

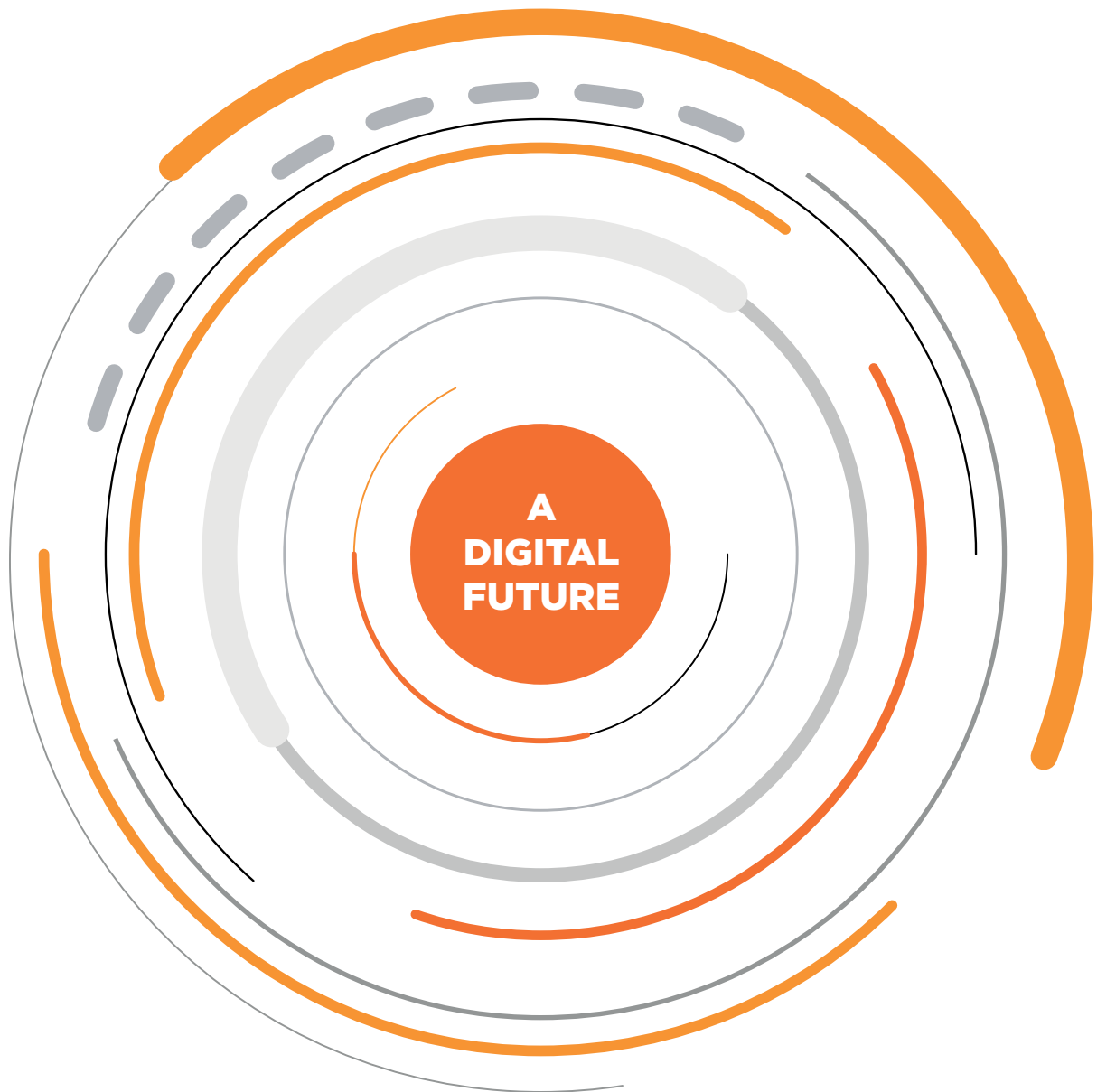


A DIGITAL FUTURE

MASA DEPAN DIGITAL







We are catalysing a new era of growth

A digital future is in the making at Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) as the Fourth Industrial Revolution (IR 4.0) changes how we work and engage with our stakeholders. Utilising elements of the SME Bank logo, an arrow is depicted on the front cover to symbolise the Bank's advancement into greater digitalisation. The icons within the orange pixels depict strategies towards increasing engagement, efficiency, reach, security and convenience to transcend barriers of time and distance and advance as the nation's leading Development Financial Institution (DFI). This catalyses performance and drives a momentum of progress, as depicted above by the dynamic rings that radiate from this core focus.

Kami memangkin era baharu pertumbuhan

Masa depan digital kini menjadi hala tuju Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) pada ketika Revolusi Industri Keempat (IR 4.0) mengubah cara kami bekerja dan berhubung dengan pihak berkepentingan kami. Dengan menggunakan elemen logo SME Bank, anak panah pada muka depan melambangkan kemajuan Bank menuju pendigitalan yang lebih luas. Ikon di dalam piksel jingga menggambarkan strategi ke arah peningkatan hubungan, kecekapan, jangkauan, keselamatan dan kemudahan untuk melangkaui batasan masa dan jarak lalu mara sebagai Institusi Kewangan Pembangunan (DFI) terkemuka negara. Ini memangkin prestasi dan menambah momentum kemajuan, sepertimana digambarkan di atas oleh gegelung yang terpancar dari tumpuan teras ini.

01

OVERVIEW TINJAUAN

- 6 **Stepping Into The Future**
Melangkah Ke Masa Depan
- 8 **Using This Report**
Menggunakan Laporan Ini
- 10 **Financial Highlights**
Sorotan Kewangan
- 12 **Corporate Highlights**
Sorotan Korporat
- 16 **SME Bank at a Glance**
Sepintas Lalu SME Bank
- 18 **SME Bank Branch Network**
Rangkaian Cawangan SME Bank
- 20 **Awards and Accolades**
Anugerah dan Pencapaian

02

THE VISIONARIES: OUR LEADER PEMIMPIN BERWAWASAN

- 24 **Group President/
Chief Executive Officer's
Review**
Ulasan oleh
Presiden Kumpulan/
Ketua Pegawai Eksekutif
- 40 **Board of Directors**
Lembaga Pengarah
- 42 **Profile of Directors**
Profil Pengarah
- 52 **Senior Management**
Pengurusan Kanan
- 54 **Shariah Committee**
Ahli Jawatankuasa Syariah

CORPORATE GOVERNANCE TADBIR URUS KORPORAT

- 58 **Statement on Corporate
Governance**
Penyata Tadbir Urus
Korporat
- 61 **Nomination Committee**
Jawatankuasa Pencalonan
- 62 **Nomination and
Compensation Committee**
Jawatankuasa Pencalonan
dan Pampasan
- 65 **Audit Committee**
Jawatankuasa Audit
- 69 **Risk Management
Committee**
Jawatankuasa Pengurusan
Risiko
- 72 **Statement on Risk
Management and Internal
Control**
Penyata Pengurusan Risiko
dan Kawalan Dalaman
- 80 **Asset Quality Review
Committee**
Jawatankuasa Semakan
Kualiti Aset
- 82 **Shariah Committee**
Jawatankuasa Syariah



Corporate Governance
Tadbir Urus Korporat

Group President/
Chief Executive Officer's Review
Ulasan oleh Presiden Kumpulan/
Ketua Pegawai Eksekutif

INSIDE THIS REPORT DALAM LAPORAN INI

03

OUR COMMITMENT TO SUSTAINABILITY KOMITMEN KAMI TERHADAP KEMAMPAHAN

- 88 **Sustainability Management**
Pengurusan Kemampanan
- 90 **Engaging Our Stakeholders**
Hubungan dengan Pihak Berkepentingan
- 105 **Economic**
Ekonomi
- 122 **Environment**
Alam Sekitar
- 134 **Social**
Sosial
- 152 **Governance and Compliance**
Tadbir Urus dan Pematuhan

Environment
Alam Sekitar

04

2018 ROUNDUP RUMUSAN 2018

- 162 **Calendar of Events**
Kalendar Peristiwa
- 166 **Corporate Visits**
Lawatan Korporat



Calendar of Events
Kalendar Peristiwa

05

FINANCIAL STATEMENTS PENYATA KEWANGAN

- 170 **Directors' Report**
Laporan Pengarah
- 174 **Statement by Directors**
Penyata oleh Pengarah
- 175 **Statutory Declaration**
Akuan Berkanun
- 176 **Shariah Committee's Report**
Laporan Jawatankuasa Syariah
- 178 **Independent Auditors' Report**
Laporan Juruaudit Bebas
- 181 **Statements of Financial Position**
Penyata Kedudukan Kewangan
- 182 **Statements of Comprehensive Income**
Penyata Pendapatan Komprehensif
- 183 **Statements of Changes in Equity**
Penyata Perubahan dalam Ekuiti
- 185 **Statements of Cash Flows**
Penyata Aliran Tunai
- 188 **Notes to the Financial Statements**
Nota-nota Penyata Kewangan

06

GROUP DIRECTORY DIREKTORI KUMPULAN

- 324 **List of Branch Network**
Senarai Rangkaian Cawangan



interface
elements





CATALYSING DIGITAL GROWTH

MEMANGKIN PERTUMBUHAN
DIGITAL

SME Bank has taken major steps into digital technology in line with the Government's desire for embracing IR 4.0. MySMEBank Online provides a seamless experience for SMEs applying for financing, just as it's aptly described, "Apply Anytime Anywhere".

SME Bank telah mengambil langkah-langkah penting menuju teknologi digital sejajar dengan hasrat Kerajaan dalam menghadapi IR 4.0. *MySMEBank Online* memberi pengalaman lancar kepada PKS yang memohon pembiayaan, sepertimana slogan, "Mohon Bila-Bila Masa Di Mana Sahaja".

Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) provides financing and beyond financing assistance and expertise to small and medium enterprises (SMEs). Wholly-owned by the Ministry of Finance, SME Bank helps boost new enterprises and industries and upgrades their existing base, in support of the Malaysian Government's economic and development initiatives including the National Key Economic Areas 2010-2020 and the Financial Sector Blueprint 2011-2020.

As at December 2018, SME Bank approved RM30 billion in financing and guarantees to finance projects for the SMEs. SME Bank obtains its own financial resources from internal and external funds. SME Bank's debt rating is AAA, the highest available. SME Bank is headquartered in Kuala Lumpur, Malaysia and has a strong network of 28 branches, comprising Regional Centres, Enterprise Centres and Business Centres.

Stepping into the future, SME Bank will embrace positive changes that will reshape its organisation, cement its position as the leading Development Financial Institution (DFI), and create a wealth of opportunities for SMEs and all its stakeholders.



Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) menawarkan bantuan kepakaran pembiayaan dan menjangkau pembiayaan kepada perusahaan kecil dan sederhana (PKS). Dimiliki sepenuhnya oleh Kementerian Kewangan, SME Bank membantu melonjakkan perusahaan baharu dan industri dan menaik taraf kedudukan mereka, dalam menyokong usaha-usaha ekonomi dan pembangunan oleh Kerajaan Malaysia termasuk Bidang Ekonomi Utama Negara 2010-2020 dan Pelan Sektor Kewangan 2011-2020.

Pada Disember 2018, SME Bank meluluskan RM30 bilion pembiayaan dan jaminan untuk membiayai projek-projek bagi PKS. SME Bank memperoleh sumber kewangannya sendiri daripada dana dalaman dan luar. Penarafan hutang SME Bank adalah AAA, iaitu yang tertinggi seumpamanya. SME Bank beroperasi dari ibu pejabatnya di Kuala Lumpur, Malaysia dan mempunyai rangkaian kukuh sebanyak 28 cawangan, terdiri daripada Pusat Wilayah, Pusat Enterpris dan Pusat Perniagaan.

Melangkah ke masa hadapan, SME Bank akan menerima sebarang perubahan positif yang akan membentuk semula organisasinya, mengukuhkan kedudukannya sebagai Institusi Kewangan Pembangunan yang terkemuka, dan membuka lebih banyak peluang untuk PKS serta semua pihak berkepentingan.



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



USING THIS REPORT

MENGGUNAKAN LAPORAN INI

SME Bank remains true to its mission to develop Small and Medium Enterprises (SMEs) as the country's engine of growth in line with the Government's economic agenda. As we continue with our internal progression, we endeavour to help SMEs grow their business proportion. And because growth generates virtuous circles of prosperity and opportunities, catalysing growth will continue to be at the heart of our policy and strategies. Together, we shall build long-term relationships in charting the path towards sustainability.

SME Bank berpegang kepada misinya untuk membangunkan Perusahaan Kecil dan Sederhana (PKS) sebagai penjana pertumbuhan negara sejajar dengan agenda ekonomi Kerajaan. Dalam kami meneruskan perkembangan dalaman, kami berusaha membantu PKS membangunkan perniagaan mereka. Oleh kerana pertumbuhan menjana kemakmuran dan peluang, memangkin pertumbuhan akan terus menjadi keutamaan dalam segala dasar dan strategi kami. Bersama-sama, kami akan membina hubungan jangka panjang dalam mengorak langkah menuju kemampuhan.





The 2018 Annual Report begins with a message from the Group President/Chief Executive Officer, followed by more in-depth accounts of the operational performance review of the year. The corporate governance section testifies our commitment to maintaining a high standard of corporate governance, which is also in compliance with the latest Malaysian Code on Corporate Governance as well as the disclosure requirement on governance structure stipulated by the GRI Sustainability Reporting Standards.

The sustainability reporting section contains the full set of the topic specific standards in compliance with the GRI Sustainability Reporting Framework – GRI 200: Economic; GRI 300: Environment; and GRI 400: Social. This integrated report also includes the complete financial statements, and the Bank’s group directory.

Laporan Tahunan 2018 bermula dengan mesej daripada Presiden Kumpulan/Ketua Pegawai Eksekutif, disusuli dengan ulasan lebih mendalam berhubung prestasi operasi bagi tahun dalam kajian. Bahagian tadbir urus korporat merupakan komitmen kami dalam mengekalkan piawaian yang tinggi dalam tadbir urus korporat, yang juga mematuhi Kod Tadbir Urus Korporat Malaysia yang terkini serta keperluan pendedahan struktur tadbir urus sebagaimana dinyatakan oleh Piawaian Pelaporan Kemampanan GRI.

Bahagian pelaporan kemampanan mengandungi maklumat lengkap topik piawaian khusus menurut Rangka Kerja Pelaporan Kemampanan GRI – GRI 200: Ekonomi; GRI 300: Alam Sekitar; dan GRI 400: Sosial. Laporan bersepadu ini juga mengandungi penyata kewangan lengkap, serta direktori kumpulan Bank.



