 - Within the entire baseline building general office space, noise from the building services does not exceed 40dBAeq; and
 - Within the baseline building office space, the sound level does not exceed 45dBAeq for open plan or 40dBAeq for closed offices.

TAHAP BUNYI DALAMAN

- ⊙ Tahap bunyi dalaman dikekalkan pada tahap selamat yang memastikan 90% daripada tahap bunyi tidak melebihi tahap bunyi sekeliling dalaman yang berikut:
 - Dalam seluruh garis ruang pejabat bangunan, bunyi daripada perkhidmatan bangunan tidak melebihi 40dBAeq; dan
 - Dalam garis ruang pejabat bangunan, tahap bunyi tidak melebihi 45dBAeq untuk pelan terbuka atau 40dBAeq untuk pejabat tertutup.

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SHAPING A BETTER AND INCLUSIVE SOCIETY MEMBENTUK MASYARAKAT YANG LEBIH BAIK DAN TERANGKUM

THE AIM OF ALL OUR SOCIAL SUSTAINABILITY INITIATIVES IS TO CREATE MAXIMUM POSITIVE IMPACT. WE HAVE IMPLEMENTED AMBITIOUS MATERIAL TARGETS AND FURTHER EXPANDED OUR ROLE TO SUPPORT THE CREATION OF A BETTER AND INCLUSIVE SOCIETY.

SASARAN SEMUA INISIATIF KEMAMPANAN KAMI ADALAH UNTUK MEWUJUDKAN KESAN POSITIF YANG MAKSIMUM. KAMI TELAH MENETAPKAN SASARAN PENTING DAN MENAMBAHKAN LAGI PERANAN KAMI DALAM MENYOKONG PEMBENTUKAN MASYARAKAT YANG LEBIH BAIK DAN TERANGKUM.



By inclusive society, we recognise the importance of collective social and economic or "socio-economic" effects that our activities have on the people and communities as the result of sensitively balancing local communities' concerns with the desire for economic development.

We continue to commit ourselves to the internal and external stakeholders, namely the employees and the communities, who stand to benefit from the values that are created as a result of these sustainability efforts.

We mainly focus on a broad range of sustainability targets, ranging from health and safety to corporate social responsibility activities.

To drive value for our business and society, we make sincere efforts in being socially responsible; guiding us in the actions we take. Social responsibility to us is a means for achieving sustainability, and is built upon these basic principles:

- Transparency in business dealings and transactions.
- Respect for fundamental human rights.
- Conduct of fair and honest business activities.
- Contribution towards realising a society that promotes a better standard of living.
- Compliance with the relevant laws and regulations.

Ini bermakna kami menekankan kepentingan kesan sosial dan ekonomi atau "sosioekonomi" daripada aktiviti kami, ke atas orang ramai dan komuniti hasil daripada keseimbangan keperluan masyarakat dan tumpuan terhadap perkembangan ekonomi.

Oleh itu kami terus komited terhadap pihak berkepentingan dalaman dan luaran, iaitu kakitangan dan komuniti, yang akan mendapat manfaat daripada nilai-nilai yang kami wujudkan hasil daripada usaha-usaha kemampuan.

Kami menumpukan terutamanya kepada sasaran kemampuan, daripada kesihatan dan keselamatan kepada aktiviti tanggungjawab sosial korporat.

Untuk mencipta nilai bagi perniagaan dan masyarakat, kami melakukan usaha murni demi tanggungjawab dari segi sosial, yang menjadi panduan kepada kami dalam tindakan yang kami ambil. Tanggungjawab sosial bagi kami adalah cara untuk mencapai kemampuan, dan terbina berdasarkan prinsip-prinsip berikut:

- Ketelusan dalam urusan dan transaksi perniagaan.
- Menghormati hak-hak asasi manusia.
- Menjalankan aktiviti perniagaan dengan saksama dan ikhlas.
- Sumbangan dalam menzahirkan masyarakat yang menggalakkan tahap kehidupan lebih baik.
- Pematuhan kepada undang-undang dan peraturan yang berkenaan.

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CORPORATE RESPONSIBILITY
Environment | Education | Community | Workplace

OUR POLICY

Taking on these principles, we are determined to create a sustainable foundation according to the United Nation’s sustainability direction, coupled with development towards corporate excellence.

We recognise that the crux of responsible business operation, on which long terms benefits can be generated for all parties involved, is by finding a balance in community development and by creating social values. We have thus established a strategy pertaining to social responsibility, which is in alignment with our vision to be a leader in SME ecosystem value creation beyond financial services, while ensuring for the well-being and happiness of society.

Our policy in this area therefore places an emphasis on creating social values through fair business operations, strengthening professional security, and increasing positive impact on all employees and the communities.

DASAR KAMI

Berasaskan prinsip-prinsip ini, kami nekad untuk mewujudkan asas mampan menurut hala tuju kemampanan Kesatuan Bangsa-Bangsa Bersatu, berserta perkembangan ke arah kecemerlangan korporat.

Kami akur bahawa asas kepada operasi perniagaan bertanggungjawab, yang mana manfaat jangka panjang boleh dihasilkan untuk semua pihak yang terlibat, adalah dengan mencari keseimbangan dalam pembangunan komuniti dan dengan mencipta nilai sosial. Maka itu kami membentuk strategi berhubung tanggungjawab sosial, yang dijangka dengan visi kami untuk menjadi peneraju dalam penciptaan nilai ekosistem PKS menjangkaui perkhidmatan kewangan, sementara memastikan kesejahteraan dan kegembiraan masyarakat.

Oleh itu, dasar kami dalam bidang ini memberi penekanan pada mencipta nilai-nilai sosial melalui operasi perniagaan yang saksama, pengukuhan keselamatan profesional, dan peningkatan impak positif bagi semua kakitangan dan komuniti.

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OUR ROLE AS AN EMPLOYER OF CHOICE PERANAN KAMI SEBAGAI MAJIKAN PILIHAN

SME BANK VALUES ITS PEOPLE FOR WITHOUT THEM, WE CANNOT ATTAIN WHAT WE SET TO ACHIEVE.

Our people are the ones who drive change, particularly when the Bank embarked on its digital transformation journey. With the economic and business landscape fast evolving, it is even more imperative that we act upon our role of a good and caring employer as we keep them engaged. By this, we are also able to develop and motivate them, retain the best talents and subsequently, become an employer of choice.

OUR APPROACH

At SME Bank, we foster a working environment where both people and performance matter. We take a stance regarding gender equality and diversity in the Bank, and we care for the health and safety of our employees. We constantly look into ways to define our workforce requirements, to determine the job fit, and to offer the most appropriate trainings, amongst others.

INVESTING IN HR

We invested over RM1.7 million in the development of our HR function, taking a holistic view that considers processes, technology, people and organisation. This commitment underpins our overall business to deliver greater operational efficiency, improved insights, along with world-class HR services and solutions for our diverse workforce.

OFFERING FAIR COMPENSATION AND REWARD

In designing our remuneration and incentive structures to reward people in a fair and appropriate way, we use both monetary and non-monetary rewards to encourage sustainable value creation. Our remuneration system provides a transparent and fair offering to attract, motivate and retain highly qualified employees.

INSTILLING PERFORMANCE-BASED CULTURE

We strive to create a working environment where both people and performance matter. At the core of all our activities is competency. We live by this standard and stress on it in our corporate culture as it impacts not only HR management but all areas of our business.

SME BANK MENGHARGAI KAKITANGANNYA YANG MANA TANPA MEREKA, KAMI TIDAK AKAN DAPAT MENCAPAI APA YANG KAMI SASARKAN.

Kakitangan kami ialah mereka yang menggerakkan perubahan, khususnya apabila Bank memulakan perjalanan transformasi digitalnya. Dengan landskap ekonomi dan perniagaan yang pantas berkembang, ia menjadi kemestian bagi kami untuk menunaikan peranan sebagai majikan yang baik dan prihatin dalam menjalin hubungan dengan mereka. Dengan ini, kami juga boleh membangun dan menggalakkan mereka, mengekalkan pekerja terbaik dan seterusnya, menjadi majikan pilihan.

PENDEKATAN KAMI

Di SME Bank, kami memupuk persekitaran kerja di mana kakitangan dan prestasi adalah kedua-duanya penting. Kami berpegang kepada pendirian berhubung kesaksamaan dan kepelbagaian jantina dalam Bank, dan menjaga kesihatan dan keselamatan kakitangan. Kami juga sentiasa mencari jalan untuk menetapkan keperluan tenaga kerja kami, menentukan kesesuaian kerja, dan untuk menyediakan latihan yang paling betul.

MEMBUAT PELABURAN DALAM SUMBER MANUSIA

Kami melabur lebih RM1.7 juta dalam pembangunan Sumber Manusia (HR) kami, dengan mengambil pandangan menyeluruh yang mempertimbangkan proses, teknologi, kakitangan dan organisasi. Komitmen ini menyokong keseluruhan perniagaan untuk menyampaikan keberkesanan operasi yang lebih tinggi, pandangan yang lebih baik, serta perkhidmatan dan penyelesaian HR untuk pelbagai warga kerja kami.

MENAWARKAN PAMPASAN DAN GANJARAN SAKSAMA

Dalam merangka struktur imbuhan dan insentif untuk memberi ganjaran kepada kakitangan dalam cara yang saksama dan betul, kami memberi imbuhan kewangan dan bukan tunai untuk menggalakkan penciptaan nilai mampan. Sistem imbuhan kami adalah telus dan adil untuk masrik, mendorong dan mengekalkan kakitangan yang sangat berkelayakan.

MENYEMAI BUDAYA PRESTASI TINGGI

Kami berusaha mewujudkan persekitaran kerja yang mengutamakan kakitangan dan juga prestasi. Kecekapan menjadi teras bagi semua aktiviti kami. Kami berpandukan standard ini dan menekankannya dalam budaya korporat kami oleh sebab ia memberi kesan bukan hanya kepada pengurusan Sumber Manusia tetapi juga semua bahagian perniagaan kami.

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LEADING OUR PEOPLE INTO A DIGITAL FUTURE
MEMIMPIN KAKITANGAN KAMI MENUJU MASA DEPAN DIGITAL



DIGITALISATION IS CHANGING THE WAY SME BANK OPERATES AND IT WILL DO SO EVEN MORE IN THE FUTURE.

The number of people working on repetitive and basic operational tasks is likely to decrease. We are actively preparing our workforce for this change for them to remain relevant in their current role as it evolves, or to be better qualified for some of the roles which will be growing or emerging. We are looking at ways to help our employees to embrace and lead in this period of change.

Our priority is to enhance the understanding of what digital transformation means for our business and our people. In 2019, we launched the Two-year Accelerated Programme which includes the National SME Digital Platform. The key outcome from this was the introduction of two new digital platforms, ScoreXcess and ODELA, which changed the SME business landscape.

This deep-dive project presents specific roles and digital skills that we will need in the workforce, which will lead into the development of strategic workforce plans, going forward. We are convinced that such a plan will demonstrate the imperative for digital up skilling as well as the opportunity to achieve a transformation while minimising financial and social impacts.

Building our internal capabilities is important as we transform our business operations digitally. As our business continues to evolve, the enhanced skills of our workforce over the long term will in turn respond to the emerging trends and opportunities.



PENDIGITALAN MENGUBAH CARA SME BANK BEROPERASI DAN IA AKAN LEBIH KETARA DI MASA HADAPAN.

Bilangan kakitangan yang menjalankan tugas operasi asas dan secara berulang berkemungkinan akan berkurang. Kami secara aktif mempersiapkan warga kerja kami untuk menghadapi perubahan ini agar mereka kekal relevan dalam peranan mereka apabila ia berkembang, atau agar mereka menjadi lebih berkelayakan untuk beberapa peranan yang akan berubah. Kami mencari jalan untuk membantu kakitangan kami menerima dan maju dalam tempoh perubahan ini.

Keutamaan kami adalah untuk meningkatkan pemahaman tentang apa ertinya transformasi digital kepada perniagaan dan kakitangan kami. Pada 2019, kami melancarkan Program Pemecutan Dua-tahun yang termasuk Platform Digital PKS Kebangsaan. Hasil utama daripada ini adalah pengenalan dua platform digital baharu, ScoreXcess dan ODELA, yang mengubah landskap perniagaan PKS.

Projek yang dilaksanakan dengan begitu teliti ini memberikan peranan khusus dan kepakaran digital yang kami perlukan dalam tenaga kerja, yang mana akan membawa kepada pembangunan perancangan tenaga kerja strategik di masa akan datang. Kami yakin bahawa perancangan sebegini akan menunjukkan keperluan bagi peningkatan digital serta peluang untuk mencapai transformasi sementara mengurangkan kesan-kesan kewangan dan sosial.

Membina keupayaan dalaman adalah penting apabila kami mengubah operasi perniagaan secara digital. Apabila perniagaan kami terus berkembang, peningkatan kepakaran tenaga kerja kami dalam jangka panjang akan kemudiannya boleh dimanfaatkan bagi trend dan peluang yang muncul.

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TALENT MANAGEMENT PENGURUSAN BAKAT

TALENT MANAGEMENT INVOLVES FINDING AND RETAINING THE RIGHT PEOPLE AT ALL LEVELS OF THE ORGANISATION AND IN A VARIETY OF FUNCTIONS.

PENGURUSAN BAKAT MELIBATKAN PENCARIAN DAN PENGEKALAN ORANG YANG BETUL DI SEMUA PERINGKAT ORGANISASI DAN DALAM PELBAGAI FUNGSI KERJA.



For us, achieving sustainable growth depends on having the right people and skills. Our success of tomorrow depends on our workforce being thought strategically right from the employment stage.

Our employment strategy is to hire the right competencies required by the business at the right time. In 2019, we hired 139 new employees, made up of a judicious mix of experienced professionals and trainees. The strategy during the year involved the following:-

- Revision of SME Bank Graduate Talent Programme;
- Participation in 'Graduan' Career Fair;
- Adoption of online platform for recruitment exercise namely LinkedIn; and
- Revision of Staff Promotion Guidelines for year 2019.

The number of our employees increased to 1,061 at the end of 2019 from 1,043 in 2018, in line with the Bank's growth trajectory and primarily reflecting new hires who made up 13% of the total.

Bagi kami, pencapaian pertumbuhan mampan bergantung pada ketersediaan mempunyai kakitangan dan kemahiran yang betul. Kejayaan kami pada hari esok bergantung pada tenaga kerja yang dirancang secara strategik daripada peringkat pengambilan pekerja.

Strategi pengambilan pekerja kami adalah untuk mengambil orang yang mempunyai kecekapan yang betul yang diperlukan oleh perniagaan pada masa yang betul. Pada tahun 2019, kami mengambil 139 pekerja baharu, terdiri daripada gabungan profesional dan pelatih. Strategi yang digunakan sepanjang tahun ini termasuklah:-

- Semakan Program Bakat Siswazah SME Bank;
- Penyertaan dalam Pameran Kerjaya Graduan;
- Penggunaan platform dalam talian bagi kegiatan perekrutan, iaitu LinkedIn; dan
- Semakan Garis Panduan Kenaikan Pangkat Kakitangan bagi tahun 2019.

Bilangan kakitangan kami bertambah kepada 1,061 orang pada akhir 2019 daripada 1,043 pada 2018, seiring dengan trajektori pertumbuhan Bank dan pekerja baharu yang mewakili 13% daripada jumlah keseluruhan.

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The growth shows that SME Bank continues to be an attractive employer with wide recognition of its dedicated role in sustainability.

During the year, we continued to attract, develop and retain high calibre people by offering attractive and challenging roles. We also implemented additional measures to provide the new hires with on-boarding experiences.


We provide equal opportunity in recruitment, career development, promotion, training and reward for all employees, regardless of gender, ethnicity, sexual orientation or physical ability. We actively monitor diversity and measure the representation of women and local nationals in senior leadership positions. SME Bank believes that diverse teams led by inclusive leaders can improve business performance as we lead them into a promising digital future.

Pertumbuhan ini menunjukkan bahawa SME Bank kekal sebagai majikan pilihan dengan pengiktirafan meluas bagi peranannya dalam kemampanan.

Sepanjang tahun ini, kami terus menarik, membangun dan mengekalkan orang-orang yang berkaliber dengan menawarkan peranan yang mengujakan dan mencabar. Kami juga melaksanakan langkah-langkah tambahan untuk menyediakan pengalaman *on-boarding* untuk pekerja baharu.

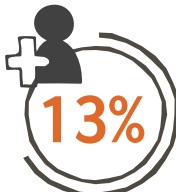
Kami menyediakan peluang sama rata dalam pengambilan pekerja, pembangunan kerjaya, kenaikan pangkat, latihan dan ganjaran, tanpa mengira jantina, keetnikan, orientasi seksual mahupun keupayaan fizikal. Kami aktif memantau kepelbagaian dan mengukur perwakilan wanita dan warga tempatan dalam jawatan kepimpinan kanan. SME Bank percaya bahawa pasukan dengan kepelbagaian latar belakang, dipimpin oleh ketua-ketua yang inklusif boleh menambah baik prestasi perniagaan apabila kami meneraju mereka menuju masa depan digital yang cerah.

2019 SUMMARY / RINGKASAN 2019




1,061

people who were all directly employed by the company
orang yang kesemuanya diambil bekerja secara langsung oleh syarikat



13%

were new hires
kakitangan yang baru diambil bekerja

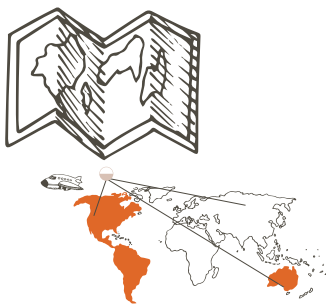



31

graduates
siswazah

3%


of graduate recruits are from universities outside of Malaysia
daripada rekrut siswazah datangnya dari universiti di luar Malaysia





108

experienced professionals
profesional berpengalaman



4

Average / Secara purata training days are provided for employees
hari latihan disediakan untuk kakitangan


TRAINING

50%

of employees are female
daripada kakitangan ialah wanita

6

for the Senior Leadership Role
Kepimpinan Kanan



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**EMPLOYEE-MANAGEMENT
RELATIONS**

HUBUNGAN PEKERJA-PENGURUSAN

THE MANAGEMENT AND EMPLOYEES OF THE BANK MAINTAIN A HEALTHY RELATIONSHIP WHERE DIALOGUES TAKE PLACE DIRECTLY AND THROUGH EMPLOYEE REPRESENTATIVE BODIES NAMELY THE NATIONAL UNION OF COMMERCIAL WORKERS (NUCW).

PIHAK PENGURUSAN DAN PEKERJA BANK MENGEKALKAN HUBUNGAN YANG BAIK DI MANA WUJUD DIALOG SECARA LANGSUNG DAN MENERUSI BADAN PERWAKILAN PEKERJA IAITU KESATUAN SEKERJA KEBANGSAAN PEKERJA-PEKERJA PERDAGANGAN (NUCW).

We comply with the relevant laws and promote a responsible work environment while ensuring work-life balance. Employees have access to multiple channels to report, confidentially and anonymously, breaches of the Bank's Code of Conduct or other concerns.

Kami mematuhi undang-undang yang berkenaan dan menggalakkan persekitaran kerja yang bertanggungjawab sementara memastikan keseimbangan pekerjaan dan kehidupan. Kakitangan mempunyai akses kepada pelbagai saluran untuk melapor, secara sulit dan tanpa menyatakan nama tentang pelanggaran Kod Tata Laku Bank atau sebarang kekusaran lain.

In 2019, we conducted a pulse survey to hear their views on various matters, in addition to the regular informal feedback. This feedback is then used to determine the areas of focus for the business to improve the level of employee engagement across the company.

Pada 2019, kami menjalankan kaji selidik ringkas untuk mendapatkan pandangan mereka mengenai pelbagai hal, sebagai tambahan kepada maklum balas tidak rasmi yang biasa. Maklum balas ini kemudian digunakan untuk menentukan bidang tumpuan untuk perniagaan menambah baik tahap penglibatan pekerja di seluruh syarikat.

We are committed to establish a sound employee-management relationship through a constructive employee-management relationship, which encompasses the following aspects:-

Kami komited dalam mewujudkan hubungan kukuh antara pekerja dengan pengurusan melalui hubungan pekerja-pengurusan yang membina, merangkumi aspek berikut:-

- Human resources policy. We adopt a policy appropriate to our size and workforce, which sets out our approach to managing employees. The policy provides information regarding their rights under national labour and employment law, including their rights related to wages and benefits.
- Working conditions and terms of employment. We document and communicate to all employees their working conditions and terms of employment. These include their entitlement to wages and benefits, hours of work, overtime arrangements and overtime compensation, and leave for illness, maternity, vacation or holiday, that at a minimum comply with national law.
- Labour unions. As permitted by law, we grant employees the right to associate freely and to bargain collectively, by joining organisations or unions. Except for Executive and Management levels and some contract employees, 17% of our employees are union members. In 2019, the National Union Commercial Workers (NUCW) represented 178 employees from the non-executive workforce.

- Dasar sumber manusia. Kami menerima pakai dasar yang betul untuk saiz dan tenaga kerja kami, yang menetapkan pendekatan kami dalam menguruskan pekerja. Dasar ini menyediakan maklumat berkenaan hak-hak mereka di bawah undang-undang buruh dan pekerjaan negara, termasuk hak-hak yang berkaitan dengan gaji dan manfaat.
- Keadaan bekerja dan terma pekerjaan. Kami mendokumen dan memaklumkan kepada semua pekerja tentang keadaan bekerja dan terma pekerjaan mereka. Ini termasuk kelayakan untuk gaji dan manfaat, jam bekerja, pengaturan kerja lebih masa dan pampasannya, dan cuti sakit, bersalin atau cuti riadah, yang sekurang-kurangnya mematuhi undang-undang negara.
- Kesatuan pekerja. Sepertimana dibenarkan oleh undang-undang, kami memberikan pekerja hak untuk bebas menyertai dan membuat tawaran secara kolektif, dengan menyertai badan atau kesatuan. Kecuali pengurus dan beberapa pekerja kontrak, 17% daripada pekerja kami ialah ahli kesatuan. Pada 2019, Kesatuan Sekerja Kebangsaan Pekerja-Pekerja Perdagangan (NUCW) mewakili 178 pekerja daripada tenaga kerja bukan eksekutif.

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OCCUPATIONAL SAFETY AND HEALTH
KESELAMATAN DAN KESIHATAN PEKERJAAN

SME BANK POLICY STATEMENT ON SAFETY AND HEALTH

SME Bank is committed in providing a safe, healthy and secured workplace to all employees, contractors, visitors and customers. Our commitment to the effective implementation of the Safety and Health Policy will be integrated into our daily activities.

SME Bank will meet its commitment to safety and health by:

- Complying with all requirements of legislative related to safety and health as stated in the Occupational Safety and Health Act 1994, as well as other approved regulations and code of practices.
- All levels of Management are accountable for the safety and health of employees under their leadership.
- Establishing an Occupational Safety and Health Management System in ensuring continuous and organized safety and health policy that is in accordance with laws and regulations.
- Create safe and healthy working environment and provide appropriate safety equipment.
- Providing information, training, instruction and supervision to all to ensure they have the required skills and competencies for their roles.
- Carrying out investigation of all accidents, illness, injuries, poisoning and/ or dangerous occurrences and take steps to ensure that such incidents do not recur.
- Promoting awareness on occupational safety and health to all staff so that it could be part of their common working practice.
- Provide basic welfare facilities for all employees.
- Review and revise the policy when necessary.



ARIA PUTERA ISMAIL
Chief Executive Officer
3rd September 2018



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www.smebank.com.my

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Protecting people from harm and safeguarding their health is key for our success. We maintain and continuously develop health, safety and welfare at work, by evaluating and analysing the risks that can affect our employees and subcontractors, and managing them responsibly.

We have in place robust policies and practices throughout our operations to ensure a safe working environment and that we continually strive to be world class in occupational health and safety.

During the year, we held several activities and programmes to promote and encourage health and safety practices within the Bank. They include the Safety Education and Awareness Programme for Network Safety Representatives; installation of 27 safety box at all levels of Menara SME Bank as part of HSE requirements; and a four-month SME Bank Physical and Mental Health Coaching Programme. We also launched a video on safety to further raise awareness on the importance of safety.

Other activities were first aid training for the First Aider of Menara SME Bank and SME Bank network, emergency response and fire training with the Fire and Rescue Department of Malaysia for Emergency Response Team, chemical health risk assessment and noise exposure monitoring and assessment for SME Bank, fire drill exercise.

SAFETY AND HEALTH COMMITTEE

We appoint the Safety and Health Committee, whose responsibilities are guided by the Occupational Safety and Health Act, 1994, specifically to identify potential hazards; evaluate these potential hazards; recommend corrective actions; and follow up on the recommendations to be implemented.

The Committee comprises representation from the employer (middle and senior management) as well as representation from employees (operations staff), who work together to set working policies. Both groups of representatives share equal amount of involvements in:

- Assisting in the development of safety and health rules and safe systems of work;
- Reviewing the effectiveness of the existing safety and health programme;
- Studying trends of accidents, near misses, dangerous occurrences and occupational poisoning or disease occurring in the workplace;
- Reporting any unsafe or unhealthy conditions or practices in the workplace together with recommendations for corrective action to the employer; and
- Reviewing the workplace safety and health policies and recommends any revisions to the employer.

Melindungi pekerja daripada bahaya dan menjaga kesihatan mereka adalah kunci kepada kejayaan kami. Kami mengekal dan berterusan membangunkan kesihatan, keselamatan dan kesejahteraan di tempat kerja, dengan menilai dan menganalisis risiko-risiko yang memberi kesan terhadap pekerja dan subkontraktor kami, dan menguruskan mereka dengan bertanggungjawab.

Di seluruh operasi kami terdapat dasar dan amalan yang kukuh untuk memastikan persekitaran kerja yang selamat dan kami terus berusaha mencapai taraf dunia dalam kesihatan dan keselamatan pekerjaan.

Sepanjang tahun ini, kami mengadakan beberapa aktiviti dan program untuk menggalakkan amalan kesihatan dan keselamatan dalam Bank. Ini termasuklah Program Kesedaran dan Pendidikan Keselamatan untuk Wakil Keselamatan Rangkaian; pemasangan 27 kotak keselamatan di semua aras di Menara SME Bank sebagai sebahagian daripada keperluan HSE; dan Program empat-bulan Bimbingan Kesihatan Fizikal dan Mental SME Bank. Kami juga melancarkan video keselamatan untuk meningkatkan lagi kesedaran mengenai kepentingan keselamatan.

Aktiviti-aktiviti lain adalah latihan pertolongan cemas untuk Pembantu Kecemasan di Menara SME Bank dan rangkaian SME Bank, tindakan kecemasan dan latihan kebakaran bersama Jabatan Bomba dan Penyelamat Malaysia untuk Pasukan Tindakan Kecemasan, penilaian risiko kesihatan serta pemantauan dan penilaian pendedahan bunyi bagi latihan kebakaran SME Bank.

JAWATANKUASA KESELAMATAN DAN KESIHATAN

Kami melantik Jawatankuasa Keselamatan dan Kesihatan, yang mana tanggungjawabnya adalah berpandukan Akta Keselamatan dan Kesihatan Pekerjaan, 1994. Jawatankuasa ini adalah khususnya untuk mengenal pasti potensi bahaya; menilai potensi bahaya ini; menyarankan tindakan pembedahan; dan membuat susulan terhadap pelaksanaan saranan.

Jawatankuasa ini terdiri daripada wakil-wakil wakil daripada majikan (pengurusan pertengahan dan kanan) serta wakil daripada pekerja (kakitangan operasi), yang bersama-sama menetapkan polisi bekerja. Kedua-dua pihak mempunyai penglibatan sama rata dalam:

- Membantu membentuk peraturan keselamatan dan kesihatan serta sistem keselamatan kerja.
- Mengkaji keberkesanan program keselamatan dan kesihatan sedia ada;
- Mengkaji trend kemalangan, kejadian nyaris, kejadian berbahaya dan keracunan di tempat kerja atau penyakit yang berpunca di tempat kerja;
- Melaporkan sebarang keadaan tidak selamat atau tidak sihat atau amalan di tempat kerja bersama dengan saranan untuk tindakan pembedahan kepada majikan; dan
- Mengkaji semula polisi keselamatan dan kesihatan tempat kerja dan menyarankan apa-apa semakan kepada majikan.

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Meetings of the Committee are held at least every quarter or as required by the Occupational Safety and Health Act, 1994.

Periodically, individual departmental health and safety inspections are conducted to identify hazards and unsafe acts that need to be corrected; assign corrective responsibility; evaluate programme effectiveness; and report identified problems and progress to management to improve workplace safety and health.

COMPLIANCE TO SAFETY AND HEALTH STANDARDS

The Bank complies with numerous international standards, such as OHSAS 18001 for Safety and Health, from which we established our own OHS system to monitor work-related Safety and Health incidents closely. The OHS system is implemented throughout our network of offices.

We also comply with the Occupational Safety and Health Act (OSHA) and Department of Occupational Safety and Health's (DOSH) requirements.

The Bank also takes into consideration the Safety and Health standards in designing work processes to ensure the highest safety standards for employees by providing safety handbook, corporate on-boarding safety briefing, toolbox for contractors, ergonomic risk assessment for employees, and monthly safety and health bulletins.

Our constant focus on Safety and Health was endorsed by the Department of Occupational Safety and Health in 2019 following its inspection on compliance level for SME Bank where we achieved an astonishing 91.38% compliance. Our achievements in safety and health management systems also has been recognised by the Malaysian Society for Occupational Safety and Health (MSOSH) when we received the MSOSH Award (Silver Award) under the banking industry category.

Mesyuarat Jawatankuasa diadakan sekurang-kurangnya setiap suku tahun atau seperti yang diperuntukkan dalam Akta Keselamatan dan Kesihatan Pekerjaan, 1994.

Pemeriksaan keselamatan dan kesihatan jabatan dilaksanakan secara berkala untuk mengenal pasti perbuatan berbahaya dan tidak selamat yang perlu dibetulkan; menugaskan tanggungjawab pembetulan; menilai keberkesanan program; dan melaporkan masalah dan kemajuan yang dikenal pasti kepada pihak pengurusan untuk menambah baik keselamatan dan kesihatan tempat kerja.

PEMATUHAN KEPADA PIAWAIAN KESELAMATAN DAN KESIHATAN

Bank mematuhi beberapa piawaian antarabangsa, seperti OHSAS 18001 untuk keselamatan dan kesihatan, daripada mana kami membentuk sistem Keselamatan dan Kesihatan Pekerjaan (OHS) kami sendiri untuk memantau rapi kejadian kesihatan dan keselamatan berkaitan kerja. Sistem OHS dilaksanakan di seluruh rangkaian dan pejabat kami.

Kami juga mematuhi keperluan Akta Keselamatan dan Kesihatan Pekerjaan (OSHA) serta Jabatan Keselamatan dan Kesihatan Pekerjaan (DOSH).

Bank turut mempertimbangkan piawaian Keselamatan dan Kesihatan dalam merangka proses kerja untuk memastikan piawaian keselamatan tertinggi bagi pekerja dengan menyediakan buku panduan keselamatan, taklimat keselamatan korporat *on-boarding*, mesyuarat tentang topik keselamatan dengan kontraktor, penilaian risiko ergonomik untuk pekerja, dan buletin bulanan tentang keselamatan dan kesihatan.

Tumpuan berterusan kami terhadap keselamatan dan kesihatan disahkan oleh Jabatan Keselamatan dan Kesihatan Pekerjaan pada 2019 susulan daripada pemeriksaan tahap pematuhan bagi SME Bank di mana kami mencapai pematuhan membanggakan, sebanyak 91.38%. Pencapaian kami dalam sistem pengurusan keselamatan dan kesihatan juga telah diiktiraf oleh Persatuan Keselamatan dan Kesihatan Pekerjaan Malaysia (MSOSH) apabila kami menerima Anugerah MSOSH (Anugerah Perak) di bawah kategori industri perbankan.

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EMPLOYEE TRAINING, DEVELOPMENT AND COMPETENCIES
LATIHAN, PEMBANGUNAN DAN KECEKAPAN PEKERJA

We recognise that employees can develop their understanding of, and commitment to, the Bank's sustainability values and goals through training and development. On-going development is also imperative and both must be supported by evaluation and compensation systems that incorporate the Bank's sustainability goal.

Our learning and development strategy aims to provide timely answers to business needs and establish SME Bank as a leading, innovative Development Financial Institution (DFI) where its people top in many fronts.

In a fast-changing financial landscape, we recognise that it is vital to strengthen and continuously develop our talents to anticipate evolving customer needs and meet new market demands.

During the year, 380 employees attended the Structured Technical Development Programme for Credit Officers; while 158 employees were certified with various professional certifications. Another 148 employees completed the talent assessments, and 257 Relationship Management officers underwent personality profiling exercise.

We introduced the SME Bank's Leadership Coaching Culture, with 56 Department and Section Heads undergoing a leadership coaching programme. In addition, 146 other employees attended a talent development programme.

To enhance employee competencies, we continued with our Learning and Development framework around a Core Competency Programme (encompassing functional, technical and core training) and a Leadership Programme (comprising leadership training). In total, we conducted 55 in-house training sessions and 76 external training sessions.

In 2019, the average training hours per employee reached 34 hours, an increase from 2018. The total amount invested into training and development during the year was RM3.2 million to increase employee knowledge, skills and alignment with the corporate culture.

Kami sedar bahawa kakitangan boleh membina pemahaman dan komitmen mereka terhadap nilai dan matlamat kemampunan Bank melalui latihan. Pembangunan berterusan juga adalah penting dan kedua-duanya mesti menyokong sistem penilaian dan pampasan yang memasukkan matlamat kemampunan Bank.

Strategi pembelajaran dan pembangunan kami menyasarkan untuk menyediakan jawapan yang kena pada masanya kepada keperluan perniagaan dan menjadikan SME Bank sebagai Institusi Kewangan Pembangunan (DFI) yang terkemuka dan inovatif di mana warga kerjanya menerajui banyak bidang.

Dalam landskap kewangan yang pantas berubah, kami sedar bahawa ia penting untuk mengukuh dan membangunkan secara berterusan bakat-bakat kami bagi menjangkakan keperluan pelanggan yang bertambah dan memenuhi permintaan pasaran baharu.

Sepanjang tahun ini, 380 kakitangan menghadiri Program Pembangunan Teknikal Berstruktur untuk pegawai kredit; manakala 158 kakitangan diberikan pelbagai pensijilan profesional. 148 kakitangan lagi menyelesaikan penilaian bakat, dan 257 pegawai pengurusan perhubungan menjalani kegiatan pemprofilan personaliti.

Kami memperkenalkan Budaya Bimbingan Kepimpinan SME Bank, dengan 56 Ketua Jabatan dan Bahagian menjalani program bimbingan kepimpinan. Di samping itu, 146 kakitangan lain menghadiri program pembangunan bakat.

Untuk meningkatkan kecekapan, kami meneruskan rangka kerja Pembelajaran dan Pembangunan dalam Program Kecekapan Teras (merangkumi fungsi, teknikal dan latihan teras) dan Program Kepemimpinan (merangkumi latihan kepimpinan). Secara keseluruhannya, kami menjalankan sebanyak 55 sesi latihan dalaman dan 76 sesi latihan luaran.

Pada 2019, purata jam latihan bagi setiap kakitangan mencapai 34 jam, peningkatan daripada 2018. Jumlah yang kami laburkan dalam latihan dan pembangunan sepanjang tahun ini adalah RM3.2 juta, untuk meningkatkan pengetahuan, kemahiran pekerja dan penajajaran dengan budaya korporat.

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DIGITAL SKILLS AND CAPABILITIES

As we shift towards more digitalisation in our business operations and offerings, we are committed to promoting continuous learning to help our employees become fit for the future. Constant learning is a key part of our strategy for implementing technological and organisational restructuring measures in a way that is socially responsible.

In a competitive environment that businesses today operate, we cannot overlook the effort we must take to sharpen the skills and capabilities of our people. This way they will be able to deliver quality service to the customers and meet their expectation.

It is therefore important that we focus on recruiting and training specialists in particular areas. Our aim is to enhance the digital skills that some of the employees may already have and to provide the opportunity for those without to learn and grasp them.

KEMAHIRAN DAN KEUPAYAAN DIGITAL

Apabila kami beralih kepada lebih banyak pendigitalan dalam operasi dan penawaran perniagaan, kami komited untuk menggalakkan pembelajaran berterusan bagi membantu kakitangan kami bersedia untuk masa depan. Pembelajaran berterusan adalah bahagian utama strategi kami untuk melaksanakan penyusunan semula teknologi dan organisasi dalam cara yang bertanggungjawab dari segi sosial.

Dalam persekitaran berdaya saing di mana perniagaan hari ini beroperasi, kami tidak boleh terlepas pandang akan usaha yang kami mesti ambil untuk meningkatkan kemahiran dan keupayaan pekerja kami. Dengan cara ini mereka akan berupaya memberi perkhidmatan bermutu kepada pelanggan dan sekaligus memenuhi jangkaan mereka.

Maka itu penting bagi kami memberi tumpuan kepada merekrut dan melatih pakar dalam bidang-bidang khusus. Matlamat kami adalah untuk meningkatkan kemahiran digital beberapa kakitangan yang mungkin telah memilikinya, dan untuk menyediakan peluang kepada mereka yang belum ada kemahiran tersebut.

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COMPENSATION, PERFORMANCE AND RECOGNITION

PAMPASAN, PRESTASI DAN PENGIKTIRAFAN

WE MEASURE EMPLOYMENT SUCCESS ACROSS KEY ELEMENTS OF COMPENSATION AND BENEFITS; WORK-LIFE BALANCE; AND PERFORMANCE AND RECOGNITION.

KAMI MENGUKUR KEJAYAAN PEKERJAAN DI SELURUH ELEMEN UTAMA PAMPASAN DAN MANFAAT; KESEIMBANGAN PEKERJAAN-KEHIDUPAN; DAN PRESTASI DAN PENGIKTIRAFAN.

Collectively, these elements are critical to attract, motivate and retain our most valuable strategic resource: our people.

Kesemua elemen ini adalah penting untuk menarik, mendorong dan mengekalkan sumber strategik kami yang paling berharga: pekerja kami.

We focus on recognising their talents and contributions frequently and rewarding them fairly. All key performance indicators throughout the Bank are linked to the business strategy. We carefully monitor and evaluate market trends and industry practices to ensure that we remain competitive.

Tumpuan kami adalah dalam mengiktiraf bakat dan sumbangan mereka dengan kerap dan memberi ganjaran kepada mereka dengan saksama. Semua petunjuk prestasi utama di seluruh Bank dihubungkan dengan strategi perniagaan. Kami memantau dengan teliti serta menilai trend pasaran dan amalan industri bagi memastikan kami kekal berdaya saing.

Our Human Resources reviews the remuneration and benefits annually by collecting information, results from the employee engagement survey (both formal and informal), and analysis compared to the industry in order to review the remuneration structure, benefits, welfare and privileges for continued improvement of the remuneration and benefits for employees to align with local market practices and be competitive with other companies.

Sumber Manusia kami menyemak imbuhan dan manfaat dengan mengumpul maklumat, keputusan daripada kaji selidik libat urus pekerja (rasmi dan tidak rasmi), dan analisis yang dibandingkan dengan industri untuk mengkaji semula struktur imbuhan, manfaat, kebajikan dan faedah. Ia bertujuan untuk penambahbaikan berterusan imbuhan dan manfaat pekerja bagi menjajarkan dengan amalan pasaran tempatan dan agar berdaya saing dengan syarikat lain.

Across the organisation, remuneration is the same for men and women working full-time, in the same grade, in the same role. Likewise, the remuneration is neither based on age nor race. All employees go through an annual performance appraisal which is used to measure their opportunity for pay increase or job promotion, amongst others.