REFERENCES AND GUIDELINES

RUJUKAN DAN GARIS PANDUAN

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



FIND OUT MORE | KETAHUI LEBIH LANJUT

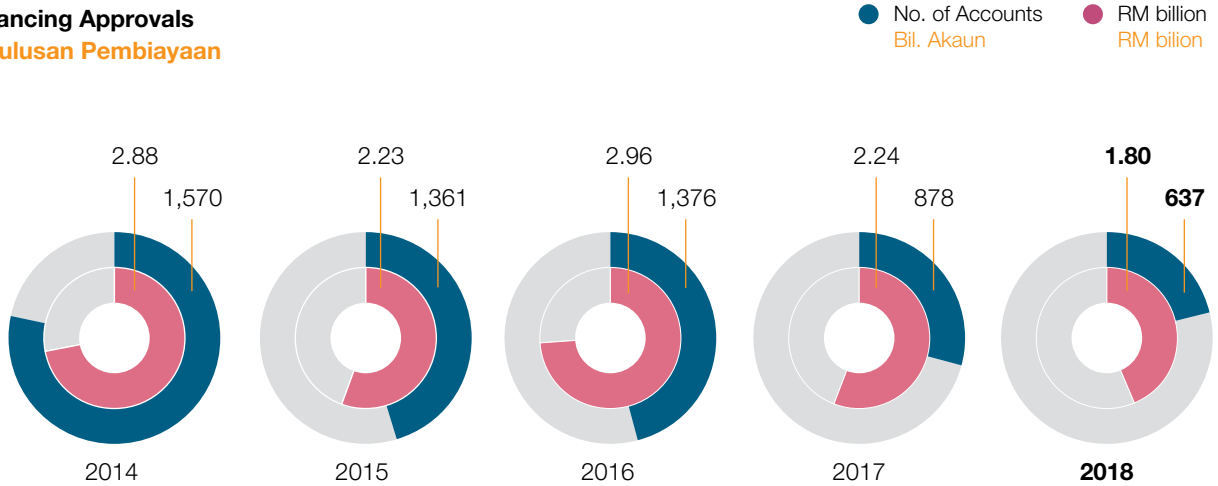
Website: <https://www.smebank.com.my>
 Tel No: +603 2615 2020
 Fax No: +603 2698 1748
 Contact Centre: +603 2603 7700

Laman Sesawang: <https://www.smebank.com.my>
 No. Tel: +603 2615 2020
 No. Faks: +603 2698 1748
 Pusat Khidmat Pelanggan: +603 2603 7700

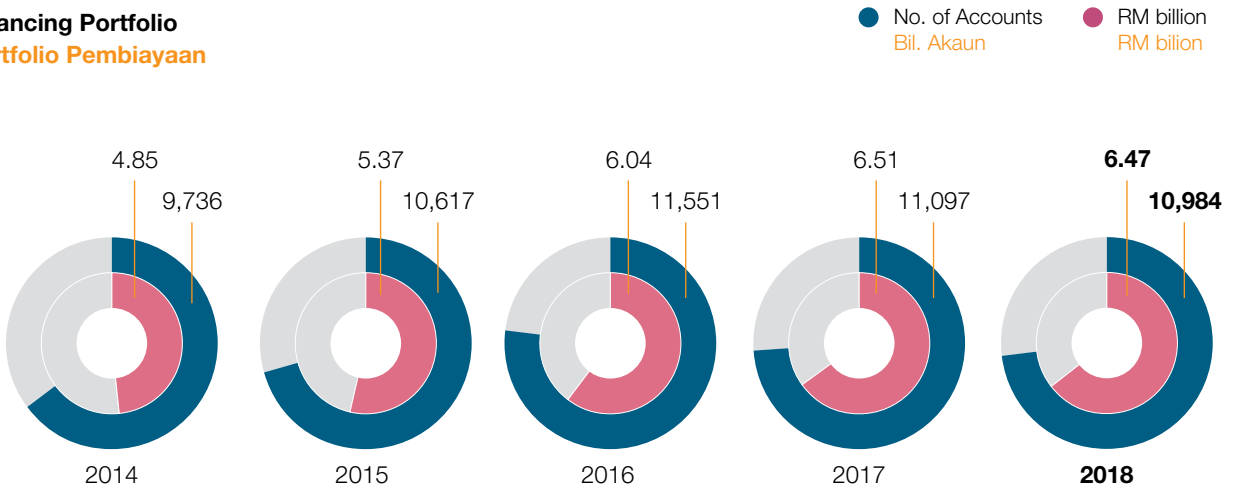
FINANCIAL HIGHLIGHTS

SOROTAN KEWANGAN

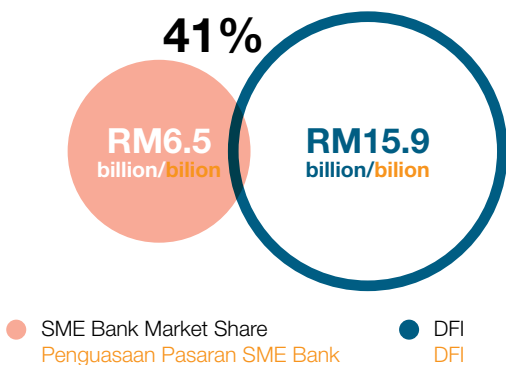
Financing Approvals Kelulusan Pembiayaan



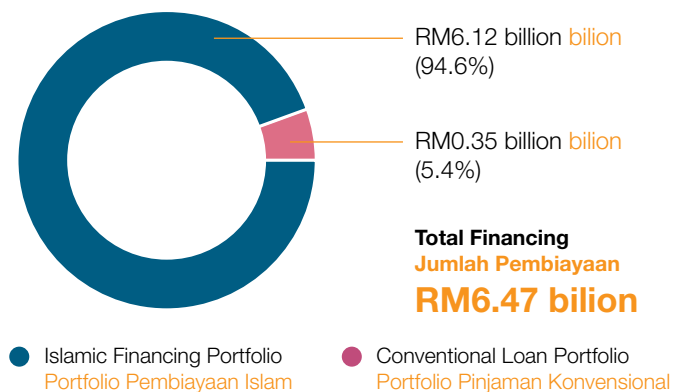
Financing Portfolio Portfolio Pembiayaan



SME Bank Market Share vs DFIs (As at December 2018) Penguasaan Pasaran SME Bank berbanding DFI (Pada Disember 2018)



Composition of Financing (As at December 2018) Komposisi Pembiayaan (Pada Disember 2018)



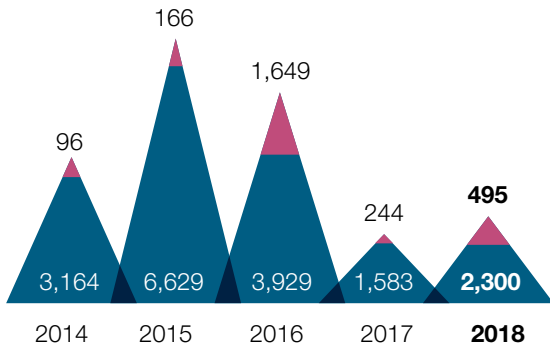


CEDAR's Entrepreneurial Programme Program Keusahawanan CEDAR

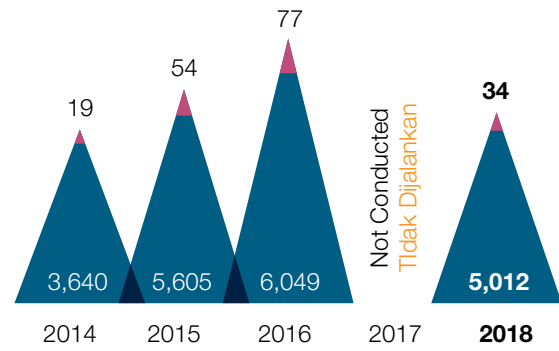
● No. of Sessions
Bil. Sesi

● No. of Participants
Bil. Peserta

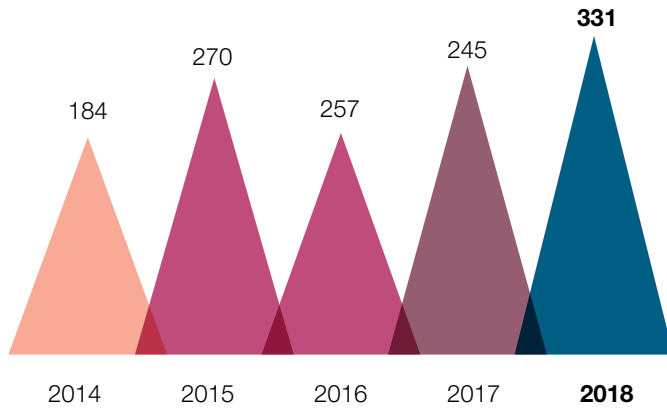
Fee-Based Programme Program Berasaskan Yuran



Non Fee-Based Programme Program Bukan Berasaskan Yuran

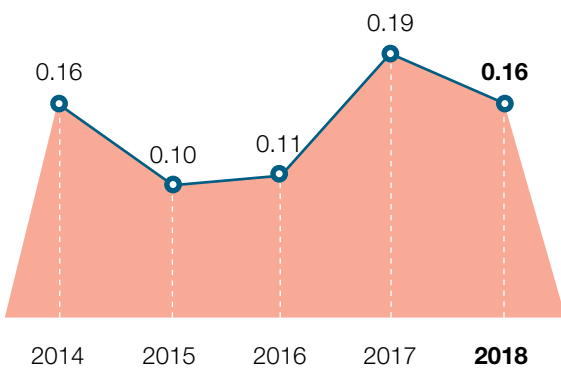


Upward Migration Peningkatan Perniagaan

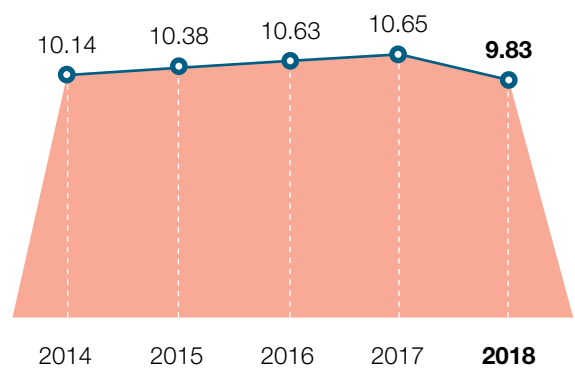


No. of Customers Migrated Upward
Bil. Pelanggan dengan Peningkatan Perniagaan

Operating Profit (RM billion) Keuntungan Operasi (RM billion)



Total Assets (RM billion) Jumlah Aset (RM billion)



CORPORATE HIGHLIGHTS

SOROTAN KORPORAT

12

SME BANK | INTEGRATED ANNUAL REPORT 2018 LAPORAN TAHUNAN BERSEPADU 2018

SME Bank Engagement Sessions

SME Bank, in fulfilling its mandate by the Government of Malaysia to develop small and medium enterprises (SMEs) to be the nation's engine of growth, held 14 engagement sessions throughout the year. These include its flagship programme, SME Bank XCESS to promote SME Bank's financing and beyond-financing facilities, and participation in exhibitions, and career, business and motivation talks at both the state and federal levels. Since its inception in 2005, the Bank has approved a total financing of RM30 billion to more than 17,000 customers as at December 2018. Its Upward Migration programme has successfully elevated more than 1,464 entrepreneurs, resulting in their business expansion. Through its wholly owned subsidiary, Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR), more than 38,000 participants received professional business coaching in various SME development programmes.

Sesi Libat Urus SME Bank

SME Bank, dalam memenuhi mandat yang diberikan oleh Kerajaan Malaysia untuk membangunkan perusahaan kecil dan sederhana (PKS) sebagai pemacu pertumbuhan negara, telah mengadakan 14 sesi libat urus dengan pelanggan sepanjang tahun ini. Ia termasuklah program utamanya, SME Bank XCESS untuk menggalakkan kemudahan pembiayaan dan kemudahan menjangkau pembiayaan yang ditawarkan oleh SME Bank, serta penyertaan dalam pameran dan bicara kerjaya, perniagaan dan motivasi pada peringkat persekutuan dan negeri. Sejak ditubuhkan pada 2005, SME Bank telah meluluskan pembiayaan berjumlah RM30 bilion kepada lebih 17,000 pelanggan pada Disember 2018. Program Peningkatan Perniagaan pula telah berjaya menaikkan lebih 1,464 usahawan, hasil daripada pengembangan perniagaan mereka. Melalui anak syarikat milik sepenuhnya, Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR), lebih 38,000 peserta mendapat bimbingan perniagaan profesional dalam pelbagai program pembangunan PKS.

JANUARY
JANUARI

5

SUKSES Season 2

Produced the second season of SUKSES, a 22-episode talk show in collaboration with Astro AWANI media station, following the success of its first season in 2017. The show serves as a platform for highlighting issues faced by the SME entrepreneurs and sharing their success stories. It also features the latest offerings by SME Bank and other related developments in the SME sector. The show was aired every Friday at 8.30pm beginning 5 January 2018 until 21 December 2018 on Channel 501 Astro Awani. SUKSES 2 recorded an astonishing 4.8 million viewership.

SUKSES Musim 2

Menerbitkan musim kedua SUKSES, rancangan bual bicara sebanyak 22 episod dengan kerjasama stesen media Astro AWANI, susulan kejayaan musim pertamanya pada 2017. Rancangan ini menjadi platform untuk mengenengahkan isu-isu yang dihadapi oleh usahawan PKS dan berkongsi kisah kejayaan mereka. Ia juga memaparkan penawaran terkini daripada SME Bank dan perkembangan lain yang berkaitan dalam sektor PKS. Rancangan ini ditayangkan setiap hari Jumaat pada 8.30 malam bermula 5 Januari 2018 hingga 21 Disember 2018 di Saluran 501 Astro Awani. SUKSES 2 mencatat rekod 4.8 juta tontonan.

JANUARY
JANUARI

25

Groom Big Programme

Launched the Groom Big Programme to enhance the business capacity of SME entrepreneurs. The programme is a joint effort by SME Bank and its subsidiary, Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR) for entrepreneurs' SCORE Rating Improvement, aimed at escalating SME businesses to a higher level. The Groom Big Programme focuses on the effectiveness of financial management, capacity development, marketing strategies, and facilitation assistance by SME Bank and MITI agencies. To date, SME Bank and CEDAR have nurtured more than 85 entrepreneurs through this programme, which is also part of the Government's initiatives to develop entrepreneurs into competitive, resilient and sustainable SMEs both in domestic and global markets.

Program Groom Big

Melancarkan Program *Groom Big* untuk meningkatkan keupayaan perniagaan usahawan PKS. Program ini adalah usaha sama SME Bank dan anak syarikatnya, Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR) untuk Penambahbaikan Penarafan SCORE usahawan, bertujuan melonjakkan perniagaan PKS ke tahap lebih tinggi. Program Groom Big menumpukan kepada keberkesanan pengurusan kewangan, pembangunan keupayaan, strategi pemasaran, dan bantuan kemudahan oleh SME Bank dan agensi-agensi MITI. Sehingga kini, SME Bank dan CEDAR telah membangunkan lebih 85 usahawan melalui program ini, yang juga adalah sebahagian daripada usaha Kerajaan untuk membangunkan usahawan menjadi PKS yang berdaya saing, teguh dan mampan dalam pasaran tempatan mahupun global.



MySMEBank Online Application System

Launched MySMEBank Online Application System to improve service delivery where customers enjoy the convenience of applying for financing online. With a tagline 'Apply Anytime Anywhere', it provides a full digital customer

experience end to end. The next phase of MySMEBank online application system will be a fully digitalised process for approvals and disbursements. Since going on live mode on 2 February 2018, 100 entrepreneurs have registered, with complete submission of nine financing applications. Moving forward, SME Bank will further improve the MySMEBank online application system by having a fully digitalised process for approvals and disbursements.

Sistem Permohonan Dalam Talian MySMEBank

Melancarkan Sistem Permohonan Dalam Talian *MySMEBank* untuk menambah baik penyampaian perkhidmatan di mana pelanggan menikmati kemudahan memohon pembiayaan secara dalam talian. Dengan slogan 'Mohon Bila-Bila Masa Di Mana Sahaja, ia memberikan pengalaman digital lengkap kepada pelanggan. Fasa seterusnya sistem permohonan dalam talian *MySMEBank* akan melibatkan proses digital sepenuhnya bagi kelulusan dan pembayaran. Sejak berada dalam mod langsung pada 2 Februari 2018, 100 usahawan telah mendaftar, dengan penyerahan lengkap sebanyak sembilan permohonan pembiayaan. Maju ke hadapan, SME Bank akan terus menambah baik sistem permohonan dalam talian *MySMEBank* dengan mempunyai proses yang didigitalkan untuk kelulusan dan pembayaran.