Di seluruh organisasi, imbuhan adalah sama bagi lelaki dan wanita yang bekerja sepenuh masa, dalam gred yang sama, dalam peranan yang sama. Begitu juga, imbuhan tidak didasarkan sama ada pada usia mahupun bangsa. Semua pekerja menjalani penilaian prestasi tahunan yang digunakan antara lainnya untuk mengukur peluang mereka bagi kenaikan gaji atau pangkat.

In addition to monetary rewards, we offer benefits in kind, such as the Flexible Benefits Scheme which allows employees to “sell” their annual leave and to utilise the proceeds for their personal needs - for example - lifestyle, health and wellness, education or family care needs.

Selain ganjaran kewangan, kami juga menawarkan manfaat bukan tunai, seperti Skim Manfaat Fleksibel yang membolehkan pekerja “menjual” cuti tahunan mereka dan menggunakan hasil jualan tersebut untuk keperluan peribadi – contohnya – gaya hidup, kesihatan dan kesejahteraan, keperluan pendidikan atau penjagaan keluarga.

Other benefits they enjoy include retirement benefits in addition to the Employees Provident Fund; vehicle and home subsidy, group takaful coverage; extensive medical benefits; and education excellence incentives.

Manfaat-manfaat lain yang mereka nikmati termasuk manfaat persaraan sebagai tambahan kepada Kumpulan Wang Simpanan Pekerja; subsidi kenderaan dan rumah; perlindungan takaful berkumpulan; manfaat perubatan yang banyak; dan insentif kecemerlangan pendidikan.

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Employees are assessed annually and also receive interim reviews. While formal assessments occur once or twice a year for all employees, managers are expected to provide on-going feedback to their employees throughout the year. We track completion of employee performance reviews at the end of the performance review cycle to make sure every employee receives feedback.

We acknowledge good performance and provide a path for career advancement which eventually leads to a higher responsibility, a higher job title and a higher salary range. In 2019, 111 employees have been promoted to higher positions in various functions within the Bank.

BUILDING A HIGH PERFORMANCE CULTURE

We are devoted to understanding and improving performance management in the Bank. Although there have been improvements in the formal system such as annual performance review, we agree that employee performance and engagement can be increased through the day-to-day process of managers communicating expectations, providing feedback and leveraging employee talents.

Building a high performance culture goes beyond the formal review process as we strive to create a performance-based culture using strategies such as improved communication and better relationship skills.

In 2019, we conducted effective HR practice to successfully retain and reward top performers while managing low and non-performers. We have transformed and changed the talent reward structure via revised performance calibration process and encouraged robust and honest conversation on performance.

Actions were taken against employees unable to meet the expectations. At the same time, a structured approach and execution of consequence management process has been put in place. Key findings and issues were addressed with transparency and fair process.

Changing perceptions and integrating new behaviours into the culture are the most important and unique aspects of our approach. This is particularly so when the Bank embrace zero tolerance culture to major misconduct. We are adamant in ensuring the success of this shift into high performance culture for the Bank's sustainability.

Kakitangan dinilai setiap tahun dan juga menerima penilaian interim. Walaupun penilaian rasmi berlaku sekali atau dua kali setahun, pengurus diharapkan agar memberi maklum balas secara berterusan kepada kakitangan mereka di sepanjang tahun. Kami menjejak penyelesaian penilaian prestasi kakitangan pada akhir kitaran penilaian prestasi untuk memastikan setiap kakitangan menerima maklum balas.

Kami mengiktiraf prestasi yang baik dan menyediakan laluan untuk kemajuan kerjaya yang kemudiannya membawa kepada tanggungjawab lebih besar, pangkat lebih tinggi dan gaji lebih banyak. Pada 2019, 111 kakitangan dinaikkan pangkat kepada jawatan lebih tinggi dalam pelbagai fungsi di Bank.

MEMBINA BUDAYA PRESTASI TINGGI

Kami bersemangat untuk memahami dan menambah baik pengurusan prestasi dalam Bank. Walaupun sudah ada penambahbaikan dalam sistem formal seperti penilaian prestasi tahunan, kami sepakat bahawa prestasi dan penglibatan kakitangan boleh dipertingkatkan melalui proses harian oleh pengurus dalam berkongsi jangkaan, memberi maklum balas dan memanfaatkan bakat kakitangan.

Membina budaya prestasi tinggi sememangnya menjangkau proses penilaian rasmi dalam kami berusaha untuk mewujudkan budaya berasaskan prestasi menggunakan strategi seperti komunikasi dan kemahiran perhubungan yang lebih baik.

Pada 2019, kami menjalankan kegiatan HR yang berkesan untuk mengekalkan kakitangan yang memberi prestasi cemerlang dan memberi ganjaran kepada mereka, dan pada masa yang sama menguruskan kakitangan yang lemah dari segi prestasi atau langsung tiada prestasi. Kami telah mengubah struktur ganjaran menerusi proses penentuan prestasi yang disemak dan menggalakkan perbincangan jujur mengenai prestasi.

Tindakan telah diambil terhadap kakitangan yang gagal memenuhi jangkaan. Pada masa yang sama, pendekatan dan pelaksanaan tersusun bagi proses pengurusan akibat telah ditetapkan. Penemuan dan isu-isu utama ditangani dengan proses yang telus dan saksama.

Mengubah persepsi dan menyatukan perlakuan baharu ke dalam budaya adalah aspek paling penting dan unik dalam pendekatan kami. Ini terutamanya apabila Bank menerima budaya toleransi sifar bagi salah laku besar dan maka itu kami nekad untuk memastikan kejayaan peralihan kepada budaya prestasi tinggi demi kemampunan Bank.

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DIVERSITY AND EQUAL OPPORTUNITY **KEPELBAGAIAN DAN PELUANG SAMA RATA**

THE DEVELOPMENT OF EMPLOYEE RELATIONS BASED ON EQUAL OPPORTUNITY, NON-DISCRIMINATION AND RESPECT FOR DIVERSITY IS THE KEY FOCUS IN THE BANK.

Diversity has been part of our corporate DNA for 15 years and remains one of our strategic priorities.

By managing diversity and accepting differences in an appropriate manner, we believe that we can attract and retain people who are capable and good, as well as bring out and make use of the best potential and capabilities from employees.

Our strategy, strongly supported by our management team, is to:

- foster an inclusive culture;
- provide equal opportunities for career development and advancement, regardless of gender, ethnicity, age and culture; and
- diversify our workforce by attracting diverse talent.

We uphold the principle of equal opportunity and fair treatment and our goal is to avoid any instances of discrimination due to gender or sexual orientation, race, religion, nationality, civil status or social position. We emplace specific policy in respecting employees' rights, and strive to make improvements based on the most pertinent issues in their respective area.

With great emphasis on equality, our stance will always be, to respect employees' rights in accordance with the Government's Declaration of Human Rights. We do not tolerate any form of harassment, discrimination or violence at the workplace. We are governed by our own Terms and Conditions of Service and also comply with labour practices and legislation such as the Employment Act 1955 and Code of Conduct of Industrial Harmony.

PEMBANGUNAN HUBUNGAN PEKERJA BERDASARKAN PELUANG SAMA RATA, TIADA DISKRIMINASI DAN MENGHORMATI KEPELBAGAIAN ADALAH TUMPUAN UTAMA DALAM BANK.

Kepelbagaian telah menjadi sebahagian nadi korporat kami selama 15 tahun dan kekal sebagai salah satu keutamaan strategik kami.

Dengan menguruskan kepelbagaian dan menerima perbezaan dalam cara yang betul, kami percaya bahawa kami akan menarik dan mengekalkan pekerja yang berkebolehan dan bagus, serta mencungkil dan memanfaatkan sebaiknya potensi dan kemampuan mereka.

Strategi kami, dengan sokongan padu daripada pasukan pengurusan, adalah untuk:

- menggalakkan budaya terangkum;
- menyediakan peluang sama rata bagi pembangunan dan kemajuan kerjaya, tanpa mengira jantina, keetnikan, usia dan budaya; dan
- mempelbagaikan tenaga kerja kami dengan menarik bakat-bakat yang berbeza.

Kami menegakkan prinsip peluang sama rata dan layanan saksama dan matlamat kami adalah untuk mengelakkan sebarang bentuk diskriminasi disebabkan oleh jantina atau orientasi seksual, bangsa, agama, kewarganegaraan, status perkahwinan atau kedudukan sosial. Kami meletakkan dasar khusus dalam menghormati hak-hak pekerja, dan berusaha untuk membuat penambahbaikan berdasarkan isu-isu yang paling berkaitan dalam bidang mereka masing-masing.

Dengan penekanan yang tinggi ke atas kesamaan, pendirian kami akan sentiasa untuk menghormati hak-hak pekerja menurut Perisytiharan Hak Asasi Manusia yang dibuat oleh Kerajaan. Kami tidak bertoleransi dengan sebarang bentuk gangguan, diskriminasi atau keganasan di tempat kerja. Kami ditadbir oleh Terma dan Syarat Perkhidmatan kami sendiri dan juga mematuhi amalan dan perundangan pekerja seperti Akta Pekerjaan 1995 dan Kod Tata Laku Keharmonian Industri.

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DATA IS AS PER BELOW
DATA SEPERTI DI BAWAH



WORKFORCE BY AGE GROUP

TENAGA KERJA MENGIKUT KUMPULAN USIA

- < 30
- 30 -50
- > 50



WORKFORCE BY EMPLOYMENT CONTRACT

TENAGA KERJA MENGIKUT KONTRAK PEKERJAAN

- Non-Permanent Staff / Kakitangan Kontrak
- Permanent Staff / Kakitangan Tetap



WORKFORCE BY EMPLOYMENT TYPE

TENAGA KERJA MENGIKUT JENIS PEKERJAAN

- Executive / Eksekutif
- Non-Executive / Bukan Eksekutif



WORKFORCE BY GENDER

- Male / Lelaki
- Female / Perempuan



WORKFORCE BY ETHNICITY

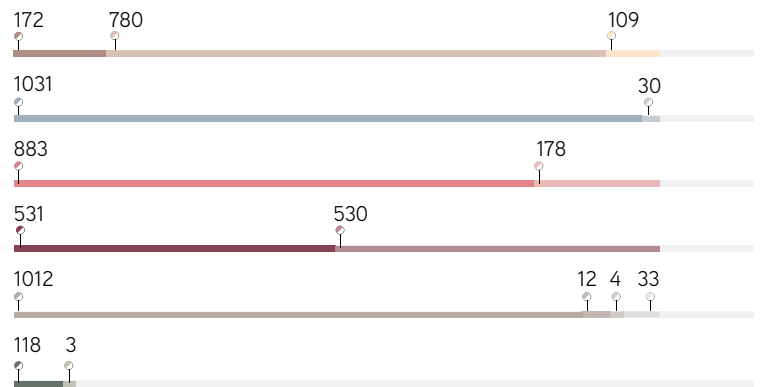
- Malay / Melayu
- Indian / India
- Chinese / Cina
- Others / Lain-Lain



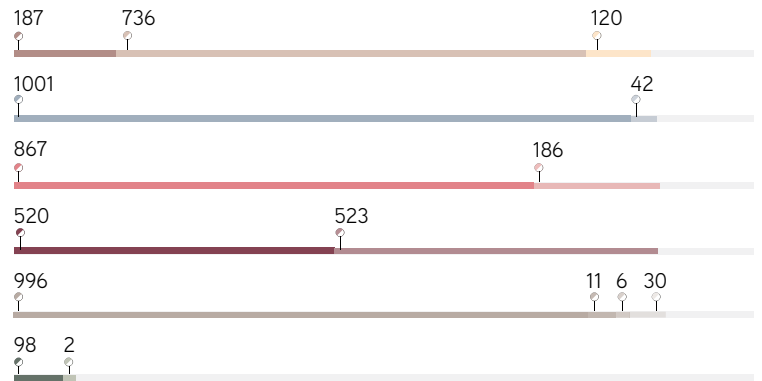
WOMAN IN MANAGEMENT

- Management / Pengurusan
- Top Management / Pengurusan Kanan

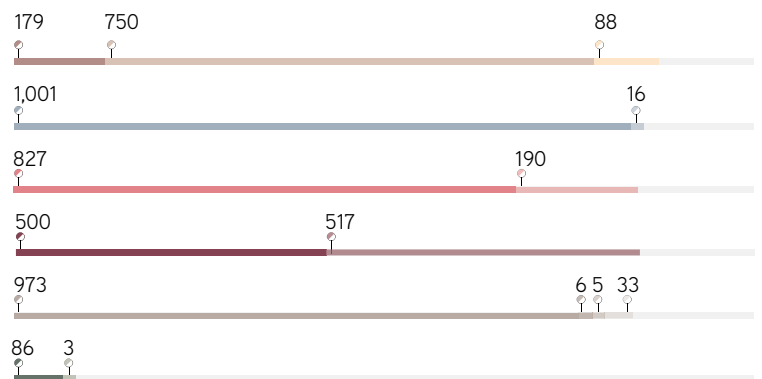
2019



2018



2017



0 200 400 600 800 1000 1200

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OUR ROLE AS A RESPONSIBLE CORPORATE CITIZEN

SME BANK BELIEVES SOCIAL INCLUSION IS ONE OF THE MOST IMPORTANT CHALLENGES FACING SOCIETY.

We recognise that our corporate activities are supported by the development of society as a whole. Therefore, we continue to include the communities within our activities while effectively leveraging the Bank's technological strengths, and diverse human resources.

OUR APPROACH

Our social responsibility strategy provides a company-wide focus for our corporate citizenship activities. We encourage local development and initiatives that contribute to the wellbeing of people in the local communities and for them to benefit from economic growth and improved quality of life.

CORPORATE RESPONSIBILITY AS A SOCIAL OBLIGATION

We hold the view that the Bank must engage in socially responsible behaviour as it pursues profit from its business. Because society supports business by allowing it to exist, we are therefore obligated to repay society by giving back. Such is a socially responsible behaviour that has been embedded in our DNA.

CORPORATE RESPONSIBILITY AS A SOCIAL REACTION

We actively seek solutions to social issue by being anticipatory and progressive. From promoting the spirit of entrepreneurship to philanthropic activities, we identify the groups that are much deserving and incorporate the CSR strategy directly into the business strategy.

CREATING SHARED VALUE

We create a shared value upon the idea that businesses must be developed and supported to create income for society to thrive. Focusing on more opportunities that arise from building a social value proposition, has driven us into creating long term advantage which ultimately fulfil our aspiration to shape a better and inclusive society.

PERANAN KAMI SEBAGAI WARGA KORPORAT PRIHATIN

SME BANK PERCAYA BAHAWA KETERANGKUMAN SOSIAL ADALAH SALAH SATU CABARAN PALING PENTING YANG MENDEPANI MASYARAKAT.

Kami sedar bahawa aktiviti-aktiviti korporat kami disokong oleh perkembangan masyarakat secara menyeluruh. Maka, kami meneruskan untuk memasukkan komuniti dalam aktiviti kami sementara memanfaatkan dengan berkesan kekukuhan teknologi Bank dan sumber manusia yang pelbagai.

PENDEKATAN KAMI

Strategi tanggungjawab sosial kami memberi tumpuan menyeluruh kepada aktiviti kewarganegaraan korporat. Kami menggalakkan pembangunan setempat dan inisiatif yang menyumbang kepada kesejahteraan komuniti setempat dan untuk mereka mendapat manfaat daripada pertumbuhan ekonomi dan peningkatan mutu kehidupan.

TANGGUNGJAWAB KORPORAT SEBAGAI KEWAJIPAN SOSIAL

Kami berpandangan bahawa Bank perlu terlibat dalam tanggungjawab sosial apabila ia meneruskan usaha menjana keuntungan daripada perniagaannya. Masyarakat menyokong perniagaan dengan membolehkan perniagaan itu wujud, dan oleh itu kami wajib membalasnya dengan menyumbang kepada mereka. Begitulah kelakuan bertanggungjawab yang telah sebatu dalam nadi perniagaan kami.

TANGGUNGJAWAB KORPORAT SEBAGAI REAKSI SOSIAL

Kami secara aktif mencari penyelesaian kepada isu sosial dengan membuat jangkaan dan menjadi progresif. Daripada menggalakkan semangat keusahawanan kepada aktiviti kedermawanan, kami mengenal pasti kumpulan-kumpulan yang sangat memerlukan dan memasukkan strategi CSR kami secara langsung ke dalam strategi perniagaan.

MENCIPTA NILAI DIKONGSI BERSAMA

Kami mencipta nilai yang dikongsi bersama berdasarkan idea bahawa perniagaan harus dibangunkan dan disokong untuk menjana pendapatan demi kemakmuran masyarakat. Tumpuan kami adalah untuk mewujudkan lebih banyak peluang yang terhasil daripada membina nilai sosial. Ini telah membolehkan kami mewujudkan kelebihan jangka panjang yang akhirnya memenuhi iltizam kami untuk membentuk masyarakat yang lebih baik dan terangkum.

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SUPPORTING THE COMMUNITY

**SME BANK STRIVES TO TAKE THE INITIATIVE
IN CONDUCTING ACTIVITIES THAT ARE
VALUABLE TO LOCAL COMMUNITIES.**

Our social responsibility philosophy of giving back to the community is the basis for actions that we take, and it sets our aim of being a good corporate citizen that is trusted by society.

We promote communication with local communities and listen to their needs so that we can proactively respond to them when necessary. In our commitment to respond to their concerns, we strive to:-

- Disseminate and share knowledge with the community;
- Inspire action and good deeds;
- Take part in solving community and social problems; and
- Support and partake in government's initiatives and programmes.

To achieve this, the Bank's Corporate Communication Department plays the key role to advise and communicate the Bank's social stance in a strategic manner and partake in all relevant and related programmes which benefit the community. The Department ensures that the Bank's lasting and long-term commitment to social involvement goes beyond direct business interests, involving several community initiatives which include corporate volunteering, entrepreneurship and philanthropic activities.

PARTICIPATION IN FINCO VOLUNTEERISM

We strongly believe that driving corporate volunteerism closely mirrors the work of volunteer engagement for a greater good. In 2019, our employees continued to front this effort by joining other members from 107 Malaysian Financial Institutions in the FINCO Reads and FINCO Mentor activities.

Both programmes were conducted by the Financial Industry Collective Outreach (FINCO), Malaysia's largest collective impact initiative programme for corporate social responsibility which helps the community especially underprivileged children and youth to prosper through exposure to global careers and personal development opportunities. FINCO is pioneered by all financial institutions in Malaysia with the support of Bank Negara Malaysia.

FINCO Reads is a programme where volunteers help teach English for primary school students in selected schools. FINCO Mentor, on the other hand, is a programme for upper secondary students that provide access to a deep pool of mentors with wide ranging experience in various careers.

MENYOKONG KOMUNITI

**SME BANK BERUSAHA MENGAMBIL INISIATIF
DALAM MENJALANKAN AKTIVITI YANG BERNILAI
KEPADA KOMUNITI SETEMPAT.**

Falsafah tanggungjawab sosial kami untuk memberi balik kepada komuniti adalah asas bagi segala tindakan kami, dan ia menetapkan sasaran kami untuk menjadi warga korporat yang baik dan dipercayai oleh masyarakat.

Kami menggalakkan komunikasi dengan komuniti setempat dan mendengar segala keperluan mereka agar kami boleh bertindak balas secara proaktif apabila perlu. Dalam komitmen ini, kami berusaha untuk:-

- menyebar dan berkongsi pengetahuan dengan komuniti;
- menginspirasi tindakan dan kebajikan;
- mengambil bahagian dalam menyelesaikan masalah komuniti dan sosial; dan
- menyokong dan mengambil bahagian dalam usaha dan program kerajaan.

Untuk mencapainya, Jabatan Komunikasi Korporat memainkan peranan utama dalam menasihati dan komunikasi berhubung pendirian sosial Bank dalam cara yang strategik dan mengambil bahagian dalam segala program berkaitan yang memanfaatkan komuniti. Jabatan ini memastikan bahawa komitmen jangka panjang Bank terhadap penglibatan sosial menjangkau kepentingan perniagaan langsung, melibatkan beberapa inisiatif komuniti termasuk kerja sukarela korporat, aktiviti keusahawanan dan kedermawanan.

PENYERTAAN DALAM KERJA SUKARELA FINCO

Kami sangat percaya bahawa kerja sukarela korporat membayangkan dengan jelas penglibatan sukarelawan demi kebaikan lebih besar. Pada 2019, kakitangan kami meneruskan usaha ini dengan menyertai ahli-ahli lain daripada 107 institusi kewangan Malaysia dalam aktiviti *FINCO Reads* dan *FINCO Mentor*.

Kedua-dua program ini dijalankan oleh *Financial Industry Collective Outreach (FINCO)*, iaitu program impak kolektif terbesar negara untuk tanggungjawab sosial korporat yang membantu memakmurkan masyarakat khususnya kanak-kanak dan remaja kurang berkemampuan untuk maju melalui pendedahan kepada peluang kerjaya global dan pembangunan peribadi. *FINCO* diasaskan oleh semua institusi kewangan di Malaysia dengan sokongan Bank Negara Malaysia.

FINCO Reads adalah program di mana sukarelawan membantu mengajar bahasa Inggeris kepada murid-murid sekolah rendah di sekolah-sekolah terpilih. *FINCO Mentor* pula adalah program untuk para pelajar sekolah menengah yang menyediakan akses kepada sekumpulan mentor dengan pengalaman luas dalam berbagai-bagai bidang kerjaya.

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PROMOTING ENTREPRENEURSHIP

OUR SOCIAL RESPONSIBILITY INVOLVES PROMOTING ENTREPRENEURSHIP TO SUPPORT THE RELEVANT COMMUNITY WHILE BENEFITTING THE PUBLIC AT LARGE.

We adopt a very progressive approach that focuses on long-term goals and long-term returns while harmonising relationships with the community.

SME BANK 90-DAYS BIZ CHALLENGE

To nurture and encourage youths to become entrepreneurs, we carried out the SME Bank 90-Days Biz Challenge, in collaboration with the Ministry of Higher Education. Introduced in 2015, the programme is an entrepreneurship competition specifically designed for students of Community Colleges who are undergoing the Entrepreneurship Incubator Programme. Following the merger of the Ministry of Education and Ministry of Higher Education, the SME Bank 90-Days Biz Challenge 2019 was also open to Polytechnic students throughout the country. The SME Bank 90-Days Biz Challenge offered a total cash prize of RM45,000 and is organised alternately with SME Bank Y-Biz Challenge, which is an entrepreneurship competition for the secondary school students.

SME Bank 90-Days Biz Challenge creates awareness among students on the importance of entrepreneurship and inculcates values from the early stage of their life. It is also one of our initiatives to cultivate and assist graduate entrepreneurs who are interested in managing their own business as we expose them to the real life experience of doing business. Ultimately we will be able to create more entrepreneurs who will become the catalysts for the country's transformation into a high income economy.

Collectively, the 20 finalists of SME Bank 90-Days Biz Challenge in 2019 have successfully garnered net sales of more than RM100,000 within only four months of the competition. We saw this as an impressive outcome as the participants were students and were not able to operate the business on full time basis.

As an added value, all participants automatically become members of the SME Bank 90-Days Biz Challenge Alumni. Members of the Alumni are able to gain access to information on financing as well as the opportunity to participate in entrepreneurship programmes organised by SME Bank, its ministries and agencies. To date, the Alumni has a total of 1,324 members.

MENGGALAKKAN KEUSAHAWANAN

TANGGUNGJAWAB SOSIAL KAMI MELIBATKAN PENGGALAKAN KEUSAHAWANAN BAGI MENYOKONG KOMUNITI BERKENAAN DAN PADA MASA YANG SAMA MEMANFAATKAN ORANG RAMAI SECARA AMNYA.

Kami menggunakan pendekatan sangat progresif yang menumpukan kepada matlamat dan pulangan jangka panjang sementara menyepadukan perhubungan dengan komuniti.

SME BANK 90-DAYS BIZ CHALLENGE

Untuk memupuk dan menggalakkan belia menjadi usahawan, kami mengadakan SME Bank 90-Days Biz Challenge, dengan kerjasama Kementerian Pengajian Tinggi. Diperkenalkan pada 2015, pertandingan keusahawanan ini direka khusus untuk pelajar-pelajar Kolej Komuniti yang menjalani Program Inkubator Keusahawanan. Berikutan gabungan Kementerian Pendidikan dengan Kementerian Pengajian Tinggi, penyertaan SME Bank 90-Days Biz Challenge 2019 juga dibuka kepada pelajar Politeknik di seluruh negara. SME Bank 90-Days Biz Challenge menawarkan hadiah tunai berjumlah RM45,000 dan dianjurkan secara bergilir-gilir dengan SME Bank Y-Biz Challenge, iaitu satu pertandingan keusahawanan untuk pelajar-pelajar sekolah menengah.

SME Bank 90-Days Biz Challenge mewujudkan kesedaran di kalangan para pelajar tentang kepentingan keusahawanan dan menyemai nilai-nilai keusahawanan pada peringkat awal kehidupan mereka. Ia juga adalah salah satu daripada usaha kami untuk memupuk dan membantu para usahawan siswazah yang berminat untuk menguruskan perniagaan mereka sendiri dengan mendedahkan mereka kepada pengalaman sebenar menjalankan perniagaan. Akhirnya kami akan dapat melahirkan lebih ramai usahawan yang bakal menjadi pemangkin bagi transformasi negara kepada ekonomi berpendapatan tinggi.

Keseluruhannya, 20 finalis SME Bank 90-Days Biz Challenge pada 2019 telah berjaya menjana jualan sebanyak lebih daripada RM100,000 dalam tempoh empat bulan pertandingan tersebut. Ini adalah hasil yang mengagumkan memandangkan para peserta ialah pelajar yang tidak berupaya untuk mengendalikan operasi perniagaan secara sepenuh masa.

Sebagai nilai tambah, kesemua peserta secara automatik menjadi ahli Alumni SME Bank 90-Days Biz Challenge. Ahli-ahli Alumni boleh mendapat akses kepada maklumat mengenai pembiayaan serta peluang untuk mengambil bahagian dalam program-program keusahawanan yang dianjurkan oleh SME Bank, kementerian dan agensi-agensinya. Sehingga kini, Alumni ini mempunyai sejumlah 1,324 ahli.

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SUKSES

SUKSES is a television programme that we created in collaboration with Astro Awani station. The programme serves as a platform for in-depth discussion on issues and challenges faced by SME entrepreneurs and to highlight their success stories. In 2019, the 13-episode programme was customised to featured 20 finalists of SME Bank 90-Days Biz Challenge and was then rebranded as SUKSES@90-Days Biz Challenge. The programme was an overwhelming success with a total of 484,000 viewers and achieved 1.5 million social media reach.

SUKSES

SUKSES adalah program televisyen yang kami cipta dengan kerjasama stesen Astro Awani. Ia menjadi wadah bagi perbincangan mendalam tentang isu dan cabaran yang dihadapi oleh usahawan PKS dan untuk berkongsi kisah kejayaan mereka. Pada 2019, program 13-episod ini turut memaparkan 20 finalis SME Bank *90-Days Biz Challenge*, dan telah dijenamakan semula sebagai SUKSES@90-Days Biz Challenge. Program ini mencatat kejayaan besar dengan jumlah 484,000 penonton dan 1.5 juta capaian media sosial.



EMPOWERING THE COMMUNITY

MEMPERKASA KOMUNITI

We define community empowerment as the process of enabling communities to increase control over the factors and decisions that shape their lives. Our contribution of sustainable community development involves many programmes and roles which assist the communities where we operate to become empowered, and eventually attain sustainable development.

Kami menafsirkan pemeraksanaan komuniti sebagai proses membolehkan komuniti meningkatkan kawalan ke atas kehidupan mereka. Sumbangan kami terhadap pembangunan komuniti mampan melibatkan banyak program dan peranan yang membantu komuniti untuk diperkasakan, dan seterusnya mencapai pembangunan mampan.

From integrated strategies that focus on long-term value for the society to community engagement and philanthropic programmes, we intend to pursue our endeavours within the communities.

Daripada strategi yang disatukan yang menumpukan nilai jangka panjang bagi masyarakat kepada hubungan dengan komuniti dan program kedermawanan, kami berhasrat untuk meneruskan usaha kami dalam komuniti.

We contribute financial assistance to support social initiatives through donations, either to individuals, groups or non-government organisations. We ensure our contributions are transparent and based on clearly agreed principles. This stipulates that the corporate giving is not in conflict with business ethics.

Kami membuat sumbangan dalam bentuk bantuan kewangan sebagai menyokong inisiatif sosial menerusi derma, sama ada kepada individu, kumpulan mahupun badan bukan kerajaan. Kami memastikan sumbangan kami telus dan berdasarkan prinsip-prinsip yang jelas, yang menetapkan bahawa pemberian korporat tidak bercanggah dengan etika perniagaan.

We organised 50 Corporate Responsibility (CR) activities and programmes throughout the year. Some of these programmes were in collaboration with non-government organisations namely the National Welfare Foundation, Malaysian Nature Society, Zoo Negara, Student Volunteers Foundation, Islamic Relief Malaysia, National Blood Centre, Syria Care and MyCare. Our CSR activities and programmes throughout the year have benefitted various groups including the underprivileged and those under the bottom 40% (B40) with the lowest household income.

We menganjurkan 50 aktiviti dan program tanggungjawab korporat (CR) pada sepanjang tahun ini. Beberapa program ini adalah secara kerjasama dengan badan-badan bukan kerajaan iaitu Yayasan Kebajikan Negara, Persatuan Pencinta Alam Malaysia, Zoo Negara, Yayasan Sukarelawan Siswa, Islamic Relief Malaysia, Pusat Darah Negara, *Syria Care* dan *MyCare*. Aktiviti dan program CSR kami pada sepanjang tahun ini telah memanfaatkan pelbagai golongan masyarakat termasuk yang kurang berkemampuan dan mereka yang dalam golongan Bawah 40% (B40) dengan pendapatan isi rumah terendah.

In 2019, corporate giving of SME Bank totalled more than RM200,000 and have benefitted more than 7,500 people.

Pada 2019, pemberian korporat SME Bank berjumlah lebih daripada RM200,000 dan telah memanfaatkan lebih 7,500 orang.

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During the year, we also distributed RM1.16 million Zakat to eight strategic partners comprising three hospitals and five public institutions of higher learning. Out of these, Kuala Lumpur Hospital, Tengku Ampuan Rahimah Hospital and National Cancer Institute each received RM220,000; while the Islamic Science University of Malaysia (USIM), National University of Malaysia (UKM), Universiti Teknologi MARA (UiTM), University of Malaya (UM) and International Islamic University Malaysia (UIAM) each received RM100,000 respectively. Our partners would determine the eligible groups of people or Asnaf to whom they will hand out the assistance. Since 2009, we have paid more than RM27 million in Zakat to the Asnaf.

We will continue to take a lead role in implementing programmes and activities that vary in scale, size and ethos, as we empower the communities and support them to grow and thrive.

Pada tahun ini, kami juga mengagihkan RM1.16 juta sebagai pembayaran Zakat kepada lapan rakan strategik yang terdiri daripada tiga hospital dan lima institusi pengajian tinggi. Hospital Kuala Lumpur, Hospital Tengku Ampuan Rahimah dan Institut Kanser Negara masing-masing menerima RM220,000; manakala Universiti Sains Islam Malaysia (USIM), Universiti Kebangsaan Malaysia (UKM), Universiti Teknologi MARA (UiTM), Universiti Malaya (UM) dan Universiti Islam Antarabangsa Malaysia (UIAM) masing-masing menerima RM100,000. Rakan-rakan strategik kami ini akan menentukan kumpulan atau Asnaf yang layak yang menerima bantuan ini daripada mereka. Sejak 2009, SME Bank telah membayar Zakat kepada Asnaf berjumlah lebih RM27 juta.

Kami akan terus memainkan peranan penting dalam melaksanakan program dan aktiviti yang berbeza daripada segi skala, saiz dan bentuk, dalam usaha kami memperkasakan komuniti dan menyokong mereka untuk berkembang dan maju.

GOVERNANCE AND COMPLIANCE TADBIR URUS DAN PEMATUHAN

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ENHANCING GOVERNANCE MENINGKATKAN TADBIR URUS

SME BANK BELIEVES THAT CORPORATE GOVERNANCE AND SUSTAINABILITY ARE INTRINSICALLY LINKED AND THAT ACCOUNTABILITY, BUSINESS ETHICS, TRANSPARENCY AND INTEGRITY ARE ESSENTIAL TO A SUSTAINABLE DEVELOPMENT.

Acknowledging the correlation between governance and compliance, we distinguish the differences between the two and understand that robust compliance reflects good governance and how ethically minded governance supports effective compliance.

A sound ethical framework and governance manifests our success together with the significance and impact of our environmental and social initiatives. We achieve this through the implementation of a management system, which upholds good governance principles rooted in ethics, equality, traceability, accountability, and responsibility to all stakeholders.

OUR APPROACH

Our approach to governance and compliance is by adopting a high level of ethics and transparency while building a strong foundation for the organisation in order to be a sustainable company. We will ensure the high ethical standards and compliance of all employees. We will actively disclose our initiatives to this end as it is important that we continue to earn our stakeholders' trust.

In line with our digital transformation, we address a new way to enhance governance via an integrated and future-oriented approach, by defining key guiding principles that build the foundation for the creation of strategies intended to build sustainable, long-term value.

SME BANK PERCAYA BAHAWA TADBIR URUS DAN KEMAMPANAN ADALAH SALING BERKAIT. KEBERTANGGUNGJAWABAN, ETIKA PERNIAGAAN, KETELUSAN DAN INTEGRITI ADALAH PENTING BAGI PEMBANGUNAN SECARA MAMPAN.

Mengiktiraf perkaitan antara tadbir urus dan pematuhan, kami menentukan perbezaan antara kedua-duanya dan memahami bahawa pematuhan yang kukuh menggambarkan tadbir urus yang baik dan bagaimana tadbir urus beretika menyokong pematuhan berkesan.

Rangka kerja beretika yang kukuh menunjukkan kejayaan kami berserta dengan kepentingan dan impak terhadap alam sekitar dan inisiatif sosial. Kami mencapainya melalui pelaksanaan sistem pengurusan, yang mendukung prinsip-prinsip tadbir urus yang baik yang berasaskan etika, kesamaan, kebolehsasaran dan kebertanggungjawaban kepada semua pihak berkepentingan.

PENDEKATAN KAMI

Pendekatan kami terhadap tadbir urus dan pematuhan adalah dengan menerima pakai tahap etika dan ketelusan yang tinggi serta membina asas yang kukuh bagi organisasi untuk menjadi sebuah syarikat mampan. Kami juga akan memastikan piawaian etika dan pematuhan yang tinggi oleh semua pekerja. Kami akan membuat pendedahan tentang usaha-usaha ini kerana ia penting bagi kami untuk terus meraih kepercayaan pihak berkepentingan.

Seiring dengan transformasi digital, kami menggunakan cara baharu untuk meningkatkan tadbir urus menerusi pendekatan bersepadu dan berorientasikan masa depan, dengan menentukan prinsip panduan utama yang membina asas bagi penciptaan strategi untuk membina nilai jangka panjang dan mampan.

GOVERNANCE AND COMPLIANCE**TADBIR URUS DAN PEMATUHAN****CHAPTER 05****BAB 05****THESE PRINCIPLES FOCUS ON:****People**

We recognise the necessity to shape behaviour and motivate our people to do the right thing rather than try to force them to do what they are told.

**Purpose**

To initiate change and enhanced governance across the organisation, it is essential to activate purpose which adds the right insights to help guide decisions.

**Stakeholder**

It is essential for stakeholders' perspective, especially those of our customers', be taken into consideration to ensure future success.

OUR BEST PRACTICES

Our governance emphasises on holding the balance between economic and social goals and between individual and communal goals. Our operations are also conducted through our branch networks throughout the country. We have a governance structure which is in accordance with the Malaysian Code on Corporate Governance, which aims to enhance accountability, transparency and sustainability.

Our corporate governance policies are entrusted to our Board of Directors who establishes several Board committees. Aside from supporting the Board, these committees also pursue the policies by the Board and the general course of affairs and business of SME Bank.

Detailed disclosure on the Bank's corporate governance is included in this Integrated Report on pages 64 to 99.

PRINSIP-PRINSIP INI MENUMPUKAN KEPADA:**Pekerja**

Kami mengiktiraf keperluan untuk membentuk tingkah laku dan mendorong pekerja kami untuk membuat apa yang betul dan bukannya memaksa mereka membuat apa yang disuruh.

**Tujuan**

Untuk memulakan perubahan dan meningkatkan tadbir urus di seluruh organisasi, ia penting untuk menetapkan tujuan bagi meningkatkan pemahaman yang betul untuk membantu dalam membuat keputusan.

**Pihak Berkepentingan**

Ia penting untuk mempertimbangkan pandangan pihak berkepentingan, terutamanya para pelanggan kami bagi memastikan kejayaan di masa akan datang.

AMALAN TERBAIK KAMI

Tadbir urus kami menekankan keseimbangan antara matlamat ekonomi dan sosial dan antara matlamat individu dan orang ramai. Operasi kami juga dijalankan melalui rangkaian cawangan di seluruh negara. Kami mempunyai struktur tadbir urus yang menurut Kod Tadbir Urus Korporat Malaysia, yang menyasarkan untuk meningkatkan kebertanggungjawaban, ketelusan dan kemampanan.

Dasar-dasar tadbir urus korporat kami diamanahkan kepada Lembaga Pengarah yang menubuhkan beberapa Jawatankuasa Lembaga. Selain dari menyokong Lembaga Pengarah, jawatankuasa-jawatankuasa ini juga meneruskan dasar-dasar oleh Lembaga Pengarah serta urusan dan perniagaan SME Bank secara amnya.

Pendedahan terperinci tentang tadbir urus korporat Bank boleh didapati di halaman 64 hingga 99 Laporan Tahunan Bersepadu ini.

GOVERNANCE AND COMPLIANCE**TADBIR URUS DAN PEMATUHAN****CHAPTER 05****BAB 05****MAINTAINING COMPLIANCE**

SME Bank's reputation depends on responsible business conduct. We are committed to complying with all applicable laws and regulations. We do not tolerate bribery, corruption, fraud, violations of trade sanctions, money laundering or terrorism financing, or any other illegal or unethical conduct in any form by anyone working for or on behalf of the Bank. All employees and those working for or on behalf of SME Bank must embrace and act in accordance with the Code of Conduct and the Bank's internal policies and procedures.

We foster a culture of trust and fairness where issues are openly addressed, which enables employees to make the right decisions, with commitment to integrity at all levels. This commitment is one of the foundations of our accomplishments in this area. We strive for continuous improvement in embedding compliance as an integral part of our business processes.

The Board of Directors has its oversight on the overall adherence to compliance and on managing risk and other related matters from a strategic and an operational perspective.

In 2019, our Group Compliance Division has initiated various strategies to meet all regulatory, operational and Shariah requirements as well as the requirements under Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 and Malaysia Anti-Corruption Commission Act 2009 (Amendment 2018).

OUR APPROACH

The ethos "compliance is everyone's responsibility" is what we uphold as we promote a culture of integrity and compliance for all employees. Our compliance approach supports those who commit to get things right, and take action to those unwilling to meet their obligations.

Our commitment towards compliance lies in:

- Being consistent, transparent and supportive;
- Focusing on reducing the risk and impact of environmental harm;
- Meeting expectations for the sustainable use of natural resources;
- Using a variety of regulatory tools to achieve compliance; and
- Communicating our compliance efforts and outcomes publicly.

In strengthening the compliance culture within the Group, the Board's oversight together with the management's commitment, help to ensure effective implementation of compliance programmes and staff adherence to the applicable compliance and ethical standards.