13

FEBRUARY
FEBRUARI





FINCO Mentor Programme – Life Aspiration Programme

Participated in the FINCO Mentor Programme at SMK Lake in Bau, Sarawak as part of the Bank's commitment to support the joint impact initiatives of Financial Industry Collective Outreach (FINCO). SME Bank sent a staff to join other volunteers from participating financial institutions to assist the Financial Industry Collective Outreach (FINCO) in mentoring activities. FINCO is an integrated initiative by financial institutions to carry out their corporate social responsibility which is initiated by BNM.

Program FINCO Mentor – Program Aspirasi Kehidupan

Mengambil bahagian dalam Program FINCO (Jangkauan Kolektif Industri Kewangan) Mentor di SMK Lake di Bau, Sarawak. SME Bank menghantar kakitangan untuk bersama-sama dengan sukarelawan lain daripada institusi-institusi kewangan yang mengambil bahagian bagi membantu FINCO dalam aktiviti pementoran. Dimulakan oleh BNM, FINCO adalah satu usaha bersepadu oleh institusi-institusi kewangan untuk menjalankan tanggungjawab sosial korporat mereka.



FEBRUARY
FEBRUARI

21

ADFIAP Awards

SME Bank won two awards at the 41st Annual Meeting of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) held in New Delhi, India namely, Winner of the SME Development Category for its SUKSES television programme and Best Sustainability Report 2017.

Anugerah ADFIAP

SME Bank memenangi dua anugerah pada Mesyuarat Tahunan ke-41 The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) di New Delhi, India iaitu, Pemenang Kategori Pembangunan PKS untuk program televisyennya, SUKSES; dan Laporan Kemampunan Terbaik 2017.

FEBRUARY
FEBRUARI

28



MOU between SME Bank & NUCW for 2016-2019

Signed a Cumulative Agreement (CA) with the National Union of Commercial Workers (NUCW) on salary increment between 5% and 12% for SME Bank's non-executive staff. Additionally, non-executive staff and their family members will enjoy a 38% and 20% increments for outpatient treatments and hospitalisation, respectively. This was also in line with the Government's initiative in improving the people's welfare and standard of living.

MOU antara SME Bank & NUCW bagi 2016-2019

Menandatangani Perjanjian Kumulatif dengan Kesatuan Sekerja Kebangsaan Pekerja-Pekerja Perdagangan bagi kenaikan gaji antara 5% dengan 12% untuk pekerja bukan eksekutif SME Bank. Di samping itu, pekerja bukan eksekutif dan ahli keluarga mereka akan menikmati kenaikan sebanyak 38% bagi rawatan luar dan 20% bagi kemasukan ke hospital. Ini juga selaras dengan usaha Kerajaan untuk menambah baik kebajikan dan tahap kehidupan rakyat.

26

APRIL
APRIL

CORPORATE HIGHLIGHTS

SOROTAN KORPORAT



FINCO Reads Programme

Participated in the FINCO Reads Programme at SK Kitobu, Inanam, Kota Kinabalu and SK Kulambai, Kota Belud in Sabah on 19-20 September 2018. SME Bank staff joined other volunteers from participating financial institutions to assist the Financial Industry Collective Outreach (FINCO) coordinator in the programme, aimed at improving the learning of English language amongst primary school students.

Program FINCO Reads

Mengambil bahagian dalam Program *FINCO Reads* di SK Kitobu, Inanam, Kota Kinabalu dan SK Kulambai, Kota Belud di Sabah pada 19-20 September 2018. Kakitangan SME Bank menyertai sukarelawan lain daripada institusi-institusi kewangan yang mengambil bahagian bagi membantu penyelaras *FINCO* dalam program ini, bertujuan menambah baik pembelajaran bahasa Inggeris di kalangan pelajar sekolah rendah.



AUGUST
OGOS

29

19-
20

SEPTEMBER
SEPTEMBER

OCTOBER
OKTOBER

8



FINCO Mentor Programme – Life Aspiration Programme

Held a special talk on entrepreneurship during the Bank's participation in the National Co-operative Day programme at SMK Maran 2, Pahang. The talk was part of the FINCO Mentor – Life Aspiration programme which provided the platform for the Bank to share basic knowledge and nurture interest amongst students in becoming young entrepreneurs.

Program FINCO Mentor – Program Aspirasi Kehidupan

Mengadakan bicara khas tentang keusahawanan semasa penyertaan Bank dalam program Hari Koperasi Negara di SMK Maran 2, Pahang. Bicara ini adalah sebahagian daripada program *FINCO Mentor – Aspirasi Kehidupan* yang menyediakan platform bagi Bank berkongsi pengetahuan asas dan memupuk minat di kalangan pelajar untuk menjadi usahawan muda.

SME Bank XCESS 2018

Deputy Prime Minister cum Minister of Women, Family and Community Development, Dato' Seri Dr. Wan Azizah Dr. Wan Ismail officiated the SME Bank XCESS 2018, the year's biggest event for SME Bank with the aim to provide solutions on the issue of access to financing for the SMEs. During the event, the Bank also launched MySMELady which caters especially for women entrepreneurs with the aim to empower them through entrepreneur development programmes. SME Bank XCESS 2018 involved more than 700 entrepreneurs.

SME Bank XCESS 2018

Timbalan Perdana Menteri merangkap Menteri Pembangunan Wanita, Keluarga dan Masyarakat, Dato' Seri Dr. Wan Azizah Dr. Wan Ismail merasmikan SME Bank XCESS 2018, acara terbesar SME Bank pada tahun ini, bertujuan menyediakan penyelesaian bagi isu-isu akses kepada pembiayaan untuk PKS. Semasa acara tersebut, Bank juga melancarkan *MySMELady* khusus untuk usahawanita bagi memperkasakan mereka melalui program-program pembangunan usahawan. SME Bank XCESS 2018 melibatkan lebih 700 usahawan.



Program Inovasi Usahawan Muda: SME Bank Y-Biz Challenge 2018

The sixth edition of *Program Inovasi Usahawan Muda-SME Bank Y-Biz Challenge 2018* received a record of 209 participations from 113 schools nationwide. Since it was introduced in 2012, the participants of *Program Inovasi Usahawan Muda-SME Bank Y-Biz Challenge* have generated sales of more than RM500,000. This Signature Corporate Responsibility programme has successfully achieved its main objective to encourage entrepreneurship amongst the youths. It is a competition that challenges secondary school students' creativity to invent and find commercially viable products or services and achieve the level of investor readiness.

Program Inovasi Usahawan Muda: SME Bank Y-Biz Challenge 2018

Edisi keenam Program Inovasi Usahawan Muda-SME Bank Y-Biz Challenge 2018 mencatat rekod sebanyak 209 penyertaan dari 113 sekolah di seluruh negara. Sejak ia dimulakan pada 2012, peserta-peserta Program Inovasi Usahawan Muda-SME Bank Y-Biz Challenge telah menjana jualan sebanyak lebih RM500,000. Program Tanggungjawab Korporat yang ulung ini telah berjaya mencapai matlamatnya untuk menggalakkan keusahawanan di kalangan belia. Ia adalah satu pertandingan yang mencabar kreativiti pelajar sekolah untuk mencipta dan mencari produk atau perkhidmatan yang berdaya maju dan boleh dipasarkan dan mencapai tahap kesediaan pelabur.

Cheque Presentation for Media Prima-NSTP Humanitarian Fund

Donated RM30,000 to the Media Prima-NSTP Humanitarian Fund as part of the Bank's Corporate Responsibility (CR) initiative. The donation was channeled to the Malaysian Medical Relief Society (Mercy Malaysia) for its Palu Disaster Aid Fund.

Penyerahan Cek untuk Dana Kemanusiaan Media Prima-NSTP

Menyumbang RM30,000 kepada Dana Kemanusiaan Media Prima-NSTP sebagai sebahagian daripada usaha Tanggungjawab Korporat Bank. Derma ini disalurkan kepada Persatuan Bantuan Perubatan Malaysia (Mercy Malaysia) untuk Dana Bantuan Bencana Palu.



12

28

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9



FINCO Legend Interview

SME Bank Group President/Chief Executive Officer, Aria Putera Ismail engaged with school counsellors, mentors and students on the online FINCO Mentor platform to share his personal experiences and professional aspirations. The FINCO Legend Interview was part of the Bank's commitment to support the on-going initiatives by Financial Industry Collective Outreach (FINCO) and aspire particularly the younger generations in achieving their dreams and goals in life.

Wawancara FINCO Legend

Presiden Kumpulan/Ketua Pegawai Eksekutif SME Bank, Aria Putera Ismail berkongsi pengalaman peribadi dan aspirasi profesional dengan kaunselor, mentor dan pelajar sekolah melalui platform dalam talian FINCO Mentor. Wawancara *FINCO Legend* adalah sebahagian daripada komitmen Bank dalam menyokong usaha berterusan oleh Jangkauan Kolektif Industri Kewangan (FINCO) dan memberi aspirasi kepada khususnya generasi muda untuk mencapai impian dan matlamat hidup.

30



Cheque Presentation for National Welfare Foundation (YKN)-Palestine People's Fund

Group President/Chief Executive Officer, Aria Putera Ismail presented a cheque of RM30,000 on behalf of the Bank to Deputy Prime Minister Dato' Seri Dr. Wan Azizah Dr. Wan Ismail who is also Chairman of YKN Board of Trustees. The donation, channeled to the United Nation's Relief and Works Agency for Palestine Refugees (UNRWA), was part of the Bank's on-going corporate responsibility commitments which extends beyond the local communities.

Penyerahan Cek untuk Yayasan Kebajikan Negara (YKN) – Dana Rakyat Palestin

Presiden Kumpulan/Ketua Pegawai Eksekutif SME Bank, Aria Putera Ismail menyerahkan cek bernilai RM30,000 bagi pihak Bank kepada Timbalan Perdana Menteri Dato' Seri Dr. Wan Azizah Dr. Wan Ismail yang juga Pengerusi Lembaga Pemegang Amanah YKN. Sumbangan tersebut disalurkan kepada Agensi Bantuan dan Pekerjaan Kesatuan Bangsa-Bangsa Bersatu bagi Pelarian Palestin (UNRWA). Ia sebahagian daripada komitmen berterusan tanggungjawab korporat Bank yang menjangkau masyarakat tempatan.

SME BANK AT A GLANCE

SEPINTAS LALU SME BANK

16

UNDERSTANDING SME BANK

SME Bank was established in 2005 as a Development Financial Institution (DFI) and is wholly-owned by the Ministry of Finance. SME Bank is regulated by Bank Negara Malaysia. In 2010, the Bank embarked on a five-year transformation programme which has brought to our progress today. Among the most significant milestones from this initiative was the transformation of SME Bank into an Islamic Principle Based DFI in 2015.

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 RM30 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 36.9% to GDP in 2017.

Through our strong 28 branch networks, comprising 7 Regional Centres, 18 Enterprise Centres and 3 Business Centres, SME Bank is poised to support sustainable growth and development of small and medium sized businesses.

In a nutshell, our role is that of a multilateral development bank, which extends beyond catalysing growth for the economy but also in improving the environment we live in and creating value for society. This approach will allow us to focus on funding small and medium sized businesses while ensuring inclusiveness for sustainable development.

MEMAHAMI SME BANK

SME Bank ditubuhkan pada 2005 sebagai Institusi Kewangan Pembangunan (DFI) dan dimiliki sepenuhnya oleh Kementerian Kewangan. SME Bank dikawal selia oleh Bank Negara Malaysia. Pada 2010, Bank memulakan program transformasi lima-tahun yang membawa kepada perkembangan kami hari ini. Antara pencapaian paling ketara daripada usaha ini adalah transformasi SME Bank kepada DFI Berasaskan Prinsip Islam pada 2015.

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 RM30 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 dipertukan.





Hari ini, SME Bank bangga menjadi pemangkin bagi pertumbuhan PKS yang mengatasi pertumbuhan Keluaran Dalam Negara Kasar (KDNK) Malaysia, yang mencatatkan sumbangan sebanyak 36.9% kepada KDNK pada 2017.

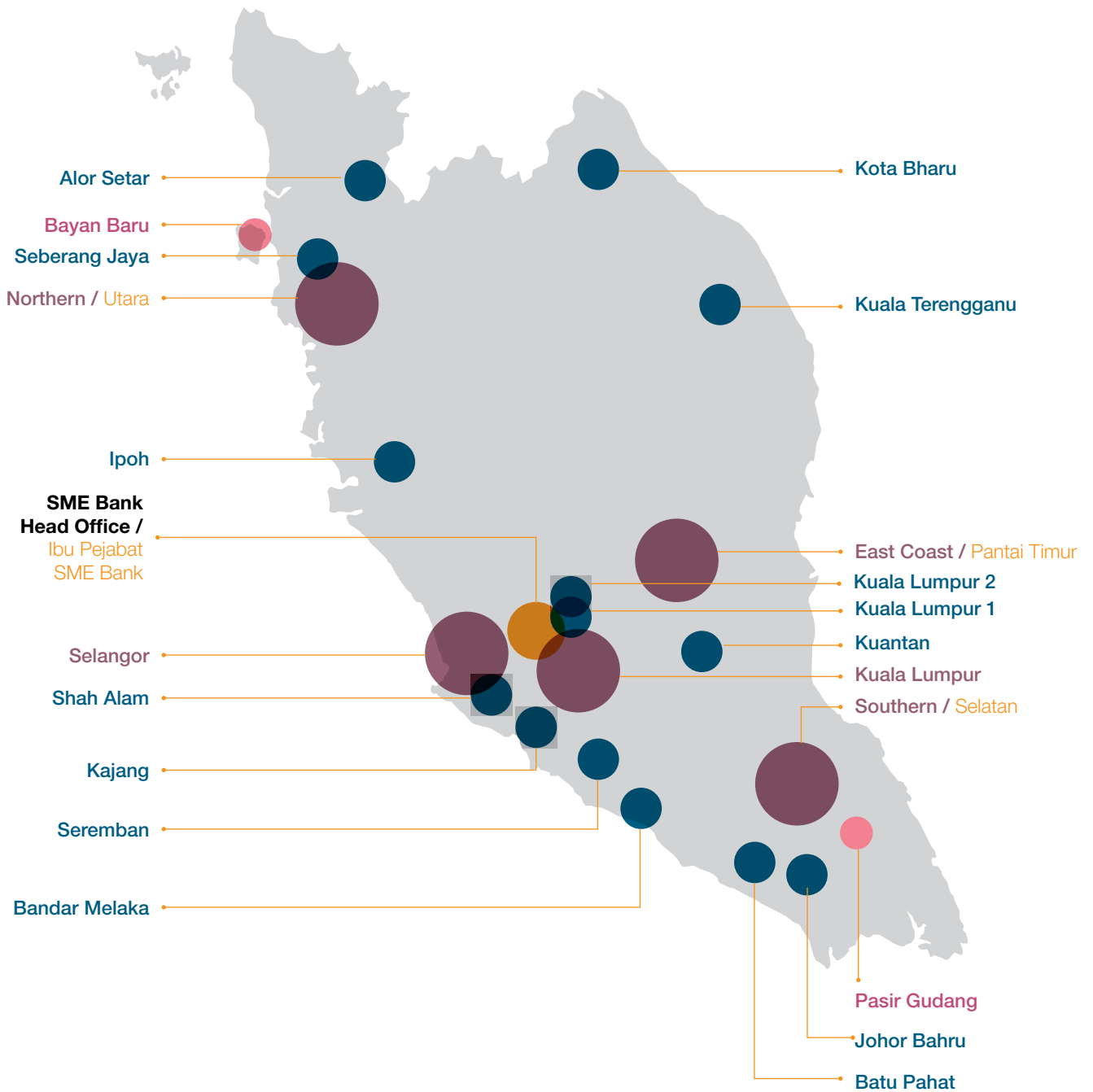
Melalui rangkaian kami sebanyak 28 cawangan, terdiri daripada 7 Pusat Wilayah, 18 Pusat Enterpris dan 3 Pusat Perniagaan, SME Bank terus nekad untuk menyokong pertumbuhan mampan dan perkembangan perniagaan kecil dan sederhana.