MENGEKALKAN PEMATUHAN

Reputasi SME Bank bergantung pada pengendalian perniagaan yang bertanggungjawab. Kami komited untuk mematuhi semua keperluan undang-undang dan pengawalselia. Kami tidak bertoleransi terhadap rasuah, korupsi, penipuan, pelanggaran sekatan perdagangan, pengubahan wang haram atau pembiayaan keganasan, atau sebarang perbuatan yang menyalahi undang-undang atau tidak beretika dalam sebarang bentuk oleh sesiapa yang bekerja untuk atau bagi pihak Bank. Semua kakitangan dan mereka yang berkerja bagi pihak SME Bank mesti menerima pakai dan bertindak menurut Kod Tata Laku serta dasar dan prosedur dalaman Bank.

Kami menanamkan budaya kepercayaan dan kesaksamaan di mana isu-isu dibincangkan secara terbuka, yang membolehkan kakitangan untuk membuat keputusan yang betul, dengan komitmen terhadap integriti pada semua peringkat. Komitmen ini adalah salah satu asas pencapaian kami dalam bidang ini. Kami berusaha ke arah penambahbaikan berterusan dalam menjadikan pematuhan sebagai bahagian penting proses perniagaan.

Lembaga Pengarah mengawasi pematuhan keseluruhan dan menguruskan risiko dan hal-hal lain yang berkaitan daripada pandangan strategik dan operasi.

Pada tahun 2019, Divisyen Pematuhan Kumpulan telah memulakan pelbagai strategi untuk memenuhi semua keperluan pengawal selia, operasi dan Syariah serta keperluan di bawah Akta Pencegahan Pengubahan Wang Haram, Pencegahan Pembiayaan Keganasan dan Hasil daripada Aktiviti Haram 2001 dan Akta Suruhanjaya Pencegahan Rasuah Malaysia 2009 (Pindaan 2018).

PENDEKATAN KAMI

Falsafah "pematuhan adalah tanggungjawab semua orang" adalah sesuatu yang kami dukung dalam menggalakkan budaya integriti dan pematuhan untuk semua kakitangan. Pendekatan pematuhan kami menyokong mereka yang berusaha melakukan sesuatu dengan betul, dan mengambil tindakan terhadap mereka yang enggan memenuhi kewajipan mereka.

Komitmen kami terhadap pematuhan adalah seperti berikut:

- Menjadi konsisten, telus dan menyokong;
- Menumpukan kepada mengurangkan risiko dan kesan terhadap alam sekitar;
- Memenuhi jangkaan bagi penggunaan sumber asli secara mampan;
- Menggunakan pelbagai kaedah peraturan untuk mencapai pematuhan; dan
- Memaklumkan usaha-usaha pematuhan dan hasilnya kepada umum.

Bagi mengukuhkan budaya pematuhan dalam Kumpulan, pengawasan Lembaga Pengarah berserta komitmen pihak pengurusan membantu memastikan pelaksanaan berkesan program-program pematuhan dan kepatuhan kakitangan terhadap piawaian etika dan pematuhan.

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RISK MANAGEMENT

We treat risk management as a compliance issue that can be solved by drawing up regulations and guidelines and making sure that all employees follow them. Throughout all our functions, we take appropriate steps to identify, manage and monitor risks, in pursuit of our objective to fully comply with the relevant laws and regulations and internationally recognised best practices.

We have established a corporate governance system that maintains business transparency. The system allows us to implement various monitoring systems, as well as assess and effectively manage risks that have the potential of preventing the company from achieving its business goals. We understand that the ability to identify the risks and to properly evaluate, communicate, and address them is crucial to a sustainable business.

The Bank's Credit Operation Guide stipulates control measures such as the listing of non-qualified business activities for financing and effective credit risk management at the macro level.

NEGATIVE AND SELECTIVE LISTS

We have expanded the internal definition of business activities not qualified for financing under its products and services schemes to include sectors with no or limited opportunity for growth, that the Bank has no or limited knowledge of or that could be detrimental to its sustainability going forward.

These sectors are classified as 'Negative List', based on the assessment on the latest development and economic forecast on each of the sector. Additionally, there are also certain sectors which have been internally classified as 'Selective List' primarily as a result of unfavourable economic prospects as influenced by the market conditions, but with foreseeable opportunity for further growth. These lists act as references and mechanisms to alert the respective business functions to be extra vigilant in extending financings to these classified sectors.

The 'Negative and Selective Lists' are reviewed on an annual basis or when there are signs of significant adverse changes in the sectoral outlook and/or general market conditions.

PENGURUSAN RISIKO

Kami memberi perhatian kepada pengurusan risiko sebagai isu pematuhan yang boleh diselesaikan dengan membuat peraturan dan garis panduan dan memastikan ia dipatuhi oleh semua kakitangan. Di seluruh fungsi perniagaan, kami mengambil langkah-langkah bersesuaian untuk mengenal pasti, mengurus dan memantau risiko, dalam mencapai matlamat untuk mematuhi sepenuhnya undang-undang dan peraturan berkenaan serta amalan terbaik yang diiktiraf di peringkat antarabangsa.

Kami mewujudkan sistem tadbir urus korporat yang mengekalkan ketelusan perniagaan. Sistem ini membolehkan kami melaksanakan pelbagai sistem pemantauan, serta menilai dan mengurus dengan berkesan risiko mungkin menghalang syarikat daripada mencapai matlamat perniagaannya. Kami memahami bahawa keupayaan untuk mengenal pasti risiko-risiko ini dan menilai, menyampaikan dan menanganinya dengan betul adalah penting bagi sebuah perniagaan mampan.

Panduan Operasi Kredit Bank menetapkan langkah-langkah kawalan seperti penyenaiaan aktiviti perniagaan tidak layak untuk pembiayaan dan pengurusan risiko kredit berkesan pada peringkat makro.

SENARAI NEGATIF DAN TERPILIH

Kami telah meluaskan takrifan dalaman bagi aktiviti perniagaan yang tidak layak untuk pembiayaan di bawah skim produk dan perkhidmatan bagi memasukkan sektor yang tiada peluang atau mempunyai peluang terhad untuk berkembang, yang mana Bank tiada pengetahuan atau mempunyai pengetahuan terhad atau yang mungkin boleh menjejaskan kemampuannya di masa akan datang.

Sektor-sektor ini dikelaskan sebagai 'Senarai Negatif', berdasarkan penilaian ke atas perkembangan terkini dan ramalan ekonomi setiap sektor tersebut. Di samping itu, terdapat juga sektor tertentu yang telah dikelaskan secara dalaman 'Senarai Terpilih' terutamanya berikutan prospek ekonomi yang tidak baik sepertimana dipengaruhi oleh keadaan pasaran, tetapi dengan peluang pertumbuhan yang boleh diramalkan. Senarai-senarai ini menjadi rujukan dan mekanisme untuk memberi amaran kepada setiap fungsi perniagaan untuk lebih berhati-hati dalam memberi pembiayaan kepada sektor yang dikelaskan ini.

'Senarai Negatif dan Senarai Terpilih' disemak pada setiap tahun atau apabila terdapat tanda-tanda perubahan buruk yang ketara dalam tinjauan sektor dan/atau keadaan pasaran secara umum.

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SECTORAL CONCENTRATION LIMITS

To prevent concentration towards a particular economic sector, we have established internal thresholds for all its financing exposures. These limits are established and reviewed annually in congruent with the current performance and outlook of the sectors, without compromising the target sectors as specified under the National Budget. Trigger limits are also in place allowing for ample timing to implement policy response, if required.

INDUSTRY RISK SCANNING

The Bank conducts periodic industry studies to provide assessment on current issues surrounding selected sectors. In 2019, Strategic Credit and Economic Analytics (SCEA) conducted in-depth studies on Tourism, Retail segment- Grocery Stores, Offshore Support Vessel, Private School and others in supporting the business units with the latest information and industry insight.

SCEA also covers updates on global and regional events as well as updates on local economy through our Economic Review which, to date, have been in the Malaysia Quarterly Economic Performance, the Overnight Policy Rate. SCEA also shares monthly economic updates which include general economic performance and changes, revised and latest news on each sector as well as issues of concern during the month. These studies are shared within the Bank in order to provide general guidance for the purpose of financing application assessment, concerning inherent risks as well as deviation factors associated to those risks.

RISK APPETITE STATEMENT

The Bank has proactively instituted a risk appetite statement to achieve its business objectives and its obligations towards stakeholders. This demonstrates the Bank's ability and readiness to tolerate and assume certain types of risk exposures.

The statement consists mainly of credit, market, liquidity, operational and Shariah risks. It is formulated by taking into consideration the Bank's actual performances in the past three to five years, strategic business directions as well as industry practices and data. It is approved by the Board of Directors and monitored by Group Risk Management Division on a regular basis and revised on annual basis. Any deviation to the statement metrics shall be escalated to the Senior Management, together with feasible recommendations for addressing issues.

HAD PENUMPUAN SEKTOR

Dalam usaha menghalang penumpuan terhadap satu sektor ekonomi tertentu, kami telah menetapkan ambang dalaman untuk semua pendedahan pembiayaannya. Had-had ini ditetapkan dan disemak setiap tahun bersesuaian dengan prestasi semasa dan tinjauan hadapan sektor tersebut, tanpa mengabaikan sektor sasaran seperti dinyatakan di bawah Belanjawan Tahunan. Had amaran juga ditetapkan yang membolehkan masa mencukupi untuk sebarang pelaksanaan dasar, jika perlu.

PENGIMBASAN RISIKO INDUSTRI

Bank melaksanakan kajian industri secara berkala untuk menyediakan penilaian bagi isu-isu semasa yang menyelubungi sektor-sektor terpilih. Pada 2019, *Strategic Credit and Economic Analytics (SCEA)* menjalankan kajian mendalam ke atas sektor Pelancongan, segmen Peruncitan - kedai runcit, Kapal Sokongan Luar Pesisir, Sekolah Swasta dan lain-lain sebagai menyokong unit-unit perniagaan dengan maklumat terkini dan pandangan industri.

SCEA juga memberi maklumat terkini tentang apa yang berlaku dalam ekonomi global, serantau dan tempatan melalui Kajian Ekonomi kami yang mana sehingga kini, kami telah menulis tentang Prestasi Ekonomi Suku Tahun Malaysia, Kadar Dasar Semalaman. SCEA juga berkongsi maklumat terkini ekonomi pada setiap bulan yang termasuk prestasi dan perubahan ekonomi umum, berita terkini dan disemak bagi setiap sektor serta isu-isu berhubung kebimbangan sepanjang bulan tersebut. Kajian ini dikongsi dalam Bank untuk menyediakan garis panduan umum bagi tujuan penilaian permohonan pembiayaan, berkenaan risiko-risiko yang ada serta faktor sisihan yang berkaitan dengan risiko tersebut.

PENYATA SELERA RISIKO

Bank telah secara proaktif memperkenalkan penyata selera risiko untuk mencapai objektif perniagaan serta kewajibannya terhadap pihak berkepentingan. Ini menunjukkan kebolehan dan kesediaan Bank untuk menimbang dan menerima jenis pendedahan risiko tertentu.

Penyata ini mengandungi terutamanya risiko-risiko kredit, pasaran, kecairan, operasi dan Syariah. Ia dirangka dengan mengambil kira prestasi sebenar Bank dalam tiga hingga lima tahun sebelumnya, hala tuju perniagaan strategik serta amalan dan data industri. Ia diluluskan oleh Lembaga Pengarah dan dipantau secara tetap oleh Divisyen Pengurusan Risiko Kumpulan dan disemak pada setiap tahun. Sebarang sisihan daripada metrik penyata ini dimaklumkan kepada Pengurusan Kanan, berserta cadangan munasabah bagi menangani isu tersebut.

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UPHOLDING ETHICS

SINCE SME BANK WAS ESTABLISHED, WE HAVE ALWAYS BELIEVED THAT A PROFITABLE AND SUSTAINABLE BUSINESS CANNOT EXIST WITHOUT SOUND ETHICS AND INTEGRITY.

Our Code of Business Ethics provides the basis for our ethical culture. It encapsulates our respect for the law and for individuals, and our responsibilities to our stakeholders.

We support the United Nation's Sustainable Development Goals (SDGs) to transform our world by ending poverty, protecting the planet and ensuring prosperity. One of SDG's seventeen goals - Goal 16 - is dedicated to the promotion of peaceful and inclusive societies for sustainable development, the provision of access to justice for all, and building effective, accountable institutions at all levels.

Focusing on this specific goal, we identify specific measures for anti-corruption action. We commit to comply with the highest ethical standards and all applicable anti-corruption laws, which is also in line with our core values, business principles and various internal policies that advocate ethical behaviour and integrity as an integral component of our business operations. The internal policies we have in place to achieve this include a formalised code of conduct, corporate integrity pledge, gift and entertainment policy, and whistleblowing policy.

CODE OF CONDUCT

SME Bank has a code of conduct approved by the Board of Directors, which reflects our fundamental and strengthen integrity values.

MENDUKUNG ETIKA

SEJAK SME BANK DITUBUHKAN, KAMI SENTIASA PERCAYA BAHAWA PERNIAGAAN YANG MENGUNTUNGAN DAN MAMPAN TIDAK BOLEH WUJUD TANPA ETIKA DAN INTEGRITI YANG JITU.

Kod Tata Laku kami menyediakan asas budaya beretika. Ia merangkumi rasa hormat kami terhadap undang-undang dan individu serta tanggungjawab kami terhadap pihak berkepentingan.

Kami menyokong Matlamat Pembangunan Mampan Kesatuan Bangsa-Bangsa Bersatu (SDG) untuk mengubah dunia kita dengan menamatkan kemiskinan, melindungi bumi dan memastikan kemakmuran. Salah satu daripada 17 matlamat SDG - Matlamat 16 - dikhususkan kepada penggalakan keamanan masyarakat secara menyeluruh untuk pembangunan mampan, peruntukan untuk akses kepada keadilan bagi semua orang, dan membina institusi berkesan dan bertanggungjawab di semua peringkat.

Menumpukan kepada matlamat ini, kami mengenal pasti langkah-langkah khusus untuk tindakan pencegahan korupsi. Kami komited mematuhi piawaian etika tertinggi dan semua undang-undang berkaitan pencegahan korupsi, yang juga sejajar dengan nilai teras, prinsip perniagaan dan pelbagai dasar dalaman kami yang menyokong tingkah laku beretika dan berintegriti sebagai komponen penting operasi perniagaan. Dasar-dasar dalaman yang kami tetapkan untuk mencapai matlamat ini termasuklah mewujudkan kod tata laku, ikrar integriti korporat, dasar hadiah dan keraian serta dasar memberitahu maklumat (*whistleblowing*).

KOD TATA LAKU

SME Bank mempunyai kod tata laku yang diluluskan oleh Lembaga Pengarah, menggambarkan asas kukuh dan meneguhkan nilai-nilai integriti kami.

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CORPORATE INTEGRITY PLEDGE

From the time the Bank signed the corporate integrity pledge in 2016 until today, we have been upholding the commitment to create a business environment that is free from corrupt and unethical practices.

The Corporate Integrity Section within the Group Compliance Division plays an important role to implement the necessary and relevant programmes as we continue to instil a culture of integrity within the Bank.

Under the SME Bank's Corporate Integrity Pledge, we shall:

1. not, through any of its employees, representatives or agents, commit any corruption offence under any law, such as Malaysian Anti- Corruption Commission (MACC) Act 2009 or Penal Code;
2. not conduct any business practices or activities that would require or encourage any of its employees, representatives or agents to commit such offences;
3. work together with its business partners, regulators and law enforcement agencies to create a business environment that is free from corruption;
4. uphold the SME Bank's Corporate Integrity Principles in Malaysia in the conduct of its business and in its interactions with its business partners and the Government; and
5. take strict action against any party who tarnishes the integrity and SME Bank's image.

GIFT AND ENTERTAINMENT POLICY

The Bank's improved version of its gift and entertainment policy provides guidance to employees about what is and what is not appropriate to accept as a present, offering, advertisement, award, or token of appreciation from existing and potential customer, vendor or supplier. In addition to specifying the permissible and prohibited gift and entertainment, it also spells out the actions that can be taken in the event of violation of the policy.

WHISTLEBLOWING

SME Bank has established whistleblowing channel under the supervision of the Board Risk Management Committee (BRMC) and Board Audit Committee (BAC). The Bank's management ensures that all complaints received are independently analysed and information is communicated only to the people required to the investigation and resolution. The communication process is completely confidential with an assurance of the anonymity of the communication.

IKRAR INTEGRITI KORPORAT

Sejak SME Bank menandatangani ikrar integriti korporat pada tahun 2016 sehingga kini, kami telah mendukung komitmen untuk mewujudkan persekitaran perniagaan yang bebas daripada amalan korupsi dan tidak beretika.

Seksyen Integriti Korporat dalam Divisyen Pematuhan Kumpulan memainkan peranan penting bagi melaksanakan program-program yang perlu dan sesuai dalam usaha kami untuk terus memupuk budaya integriti dalam Bank.

Di bawah Ikrar Integriti Korporat SME Bank, kami akan:

1. tidak, melalui mana-mana kakitangan, wakil atau ejennya, melakukan kesalahan rasuah di bawah mana-mana undang-undang, seperti Akta Suruhanjaya Pencegahan Rasuah Malaysia (SPRM) 2009 atau Kanun Keseksaan;
2. tidak menjalankan sebarang amalan atau kegiatan perniagaan yang akan memerlukan atau menggalakkan mana-mana kakitangan, wakil atau ejennya untuk melakukan kesalahan seumpamanya;
3. bekerjasama dengan rakan niaga, pengawal selia dan agensi penguat kuasa undang-undang untuk mewujudkan persekitaran perniagaan yang bebas daripada rasuah;
4. mendukung Prinsip Ikrar Integriti Korporat SME Bank di Malaysia dalam menjalankan perniagaannya dan interaksinya dengan rakan niaga dan Kerajaan; dan
5. mengambil tindakan tegas ke atas mana-mana pihak yang merosakkan integriti dan imej SME Bank.

DASAR HADIAH DAN KERAIAN

Dasar hadiah dan keraian Bank yang ditambah baik menyediakan panduan kepada pekerja berhubung apa yang sesuai dan tidak sesuai untuk diterima sebagai hadiah, penawaran, pengiklanan, anugerah, atau cenderahati daripada pelanggan atau pembekal. Di samping menjelaskan hadiah dan keraian yang dibenarkan dan dihalang, ia juga menyatakan tindakan yang boleh diambil jika berlaku pelanggaran dasar tersebut.

MEMBERITAHU MAKLUMAT

SME Bank telah menyediakan saluran pemberi maklumat di bawah seliaan Audit. Pihak pengurusan SME Bank memastikan bahawa semua aduan yang diterima dianalisis secara bebas dan maklumat disampaikan hanya kepada orang yang perlu untuk tujuan siasatan dan penyelesaian. Proses komunikasi adalah sulit dan kerahsiaan identiti adalah dijamin.

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PURSuing SUSTAINABLE PROCUREMENT MENERUSKAN PEROLEHAN MAMPAN

We define sustainable procurement as the adoption and integration of social and environmental responsibility principles into procurement processes and decisions while also ensuring, they meet the requirements of the Bank and its stakeholders. It is a process whereby we meet our needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits to society and the economy, whilst minimising damage to the environment.

Sustainable procurement forms part of our corporate responsibility programme and we expect the same commitment to be cascaded through our supply chain. We view sustainable procurement as an important scope for achieving an overall sustainable development. Therefore, we take into consideration the social and environmental factors alongside financial factors in making procurement decisions.

We look beyond the traditional economic parameters and make decisions based on the whole life cost, the associated risks, measures of success and implications for society and the environment. We thus set procurement into the broader strategic context including value for money, performance management, corporate and community priorities.

We evaluate our suppliers' adoption of sustainability measures, and prioritise suppliers with local and international standards accreditation such as ISO and SIRIM. We also encourage them to adopt our high standards and work towards continual improvement.

TRANSPARENCY IN TENDER PROCESS

Transparency is a core principle in SME Bank's procurement and tender process. We believe an open and transparent procurement process improves competition, increases efficiency and reduces the threat of unfairness or corruption. We institute an e-Bidding process for every tender to promote transparency and equal opportunity.

All suppliers must be registered in the e-Procurement system before they can participate in any tender. The tender is a written invitation sent to potential tenderers, bidders, suppliers or vendors. It contains detailed requirements and specifications of goods or services to be procured.

Kami menafsirkan perolehan mampan sebagai penerimaan dan penyatuan tanggungjawab prinsip sosial dan alam sekitar ke dalam proses peroleh dan membuat keputusan dan pada masa yang sama memastikan ia memenuhi keperluan Bank dan pihak-pihak berkepentingan. Ia adalah satu proses di mana kami memenuhi keperluan untuk mendapatkan barangan, perkhidmatan, kerja dan utiliti dalam cara yang mencapai nilai bagi wang yang dibelanjakan untuk sepanjang hayat dari segi mendatangkan manfaat kepada masyarakat dan ekonomi, sementara mengurangkan kerosakan kepada alam sekitar.

Perolehan mampan membentuk sebahagian program tanggungjawab korporat kami dan kami menjangkakan komitmen yang sama dalam rangkaian bekalan kami. Kami melihat perolehan mampan sebagai skop penting untuk mencapai pembangunan mampan secara menyeluruh. Oleh itu kami mengambil kira faktor sosial dan alam sekitar berserta faktor kewangan dalam membuat keputusan perolehan.

Kami bukan sekadar mempertimbangkan daripada sudut ekonomi tetapi membuat keputusan berdasarkan keseluruhan kos hayat, risiko-risiko berkaitan, ukuran kejayaan dan kesan terhadap masyarakat dan alam sekitar. Maka kami menetapkan perolehan dalam konteks strategik yang lebih meluas termasuk nilai kepada wang, pengurusan prestasi, korporat dan keutamaan komuniti.

Kami menilai pendekatan langkah-langkah kemampuan oleh pembekal; dan mengutamakan mengutamakan pembekal yang mendapat pensijilan tempatan dan antarabangsa seperti ISO dan SIRIM. Kami juga menggalakkan mereka menerima pakai piawaian tinggi kami dan berusaha ke arah penambahbaikan berterusan.

KETELUSAN DALAM PROSES TENDER

Ketelusan adalah prinsip teras dalam proses perolehan dan tender SME Bank. Kami percaya proses perolehan yang terbuka dan telus menambah baik persaingan, meningkatkan kecekapan dan mengurangkan kemungkinan ketidakadilan atau amalan rasuah. Kami memasukkan proses e-Tawaran bagi setiap tender, untuk menggalakkan ketelusan dan peluang sama rata.

Semua pembekal perlu mendaftar dalam sistem e-Perolehan sebelum mereka mengambil bahagian dalam sebarang tender. Tender adalah jemputan bertulis yang dihantar kepada penender, pembida, pembekal atau penjual. Ia mengandungi keperluan terperinci dan spesifikasi barangan atau perkhidmatan untuk diperoleh.

GOVERNANCE AND COMPLIANCE**TADBIR URUS DAN PEMATUHAN****CHAPTER 05****BAB 05**

A tender or e-Bidding process is initiated when there is a specific and non-recurring purchase where a technical and commercial evaluation is required. A tender purchase must be carried out when the purchase amount exceeds the limit of RM100,000 for operating expenses and RM200,000 for capital expenses, as specified in the purchasing policy.

The tender process covers the invitation, preparation and evaluation of tenders as well as the establishment of the Tender Opening Committee, Financial Evaluation Committee and Technical Evaluation Committee. We ensure open and effective communication between both the Bank and the tenderer to avoid the possibility of misconduct during the tender requisition, evaluation and selection activities.

Our procurement exercise also involves "Know-Your Vendor" process and Formalised Vendor Declaration Form and Staff Declaration of Conflict of Interest Form to ensure greater transparency.

SME Bank's procurement complies with the requirements under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (AMLATFPUAA) 200, Personal Data Protection Act 2010, and BNM's Policy Document on Financing Facilities with Connected Parties.

PROTECTING PERSONAL DATA

In a time when digital technologies become deeply integrated in people's lives, generating greater quantities of data, the twin challenges of privacy and cyber security loom even larger. We take great responsibility in protecting our stakeholders' personal data and proprietary information which is our utmost priority.

To protect and preserve confidential information, we established company-wide policy and directives. These help us to ensure the continuing confidence of those who entrust us with their personal information. At the same time, we carefully observe and vigilantly comply with privacy protection legislations such as the Personal Data Protection Act 2010.

These efforts paid off when in 2019, we received no customer or staff complaints regarding breach of privacy and loss of personal data.

Proses tender atau e-Bidaan dimulakan apabila terdapat pembelian khusus dan bukan berulang di mana penilaian teknikal dan komersial diperlukan. Pembelian melalui tender mesti dijalankan apabila amaun pembelian melebihi had RM100,000 bagi perbelanjaan operasi dan RM200,000 bagi perbelanjaan modal, sepertimana dinyatakan dalam dasar pembelian.

Proses tender merangkumi jemputan, penyediaan dan penilaian tender serta penubuhan Jawatankuasa Pembukaan Tender, Jawatankuasa Penilaian Kewangan dan Jawatankuasa Penilaian Teknikal. Kami memastikan komunikasi terbuka dan berkesan antara Bank dan penender untuk mengelakkan kemungkinan salah laku semasa permohonan, penilaian dan pemilihan tender.

Kegiatan perolehan kami juga melibatkan proses "Kenali Pembekal Anda" dan Borang Pengisytiharan Pembekal Rasmi dan Borang Pengisytiharan Konflik Kepentingan Kakitangan bagi memastikan lebih ketelusan.

Perolehan SME Bank mematuhi keperluan-keperluan di bawah Akta Pencegahan Pengubahan Wang Haram, Pencegahan Pembiayaan Keganasan dan Hasil daripada Aktiviti Haram 2001 (AMLATFPUAA) 200; Akta Perlindungan Data Peribadi 2010; dan Dokumen Dasar mengenai Kemudahan Pembiayaan dengan Pihak-Pihak Berkaitan oleh BNM.

MELINDUNGI DATA PERIBADI

Dalam masa di mana teknologi digital bersatu dengan kehidupan orang ramai, menghasilkan begitu banyak data, cabaran dari segi kerahsiaan dan keselamatan maya kian bertambah. Kami memikul tanggungjawab yang besar untuk melindungi data dan maklumat peribadi pihak berkepentingan yang menjadi keutamaan kami.

Untuk melindungi maklumat sulit, kami menetapkan dasar dan arahan untuk seluruh syarikat. Ini membantu kami memastikan keyakinan yang berterusan daripada sesiapa sahaja yang mengamanahkan maklumat peribadi mereka kepada kami. Pada masa yang sama, kami mematuhi dengan penuh teliti undang-undang perlindungan kerahsiaan seperti Akta Perlindungan Data Peribadi 2010.

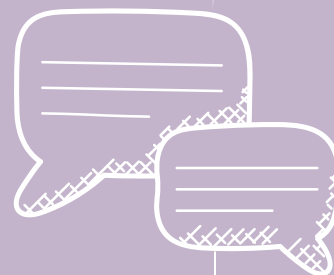
Usaha-usaha ini berbaloi di mana kami tidak menerima sebarang aduan daripada pelanggan mahupun kakitangan berhubung pelanggaran dan kehilangan data peribadi di sepanjang tahun 2019.

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2019 ROUNDUP

RUMUSAN 2019



CALENDAR OF EVENTS KALENDAR PERISTIWA

CHAPTER 06
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JANUARY



24 Breakfast Meeting with Group President / Chief Executive Officer at Menara SME Bank, Kuala Lumpur



30 SME Bank Fruit Day at Lobby, Menara SME Bank, Kuala Lumpur

FEBRUARY



11 Blood Donation Campaign at Lobby, Menara SME Bank, Kuala Lumpur



16 SME Bank Jenahak Challenge 2019 at Sea Lion Kolam Perdana, Port Klang, Selangor



15 SME Bank Engagement Session - East Coast Regional Centre at The Zenith Hotel, Kuantan, Pahang



22 Let's Engage! Session with Malaysian International Chamber of Commerce & Industry (MICCI) at Auditorium, Level 2, Menara SME Bank, Kuala Lumpur



15 SME Bank Focus Group Session at The Zenith Hotel, Kuantan, Pahang



25-27 FINCO Reads Activity Fairs at Sekolah Kebangsaan Salinatan Nabawan, Sabah

MARCH



1 SME Bank Engagement Session - Northern Regional Centre at The Light Hotel, Penang



8 SME Bank Engagement Session - Selangor Regional Centre at TPC Kuala Lumpur



8 Customer Meet Day and Focus Group Session at TPC Kuala Lumpur



21 Let's Engage! Session with 'Pertubuhan Doktor-Doktor Islam Malaysia' (PERDIM) at Training Room 1, Level 6, Menara SME Bank, Kuala Lumpur



28 Let's Engage! Session with UMW Holdings Berhad at Flora Terrace, Hampshire Place, Kuala Lumpur

CALENDAR OF EVENTS
KALENDAR PERISTIWA

CHAPTER 06
BAB 06

APRIL



6 Corporate Responsibility Programme at Zoo Negara, Hulu Klang, Selangor



18 Let's Engage! Session with SME Association of Malaysia at Trove Hotel, Johor Bahru, Johor



24 e-Sports Game Challenge for SME Bank's Staff at Auditorium Foyer, Level 2, Menara SME Bank, Kuala Lumpur



13 SME Bank 'Konvoi Amal & Khidmat Masyarakat' Programme from Kuala Lumpur to Jasin, Melaka



22 SME Bank Engagement Session - Kuala Lumpur Regional Outreach at Seri Pacific Hotel, Kuala Lumpur



25 SME Bank Engagement Session - Sarawak Regional Outreach at The Waterfront Hotel, Kuching Sarawak

MAY



2 SME Bank Engagement Session - Sabah Regional Outreach at Promenade Hotel, Tawau, Sabah



17 'Majlis IFTAR SME Bank 2019' at Lobby Area, Menara SME Bank, Kuala Lumpur



27 'Ceria Aidilfitri SME Bank bersama Anak Yatim, Anak Rohingya & Anak Orang Asli' at Mydin, Subang, Selangor



17 Distribution of 200 'Pack Foods' for IFTAR at vicinity of Menara SME Bank, Kuala Lumpur



23 Purchase of 'Baju Raya' for the Asnaf Families and Single Mothers at Mydin, Subang, Selangor

CALENDAR OF EVENTS
KALENDAR PERISTIWA

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JUNE



21 SME Bank Hari Raya Open House 2019 at Menara SME Bank, Kuala Lumpur

JULY



13 SME Bank Bowling Tournament 2019 at Sunway Megalanes, Sunway Pyramid, Petaling Jaya, Selangor

AUGUST



15 'Program Bersama Pelanggan' - Southern Regional Centre at The Katerina Hotel, Batu Pahat, Johor



15 Focus Group Session at Batu Pahat Enterprise Centre, Johor

SEPTEMBER



13 Presentation Ceremony - Education Incentive Scheme for Academic Achievements 2018 at Auditorium, Menara SME Bank, Kuala Lumpur

OCTOBER



3 'Program Bersama Pelanggan' - Sabah Regional Centre at Hyatt Regency Kinabalu, Sabah



4 Launching Ceremony for SME Bank Physical and Mental Health Coaching Programme by NALURI at Auditorium, Menara SME Bank, Kuala Lumpur



10 'Program Bersama Pelanggan' - East Coast Regional Centre at Perdana Hotel, Kota Bharu, Kelantan

CALENDAR OF EVENTS
KALENDAR PERISTIWA

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OCTOBER



26

Corporate Responsibility Programme – Mini Library Project for ‘Orang Asli’ Community at Kampung Jenderam Hilir, Dengkil, Selangor



26

Welcoming Home ‘Misi Zero 2 Hero’ - Everest Base Camp at KLIA, Sepang, Selangor



31

‘Program Bersama Pelanggan’ - Sarawak Regional Centre at Pullman Miri, Sarawak

NOVEMBER



7

‘Program Bersama Pelanggan’ - Northern Regional Centre at Impiana Hotel, Ipoh, Perak



11

‘Program Bersama Pelanggan’ - Selangor Regional Centre at Hilton Hotel, Petaling Jaya, Selangor



15

Let’s Engage! Session with Penang Chinese Chambers of Commerce (PCCC) at Tan Kok Ping Hall, Penang Chinese Chamber of Commerce, George Town, Pulau Pinang



22

SME Bank Taska Pintar Graduation Day 2019 at Auditorium, Menara SME Bank, Kuala Lumpur

CALENDAR OF EVENTS
KALENDAR PERISTIWA

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DECEMBER



1 SME Bank Family Day at Grand Lexis, Port Dickson, Negeri Sembilan



5 'Program Bersama Pelanggan' - Southern Regional Centre at Trove Hotel, Johor Bahru, Johor



7 SME Bank Sports Carnival for Group President's Trophy 2019 at Sports Arena Sentosa, Kuala Lumpur



10 'Program Bersama Pelanggan' - Kuala Lumpur Regional Centre at Pullman Bangsar, Kuala Lumpur

CORPORATE VISITS LAWATAN KORPORAT

CHAPTER 06
BAB 06



YEAR / TAHUN

2019



← 4

JANUARY

Visit by delegation from
Nepal Bank Ltd.

16 →
JANUARY

Study visit by delegation from
Industrial Development
(HRD-ID), Kenya



← 11

FEBRUARY

Visit by delegation from Saudi
Industrial Development Fund,
Saudi Arabia



25 →
MARCH

Visit by delegation from
The Egyptian Banking
Institute, Egypt



← 26

MARCH

Visit by delegation from Association
of African Development Finance
Institutions (AADFI)



28 →
MAY

Visit by delegation from
Perbadanan Tabung Amanah
Islam Brunei (PTAIB)



CORPORATE VISITS
LAWATAN KORPORAT

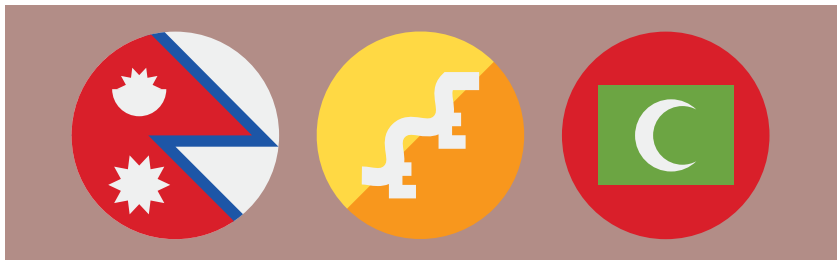
CHAPTER 06
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← 17
JULY

Visit by students from
UiTM Sarawak

8 →
JULY
Study tour by delegation from
Ceda Botswana



← 8
AUGUST

Visit by delegation from Nepal,
Bhutan and Maldives

22 →
AUGUST
Visit by delegation from
Ministry of Finance, Malaysia



← 28
AUGUST

Visit by delegation from Kenya
and Sri Lanka

10 →
AUGUST
Visit by delegation from
International Entrepreneurs
Chamber Malaysia (ECM)





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FINANCIAL STATEMENTS PENYATA KEWANGAN



DIRECTORS' REPORT

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DIRECTORS' REPORT

The directors of Small Medium Enterprise Development Bank Malaysia Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are those of development banking, both Islamic and conventional and related financial services.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the Bank in each subsidiary and associate is as disclosed in Note 11 and Note 12 to the financial statements respectively.

FINANCIAL RESULTS

The results of the Group and of the Bank for the financial year are as follows:

	Group RM'000	Bank RM'000
Profit before tax expense and zakat	206,644	213,858
Tax expense	(6,282)	(6,221)
Zakat	(1,432)	(1,432)
Profit for the year	198,930	206,205
Profit for the year attributable to the owner of the Bank	198,930	206,205

In the opinion of the directors, the results of operations of the Group and of the Bank during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the changes in the accounting policy as disclosed in Note 42 to the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Bank since the end of the previous financial year.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2019 of 2.00 sen per share on 1,850,000,000 ordinary shares, amounting to RM37,000,000 will be proposed for the shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORTCHAPTER 07
BAB 07**ISSUE OF SHARES AND DEBENTURES**

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

DIRECTORS

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

Prof. Dr. Abdul Basir bin Mohamad
Dato' Muslim bin Hussain
Encik Mohd Sakeri bin Abdul Kadir (appointed on 28 February 2019)
Datuk Ahmad Hizzad bin Baharuddin (appointed on 6 March 2019)
Encik Zulkiflee bin Hashim (appointed on 6 March 2019)
Dato' Mohd Sukarno bin Tun Sardon (appointed on 8 April 2019)
Encik Muhammad Razman bin Abu Samah (appointed on 1 September 2019)
Dato' Seri Nazir Ariff bin Mushir Ariff (appointed on 18 October 2019)
Dato' Jamelah binti Jamaluddin (tenure ended on 31 January 2019)
Dato' Asri bin Hamidon (resigned on 31 March 2019)
Dato' Mohd Shukri bin Hussin (tenure ended on 1 May 2019)
Encik Khairuzzaman Muhammad (tenure ended on 31 January 2019)

The directors who are not the directors of the Bank who held office in the subsidiaries of the Bank during the financial year and up to the date of this report are:

Encik Aria Putera bin Ismail
Encik Haizad Rizal bin A Aziz
Puan Rozita binti Abd Hafiz (resigned on 24 January 2020)
Encik Khairil Anuar bin Mohammad Anuar
Puan Zarina Nor binti Ismail
Puan Sainursalwa binti Sani (appointed on 1 May 2019)
Encik Mohd Fikri bin Abdul Ghapar (appointed on 3 June 2019)
Puan Syuhaiza binti Md Molawi@Ismail (appointed on 1 October 2019)
Encik Mohammad Azam bin Ahmad (appointed on 1 October 2019)
Encik Wan Zainuddin bin Wan Muda (resigned on 31 March 2019)
Y.M. Raja Shahrman bin Raja Harun Al Rashid (appointed on 1 May 2019 and resigned on 31 August 2019)
Encik Nik Adelin bin Dato' Nik Ismail (appointed on 28 June 2018 and resigned on 2 October 2019)
Encik Hairil Izwar bin Abd Rahman (appointed on 1 October 2019)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of remuneration received or due and receivable by the director or the fixed salary of a full time employee of the Bank as disclosed in Note 31 to the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' REPORTCHAPTER 07
BAB 07**DIRECTORS' BENEFITS (CONT'D)**

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

DIRECTORS' INTERESTS

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

DIRECTORS' REPORTCHAPTER 07
BAB 07**OTHER STATUTORY INFORMATION (CONT'D)**

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

INDEMNITY AND TAKAFUL FOR DIRECTORS, OFFICERS AND AUDITORS

The Bank maintains directors' liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance cover for the directors of the Bank. The amount of takaful coverage paid during the year amounted to RM62,250.

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

HOLDING CORPORATION

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

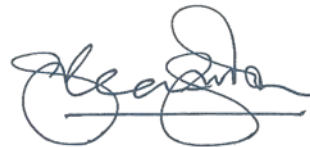
AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The amount paid as remuneration of the auditors for the financial year ended 31 December 2019 is as disclosed in Note 30 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 February 2020.

**DATO' SERI NAZIR ARIFF BIN MUSHIR ARIFF****DATO' MOHD SUKARNO BIN TUN SARDON**

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

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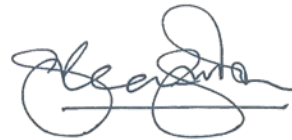
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

The directors of Small Medium Enterprise Development Bank Malaysia Berhad state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2019 and of the financial performance and the cash flows of the Group and of the Bank for the year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 February 2020.



DATO' SERI NAZIR ARIFF BIN MUSHIR ARIFF



DATO' MOHD SUKARNO BIN TUN SARDON

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

We, Dato' Seri Nazir Ariff bin Mushir Ariff and Aria Putera bin Ismail, being the Chairman and Group President/Chief Executive Officer respectively, primarily responsible for the financial management of Small Medium Enterprise Development Bank Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements are, in our opinion, correct and we make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur in
the Federal Territory on 25 February 2020.



DATO' SERI NAZIR ARIFF BIN MUSHIR ARIFF



ARIA PUTERA BIN ISMAIL

Before me,



G1-1-2, Ground Floor, Menara 1 Dutamas,
Selaris Dutamas, No. 1, Jalan Dutamas 1,
50480 KUALA LUMPUR, MALAYSIA.

SHARIAH COMMITTEE'S REPORT

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PURSUANT TO SECTION 2.9 OF SHARIAH GOVERNANCE FRAMEWORK FOR ISLAMIC FINANCIAL INSTITUTIONS

In the Name of Allah, The Compassionate, The Most Merciful
Praise be to Allah and peace be upon His messenger, His family and His companions.

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

To the shareholders, depositors and customers of the Bank,

In carrying out the roles and responsibilities of the Bank's Shariah Committee ("SC") as prescribed in the Shariah Governance Framework of Bank Negara Malaysia, we hereby submit the following report for the financial year ended 31 December 2019.

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Small Medium Enterprise Development Bank Malaysia Berhad during the financial year ended 31 December 2019. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia ("SAC"), as well as Shariah decisions made by us.

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

We had total of nine (9) meetings during the financial year, in which we reviewed inter alia products, transactions, services, processes and documents of the Bank. All SC members have complied the minimum 75% attendance requirement under the Operation Procedures for the SC in the BNM's Shariah Governance Framework.

Towards strengthening capabilities of the SC, members attended Kuala Lumpur Islamic Finance Forum 2019, Muzakarah Penasihat Syariah Kewangan Islam 2019 organized by CERT Event Sdn Bhd and Muzakarah Cendekiawan Syariah Nusantara organized by International Shariah Research Academy for Islamic Finance ("ISRA").

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

Throughout the Year 2019, we have confirmed three (3) incidents of Shariah non-compliance events in relation to:

- (i) Invalid underlying asset for Bai Bithaman Ajil contract;
- (ii) Invalid underlying asset for Bai Istisna' contract; and
- (iii) Miscomputation of Ta'widh charge (Compensation) on Qard repayment against Kafalah Bank Guarantee-i.

We also confirm that every incident of Shariah non-compliant event has been brought to our attention and we have subsequently noted that the corrective as well as preventive measures have been taken by the Bank in order to avoid the same from occurring in the future. Nevertheless, we confirmed there is no Shariah non-compliant income.

We have assessed the Shariah Review and Shariah Audit reports based on the annual plan which has been approved by us. The outcomes of the reports were deliberated in our meetings to confirm that the Bank has complied with the applicable Shariah principles as well as the relevant resolutions and rulings issued by the SAC.

SHARIAH COMMITTEE'S REPORT

PURSUANT TO SECTION 2.9 OF SHARIAH GOVERNANCE FRAMEWORK FOR ISLAMIC FINANCIAL INSTITUTIONS

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In our opinion:

- (i) The contracts, transactions and dealings of Islamic Banking products that were entered into by the Bank (except for the aforementioned instances of Shariah non-compliance events) during the financial year ended 31 December 2019 that we have reviewed are to the best of our knowledge in compliance with the Shariah principles; and
- (ii) The calculation and distribution of zakat is in compliance with the Shariah principles.

We, Prof. Dr. Abdul Basir bin Mohamad and Associate Prof. Dr. Asmak binti Ab Rahman, being two of the members of the SC of the Bank, do hereby confirm on behalf of the members of the SC that, in our level best, the Islamic Banking aims and operations, business, affairs and activities of the Bank for the financial year ended 31 December 2019 has been conducted in conformity with the Shariah principles.

We beg Allah the Almighty to Grant us all the Success and Straight-Forwardness and Allah Knows Best.

**PROF. DR. ABDUL BASIR BIN MOHAMAD**

Chairman of the Committee

**ASSOCIATE PROF. DR. ASMAK BINTI AB RAHMAN**

Member of the Committee

Kuala Lumpur, Malaysia
25 February 2020

INDEPENDENT AUDITORS' REPORT

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TO THE MEMBER OF SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BERHAD
(INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

OPINION

We have audited the financial statements of SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BERHAD, which comprise the statements of financial position of the Group and of the Bank as at 31 December 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 207 to 370.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Companies Act, 2016 in Malaysia.

BASIS FOR OPINION

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

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors are responsible for the other information. The other information obtained at the date of this auditors' report are Statement of Corporate Governance, Statement of Risk Management and Internal Control, Directors' report and Shariah Committee's Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BERHAD
(INCORPORATED IN MALAYSIA)

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RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BERHAD
(INCORPORATED IN MALAYSIA)

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AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Bank to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

OTHER MATTER

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)



SITI HAJAR BINTI OSMAN
Partner - 03061/04/2021 J
Chartered Accountant

25 February 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

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	Note	Group		Bank	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	4	1,118,904	485,308	1,112,694	481,615
Deposits and placements with banks	5	-	151,878	-	151,878
Financial investments at fair value through other comprehensive income	6	1,353,869	2,048,108	1,353,869	2,048,108
Financial investments at amortised cost	7	818,565	674,133	818,565	674,133
Loans, advances and financing	8	5,800,941	5,664,461	5,800,941	5,664,461
Other assets	9	13,525	14,903	112,606	132,218
Derivative financial assets	10	-	2,816	-	2,816
Investment in subsidiaries	11	-	-	-	-
Investment in associate	12	3,338	3,548	-	-
Property, plant and equipment	13	135,590	139,517	135,578	139,497
Right-of-use assets	14	15,474	-	15,474	-
Investment properties	15	393,062	373,214	393,062	373,214
Intangible assets	16	18,298	17,785	18,298	17,759
Tax recoverable		9,215	29,857	7,251	26,083
Deferred tax assets	17	104,456	120,059	104,456	120,059
TOTAL ASSETS		9,785,237	9,725,587	9,872,794	9,831,841
LIABILITIES					
Deposits from customers	18	3,168,209	2,974,984	3,233,536	3,071,441
Deposits from banks and other financial institutions	19	-	301,417	-	301,417
Islamic medium-term notes	20	1,768,072	1,821,436	1,768,072	1,821,436
Borrowings	21	1,875,212	1,982,921	1,875,212	1,982,921
Lease liabilities	22	15,797	-	15,797	-
Other liabilities	23	1,099,904	1,046,687	1,120,599	1,062,224
Government funds	24	354,053	326,344	354,053	326,344
TOTAL LIABILITIES		8,281,247	8,453,789	8,367,269	8,565,783

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

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	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
EQUITY					
Share capital	25	1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses		(384,688)	(583,618)	(383,153)	(589,358)
Other reserves	26	38,678	5,416	38,678	5,416
TOTAL EQUITY		1,503,990	1,271,798	1,505,525	1,266,058
TOTAL LIABILITIES AND EQUITY		9,785,237	9,725,587	9,872,794	9,831,841
COMMITMENTS AND CONTINGENCIES	35	1,940,000	1,675,103	1,940,000	1,675,103

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019

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	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	27	18,858	23,271	18,858	23,271
Interest expense	28	(57,199)	(55,537)	(57,199)	(55,537)
Net interest expense		(38,341)	(32,266)	(38,341)	(32,266)
Gross income from Islamic banking business	41	406,110	377,773	415,489	383,195
Other operating income	29	17,522	11,633	8,921	8,324
Net income		385,291	357,140	386,069	359,253
Other operating expenses	30	(183,798)	(207,521)	(180,306)	(201,911)
Operating profit		201,493	149,619	205,763	157,342
Writeback/(Allowances) for impairment losses on :					
- loans, advances and financing	32	10,098	(694,169)	(35,536)	(289,583)
- commitments and contingencies	23(vi)	327	2,638	327	2,638
- financial investments at fair value through other comprehensive income	6	(3,508)	(9,698)	(3,508)	(9,698)
- financial investments at amortised cost	7	(586)	15	(586)	15
- other assets at amortised cost	9(i)(b)	(970)	(712)	(970)	(712)
- other assets at fair value through other comprehensive income	9(ii)	-	-	48,368	(351,972)
- investments in subsidiaries	11	-	-	-	(3,582)
		206,854	(552,307)	213,858	(495,552)
Share of (loss)/profit after tax of an associate	12(ii)	(210)	132	-	-
Profit/(Loss) before tax expense and zakat		206,644	(552,175)	213,858	(495,552)
Tax (expense)/credit	33	(6,282)	47	(6,221)	50
Zakat	33	(1,432)	(4,000)	(1,432)	(4,000)
Profit/(Loss) for the year		198,930	(556,128)	206,205	(499,502)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019

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	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Unrealised gain/(loss) on revaluation of financial investments at FVOCI	26	30,278	(2,362)	30,278	(2,362)
Reclassification of gains included in profit or loss	26	8,870	-	8,870	-
Changes in expected credit losses on financial investments at FVOCI	26	3,508	9,698	3,508	9,698
Income tax relating to components of other comprehensive income	26	(9,394)	567	(9,394)	567
Other comprehensive income for the year, net of tax		33,262	7,903	33,262	7,903
Total comprehensive income/(loss) for the year, net of tax		232,192	(548,225)	239,467	(491,599)
Profit/(Loss) for the year attributable to the owner of the Bank		198,930	(556,128)	206,205	(499,502)
Total comprehensive income/(loss) attributable to the owner of the Bank		232,192	(548,225)	239,467	(491,599)
Earnings/(Loss) per share attributable to the owner of the Bank (sen)					
- Basic	34			11.15	(27.00)

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019

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Group	← Attributable to the Owner of the Bank →				Total equity RM'000
	Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	
At 1 January 2019	1,850,000	(4,698)	10,114	(583,618)	1,271,798
Unrealised gain on revaluation of financial investments at FVOCI	-	30,278	-	-	30,278
Reclassification of gains included in profit or loss	-	8,870	-	-	8,870
Changes in expected credit losses of financial investments at FVOCI	-	3,508	-	-	3,508
Income tax relating to components of other comprehensive income	-	(9,394)	-	-	(9,394)
Profit for the year	-	-	-	198,930	198,930
Total comprehensive income for the year	-	33,262	-	198,930	232,192
At 31 December 2019	1,850,000	28,564	10,114	(384,688)	1,503,990
At 1 January 2018	1,850,000	(12,601)	10,114	5,810	1,853,323
Unrealised loss on revaluation of financial investments at FVOCI	-	(2,362)	-	-	(2,362)
Changes in expected credit losses of financial investments at FVOCI	-	9,698	-	-	9,698
Income tax relating to components of other comprehensive income	-	567	-	-	567
Loss for the year	-	-	-	(556,128)	(556,128)
Total comprehensive income/(loss) for the year	-	7,903	-	(556,128)	(548,225)
Transaction with owner:					
Dividends (Note 40)	-	-	-	(33,300)	(33,300)
At 31 December 2018	1,850,000	(4,698)	10,114	(583,618)	1,271,798

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019

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Bank	← Attributable to the Owner of the Bank →				Total equity RM'000
	Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	
At 1 January 2019	1,850,000	(4,698)	10,114	(589,358)	1,266,058
Unrealised gain on revaluation of financial investments at FVOCI	-	30,278	-	-	30,278
Reclassification of gains included in profit or loss	-	8,870	-	-	8,870
Changes in expected credit losses of financial investments at FVOCI	-	3,508	-	-	3,508
Income tax relating to components of other comprehensive income	-	(9,394)	-	-	(9,394)
Profit for the year	-	-	-	206,205	206,205
Total comprehensive income for the year	-	33,262	-	206,205	239,467
At 31 December 2019	1,850,000	28,564	10,114	(383,153)	1,505,525
At 1 January 2018	1,850,000	(12,601)	10,114	(56,556)	1,790,957
Unrealised loss on revaluation of financial investments at FVOCI	-	(2,362)	-	-	(2,362)
Changes in expected credit losses of financial investments at FVOCI	-	9,698	-	-	9,698
Income tax relating to components of other comprehensive income	-	567	-	-	567
Loss for the year	-	-	-	(499,502)	(499,502)
Total comprehensive income/(loss) for the year	-	7,903	-	(499,502)	(491,599)
Transaction with owner:					
Dividends (Note 40)	-	-	-	(33,300)	(33,300)
At 31 December 2018	1,850,000	(4,698)	10,114	(589,358)	1,266,058

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019

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	Note	Group		Bank	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Cash flows generated from operating activities					
Profit/(Loss) before tax expense and zakat		206,644	(552,175)	213,858	(495,552)
Adjustments for:					
Net impairment loss on loans, advances and financing	32	19,273	723,573	64,907	318,987
Net writeback of commitment and contingencies	23(vi)	(327)	(2,638)	(327)	(2,638)
Net impairment loss on financial investments at FVOCI	6	3,508	9,698	3,508	9,698
Net impairment loss/(writeback) on financial investment at AC	7	586	(15)	586	(15)
Impairment loss on other asset at AC	9(i)(b)	970	712	970	712
Impairment (gain)/loss on other asset at FVOCI	9(ii)	-	-	(48,368)	351,972
Depreciation of property, plant and equipment	30(ii)	13,578	12,759	13,570	12,735
Depreciation of right-of-use assets	30(ii)	3,393	-	3,393	-
Amortisation of intangible assets	30(ii)	6,853	6,097	6,846	6,026
Fair value adjustment on investment properties	41(j)	(19,848)	(304)	(19,848)	(304)
Government funds (released)/writeback, net	(a)	(2,133)	64	(2,133)	64
Impairment loss on investment in subsidiaries	11	-	-	-	3,582
Income from financial investments at FVOCI		(70,850)	(88,430)	(70,850)	(88,430)
Income from financial investments at AC	41(i)	(28,272)	(22,510)	(28,272)	(22,510)
Interest expense on borrowings	(a)	58,649	57,544	58,649	57,544
Interest expense on medium-term notes	(a)	71,090	70,445	71,090	70,445
Finance cost on lease liabilities	(a)	625	-	625	-
Profit income on amount due from a subsidiary company	41(j)	-	-	(15,382)	(17,777)
Property, plant and equipment written-off	30(ii)	407	641	407	641
Intangible assets written-off	30(ii)	19	-	-	-
Gross dividend income from investment in unquoted shares	29	(349)	-	(349)	-
Share of loss/(profit) after tax of an associate	12	210	(132)	-	-

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019

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	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating profit before working capital changes		264,026	215,329	252,880	205,180
Changes in working capital:					
Deposits and placements with banks		151,878	30,135	151,878	30,135
Loans, advances and financing		(155,753)	54,077	(208,116)	34,713
Other assets		3,224	8,491	85,208	(5,444)
Deposits from customers		203,067	(335,714)	171,937	(298,473)
Deposits from banks and other financial institutions		(301,417)	201,245	(301,417)	201,245
Other liabilities		54,798	(48,888)	66,685	(44,997)
Cash generated from operating activities		219,823	124,675	219,055	122,359
Interest and profit received		117,491	159,379	117,491	159,379
Tax paid		(782)	(2,674)	(780)	-
Tax refunded		21,351	-	19,600	-
Zakat paid		(2,686)	(3,440)	(2,686)	(3,440)
Net cash generated from operating activities		355,197	277,940	352,680	278,298
Cash flows generated from/(used in) investing activities					
Purchase of private debt securities		(105,000)	-	(105,000)	-
Purchase of Islamic commercial papers		(1,870,000)	(671,000)	(1,870,000)	(671,000)
Purchase of sukuk		(32,120)	(50,000)	(32,120)	(50,000)
Proceeds from redemption of Islamic commercial papers		20,000	426,000	20,000	426,000
Proceeds from redemption of private debt securities		175,000	200,000	175,000	200,000
Proceeds from redemption of bond/sukuk		392,120	20,000	392,120	20,000
Proceeds from maturity of bond/sukuk		110,000	-	110,000	-
Proceeds from maturity of private debt securities		180,000	-	180,000	-
Proceeds from maturity of Islamic commercial papers		1,700,000	-	1,700,000	-
Purchase of property, plant and equipment	13	(10,058)	(4,222)	(10,058)	(4,222)
Purchase of intangible assets	16	(7,385)	(12,052)	(7,385)	(12,052)
Gross dividend income from investment in unquoted shares		349	-	349	-
Net cash generated from/(used in) investing activities		552,906	(91,274)	552,906	(91,274)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019

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	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows (used in)/generated from financing activities					
Net payment of borrowings		(110,787)	(53,444)	(110,787)	(53,444)
Net payment of Islamic medium-term notes		(50,000)	-	(50,000)	-
Interest and profit paid on borrowings		(55,571)	(57,185)	(55,571)	(57,185)
Profit paid on Islamic medium-term notes		(74,454)	(70,461)	(74,454)	(70,461)
Proceeds from government funds		20,000	90,000	20,000	90,000
Payment of lease liabilities		(3,695)	-	(3,695)	-
Dividend paid		-	(33,300)	-	(33,300)
Net cash used in financing activities		(274,507)	(124,390)	(274,507)	(124,390)
Net increase in cash and cash equivalents		633,596	62,276	631,079	62,634
Cash and cash equivalents at beginning of year		485,308	423,032	481,615	418,981
Cash and cash equivalents at end of year		1,118,904	485,308	1,112,694	481,615
Cash and cash equivalents comprise of:					
- Cash and short-term funds	4	1,118,904	485,308	1,112,694	481,615

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019

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

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

Group and Bank	Note	1 January 2019	Financing cash flows (i)	Non-cash changes			31 December 2019
				Interest/ profit accrual (Note 28 & 41(k))	Re- classification from deposits from customers (Note 24)	Amortisation to profit or loss (Note 29&41(j))	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Islamic medium-term notes	20	1,821,436	(124,454)	71,090	-	-	1,768,072
Borrowings	21	1,982,921	(166,358)	58,649	-	-	1,875,212
Finance lease liabilities	22	18,867	(3,695)	625	-	-	15,797
Government funds	24	326,344	20,000	-	9,842	(2,133)	354,053
		4,149,568	(274,507)	130,364	9,842	(2,133)	4,013,134

Group and Bank	Note	1 January 2018	Financing cash flows (i)	Non-cash changes			31 December 2018
				Interest/ profit accrual (Note 28 & 41(k))	Re- classification from deposits from customers (Note 24)	Amortisation to profit or loss (Note 29&41(j))	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Islamic medium-term notes	20	1,821,452	(70,461)	70,445	-	-	1,821,436
Borrowings	21	2,036,006	(110,629)	57,544	-	-	1,982,921
Government funds	24	285,049	90,000	-	(48,769)	64	326,344
		4,142,507	(91,090)	127,989	(48,769)	64	4,130,701

- (i) The cash flows from Islamic medium-term notes, borrowings, government funds and lease liabilities make up the net amount of proceeds and payments of Islamic medium-term notes, borrowings and lease liabilities, interest/profit payment on Islamic medium-term notes, borrowings and lease liabilities and receipt of government fund in the statements of cash flows.

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

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1. CORPORATE INFORMATION

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

The immediate and ultimate holding company of the Bank during the financial year is Minister of Finance Incorporated. The Bank is principally engaged in development banking, both Islamic and conventional and related financial services. The principal activities of the subsidiaries and associate are described in Note 11 and Note 12, respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 February 2020.

Based on Budget 2020, it was announced that Malaysia's development financial institutions namely the Bank, Bank Pembangunan Malaysia Bhd, Export-Import Bank of Malaysia Bhd ("Exim Bank") and Danajamin Nasional Bhd will be merged into a new financial institution. Bank Negara Malaysia ("BNM") is proposing a two-phase restructuring plan.

In December 2019, BNM has given approval to Bank Pembangunan Malaysia Bhd and Danajamin Nasional Bhd to commence negotiations under the first phase of the government's proposed merger. The first phase involves the merger of Bank Pembangunan with Danajamin and the second phase, merger of Exim Bank and SME Bank into the earlier merged entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements of the Bank and of its subsidiaries (the "Group") have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, and the requirements of Companies Act, 2016 in Malaysia.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Adoption of New MFRS, Issues Committee ("IC") Interpretation and Amendments to MFRSs

In the current financial year, the Group and the Bank have adopted all the new MFRS, Amendments to MFRS, and IC Interpretation issued by the Malaysian Accounting Standard Board ("MASB") that are relevant to the operations and effective for accounting period that begins on or after 1 January 2019.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D)**

MFRS 16	Leases
Amendments to	
MFRS 9	Prepayment Features with Negative Compensation
MFRS 119	Plan Amendment, Curtailment or Settlement
MFRS 128	Long-term Interest in Associate and Joint Ventures
MFRSs	Annual Improvements to MFRSs 2015-2017 Cycle
IC Interpretation 23	Uncertainty over Income Tax Payments

The initial application of the accounting standards, interpretations or amendments did not have any material financial impacts to the current period and prior period financial statements of the Group and the Bank except for MFRS 16 as disclosed in Note 2.9 and Note 42.

2.3 AMENDMENTS TO MFRSs IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation for issue of these financial statements, the relevant Amendments to MFRSs, which were in issue but not yet effective and not early adopted by the Group and the Bank are as listed below:

Amendments to	
MFRS 3	Definition of a Business ¹
MFRS 101 and MFRS 108	Definition of Material ¹
MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform ¹
MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures ²

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective date deferred to a date to be announced by MASB

The directors anticipate that the abovementioned Amendments will be adopted in the annual financial statements of the Group and of the Bank when they become effective and that the adoption of these Amendments will have no material impact on the financial statements of the Group and of the Bank in the period of initial application.

2.4 BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.4 BASIS OF PREPARATION (CONT'D)**

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

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

2.5 BASIS OF CONSOLIDATION

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

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

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

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

2.6 SUBSIDIARIES

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.6 SUBSIDIARIES (CONT'D)**

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

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

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

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

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

2.7 ASSOCIATES

An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale. Under the equity method, an investment in an associate is initially recognised in the statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.7 ASSOCIATES (CONT'D)**

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Investment in associates which are consolidated using the equity method are stated at cost less accumulated impairment losses in the Bank's separate financial statements.

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

2.8 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Land and buildings comprise mainly branches and offices. All property, plant and equipment used by the Group and the Bank are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Freehold land has indefinite useful life and therefore is not depreciated. Construction work-in-progress is not depreciated as this asset is also not available for use. Depreciation of other property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Building	50 years
Furniture and equipment	3 - 10 years
Renovation	3 years
Motor vehicles	5 years
Electrical and machinery	10 - 15 years

The leasehold land are amortised on a straight-line basis over the remaining lease terms, ranging from 16 to 905 years (2018 : 17 to 906 years).

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 LEASES

The Group and the Bank have adopted MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised at the date of initial application, i.e. 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, Leases and related interpretations. The details of accounting policies under both MFRS 117 and MFRS 16 are presented separately below.

Policies applicable from 1 January 2019***(i) Definition of a lease***

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Bank assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Bank allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Bank are lessees, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement***(a) As a lessee***

The Group and the Bank recognise a right-of-use asset at the date of initial application for leases previously classified as operating lease. The right-of-use asset and a corresponding lease liability are recognised with respect to all lease arrangements in which the Group and the Bank are the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The right-of-use asset is initially measured at an amount equal to the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.9 LEASES (CONT'D)*****Policies applicable from 1 January 2019 (cont'd)******(ii) Recognition and initial measurement (cont'd)*****(a) As a lessee (cont'd)**

The right-of-use assets are presented as a separate line in the statements of financial position.

The lease liability is initially measured at the present value of the remaining lease payments at the date of initial application, discounted using the Group's and the Bank's incremental borrowing rate. The lease liability is presented as a separate line in the statements of financial position.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group and the Bank exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Bank have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group and the Bank recognise the lease payments associated with these leases as an operating expense over the lease term.

As a practical expedient, MFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group and the Bank have not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group and the Bank allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) As a lessor

The Group and the Bank enter into lease agreements as a lessor with respect to the investment properties. When the Group and the Bank act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 LEASES (CONT'D)

*Policies applicable from 1 January 2019 (cont'd)**(ii) Recognition and initial measurement (cont'd)***(b) As a lessor (cont'd)**

To classify each lease, the Group and the Bank make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Bank apply MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

*(iii) Subsequent measurement***(a) As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the date of initial application to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group and the Bank apply MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Whenever the Group and the Bank incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137.

The lease liability is measured by increasing the carrying amount to reflect profit on the lease liability and reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group and the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Bank change its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.9 LEASES (CONT'D)*****Policies applicable from 1 January 2019 (cont'd)******(iii) Subsequent measurement (cont'd)*****(b) As a lessee (cont'd)**

The Group and the Bank remeasure the lease liability whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group and the Bank did not make any such adjustments during the current financial year.

(b) As a lessor

The Group and the Bank recognise lease payment from operating leases as income on a straight-line basis. The Group and the Bank also recognise cost, including depreciation, incurred in earning the lease income as an expense.

Policies applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) As a lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(b) As a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.10 INVESTMENT PROPERTIES**

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purpose). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group and the Bank's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which property is derecognised.

2.11 INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development; and
- The ability to use the intangible asset generated.

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

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.11 INTANGIBLE ASSETS (CONT'D)**

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

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

2.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group and the Bank review the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Bank estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.13 FINANCIAL INSTRUMENTS**Initial recognition**

Financial assets and liabilities, with the exception of loans, advances and financing to customers, are initially recognised on the trade date, i.e., the date that the Group and the Bank become a party to the contractual provisions of the instrument. Loans, advances and financing to customers are recognised when funds are transferred to the customers' accounts.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.13 FINANCIAL INSTRUMENTS (CONT'D)****Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at Fair Value Through Profit or Loss ("FVTPL"), transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group and the Bank account for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group and the Bank recognise the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

The Group and the Bank classify all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised Cost ("AC")
- Fair Value Through Other Comprehensive Income ("FVOCI")
- Fair Value Through Profit or Loss ("FVTPL")

The Group and the Bank classify and measures its derivative at FVTPL. The Group and the Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial assets and liabilities

The Group and the Bank only measure loans, advances and financing to customers and other financial investments at AC if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.13 FINANCIAL INSTRUMENTS (CONT'D)**

The details of these conditions are outlined below:

Business model assessment

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

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

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

The solely payment of principal and interest ("SPPI") test

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

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

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.13 FINANCIAL INSTRUMENTS (CONT'D)****Financial assets at Amortised Cost ("AC")**

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

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

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

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

Debt instruments at FVOCI

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

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

FVOCI debt instruments are measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Profit income are recognised in profit or loss in the same manner as for financial assets measured at AC as explained in Note 2.22. The expected credit loss ("ECL") calculation for Debt instruments at FVOCI is explained in Note 2.14. Where the Group and the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.13 FINANCIAL INSTRUMENTS (CONT'D)****Derivatives recorded at fair value through profit or loss**

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest/profit rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in Note 10. Changes in the fair value of derivatives are included in net trading income.

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

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

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

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

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

Reclassification of financial assets and liabilities

The Group and the Bank do not reclassify their financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Derecognition of financial assets and liabilities**Derecognition due to substantial modification of terms and conditions**

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.13 FINANCIAL INSTRUMENTS (CONT'D)****Derecognition of financial assets and liabilities (cont'd)****Derecognition due to substantial modification of terms and conditions (cont'd)**

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

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

If the modification does not result in substantial change in cash flows, thus, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest/profit rate ("EIR"), the Group and the Bank record a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in reserves is recognised in profit and loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group and the Bank retain an option to repurchase part of a transferred asset), the Group and the Bank allocate the previous carrying amount of the financial asset between the part they continue to recognise under continuing involvement, and the part they no longer recognise on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.14 IMPAIRMENT OF FINANCIAL ASSETS****Overview of the ECL principles**

With respect to financing loss impairment method, the Group and the Bank have applied a forward-looking ECL approach.

Through this approach, the Group and the Bank have recorded the allowance for ECL for all loans, advances and financing and other debt financial assets not held at FVTPL, together with loans, advances and financing commitments and financial guarantee contracts (all referred to as 'financial instruments' in this section). Equity instruments are not subject to impairment under MFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's and the Bank's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the end of the reporting period. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of the financial instruments.

The Group and the Bank have established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group and the Bank groups its loans, advances and financing into Stage 1, Stage 2 and Stage 3, as described below:

- | | |
|---------|--|
| Stage 1 | When loans, advances and financing are first recognised, the Group and the Bank recognise an allowance based on 12mECLs. Stage 1 loans, advances and financing also include facilities where the credit risk has improved and the loans, advances and financing has been reclassified from Stage 2. |
| Stage 2 | When a loans, advances and financing has shown a significant increase in credit risk since origination, the Group and the Bank record an allowance for the LTECLs. Stage 2 loans, advances and financing also include facilities, where the credit risk has improved and the loans, advances and financing has been reclassified from Stage 3. |
| Stage 3 | Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. |

Significant increase in credit risk

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 IMPAIRMENT OF FINANCIAL ASSETS (CONT'D)

Significant increase in credit risk (cont'd)

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

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

The calculation of ECLs

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

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

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

The mechanics of the ECL method are summarised below:

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.14 IMPAIRMENT OF FINANCIAL ASSETS (CONT'D)****Debt instruments measured at FVOCI**

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

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

Forward looking-information

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

- Gross domestic product ("GDP") growth
- Crude oil price
- Overnight Policy Rate ("OPR")

Write-offs

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

2.15 FINANCIAL LIABILITIES

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at AC using the effective interest/ profit method. The Group and the Bank do not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities at AC include deposits from customers, deposits and placements from banks and financial institutions, other liabilities, Islamic medium-term notes, borrowings and lease liabilities.

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The Group and the Bank do not have any financial liabilities held for trading or financial liabilities designated upon initial recognition as at fair value through profit or loss as at the end of the reporting period.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.15 FINANCIAL LIABILITIES (CONT'D)****(b) Other financial liabilities**

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

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

(c) Derecognition

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

2.16 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

2.17 CASH AND CASH EQUIVALENTS

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

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

2.18 PROVISIONS

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.19 GOVERNMENT FUNDS**

Government funds are meant for the following purposes:

- (i) To finance the purchase of investment properties. The funds are initially recognised at their fair values in the statements of financial position as deferred income where there is reasonable assurance that the funds will be received and all attaching conditions will be complied with. Government funds that compensate the Group and the Bank for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government funds that compensate the Group and the Bank for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.
- (ii) To finance loans, advances and financing for specific projects and utilise against credit losses and charges arising from the financing of these projects. The government funds are recognised at the fair value of the consideration received in the statements of financial position. Any credit losses or charges as a result of defaulted loans on the loans financed by the government funds are recognised and utilised against the funds.

2.20 EMPLOYEE BENEFITS**(i) Short-term benefits**

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

(ii) Defined contribution plans

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

2.21 FAIR VALUE MEASUREMENT

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 FAIR VALUE MEASUREMENT (CONT'D)

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

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

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

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

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

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

Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
<i>Unquoted shares</i>	
- Current realisable values	- Increase in realisable value will result in higher fair value, and vice versa
<i>Deposits and placements with banks, Bai' Inah facility granted to SAM and derivative financial assets and liabilities</i>	
- Current prevailing rates	- Increase in current prevailing rates will result in lower fair value, and vice versa
- Expected recoveries	- Increase in expected recoveries will result in higher fair value, and vice versa

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.22 REVENUE**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Under MFRS 15, the Group's and the Bank's revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract.

(a) The EIR method

Under MFRS 9, interest/profit income is recorded using the EIR method for all financial instruments measured at AC and financial instruments designated at FVTPL. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the AC of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognises profit income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financing. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including payments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through profit and similar income in profit or loss.

(b) Interest/profit income

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

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 REVENUE (CONT'D)

(c) Islamic income recognition by type of Shariah contract

(i) Bai' contracts

Bai' Bithaman Ajil

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount of outstanding.

Murabahah

A contract of sale of assets at a mark-up price, which includes a profit margin as agreed by the contracting parties. The price, costs and profit margin in Murabahah shall be made transparent and agreed upon between buyer and seller. Income is recognised on effective profit rate basis over the expected life of the contract based on the principal amounts outstanding.

Istisna'

A contract which a seller sells to a purchaser an asset which is yet to be constructed, built or manufactured according to agreed specifications and delivered on an agreed specified future date at an agreed pre-determined price.

Bai' Dayn

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

Tawarruq

Arrangement that involves a purchase of an asset/commodity based on musawamah or murabahah contract on deferred term and a subsequent sale of the same asset to a third party in order to obtain cash. Income is recognised on effective profit rate basis over the expected life of the contract based on the principal amounts outstanding.

Bai' Inah

A contract of sale and purchase of an asset whereby the seller sells to buyer in cash and subsequently buy back the asset at a marked up and deferred. Income is recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

(ii) Ijarah contracts

A lease contract that transfers the ownership of a usufruct of an asset to another party for a specified period in exchange for a rental. Ijarah contract may end with the transfer of the legal title of the leased asset to the lessee and is called Ijarah Muntahia bi al-Tamlik ("IMBT"). Effective transfer of the legal title is consequent to the conclusion of the lease arrangement that can be in the form of a sale or a gift of the asset to the lessee. Al-Ijarah Thumma al-Bai ("AITAB") is a form of IMBT where the sale of asset to the lessee is executed at the completion of the lease period. Income is recognised on effective profit rate basis over the lease term.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.22 REVENUE (CONT'D)****(c) Islamic income recognition by type of Shariah contract (cont'd)****(iii) Loan contracts**Qard

A contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No income from financing shall be generated from the transactions.

(d) Dividend income

Dividend income is recognised when the Group's and the Bank's right to receive payment are established.

(e) Fee income

Fee income from bank guarantee arrangements and letters of credit is recognised on an accrual basis.

(f) Rental income

Rental income is accounted for on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.23 INCOME TAXES**(a) Current tax**

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

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

(b) Deferred tax

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

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.23 INCOME TAXES (CONT'D)****(b) Deferred tax (cont'd)**

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax entity and the same tax authority.

2.24 ZAKAT

In computing for zakat, the Group and the Bank have been applying the growth capital method based on the rate of 2.5%. This method applies the rate on owner's equity, long term liabilities, net of fixed assets and non-current assets, and subjected to allowable adjustments.

It is an obligatory amount payable on the business on behalf of the shareholder(s) and/or business entity depending on the ownership characteristics.

Zakat is distributed according to Shariah principles and being extended through Islamic Religious Council of the respective states and other rightful beneficiaries or Asnaf.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.25 FOREIGN CURRENCY****(a) Functional and presentation currency**

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

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period. All foreign currency losses out of the foreign currency loans are underwritten by the Government of Malaysia. Accordingly, these loans are carried as amount recoverable in the statements of financial position.

2.26 SHARE CAPITAL

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Bank after deducting all of its liabilities. Ordinary share is an equity instrument.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.27 CONTINGENCIES

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and the Bank.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Bank.

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3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

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

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

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

- The Group's and the Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs and the effect on PDs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

(b) Income taxes

The Group and the Bank are subject to income taxes in Malaysia and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time in the future. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking expert advice where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

(c) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

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4. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	30,930	27,255	24,720	23,562
Short-term deposits and maturing within three months:				
- Licensed banks	1,087,974	458,053	1,087,974	458,053
	1,118,904	485,308	1,112,694	481,615

Cash at banks is placed in non-profit bearing accounts. Short-term deposit placements are made between one day to three months depending on the Group's and the Bank's cash requirements, and earn profit at the respective short-term deposit rates. The weighted average effective profit rate and weighted average remaining maturity as at 31 December 2019 for the Group and the Bank was 3.27% per annum and 33 days (2018: 3.44% per annum and 5 days) respectively.

5. DEPOSITS AND PLACEMENTS WITH BANKS

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At Fair Value Through Profit or Loss ("FVTPL")				
Licensed banks	-	151,878	-	151,878

The maturity structure of deposits and placements in the prior year ranged from 2 to 3 years. The weighted average effective profit rate for deposits and placements with banks and financial institutions in the prior year was 5.12% per annum.

6. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group and Bank	
	2019	2018
	RM'000	RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	531,107	710,577
Malaysian Government Securities	-	175,323
	531,107	885,900
Non-money market instruments		
Equity securities		
- Private debt securities	30,392	134,504
- Unquoted shares	8,984	8,883
Debt securities		
- Private debt securities	783,386	1,018,821
	822,762	1,162,208
	1,353,869	2,048,108

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6. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D)

No loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve (Note 26).

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

	Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	301	-	10,000	10,301
(Writeback)/Allowances made due to changes in credit risk	(125)	3,656	-	3,531
New financial investments originated	1	-	-	1
Financial investments derecognised	(24)	-	-	(24)
At 31 December 2019	153	3,656	10,000	13,809
At 1 January 2018	603	-	-	603
(Writeback)/Allowances made due to changes in credit risk	(302)	-	10,000	9,698
At 31 December 2018	301	-	10,000	10,301

The impairment losses by external rating grade are as follows:

External rating grade	Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
RAM AAA	2	-	-	2
MARC AAA	11	-	-	11
RAM AA	16	-	-	16
MARC AA	3	-	-	3
MARC AA-	121	-	-	121
RAM BB	-	3,656	-	3,656
RAM C^	-	-	10,000	10,000
At 31 December 2019	153	3,656	10,000	13,809

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6. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D)

External rating grade	Group and Bank			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
RAM AAA	10	-	-	10
MARC AAA	21	-	-	21
RAM AA	62	-	-	62
MARC AA	6	-	-	6
MARC AA-	202	-	-	202
RAM BB [^]	-	-	10,000	10,000
At 31 December 2018	301	-	10,000	10,301

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

7. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank	
	2019 RM'000	2018 RM'000
At amortised cost		
Government securities		
Malaysian Government Investment Issues	111,523	111,631
Money market instruments		
Commercial papers	393,959	243,076
Non-money market instruments		
Private debt securities	313,732	319,489
	819,214	674,196
Less: Accumulated impairment losses	(649)	(63)
	818,565	674,133

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

	Group and Bank	
	2019 RM'000	2018 RM'000
Within one year	433,944	344,418
More than one year to three years	289,374	95,101
More than three years to five years	35,284	194,277
More than five years	60,612	40,400
	819,214	674,196

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7. FINANCIAL INVESTMENTS AT AMORTISED COST (CONT'D)

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

	Group and Bank	
	2019	2018
	Stage 1 RM'000	Stage 2 RM'000
At 1 January	63	78
Allowances made due to changes in credit risk	(20)	(15)
New financial investments originated or purchased	630	-
Financial investments derecognised	(24)	-
At 31 December	649	63

The impairment losses by external rating grade are as follows:

	Group and Bank	
	2019	2018
	Stage 1 RM'000	Stage 2 RM'000
<i>External rating grade</i>		
RAM AAA	-	7
MARC AAA	9	13
RAM AA	59	43
Non-rated	581	-
	649	63

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Malaysian Government Investment Issues	112,812	110,459
Commercial papers	393,959	243,076
Private debt securities	318,675	315,648
	825,446	669,183

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8. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Term loans/financing				
- Hire purchase	313,586	373,469	275,898	335,424
- Leasing	344	363	1	15
- Other term loans/financing	5,092,236	5,456,488	4,664,917	4,985,567
Revolving loans/financing	1,435,649	1,166,536	1,423,789	1,153,006
Staff loans/financing	15,216	12,283	15,216	12,283
Gross loans, advances and financing	6,857,031	7,009,139	6,379,821	6,486,295
Less: Allowance for impairment losses on				
- Stage 1 (Note 8(viii))	(48,065)	(42,799)	(48,065)	(42,799)
- Stage 2 (Note 8(viii))	(32,696)	(55,642)	(32,696)	(55,642)
- Stage 3 (Note 8(viii))	(975,329)	(1,246,237)	(498,119)	(723,393)
Net loans, advances and financing	5,800,941	5,664,461	5,800,941	5,664,461
Gross impaired loans, advances and financing (Note 8(vii))	1,716,707	2,005,646	1,239,497	1,482,802
Net impaired loans, advances and financing	741,378	759,409	741,378	759,409

Included in loans, advances and financing for the Group and the Bank are gross loans, advances and financing of RM65,538,000 (2018: RM53,045,000) financed by Government funds. The treatment of credit losses incurred for these loans, advances and financing is as disclosed in Note 2.19(ii).