Kesimpulannya, peranan kami adalah sebagai bank pembangunan yang menyeluruh, menjangkai peranan sebagai pemangkin pertumbuhan ekonomi semata-mata, tetapi juga menambah baik alam sekitar yang kita sama-sama diami dan juga mencipta nilai bagi masyarakat. Pendekatan ini akan membolehkan kami memberi tumpuan kepada memajukan perniagaan kecil dan sederhana dan pada masa yang sama memastikan keterangkuman bagi pertumbuhan mampan.



SME BANK BRANCH NETWORK

RANGKAIAN CAWANGAN SME BANK





7

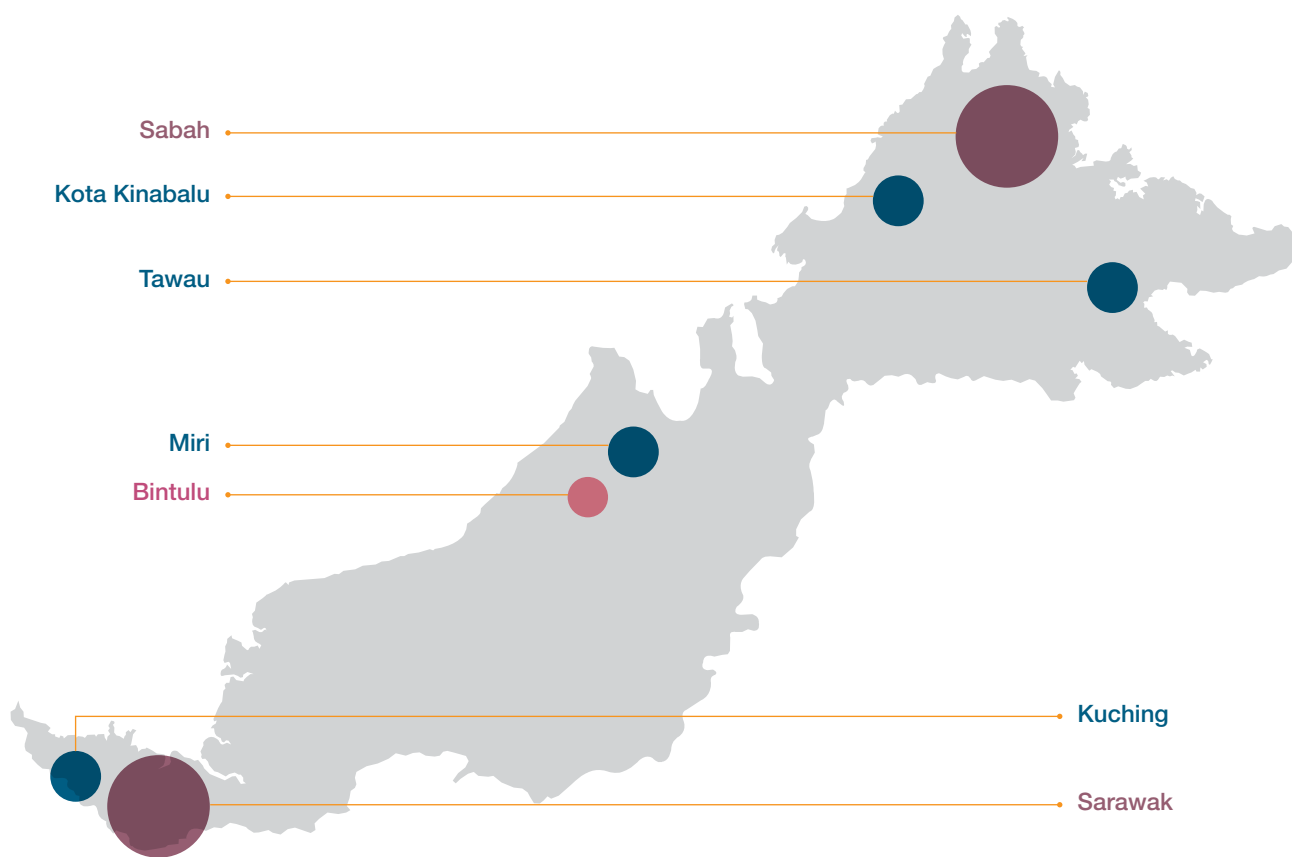
REGIONAL CENTRES
PUSAT WILAYAH

18

ENTERPRISE CENTRES
PUSAT ENTERPRIS

3

BUSINESS CENTRES
PUSAT PERNIAGAAN



AWARDS AND ACCOLADES

ANUGERAH DAN PENCAPAIAN

20

SME BANK | INTEGRATED ANNUAL REPORT 2018 LAPORAN TAHUNAN BERSEPADU 2018

2018



Winner: SME Development Category for SUKSES TV Programme

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)

Best Sustainability Report

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)

The BrandLaureate SMEs Strategic Business Partner Award 2017-2018

The BrandLaureate SMEs Best Brand Awards

2017



Merit Award: Human Capital Development Category for Employees Capacity Building Project

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)

Winner: Trade Development Category for Best Exporter Programme

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)

Special Award for Best Website

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)

Most Supportive Bank for the Government's Guarantee Schemes

Syarikat Jaminan Pembiayaan Pertiagaan Berhad (SJPP)

2016



Top SME Supporter (Platinum Business Awards)

SME Association of Malaysia

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

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)

Best Sustainability Report

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)



2015



- Top FI Partner Award (Overall Category)**
Credit Guarantee Corporation
- Top FI Partner Award (Development FI)**
Credit Guarantee Corporation
- Silver Award for The Employer of Choice Category Malaysia HR Awards**
Malaysian Institute of Human Resource Management (MIHRM)
- Sahabat Negara (SME Recognition Award)**
SME Association of Malaysia
- Website 5-Star Rating**
Malaysia Government Portals and Websites Assessment (MGPWA)

2014



- Plaque of Merit for Young Entrepreneur Innovation Programme (SME Bank Y-Biz Challenge)**
Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)
- Sahabat Negara (SME Recognition Award)**
SME Association of Malaysia

2013



- Sahabat Negara (SME Recognition Award)**
SME Association of Malaysia
- Website 5-Star Rating**
Malaysia Government Portals and Websites Assessment (MGPWA)

2012



- Most Preferred Brand in Banking**
The BrandLaureate SMEs Best Brand Awards
- Website 5-Star Rating**
Malaysia Government Portals and Websites Assessment (MGPWA)
- Sahabat Negara SME Award**
SMI Malaysia

2011



- Plaque of Merit for IQ-Dagang**
Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)
- Website 5-Star Rating**
Malaysia Government Portals and Websites Assessment (MGPWA)
- Sahabat Negara SME Award**
SMI Malaysia

ENHANCING OUR ASSETS

MEMPERTINGKATKAN ASET KAMI

The three pillars in managing SME Bank are human capital, products and programmes, as well as portfolio and policy. The Bank is looking at improving the asset quality and its talents to further grow SMEs as they form the backbone of Malaysia's economy.

Tiga teras dalam menguruskan SME Bank adalah modal insan, produk dan program, serta portfolio dan dasar. Bank akan menambah baik mutu aset dan bakat-bakatnya untuk mengembangkan lagi PKS yang merupakan tulang belakang ekonomi Malaysia.





01

**Group President/
Chief Executive Officer's Review**

Ulasan oleh Presiden Kumpulan/
Ketua Pegawai Eksekutif

Board of Directors
Lembaga Pengarah

Profile of Directors
Profil Pengarah

Senior Management
Pengurusan Kanan

Shariah Committee
Ahli Jawatankuasa Syariah

GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER'S REVIEW

ULASAN OLEH PRESIDEN KUMPULAN/
KETUA PEGAWAI EKSEKUTIF

24

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018



ARIA PUTERA ISMAIL
Group President/
Chief Executive Officer
Presiden Kumpulan/
Ketua Pegawai Eksekutif



On my first day as Chief Executive Officer in September 2018, I told myself that I would own up to what is going well and what is not. Today, as the Group President/Chief Executive Officer, when I look back at 2018, it was no doubt a tough year for SME Bank Group.

Still, it makes me proud to look back on 2018 when SME Bank remained resilient in the wake of some major external and internal factors affecting the organisation. From the global headwinds of trade wars and Brexit uncertainties to changes in Malaysian Government administration, SME Bank stayed true to its mandate to nurture and grow small and medium enterprises (SMEs) in the country.

The change of the Malaysian Government following the 14th general election saw the re-establishment of Ministry of Entrepreneur Development (MED) which now takes over the supervision of SME Bank from Ministry of International Trade and Industry (MITI). This further strengthen our focus in developing small and medium entrepreneurs.

Despite these global challenges and domestic changes, SME Bank remains highly committed and strives diligently in implementing its role in SME development. The 17,000 SMEs in various sectors with financing amounting to approximately RM30 billion that SME Bank has assisted is evidence of its role in developing SMEs to become the nation's engine of growth in line with the Government's economic agenda.

Di hari pertama saya sebagai Ketua Pegawai Eksekutif pada September 2018, saya memberitahu diri saya bahawa saya akan memikul tanggungjawab terhadap apa yang baik dan apa yang tidak baik. Hari ini, sebagai Presiden Kumpulan/Ketua Pegawai Eksekutif, apabila saya menoleh kembali ke tahun 2018, tidak dinafikan bahawa ia satu tahun yang mencabar bagi Kumpulan SME Bank.

Namun, saya bangga melihat ke tahun 2018 di mana SME Bank kekal kukuh walaupun dengan keadaan beberapa faktor luaran dan dalaman yang memberi kesan kepada organisasi ini. Daripada cabaran global membabitkan perang dagangan dan ketidaktentuan Brexit kepada perubahan dalam pentadbiran Kerajaan Malaysia, SME Bank meneruskan mandatnya untuk memupuk dan mengembangkan perusahaan kecil dan sederhana (PKS) di negara ini.

Perubahan dalam Kerajaan Malaysia berikutan pilihanraya umum ke-14 menyaksikan penubuhan semula Kementerian Pembangunan Usahawan (MED) yang kini mengambil alih penyeliaan SME Bank daripada Kementerian Perdagangan Antarabangsa dan Industri (MITI). Ini mengukuhkan lagi tumpuan kami dalam membangunkan usahawan kecil dan sederhana.

Walaupun dengan cabaran global dan perubahan domestik, SME Bank kekal komited dan tekun berusaha melaksanakan peranannya dalam pembangunan PKS. Sebanyak 17,000 PKS dalam pelbagai sektor dengan pembiayaan berjumlah kira-kira RM30 bilion yang telah dibantu oleh SME Bank adalah bukti peranannya dalam membangunkan PKS untuk menjadi pemacu pertumbuhan negara sejajar dengan agenda ekonomi Kerajaan.

GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER'S REVIEW

ULASAN OLEH PRESIDEN KUMPULAN/
KETUA PEGAWAI EKSEKUTIF

26

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

REVIEW OF 2018

In 2018, developed and emerging economies experienced economic slowdown, underpinned by uncertainty over trade tension and geopolitical stress volatility in commodity prices. Monetary policy normalisation in advanced economies increased the pressures on emerging market economies. Rising interest rates in the United States, which was associated to the appreciation of the US dollar contributed to sizeable currency depreciations in many developed and emerging market economies.

Malaysian economy registered a sustained growth rate of 4.7% in 2018 (2017: 5.9%), supported by continued expansion in domestic demands, growth in net exports and industrial activities. In addition, moderating inflationary pressure, strengthening private sector expenditure and accommodative economic policies contributed towards the positive growth in 2018.

The new Government has re-established the Ministry of Entrepreneur Development to ensure concerted efforts in entrepreneur and SME development with SME Bank being among the agencies placed under the ministry's purview.

SMEs contributed RM435.1 billion to the economy with higher GDP growth rate of 7.2% in 2017 as compared to 5.2% in 2016. As a result, SME's contribution to GDP increased further to 37.1% from 36.6% in the previous year. For 2018, SME's GDP growth rate is expected to expand between 7.0% and 8.0%.

In 2018, SME Bank continued to fulfil its mandate of nurturing and developing the SMEs. Our financing portfolio stood at RM6.47 billion, with services sector contributing 66.6% to the total financing portfolio, followed by construction (16.9%) and manufacturing sector (14.7%).

SME Bank also strives to play a greater role in creating value-added and beyond the role of a financing facility provider. Such 'beyond financing' services contributed towards wider economic and social development by implementing several development initiatives throughout the year.

By going beyond the ordinary financing services, we are also addressing the needs of various stakeholders, particularly the SMEs. In doing so, we are guided by Bank Negara Malaysia's Performance Measurement Framework (PMF) initiatives that aimed at revitalising 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 influence project design and delivery to enhance welfare and multiply economic spill-overs, 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 a right direction. For example, under the upward migration initiative, the Bank has successfully assisted 331 companies to achieve improvement in various areas. These include growth in profit and revenue, increase in number of employees, technology adoption and expansion to export market.



OPERATING PROFIT
KEUNTUNGAN OPERASI



RM157.3

million juta

GROSS PORTFOLIO
PORTFOLIO KASAR



RM6.47

billion bilion

TOTAL FINANCING APPROVAL
KELULUSAN PEMBIAYAAN



RM1.80

billion bilion



ULASAN 2018

Pada 2018, ekonomi maju dan membangun mengalami kelembapan ekonomi, disebabkan oleh ketidakpastian berhubung ketegangan dagangan dan volatiliti tekanan geopolitik dalam harga komoditi. Pemulihan dasar monetari dalam ekonomi maju meningkatkan tekanan ke atas ekonomi pasaran membangun. Kadar faedah yang meningkat di Amerika Syarikat, yang dikaitkan kepada kenaikan dolar AS menyumbang kepada susut nilai matawang yang agak besar dalam banyak ekonomi pasaran maju dan membangun.

Ekonomi Malaysia mencatat pertumbuhan sebanyak 4.7% pada 2018 (2017: 5.9%), disokong oleh pengembangan berterusan dalam permintaan domestik, pertumbuhan dalam eksport bersih dan kegiatan industri. Di samping itu, tekanan inflasi yang sederhana, perbelanjaan sektor swasta yang kukuh dan dasar-dasar ekonomi yang akomodatif menyumbang kepada pertumbuhan positif pada tahun 2018.

Kerajaan baharu mewujudkan semula Kementerian Pembangunan Usahawan bagi memastikan usaha-usaha bersepadu dalam pembangunan usahawan dan PKS dengan SME Bank sebagai antara agensi yang diletakkan di bawah kementerian tersebut.

PKS menyumbang RM435.1 bilion kepada ekonomi dengan kadar pertumbuhan KDNK lebih tinggi sebanyak 7.2% pada 2017 berbanding 5.2% pada 2016. Hasilnya, sumbangan PKS kepada KDNK meningkat kepada 37.1% daripada 36.6% dalam tahun sebelumnya. Untuk tahun 2018, kadar pertumbuhan KDNK daripada PKS dijangka berkembang antara 7.0% dengan 8.0%.

Pada 2018, SME Bank terus memenuhi mandatnya untuk membimbing dan membangunkan PKS. Portfolio pembiayaan kami adalah RM6.47 bilion, dengan sektor perkhidmatan menyumbang 66.6% kepada jumlah portfolio pembiayaan, diikuti oleh pembinaan (16.9%) dan pembuatan (14.7%).