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Within one year	1,312,721	1,200,824	987,769	855,936
More than one year to three years	825,377	1,004,449	782,827	987,876
More than three years to five years	1,039,415	975,451	979,101	909,282
More than five years	3,679,518	3,828,415	3,630,124	3,733,201
	6,857,031	7,009,139	6,379,821	6,486,295

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8. LOANS, ADVANCES AND FINANCING (CONT'D)

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprise	6,841,815	6,996,856	6,364,605	6,474,012
Individual	15,216	12,283	15,216	12,283
	6,857,031	7,009,139	6,379,821	6,486,295

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Construction	1,264,185	1,346,818	1,261,329	1,343,958
Education, health and others	601,421	584,409	553,552	536,376
Electricity, gas and water supply	34,526	1,306	34,526	1,306
Financial, insurance, real estate and business services	1,059,269	1,026,569	1,056,332	1,023,412
Manufacturing	1,143,719	1,182,571	1,053,236	1,071,990
Mining and quarrying	77,883	46,701	75,887	44,705
Primary agriculture	5,980	6,693	5,729	6,446
Transportation, storage and communication	822,351	919,112	776,124	862,747
Wholesale, retail trade, restaurants and hotels	1,832,481	1,882,677	1,547,890	1,583,072
Others	15,216	12,283	15,216	12,283
	6,857,031	7,009,139	6,379,821	6,486,295

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8. LOANS, ADVANCES AND FINANCING (CONT'D)

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

Group	Central Region	Northern Region	Southern Region	East Coast Region	Sabah Region	Sarawak Region	Total
2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Construction	650,601	34,214	284,171	70,984	75,610	148,605	1,264,185
Education, health and others	401,814	24,755	59,578	72,439	21,438	21,397	601,421
Electricity, gas and water supply	30,106	-	-	2,505	1,915	-	34,526
Financial, insurance, real estate and business services	735,698	91,266	95,078	15,557	75,866	45,804	1,059,269
Manufacturing	609,498	149,848	162,168	139,752	43,341	39,112	1,143,719
Mining and quarrying	35,042	-	7,428	14,413	17,874	3,126	77,883
Primary agriculture	725	-	504	22	4,651	78	5,980
Transportation, storage and communication	436,132	101,616	61,265	107,320	38,324	77,694	822,351
Wholesale, retail trade, restaurants and hotels	942,862	196,724	108,558	214,691	242,985	126,661	1,832,481
Others	15,216	-	-	-	-	-	15,216
	3,857,694	598,423	778,750	637,683	522,004	462,477	6,857,031
2018							
Construction	712,685	77,295	188,015	162,472	81,066	125,285	1,346,818
Education, health and others	372,746	24,405	55,933	84,409	23,721	23,195	584,409
Electricity, gas and water supply	-	-	-	1,306	-	-	1,306
Financial, insurance, real estate and business services	705,872	53,546	107,363	23,655	84,924	51,209	1,026,569
Manufacturing	653,740	113,248	194,678	132,462	44,807	43,636	1,182,571
Mining and quarrying	5,410	-	700	14,467	24,155	1,969	46,701
Primary agriculture	1,032	-	798	50	4,813	-	6,693
Transportation, storage and communication	439,208	104,997	88,268	134,692	42,906	109,041	919,112
Wholesale, retail trade, restaurants and hotels	1,029,272	146,685	92,320	232,787	285,604	96,009	1,882,677
Others	12,283	-	-	-	-	-	12,283
	3,932,248	520,176	728,075	786,300	591,996	450,344	7,009,139

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8. LOANS, ADVANCES AND FINANCING (CONT'D)

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

Bank 2019	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Construction	647,745	34,214	284,171	70,984	75,610	148,605	1,261,329
Education, health and others	353,945	24,755	59,578	72,439	21,438	21,397	553,552
Electricity, gas and water supply	30,106	-	-	2,505	1,915	-	34,526
Financial, insurance, real estate and business services	732,761	91,266	95,078	15,557	75,866	45,804	1,056,332
Manufacturing	519,015	149,848	162,168	139,752	43,341	39,112	1,053,236
Mining and quarrying	33,046	-	7,428	14,413	17,874	3,126	75,887
Primary agriculture	474	-	504	22	4,651	78	5,729
Transportation, storage and communication	389,905	101,616	61,265	107,320	38,324	77,694	776,124
Wholesale, retail trade, restaurants and hotels	658,271	196,724	108,558	214,691	242,985	126,661	1,547,890
Others	15,216	-	-	-	-	-	15,216
	3,380,484	598,423	778,750	637,683	522,004	462,477	6,379,821
2018							
Construction	709,825	77,295	188,015	162,472	81,066	125,285	1,343,958
Education, health and others	324,713	24,405	55,933	84,409	23,721	23,195	536,376
Electricity, gas and water supply	-	-	-	1,306	-	-	1,306
Financial, insurance, real estate and business services	702,715	53,546	107,363	23,655	84,924	51,209	1,023,412
Manufacturing	543,159	113,248	194,678	132,462	44,807	43,636	1,071,990
Mining and quarrying	3,414	-	700	14,467	24,155	1,969	44,705
Primary agriculture	785	-	798	50	4,813	-	6,446
Transportation, storage and communication	382,843	104,997	88,268	134,692	42,906	109,041	862,747
Wholesale, retail trade, restaurants and hotels	729,667	146,685	92,320	232,787	285,604	96,009	1,583,072
Others	12,283	-	-	-	-	-	12,283
	3,409,404	520,176	728,075	786,300	591,996	450,344	6,486,295

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8. LOANS, ADVANCES AND FINANCING (CONT'D)

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Staff loans/financing	15,216	12,283	15,216	12,283
- Hire purchase	212,519	287,849	175,708	250,681
- Leasing	344	363	1	15
- Revolving loans/financing	213,649	255,001	201,847	241,529
- Other term loans/financing	1,451,579	1,824,045	1,166,844	1,513,380
Variable rate				
- Hire purchase receivables	101,067	85,620	100,190	84,743
- Revolving loans/financing	1,222,000	911,535	1,221,942	911,477
- Other term loans/financing	3,640,657	3,632,443	3,498,073	3,472,187
	6,857,031	7,009,139	6,379,821	6,486,295

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Construction	178,370	202,178	175,514	199,318
Education, health and others	156,718	160,824	108,849	112,791
Financial, insurance, real estate and business services	231,441	187,301	228,504	184,144
Manufacturing	336,485	416,512	246,002	305,931
Mining and quarrying	4,140	3,045	2,144	1,049
Primary agriculture	523	507	272	260
Transportation, storage and communication	185,204	299,457	138,977	243,092
Wholesale, retail trade, restaurants and hotels	623,826	735,822	339,235	436,217
	1,716,707	2,005,646	1,239,497	1,482,802

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8. LOANS, ADVANCES AND FINANCING (CONT'D)

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

Group 2019	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Construction	103,271	2,084	30,418	9,310	8,441	24,846	178,370
Education, health and others	108,138	3,150	17,947	19,628	7,001	854	156,718
Financial, insurance, real estate and business services	206,230	7,487	8,859	3,291	5,426	148	231,441
Manufacturing	225,413	14,059	44,255	41,363	6,294	5,101	336,485
Mining and quarrying	3,846	-	-	294	-	-	4,140
Primary agriculture	251	-	65	-	207	-	523
Transportation, storage and communication	131,952	6,490	15,325	12,471	9,660	9,306	185,204
Wholesale, retail trade, restaurants and hotels	426,486	29,996	27,457	53,479	80,941	5,467	623,826
	1,205,587	63,266	144,326	139,836	117,970	45,722	1,716,707
2018							
Construction	115,609	4,273	67,654	2,804	8,027	3,811	202,178
Education, health and others	135,257	3,608	5,442	13,698	2,151	668	160,824
Financial, insurance, real estate and business services	153,407	8,109	3,224	10,852	10,167	1,542	187,301
Manufacturing	257,223	32,237	68,932	48,677	5,744	3,699	416,512
Mining and quarrying	2,648	-	-	397	-	-	3,045
Primary agriculture	247	-	60	-	200	-	507
Transportation, storage and communication	172,477	6,988	30,516	50,447	9,166	29,863	299,457
Wholesale, retail trade, restaurants and hotels	498,043	39,424	24,345	56,571	112,690	4,749	735,822
	1,334,911	94,639	200,173	183,446	148,145	44,332	2,005,646

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8. LOANS, ADVANCES AND FINANCING (CONT'D)

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

Bank 2019	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Construction	100,415	2,084	30,418	9,310	8,441	24,846	175,514
Education, health and others	60,269	3,150	17,947	19,628	7,001	854	108,849
Financial, insurance, real estate and business services	203,293	7,487	8,859	3,291	5,426	148	228,504
Manufacturing	134,930	14,059	44,255	41,363	6,294	5,101	246,002
Mining and quarrying	1,850	-	-	294	-	-	2,144
Primary agriculture	-	-	65	-	207	-	272
Transportation, storage and communication	85,725	6,490	15,325	12,471	9,660	9,306	138,977
Wholesale, retail trade, restaurants and hotels	141,895	29,996	27,457	53,479	80,941	5,467	339,235
	728,377	63,266	144,326	139,836	117,970	45,722	1,239,497
2018							
Construction	112,749	4,273	67,654	2,804	8,027	3,811	199,318
Education, health and others	87,224	3,608	5,442	13,698	2,151	668	112,791
Financial, insurance, real estate and business services	150,250	8,109	3,224	10,852	10,167	1,542	184,144
Manufacturing	146,642	32,237	68,932	48,677	5,744	3,699	305,931
Mining and quarrying	652	-	-	397	-	-	1,049
Primary agriculture	-	-	60	-	200	-	260
Transportation, storage and communication	116,112	6,988	30,516	50,447	9,166	29,863	243,092
Wholesale, retail trade, restaurants and hotels	198,438	39,424	24,345	56,571	112,690	4,749	436,217
	812,067	94,639	200,173	183,446	148,145	44,332	1,482,802

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8. LOANS, ADVANCES AND FINANCING (CONT'D)

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	42,799	55,642	1,246,237	1,344,678
-Transfers to Stage 1	39,963	(22,361)	(17,602)	-
-Transfers to Stage 2	(1,780)	14,452	(12,672)	-
-Transfers to Stage 3	(885)	(11,501)	12,386	-
	37,298	(19,410)	(17,888)	-
Net remeasurement of allowances (Note 32)	(39,039)	618	68,482	30,061
New financial assets originated (Note 32)	15,575	2,442	63,635	81,652
Financial assets derecognised (Note 32)	(8,568)	(6,596)	(77,276)	(92,440)
Amount written-off	-	-	(307,861)	(307,861)
At 31 December 2019	48,065	32,696	975,329	1,056,090
At 1 January 2018	67,306	60,573	493,234	621,113
-Transfers to Stage 1	8,813	(5,766)	(3,047)	-
-Transfers to Stage 2	(6,041)	11,656	(5,615)	-
-Transfers to Stage 3	(6,109)	(23,792)	29,901	-
	(3,337)	(17,902)	21,239	-
Net remeasurement of allowances (Note 32)	(23,616)	15,858	731,931	724,173
New financial assets originated (Note 32)	11,887	3,076	54,688	69,651
Financial assets derecognised (Note 32)	(9,441)	(5,963)	(54,855)	(70,259)
At 31 December 2018	42,799	55,642	1,246,237	1,344,678

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8. LOANS, ADVANCES AND FINANCING (CONT'D)

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

Bank	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	42,799	55,642	723,393	821,834
-Transfers to Stage 1	39,963	(22,361)	(17,602)	-
-Transfers to Stage 2	(1,780)	14,452	(12,672)	-
-Transfers to Stage 3	(885)	(11,501)	12,386	-
	37,298	(19,410)	(17,888)	-
Net remeasurement of allowances (Note 32)	(39,039)	618	114,116	75,695
New financial assets originated (Note 32)	15,575	2,442	63,635	81,652
Financial assets derecognised (Note 32)	(8,568)	(6,596)	(77,276)	(92,440)
Amount written-off	-	-	(307,861)	(307,861)
At 31 December 2019	48,065	32,696	498,119	578,880
At 1 January 2018	67,306	60,573	374,976	502,855
-Transfers to Stage 1	8,813	(5,766)	(3,047)	-
-Transfers to Stage 2	(6,041)	11,656	(5,615)	-
-Transfers to Stage 3	(6,109)	(23,792)	29,901	-
	(3,337)	(17,902)	21,239	-
Net remeasurement of allowances (Note 32)	(23,616)	15,858	327,345	319,587
New financial assets originated (Note 32)	11,887	3,076	54,688	69,651
Financial assets derecognised (Note 32)	(9,441)	(5,963)	(54,855)	(70,259)
At 31 December 2018	42,799	55,642	723,393	821,834
	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Net impaired loans, advances and financing as a percentage	12.60%	13.18%	12.60%	13.18%

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9. OTHER ASSETS

	Note	Group	
		2019 RM'000	2018 RM'000
At AC			
Other receivables		8,474	9,677
Rental receivables	(i)	1,345	1,253
		9,819	10,930
Prepayments		3,706	3,973
		13,525	14,903
Bank			
	Note	2019 RM'000	2018 RM'000
At FVOCI			
Amount due from a subsidiary company	(ii)	63,750	82,878
At AC			
Amount due from subsidiary companies	(iii)	35,885	37,046
Other receivables		7,920	7,068
Rental receivables	(i)	1,345	1,253
		45,150	45,367
Prepayments		3,706	3,973
		112,606	132,218

(i) As at 31 December 2019, the portfolio impacted under other assets is rental receivables from investment properties with net carrying amount of RM1,345,000 (2018: RM1,253,000).

(a) The movement of gross rental receivables are as follows:

	Non-credit impaired RM'000	Credit impaired RM'000	Total RM'000
At 1 January 2019	346	9,169	9,515
Transfer from/(to) non-credit impaired	72	(72)	-
Transfer (to)/from credit impaired	(131)	131	-
Maintain status	3	1,059	1,062
At 31 December 2019	290	10,287	10,577

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9. OTHER ASSETS (CONT'D)

(a) The movement of gross rental receivables are as follows: (cont'd)

	Non-credit impaired RM'000	Credit impaired RM'000	Total RM'000
At 1 January 2018	423	8,537	8,960
Transfer from/(to) non-credit impaired	411	(411)	-
Transfer (to)/from credit impaired	(234)	234	-
Maintain status	(254)	809	555
At 31 December 2018	346	9,169	9,515

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

	Non-credit impaired RM'000	Credit impaired RM'000	Total RM'000
At 1 January 2019	(20)	(8,242)	(8,262)
Allowance made during the year	2	(972)	(970)
At 31 December 2019	(18)	(9,214)	(9,232)
At 1 January 2018	(25)	(7,525)	(7,550)
Allowance made during the year	5	(717)	(712)
At 31 December 2018	(20)	(8,242)	(8,262)

(ii) On 1 January 2018, the Bank reclassified its unsecured Bai' Inah facility granted to SMEB Asset Management Sdn. Bhd. ("SAM") amounting to RM478,840,000 from "Loans and Receivables" to "Fair Value Through Other Comprehensive Income". This facility bears profit at 4.50% (2018: 3.50%) per annum and is repayable over 8 annual instalments commencing 15 December 2017.

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

	Bank	
	2019 RM'000	2018 RM'000
At 1 January	(413,739)	(61,767)
Allowance made during the year	(15,382)	(351,972)
Writeback during the year	63,750	-
At 31 December	(365,371)	(413,739)

(iii) The amounts due from subsidiaries are non-trade, interest-free, unsecured and repayable on demand.

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10. DERIVATIVE FINANCIAL ASSETS

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates and securities prices) of the underlying instruments. These instruments are used by the Group and the Bank for economic hedges. The default classification for derivative financial instruments is held for trading.

During the year, the Group and the Bank have not renewed the derivatives agreement upon maturity.

The table below shows the Group's and the Bank's derivative financial instruments and also the contractual or underlying principal amounts of the derivative and its corresponding fair value at the end of the reporting period in the prior year:

	Group and Bank		
	2018		
	Notional RM'000	Fair Value	
Assets RM'000		Liabilities RM'000	
Derivatives held for trading at fair value through profit or loss			
Profit rate related contract:			
- Islamic profit rate swaps	200,000	2,816	-

11. INVESTMENT IN SUBSIDIARIES

	Bank	
	2019 RM'000	2018 RM'000
Unquoted shares		
At cost	3,582	3,582
Allowances for impairment loss	(3,582)	(3,582)
Carrying amount	-	-

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

	Bank	
	2019 RM'000	2018 RM'000
At 1 January	3,582	-
Allowance made during the year	-	3,582
At 31 December	3,582	3,582

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11. INVESTMENT IN SUBSIDIARIES (CONT'D)

The subsidiaries, all of which are incorporated and having their principal place of business in Malaysia are as follows:

Name of companies	Principal activities	Proportion of Ownership Interest and Voting Power Held by the Group (%)	
		2019	2018
Held by the Bank:			
SMEB Asset Management Sdn. Bhd.	Asset management company, debts recovery agents, advisory and consultancy provider on distressed loans/financing and debt recovery	100	100
Centre For Entrepreneur Development And Research Sdn. Bhd.	Providing training, consultancy services, research, development and publication	100	100
BI Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
Guardmont Industries Sdn. Bhd. [^]	Dormant	100	100
Metro Prominent Sdn. Bhd. [^]	Dormant	100	100

The subsidiaries are consolidated based on the respective financial statements and all intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

[^] The financial statements of these subsidiaries are exempted from audit based on Practice Directive No. 3/2017 issued by the Companies Commission of Malaysia.

12. INVESTMENT IN ASSOCIATE

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Unquoted shares				
At cost	6,826	6,826	6,826	6,826
Share of post-acquisition reserves	3,338	3,548	-	-
	10,164	10,374	6,826	6,826
Less: Accumulated impairment losses	(6,826)	(6,826)	(6,826)	(6,826)
	3,338	3,548	-	-

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12. INVESTMENT IN ASSOCIATE (CONT'D)

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

Name of company	Principal activity	Proportion of Ownership Interest and Voting Power Held by the Group (%)		Accounting model applied
		2019	2018	
Held by the Bank:				
Capatronics (M) Sdn. Bhd.	Manufacturing of ceramic capacitors	30	30	Equity method

(i) Summarised statements of financial position

	Capatronics (M) Sdn. Bhd.	
	2019 RM'000	2018 RM'000
Non-current assets	21,671	22,120
Current assets	-	-
Total assets	21,671	22,120
Current liabilities	10,544	10,293
Total liabilities	10,544	10,293
Net assets as at 31 December	11,127	11,827

(ii) Summarised statement of comprehensive income

	Capatronics (M) Sdn. Bhd.	
	2019 RM'000	2018 RM'000
Revenue	969	1,819
(Loss)/Profit before tax	(700)	441
(Loss)/Profit for the year	(700)	441
Total comprehensive (loss)/income for the year	(700)	441
Interest in associate	30%	30%
Share of (loss)/profit after tax of an associate	(210)	132

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12. INVESTMENT IN ASSOCIATE (CONT'D)

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

- (iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate

	Capatronics (M) Sdn. Bhd.	
	2019	2018
	RM'000	RM'000
Net assets as at 1 January	11,827	11,386
Total comprehensive (loss)/income for the year	(700)	441
Net assets as at 31 December	11,127	11,827
Interest in associate	30%	30%
Carrying value of Group's interest in associate	3,338	3,548

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13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold	Long-term	Building	Furniture	Renovation	Motor	Electrical	Work-in	Total
	land	leasehold		and		vehicles	and	progress	
	RM'000	RM'000	RM'000	equipment	RM'000	RM'000	machinery	RM'000	RM'000
Cost									
At 1 January 2019	4,083	34,752	86,108	42,972	55,849	1,510	7,541	-	232,815
Additions	-	833	-	5,641	511	-	150	2,923	10,058
Write-offs									
(Note 30(ii))	-	-	-	(358)	(786)	-	(8)	-	(1,152)
At 31 December 2019	4,083	35,585	86,108	48,255	55,574	1,510	7,683	2,923	241,721
Accumulated depreciation									
At 1 January 2019	-	5,181	20,833	34,518	24,087	1,503	7,176	-	93,298
Charge for the year									
(Note 30(ii))	-	48	2,446	5,508	5,460	3	113	-	13,578
Write-offs									
(Note 30(ii))	-	-	-	(310)	(427)	-	(8)	-	(745)
At 31 December 2019	-	5,229	23,279	39,716	29,120	1,506	7,281	-	106,131
Net carrying amount									
At 31 December 2019	4,083	30,356	62,829	8,539	26,454	4	402	2,923	135,590
Cost									
At 1 January 2018	4,083	34,752	85,215	42,035	53,781	1,514	7,267	640	229,287
Additions	-	-	893	987	2,068	-	274	-	4,222
Write-offs									
(Note 30(ii))	-	-	-	(50)	-	(4)	-	(640)	(694)
At 31 December 2018	4,083	34,752	86,108	42,972	55,849	1,510	7,541	-	232,815
Accumulated depreciation									
At 1 January 2018	-	5,157	18,391	29,949	18,477	1,505	7,113	-	80,592
Charge for the year									
(Note 30(ii))	-	24	2,442	4,618	5,610	2	63	-	12,759
Write-offs									
(Note 30(ii))	-	-	-	(49)	-	(4)	-	-	(53)
At 31 December 2018	-	5,181	20,833	34,518	24,087	1,503	7,176	-	93,298
Net carrying amount									
At 31 December 2018	4,083	29,571	65,275	8,454	31,762	7	365	-	139,517

Included in property, plant and equipment of the Group are the fully depreciated assets at a total cost of RM42,251,000 (2018: RM34,742,000) which are still in use by the Group.

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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Bank	Freehold land RM'000	Long-term leasehold land RM'000	Building RM'000	Furniture and equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Electrical and machinery RM'000	Work-in progress RM'000	Total RM'000
Cost									
At 1 January 2019	4,083	34,752	86,108	42,835	55,849	1,510	7,541	-	232,678
Additions	-	833	-	5,641	511	-	150	2,923	10,058
Write-offs (Note 30(ii))	-	-	-	(358)	(786)	-	(8)	-	(1,152)
At 31 December 2019	4,083	35,585	86,108	48,118	55,574	1,510	7,683	2,923	241,584
Accumulated depreciation									
At 1 January 2019	-	5,181	20,833	34,402	24,087	1,502	7,176	-	93,181
Charge for the year (Note 30(ii))	-	48	2,446	5,501	5,460	2	113	-	13,570
Write-offs (Note 30(ii))	-	-	-	(310)	(427)	-	(8)	-	(745)
At 31 December 2019	-	5,229	23,279	39,593	29,120	1,504	7,281	-	106,006
Net carrying amount									
At 31 December 2019	4,083	30,356	62,829	8,525	26,454	6	402	2,923	135,578
Cost									
At 1 January 2018	4,083	34,752	85,215	41,898	53,781	1,514	7,267	640	229,150
Additions	-	-	893	987	2,068	-	274	-	4,222
Write-offs (Note 30(ii))	-	-	-	(50)	-	(4)	-	(640)	(694)
At 31 December 2018	4,083	34,752	86,108	42,835	55,849	1,510	7,541	-	232,678
Accumulated depreciation									
At 1 January 2018	-	5,157	18,391	29,857	18,477	1,504	7,113	-	80,499
Charge for the year (Note 30(ii))	-	24	2,442	4,594	5,610	2	63	-	12,735
Write-offs (Note 30(ii))	-	-	-	(49)	-	(4)	-	-	(53)
At 31 December 2018	-	5,181	20,833	34,402	24,087	1,502	7,176	-	93,181
Net carrying amount									
At 31 December 2018	4,083	29,571	65,275	8,433	31,762	8	365	-	139,497

Included in property, plant and equipment of the Bank are fully depreciated assets at a total cost of RM42,148,000 (2018: RM34,706,000), which are still in use by the Bank.

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14. RIGHT-OF-USE ASSETS

Group and Bank	Enterprise Centre RM'000	Motor Vehicles RM'000	Total RM'000
Cost			
At 1 January 2019	-	-	-
Effects of adoption of MFRS 16 (Note 42)	14,506	4,361	18,867
At 1 January 2019 (restated)/ 31 December 2019	14,506	4,361	18,867
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the year (Note 30(ii))	2,609	784	3,393
At 31 December 2019	2,609	784	3,393
Carrying amount			
At 31 December 2019	11,897	3,577	15,474

The Group and the Bank lease a number of premises and motor vehicles with lease term ranges between 1 - 7 years, with an option for renewal. The leased assets are utilised to carry out the Bank's operational activities.

The Group and the Bank have applied MFRS 16 using the modified retrospective approach without the restatement of the comparative information presented for 2018.

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15. INVESTMENT PROPERTIES

	Group and Bank	
	2019	2018
	RM'000	RM'000
At fair value		
At 1 January	373,214	372,910
Fair value adjustment (Note 41(j))	19,848	304
At 31 December	393,062	373,214

The following investment properties are held under leasehold:

	Group and Bank	
	2019	2018
	RM'000	RM'000
At fair value		
Building	219,312	209,009
Land	173,750	164,205
	393,062	373,214

The investment properties comprise of land and building which was financed by government funds. The fair value of the Group's and of the Bank's investment properties as of 31 December 2019 have been arrived at on the basis of valuations carried out by independent valuers, who are not related to the Group and to the Bank. The independent valuers have appropriate qualifications and recent experience in the valuation of properties in the respective locations. The fair value was determined using the market approach. The fair values determined under this approach are derived by comparing and adopting as yardstick, recent transactions and sale evidences involving other similar properties in the vicinity. Due consideration is given for such factors including location, plot size, improvements made, if any, surrounding developments, facilities and amenities available.

Title deeds to certain of the Group's and of the Bank's investment properties which are carried at fair value amounted to RM12,460,000 (2018: RM10,942,000) have yet to be transferred to the Bank or issued in the name of the Bank.

Rental income earned from investment properties during the year amounted to RM9,323,000 (2018: RM9,254,000). Direct operating expenses arising from the investment properties during the year amounting to RM3,751,000 (2018: RM4,875,000).

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16. INTANGIBLE ASSETS

	Software			
	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 January	55,346	43,294	54,634	42,582
Additions	7,385	12,052	7,385	12,052
Write-offs (Note 30(ii))	(60)	-	-	-
At 31 December	62,671	55,346	62,019	54,634
Accumulated amortisation				
At 1 January	37,561	31,464	36,875	30,849
Charge for the year (Note 30(ii))	6,853	6,097	6,846	6,026
Write-offs (Note 30(ii))	(41)	-	-	-
At 31 December	44,373	37,561	43,721	36,875
Carrying amount				
At 31 December	18,298	17,785	18,298	17,759

17. DEFERRED TAX ASSETS

	Group and Bank	
	2019	2018
	RM'000	RM'000
At 1 January	120,059	119,492
Recognised in profit or loss (Note 33)	(6,209)	-
Recognised in other comprehensive income (Note 26)	(9,394)	567
At 31 December	104,456	120,059
Presented before appropriate offsetting as follows:		
Deferred tax assets	132,039	143,366
Deferred tax liabilities	(27,583)	(23,307)
	104,456	120,059

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17. DEFERRED TAX ASSETS (CONT'D)

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

Deferred tax assets of the Group and of the Bank:

	Loans, advances and financing RM'000	Unabsorbed business losses and capital allowance RM'000	Provisions RM'000	Financial investments at AC RM'000	Financial investments at FVOCI RM'000	Other assets RM'000	Right- of-use assets and lease liabilities RM'000	Total RM'000
At 1 January 2019	16,949	113,728	7,953	-	4,736	-	-	143,366
Recognised in profit or loss	(16,949)	(78,271)	706	156	3,314	87,689	78	(3,277)
Recognised in other comprehensive income	-	-	-	-	(8,050)	-	-	(8,050)
At 31 December 2019	-	35,457	8,659	156	-	87,689	78	132,039
At 1 January 2018	-	121,636	9,118	-	4,169	-	-	134,923
Recognised in profit or loss	16,949	(7,908)	(1,165)	-	-	-	-	7,876
Recognised in other comprehensive income	-	-	-	-	567	-	-	567
At 31 December 2018	16,949	113,728	7,953	-	4,736	-	-	143,366

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17. DEFERRED TAX ASSETS (CONT'D)

Deferred tax liabilities of the Group and of the Bank:

	Financial investments at FVOCI RM'000	Investment properties RM'000	Property plant and equipment RM'000	Intangible assets RM'000	Total RM'000
At 1 January 2019	-	(16,005)	(4,188)	(3,114)	(23,307)
Recognised in profit or loss	-	(1,985)	(2,526)	1,579	(2,932)
Recognised in other comprehensive income	(1,344)	-	-	-	(1,344)
At 31 December 2019	(1,344)	(17,990)	(6,714)	(1,535)	(27,583)
At 1 January 2018	-	(7,987)	(5,776)	(1,668)	(15,431)
Recognised in profit or loss	-	(8,018)	1,588	(1,446)	(7,876)
At 31 December 2018	-	(16,005)	(4,188)	(3,114)	(23,307)

As mentioned in Note 2.23, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised.

Under the current tax legislation, the unabsorbed tax losses will expire in year 2025 where the unutilised capital allowances do not expire. As of 31 December 2019, the unused tax losses for which deferred tax assets has not been recognised in the financial statements due to uncertainty of its realisation, are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unused tax losses	399,179	585,542	399,179	585,542

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18. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Term deposit:				
- Commodity Murabahah/Tawarruq	3,168,209	2,974,984	3,233,536	3,071,441

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies (Note 37(c))	1,600,048	2,253,186	1,600,048	2,253,186
Business enterprise	1,568,161	643,188	1,633,488	739,645
Others	-	78,610	-	78,610
	3,168,209	2,974,984	3,233,536	3,071,441

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Less than three months	2,450,807	2,526,180	2,466,105	2,557,124
Three months to six months	256,697	369,604	304,519	377,057
Six months to one year	460,705	79,200	462,912	137,260
	3,168,209	2,974,984	3,233,536	3,071,441

19. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2019	2018
	RM'000	RM'000
Licensed banks and other financial institutions	-	301,417

The deposits maturity structure are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Less than three months	-	301,417

The deposits from banks and other financial institutions in the prior year carried weighted average profit rate of 3.61% per annum.

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20. ISLAMIC MEDIUM-TERM NOTES

	Group and Bank	
	2019	2018
	RM'000	RM'000
Islamic medium-term notes ("IMTNs")	1,768,072	1,821,436

The IMTNs are guaranteed by the Government of Malaysia and details of issuance are as follows:

	Issuance Date
RM250,000,000 3.60% matured on 13 August 2019	13 August 2012
RM250,000,000 3.69% maturing on 12 August 2022	13 August 2012
RM400,000,000 4.06% matured on 20 March 2019	20 March 2014
RM400,000,000 3.90% maturing on 9 March 2020	9 March 2017
RM200,000,000 4.10% maturing on 9 March 2022	9 March 2017
RM300,000,000 4.06% maturing on 13 June 2022	13 June 2017
RM400,000,000 4.03% maturing on 22 March 2024	22 March 2019
RM200,000,000 4.10% maturing on 20 March 2026	22 March 2019

The maturity structure of medium-term notes are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Within one year	418,072	671,436
More than one year to three years	750,000	400,000
More than three years to five years	400,000	750,000
More than five years	200,000	-
	1,768,072	1,821,436

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21. BORROWINGS

	Group and Bank	
	2019	2018
	RM'000	RM'000
Unsecured borrowings	1,875,212	1,982,921

The maturity structure of the borrowings are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Within one year	112,477	98,880
More than one year to five years	996,584	789,842
More than five years	766,151	1,094,199
	1,875,212	1,982,921

The unsecured borrowings are sourced from the following:

	Note	Group and Bank	
		2019	2018
		RM'000	RM'000
Government of Malaysia (Note 37(c))	(i)	1,029,800	1,050,185
Other institutions	(ii)	845,412	932,736
		1,875,212	1,982,921

- (i) Borrowings from Government of Malaysia

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Within one year	41,266	29,113
More than one year to five years	622,383	570,459
More than five years	366,151	450,613
	1,029,800	1,050,185

The weighted average interest rates on the borrowings from the Government of Malaysia range from 0% to 4% (2018: 0% to 4%) per annum.

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21. BORROWINGS (CONT'D)

(ii) Borrowings from other institutions

	Group and Bank	
	2019	2018
	RM'000	RM'000
Bank Negara Malaysia	89,305	126,590
Employee Provident Fund	756,107	806,146
	845,412	932,736

The borrowings from other institutions are repayable as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Within one year	71,211	69,766
More than one year to five years	374,201	219,384
More than five years	400,000	643,586
	845,412	932,736

The weighted average interest rates on the borrowings from other institutions range from 0% to 5% (2018: 0% to 5%) per annum.

22. LEASE LIABILITIES

	Group and Bank	
	2019	2018
	RM'000	RM'000
Lease liabilities	15,797	-

The Group and the Bank lease a number of premises and motor vehicles with lease term ranges between 1 - 7 years, with an option for renewal. The weighted average of discount rates of the Group and of the Bank range between 3.44% to 3.46% per annum.

The Group and the Bank have adopted MFRS 16 using the modified retrospective approach without the restatement of the comparative information presented for 2018.

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22. LEASE LIABILITIES (CONT'D)

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Within one year	3,746	-
More than one year to five years	13,646	-
	17,392	-
Less: Future finance cost	(1,595)	-
	15,797	-

23. OTHER LIABILITIES

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other payables and accruals (Note i)	445,691	317,750	443,034	313,227
Islamic margin account (Note ii)	457,114	522,722	457,004	522,722
Guarantee payable (Note iii)	149,288	153,344	149,288	153,344
Amount due to subsidiaries (Note iv)	-	-	24,172	20,114
Sinking fund	1,203	1,240	1,149	1,240
Rental and security deposits	5,729	5,778	5,729	5,778
Charity fund (Note v)	-	436	-	436
Provision for zakat	3,966	5,220	3,966	5,220
Allowance for impairment on financing commitments and contingencies (Note vi)	6,402	6,729	6,402	6,729
Other provisions	30,511	33,468	29,855	33,414
	1,099,904	1,046,687	1,120,599	1,062,224

- (i) Included in other payables and accruals are undisbursed funds amounting to RM73,017,000 (2018: RM66,780,000) provided by Small and Medium Enterprise Corporation Malaysia ("SME Corp"). Under the arrangement with SME Corp, the Bank acts as an agent to administer the said funds to be channelled as financial assistance to the small and medium sized companies.

Also included in other payables and accruals are fund balance under Skim Pinjaman Ekonomi Desa ("SPED") amounting to RM25,624,000 (2018: RM30,194,000) which were classified as government funds at inception but was subsequently reclassified to other payables and accruals due to changes in the terms of the agreement in the previous financial year.

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23. OTHER LIABILITIES (CONT'D)

- (ii) Islamic margin account refers to the cash collateral pledged by the Islamic banking customers of the Bank. The amount will be repaid to the customers at the end of the financing tenure or will be offset with any overdue amount. The Bank will pay a profit rate at the overnight profit rate minus 0.25% to the customers.
- (iii) Guarantee payable refers to the guarantee extended by Teraju which applies to companies classified as Small Medium Enterprise ("SME") companies as defined by the terms of the Teraju Program.
- (iv) The amounts due to subsidiaries are non-trade, interest-free, unsecured and repayable on demand.
- (v) The movement and sources of charity funds are as below:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Charity fund		
At 1 January	436	646
Uses of charity funds		
Contribution to non-profit organisation	436	210
At 31 December	-	436

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
	Stage 1	Stage 1
Commitments and Contingencies		
At 1 January	6,729	9,367
Net remeasurement of allowances	2,234	(1,411)
New financial assets originated	607	1,915
Amount settled	(3,168)	(3,142)
At 31 December	6,402	6,729

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24. GOVERNMENT FUNDS

	Note	Group and Bank	
		2019 RM'000	2018 RM'000
To finance:			
Purchase of investment properties	(a)	115,435	118,961
Loans, advances and financing	(b)	238,618	207,383
		354,053	326,344

(a) To finance the purchase of investment properties:

Group and Bank	Kompleks Kilang Bimbingan			Total RM'000
	Nursery Factory Scheme (RMK7) RM'000	Nursery Factory Scheme (RMK8) RM'000	Nursery Factory Scheme (RMK9) RM'000	
At 1 January 2019	65,835	19,157	33,969	118,961
Government fund released (Note 29)	(236)	(2,910)	(380)	(3,526)
At 31 December 2019	65,599	16,247	33,589	115,435
At 1 January 2018	66,071	22,067	34,349	122,487
Government fund released (Note 29)	(236)	(2,910)	(380)	(3,526)
At 31 December 2018	65,835	19,157	33,969	118,961

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24. GOVERNMENT FUNDS (CONT'D)

(b) To finance loans, advances and financing:

Group and Bank	Soft Loan	Tabung	Tabung	Tabung	Dana	Program	Balance
	Scheme	Usahawan	Inkubator	Usahawan	Usahawan	dan Skim	
	RM'000	Pahang	Pertanian	Siswazah	Negeri	Usahawan	c/f
	RM'000	RM'000	Kelantan	RM'000	Terengganu	Batik	RM'000
At 1 January 2019	36,427	288	2,669	18,565	4,616	4,168	66,733
Recoveries from loans/ financing written-off	59	-	-	680	72	-	811
Muqasah	-	-	-	-	(225)	-	(225)
At 31 December 2019	36,486	288	2,669	19,245	4,463	4,168	67,319

Group and Bank	Balance	Basis	Skim	Program	Skim	Teraju	Total
	b/f	Capital	Perusahaan	dan Skim	Anjakan	Teraju	
	RM'000	Scheme	Kapal	Usahawan	Usahawan	Facilitation	RM'000
	RM'000	RM'000	Tradisional	Kraf	RM'000	Fund*	RM'000
At 1 January 2019	66,733	32,815	3,000	4,756	98,848	1,231	207,383
Proceeds	-	-	-	-	20,000	-	20,000
Deposit matured	-	-	-	-	-	9,842	9,842
Recoveries from loans/ financing written-off	811	807	-	-	-	-	1,618
Muqasah	(225)	-	-	-	-	-	(225)
At 31 December 2019	67,319	33,622	3,000	4,756	118,848	11,073	238,618

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24. GOVERNMENT FUNDS (CONT'D)

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

Group and Bank	Soft Loan Scheme RM'000	Tabung Usahawan Pahang RM'000	Tabung Inkubator Pertanian Kelantan RM'000	Tabung Usahawan Siswazah RM'000	Dana Usahawan Negeri Terengganu RM'000	Program dan Skim Usahawan Batik RM'000	Balance c/f RM'000
At 1 January 2018	36,406	288	2,669	17,821	4,516	4,168	65,868
Recoveries from loan/ financing written-off	21	-	-	744	127	-	892
Muqasah	-	-	-	-	(27)	-	(27)
At 31 December 2018	36,427	288	2,669	18,565	4,616	4,168	66,733

	Balance b/f RM'000	Basis Capital Scheme RM'000	Skim Perusahaan Kapal Tradisional RM'000	Program dan Skim Usahawan Kraf RM'000	Skim Anjakan Usahawan RM'000	Teraju Facilitation Fund* RM'000	Total RM'000
At 1 January 2018	65,868	30,090	3,000	4,756	58,848	-	162,562
Proceeds	-	-	-	-	40,000	50,000	90,000
Deposit placed	-	-	-	-	-	(48,769)	(48,769)
Recoveries from loan/ financing written-off	892	2,725	-	-	-	-	3,617
Muqasah	(27)	-	-	-	-	-	(27)
At 31 December 2018	66,733	32,815	3,000	4,756	98,848	1,231	207,383

* An amount of RM38,927,000 (2018: RM48,769,000) for Teraju Facilitation fund was channelled as placement with profit sharing of 70:30 between the Group and the Bank; and Teraju.

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24. GOVERNMENT FUNDS (CONT'D)

Summary of the government funds are as follows:

Types of funds	Purpose of funds	Source	Grant received RM'000
(a) Soft Loan Scheme	To provide soft loans/financing to Bumiputera entrepreneurs	Ministry of International Trade and Industry (MITI)	34,400
(b) Tabung Usahawan Pahang	To provide loans/financing for furniture industry in Temerloh, Pahang	Pahang State Government	1,000
(c) Tabung Inkubator Pertanian Kelantan	To support the business expansion of livestock business	Ministry of International Trade and Industry (MITI)	2,992
(d) Tabung Usahawan Siswazah	To encourage graduates into entrepreneurship	Ministry of International Trade and Industry (MITI)	62,000
(e) Dana Usahawan Negeri Terengganu	To promote Bumiputera entrepreneurs in Terengganu	Ministry of International Trade and Industry (MITI)	33,000
(f) Program dan Skim Usahawan Batik	To promote Bumiputera entrepreneurs in the batik industry	Ministry of International Trade and Industry (MITI)	5,000
(g) Basic Capital Scheme	To promote Bumiputera entrepreneurs with basic capital	Ministry of International Trade and Industry (MITI)	75,835
(h) Skim Perusahaan Kapal Tradisional	To promote ship making in Terengganu	Ministry of International Trade and Industry (MITI)	3,000
(i) Program dan Skim Usahawan Kraf	To promote Bumiputera entrepreneurs in the craft industry	Ministry of International Trade and Industry (MITI)	5,000
(j) Skim Anjakan Usahawan	To promote business expansion for Bumiputera entrepreneur	Ministry of International Trade and Industry (MITI)	120,000
(k) Teraju Facilitation Fund	To finance project cost and acquisition of machinery for Bumiputera entrepreneur	Teraju Bumiputera Corporation (TERAJU)	50,000
(l) Kompleks Kilang Bimbingan	To provide premises for Bumiputera entrepreneurs industry	Ministry of International Trade and Industry (MITI)	220,775

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24. GOVERNMENT FUNDS (CONT'D)

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

Summary of utilisation of the government funds are as follows:

31 December 2019

Types of funds	Outstanding loans, advances and financing RM'000	No. of borrowers assisted
(a) Soft Loan Scheme	5,128	113
(b) Tabung Usahawan Pahang	-	-
(c) Tabung Inkubator Pertanian Kelantan	-	-
(d) Tabung Usahawan Siswazah	4,545	81
(e) Dana Usahawan Negeri Terengganu	4,535	56
(f) Program dan Skim Usahawan Batik	-	-
(g) Basic Capital Scheme	11,776	78
(h) Skim Perusahaan Kapal Tradisional	-	-
(i) Program dan Skim Usahawan Kraf	90	1
(j) Skim Anjakan Usahawan	38,571	265
(k) Teraju Facilitation Fund	893	1
Total	65,538	
	Fair value RM'000	No. of tenants assisted
(l) Kompleks Kilang Bimbingan	393,062 (Note 15)	422

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24. GOVERNMENT FUNDS (CONT'D)

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

31 December 2018

Types of funds	Outstanding loans, advances and financing RM'000	No. of borrowers assisted
	(a) Soft Loan Scheme	6,592
(b) Tabung Usahawan Pahang	-	-
(c) Tabung Inkubator Pertanian Kelantan	-	-
(d) Tabung Usahawan Siswazah	5,208	120
(e) Dana Usahawan Negeri Terengganu	5,019	65
(f) Program dan Skim Usahawan Batik	-	-
(g) Basic Capital Scheme	11,495	83
(h) Skim Perusahaan Kapal Tradisional	-	-
(i) Program dan Skim Usahawan Kraf	90	1
(j) Skim Anjakan Usahawan	24,641	266
(k) Teraju Facilitation Fund	-	-
Total	<u>53,045</u>	
	Fair value RM'000	No. of tenants assisted
(l) Kompleks Kilang Bimbingan	<u>373,214</u> (Note 15)	413

25. SHARE CAPITAL

Group and Bank	Number of ordinary shares		Amount	
	2019	2018	2019	2018
	Unit '000	Unit '000	RM'000	RM'000
Issued and fully paid	<u>1,850,000</u>	1,850,000	<u>1,850,000</u>	1,850,000

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26. OTHER RESERVES

Group and Bank	Fair value reserve RM'000	Distributable general reserve RM'000	Total RM'000
At 1 January 2019	(4,698)	10,114	5,416
Unrealised gain on revaluation of debt instruments at FVOCI	30,769	-	30,769
Unrealised gain on revaluation of equity instruments at FVOCI	(491)	-	(491)
Reclassification of gains included in profit or loss	8,870	-	8,870
Changes in expected credit losses of financial investments at FVOCI (Note 6)	3,508	-	3,508
Income tax relating to components of other comprehensive income (Note 17)	(9,394)	-	(9,394)
At 31 December 2019	28,564	10,114	38,678
At 1 January 2018	(12,601)	10,114	(2,487)
Unrealised loss on revaluation of debt instruments at FVOCI	(811)	-	(811)
Unrealised loss on revaluation of equity instruments at FVOCI	(1,551)	-	(1,551)
Allowance made due to changes in credit risk (Note 6)	9,698	-	9,698
Income tax relating to components of other comprehensive income (Note 17)	567	-	567
At 31 December 2018	(4,698)	10,114	5,416

(a) Fair value reserve

Non-distributable fair value reserve represents the cumulative fair value changes, net of tax, of financial investments at FVOCI. Interest/Profit income are recognised in profit or loss in the same manner as for financial investments measured at AC. When the Group and the Bank hold more than one investment in the same security, they are deemed to be disposed off on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified to profit or loss. Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at initial recognition (on an instrument-by-instrument basis), the Group and the Bank measure the changes in fair value through OCI (without recycling to profit or loss upon derecognition). Included in financial investments at FVOCI are equity instruments which the Group and the Bank have elected at initial recognition to measure the fair value changes in OCI whose fair value amounted to RM39,376,000 (2018: RM143,387,000).

(b) Distributable general reserve

Distributable general reserve arose from the merger between Bank Pembangunan Malaysia Berhad and Bank Industry Berhad in 2005.

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27. INTEREST INCOME

	Group and Bank	
	2019	2018
	RM'000	RM'000
Interest income from loans	15,165	15,967
Financial investments at FVOCI	3,224	6,795
Derivative forex	469	509
	18,858	23,271

Included in interest income from loans is interest on impaired loans amounting to RM4,607,000 (2018: RM4,992,000).

28. INTEREST EXPENSE

	Group and Bank	
	2019	2018
	RM'000	RM'000
Term loans	57,199	55,537

29. OTHER OPERATING INCOME

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fee income	15	493	15	493
Commission fee income [^]	-	13	-	13
	15	506	15	506
Gross dividend income from investment in unquoted shares	349	-	349	-
Other income:				
Recovery income	8,601	3,309	-	-
Government funds released (Note 24(a))	3,526	3,526	3,526	3,526
Government compensation	2,256	2,519	2,256	2,519
Others	2,775	1,773	2,775	1,773
	17,158	11,127	8,557	7,818
Total other operating income	17,522	11,633	8,921	8,324

[^] The Group and the Bank recognise commission fees from a third party insurance/takaful provider upon disbursement of loans, advances and financing. The Group and the Bank require insurance/takaful coverage on assets being financed and the coverage is renewable for 12-months period with customer's consent. The Group and the Bank have assessed the impact of MFRS 15 annually and concluded no significant impact on the financial position of the Group and of the Bank.

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30. OTHER OPERATING EXPENSES

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel expenses	(i)	124,735	134,331	122,383	129,563
Establishment related expenses	(ii)	39,799	41,251	39,720	41,109
Promotion and marketing expenses	(iii)	3,264	3,925	3,530	4,137
Administration and general expenses	(iv)	16,000	28,014	14,673	27,102
		183,798	207,521	180,306	201,911
(i) Personnel expenses					
Salaries, allowances and bonuses		86,921	104,975	85,302	101,075
Group President/Chief Executive Officer and Directors' fees and remuneration	31	2,272	1,745	2,272	1,537
Social security cost		817	852	796	826
Contribution to Employee Provident Fund		14,130	13,224	13,791	12,802
Other staff related expenses		20,595	13,535	20,222	13,323
		124,735	134,331	122,383	129,563
(ii) Establishment related expenses					
Depreciation of property, plant and equipment	13	13,578	12,759	13,570	12,735
Depreciation of right-of-use assets	14	3,393	-	3,393	-
Amortisation of intangible assets	16	6,853	6,097	6,846	6,026
Rental expenses *		944	3,898	944	3,898
Property, plant and equipment written-off	13	407	641	407	641
Intangible assets written-off	16	19	-	-	-
Repairs and maintenance of property, plant and equipment		14,605	17,856	14,560	17,809
		39,799	41,251	39,720	41,109

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30. OTHER OPERATING EXPENSES (CONT'D)

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(iii) Promotion and marketing expenses					
Advertisement and publicity		3,264	3,925	3,530	4,137
(iv) Administration and general expenses					
Administrative expenses		6,896	6,833	6,883	6,818
Auditors' remuneration					
- Statutory audit		682	626	620	560
- Regulatory related services		31	31	31	31
- Other assurance services		270	160	270	160
General expenses		8,121	20,364	6,869	19,533
		16,000	28,014	14,673	27,102

* Included in rental expenses are expenses relating to short-term leases amounting to RM92,000 and the remaining are expenses relating to leases of low value assets. At 31 December 2019, the Group and the Bank committed to RM268,000 for short-term leases.

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31. GROUP PRESIDENT/CHIEF EXECUTIVE OFFICER AND DIRECTORS' FEES AND REMUNERATION

2019	← Remuneration received from the Bank →						Remuneration received from subsidiaries			Group Total
	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Fees emoluments RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	
Group President/Chief Executive Officer:										
Encik Aria Putera Ismail	900	-	75	176	60	-	-	-	-	1,211
	900	-	75	176	60	-	-	-	-	1,211
Non-Executive Directors:										
Dato' Seri Nazir Ariff bin Mushir Ariff	-	30	-	-	8	-	-	-	-	38
Prof. Dr. Abdul Basir bin Mohamad	-	53	-	-	108	-	-	-	-	161
Dato' Muslim bin Hussain	-	53	-	-	141	-	-	-	-	194
Datuk Ahmad Hizzad bin Baharuddin	-	43	-	-	97	-	-	-	-	140
Dato' Mohd Sukarno bin Tun Sardon	-	38	-	-	63	-	-	-	-	101
Dato' Asri bin Hamidon	-	15	-	-	12	-	-	-	-	27
Dato' Mohd Shukri bin Hussin	-	20	-	-	32	-	-	-	-	52
Dato' Jamelah binti Jamaluddin	-	5	-	-	15	-	-	-	-	20
Encik Mohd Sakeri bin Abdul Kadir	-	43	-	-	70	-	-	-	-	113
Encik Zulkiflee bin Hashim	-	43	-	-	126	-	-	-	-	169
Encik Khairuzzaman Muhammad	-	5	-	-	16	-	-	-	-	21
Encik Muhammad Razman bin Abu Samah	-	16	-	-	9	-	-	-	-	25
	-	364	-	-	697	-	-	-	-	1,061
	900	364	75	176	757	-	-	-	-	2,272

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31. GROUP PRESIDENT/CHIEF EXECUTIVE OFFICER AND DIRECTORS' FEES AND REMUNERATION (CONT'D)

2018	Remuneration received from the Bank						Remuneration received from subsidiaries			Group Total
	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Fees emoluments RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	
Group President/Chief Executive Officer:										
Encik Aria Putera Ismail	295	-	-	53	20	-	-	-	-	368
	295	-	-	53	20	-	-	-	-	368
Non-Executive Directors:										
Dato' Asri bin Hamidon	-	60	-	-	53	-	18	3	-	134
Dato' Mohd Shukri bin Hussin	-	60	-	-	124	-	-	-	-	184
Prof. Dr. Abdul Basir bin Mohamad	-	60	-	-	158	-	-	-	-	218
Dato' Muslim bin Hussain	-	20	-	-	26	-	-	-	-	46
Dato' Jamelah binti Jamaluddin	-	60	-	-	124	-	-	-	-	184
Encik Ishak bin Ismail	-	5	-	-	21	-	18	7	-	51
Encik Muthafa bin Yusof	-	15	-	-	25	-	-	-	-	40
Tan Sri Faizah binti Mohd Tahir	-	122	-	-	48	-	41	7	-	218
Encik Khairuzzaman Muhammad	-	60	-	-	128	-	-	-	-	188
Encik Edlin Ghazaly	-	-	-	-	-	-	18	7	-	25
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid	-	-	-	-	-	-	60	6	-	66
Dato' Hazimah binti Zainuddin	-	-	-	-	-	-	18	4	-	22
Encik Ishak bin Hashim	-	-	-	-	-	-	1	-	-	1
	-	462	-	-	707	-	174	34	-	1,377
	295	462	-	53	727	-	174	34	-	1,745

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31. GROUP PRESIDENT/CHIEF EXECUTIVE OFFICER AND DIRECTORS' FEES AND REMUNERATION (CONT'D)

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Number of Chief Executives:				
RM1,000,001 to RM1,500,000	1	-	1	-
RM300,001 to RM1,000,000	-	1	-	1
	1	1	1	1
Number of Non-Executive Directors:				
RM200,001 to RM400,000	-	2	-	1
RM100,001 to RM200,000	6	4	6	5
RM1 to RM100,000	5	7	5	3
	11	13	11	9

32. (WRITEBACK)/ALLOWANCE FOR IMPAIRMENT LOSS ON LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Writeback)/Allowance for impairment losses on loans, advances and financing made during the year				
- Stage 1, net (Note 8(viii))	(32,032)	(21,170)	(32,032)	(21,170)
- Stage 2, net (Note 8(viii))	(3,536)	12,971	(3,536)	12,971
- Stage 3, net (Note 8(viii))	54,841	731,764	100,475	327,178
	19,273	723,565	64,907	318,979
Loans, advances and financing waived	-	8	-	8
Impaired loans, advances and financing recovered	(29,371)	(29,404)	(29,371)	(29,404)
Total (writeback)/allowance for impairment losses on loans, advances and financing	(10,098)	694,169	35,536	289,583

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33. TAX EXPENSE/(CREDIT) AND ZAKAT

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Tax expense for the year	46	-	12	-
Under/(Over)provision in prior years	27	(47)	-	(50)
	73	(47)	12	(50)
Deferred tax (Note 17):				
Origination or reversal of temporary differences	6,209	-	6,209	-
Total tax expense/(credit) for the year	6,282	(47)	6,221	(50)

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax expense and zakat	206,644	(552,175)	213,858	(495,552)
Tax expenses/(credit) at Malaysian tax rate of 24% (2018: 24%)	49,595	(132,522)	51,326	(118,932)
Tax effects of:				
Non-deductible expenses	6,812	105,306	5,097	91,684
Non-taxable income	(2,696)	(1,022)	(2,696)	(1,022)
Deferred tax assets not recognised	(44,727)	20,326	(44,727)	20,326
Effects of changes in tax rate	-	7,987	-	7,987
Effects of differences in tax rate	(2,779)	(43)	(2,779)	(43)
Effects of share of associate's post-tax (profit)/ loss included in Group's profit before taxation	50	(32)	-	-
Under/(Over)provision of current tax in prior years	27	(47)	-	(50)
Total tax expense/(credit) for the year	6,282	(47)	6,221	(50)

	Group and Bank	
	2019	2018
	RM'000	RM'000
Zakat:		
Zakat for the year	1,432	4,000

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34. EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per share amount is calculated by dividing profit/(loss) for the year net of tax, by the weighted average number of ordinary shares outstanding during the financial year as follows:

	Bank	
	2019	2018
	RM'000	RM'000
Profit/(Loss) for the year	206,205	(499,502)
Earnings/(Loss) per share (sen)		
- Basic	11.15	(27.00)
Weighted average number of ordinary shares for basic earnings/(loss) per share computation	1,850,000	1,850,000

35. COMMITMENTS AND CONTINGENCIES

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Direct credit substitutes	160,753	190,108
Transaction-related-contingent items	106,581	138,014
Irrevocable commitments to extend credit with maturity exceeding one year	1,670,833	1,140,227
Profit rate related contract	-	200,000
	1,938,167	1,668,349

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Approved and contracted for:		
Information technology system	1,833	6,716
Kompleks Kilang Bimbingan construction	-	38
	1,833	6,754
Total commitments and contingencies	1,940,000	1,675,103

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36. CAPITAL ADEQUACY

Capital managementCapital policy

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

Regulatory capital

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

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

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Tier I Capital</u>				
Paid-up share capital	1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses	(384,688)	(583,618)	(383,153)	(589,358)
General reserves	10,114	10,114	10,114	10,114
Less: Deferred tax assets	(104,456)	(120,059)	(104,456)	(120,059)
Less: Property revaluation reserve	(232,381)	(212,533)	(232,381)	(212,533)
Total Tier I capital	1,138,589	943,904	1,140,124	938,164
<u>Tier II Capital</u>				
General provision for loans, advances and financing*	87,163	105,170	87,163	105,170
Property revaluation reserve^	116,191	106,267	116,191	106,267
Government funds#	392,980	375,113	392,980	375,113
Total Tier II capital	596,334	586,550	596,334	586,550
Total capital	1,734,923	1,530,454	1,736,458	1,524,714
Less: Investment in subsidiaries	-	-	-	-
Total capital base	1,734,923	1,530,454	1,736,458	1,524,714

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36. CAPITAL ADEQUACY (CONT'D)

Capital management (cont'd)

- * General provision refers to loss allowance measured at an amount equal to 12mECLs and LTECLs commonly known as Stage 1 and Stage 2 provisions respectively; and regulatory reserves, to the extent they are ascribed to non-credit impaired exposures.
- ^ The eligible amount for Tier II Capital is only limited to 50% of property revaluation reserves.
- # An amount of RM38,927,000 (2018: RM48,769,000) for Teraju Facilitation fund was channelled as placement with profit sharing of 70:30 between the Group and the Bank; and Teraju.

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
20%	239,011	143,338	239,011	143,338
50%	425,057	291,347	425,057	291,347
100%	7,770,823	7,727,764	7,864,591	7,837,710
	8,434,891	8,162,449	8,528,659	8,272,395

	Group		Bank	
	2019	2018	2019	2018
Before deducting proposed dividends:				
Core capital ratio	13.499%	11.564%	13.368%	11.341%
Risk-weighted capital ratio	20.568%	18.750%	20.360%	18.431%
After deducting proposed dividends:				
Core capital ratio	13.060%	11.564%	12.934%	11.341%
Risk-weighted capital ratio	20.130%	18.750%	19.926%	18.431%

Capital monitoring

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

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37. RELATED PARTY TRANSACTIONS

(a) Parent entity

The Bank is a Government Linked Corporation, with all shares held by the Minister of Finance Incorporated and is incorporated on behalf of the Government of Malaysia. All Government of Malaysia controlled entities meet the definition of the related parties of the Group and of the Bank.

(b) Compensation of key management personnel

The compensation of key management personnel other than the directors of the Group and of the Bank as disclosed in Note 31 is follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Salaries and other emoluments	5,844	11,479
Defined contribution plan	864	1,655
	6,708	13,134

(c) Related party transactions

The significant outstanding balances of the Group and of the Bank with its related parties are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Long-term loans/financing from Minister of Finance (Note 21)	1,012,197	1,035,702
Interest payable to Minister of Finance (Note 21)	17,603	14,483
Deposit acceptance from government agencies (Note 18(i))	1,591,697	2,233,569
Interest payable to government agencies (Note 18(i))	8,351	19,617
Government fund from MITI (Note 24(a) & 24(b))	342,692	324,825
Government fund from Ministry of Rural and Regional Development (MRRD)	26,570	35,788
	2,999,110	3,663,984

The significant related parties credits/(charges) within the Group, which were determined based on terms agreed between the parties are as follows:

	Bank	
	2019	2018
	RM'000	RM'000
Profit income on amount due from a subsidiary company (Note 41(j))	15,382	17,777
Profit expense on Commodity Murabahah to subsidiary companies (Note 41(k))	(305)	(2,543)
	15,077	15,234

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37. RELATED PARTY TRANSACTIONS (CONT'D)

(d) Connected parties

	Group and Bank			Total financing exposure which is non-performing or in default RM'000
	Total outstanding RM'000	Total number of connected party account/counter-party	Total exposure (total outstanding plus unutilised limit) RM'000	
31 December 2019				
Financing facility (except guarantee)	413,999	2	413,999	-
Equities and private debt securities held	128,190	6	128,190	-
	542,189	8	542,189	-
Total exposure to connected parties as % of total capital			31.2%	-
Total exposure to connected parties as % of total outstanding exposure			5.5%	-
31 December 2018				
Financing facility (except guarantee)	504,120	2	506,118	-
Off-balance sheet exposure	942	1	942	-
Equities and private debt securities held	298,190	7	298,190	-
	803,252	10	805,250	-
Total exposure to connected parties as % of total capital			52.6%	-
Total exposure to connected parties as % of total outstanding exposure			9.9%	-

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38. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. The fair value of a financial instrument is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents best estimates of fair value of financial instruments at the end of the reporting period.

For loans, advances and financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair value of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding the risk characteristics of various financial instruments, discount rates, estimates of future cash flows, historical loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and of the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction at the end of the reporting period. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and of the Bank as a going concern.

The on-balance sheet financial assets and financial liabilities of the Group and of the Bank whose fair values are required to be disclosed in accordance with MFRS 132 comprise all its assets and liabilities with the exception of investments in subsidiaries, investments in an associate, property, plant and equipment, investment properties, prepayments, provisions, government funds, tax recoverable and deferred taxation.

The estimated fair value of those on-balance sheet financial assets and financial liabilities as at the end of the reporting period approximate their carrying amounts as shown in the statements of financial position, except for the following financial assets and financial liabilities:

	Group and Bank	
	Carrying amount	Fair value
31 December 2019	RM'000	RM'000
Financial assets:		
Debt instruments at AC (Note 7)	818,565	825,446
Loans, advances and financing (Note 8)	5,800,941	5,150,824
Financial liabilities:		
Islamic medium-term notes (Note 20)	1,768,072	1,772,284
Borrowings (Note 21)	1,875,212	1,838,433
Lease liabilities (Note 22)	15,797	15,315

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38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

	Group and Bank	
	Carrying amount	Fair value
31 December 2018	RM'000	RM'000
Financial assets:		
Debt instruments at AC (Note 7)	674,133	669,183
Loans, advances and financing (Note 8)	5,664,461	5,018,156
Financial liabilities:		
Islamic medium-term notes (Note 20)	1,821,436	1,739,983
Borrowings (Note 21)	1,982,921	1,812,455

The methods and assumptions used in estimating the fair values of the financial instruments are as follows:

(a) Debt instruments at AC

The fair values of private debt securities, Malaysian Government Securities, Malaysian Government Investment Issues and Commercial papers are determined by reference to the market value of these instruments published by pricing agencies in Malaysia.

(b) Loans, advances and financing

The fair values of variable and fixed rate loans/financing with remaining maturity of less than one year are estimated to approximate their carrying values. For variable and fixed rate loans, advances and financing with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at end of the reporting period offered for similar loans/financing to new borrowers/customers with similar credit profiles, where applicable. For impaired loans/financing, the fair values are deemed to approximate the carrying values, net of impairment allowance.

(c) Islamic medium-term notes, borrowings and lease liabilities

The fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at the end of the reporting period obtained for similar loans/financing with similar maturities, where applicable.

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38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

The following table provides the fair value measurement hierarchy of the Group's and of the Bank's financial assets and financial liabilities other than those short-term or on demand financial assets and financial liabilities whose carrying amounts are reasonable approximation of their fair values.

31 December 2019	Group			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<u>Financial assets measured at fair value:</u>				
Financial assets:				
Debt instruments at FVOCI	-	1,314,493	-	1,314,493
Equity instruments at FVOCI	-	30,392	8,984	39,376
<u>Financial assets and financial liabilities not measured at fair value for which fair values are disclosed:</u>				
Financial assets:				
Debt instruments at AC	-	825,446	-	825,446
Loans, advances and financing	-	-	5,150,824	5,150,824
Financial liabilities:				
Islamic medium-term notes	-	1,772,284	-	1,772,284
Borrowings	-	1,838,433	-	1,838,433
Lease liabilities	-	15,315	-	15,315

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38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

31 December 2018	Group			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<u>Financial assets measured at fair value:</u>				
Financial assets:				
Debt instruments at FVOCI	-	1,904,721	-	1,904,721
Equity instruments at FVOCI	-	134,504	8,883	143,387
Derivative financial assets	-	-	2,816	2,816
<u>Financial assets and financial liabilities not measured at fair value for which fair values are disclosed:</u>				
Financial assets:				
Debt instruments at AC	-	669,183	-	669,183
Loans, advances and financing	-	-	5,030,439	5,030,439
Financial liabilities:				
Islamic medium-term notes	-	1,739,983	-	1,739,983
Borrowings	-	1,812,455	-	1,812,455

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38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

31 December 2019	Bank			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<u>Financial assets measured at fair value:</u>				
Financial assets:				
Debt instruments at FVOCI	-	1,314,493	-	1,314,493
Equity instruments at FVOCI	-	30,392	8,984	39,376
<u>Financial assets and financial liabilities not measured at fair value for which fair values are disclosed:</u>				
Financial assets:				
Debt instruments at AC	-	825,446	-	825,446
Loans, advances and financing	-	-	5,150,824	5,150,824
Financial liabilities:				
Islamic medium-term notes	-	1,772,284	-	1,772,284
Borrowings	-	1,838,433	-	1,838,433
Lease liabilities	-	15,315	-	15,315

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38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

31 December 2018	Bank			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<u>Financial assets measured at fair value:</u>				
Financial assets:				
Debt instruments at FVOCI	-	1,904,721	-	1,904,721
Equity instruments at FVOCI	-	134,504	8,883	143,387
Amount due from a subsidiary at FVOCI	-	-	82,878	82,878
Derivative financial assets	-	-	2,816	2,816
<u>Financial assets and financial liabilities not measured at fair value for which fair values are disclosed:</u>				
Financial assets:				
Debt instruments at AC	-	669,183	-	669,183
Loans, advances and financing	-	-	5,030,439	5,030,439
Financial liabilities:				
Islamic medium-term notes	-	1,739,983	-	1,739,983
Borrowings	-	1,812,455	-	1,812,455

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Bank's financial risk management policies have been established with the objective to enhance shareholder's value. The Group and the Bank focus on the enterprise wide risk exposure, which include credit risk, market risk, operational risk and seeks to minimise potential adverse effects on the financial performance of the Group and of the Bank.

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management principles and strategies. Separate independent bodies and functions have been established and are responsible in assisting the Board of Directors in managing and monitoring risks, which are elaborated as follows:

(a) Board Risk Management Committee

The Board Risk Management Committee has the overall responsibilities for the development of the risk strategies and implementing principles, frameworks, policies and limits. The Risk Management Committee is responsible for managing risk decisions and monitoring risk levels.

(b) Risk Management and Compliance

The Risk Management and Compliance is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained.

Risk Management and Compliance is also responsible for monitoring and review of compliance with risk principles, policies and limits across the Bank as well as applicable laws and regulations. The function ensures the completeness of risk identification, measurement, monitoring and reporting.

(c) Assets and Liability Management

Assets and Liability Management are responsible for managing the Bank's assets and liabilities and the overall financial structure. Assets and Liability Management are also responsible for the funding and liquidity of the Bank.

(d) Internal Audit

The Internal Audit function provides an on-going focus on the internal control systems and periodic reviews of the risk management processes. It also reviews compliance with approved policies, as well as applicable laws and regulations.

Internal Audit also evaluates the independence and overall effectiveness of the risk management systems. Internal Audit's assessment on the adequacy of internal controls will involve understanding, documenting, evaluating and testing the Group's and of the Bank's internal control system and follow-up on corrective actions and review of management's action to address material weaknesses.

(e) Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Group and the Bank. These limits reflect the business strategy and market environment of the Group and the Bank as well as the level of risk the Group and the Bank are willing to accept, with additional emphasis on selected industries. In addition, the Group's and the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**(e) Risk measurement and reporting systems (cont'd)**

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented to various committee at management level before submitting to the Board Risk Management Committee ("BRMC") and Board of Directors. The BRMC receives a comprehensive risk report which is designed to provide all the necessary information to assess and conclude on the risks of the Bank. In discharging its roles and responsibilities, BRMC is supported by a number of Senior Management Committees. These Management Committees are generally accountable for the effectiveness of the day-to-day risk assessment and controls, in an effort to balance the Group's risk and return as well as maintain its competitive advantage.

The main areas of financial risks faced by the Group and the Bank are set out as follows:

(a) Credit risk

Credit risk is the potential loss arising from customers or counterparties failing to meet their financial contractual obligations. Management of credit risk is principally through lending directions and policies, which are instituted based on prevailing business and economic conditions. Credit processes are also structured to ensure adherence of credit policies and to establish impartiality in loan/financing origination, approval, documentation, disbursement and settlement.

The Group's and the Bank's Credit and Risk Management manages and reviews asset quality, reviews concentration limits, according to various categories such as customer, economic segment and product types and monitors credit portfolio risk. Industry risk is also evaluated and monitored as dynamic changes in the economic environment have a direct impact on the Group's and the Bank's asset quality.

The internal credit risk rating system has been established to measure the credit worthiness of each customer. The primary objectives are to provide a consistent approach in risk grading of the Group's and the Bank's borrowers.

The Group and the Bank adopt best practices as set out in Bank Negara Malaysia ("BNM") Guidelines on Best Practices for the Management of Credit Risk for Development Financial Institutions. The Credit Risk Management Framework has also been established in line with best practices. Internal single customer limits are regularly monitored to minimise the risk of over-concentration. The overall risk management is subjected to an on-going process for review and enhancement.

Credit reviews on loan applications will be performed before the applications are being approved by the approving authorities. Various Credit Committees have been established to review all financing to be submitted for the approval of the respective approving authorities and the directors. The respective Credit Committees have specified approval authority limit.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(a) Credit risk (cont'd)

(i) Credit exposure

The credit risk exposure of the Group and the Bank at the end of the reporting period are as follows:

	Group	
	2019	2018
	RM'000	RM'000
On balance sheet:		
Cash and short-term funds	1,118,904	485,308
Deposits and placements with banks	-	151,878
Debt instruments at FVOCI	1,314,493	1,904,721
Debt instruments at AC	819,214	674,196
Loans, advances and financing	6,857,031	7,009,139
Other receivables and rental receivables (Note 9)	19,051	19,192
	10,128,693	10,244,434
Off balance sheet:		
Commitments and contingencies (Note 35)	1,938,167	1,668,349
	12,066,860	11,912,783
	Bank	
	2019	2018
	RM'000	RM'000
On balance sheet:		
Cash and short-term funds	1,112,694	481,615
Deposits and placements with banks	-	151,878
Debt instruments at FVOCI	1,314,493	1,904,721
Debt instruments at AC	819,214	674,196
Loans, advances and financing	6,379,821	6,486,295
Amount due from subsidiaries, other receivables and rental receivables (Note 9)	483,503	550,246
	10,109,725	10,248,951
Off balance sheet:		
Commitments and contingencies (Note 35)	1,938,167	1,668,349
	12,047,892	11,917,300

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(a) Credit risk (cont'd)

(ii) Gross loans, advances and financing rated based on internal rating by the Bank:

Group	Stage 1	Stage 2	Stage 3	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000
Risk rating category				
Highest safety*	1,783,271	32,871	-	1,816,142
Moderate safety**	2,767,426	238,105	-	3,005,531
High risk***	141,518	149,341	-	290,859
Non-rated	24,130	3,662	-	27,792
Impaired	-	-	1,716,707	1,716,707
	4,716,345	423,979	1,716,707	6,857,031
31 December 2018				
Risk rating category				
Highest safety*	1,070,976	133,580	-	1,204,556
Moderate safety**	3,040,497	662,713	-	3,703,210
High risk***	32,722	40,521	-	73,243
Non-rated	21,644	840	-	22,484
Impaired	-	-	2,005,646	2,005,646
	4,165,839	837,654	2,005,646	7,009,139
Bank				
31 December 2019				
Risk rating category				
Highest safety*	1,783,271	32,871	-	1,816,142
Moderate safety**	2,767,426	238,105	-	3,005,531
High risk***	141,518	149,341	-	290,859
Non-rated	24,130	3,662	-	27,792
Impaired	-	-	1,239,497	1,239,497
	4,716,345	423,979	1,239,497	6,379,821

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(a) Credit risk (cont'd)

(ii) Gross loans, advances and financing rated based on internal rating by the Bank: (cont'd)

Bank 31 December 2018	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Risk rating category				
Highest safety*	1,070,976	133,580	-	1,204,556
Moderate safety**	3,040,497	662,713	-	3,703,210
High risk***	32,722	40,521	-	73,243
Non-rated	21,644	840	-	22,484
Impaired	-	-	1,482,802	1,482,802
	4,165,839	837,654	1,482,802	6,486,295

* Strong capacity to meet financial commitments

** Moderate capacity to meet financial commitments

*** Poor credit quality and high risk of default

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

Non-rated risk relates to I-Cash-payment and I-Splash which are managed through salary deduction by Angkasa and secured by contract from Government respectively.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(a) Credit risk (cont'd)

(iii) The following table sets out the credit risk concentration by industry sector (gross balances):

Group	Short-term funds and placements with financial institutions	Debt instruments at FVOCI	Debt instruments at AC	Loans, advances and financing	Other assets	Total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019							
Government	-	531,107	111,523	-	-	642,630	-
Construction	-	-	-	1,264,185	-	1,264,185	-
Education, health and others	-	-	-	601,421	-	601,421	-
Electricity, gas and water supply	-	-	-	34,526	-	34,526	-
Financial, insurance, real estate and business services	1,118,904	783,386	707,691	1,059,269	-	3,669,250	-
Manufacturing	-	-	-	1,143,719	-	1,143,719	-
Mining and quarrying	-	-	-	77,883	-	77,883	-
Primary agriculture	-	-	-	5,980	-	5,980	-
Transportation, storage and communication	-	-	-	822,351	-	822,351	-
Wholesale, retail trade, restaurants and hotels	-	-	-	1,832,481	-	1,832,481	-
Others	-	-	-	15,216	19,051	34,267	1,938,167
Gross total	1,118,904	1,314,493	819,214	6,857,031	19,051	10,128,693	1,938,167

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(a) Credit risk (cont'd)

(iii) The following table sets out the credit risk concentration by industry sector (gross balances): (cont'd)

Group	Short-term funds and placements with financial institutions	Debt instruments at FVOCI	Debt instruments at AC	Loans, advances and financing	Other assets	Commitments and contingencies	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
31 December 2018							
Government	-	885,900	111,631	-	-	997,531	-
Construction	-	-	-	1,346,818	-	1,346,818	-
Education, health and others	-	-	-	584,409	-	584,409	-
Electricity, gas and water supply	-	-	-	1,306	-	1,306	-
Financial, insurance, real estate and business services	637,186	1,018,821	562,565	1,026,569	-	3,245,141	-
Manufacturing	-	-	-	1,182,571	-	1,182,571	-
Mining and quarrying	-	-	-	46,701	-	46,701	-
Primary agriculture	-	-	-	6,693	-	6,693	-
Transportation, storage and communication	-	-	-	919,112	-	919,112	-
Wholesale, retail trade, restaurants and hotels	-	-	-	1,882,677	-	1,882,677	-
Others	-	-	-	12,283	19,192	31,475	1,668,349
Gross total	637,186	1,904,721	674,196	7,009,139	19,192	10,244,434	1,668,349

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(a) Credit risk (cont'd)

(iii) The following table sets out the credit risk concentration by industry sector (gross balances): (cont'd)

Bank	Short-term funds and placements with financial institutions	Debt instruments at FVOCI	Debt instruments at AC	Loans, advances and financing	Other assets	Total	Commitments and contingencies
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Government	-	531,107	111,523	-	-	642,630	-
Construction	-	-	-	1,261,329	-	1,261,329	-
Education, health and others	-	-	-	553,552	-	553,552	-
Electricity, gas and water supply	-	-	-	34,526	-	34,526	-
Financial, insurance, real estate and business services	1,112,694	783,386	707,691	1,056,332	429,121	4,089,224	-
Manufacturing	-	-	-	1,053,236	-	1,053,236	-
Mining and quarrying	-	-	-	75,887	-	75,887	-
Primary agriculture	-	-	-	5,729	-	5,729	-
Transportation, storage and communication	-	-	-	776,124	-	776,124	-
Wholesale, retail trade, restaurants and hotels	-	-	-	1,547,890	-	1,547,890	-
Others	-	-	-	15,216	54,382	69,598	1,938,167
Gross total	1,112,694	1,314,493	819,214	6,379,821	483,503	10,109,725	1,938,167

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(a) Credit risk (cont'd)

(iii) The following table sets out the credit risk concentration by industry sector (gross balances): (cont'd)

Bank	Short-term funds and placements with financial institutions	Debt instruments at FVOCI	Debt instruments at AC	Loans, advances and financing	Other assets	Commitments and contingencies Total	
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Government	-	885,900	111,631	-	-	997,531	-
Construction	-	-	-	1,343,958	-	1,343,958	-
Education, health and others	-	-	-	536,376	-	536,376	-
Electricity, gas and water supply	-	-	-	1,306	-	1,306	-
Financial, insurance, real estate and business services	633,493	1,018,821	562,565	1,023,412	496,617	3,734,908	-
Manufacturing	-	-	-	1,071,990	-	1,071,990	-
Mining and quarrying	-	-	-	44,705	-	44,705	-
Primary agriculture	-	-	-	6,446	-	6,446	-
Transportation, storage and communication	-	-	-	862,747	-	862,747	-
Wholesale, retail trade, restaurants and hotels	-	-	-	1,583,072	-	1,583,072	-
Others	-	-	-	12,283	53,629	65,912	1,668,349
Gross total	633,493	1,904,721	674,196	6,486,295	550,246	10,248,951	1,668,349

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(a) Credit risk (cont'd)

(iv) Credit risk exposure analysis of the Group and the Bank are as follows:

Group	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	RM'000	RM'000	RM'000	RM'000
Short-term funds and placements				
with financial institutions	1,118,904	-	-	1,118,904
Debt instruments at FVOCI	1,285,420	19,073	10,000	1,314,493
Debt instruments at AC	819,214	-	-	819,214
Loans, advances and financing:				
Term loans/financing				
Hire purchase	215,712	13,945	83,929	313,586
Leasing	1	-	343	344
Other term loans/financing	3,283,236	351,002	1,457,998	5,092,236
Revolving loans/financing	1,202,180	59,032	174,437	1,435,649
Staff loans/financing	15,216	-	-	15,216
Other assets	8,764	-	10,287	19,051
	7,948,647	443,052	1,736,994	10,128,693

As at 31 December 2018

Short-term funds and placements				
with financial institutions	637,186	-	-	637,186
Debt instruments at FVOCI	1,894,721	-	10,000	1,904,721
Debt instruments at AC	674,196	-	-	674,196
Loans, advances and financing:				
Term loans/financing				
Hire purchase	218,767	57,363	97,339	373,469
Leasing	15	-	348	363
Other term loans/financing	3,091,541	650,220	1,714,727	5,456,488
Revolving loans/financing	843,233	130,071	193,232	1,166,536
Staff loans/financing	12,283	-	-	12,283
Other assets	10,023	-	9,169	19,192
	7,381,965	837,654	2,024,815	10,244,434

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(a) Credit risk (cont'd)

(iv) Credit risk exposure analysis of the Group and the Bank are as follows: (cont'd)

Bank	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	RM'000	RM'000	RM'000	RM'000
Short-term funds and placements				
with financial institutions	1,112,694	-	-	1,112,694
Debt instruments at FVOCI	1,285,420	19,073	10,000	1,314,493
Debt instruments at AC	819,214	-	-	819,214
Loans, advances and financing:				
Term loans/financing				
Hire purchase	215,712	13,945	46,241	275,898
Leasing	1	-	-	1
Other term loans/financing	3,283,236	351,002	1,030,679	4,664,917
Revolving loans/financing	1,202,180	59,032	162,577	1,423,789
Staff loans/financing	15,216	-	-	15,216
Other assets	44,095	429,121	10,287	483,503
	7,977,768	872,173	1,259,784	10,109,725
As at 31 December 2018				
Short-term funds and placements				
with financial institutions	633,493	-	-	633,493
Debt instruments at FVOCI	1,894,721	-	10,000	1,904,721
Debt instruments at AC	674,196	-	-	674,196
Loans, advances and financing:				
Term loans/financing				
Hire purchase	218,767	57,363	59,294	335,424
Leasing	15	-	-	15
Other term loans/financing	3,091,541	650,220	1,243,806	4,985,567
Revolving loans/financing	843,233	130,071	179,702	1,153,006
Staff loans/financing	12,283	-	-	12,283
Other assets	44,460	496,617	9,169	550,246
	7,412,709	1,334,271	1,501,971	10,248,951

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**(e) Risk measurement and reporting systems (cont'd)****(a) Credit risk (cont'd)****(v) Collateral and credit enhancement**

The amount and type of collateral required depends on assessment of the credit risk of the counterparty. Guidelines are implemented on areas relating to the acceptability of collateral types and valuation parameters.