SME Bank juga berusaha memainkan peranan lebih besar dalam mencipta nilai tambah, melangkaui peranan kemudahan pembiayaan kewangan. Perkhidmatan "menjangkau pembiayaan" sebegini menyumbang lebih lagi kepada pembangunan ekonomi dan sosial yang lebih meluas melalui pelaksanaan beberapa inisiatif pembangunan di sepanjang tahun.

Perkhidmatan yang melangkaui pembiayaan biasa ini bermakna, kami juga menangani keperluan pelbagai pihak berkepentingan terutamanya PKS. Dalam melakukan semua ini, kami berpandukan kepada Rangka Kerja Pengukuran Prestasi (RKPP) oleh Bank Negara Malaysia, yang bertujuan menggiatkan semula 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, melangkaui apa yang mungkin telah berlaku tanpa penyertaan DFI.

Melalui 'additionalities' ini, SME Bank boleh mempengaruhi reka bentuk projek dan penyampaian untuk meningkatkan kebajikan dan menambah limpahan ekonomi, 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 kami telah membuat perkara yang betul selama ini. Contohnya, di bawah inisiatif peningkatan perniagaan, Bank berjaya membantu 331 syarikat untuk mencapai penambahbaikan dalam pelbagai bidang. Ini termasuk pertumbuhan dalam keuntungan dan hasil, pertambahan dalam bilangan pekerja, penggunaan teknologi dan pengembangan ke pasaran eksport.

Malaysian economy registered a sustained growth rate of 4.7% in 2018 (2017: 5.9%), supported by continued expansion in domestic demands, growth in net exports and industrial activities.

Ekonomi Malaysia mencatat pertumbuhan sebanyak 4.7% pada 2018 (2017: 5.9%), disokong oleh pengembangan berterusan dalam permintaan domestik, pertumbuhan dalam eksport bersih dan kegiatan industri.



GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER'S REVIEW

ULASAN OLEH PRESIDEN KUMPULAN/ KETUA PEGAWAI EKSEKUTIF

28

FINANCIAL AND OPERATIONAL PERFORMANCE

The Bank realised an operating profit of RM157.3 million (Group: RM149.6 mil) with the majority of income contributed by our Islamic banking business. However, the Bank recorded a book loss of RM495.6 million (Group: RM552.2 mil) in 2018, significantly attributed to the impact from the implementation of the Malaysian Financial Reporting Standard 9 (MFRS 9) requirements.

Nevertheless, I am optimistic that this is a temporary setback and that we will be back on track through various measures in place. For one, we have embarked on a digital transformation journey in 2018, in responding to the vital change in how we learn about, interact with, and service our customers and stakeholders. This would also help us to look beyond the traditional banking activities and programmes that were only physically available to the customers at Bank branches. Not only will digitalisation serve all these purposes, but most importantly, it will help to spur the growth of our financing portfolio.

With strong and continuous support from the Government, I am confident that the Bank will progress as we maintain our AAA/Stable/P1 financial institution rating, underscored by our strategic role in the Government's socioeconomic agenda to develop the SME sector.

Financing Portfolio

I would like to reiterate that at the heart of our strategic intent is to spearhead the growth of the country's strategic economic sectors. In 2018, the Bank registered RM6.47 billion of gross portfolio. Financing to small entrepreneurs made up the majority of the portfolio (42.5%) and followed by medium size entrepreneurs at 39.1%. The top three sectors were Services at 66.6%, Construction at 16.9%, and Manufacturing at 14.7%.

The Bank recorded total financing approval of RM1.80 billion to 637 SMEs with small and medium sized entrepreneurs that obtained majority of approvals of 38.0% and 46.9%, respectively.

PRESTASI KEWANGAN DAN OPERASI

Bank mencatat keuntungan operasi sebanyak RM157.3 juta (Kumpulan: RM149.6 juta) dengan kebanyakan pendapatan disumbangkan oleh perniagaan perbankan Islam. Walau bagaimanapun, di sebalik usaha bersepadu, Bank mencatat kerugian buku sebanyak RM495.6 juta (Kumpulan: RM552.2 juta) pada 2018, terutamanya disebabkan oleh impak daripada keperluan pelaksanaan Piawaian Pelaporan Kewangan Malaysia 9 (MFRS 9).

Namun begitu, saya yakin bahawa ini hanyalah sementara dan saya percaya bahawa kami akan kembali mencatat keuntungan melalui berbagai-bagai langkah yang ada. Misalannya, kami telah memulakan transformasi digital pada 2018, sebagai bertindak balas terhadap perubahan penting dalam cara kita mengetahui, berinteraksi, dan memuaskan pelanggan dan pihak berkepentingan. Ini akan membantu kami untuk menjangkau segala aktiviti perbankan dan program yang sebelum ini hanya boleh dibuat apabila pelanggan berada secara fizikal di dalam premis Bank. Pendigitalan bukan sahaja akan memenuhi tujuan ini, tetapi paling penting, saya percaya ia akan merangsang pertumbuhan portfolio pembiayaan kami.

Dengan sokongan padu daripada Kerajaan, saya yakin bahawa Bank akan terus maju sementara kami mengekalkan penarafan institusi kewangan AAA/Stable/P1, ditambah dengan peranan strategik kami dalam agenda sosioekonomi Kerajaan untuk membangunkan sektor PKS.

Portfolio Pembiayaan

Ingin saya ulangi bahawa tumpuan hasrat strategik kami adalah untuk memacu pertumbuhan sektor ekonomi negara. Pada 2018, Bank mencatat portfolio kasar sebanyak RM6.47 bilion. Majoriti portfolio adalah dalam pembiayaan kepada usahawan kecil (42.5%) dan diikuti dengan usahawan bersaiz sederhana sebanyak 39.1%. Tiga sektor teratas adalah Perkhidmatan sebanyak 66.6%, Pembinaan sebanyak 16.9% dan Pembuatan sebanyak 14.7%.

Bank mencatat jumlah kelulusan pembiayaan sebanyak RM1.80 bilion kepada 637 PKS dengan usahawan kecil dan sederhana memperoleh majoriti kelulusan, masing-masing sebanyak 38.0% dan 46.9%.





The digital transformation initiative indicates that the Bank is moving towards branchless direction. Following this, in March 2018, the Bank deployed digital kiosks to replace the physical branches at 8 Urban Transformation Centres (UTC).

Usaha transformasi digital bermakna kami tidak lagi memerlukan kehadiran fizikal di lokasi tertentu. Berikutan ini, pada Mac 2018, Bank menggunakan kiosk digital bagi menggantikan cawangan fizikal di 8 Pusat Transformasi Bandar (UTC).

FINANCING TO ENTREPRENEURS

PEMBIAYAAN KEPADA USAHAWAN



38.0%

Small sized Saiz kecil

46.9%

Medium sized Saiz sederhana

Market Outreach

SME Bank conducted 14 engagement sessions with SMEs at regional level, involving a total of 811 participants. Our flagship marketing event, SME Bank XCESS is our annual programme to reach out directly to SME entrepreneurs, aimed at promoting SME Bank's financing and beyond-financing facilities.

In addition to this lead programme, the Bank also participates in exhibitions, business talks, career and motivation talks that are organised by state and federal Government agencies. Furthermore, we took part in various events organised by Government-Linked Companies (GLC), business associations, universities and colleges.

We recognise that digitising the business model will offer SME Bank attractive possibilities for increasing customer value and for improving efficiency. In doing so, the Bank is building its strong IT and logistics platform. The potential of digitising the business model is to be harnessed along the entire value chain wherever it is economically viable.

In line with SME Bank's Digital Transformation strategy, we have MySMEBank online application and Book Your Banker platform in place for financing application anytime and anywhere.

The digital transformation initiative indicates that the Bank is moving towards branchless direction. Following this, in March 2018, the Bank deployed digital kiosks to replace the physical branches at 8 Urban Transformation Centres (UTC). These kiosks serve as avenue for conveniently disseminating information on our products and services to the public.

Jangkauan Pasaran

SME Bank menjalankan 14 sesi libat urus dengan PKS pada peringkat wilayah, melibatkan sejumlah 811 peserta. Acara pemasaran utama kami, SME Bank XCESS adalah program tahunan kami untuk mendekati usahawan PKS secara langsung, bertujuan mempromosikan pelbagai kemudahan pembiayaan dan perkhidmatan menjangkau pembiayaan yang disediakan oleh SME Bank.

Selain daripada program utama ini, Bank juga mengambil bahagian dalam pameran, bicara niaga serta ceramah motivasi yang dianjurkan oleh agensi-agensi negeri dan Kerajaan persekutuan. Kami juga mengambil bahagian dalam pelbagai acara anjuran Syarikat Berkaitan Kerajaan (GLC), persatuan perniagaan, universiti dan kolej.

Kami akur bahawa mendigitalkan model perniagaan membuka kemungkinan menarik kepada SME Bank untuk meningkatkan nilai pelanggan dan menambah baik kecekapan. Maka itu Bank membangunkan Teknologi Maklumat dan platform logistik yang kukuh. Potensi daripada mendigitalkan model perniagaan akan di dimanfaatkan di seluruh rangkaian nilai di mana sahaja ia berdaya maju dari segi ekonomi.

Selaras dengan strategi Transformasi Digital SME Bank, kami menyediakan permohonan dalam talian MySMEBank dan platform Book Your Banker untuk permohonan pembiayaan pada bila-bila masa dan dari mana sahaja.

Usaha transformasi digital bermakna kami tidak lagi memerlukan kehadiran fizikal di lokasi tertentu. Berikutan ini, pada Mac 2018, Bank menggunakan kiosk digital bagi menggantikan cawangan fizikal di 8 Pusat Transformasi Bandar (UTC). Kiosk ini menjadi tempat untuk menyampaikan maklumat dengan mudah tentang produk dan perkhidmatan kami kepada orang awam.



GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER'S REVIEW

ULASAN OLEH PRESIDEN KUMPULAN/
KETUA PEGAWAI EKSEKUTIF

30

SME BANK | INTEGRATED ANNUAL REPORT 2018 LAPORAN TAHUNAN BERSEPADU 2018



Developmental Programmes

As a Development Financial Institution (DFI), we are embedded with developmental DNA. We apply and execute them in every aspect of our operations. We encapsulate innovative financing solutions for SMEs and we continue to intervene as a supportive partner to ensure their success in becoming the nation's engine of growth.

With the Bank's intervention programme, a total of 331 companies have successfully migrated upward in 2018. Those are entrepreneurs who have recorded growth in their profit, revenue, number of employees, digital transformation and also expansion to the export market.

Under the Best Exporters Programme, SME Bank collaborated with Bumiputera Agenda Steering Unit (TERAJU) and Malaysia External Trade Development Corporation (MATRADE) to recruit and grow the potential Bumiputera SMEs to become exporters through a proper and structured manner.

This programme started its recruitment in 2016 to support the Government's initiatives by enhancing the exports growth of Bumiputera SMEs. Fifty two out of 73 participating companies recorded an increase in their export revenues as at end 2018. Throughout the programme duration, a cumulative exports revenue of RM392 million has been recorded. Additionally, the programme has also created 20 new exporter companies.

On top of that, we also continue to promote our Entrepreneur Premises Complex (EPC), a special initiative that provides affordable and competitive factory spaces for rental to entrepreneurs. Under this programme, the Bank provides 26 Complexes with 454 factory lots that are located strategically nationwide. We received encouraging demands with 80.8% occupancy rate.

The Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR), a subsidiary of SME Bank, enables the Bank to further strengthen its mandated role in offering 'beyond financing' services. In 2018, a total of 2,300 participants

Program Pembangunan

Sebagai sebuah Institusi Kewangan Pembangunan (DFI), unsur pembangunan membentuk kewujudan SME Bank. Pendekatan dan pelaksanaan terangkum dalam setiap aspek operasi kami. Kami merangkumkan penyelesaian pembiayaan inovatif untuk PKS dan kami terus menjadi pemudah cara sebagai rakan penyokong bagi memastikan kejayaan mereka dan seterusnya menjana pertumbuhan negara.

Di bawah program intervensi Bank, sejumlah 331 syarikat telah berjaya meningkatkan tahap perniagaan mereka pada tahun 2018. Ini adalah usahawan yang telah mencatat pertumbuhan dalam keuntungan, hasil, bilangan pekerja, transformasi digital dan juga pengembangan ke pasaran eksport.

Di bawah Program *Best Exporters*, SME Bank bekerjasama dengan Unit Peneraju Ekonomi Bumiputera (TERAJU) dan Perbadanan Pembangunan Perdagangan Luar Malaysia (MATRADE) untuk mengambil dan membangunkan PKS Bumiputera yang berpotensi untuk menjadi pengeksport melalui program jangkauan tersusun.

Program yang memulakan pengambilannya pada tahun 2016 ini juga sebagai menyokong usaha Kerajaan untuk meningkatkan pertumbuhan eksport PKS Bumiputera. Lima puluh dua daripada 73 syarikat yang mengambil bahagian mencatat kenaikan dalam hasil eksport mereka pada akhir 2018. Sepanjang tempoh program, hasil eksport terkumpul sebanyak RM392 juta telah dicatatkan. Di samping itu, program ini juga telah mewujudkan 20 syarikat pengeksport baharu.

Kami terus mempromosikan Kompleks Premis Usahawan (EPC), iaitu inisiatif istimewa kami yang menyediakan ruang kilang yang mampu milik dan berdaya saing untuk disewa kepada usahawan. Di bawah program ini, Bank menyediakan 26 buah Kompleks dengan 454 lot kilang yang ditempatkan secara strategik di seluruh negara. Kami menerima permintaan menggalakkan dengan 80.8% kadar pendudukan.

Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR), anak syarikat SME Bank, membolehkan Bank untuk mengukuhkan lagi peranan yang diamanahkan kepada kami dalam menawarkan perkhidmatan 'menjangkau pembiayaan.' Pada tahun 2018, sejumlah 2,300 peserta mendapat manfaat daripada sesi bimbingan dan latihan yang CEDAR jalankan. Bagi memastikan kejayaan program ini, CEDAR melantik 17 jurulatih perniagaan terdiri daripada kakitangan kami sendiri, yang mempunyai sijil profesional dalam latihan. Di samping itu, CEDAR juga mengambil bahagian dalam 34 sesi libat urus dengan 5,012 peserta.



benefited from business coaching and training sessions that were conducted by CEDAR. To ensure the programme's sustainability and quality, CEDAR appointed 17 business coaches who are our internal staff with professional certificate in coaching. In addition, CEDAR also participated in 34 engagement sessions with the attendance of 5,012 participants.

Pushing the Boundaries Project

In the current environment where competition is stiff, there is a need to push the boundaries of existing strategies and methods to chart new paths in doing business. It would also enable the Bank to allocate its resources effectively on the basis of relative external competencies and limitations. It has become imperative for us to look at new dimensions in our strategic planning, which gives effective strategic directions to our corporate goals.

Our 'Pushing the Boundaries Project' is the simultaneous pursuit of differentiation and low cost to open up a new market space and create new demand. Leveraging on our IT advantage, this Project enables the creation and capturing of uncontested market space. Ultimately, our aim is to increase the SME's contribution to the national Gross Domestic Product via the creation of new products.

MySMEBank is a new online application system under 'Pushing the Boundaries Project' that the Bank introduced to improve service delivery by allowing customers to apply for financing via online platform. With a tagline 'Apply Anytime Anywhere', MySMEBank provides a complete digital end to end customer experience. Such a seamless financing application, once fully digitalised, will improve the turnaround time in a more dynamic and systematic way - from when a customer first applies for financing right up to the financing disbursement. Moreover, MySMEBank is integrated with the Book Your Banker (BYB) system where entrepreneurs are able to get in touch directly with the Bank's executives to set an appointment at any of the SME Bank's network branches of their choice.

We also launched a programme that focuses on migrating women micro entrepreneurs for business expansion and growth which include asset acquisition and working capital. MySMELady is specially developed for women entrepreneurs who are qualified to apply for financing of up to RM1 million with minimum collateral. Successful applicants are given the option to withdraw up to 30% of the total working capital through a debit card by our partner.

Projek *Pushing the Boundaries*

Dalam persekitaran semasa di mana persaingan adalah sengit, projek yang melangkaui strategi dan kaedah sedia ada perlu dizahirkan untuk mengorak haluan baharu dalam cara menjalankan perniagaan. Ia juga akan membolehkan Bank menjana idea bagi memperuntukkan sumber-sumbernya dalam cara yang unik demi mencapai kelebihan daya saing. Ia menjadi penting bagi kami untuk meneroka dimensi baharu dalam perancangan strategik kami, yang memberikan hala tuju berkesan bagi matlamat korporat kami.

Projek *Pushing the Boundaries* adalah usaha serentak bagi pembezaan dan kos rendah untuk membuka ruang pasaran baharu dan mencipta permintaan baharu. Dengan memanfaatkan kelebihan Teknologi Maklumat kami, Projek ini membolehkan penciptaan dan penguasaan ruang pasaran yang belum ada persaingan. Akhirnya, sasaran kami menerusi projek ini adalah untuk meningkatkan sumbangan PKS kepada Keluaran Dalam Negara Kasar melalui penciptaan produk-produk baharu.

MySMEBank adalah sistem permohonan dalam talian di bawah Projek *Pushing the Boundaries* yang diperkenalkan untuk menambah baik penyampaian perkhidmatan. Ia membolehkan pelanggan memohon pembiayaan dengan mudah melalui platform dalam talian. Dengan slogan 'Mohon Bila-Bila Masa Di Mana Sahaja', MySMEBank menawarkan pengalaman digital menyeluruh. Permohonan pembiayaan sebegini, bila sahaja didigitalkan sepenuhnya, akan menambah baik masa pemprosesan dalam cara lebih dinamik dan sistematik - dari masa pelanggan mula memohon pembiayaan sehinggalah kepada pengeluaran pembiayaan. Tambahan pula, MySMEBank digabungkan dengan sistem *Book Your Banker* (BYB) di mana usahawan boleh berhubung terus dengan pegawai Bank untuk membuat janji temu di mana-mana cawangan pilihan mereka.

Kami juga melancarkan program yang menumpukan kepada menaikkan usahawan mikro wanita bagi tujuan pengembangan dan pertumbuhan perniagaan yang termasuk pembelian aset dan modal kerja. MySMELady adalah khusus untuk usahawan wanita yang layak memohon pembiayaan sehingga RM1 juta dengan cagaran minimum. Pemohon yang berjaya akan diberi pilihan untuk mengeluarkan sehingga 30% daripada pembiayaan modal kerja melalui kad debit rakan niaga kami.

GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER'S REVIEW

ULASAN OLEH PRESIDEN KUMPULAN/
KETUA PEGAWAI EKSEKUTIF

32

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

Program Inovasi Usahawan Muda: SME Bank Y-Biz Challenge

As we move into a digital future, we continue to groom future entrepreneurs by raising interest in entrepreneurship development and providing an opportunity for students to explore their creativity and innovation. The Bank's signature Corporate Responsibility (CR) programme in collaboration with Ministry of Education Malaysia, the SME Bank Y-Biz Challenge started in 2012, has proven to be significant in accomplishing this purpose.

This programme reaffirms our commitment in fulfilling the Government mandate in creating more entrepreneurs in the country, especially amongst the youth. In 2018, we received participation from 113 secondary schools with the involvement of 825 students and the submission of 209 project papers.

It offers prizes which totals RM91,000, in addition to trophies and certificates of participation. The champion received a challenge trophy and flight tickets to participate in any international competition. This is our additional effort in keeping the spirit of entrepreneurship alive and to encourage other participants to strive and attain similar achievements and to commercially market their products.

The impact of the SME Bank Y-Biz Challenge has also been duly recognised by The Association of Development Financing Institutions in Asia and Pacific (ADFIAP) in 2013 when it was awarded with a Plaque of Merit under the category of Corporate Social Responsibility.



Program Inovasi Usahawan Muda: SME Bank Y-Biz Challenge

Dalam kami melangkah ke masa depan digital, kami terus memupuk bakul usahawan dengan meningkatkan minat dalam keusahawanan dan menyediakan peluang untuk para pelajar meneroka daya kreativiti dan inovasi mereka. *SME Bank Y-Biz Challenge* adalah satu program Tanggungjawab Korporat utama kami yang bermula pada tahun 2012, hasil kerjasama dengan Kementerian Pendidikan Malaysia, terbukti berkesan dalam mencapai matlamat tersebut.

Program ini mengukuhkan komitmen kami dalam memenuhi mandat Kerajaan untuk mewujudkan lebih ramai usahawan di Malaysia, terutamanya dari kalangan belia. Pada tahun 2018, kami menerima penyertaan dari 113 sekolah menengah, melibatkan 825 pelajar serta penyerahan sebanyak 209 kertas projek.

Ia menawarkan hadiah berjumlah RM91,000, di samping trofi dan sijil penyertaan. Juara menerima piala pusingan dan tiket penerbangan ke mana-mana pertandingan antarabangsa. Ini adalah usaha tambahan kami bagi mengekalkan semangat keusahawanan dan menggalakkan peserta lain untuk berusaha dan mendapat pencapaian yang sama dan memasarkan produk mereka secara komersial.

Impak daripada *SME Bank Y-Biz Challenge* juga telah diiktiraf oleh Persatuan Institusi Kewangan Pembangunan di Asia dan Pasifik (ADFIAP) pada tahun 2013 apabila ia menganugerahkan Plak Merit di bawah kategori Tanggungjawab Sosial Korporat.

SME Bank 
Y-Biz Challenge

RM91,000

Total prizes
Jumlah hadiah



Program Usahawan Muda: SME Bank 90-Days Biz Challenge

At the end of 2018, we continued with the third edition of the SME Bank 90-Days Biz Challenge. The programme which was introduced in 2015 in collaboration with the Ministry of Education Malaysia is an entrepreneurship competition specifically designed for students of Community Colleges and Polytechniques who are undergoing the Entrepreneurship Incubator Programme.

The SME Bank 90-Days Biz Challenge is organised alternately with SME Bank Y-Biz Challenge. Its third edition started with briefing sessions conducted at the end of 2018 and will conclude with the finals in July 2019. A total cash prize of RM45,000 as well as a challenge trophy for the champion and certificates of participation awaits the winners. Winners of the competition will also be given special consideration for financing if they decide to continue with their business after graduating.

SUKSES

In 2018, the Bank continued with the second season of SUKSES. The 22-episode television programme is in collaboration with Astro Awani station which serves as a platform for in-depth discussion on issues and challenges faced by the SME entrepreneurs and also sharing of their success stories.

SUKSES Season 2 recorded an increase of viewership to 4.8 million from 610,173 during the first season in 2017. I am proud that such an initiative to nurture and develop the champions of Malaysian SMEs provides an opportunity for intellectual discourses on issues pertaining to SMEs; its development, challenges and achievements. Furthermore, it is also an avenue for entrepreneurs to promote their products and services without incurring an exceptional high media cost, and serves as a platform to inculcate the culture of entrepreneurship amongst Malaysians, especially the next generation entrepreneurs.

It is exciting to note that our noble effort that we took in fulfilling our mandate to grow SMEs has received due recognition by ADFIAP with the award 'Winner-SME Development Category'.

Program Usahawan Muda: SME Bank 90-Days Biz Challenge

Pada penghujung tahun 2018, kami meneruskan edisi ketiga *SME Bank 90-Days Biz Challenge*. Program yang diperkenalkan pada tahun 2015 dengan kerjasama Kementerian Pendidikan Malaysia ini adalah pertandingan direka khusus untuk para pelajar Kolej Komuniti dan Politeknik yang sedang melalui Program Inkubator Keusahawanan.

SME Bank 90-Days Biz Challenge diadakan secara bergilir-gilir dengan *SME Bank Y- Biz Challenge*. Ia adalah edisi ketiga yang bermula dengan sesi taklimat yang diadakan pada penghujung 2018 dan pusingan akhir berlangsung pada Julai 2019. Hadiah wang tunai kesemuanya berjumlah RM45,000 berserta trofi dan sijil penyertaan menanti pemenang. Juara pertandingan akan diberikan pertimbangan istimewa untuk pembiayaan sekiranya mereka mengambil keputusan untuk meneruskan perniagaan mereka selepas tamat pengajian.

SUKSES

Pada tahun 2018, Bank meneruskan SUKSES Musim ke-2. Program televisyen 22-episod ini adalah kerjasama dengan stesen Astro Awani dan menjadi wadah bagi perbincangan terperinci tentang isu dan cabaran yang dihadapi oleh usahawan PKS dan berkongsi kisah kejayaan mereka.

SUKSES Musim ke-2 mencatat peningkatan dalam tontonan kepada 4.8 juta daripada 610,173 semasa musim pertama pada tahun 2017. Saya bangga bahawa usaha untuk memupuk dan membangunkan jaguh PKS Malaysia memberi peluang bagi wacana cendekiawan tentang isu-isu berhubung PKS; kemajuan, cabaran dan pencapaiannya. Tambahan pula, ia adalah satu cara bagi para usahawan untuk mempromosi produk dan perkhidmatan mereka tanpa mengeluarkankan belanja kos media yang sangat tinggi sekiranya dibuat oleh mereka sendiri. Ia juga menjadi satu platform untuk menyemai budaya keusahawanan di kalangan rakyat Malaysia, terutamanya generasi usahawan akan datang.

Malah ia lebih mengujakan bahawa usaha murni yang diambil dalam memenuhi mandat kami untuk membangunkan PKS mendapat pengiktirafan oleh ADFIAP melalui anugerah 'Pemenang-Kategori Pembangunan PKS'.

GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER'S REVIEW

ULASAN OLEH PRESIDEN KUMPULAN/
KETUA PEGAWAI EKSEKUTIF

34



AWARDS & RECOGNITIONS

SME Bank has added three more awards and accolades in 2018 which further strengthened its position as the leading Development Financial Institution in the country. The recognition came from an international body with the two ADFIAP Awards 2018 for SUKSES TV Programme (SME Development category) and Best Sustainability Report. The other recognition was from The BrandLaureate who presented SME Bank with the SMEs Strategic Business Partner Award 2017-2018.

FINANCIAL INDUSTRY COLLECTIVE OUTREACH

As a member of the Financial Industry Collective Outreach (FINCO), which is the largest collective impact initiative in Malaysia, I am happy to include the Bank's active participation in its activities during the year.

FINCO envisions to build a future where everyone is able to achieve his potential, and this is done by providing mentors and volunteers for its programmes for school students. We take pride in joining the bandwagon to build powerful partnerships and useful tools for a better future for every child in this country. Our participation in FINCO's premier programmes namely FINCO Reads, which is a year-long programme run during English classes and FINCO MENTOR which is a mentorship programme to aspire youths, is a remarkable involvement that should not go unrecorded. I have been fortunate to share my personal experiences and professional aspirations via the online FINCO Mentor platform, FutureLab.

Going forward, I believe these social and community initiatives are evolutionary in nature based on the growing needs of the target groups, and we will continue to be involved in bringing about a sustainable execution plan.

ANUGERAH & PENCAPAIAN

SME Bank menambah tiga lagi anugerah dan pencapaian pada tahun 2018, sekaligus mengukuhkan lagi kedudukan kami sebagai Institusi Kewangan Pembangunan terulung di negara. Pengiktirafan ini datangnya daripada pertubuhan antarabangsa dengan dua Anugerah ADFIAP 2018 untuk program TV SUKSES (kategori Pembangunan PKS) dan Laporan Kemampanan Terbaik. Satu lagi pengiktirafan adalah daripada The BrandLaureate dengan Anugerah Rakan Perniagaan Strategik PKS 2017-2018.

JANGKAUAN KOLEKTIF INDUSTRI KEWANGAN

Sebagai ahli Jangkauan Kolektif Industri Kewangan (FINCO), yang merupakan inisiatif impak kolektif paling besar di Malaysia, saya bangga mencatat tentang penyertaan Bank dalam kegiatan-kegiatannya sepanjang tahun ini.

FINCO membayangkan sebuah masa depan di mana setiap orang boleh mencapai potensinya, dan ini dilakukan dengan menyediakan mentor dan sukarelawan bagi program untuk pelajar sekolah. Kami berbangga dapat bersama-sama menjalin perkongsian dan membina kaedah berguna demi masa depan lebih baik untuk kanak-kanak di negara ini. Penyertaan kami dalam program-program utama FINCO iaitu FINCO Reads, satu program selama setahun yang dijalankan semasa kelas bahasa Inggeris dan FINCO MENTOR yang merupakan program pementoran untuk memberi aspirasi kepada remaja belasan tahun, adalah penglibatan luar biasa yang harus dicatatkan. Saya bertuah kerana dapat berkongsi pengalaman peribadi dan aspirasi profesional saya melalui platform dalam talian FINCO Mentor, iaitu FutureLab.

Maju ke depan, saya percaya usaha-usaha sosial dan masyarakat ini akan bercambah berdasarkan keperluan kumpulan sasaran yang semakin bertambah, dan kami akan terus terlibat dalam merangka rancangan pelaksanaan yang mampan.



MOVING FORWARD

The global economy is expected to be more challenging in 2019 and expand at a moderate pace across advanced and emerging economies. Amid external economic uncertainties, the Malaysian economy is projected to grow between 4.3% and 4.8% in 2019. Meanwhile, the banking sector is projected to have a moderate loans growth rate at 5.0% - 6.0% in 2019.

SME Bank continuously receives strong support from the Government with an allocation of RM500 million for year 2019. This allocation will enable us to implement dedicated programmes in supporting the economic agenda of the Government.

Special Fund for Tourism 3

SME Bank, as a Development Financial Institution tasked to promote and finance small and medium enterprises, continues to gain the trust from the Government with a sum of RM500 million fund being granted during the 2019 Budget announcement.

The Special Fund for Tourism 3 (SFT3) is to support the Government's landmark initiative of Visit Malaysia 2020. It will be used for financing to SMEs which aims at helping them in tourism projects promoted by the Government, which include building or renovating tourism or historical properties, improving transportation services as well as building resorts and its infrastructures, manufacturing or supplying of products or facilities related to tourism and acquiring or redeeming existing facilities. SFT3 also serves as a game changer that boosts the economic and intensifies the growth of homestay and handicraft entrepreneurs in the country's tourism sector.

MELANGKAH KE HADAPAN

Ekonomi global dijangka akan lebih mencabar pada tahun 2019 dan berkembang pada kadar sederhana di seluruh ekonomi maju dan membangun. Dalam ketidakpastian ekonomi luaran, ekonomi Malaysia dijangka akan berkembang antara 4.3% dengan 4.8% pada tahun 2019. Sementara itu, sektor perbankan diramalkan mencatat pertumbuhan pinjaman sederhana sebanyak 5.0% - 6.0% pada tahun 2019.

SME Bank terus mendapat sokongan padu daripada Kerajaan dengan peruntukan sebanyak RM500 juta pada tahun 2019. Peruntukan ini akan membolehkan kami untuk melaksanakan program-program khusus sebagai menyokong agenda ekonomi Kerajaan.