The main types of collateral and credit enhancement obtained are charges over real estate properties, vehicles, plant and machinery, shares and guarantees.

Management monitors the market value of collateral and ascertains the market value of collateral obtained during its review to ensure the adequacy of impairment losses.

(vi) Collateral and credit enhancement for loans, advances and financing

Collateral represents the asset pledged by a borrower/customer and or a third party on behalf of the borrower/customer, in whole or in part, to secure credit exposure and/or potential credit exposure with the Group and the Bank.

The Group and the Bank will only accept high quality collateral by considering its marketability, measurability, stability, transferability, speed in realising the collateral value, enforceability and free from encumbrances. The estimated fair value of collaterals over gross loans/financing held by the Group and the Bank for respective industry sector are as follows:

Group	Gross loans, advances and financing	Estimated fair value of collateral
31 December 2019	RM'000	%
Construction	1,264,185	57.4
Education, health and others	601,421	75.9
Electricity, gas and water supply	34,526	36.6
Financial, insurance, real estate and business services	1,059,269	64.0
Manufacturing	1,143,719	70.8
Mining and quarrying	77,883	80.1
Primary agriculture	5,980	77.5
Transportation, storage and communication	822,351	76.3
Wholesale, retail trade, restaurants and hotels	1,832,481	78.3
Others	15,216	-
	6,857,031	

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(a) Credit risk (cont'd)

(vi) Collateral and credit enhancement for loans, advances and financing (cont'd)

Group	Gross loans, advances and financing	Estimated fair value of collateral
31 December 2018	RM'000	%
Construction	1,346,818	62.9
Education, health and others	584,409	72.7
Electricity, gas and water supply	1,306	100.0
Financial, insurance, real estate and business services	1,026,569	68.1
Manufacturing	1,182,571	67.4
Mining and quarrying	46,701	92.5
Primary agriculture	6,693	69.6
Transportation, storage and communication	919,112	77.2
Wholesale, retail trade, restaurants and hotels	1,882,677	77.5
Others	12,283	-
	7,009,139	
Bank		
31 December 2019		
Construction	1,261,329	57.4
Education, health and others	553,552	82.0
Electricity, gas and water supply	34,526	36.6
Financial, insurance, real estate and business services	1,056,332	63.6
Manufacturing	1,053,236	73.9
Mining and quarrying	75,887	82.2
Primary agriculture	5,729	80.9
Transportation, storage and communication	776,124	80.1
Wholesale, retail trade, restaurants and hotels	1,547,890	79.7
Others	15,216	-
	6,379,821	

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**(e) Risk measurement and reporting systems (cont'd)****(a) Credit risk (cont'd)****(vi) Collateral and credit enhancement for loans, advances and financing (cont'd)**

Bank	Gross loans, advances and financing	Estimated fair value of collateral
31 December 2018	RM'000	%
Construction	1,343,958	63.0
Education, health and others	536,376	78.3
Electricity, gas and water supply	1,306	100.0
Financial, insurance, real estate and business services	1,023,412	68.3
Manufacturing	1,071,990	69.7
Mining and quarrying	44,705	96.6
Primary agriculture	6,446	72.3
Transportation, storage and communication	862,747	80.4
Wholesale, retail trade, restaurants and hotels	1,583,072	78.8
Others	12,283	-
	<u>6,486,295</u>	

(vii) Restructured loans/financing

Restructured loans/financing refer to the financial assets that would otherwise be past due or impaired, where there is fundamental revision in the principal terms and conditions of the facility. Restructuring is considered when the customer's business is still viable and is expected to remain viable after the restructuring. Total gross restructured loans/financing held by the Group and the Bank at the end of the reporting period stood at RM698 million (2018: RM675 million).

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(a) Credit risk (cont'd)

(viii) Credit quality for treasury credit risk exposures

The table below shows treasury credit risk exposures by the current counterparty's rating:

Group and Bank**Financial investments:**

	Rating agency	Credit rating	Nominal value 2019 RM'000	Nominal value 2018 RM'000
Corporate sukuk	RAM	AAA	305,000	285,000
Corporate sukuk	MARC	AAA	95,000	95,000
Corporate sukuk	RAM	AA1	50,000	80,000
Corporate sukuk	RAM	AA2	125,000	155,000
Corporate sukuk	RAM	AA3	60,000	125,000
Corporate sukuk	MARC	AA+	5,000	5,000
Corporate sukuk	RAM	A1	-	35,000
Corporate sukuk	RAM	BB1	25,000	-
Corporate sukuk	RAM	BB2	-	10,000
Corporate sukuk	RAM	C1	10,000	-
Malaysian Government Investment Issues	Not applicable	Not applicable	630,000	1,000,000
Government Guarantee sukuk	Not applicable	Not applicable	250,000	435,000
Commercial papers	RAM	P1	395,000	245,000
Non-rated			50,000	100,000
Total			2,000,000	2,570,000

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(a) Credit risk (cont'd)

(viii) Credit quality for treasury credit risk exposures (cont'd)

The table below shows treasury credit risk exposures by the current counterparty's rating:(cont'd)

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

Rating for counterparty	Total principal outstanding 2019 RM'000	Total principal outstanding 2018 RM'000
AAA	203,500	160,220
AA	781,461	417,615
A	100,000	-
Non-rated	-	30,000
Total	1,084,961	607,835

(ix) Impairment assessment

The Bank considers that a financial instrument has defaulted and, therefore, is placed under Stage 3 (credit-impaired) for ECL calculations in all cases, when the customer of loans/financing portfolio is due for 3 Months-in-Arrears ("MIA") on its contractual payments. The Bank considers treasury instrument as defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treatment of the customer as defaulted and, therefore, assessed as Stage 3 for ECL calculations, or whether Stage 2 is appropriate. Such events include:

- Imminent closure/discontinuation of customer's operation
- Legal action initiated/taken against the customer by a third party
- The customer files for bankruptcy application/protection
- Significant/major adverse reports on customer's business

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**(e) Risk measurement and reporting systems (cont'd)****(a) Credit risk (cont'd)****(ix) Impairment assessment (cont'd)****Restructure and Reschedule**

The Bank has expanded the definition of credit-impaired for Restructure and Reschedule to MIA more than 2 months.

It is the Bank's policy to consider a financial instrument as 'cured' and, therefore, re-classified out of Stage 3 when there are sufficient cash inflows. The 'cured' rate for Restructure and Reschedule financial instruments is measured through 6 months continuous adherence to the revised payment schedule.

Probability of Default ("PD") estimation

The PD model was devised on non-rating based measure which is MIA. Financing, Undisbursed Commitments ("UDC") and Trade Finance share similar PD model which was developed via statistical method. Marginal PD is assigned to accounts with significant increase in credit risk/Stage 2.

The PD model for Treasury was devised through similar statistical method but was based on default study papers published by external rating agencies/External Credit Assessment Institution ("ECAI").

PD is adjusted to incorporate forward looking information and is assessed for updates on a quarterly basis. The suitability of Macro Economics Variables ("MEV") is assessed and applied as appropriate on similar intervals.

(x) Commitment and guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statements of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Bank. The table below shows the Group's and the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan/financing commitment is the full amount of the commitment.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(a) Credit risk (cont'd)

(x) Commitment and guarantees (cont'd)

	Group and Bank	
	2019	2018
	RM'000	RM'000
Financial guarantees, Corporate Guarantee Schemes, Letters of Credit and others	160,753	190,108
Performance guarantees	106,581	138,014
Undisbursed commitments	1,670,833	1,140,227
Profit rate related contract	-	200,000
	1,938,167	1,668,349

(b) Market risk

Asset and Liability Management Framework has been established in line with the best practices.

(i) Interest/Profit rate risk

Interest/profit rate risk is the impact to earnings and economic value of the Group and the Bank due to fluctuations in interest/profit rates.

Interest/profit rate exposure arises from differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest/profit rate risk management process which is conducted in accordance with the Group's and the Bank's policies as approved by the Board.

The Group and the Bank may be exposed to a loss in earnings due to the interest/profit rate structure of the statements of financial position arising from interest/profit rates and yield curve changes. The sensitivity to interest/profit rates arises from the mismatches in the repricing rates, cash flows and other characteristics of the assets and their corresponding liability funding. The Group and the Bank manage their interest/profit rate risk exposure through the use of fixed/floating rate debts and financial instruments.

The table below shows the Group's and the Bank's interest/profit income sensitivity based on possible parallel shift in interest/profit rate.

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Impact on variable rate loans, advances and financing				
+ 50 basis points	24,819	23,148	24,101	22,342
- 50 basis points	(24,819)	(23,148)	(24,101)	(22,342)

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(b) Market risk (cont'd)

(i) Interest/Profit rate risk (cont'd)

The following table indicate the effective interest/profit rate at the end of reporting period and the Group's and the Bank's sensitivity to the interest/profit rate of return by time band based on the earlier of contractual repricing date and maturity date.

Group	Non-trading book					Non-interest/profit sensitive	Total	Weighted average effective interest/profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years			
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Financial Assets								
Cash and short-term funds	364,463	302,630	451,811	-	-	-	1,118,904	3.27
Debt instruments at FVOCI	-	15,245	277,484	736,265	285,499	-	1,314,493	4.25
Equity instruments at FVOCI	-	-	30,392	-	-	8,984	39,376	6.25
Debt instruments at AC	204,670	204,121	25,107	324,059	60,608	-	818,565	3.90
Loans, advances and financing								
- non-credit impaired	15,216	40,874	461,174	559,939	2,942,355	1,120,766	5,140,324	7.57
- credit impaired	-	-	-	-	-	660,617	660,617	-
Other assets (Note 9)	-	-	-	-	-	9,819	9,819	-
Total Financial Assets	584,349	562,870	1,245,968	1,620,263	3,288,462	1,800,186	9,102,098	
Financial Liabilities								
Deposits from customers	321,051	1,217,855	1,205,969	423,334	-	-	3,168,209	3.53
Islamic medium-term notes	-	17,438	634	1,300,000	450,000	-	1,768,072	3.97
Borrowings	-	9,457	14,254	-	1,851,501	-	1,875,212	4.07
Lease liabilities	-	-	-	-	-	15,797	15,797	-
Other liabilities (Note 23)	-	-	-	-	-	1,059,025	1,059,025	-
Total Financial Liabilities	321,051	1,244,750	1,220,857	1,723,334	2,301,501	1,074,822	7,886,315	
On-balance sheet interest/profit sensitivity gap	263,298	(681,880)	25,111	(103,071)	986,961	725,364		
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	(1,940,000)		
Total interest/profit sensitivity gap	263,298	(681,880)	25,111	(103,071)	986,961	(1,214,636)		

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(b) Market risk (cont'd)

(i) Interest/Profit rate risk (cont'd)

Group	Non-trading book						Total	Weighted average effective interest/profit rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-interest/profit sensitive		
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Financial Assets								
Cash and short-term funds	485,308	-	-	-	-	-	485,308	3.44
Deposits and placements with banks	-	-	-	151,878	-	-	151,878	5.12
Debt instruments at FVOCI	10,198	25,358	55,681	1,041,196	772,288	-	1,904,721	4.15
Equity instruments at FVOCI	-	-	103,522	30,982	-	8,883	143,387	6.25
Debt instruments at AC	34,900	214,893	94,601	289,343	40,396	-	674,133	4.22
Derivative financial assets	2,816	-	-	-	-	-	2,816	4.87
Loans, advances and financing								
- non-credit impaired	18,622	64,970	301,058	464,396	2,754,087	1,400,360	5,003,493	6.82
- credit impaired	-	-	-	-	-	660,968	660,968	-
Other assets (Note 9)	-	-	-	-	-	10,930	10,930	-
Total Financial Assets	551,844	305,221	554,862	1,977,795	3,566,771	2,081,141	9,037,634	
Financial Liabilities								
Deposits from customers	1,541,218	984,962	448,804	-	-	-	2,974,984	3.91
Deposits from banks and other financial institutions	200,870	100,547	-	-	-	-	301,417	3.61
Islamic medium-term notes	-	420,804	250,632	1,150,000	-	-	1,821,436	3.91
Borrowings	3,562	19,335	75,983	853,460	1,030,581	-	1,982,921	3.57
Other liabilities (Note 23)	-	-	-	-	-	1,001,270	1,001,270	-
Total Financial Liabilities	1,745,650	1,525,648	775,419	2,003,460	1,030,581	1,001,270	8,082,028	
On-balance sheet interest/profit sensitivity gap	(1,193,806)	(1,220,427)	(220,557)	(25,665)	2,536,190	1,079,871		
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	(1,675,103)		
Total interest/profit sensitivity gap	(1,193,806)	(1,220,427)	(220,557)	(25,665)	2,536,190	(595,232)		

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(b) Market risk (cont'd)

(i) Interest/Profit rate risk (cont'd)

Bank	Non-trading book						Total	Weighted average effective interest/profit rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-interest/profit sensitive		
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Financial Assets								
Cash and short-term funds	358,253	302,630	451,811	-	-	-	1,112,694	3.27
Debt instruments at FVOCI	-	15,245	277,484	736,265	285,499	-	1,314,493	4.25
Equity instruments at FVOCI	-	-	30,392	-	-	8,984	39,376	6.25
Debt instruments at AC	204,670	204,121	25,107	324,059	60,608	-	818,565	3.90
Loans, advances and financing							-	
- non-credit impaired	15,216	40,874	461,174	559,939	2,942,355	1,120,766	5,140,324	7.57
- credit impaired	-	-	-	-	-	660,617	660,617	-
Other assets (Note 9)	63,750	-	-	-	-	45,150	108,900	-
Total Financial Assets	641,889	562,870	1,245,968	1,620,263	3,288,462	1,835,517	9,194,969	
Financial Liabilities								
Deposits from customers	321,051	1,217,855	1,271,296	423,334	-	-	3,233,536	3.53
Islamic medium-term notes	-	17,438	634	1,300,000	450,000	-	1,768,072	3.97
Borrowings	-	9,457	14,254	-	1,851,501	-	1,875,212	4.07
Lease liabilities	-	-	-	-	-	15,797	15,797	-
Other liabilities (Note 23)	-	-	-	-	-	1,080,376	1,080,376	-
Total Financial Liabilities	321,051	1,244,750	1,286,184	1,723,334	2,301,501	1,096,173	7,972,993	
On-balance sheet interest/profit sensitivity gap	320,838	(681,880)	(40,216)	(103,071)	986,961	739,344		
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	(1,940,000)		
Total interest/profit sensitivity gap	320,838	(681,880)	(40,216)	(103,071)	986,961	(1,200,656)		

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(b) Market risk (cont'd)

(i) Interest/Profit rate risk (cont'd)

Bank	← Non-trading book →					Non-interest/ profit sensitive	Total	Weighted average effective interest/ profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years			
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Financial Assets								
Cash and short-term funds	481,615	-	-	-	-	-	481,615	3.44
Deposits and placements with bank	-	-	-	151,878	-	-	151,878	5.12
Debt instruments at FVOCI	10,198	25,358	55,681	1,041,196	772,288	-	1,904,721	4.15
Equity instruments at FVOCI	-	-	103,522	30,982	-	8,883	143,387	6.25
Debt instruments at AC	34,900	214,893	94,601	289,343	40,396	-	674,133	4.22
Derivative financial assets	2,816	-	-	-	-	-	2,816	4.87
Loans, advances and financing								
- non-credit impaired	18,622	64,970	301,058	464,396	2,754,087	1,400,360	5,003,493	6.41
- credit impaired	-	-	-	-	-	660,968	660,968	-
Other assets (Note 9)	82,878	-	-	-	-	45,367	128,245	-
Total Financial Assets	631,029	305,221	554,862	1,977,795	3,566,771	2,115,578	9,151,256	
Financial Liabilities								
Deposits from customers	1,570,404	986,720	514,317	-	-	-	3,071,441	3.91
Deposits from banks and other financial institutions	200,870	100,547	-	-	-	-	301,417	3.61
Islamic medium-term notes	-	420,804	250,632	1,150,000	-	-	1,821,436	3.91
Borrowings	3,562	19,335	75,983	853,460	1,030,581	-	1,982,921	3.57
Other liabilities (Note 23)	-	-	-	-	-	1,016,861	1,016,861	-
Total Financial Liabilities	1,774,836	1,527,406	840,932	2,003,460	1,030,581	1,016,861	8,194,076	
On-balance sheet interest/profit sensitivity gap	(1,143,807)	(1,222,185)	(286,070)	(25,665)	2,536,190	1,098,717		
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	(1,675,103)		
Total interest/profit sensitivity gap	(1,143,807)	(1,222,185)	(286,070)	(25,665)	2,536,190	(576,386)		

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its current and future payment obligations associated with financial obligations when they fall due. The liquidity and cash flow risks are managed by maintaining a diversity of funding sources and spreading debt payments over a range of maturities.

The Group and the Bank manage their liquidity requirements on a day-to-day basis to ensure that funds are readily available for operational needs, withdrawals of deposits and payments to fund providers. The Group and the Bank may raise funds locally through government-to-government arrangements or direct negotiations.

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity

Group	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-specific maturity	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	665,632	453,272	-	-	-	-	1,118,904
Debt instruments at FVOCI	-	15,245	277,484	736,265	285,499	-	1,314,493
Equity instruments at FVOCI	-	-	30,392	-	-	8,984	39,376
Debt instruments at AC	204,670	204,121	25,107	324,059	60,608	-	818,565
Loans, advances and financing	197,298	312,814	403,733	1,589,747	3,297,349	-	5,800,941
Other assets (Note 9)	-	-	-	-	-	9,819	9,819
Total assets	1,067,600	985,452	736,716	2,650,071	3,643,456	18,803	9,102,098
Liabilities							
Deposits from customers	1,425,021	1,025,786	717,402	-	-	-	3,168,209
Islamic medium-term notes	-	417,438	634	1,150,000	200,000	-	1,768,072
Borrowings	320	24,097	88,059	996,584	766,152	-	1,875,212
Lease liabilities	262	526	2,413	12,596	-	-	15,797
Other liabilities (Note 23)	-	-	-	-	-	1,059,025	1,059,025
Total liabilities	1,425,603	1,467,847	808,508	2,159,180	966,152	1,059,025	7,886,315
Net maturity mismatches	(358,003)	(482,395)	(71,792)	490,891	2,677,304	(1,040,222)	1,215,783

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(c) Liquidity risk (cont'd)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd)

Group	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- specific maturity	Total
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	485,308	-	-	-	-	-	485,308
Deposits and placements with banks	-	-	-	151,878	-	-	151,878
Debt instruments at FVOCI	10,198	25,358	55,681	1,041,196	772,288	-	1,904,721
Equity instruments at FVOCI	-	-	103,522	30,982	-	8,883	143,387
Debt instruments at AC	34,900	214,893	94,601	289,343	40,396	-	674,133
Derivative financial assets	2,816	-	-	-	-	-	2,816
Loans, advances and financing	195,304	244,305	292,877	1,699,413	3,232,562	-	5,664,461
Other assets (Note 9)	-	-	-	-	-	10,930	10,930
Total assets	728,526	484,556	546,681	3,212,812	4,045,246	19,813	9,037,634
Liabilities							
Deposits from customers	1,473,947	986,720	514,317	-	-	-	2,974,984
Deposits from banks and other financial institutions	200,870	100,547	-	-	-	-	301,417
Islamic medium-term notes	-	420,804	250,632	1,150,000	-	-	1,821,436
Borrowings	3,562	19,335	75,983	853,460	1,030,581	-	1,982,921
Other liabilities (Note 23)	-	-	-	-	-	1,001,270	1,001,270
Total liabilities	1,678,379	1,527,406	840,932	2,003,460	1,030,581	1,001,270	8,082,028
Net maturity mismatches	(949,853)	(1,042,850)	(294,251)	1,209,352	3,014,665	(981,457)	955,606

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(c) Liquidity risk (cont'd)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd)

Bank	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- specific maturity	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	659,422	453,272	-	-	-	-	1,112,694
Debt instruments at FVOCI	-	15,245	277,484	736,265	285,499	-	1,314,493
Equity instruments at FVOCI	-	-	30,392	-	-	8,984	39,376
Debt instruments at AC	204,670	204,121	25,107	324,059	60,608	-	818,565
Loans, advances and financing	197,298	312,814	403,733	1,589,747	3,297,349	-	5,800,941
Other assets (Note 9)	63,750	-	-	-	-	45,150	108,900
Total assets	1,125,140	985,452	736,716	2,650,071	3,643,456	54,134	9,194,969
Liabilities							
Deposits from customers	1,434,161	1,031,944	767,431	-	-	-	3,233,536
Islamic medium-term notes	-	417,438	634	1,150,000	200,000	-	1,768,072
Borrowings	320	24,097	88,059	996,584	766,152	-	1,875,212
Lease liabilities	262	526	2,413	12,596	-	-	15,797
Other liabilities (Note 23)	-	-	-	-	-	1,080,376	1,080,376
Total liabilities	1,434,743	1,474,005	858,537	2,159,180	966,152	1,080,376	7,972,993
Net maturity mismatches	(309,603)	(488,553)	(121,821)	490,891	2,677,304	(1,026,242)	1,221,976

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(c) Liquidity risk (cont'd)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd)

Bank	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- specific maturity	Total
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	481,615	-	-	-	-	-	481,615
Deposits and placement with banks	-	-	-	151,878	-	-	151,878
Debt instruments at FVOCI	10,198	25,358	55,681	1,041,196	772,288	-	1,904,721
Equity instruments at FVOCI	-	-	103,522	30,982	-	8,883	143,387
Debt instruments at AC	34,900	214,893	94,601	289,343	40,396	-	674,133
Derivative financial assets	2,816	-	-	-	-	-	2,816
Loans, advances and financing	195,304	244,305	292,877	1,699,413	3,232,562	-	5,664,461
Other assets (Note 9)	82,878	-	-	-	-	45,367	128,245
Total assets	807,711	484,556	546,681	3,212,812	4,045,246	54,250	9,151,256
Liabilities							
Deposits from customers	1,570,404	986,720	514,317	-	-	-	3,071,441
Deposits from banks and other financial institutions	200,870	100,547	-	-	-	-	301,417
Islamic medium-term notes	-	420,804	250,632	1,150,000	-	-	1,821,436
Borrowings	3,562	19,335	75,983	853,460	1,030,581	-	1,982,921
Other liabilities (Note 23)	-	-	-	-	-	1,016,861	1,016,861
Total liabilities	1,774,836	1,527,406	840,932	2,003,460	1,030,581	1,016,861	8,194,076
Net maturity mismatches	(967,125)	(1,042,850)	(294,251)	1,209,352	3,014,665	(962,611)	957,180

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

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

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

(c) Liquidity risk (cont'd)

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

Group	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- specific maturity	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities							
Deposits from customers	1,424,487	1,032,019	734,053	-	-	-	3,190,559
Islamic medium-term notes	-	428,579	33,174	1,288,154	212,199	-	1,962,106
Borrowings	-	16,803	172,253	1,064,728	1,065,206	-	2,318,990
Lease liabilities	311	624	2,811	13,646	-	-	17,392
Other liabilities (Note 23)	-	-	-	-	-	1,059,025	1,059,025
Total liabilities	1,424,798	1,478,025	942,291	2,366,528	1,277,405	1,059,025	8,548,072
31 December 2018							
Liabilities							
Deposits from customers	1,543,115	991,994	456,202	-	-	-	2,991,311
Deposits from banks and other financial institutions	200,954	100,942	-	-	-	-	301,896
Islamic medium-term notes	-	428,978	283,150	1,236,344	-	-	1,948,472
Borrowings	3,562	19,233	148,738	1,098,274	1,222,485	-	2,492,292
Other liabilities (Note 23)	-	-	-	-	-	1,001,270	1,001,270
Total liabilities	1,747,631	1,541,147	888,090	2,334,618	1,222,485	1,001,270	8,735,241
Bank							
31 December 2019							
Liabilities							
Deposits from customers	1,433,642	1,038,282	784,933	-	-	-	3,256,857
Islamic medium-term notes	-	428,579	33,174	1,288,154	212,199	-	1,962,106
Borrowings	-	16,803	172,253	1,064,728	1,065,206	-	2,318,990
Lease liabilities	311	624	2,811	13,646	-	-	17,392
Other liabilities (Note 23)	-	-	-	-	-	1,080,376	1,080,376
Total liabilities	1,433,953	1,484,288	993,171	2,366,528	1,277,405	1,080,376	8,635,721
31 December 2018							
Liabilities							
Deposits from customers	1,572,354	993,767	523,785	-	-	-	3,089,906
Deposits from banks and other financial institutions	200,954	100,942	-	-	-	-	301,896
Islamic medium-term notes	-	428,978	283,150	1,236,344	-	-	1,948,472
Borrowings	3,562	19,233	148,738	1,098,274	1,222,485	-	2,492,292
Other liabilities (Note 23)	-	-	-	-	-	1,016,861	1,016,861
Total liabilities	1,776,870	1,542,920	955,673	2,334,618	1,222,485	1,016,861	8,849,427

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**(e) Risk measurement and reporting systems (cont'd)****(c) Liquidity risk (cont'd)**

The Group and the Bank are subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Note 35. These have been incorporated in the net off-balance sheet position for each year ended. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group and the Bank expect many of these contingent liabilities and commitments (such as direct credit substitutes, and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

(d) Operational risk

Operational risk, which is inherent in all business activities, is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational Risk Management ("ORM") takes place in a day-to-day basis at each business unit level. The Group and the Bank mitigate their operational risk by having comprehensive internal controls, conduct risk assessments through Risk Control Self Assessment ("RCSA"), fraud and loss analysis, system and procedures, which are reviewed regularly and subjected to periodical audits by Internal Auditors.

40. DIVIDENDS

	Group and Bank	
	2019	2018
	RM'000	RM'000
Dividends on ordinary shares:		
Final tax exempt (single-tier) dividend for 2017: 1.2 sen per share	-	33,300

No dividend was paid during the financial year.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2019 of 2.00 sen per share on 1,850,000,000 ordinary shares, amounting to RM37,000,000 will be proposed for the shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

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41. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 December 2019 and results for the financial year then ended under the Islamic Banking business of the Group and of the Bank and included in the Group's and the Bank's financial statements are summarised as follows:

Statements of financial position

As at 31 December 2019

	Note	Group		Bank	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	41(a)	1,118,166	484,082	1,111,978	480,389
Deposits and placements with banks	5	-	151,878	-	151,878
Financial investments at fair value through other comprehensive income	41(b)	1,344,885	1,863,902	1,344,885	1,863,902
Financial investments at amortised cost	7	818,565	674,133	818,565	674,133
Advances and financing	41(c)	5,554,595	5,363,731	5,554,595	5,363,731
Other assets	41(d)	5,525	7,172	104,444	123,865
Derivative financial instruments	10	-	2,816	-	2,816
Property, plant and equipment	41(e)	63,199	67,126	63,161	67,080
Right-of-use assets	14	15,474	-	15,474	-
Investment properties	15	393,062	373,214	393,062	373,214
Deferred tax assets		104,456	117,393	104,456	117,393
TOTAL ASSETS		9,417,927	9,105,447	9,510,620	9,218,401
LIABILITIES					
Deposits from customers	18	3,168,209	2,974,984	3,233,536	3,071,441
Deposits from banks and other financial institutions	19	-	301,417	-	301,417
Islamic medium-term notes	20	1,768,072	1,821,436	1,768,072	1,821,436
Term financing	41(f)	246,867	283,309	246,867	283,309
Other liabilities	41(g)	1,034,300	974,155	1,041,486	987,091
Lease liabilities	22	15,797	-	15,797	-
Amount due to conventional operations		1,552,877	1,352,932	1,818,567	1,659,113
Government funds	41(h)	228,220	196,985	228,220	196,985
TOTAL LIABILITIES		8,014,342	7,905,218	8,352,545	8,320,792
Islamic general fund		1,403,585	1,200,229	1,158,075	897,609
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		9,417,927	9,105,447	9,510,620	9,218,401
COMMITMENTS	41(n)	1,927,435	1,658,473	1,927,435	1,658,473

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Statements of comprehensive income

For the financial year ended 31 December 2019

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income from Islamic banking business	41(i)	529,689	562,649	529,689	562,649
Profit expense attributable to Islamic banking business	41(k)	(193,582)	(223,372)	(193,887)	(225,915)
Gross income from Islamic banking business		336,107	339,277	335,802	336,734
Other operating income	41(j)	70,003	38,496	79,687	46,461
Other operating expenses	41(l)	(175,313)	(187,847)	(173,589)	(185,596)
Operating profit		230,797	189,926	241,900	197,599
(Allowances)/Writeback for impairment loss on :					
- advances and financing	41(m)	(45,719)	(358,052)	(48,140)	(293,078)
- commitments	41(g)(i)	242	2,591	242	2,591
- financial investments at FVOCI	6	(3,508)	(9,698)	(3,508)	(9,698)
- financial investments at AC	7	(586)	15	(586)	15
- other assets at AC	9(i)(b)	(970)	(712)	(970)	(712)
- other assets at FVOCI	9(ii)	-	-	48,368	(351,972)
- investment in subsidiaries	11	-	-	-	(3,582)
Profit/(Loss) before taxation and zakat		180,256	(175,930)	237,306	(458,837)
Tax (expense)/credit		(4,832)	47	(4,772)	47
Zakat	33	(1,432)	(4,000)	(1,432)	(4,000)
Profit/(Loss) for the year		173,992	(179,883)	231,102	(462,790)
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Unrealised gain on revaluation of financial investments at FVOCI		30,177	(884)	30,177	(884)
Reclassification of gains included in profit or loss		3,844	-	3,844	-
Changes in expected credit losses on financial investments at FVOCI		3,508	9,698	3,508	9,698
Income tax relating to components of other comprehensive income		(8,165)	212	(8,165)	212
Other comprehensive income for the year, net of tax		29,364	9,026	29,364	9,026
Total comprehensive income/(loss) for the year		203,356	(170,857)	260,466	(453,764)

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Statements of changes in Islamic General Funds
For the financial year ended 31 December 2019

Group	Share capital RM'000	Non- distributable fair value reserve RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2019	1,050,564	(5,257)	154,922	1,200,229
Unrealised gain on revaluation of financial investments at FVOCI	-	30,177	-	30,177
Reclassification of gains included in profit or loss	-	3,844	-	3,844
Changes in expected credit losses of financial investments at FVOCI	-	3,508	-	3,508
Income tax relating to components of other comprehensive income	-	(8,165)	-	(8,165)
Profit for the year	-	-	173,992	173,992
Total comprehensive income for the year	-	29,364	173,992	203,356
At 31 December 2019	1,050,564	24,107	328,914	1,403,585
At 1 January 2018	1,050,564	(14,283)	334,805	1,371,086
Unrealised loss on revaluation of financial investments at FVOCI	-	(884)	-	(884)
Changes in expected credit losses of financial investments at FVOCI	-	9,698	-	9,698
Income tax relating to components of other comprehensive income	-	212	-	212
Loss for the year	-	-	(179,883)	(179,883)
Total comprehensive income/(loss) for the year	-	9,026	(179,883)	(170,857)
At 31 December 2018	1,050,564	(5,257)	154,922	1,200,229

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Statements of changes in Islamic General Funds
For the financial year ended 31 December 2019 (cont'd.)

Bank	Share capital RM'000	Non- distributable fair value reserve RM'000	(Accumulated losses)/ Distributable retained earnings RM'000	Total RM'000
At 1 January 2019	1,050,564	(5,257)	(147,698)	897,609
Unrealised gain on revaluation of financial investments at FVOCI	-	30,177	-	30,177
Reclassification of gains included in profit or loss	-	3,844	-	3,844
Changes in expected credit losses of financial investments at FVOCI	-	3,508	-	3,508
Income tax relating to components of other comprehensive income	-	(8,165)	-	(8,165)
Profit for the year	-	-	231,102	231,102
Total comprehensive income for the year	-	29,364	231,102	260,466
At 31 December 2019	1,050,564	24,107	83,404	1,158,075
At 1 January 2018	1,050,564	(14,283)	315,092	1,351,373
Unrealised loss on revaluation of financial investments at FVOCI	-	(884)	-	(884)
Changes in expected credit losses of financial investments at FVOCI	-	9,698	-	9,698
Income tax relating to components of other comprehensive income	-	212	-	212
Loss for the year	-	-	(462,790)	(462,790)
Total comprehensive income/(loss) for the year	-	9,026	(462,790)	(453,764)
At 31 December 2018	1,050,564	(5,257)	(147,698)	897,609

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Statements of cash flows

For the financial year ended 31 December 2019

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash flows generated from/(used in) operating activities				
Profit/(Loss) before tax expense and zakat	180,256	(175,930)	237,306	(458,837)
Adjustments for:				
Net impairment loss on advances and financing	59,308	367,350	61,729	302,376
Writeback of commitments	(242)	(2,591)	(242)	(2,591)
Impairment loss on financial investments at FVOCI	3,508	9,698	3,508	9,698
Impairment loss on financial investments at AC	586	(15)	586	(15)
Impairment loss on other asset at AC	970	712	970	712
(Writeback)/Allowances of impairment loss on other asset at FVOCI	-	-	(48,368)	351,972
Depreciation of property, plant and equipment	13,578	12,758	13,570	12,734
Depreciation of right-of-use assets	3,393	-	3,393	-
Income from financial investments at FVOCI	(67,626)	(81,635)	(67,626)	(81,635)
Income from financial investments at AC	(28,272)	(22,510)	(28,272)	(22,510)
Profit expense on medium-term notes	71,090	70,445	71,090	70,445
Profit expense on term financing	1,450	2,007	1,450	2,007
Fair value adjustment on investment properties	(19,848)	(304)	(19,848)	(304)
Finance cost on lease liabilities	625	-	625	-
Profit income on amount due from a subsidiary company	-	-	(15,382)	(17,777)
Impairment loss on investment in subsidiaries	-	-	-	3,582
Property, plant and equipment written-off	407	329	407	329
Net government funds writeback	1,393	3,590	1,393	3,590
Operating profit before working capital changes	220,576	183,904	216,289	173,776
Changes in working capital:				
Advances and financing	(250,172)	(10,785)	(252,593)	(14,436)
Deposits and placements with banks and other financial institutions	151,878	30,135	151,878	30,135
Other assets	3,493	(5,780)	85,017	(13,102)
Deposits from customers	203,067	(335,714)	171,937	(298,473)
Deposits from banks and other financial institutions	(301,417)	201,245	(301,417)	201,245
Other liabilities	62,422	(51,515)	56,732	(29,876)
Amount due to conventional operations	199,945	21,848	159,454	(15,599)
Cash generated from operating activities	289,792	33,338	287,297	33,670
Profit received	113,918	137,374	113,918	137,374
Zakat paid	(2,686)	(3,440)	(2,686)	(3,440)
Net cash generated from operating activities	401,024	167,272	398,529	167,604

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Statements of cash flows

For the financial year ended 31 December 2019 (cont'd)

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash flows generated from/(used in) investing activities				
Purchase of private debt securities	(105,000)	(50,000)	(105,000)	(50,000)
Purchase of Islamic commercial papers	(1,870,000)	(335,000)	(1,870,000)	(335,000)
Purchase of sukuk	(32,120)	-	(32,120)	-
Purchase of property, plant and equipment	(10,058)	(4,248)	(10,058)	(4,222)
Proceeds from redemption of Islamic commercial papers	20,000	90,000	20,000	90,000
Proceed from redemption of private debt securities	175,000	220,000	175,000	220,000
Proceeds from maturity of sukuk	110,000	-	110,000	-
Proceeds from maturity of private debt securities	180,000	-	180,000	-
Proceeds from maturity of Islamic commercial papers	1,700,000	-	1,700,000	-
Proceeds from redemption of sukuk	212,120	-	212,120	-
Net cash generated from/(used in) investing activities	379,942	(79,248)	379,942	(79,222)
Cash flows generated from/(used in) financing activities				
Net payment of term financing	(37,282)	(44,675)	(37,282)	(44,675)
Net payment of medium term notes	(50,000)	-	(50,000)	-
Profit paid on term financing	(1,451)	(512)	(1,451)	(512)
Profit paid on medium-term notes	(74,454)	(70,461)	(74,454)	(70,461)
Proceed from government funds	20,000	90,000	20,000	90,000
Payment of lease liability	(3,695)	-	(3,695)	-
Net cash used in financing activities	(146,882)	(25,648)	(146,882)	(25,648)
Net increase in cash and cash equivalents	634,084	62,376	631,589	62,734
Cash and cash equivalents at beginning of year	484,082	421,706	480,389	417,655
Cash and cash equivalents at end of year	1,118,166	484,082	1,111,978	480,389
Cash and cash equivalents comprise of:				
- Cash and short-term funds	1,118,166	484,082	1,111,978	480,389

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(a) Cash and short-term funds

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash at banks and on hand	30,192	26,029	24,004	22,336
Money at call and deposit placements maturing within three months	1,087,974	458,053	1,087,974	458,053
	1,118,166	484,082	1,111,978	480,389

(b) Financial investments at FVOCI

	Group and Bank	
	2019 RM'000	2018 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	531,107	710,577
Non-money market instruments		
Equity securities - Private debt securities	30,392	134,504
Debt securities - Private debt securities	783,386	1,018,821
	813,778	1,153,325
Total	1,344,885	1,863,902

No loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve. The movement in allowances for impairment which reflects the ECL model on impairment are as disclosed in Note 6.