Dana Khas untuk Pelancongan 3

SME Bank, sebagai sebuah Institusi Kewangan Pembangunan yang ditugaskan untuk mempromosi dan membiayai perusahaan kecil dan sederhana, terus memperoleh kepercayaan daripada Kerajaan dengan dana berjumlah RM500 juta yang diberi semasa pengumuman Belanjawan 2019.

Dana Khas untuk Pelancongan 3 (SFT3) adalah bagi menyokong usaha Kerajaan bagi Tahun Melawat Malaysia 2020. Ia akan digunakan untuk membiaya PKS yang bertujuan membantu mereka dalam projek pelancongan yang dipromosi oleh Kerajaan, termasuk membina atau mengubah suai hartanah sejarah, 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 menjadi pemangkin untuk membantu meningkatkan ekonomi dan mengukuhkan pertumbuhan pelancongan desa dan kraftangan di dalam negara.



GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER'S REVIEW

ULASAN OLEH PRESIDEN KUMPULAN/ KETUA PEGAWAI EKSEKUTIF

36

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

This fund has been made available since 2002 through the Special Fund for Tourism, and as at 31 December 2018, SME Bank has approved financing amounting RM2.0 billion to 478 companies.

I believe that SFT3 will enable us to be the one of the catalysts to assist SMEs for the realisation of the Malaysia Tourism Transformation Plan goals by the year 2020, Malaysia will welcome a total of 36 million tourists and register RM168 billion in tourist receipts.

Tazkiya Project

Having laid the foundation for its next stage of growth over the past years, most notably being the transformation from a Development Financial Institution (DFI) into an Islamic Principle Based DFI in 2015, the Bank looks forward to becoming a full-fledged Islamic bank in the near future.

The Tazkiya Project that we recently started will aim at achieving this objective, which will be done by realigning the business, operations and affairs in line with values and virtues underlined by Shariah principles. We will focus not only on the conversion of our assets and liabilities, but also on adopting a Shariah compliance culture in our business and activities.

The Bank at the same time will consistently improve its delivery system and leverage on innovation and technology with the implementation of digitisation initiatives this year such as digital account, risk scorecard system and seize opportunities from the limitless digital economy.

Dana seumpama ini telah tersedia sejak 2002 menerusi Dana Khas untuk Pelancongan, dan pada 31 Disember 2018, SME Bank meluluskan pembiayaan berjumlah RM2.0 bilion kepada 478 syarikat.

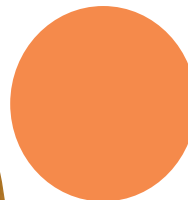
Saya percaya SFT3 akan membolehkan kami menjadi sebahagian pemangkin ke arah membantu PKS untuk menzahirkan matlamat Rancangan Transformasi Pelancongan Malaysia bahawa menjelang tahun 2020, Malaysia akan menerima sejumlah 36 juta pelancong dan mencatat RM168 bilion dalam perbelanjaan oleh pelancong.

Projek Tazkiya

Setelah menetapkan asas bagi peringkat pertumbuhan seterusnya sepanjang tahun-tahun lalu, paling ketara adalah transformasi daripada Institusi Kewangan Pembangunan (DFI) kepada DFI Berasaskan Prinsip Islam pada 2015, Bank kini berharap untuk menjadi sebuah bank Islam sepenuhnya.

Projek Tazkiya yang kami mulakan baru-baru ini menyasarkan untuk mencapai matlamat ini, yang akan dilakukan dengan menjajar semula perniagaan, operasi dan hal ehwal seiring dengan nilai dan sifat yang digariskan oleh prinsip Syariah. Kami tidak hanya akan menumpukan kepada penukaran aset dan liabiliti kami, tetapi juga pada budaya pematuhan Syariah dalam perniagaan dan kegiatan kami.

Pada masa yang sama Bank akan secara tekal menambah baik sistem penyampaianya dan memanfaatkan inovasi dan teknologi dengan pelaksanaan inisiatif pendigitalan tahun ini seperti akaun digital, sistem kad skor risiko dan banyak lagi untuk merebut peluang daripada ekonomi digital tanpa had.



GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER'S REVIEW

ULASAN OLEH PRESIDEN KUMPULAN/
KETUA PEGAWAI EKSEKUTIF

38

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

A SUSTAINABLE FUTURE

While focusing our efforts in developmental role, sustainability will remain to be the cornerstone of our growth and ultimately, the prosperity of the nation. Looking ahead, as in the past, we shall continue to emphasise on the myriad of sustainability including human capital, economic value, social and environment.

We shall continue our efforts to strengthen the talent pool as we grow. In the forthcoming year, we are planning to strengthen our foundation. Our activities will be firmly guided by our vision to grow the small and medium enterprises and our commitment to green and environmentally friendly projects.

Next year promises to bring both significant challenges and opportunities. In the past year, we experienced cyclical headwinds to economic prospects, resulting in slower growth. The economies are expected to face further changes as technology continues to disrupt traditional business models.

We now live at the cusp of what has been often referred to as the Industrial Revolution 4.0, which is already upon us, brought about by the combination of digital and physical systems including exponential use of automation, artificial intelligence and virtual reality. We are already witnessing the first sign of this revolution. We can both influence and be influenced by such disruption. New opportunities will arise with the emergence of new production systems, employment patterns and environmental demands. Speed, agility and innovative thinking are the prerequisites needed to succeed and meet aspirations in a world where rapid change is a given.

A RENEWED COMMITMENT

We are moved to action by many things - our aspirations, big dreams and high hopes for what we could achieve more. The year 2019 is the beginning of our new vision and mission to better reflect the Bank's ambition towards becoming the key player in the industry. We have thus restated our Vision to be a Leader in SME Ecosystem Value Creation beyond Financial Services, and our Mission to be the Centre of Excellence (CoE) for SME Development.

In December 2018, we embarked on a two-year Accelerated Programme consisting of high paced projects and initiatives as a building block to transform the Bank to a high performing organisation.

MASA DEPAN YANG MAMPAN

Walaupun dengan tumpuan usaha terhadap peranan pembangunan kami, kemampunan akan kekal menjadi asas kepada pertumbuhan kami dan akhirnya, kemakmuran negara. Mengorak langkah ke depan, sebagaimana di masa lalu, kami akan terus memberi penekanan terhadap perkara berkaitan kemampunan yang sangat banyak termasuk modal insan, nilai ekonomi, sosial dan alam sekitar.

Kami akan meneruskan usaha kami untuk mengukuhkan himpunan bakat atau pekerja yang kami ada seiring dengan kemajuan Bank. Dalam tahun akan datang, kami merancang untuk mengukuhkan asas kami. Aktiviti-aktiviti kami akan berpandukan visi kami untuk memajukan perusahaan kecil dan sederhana dan komitmen kami terhadap projek-projek hijau dan mesra alam.

Tahun depan menjanjikan cabaran dan peluang yang signifikan. Dalam tahun lalu, kami melalui cabaran kitaran kepada prospek ekonomi, menyebabkan pertumbuhan lebih perlahan. Ekonomi dijangka akan berdepan lebih banyak perubahan apabila teknologi terus mengganggu model perniagaan biasa.

Kini kita berada di juring pada apa yang sering dirujuk sebagai Revolusi Industri 4.0, yang mana telah wujud dalam kehidupan kita, berpunca daripada gabungan sistem digital dan fizikal termasuk penggunaan pesat automasi, kecerdasan buatan dan realiti maya. Kita sedang menyaksikan petanda awal revolusi ini. Kita boleh mempengaruhi dan terpengaruh oleh gangguan sebegini. Peluang-peluang baharu timbul dengan kemunculan sistem pengeluaran baharu, corak pekerjaan dan permintaan alam sekitar. Kepantasan, ketangkasan dan pemikiran inovatif adalah syarat-syarat yang diperlukan untuk berjaya dan memenuhi azam di dalam dunia di mana perubahan yang cepat adalah lumrah.

KOMITMEN YANG DIPERBAHARUI

Kami terpenggil untuk bertindak disebabkan banyak perkara – azam kami, impian yang besar dan harapan yang tinggi untuk meraih apa yang boleh dicapai dengan lebih lagi. Tahun 2019 adalah permulaan visi dan misi baharu kami sebagai menterjemah dengan lebih baik cita-cita Bank untuk menjadi pemain utama dalam industri. Oleh yang demikian kami menyatakan semula Visi kami untuk menjadi Peneraju dalam Penciptaan Nilai Ekosistem PKS yang Melangkaui Perkhidmatan Pembiayaan, dan Misi kami untuk menjadi Pusat Kecemerlangan bagi Memacu Agenda Pembangunan Usahawan Negara.

Pada Disember 2018, kami memulakan Program Pecutan dua tahun yang mengandungi projek dan inisiatif pantas sebagai asas untuk mengubah Bank menjadi sebuah organisasi berprestasi tinggi.



To realise this, we have revised our core values, with an appropriate acronym, SMILE, which stands for Strong teamwork and integrity; Managing stakeholders; Innovation via technology; Leadership and growth; and Efficiency and productivity (Lean).

All these shared vision, mission and core values will be the guiding light for us to attain what we set to achieve, and ultimately to bravely face all possible new encounters, and ultimately, help develop the small and medium industries and the nation's economy.

SME Bank enters this exciting and challenging new future with a clear goal to contribute to the overall success of its stakeholders, especially the small and medium enterprises. It is thus crucial to combine the energy and innovation of everyone involved in this journey. I look forward to working with all of our stakeholders in the year ahead.

Thank you.

ARIA PUTERA ISMAIL
Group President/Chief Executive Officer
Presiden Kumpulan/Ketua Pegawai Eksekutif

Bagi menzahirkannya, kami mengkaji semula nilai-nilai teras kami, dengan akronim yang sesuai, SMILE, yang merujuk kepada 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*).

Semua visi, misi dan nilai utama yang dikongsi bersama ini akan menjadi panduan untuk kami mencapai apa yang kami tetapkan, untuk mendepani segala kemungkinan baharu dengan berani, dan akhirnya, membantu memajukan industri kecil dan sederhana dan ekonomi negara.

SME Bank melangkah ke masa depan yang menarik dan mencabar ini dengan matlamat yang jelas untuk menyumbang kepada keseluruhan kejayaan pihak berkepentingan, terutamanya perusahaan kecil dan sederhana. Maka ia sangat penting untuk menggabungkan tenaga dan inovasi setiap orang yang terlibat dalam perjalanan ini. Saya berharap agar dapat terus bekerjasama dengan semua pihak berkepentingan kami di tahun akan datang.

Terima kasih.

BOARD OF DIRECTORS

LEMBAGA PENGARAH

40

SME BANK | INTEGRATED ANNUAL REPORT 2018 LAPORAN TAHUNAN BERSEPADU 2018



From left
Dari kiri:

Tan Sri Faizah Mohd Tahir
Non-Executive Chairman
(tenure ended on 4 September 2018)
Pengerusi Bukan Eksekutif
(tempoh berakhir pada 4 September 2018)

Dato' Asri Hamidon
Non-Independent Non-Executive Director
Pengarah Bukan Eksekutif Bukan Bebas

Muthafa Yusof
Non-Independent Non-Executive Director
(tenure ended on 10 March 2018)
Pengarah Bukan Eksekutif Bukan Bebas
(tempoh berakhir pada 10 Mac 2018)

Ishak Ismail
Independent Director (tenure ended on 1 February 2018)
Pengarah Bebas (tempoh berakhir pada 1 Februari 2018)



From left
Dari kiri:

Khairuzzaman Muhammad
Independent Director
Pegarah Bebas

Dato' Jamelah Jamaluddin
Independent Director
Pegarah Bebas

Prof. Dr. Abdul Basir Mohamad
Independent Director
Pegarah Bebas

Dato' Mohd Shukri Hussin
Independent Director
Pegarah Bebas

Dato' Muslim Hussain
Independent Director
Pegarah Bebas

PROFILE OF DIRECTORS

PROFIL PENGARAH

42

SME BANK | INTEGRATED ANNUAL REPORT 2018 LAPORAN TAHUNAN BERSEPADU 2018

NATIONALITY/KEWARGANEGARAAN

Malaysian Malaysia

DATE OF APPOINTMENT/TARIKH PELANTIKAN

4 September 2015 4 September 2015

Tan Sri Faizah Mohd Tahir was appointed to the Board of SME Bank on 4 September 2015 and has served as Chairman of SME Bank. A graduate with a Master of Arts (Development Economics) from Williams College, USA and Bachelor in Economics (Hons.) from University of Malaya, she joined the Economic Planning Unit (EPU) of the Prime Minister's Department in 1973. Her last position at EPU was Director, Commerce and Industry Section before being promoted to Secretary General of Ministry of Women, Family and Community Development from 2005 until her retirement in 2009.

Tan Sri Faizah is presently the Board Member of Goodyear Malaysia Berhad, AMWAY (Malaysia) Holdings Berhad, and Temasek Foundation International CLG Limited Singapore.

She is also the Chairman of OrphanCare Foundation and Yayasan Sejahtera and a Member of the Board of Trustees of Yayasan Kebajikan Negara Malaysia.

Tan Sri Faizah Mohd Tahir dilantik ke Lembaga Pengarah SME Bank pada 4 September 2015 dan telah berkhidmat sebagai Pengerusi SME Bank. Lulusan Ijazah Sarjana (Ekonomi Pembangunan) dari Williams College, Amerika Syarikat dan Ijazah Sarjana Muda Ekonomi (Kepujian) dari Universiti Malaya, beliau menyertai Unit Perancangan Ekonomi (EPU) di Jabatan Perdana Menteri pada tahun 1973. Jawatan terakhir beliau di EPU adalah Pengarah, Bahagian Perdagangan dan Industri sebelum dinaikkan pangkat kepada Ketua Setiausaha, Kementerian Pembangunan Wanita, Keluarga dan Masyarakat, jawatan yang disandanginya dari 2005 hingga beliau bersara pada 2009.

Tan Sri Faizah kini ialah Ahli Lembaga Pengarah Goodyear Malaysia Berhad, AMWAY (Malaysia) Holdings Berhad dan Temasek Foundation International CLG Limited Singapore.

Beliau juga Pengerusi OrphanCare Foundation dan Yayasan Sejahtera serta Ahli Lembaga Pemegang Amanah Yayasan Kebajikan Negara Malaysia.



TAN SRI FAIZAH MOHD TAHIR

Non-Executive Chairman

(tenure ended on 4 September 2018)

Pengerusi Bukan Eksekutif

(tempoh berakhir pada 4 September 2018)



NATIONALITY/KEWARGANEGARAAN

Malaysian Malaysia

DATE OF APPOINTMENT/TARIKH PELANTIKAN

2 May 2013 2 Mei 2013

Dato' Asri Hamidon was appointed as 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 Deputy Secretary General to the Treasury (Investment), Minister of Finance Incorporated and a member of the Administrative and Diplomatic Officer Association. He also sits on the Board of Bina Darulaman Berhad, Sarawak Hidro Sdn. Bhd., Land Public Transport Commission, Malaysia Convention & Exhibition Bureau, SMEB Asset Management Sdn. Bhd., IJN Holdings Sdn. Bhd., Danalnfra Nasional Berhad, Prokhas Sdn. Bhd., Syarikat Perumahan Negara Berhad and Telekom Malaysia Berhad as an Alternate Director.

Dato' Asri Hamidon dilantik sebagai Pengarah Bukan Eksekutif Bukan Bebas 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 Anti Rasuah dan Penolong Pengarah Unit Perancangan Ekonomi di Jabatan Perdana Menteri.