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bai' Bithaman Ajil	1,509	1,509	-	-
Murabahah	1,937,358	2,599,905	1,868,535	2,535,006
Istisna'	140,998	162,651	131,640	162,611
Ijarah	84	84	-	-
Ijarah Thumma Al-Bai	357,413	410,721	292,838	363,667
Bai' Dayn	8,424	7,397	8,424	7,397
Tawarruq	3,768,903	3,080,903	3,768,898	3,047,096
Bai' Inah	48,037	20,444	46,759	19,784
Gross advances and financing	6,262,726	6,283,614	6,117,094	6,135,561
Less: Allowance for impairment losses on				
- Stage 1 (Note 41(c)(ix))	(47,627)	(42,207)	(47,627)	(42,207)
- Stage 2 (Note 41(c)(ix))	(30,559)	(51,522)	(30,559)	(51,522)
- Stage 3 (Note 41(c)(ix))	(629,945)	(826,154)	(484,313)	(678,101)
Net advances and financing	5,554,595	5,363,731	5,554,595	5,363,731
Gross impaired advances and financing (Note 41(c)(viii))	1,276,942	1,492,925	1,131,310	1,344,872
Net impaired advances and financing	646,997	666,771	646,997	666,771

Included in advances and financing are gross advances and financing amounting to RM65,538,000 (2018: RM53,045,000) financed by the Government funds.

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing (cont'd)

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	1,089,603	951,526	971,539	827,067
More than one year to three years	783,841	960,543	763,712	958,558
More than three years to five years	946,895	883,724	945,706	869,041
More than five years	3,442,387	3,487,821	3,436,137	3,480,895
	6,262,726	6,283,614	6,117,094	6,135,561

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprise	6,247,863	6,273,106	6,102,231	6,125,053
Individual	14,863	10,508	14,863	10,508
	6,262,726	6,283,614	6,117,094	6,135,561

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41. ISLAMIC BANKING BUSINESS (CONT'D)**Notes to the financial statements****For the financial year ended 31 December 2019****(c) Advances and financing (cont'd)**

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Construction	1,245,497	1,314,444	1,243,983	1,312,930
Education, health and others	579,777	552,812	543,801	516,680
Electricity, gas and water supply	34,525	1,306	34,525	1,306
Financial, insurance, real estate and business services	1,045,021	1,007,608	1,043,192	1,005,035
Manufacturing	1,105,905	1,118,262	1,046,143	1,057,836
Mining and quarrying	75,887	44,705	75,887	44,705
Primary agriculture	5,729	6,446	5,729	6,446
Transportation, storage and communication	766,109	841,759	734,033	809,120
Wholesale, retail trade, restaurants and hotels	1,389,413	1,385,764	1,374,938	1,370,995
Others	14,863	10,508	14,863	10,508
	6,262,726	6,283,614	6,117,094	6,135,561

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing (cont'd)

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

Group 2019	Central	Northern	Southern	East	Sabah	Sarawak	Total
	Region	Region	Region	Coast	Region	Region	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Construction	649,259	34,213	266,827	70,984	75,609	148,605	1,245,497
Education, health and others	381,792	24,755	58,388	72,439	21,005	21,398	579,777
Electricity, gas and water supply	30,106	-	-	2,504	1,915	-	34,525
Financial, insurance, real estate and business services	734,589	89,628	83,578	15,557	75,866	45,803	1,045,021
Manufacturing	574,390	149,326	162,169	137,567	43,340	39,113	1,105,905
Mining and quarrying	33,046	-	7,428	14,413	17,874	3,126	75,887
Primary agriculture	477	-	502	22	4,650	78	5,729
Transportation, storage and communication	390,737	94,781	57,255	107,320	38,321	77,695	766,109
Wholesale, retail trade, restaurants and hotels	645,603	172,639	107,575	152,689	184,245	126,662	1,389,413
Others	14,863	-	-	-	-	-	14,863
	3,454,862	565,342	743,722	573,495	462,825	462,480	6,262,726

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing (cont'd)

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

Group 2018	Central	Northern	Southern	East			Total
	Region	Region	Region	Coast	Sabah	Sarawak	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Construction	711,339	77,295	156,989	162,472	81,064	125,285	1,314,444
Education, health and others	343,350	24,185	54,401	84,409	23,272	23,195	552,812
Electricity, gas and water supply	-	-	-	1,306	-	-	1,306
Financial, insurance, real estate and business services	702,607	51,792	93,421	23,655	84,924	51,209	1,007,608
Manufacturing	592,322	112,700	194,260	130,667	44,677	43,636	1,118,262
Mining and quarrying	3,414	-	700	14,466	24,156	1,969	44,705
Primary agriculture	785	-	798	50	4,813	-	6,446
Transportation, storage and communication	386,195	96,952	81,021	125,647	42,903	109,041	841,759
Wholesale, retail trade, restaurants and hotels	715,572	103,982	91,214	164,955	214,050	95,991	1,385,764
Others	10,508	-	-	-	-	-	10,508
	<u>3,466,092</u>	<u>466,906</u>	<u>672,804</u>	<u>707,627</u>	<u>519,859</u>	<u>450,326</u>	<u>6,283,614</u>

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing (cont'd)

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

Bank 2019	East						Total RM'000
	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	
Construction	647,745	34,213	266,827	70,984	75,609	148,605	1,243,983
Education, health and others	345,816	24,755	58,388	72,439	21,005	21,398	543,801
Electricity, gas and water supply	30,106	-	-	2,504	1,915	-	34,525
Financial, insurance, real estate and business services	732,760	89,628	83,578	15,557	75,866	45,803	1,043,192
Manufacturing	514,628	149,326	162,169	137,567	43,340	39,113	1,046,143
Mining and quarrying	33,046	-	7,428	14,413	17,874	3,126	75,887
Primary agriculture	477	-	502	22	4,650	78	5,729
Transportation, storage and communication	358,661	94,781	57,255	107,320	38,321	77,695	734,033
Wholesale, retail trade, restaurants and hotels	631,128	172,639	107,575	152,689	184,245	126,662	1,374,938
Others	14,863	-	-	-	-	-	14,863
	3,309,230	565,342	743,722	573,495	462,825	462,480	6,117,094

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing (cont'd)

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

Bank 2018	Central	Northern	Southern	East			Total
	Region	Region	Region	Coast	Sabah	Sarawak	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Construction	709,825	77,295	156,989	162,472	81,064	125,285	1,312,930
Education, health and others	307,218	24,185	54,401	84,409	23,272	23,195	516,680
Electricity, gas and water supply	-	-	-	1,306	-	-	1,306
Financial, insurance, real estate and business services	700,034	51,792	93,421	23,655	84,924	51,209	1,005,035
Manufacturing	531,896	112,700	194,260	130,667	44,677	43,636	1,057,836
Mining and quarrying	3,414	-	700	14,466	24,156	1,969	44,705
Primary agriculture	785	-	798	50	4,813	-	6,446
Transportation, storage and communication	353,556	96,952	81,021	125,647	42,903	109,041	809,120
Wholesale, retail trade, restaurants and hotels	700,803	103,982	91,214	164,955	214,050	95,991	1,370,995
Others	10,508	-	-	-	-	-	10,508
	<u>3,318,039</u>	<u>466,906</u>	<u>672,804</u>	<u>707,627</u>	<u>519,859</u>	<u>450,326</u>	<u>6,135,561</u>

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing (cont'd)

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

Group	Hire	Leasing	Other	Revolving	Staff	Total
	purchase		term			
2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bai' Bithaman Ajil	-	-	389	1,120	-	1,509
Murabahah	-	-	1,831,617	90,878	14,863	1,937,358
Istisna'	-	-	140,998	-	-	140,998
Ijarah	-	84	-	-	-	84
Ijarah Thumma Al-Bai	311,796	-	28,857	16,760	-	357,413
Bai' Dayn	-	-	-	8,424	-	8,424
Tawarruq	-	-	2,461,417	1,307,486	-	3,768,903
Bai' Inah	-	-	48,037	-	-	48,037
	311,796	84	4,511,315	1,424,668	14,863	6,262,726
2018						
Bai' Bithaman Ajil	-	-	389	1,120	-	1,509
Murabahah	15,973	-	2,451,766	121,658	10,508	2,599,905
Istisna'	-	-	162,651	-	-	162,651
Ijarah	-	84	-	-	-	84
Ijarah Thumma Al-Bai	336,102	-	36,221	38,398	-	410,721
Bai' Dayn	-	-	-	7,397	-	7,397
Tawarruq	19,492	-	2,082,957	978,454	-	3,080,903
Bai' Inah	112	-	20,274	58	-	20,444
	371,679	84	4,754,258	1,147,085	10,508	6,283,614

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41. ISLAMIC BANKING BUSINESS (CONT'D)**Notes to the financial statements****For the financial year ended 31 December 2019****(c) Advances and financing (cont'd)**

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

Bank	Hire purchase	Other term financing	Revolving financing	Staff financing	Total
2019	RM'000	RM'000	RM'000	RM'000	RM'000
Murabahah	-	1,776,270	77,402	14,863	1,868,535
Istisna'	-	131,640	-	-	131,640
Ijarah Thumma Al-Bai	275,897	181	16,760	-	292,838
Bai' Dayn	-	-	8,424	-	8,424
Tawarruq	-	2,461,412	1,307,486	-	3,768,898
Bai' Inah	-	46,759	-	-	46,759
	275,897	4,416,262	1,410,072	14,863	6,117,094
2018					
Murabahah	-	2,404,083	120,415	10,508	2,535,006
Istisna'	-	162,611	-	-	162,611
Ijarah Thumma Al-Bai	335,423	-	28,244	-	363,667
Bai' Dayn	-	-	7,397	-	7,397
Tawarruq	-	2,069,188	977,908	-	3,047,096
Bai' Inah	-	19,784	-	-	19,784
	335,423	4,655,666	1,133,964	10,508	6,135,561

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing (cont'd)

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Staff financing	14,863	10,508	14,863	10,508
- Hire purchase	210,736	286,066	175,707	250,680
- Leasing	84	84	-	-
- Revolving financing	208,028	244,078	193,490	231,015
- Other term financing	1,041,552	1,326,787	952,210	1,234,758
Variable rate				
- Hire purchase	101,060	85,613	100,190	84,743
- Revolving financing	1,216,640	903,007	1,216,582	902,949
- Other term financing	3,469,763	3,427,471	3,464,052	3,420,908
	6,262,726	6,283,614	6,117,094	6,135,561

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Construction	159,711	169,805	158,197	168,291
Education, health and others	142,093	137,179	106,117	101,047
Financial, insurance, real estate and business services	230,333	186,716	228,504	184,143
Manufacturing	301,471	364,207	241,709	303,781
Mining and quarrying	2,144	1,049	2,144	1,049
Primary agriculture	272	260	272	260
Transportation, storage and communication	136,286	231,413	104,210	198,774
Wholesale, retail trade, restaurants and hotels	304,632	402,296	290,157	387,527
	1,276,942	1,492,925	1,131,310	1,344,872

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing (cont'd)

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

Group 2019	Central	Northern	Southern	East			Total
	Region	Region	Region	Coast	Sabah	Sarawak	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Construction	101,929	2,084	13,100	9,310	8,441	24,847	159,711
Education, health and others	93,512	3,150	17,947	19,628	7,001	855	142,093
Financial, insurance, real estate and business services	205,121	7,487	8,859	3,291	5,426	149	230,333
Manufacturing	193,102	13,537	44,255	39,182	6,294	5,101	301,471
Mining and quarrying	1,850	-	-	294	-	-	2,144
Primary agriculture	-	-	65	-	207	-	272
Transportation, storage and communication	87,020	6,490	11,342	12,471	9,657	9,306	136,286
Wholesale, retail trade, restaurants and hotels	-	-	-	-	-	-	-
	148,559	29,579	27,342	36,575	57,111	5,466	304,632
	831,093	62,327	122,910	120,751	94,137	45,724	1,276,942

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing (cont'd)

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

Group 2018	Central	Northern	Southern	East	Sabah	Sarawak	Total
	Region	Region	Region	Coast	Region	Region	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Construction	114,263	4,273	36,627	2,804	8,027	3,811	169,805
Education, health and others	111,612	3,608	5,442	13,698	2,151	668	137,179
Financial, insurance, real estate and business services	152,822	8,109	3,224	10,852	10,167	1,542	186,716
Manufacturing	205,466	31,689	68,932	48,677	5,744	3,699	364,207
Mining and quarrying	652	-	-	397	-	-	1,049
Primary agriculture	-	-	60	-	200	-	260
Transportation, storage and communication	120,611	6,988	23,284	41,503	9,164	29,863	231,413
Wholesale, retail trade, restaurants and hotels	203,799	39,000	24,234	44,396	86,118	4,749	402,296
	909,225	93,667	161,803	162,327	121,571	44,332	1,492,925

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing (cont'd)

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

Bank 2019	Central	Northern	Southern	East	Sabah	Sarawak	Total
	Region	Region	Region	Coast	Region	Region	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Construction	100,415	2,084	13,100	9,310	8,441	24,847	158,197
Education, health and others	57,536	3,150	17,947	19,628	7,001	855	106,117
Financial, insurance, real estate and business services	203,292	7,487	8,859	3,291	5,426	149	228,504
Manufacturing	133,340	13,537	44,255	39,182	6,294	5,101	241,709
Mining and quarrying	1,850	-	-	294	-	-	2,144
Primary agriculture	-	-	65	-	207	-	272
Transportation, storage and communication	54,944	6,490	11,342	12,471	9,657	9,306	104,210
Wholesale, retail trade, restaurants and hotels	134,084	29,579	27,342	36,575	57,111	5,466	290,157
	685,461	62,327	122,910	120,751	94,137	45,724	1,131,310

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing (cont'd)

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

Bank 2018	Central	Northern	Southern	East	Sabah	Sarawak	Total
	Region	Region	Region	Coast	Region	Region	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Construction	112,749	4,273	36,627	2,804	8,027	3,811	168,291
Education, health and others	75,480	3,608	5,442	13,698	2,151	668	101,047
Financial, insurance, real estate and business services	150,249	8,109	3,224	10,852	10,167	1,542	184,143
Manufacturing	145,040	31,689	68,932	48,677	5,744	3,699	303,781
Mining and quarrying	652	-	-	397	-	-	1,049
Primary agriculture	-	-	60	-	200	-	260
Transportation, storage and communication	87,972	6,988	23,284	41,503	9,164	29,863	198,774
Wholesale, retail trade, restaurants and hotels	189,030	39,000	24,234	44,396	86,118	4,749	387,527
	761,172	93,667	161,803	162,327	121,571	44,332	1,344,872

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing (cont'd)

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	42,207	51,522	826,154	919,883
-Transfers to Stage 1	39,788	(22,186)	(17,602)	-
-Transfers to Stage 2	(1,776)	14,447	(12,671)	-
-Transfers to Stage 3	(885)	(10,851)	11,736	-
	37,127	(18,590)	(18,537)	-
Net remeasurement of allowances (Note 41(m))	(38,733)	1,708	103,039	66,014
New financial assets originated (Note 41(m))	15,522	2,441	63,635	81,598
Financial assets derecognised (Note 41(m))	(8,496)	(6,522)	(73,286)	(88,304)
Amount written-off	-	-	(271,060)	(271,060)
At 31 December 2019	47,627	30,559	629,945	708,131
At 1 January 2018	65,704	55,189	431,648	552,541
-Transfers to Stage 1	8,578	(5,581)	(2,997)	-
-Transfers to Stage 2	(5,683)	11,240	(5,557)	-
-Transfers to Stage 3	(5,885)	(23,728)	29,613	-
	(2,990)	(18,069)	21,059	-
Net remeasurement of allowances (Note 41(m))	(23,106)	15,369	373,551	365,814
New financial assets originated (Note 41(m))	11,794	3,020	54,635	69,449
Financial assets derecognised (Note 41(m))	(9,195)	(3,987)	(54,739)	(67,921)
At 31 December 2018	42,207	51,522	826,154	919,883

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing (cont'd)

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

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	42,207	51,522	678,101	771,830
-Transfers to Stage 1	39,788	(22,186)	(17,602)	-
-Transfers to Stage 2	(1,776)	14,447	(12,671)	-
-Transfers to Stage 3	(885)	(10,851)	11,736	-
	37,127	(18,590)	(18,537)	-
Net remeasurement of allowances (Note 41(m))	(38,733)	1,708	105,460	68,435
New financial assets originated (Note 41(m))	15,522	2,441	63,635	81,598
Financial assets derecognised (Note 41(m))	(8,496)	(6,522)	(73,286)	(88,304)
Amount written-off	-	-	(271,060)	(271,060)
At 31 December 2019	47,627	30,559	484,313	562,499
At 1 January 2018	65,704	55,189	348,569	469,462
-Transfers to Stage 1	8,578	(5,581)	(2,997)	-
-Transfers to Stage 2	(5,683)	11,240	(5,557)	-
-Transfers to Stage 3	(5,885)	(23,728)	29,613	-
	(2,990)	(18,069)	21,059	-
Net remeasurement of allowances (Note 41(m))	(23,106)	15,369	308,577	300,840
New financial assets originated (Note 41(m))	11,794	3,020	54,635	69,449
Financial assets derecognised (Note 41(m))	(9,195)	(3,987)	(54,739)	(67,921)
At 31 December 2018	42,207	51,522	678,101	771,830

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(c) Advances and financing (cont'd)

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net impaired loans, advances and financing as a percentage	11.49%	12.22%	11.49%	12.22%

(d) Other assets

	Group	
	2019 RM'000	2018 RM'000
At AC		
Other receivables	474	1,946
Rental receivables (Note 9 (i))	1,345	1,253
	1,819	3,199
Prepayments	3,706	3,973
	5,525	7,172
	Bank	
	2019 RM'000	2018 RM'000
At FVOCI		
Amount due from a subsidiary company (Note 9 (ii))	63,750	82,878
At AC		
Amount due from subsidiary companies (Note 9 (iii))	35,885	36,993
Other receivables and rental receivables	1,103	21
	36,988	37,014
Prepayments	3,706	3,973
	104,444	123,865

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(e) Property, plant and equipment

Group	Freehold	Long-term	Building	Furniture	Renovation	Motor	Electrical	Work-	Total
	land	leasehold		and		vehicles	and	in-	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost									
At 1 January 2019	2,085	17,749	44,415	22,473	29,562	769	3,985	-	121,038
Additions	-	833	-	5,641	511	-	150	2,923	10,058
Write-offs	-	-	-	(358)	(786)	-	(8)	-	(1,152)
At 31 December 2019	2,085	18,582	44,415	27,756	29,287	769	4,127	2,923	129,944
Accumulated depreciation									
At 1 January 2019	-	2,658	11,835	19,912	15,046	766	3,695	-	53,912
Charge for the year	-	48	2,446	5,508	5,460	3	113	-	13,578
Write-offs	-	-	-	(310)	(427)	-	(8)	-	(745)
At 31 December 2019	-	2,706	14,281	25,110	20,079	769	3,800	-	66,745
Net carrying amount									
At 31 December 2019	2,085	15,876	30,134	2,646	9,208	-	327	2,923	63,199

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(e) Property, plant and equipment (cond't)

Group	Freehold	Long-term leasehold	Building	Furniture and equipment	Renovation	Motor vehicles	Electrical and machinery	Work-in-progress	Total
	land	land	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Cost									
At 1 January 2018	2,085	17,749	43,522	21,536	27,468	773	3,711	327	117,171
Additions	-	-	893	987	2,094	-	274	-	4,248
Write-offs	-	-	-	(50)	-	(4)	-	(327)	(381)
At 31 December 2018	2,085	17,749	44,415	22,473	29,562	769	3,985	-	121,038
Accumulated depreciation									
At 1 January 2018	-	2,634	9,393	15,342	9,437	768	3,632	-	41,206
Charge for the year	-	24	2,442	4,618	5,609	2	63	-	12,758
Write-offs	-	-	-	(48)	-	(4)	-	-	(52)
At 31 December 2018	-	2,658	11,835	19,912	15,046	766	3,695	-	53,912
Net carrying amount									
At 31 December 2018	2,085	15,091	32,580	2,561	14,516	3	290	-	67,126

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(e) Property, plant and equipment (cond't)

Bank	Long-term		Building	Furniture and equipment	Renovation	Motor vehicles	Electrical and machinery	Work-in-progress	Total
	Freehold land	leasehold land							
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost									
At 1 January 2019	2,085	17,749	44,415	22,336	29,536	769	3,985	-	120,875
Additions	-	833	-	5,641	511	-	150	2,923	10,058
Write-offs	-	-	-	(358)	(786)	-	(8)	-	(1,152)
At 31 December 2019	2,085	18,582	44,415	27,619	29,261	769	4,127	2,923	129,781
Accumulated depreciation									
At 1 January 2019	-	2,658	11,835	19,795	15,046	766	3,695	-	53,795
Charge for the year	-	48	2,446	5,501	5,460	2	113	-	13,570
Write-offs	-	-	-	(310)	(427)	-	(8)	-	(745)
At 31 December 2019	-	2,706	14,281	24,986	20,079	768	3,800	-	66,620
Net carrying amount									
At 31 December 2019	2,085	15,876	30,134	2,633	9,182	1	327	2,923	63,161

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(e) Property, plant and equipment (cond't)

Bank	Freehold	Long-term leasehold	Building	Furniture and equipment	Renovation	Motor vehicles	Electrical and machinery	Work- in- progress	Total
	land	land							
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost									
At 1 January 2018	2,085	17,749	43,522	21,399	27,468	773	3,711	327	117,034
Additions	-	-	893	987	2,068	-	274	-	4,222
Write-offs	-	-	-	(50)	-	(4)	-	(327)	(381)
At 31 December 2018	2,085	17,749	44,415	22,336	29,536	769	3,985	-	120,875
Accumulated depreciation									
At 1 January 2018	-	2,634	9,393	15,249	9,437	768	3,632	-	41,113
Charge for the year	-	24	2,442	4,594	5,609	2	63	-	12,734
Write-offs	-	-	-	(48)	-	(4)	-	-	(52)
At 31 December 2018	-	2,658	11,835	19,795	15,046	766	3,695	-	53,795
Net carrying amount									
At 31 December 2018	2,085	15,091	32,580	2,541	14,490	3	290	-	67,080

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(f) Term financing

	Group and Bank	
	2019	2018
	RM'000	RM'000
Unsecured term financing	246,867	283,309

The maturity structure of the term financing are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Within one year	23,295	15,230
More than one year to five years	129,253	45,684
More than five years	94,319	222,395
	246,867	283,309

The unsecured term financing denominated in RM is sourced from the following:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Financing from:		
- Government of Malaysia	157,562	156,719
- Bank Negara Malaysia ("BNM")	89,305	126,590
	246,867	283,309

The profit rates on the financing from the Government of Malaysia is 0% - 4% (2018: 0% - 4%) per annum. The rate for financing from BNM ranges from 4% - 5.23% (2018: 4% - 5.23%) per annum.

(g) Other liabilities

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other payables and accruals	417,553	286,248	424,849	299,184
Islamic margin account (Note 23(ii))	457,114	522,722	457,004	522,722
Guarantee payable (Note 23(iii))	149,288	153,344	149,288	153,344
Provision for zakat	3,966	5,220	3,966	5,220
Allowance for impairment on financing commitments (Note (i))	6,379	6,621	6,379	6,621
	1,034,300	974,155	1,041,486	987,091

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31 DECEMBER 2019

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41. ISLAMIC BANKING BUSINESS (CONT'D)**Notes to the financial statements**

For the financial year ended 31 December 2019

(g) Other liabilities (cont'd)

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

Commitments	Group and Bank	
	Stage 1 2019 RM'000	Stage 1 2018 RM'000
At 1 January	6,621	9,212
Net remeasurement of allowances	2,244	(1,366)
New financial assets originated	607	1,872
Amount settled	(3,093)	(3,097)
At 31 December	6,379	6,621

(h) Government funds

	Group and Bank	
	2019 RM'000	2018 RM'000
To finance:		
Advances and financing	228,220	196,985
	228,220	196,985

NOTES TO THE FINANCIAL STATEMENTS

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(h) Government funds (cont'd)

Group and Bank	Program Soft dan Skim Financing Usahawan Scheme Batik		Basic Capital Scheme	Tabung Usahawan Siswazah	Dana Usahawan Negeri Terengganu	Program dan Skim Usahawan Kraf	Skim Anjakan Usahawan	Teraju Facilitation Fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	36,427	4,168	32,815	14,124	4,616	4,756	98,848	1,231	196,985
Proceeds	-	-	-	-	-	-	20,000	9,842	29,842
Recoveries from financing written-off	59	-	807	680	72	-	-	-	1,618
Muqasah	-	-	-	-	(225)	-	-	-	(225)
At 31 December 2019	36,486	4,168	33,622	14,804	4,463	4,756	118,848	11,073	228,220
At 1 January 2018	36,406	4,168	30,090	13,380	4,516	4,756	58,848	-	152,164
Proceeds	-	-	-	-	-	-	40,000	50,000	90,000
Deposit placed (Note 24(b))	-	-	-	-	-	-	-	(48,769)	(48,769)
Recoveries from financing written-off	21	-	2,725	744	127	-	-	-	3,617
Muqasah	-	-	-	-	(27)	-	-	-	(27)
At 31 December 2018	36,427	4,168	32,815	14,124	4,616	4,756	98,848	1,231	196,985

NOTES TO THE FINANCIAL STATEMENTS

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41. ISLAMIC BANKING BUSINESS (CONT'D)**Notes to the financial statements****For the financial year ended 31 December 2019****(i) Income from Islamic banking business**

	Group and Bank	
	2019	2018
	RM'000	RM'000
Income from advances and financing		
- Murabahah	126,581	132,997
- Istisna'	8,020	10,239
- Ijarah Thuma Al-Bai	21,651	26,205
- Bai' Dayn	564	798
- Tawarruq	235,361	233,425
- Bai' Inah	7,547	8,457
Total income from advances and financing	399,724	412,121
Tawarruq deposit placements	35,821	38,308
Derivative financial asset	(1,754)	8,075
Financial investments at FVOCI	67,626	81,635
Financial investments at AC	28,272	22,510
	529,689	562,649

Included in income from advances and financing is profit on impaired advances and financing amounting to RM55,308,000 (2018: RM36,796,000).

NOTES TO THE FINANCIAL STATEMENTS

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(j) Other income

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fee income	8,975	8,698	7,683	7,238
Commission fee income [^]	2,317	1,469	2,317	1,469
Rental income	10,529	10,372	10,529	10,372
Government funds writeback	(1,393)	(3,590)	(1,393)	(3,590)
Management fee	-	-	179	419
Fair value adjustment on investment properties (Note 15)	19,848	304	19,848	304
Profit income on amount due from a subsidiary company (Note 37(c))	-	-	15,382	17,777
Recovery income	4,513	8,771	-	-
Compensation on late payment charges	6,119	3,508	6,119	3,508
Others	19,095	8,964	19,023	8,964
	70,003	38,496	79,687	46,461

[^] The Group and the Bank recognised commission fees from a third party insurance/takaful provider upon disbursement of advances and financing. The Group and the Bank require insurance/takaful coverage on assets being financed and the coverage is renewable for 12-months period with customer's consent. The Group and the Bank have assessed the impact of MFRS 15 annually and concluded no significant impact on the financial position of the Group and of the Bank.

(k) Profit expense attributable to Islamic banking business

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits from customers (Note i)	110,675	124,250	110,980	126,793
Islamic medium-term notes	71,090	70,445	71,090	70,445
Term financing	1,450	2,007	1,450	2,007
Deposits from banks and other financial institutions	6,262	18,251	6,262	18,251
Others (Note ii)	4,105	8,419	4,105	8,419
	193,582	223,372	193,887	225,915

(i) Included in profit expense on deposits from customers of the Bank is profit expenses for subsidiary companies amounting to RM305,000 (2018: RM2,543,000).

(ii) Included in other profit expenses is finance cost on lease liabilities amounting to RM625,000.

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(l) Other operating expenses

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	119,123	126,307	116,771	121,530
Establishment related expenses	38,098	37,295	38,018	36,831
Promotion and marketing expenses	3,092	3,684	3,358	3,895
Administration and general expenses	15,000	20,561	15,442	23,340
	175,313	187,847	173,589	185,596

(m) Allowance for impairment loss on advances and financing

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment losses on advances and financing made during the year				
- Stage 1, net (Note 41 (c)(ix))	(31,707)	(20,507)	(31,707)	(20,507)
- Stage 2, net (Note 41 (c)(ix))	(2,373)	14,402	(2,373)	14,402
- Stage 3, net (Note 41 (c)(ix))	93,388	373,447	95,809	308,473
	59,308	367,342	61,729	302,368
Advances and financing waived	-	8	-	8
Impaired advances and financing recovered	(13,589)	(9,298)	(13,589)	(9,298)
Total allowance for impairment loss on advances and financing	45,719	358,052	48,140	293,078

(n) Commitments

	Group and Bank	
	2019	2018
	RM'000	RM'000
Direct credit substitutes	160,753	189,758
Transaction-related-contingent items	106,581	138,014
Irrevocable commitments to extend credit with maturity exceeding one year	1,660,101	1,130,701
Profit rate related contract	-	200,000
	1,927,435	1,658,473

NOTES TO THE FINANCIAL STATEMENTS

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(o) Capital adequacy

Capital management

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Tier I Capital</u>				
Capital funds	1,050,564	1,050,564	1,050,564	1,050,564
Retained earnings/(Accumulated losses)	328,914	154,922	83,404	(147,698)
Less: Deferred tax assets	(104,456)	(117,393)	(104,456)	(117,393)
Less: Property revaluation reserve	(232,382)	(212,533)	(232,382)	(212,533)
Total Tier I capital	1,042,640	875,560	797,130	572,940
<u>Tier II Capital</u>				
General provision for advances and financing*	84,565	100,350	84,565	100,350
Property revaluation reserve [^]	116,191	106,267	116,191	106,267
Government funds [#]	267,147	245,754	267,147	245,754
Total Tier II capital	467,903	452,371	467,903	452,371
Total capital	1,510,543	1,327,931	1,265,033	1,025,311
Less: Investment in subsidiaries	-	-	-	-
Total capital base	1,510,543	1,327,931	1,265,033	1,025,311

* General provision for advances and financing refers to loss allowance measured at an amount equal to 12mECLs and LTECLs commonly known as Stage 1 and Stage 2 provisions respectively; and regulatory reserves, to the extent they are ascribed to non-credit impaired exposures.

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

[#] An amount of RM38,927,000 (2018: RM48,769,000) for Teraju Facilitation fund was channelled as placement with profit sharing of 70:30 between the Group and the Bank; and Teraju.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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41. ISLAMIC BANKING BUSINESS (CONT'D)

Notes to the financial statements

For the financial year ended 31 December 2019

(o) Capital adequacy (cont'd)

Capital management (cont'd)

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
20%	238,285	142,986	238,285	142,986
50%	422,273	288,143	422,273	288,143
100%	7,405,514	7,290,007	7,504,398	7,407,015
	8,066,072	7,721,136	8,164,956	7,838,144

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividends:				
Core capital ratio	12.926%	11.340%	9.763%	7.310%
Risk-weighted capital ratio	18.727%	17.199%	15.493%	13.081%
After deducting proposed dividends:				
Core capital ratio	12.468%	11.340%	9.310%	7.310%
Risk-weighted capital ratio	18.268%	17.199%	15.040%	13.081%

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

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42. SIGNIFICANT CHANGES IN ACCOUNTING POLICY

During the year, the Group and the Bank adopted MFRS 16 that is effective for annual periods that begin on or after 1 January 2019.

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of MFRS 16 on the Group's and the Bank's financial statements is described below.

The date of initial application of MFRS 16 for the Group and the Bank is 1 January 2019.

The Group and the Bank have adopted MFRS 16 using the modified retrospective approach which:

- Requires the Group and the Bank to recognise the cumulative effect of initially applying MFRS 16 at the date of initial application, i.e. 1 January 2019.
- Does not permit restatement of comparatives, which continue to be presented under MFRS 117 and IC Interpretation 4.

Impact of the new definition of a lease

The Group and the Bank have made use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 and IC Interpretation 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in MFRS 117 and IC Interpretation 4.

The Group and the Bank apply the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

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42. SIGNIFICANT CHANGES IN ACCOUNTING POLICY (CONT'D)**Impact on lessee accounting***Former operating leases*

MFRS 16 changes how the Group accounts for leases previously classified as operating leases under MFRS 117, which were off balance sheet.

Applying MFRS 16, for all leases (except as noted below), the Group and the Bank:

- Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the statements of comprehensive income; and
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statements of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under MFRS 16, right-of-use assets are tested for impairment in accordance with MFRS 136.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group and the Bank have opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. This expense is presented within 'other operating expenses' in profit or loss.

The Group and the Bank have used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying MFRS 117.

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

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42. SIGNIFICANT CHANGES IN ACCOUNTING POLICY (CONT'D)

Impact on lessee accounting (cont'd)*Former finance leases*

For leases that were classified as finance leases applying MFRS 117, the carrying amount of the leased assets and obligations under finance leases measured applying MFRS 117 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group and the Bank have elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying MFRS 16 from 1 January 2019.

Impact on lessor accounting

MFRS 16 does not change substantially how a lessor accounts for leases. Under MFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, MFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

As required by MFRS 9, an allowance for expected credit losses has been recognised on the finance lease receivables.

Financial impact of initial application of MFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statements of financial position on 1 January 2019 are for enterprise centre and motor vehicles are at 3.46% and 3.44% respectively.

The following table shows the operating lease commitments disclosed applying MFRS 117 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statements of financial position at the date of initial application.

	Group and Bank
	RM'000
Operating lease commitments at 31 December 2018	21,088
Discounted using the incremental borrowing rate at 1 January 2019	(153)
Finance lease liabilities recognised at 31 December 2018	20,935
Recognition exemption for low-value assets	(1,800)
Recognition exemption for short-term lease	(268)
Lease liabilities recognised at 1 January 2019	18,867

The Group and the Bank have recognised RM18,867,000 right-of-use assets and lease liabilities upon transition to MFRS 16.

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43. COMPARATIVES FIGURES

The presentation and classification of items in the current year's financial statements are consistent with the previous year except for the following comparative figures which have been reclassified to conform with the current year's presentation:

STATEMENTS OF FINANCIAL POSITION

	As previously stated RM'000	Re- classification RM'000	As restated RM'000
Group and Bank			
Assets			
Financial assets	2,722,241	(2,722,241)	-
Financial investments at fair value through other comprehensive income	-	2,048,108	2,048,108
Financial investments at amortised cost	-	674,133	674,133
Loans, advances and financing	5,657,732	6,729	5,664,461
Group			
Liabilities			
Other liabilities	1,039,958	6,729	1,046,687
Bank			
Liabilities			
Other liabilities	1,055,495	6,729	1,062,224

STATEMENTS OF COMPREHENSIVE INCOME

Group			
Interest income	26,580	(3,309)	23,271
Other operating income	8,324	3,309	11,633

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43. COMPARATIVES FIGURES (CONT'D)

The presentation and classification of items in the current year's financial statements are consistent with the previous year except for the following comparative figures which have been reclassified to conform with the current year's presentation: (cont'd)

ISLAMIC BANKING BUSINESS

STATEMENTS OF FINANCIAL POSITION

	As previously stated RM'000	Re- classification RM'000	As restated RM'000
Group and Bank			
Assets			
Financial assets	2,538,035	(2,538,035)	-
Financial investments at fair value through other comprehensive income	-	1,863,902	1,863,902
Financial investments at amortised cost	-	674,133	674,133
Loans, advances and financing	5,357,110	6,621	5,363,731
Group			
Liabilities			
Other liabilities	967,534	6,621	974,155
Bank			
Liabilities			
Other liabilities	980,470	6,621	987,091

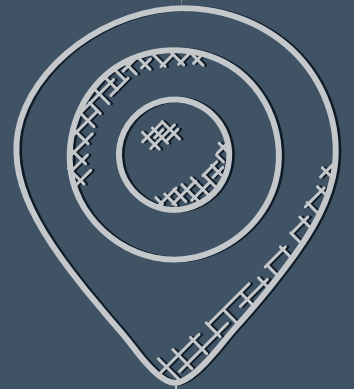
STATEMENTS OF COMPREHENSIVE INCOME

Group			
Income from Islamic banking business	571,420	(8,771)	562,649
Other income	29,725	8,771	38,496

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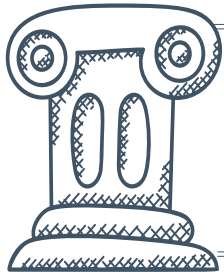
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BRANCH NETWORK
RANGKAIAN CAWANGAN



BRANCH NETWORK RANGKAIAN CAWANGAN

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SME BANK HEAD OFFICE

MENARA SME BANK

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KUALA LUMPUR

REGIONAL CENTRE

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Jalan Sultan Ismail, 50250 Kuala Lumpur,
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+603-2615 3259

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ENTERPRISE CENTRE 1

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ENTERPRISE CENTRE 2

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+603-2615 2017

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ENTERPRISE REGION 1

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SELANGOR

SELANGOR REGIONAL CENTRE

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JOHOR

SOUTHERN REGIONAL CENTRE

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+607-232 3991

+607-238 1480

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BATU PAHAT ENTERPRISE CENTRE

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Taman Setia Jaya,
83000 Batu Pahat, Johor.

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+607-432 8597

NEGERI SEMBILAN

SEREMBAN ENTERPRISE CENTRE

No. 295, Ground, 1st & 2nd Floor,
Jalan Bandar Senawang 16,
Pusat Bandar Senawang,
70450 Seremban, Negeri Sembilan.

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+606-671 6039

MELAKA

BANDAR MELAKA

ENTERPRISE CENTRE

Lot 8 & 10, Taman Lagenda 2,
Jalan 1 Lagenda, 75400 Melaka.

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+606-288 0218

PERAK

IPOH ENTERPRISE CENTRE

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PAHANG

ENTERPRISE REGION 2

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+609-517 1077

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25000 Kuantan, Pahang.

+609-517 1630

+609-517 1077

BRANCH NETWORK
RANGKAIAN CAWANGAN
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KELANTAN
KOTA BHARU
ENTERPRISE CENTRE

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15000 Kota Bharu, Kelantan.

☎ 09-748 3385 / 09-748 5260

☎ 09-744 8361

TERENGGANU
KUALA TERENGGANU
ENTERPRISE CENTRE

Ground Floor, Lot G10 & Mezzanine,
Menara Yayasan Islam Terengganu,
Jalan Sultan Omar,
20300 Kuala Terengganu, Terengganu.

☎ 09-622 3588 / 09-622 3692

☎ 09-622 2129

PULAU PINANG
NORTHERN REGIONAL CENTRE

No. 12A, Jalan Todak 3,
Pusat Bandar Seberang Jaya,
Bandar Sunway, 13700 Perai, Pulau Pinang.

☎ 04-390 6477

☎ 04-399 8475

SEBERANG JAYA
ENTERPRISE CENTRE

No. 12A, Jalan Todak 3,
Pusat Bandar Seberang Jaya,
Bandar Sunway, 13700 Perai, Pulau Pinang.

☎ 04-399 8585

☎ 04-399 8475

KEDAH
ALOR SETAR
ENTERPRISE CENTRE

No. 87 & 88,
Kompleks Perniagaan Sultan Abdul Hamid,
Persiaran Sultan Abdul Hamid,
05050 Alor Setar, Kedah.

☎ 04-777 4200 / 04-7774 220

☎ 04-777 4222

- EAST MALAYSIA -
SABAH
KOTA KINABALU
ENTERPRISE CENTRE

Level 2, Lot 24 & 25, Block D,
Kepayan Perdana Commercial Centre,
Jalan Lintas,
88865 Kota Kinabalu,
Sabah.

☎ 088-413 278 / 088-413 280

☎ 088-413 279

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☎ 082-257 661

☎ 082-418 661

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☎ 082-418 661

MIRI ENTERPRISE CENTRE

Lot 1190, Ground Floor,
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Jalan Permaisuri,
98000 Miri,
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☎ 085-415 488

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Assyakirin Commerce Square,
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