Beliau kini ialah Timbalan Ketua Setiausaha Perbendaharaan (Pelaburan), *Minister of Finance Incorporated* dan ahli Persatuan Pegawai Pentadbiran dan Diplomatik. Beliau juga merupakan Ahli Lembaga Pengarah Bina Darulaman Berhad, Sarawak Hidro Sdn. Bhd., Suruhanjaya Pengangkutan Awam Darat, Biro Persidangan & Pameran Malaysia, SMEB Asset Management Sdn. Bhd., IJN Holdings Sdn. Bhd., Danalnfra Nasional Berhad, Prokhas Sdn.Bhd., Syarikat Perumahan Negara Berhad dan Telekom Malaysia Berhad sebagai Pengarah Alternatif.

DATO' ASRI HAMIDON

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

PROFILE OF DIRECTORS

PROFIL PENGARAH

44

NATIONALITY/KEWARGANEGARAAN
DATE OF APPOINTMENT/TARIKH PELANTIKAN

Malaysian Malaysia
1 May 2017 1 Mei 2017

Muthafa Yusof was appointed as a Non-Independent Non-Executive Director of SME Bank on 1 May 2017. He holds a Master of Science in Engineering & Manufacturing Management from United Kingdom, a Bachelor of Business Administration from Universiti Kebangsaan Malaysia, a Diploma in Management Science and Diploma in Public Administration, INTAN.

He began his career with the Ministry of International Trade & Industry, Ministry of Health, Ministry of Finance and later he continues his career in the Ministry of International Trade & Industry. Muthafa Yusof was the Senior Director, Bumiputera Entrepreneurship & SME Division of Ministry of International Trade & Industry effective 11 November 2016. Muthafa currently sits on the Board of Perbadanan Kemajuan Negeri, Negeri Sembilan.

Muthafa Yusof dilantik sebagai Pengarah Bukan Eksekutif Bukan Bebas pada 1 Mei 2017. Beliau ialah lulusan Sarjana Sains dalam Kejuruteraan dan Pengurusan Pembuatan dari United Kingdom, Sarjana Muda Pentadbiran Perniagaan dari Universiti Kebangsaan Malaysia, Diploma Sains Pengurusan dan Diploma Pentadbiran Awam, INTAN.

Beliau memulakan kerjaya dengan Kementerian Perdagangan Antarabangsa & Industri, Kementerian Kesihatan dan Kementerian Kewangan. Beliau kemudian meneruskan kerjaya di Kementerian Perdagangan Antarabangsa & Industri sebagai Pengarah Kanan, Bahagian Keusahawanan Bumiputera & PKS, Kementerian Perdagangan Antarabangsa & Industri berkuat kuasa 11 November 2016. Muthafa kini merupakan Ahli Lembaga Pengarah Perbadanan Kemajuan Negeri, Negeri Sembilan.



MUTHAFA YUSOF

**Non-Independent
Non-Executive Director**

(tenure ended on 10 March 2018)

**Pengarah Bukan Eksekutif
Bukan Bebas**

(tempoh berakhir pada 10 Mac 2018)



NATIONALITY/KEWARGANEGARAAN
DATE OF APPOINTMENT/TARIKH PELANTIKAN

Malaysian Malaysia
3 May 2011 3 Mei 2011

Ishak Ismail was appointed as an Independent Director of SME Bank on 3 May 2011. He holds a Bachelor of Commerce from the University of Newcastle, NSW Australia and is a member of the Institute of Chartered Accountants, Australia, the Malaysian Institute of Accountants and a Certified Internal Auditor, United States of America.

He has served more than 30 years in various capacities with the Government and private sector. He has held numerous important positions throughout his tenure of service including as Senior Accountant in several Government departments. He has also held several senior managerial positions within Bank Negara Malaysia. He was also the General Manager of Arab-Malaysian Assurance Berhad and AmBank (M) Berhad. He also sits on the Board of SMEB Asset Management Sdn. Bhd.

Ishak Ismail dilantik sebagai Pengarah Bebas pada 3 Mei 2011. Beliau ialah lulusan Sarjana Muda Perdagangan dari University of Newcastle, NSW Australia dan ahli Institut Akauntan Berkanun, Australia, Institut Akauntan Malaysia dan Juruaudit Dalaman Bertauliah, Amerika Syarikat.

Beliau telah berkhidmat selama lebih 30 tahun dalam pelbagai bidang dengan Kerajaan dan sektor swasta. Beliau menyanggah berbagai jawatan sepanjang tempoh perkhidmatannya termasuk sebagai Akauntan Kanan di beberapa jabatan Kerajaan. Beliau juga menyanggah beberapa jawatan pengurusan kanan dalam Bank Negara Malaysia, serta Pengurus Besar di Arab-Malaysian Assurance Berhad dan AmBank (M) Berhad. Beliau merupakan Ahli Lembaga Pengarah SMEB Asset Management Sdn. Bhd.

ISHAK ISMAIL
Independent Director
 (tenure ended on 1 February 2018)
Pengarah Bebas
 (tempoh berakhir pada 1 Februari 2018)

PROFILE OF DIRECTORS

PROFIL PENGARAH

46

NATIONALITY/KEWARGANEGARAAN
DATE OF APPOINTMENT/TARIKH PELANTIKAN

Malaysian Malaysia
2 February 2011 2 Februari 2011

Khairuzzaman Muhammad was appointed as an Independent 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 also received a Degree of 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 Malaysia in 1990.

Khairuzzaman is one of the partners at 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 pada 2 Februari 2011. Beliau ialah lulusan Ijazah (Kepujian) Undang-Undang pada 1988 dari Essex Institute of Higher Education (kini dikenali sebagai Anglia Ruskin University), England. Beliau juga menerima Ijazah Utter Barrister dari Honourable Society of Lincoln's Inn, England pada 1989 dan Diploma Graduan dalam Undang-Undang Komersial dari University of Sydney, Australia pada tahun 2000. Beliau diterima sebagai Peguambela dan Peguamcara oleh Mahkamah Tinggi Malaysia pada 1990.

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



**KHAIRUZZAMAN
MUHAMMAD**

Independent Director
Pengarah Bebas



NATIONALITY/ KEWARGANEGARAAN	Malaysian Malaysia
DATE OF APPOINTMENT/ TARIKH PELANTIKAN	1 February 2014 1 Februari 2014

Dato' Jamelah Jamaluddin was appointed as an Independent 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.

Dato' Jamelah Jamaluddin dilantik sebagai Pengarah Bebas 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.

She was Chief Executive Officer of Kuwait Finance House (M) Berhad, Managing Director of RHB Islamic Bank Berhad, Chief Operating Officer of RHB Sakura Merchant Bankers Berhad and Country Head & Division Director Macquarie Malaysia. She is a Director of Weida (M) Berhad, Scomi Energy Service Berhad, PMB Tijari Sdn. Bhd. and Member of Investment Committee Johor Corporation Berhad.

Beliau pernah menyandang jawatan Ketua Pegawai Eksekutif Kuwait Finance House (M) Berhad, Pengarah Urusan RHB Islamic Bank Berhad, Ketua Pegawai Operasi RHB Sakura Merchant Bankers Berhad, dan Ketua Negara dan Pengarah Bahagian Macquarie Malaysia. Beliau merupakan Pengarah Weida (M) Berhad, Scomi Energy Service Berhad, PMB Tijari Sdn Bhd dan Ahli Jawatankuasa Pelaburan Johor Corporation Berhad.

DATO' JAMELAH JAMALUDDIN
 Independent Director
 Pengarah Bebas

PROFILE OF DIRECTORS

PROFIL PENGARAH

48

NATIONALITY/KEWARGANEGARAAN

DATE OF APPOINTMENT/TARIKH PELANTIKAN

Malaysian Malaysia

3 June 2015 3 Jun 2015

Prof. Dr. Abdul Basir Mohamad was appointed as Independent Director on 3 June 2015. He holds a PhD from University of Edinburgh, Scotland specialising in the Islamic Tort Law and the Islamic Criminal Law. His Bachelor Degree in Shariah was from National University of Malaysia (UKM).

Besides serving in various capacities at the National University of Malaysia, he is also the panel of advisors for various institutions. Prof. Dr. Abdul Basir Mohamad is currently the Chairman of the Shariah Committee of SME Bank; Academic Board Member for Islamic College of Johor; External Appraiser for Shariah Study Center of Faculty of Islamic Contemporary Studies, UNISZA; External Appraiser for Diploma Programme of Muamalat Studies of Institute Professional Baitulmal; Academic Panel for Shariah Curriculum Studies of Islamic University College Pahang Sultan Ahmad Shah (KUIPSAS); Academic Fellowship for Academy of Islamic Studies of Islamic University College Malacca (KUIM); Academic Panel for Undergraduate Programme of Fiqh and Fatwa of Islamic Science University of Malaysia (USIM); Board Member for Master Programme of Islamic Science and Technology of UTeM; External Assessor for application to the post of Associate Professor and Professor of UM, UTM, USM, UNISZA, UUM, UIAM, UiTM and USM; a manuscript reviewer of *Dewan Bahasa dan Pustaka*; External Examiner for Master and PhD Thesis of UM, UTM, UIAM and UNISZA; Committee Member of Knowledge Wakaf Fund Investment UKM (DWIUKM); besides being a Member of other Board Committees.

Prof. Dr. Abdul Basir Mohamad dilantik sebagai Pengarah Bebas pada 3 Jun 2015. Beliau menerima PhD dari University of Edinburgh, Scotland dengan pengkhususan dalam Undang-Undang Tort Islam dan Undang-Undang Jenayah Islam. Beliau juga lulus Ijazah Sarjana Muda dalam Syariah dari Universiti Kebangsaan Malaysia (UKM).

Selain dari berkhidmat dalam pelbagai jawatan di Universiti Kebangsaan Malaysia, beliau juga merupakan ahli panel penasihat untuk berbagai institusi. Prof. Dr. Abdul Basir kini ialah Pengerusi Jawatankuasa Syariah SME Bank; Ahli Lembaga Akademik untuk Kolej Pengajian Islam Johor; penasihat luar untuk Pusat Pengajian Syariah, Fakulti Pengajian Kontemporari Islam, UNISZA; Penilai Luar untuk Diploma Pengajian Muamalat Institut Profesional Baitulmal; Panel Akademik untuk Kurikulum Pengajian Syariah, Kolej Universiti Islam Pahang Sultan Ahmad Shah (KUIPSAS); Felo Akademik bagi Akademi Pengajian Islam, Kolej Universiti Islam Melaka (KUIM); Panel Akademik bagi Program Ijazah Pertama Fiqh dan Fatwa, Universiti Sains Islam Malaysia (USIM); Ahli Lembaga Pengarah bagi Program Sarjana Sains dan Teknologi Islam, UTeM; Penilai Luar untuk permohonan ke jawatan Profesor Madya dan Profesor UM, UTM, USM, UNISZA, UUM, UIAM, UiTM dan USM; penyemak manuskrip *Dewan Bahasa dan Pustaka*; Pemeriksa Luar untuk Tesis Sarjana dan PhD di UM, UTM, UIAM dan UNISZA; Ahli Jawatankuasa Pelaburan Dana Wakaf UKM (DWIUKM); di samping menjadi Ahli beberapa Jawatankuasa Lembaga Pengarah lain.



**PROF. DR.
ABDUL BASIR
MOHAMAD**

Independent Director
Pengarah Bebas



NATIONALITY/KEWARGANEGARAAN
DATE OF APPOINTMENT/TARIKH PELANTIKAN

Malaysian Malaysia
1 May 2016 1 Mei 2016

Dato' Mohd Shukri Hussin was appointed as Independent Director on 1 May 2016. He holds a Bachelor in Economics (Hons.) from University of Malaya and is a qualified Chartered Accountant from the Institute of Chartered Accountants (England and Wales).

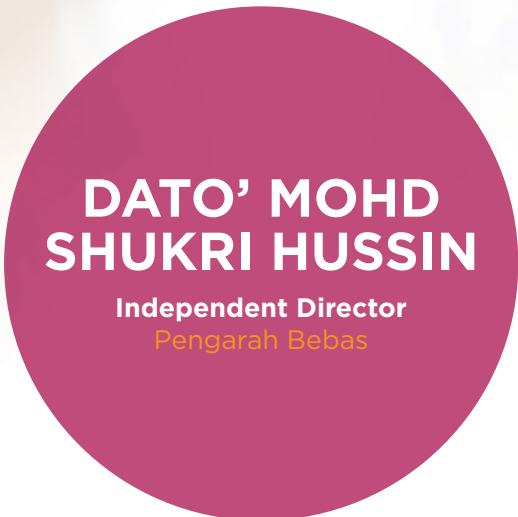
He began his career as Management Executive with Petronas Carigali Sdn. Bhd. and later worked as Audit Supervisor at Touche Ross London, UK for four years before returning to Malaysia to become Audit Supervisor at Hanafiah Raslan & Mohamad. He has since served in various management positions at several 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' Mohd Shukri currently assumes directorship in LeapEd Services Sdn. Bhd., Sun Life Malaysia Assurance Berhad, Sun Life Malaysia Takaful 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 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 LeapEd Services Sdn. Bhd., Sun Life Malaysia Assurance Berhad, Sun Life Malaysia Takaful Berhad dan Pelaburan Hartanah Berhad serta Ahli Lembaga Pemegang Amanah bagi Yayasan CIMB.



DATO' MOHD SHUKRI HUSSIN

Independent Director
Pengarah Bebas

PROFILE OF DIRECTORS

PROFIL PENGARAH

50

NATIONALITY/KEWARGANEGARAAN

Malaysian Malaysia

DATE OF APPOINTMENT/TARIKH PELANTIKAN

1 September 2018 1 September 2018

Dato' Muslim Hussain was appointed as Independent Director 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 Credit and Risk Management. He has more than 30 years' experience 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 (EVP) and Head of Maybank Group Operational Risk Management before moving to Agrobank as its Chief Risk Officer. At Maybank, where he spent 27 years of his banking career, he was the Branch Credit Officer; Regional Credit Officer; Assistant Vice President (AVP)/ Head of Credit Portfolio and Policy; Vice President (VP)/Head Credit Policy and Portfolio Management and EVP, Operational Risk Management.

Dato' Muslim is also a Member of The Risk Management Committee of *Dana Peladang Kebangsaan* (DPK), National Farmers Organisation (NAFAS).

Dato' Muslim dilantik sebagai Pengarah Bebas 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).

Dato' Muslim mempunyai pengalaman luas dalam Kredit dan Pengurusan Risiko. Beliau mempunyai lebih 30 tahun pengalaman dalam sektor perbankan. Beliau memulakan kerjaya sebagai Pegawai Kredit Cawangan di Maybank dan maju ke jawatan Naib Presiden Eksekutif (EVP) dan Ketua Pengurusan Risiko Operasi Kumpulan Maybank sebelum berpindah ke Agrobank sebagai Ketua Pegawai Risiko. Di Maybank, di mana beliau menghabiskan 27 tahun kerjaya perbankannya, beliau ialah Pegawai Kredit Cawangan, Pegawai Kredit Wilayah, Penolong Naib Presiden (AVP)/Ketua Portfolio dan Dasar Kredit; Naib Presiden (VP)/Ketua Dasar Kredit dan EVP, Pengurusan Risiko Operasi.

Dato' Muslim juga merupakan Ahli Jawatankuasa Pengurusan Risiko Dana Peladang Kebangsaan (DPK), Pertubuhan Peladang Kebangsaan (NAFAS).



**DATO' MUSLIM
HUSSAIN**

Independent Director
Pengarah Bebas



Throughout the year, SME Bank's Board of Directors and its Senior Management team spearheaded operations with a comprehensive approach, in line with the best practices of corporate governance, to obtain a greater impact on development in the country. The combined expertise was fully aligned with the Bank's strategic vision to be the leader in SME ecosystem value creation beyond financial services.

Sepanjang tahun ini, Lembaga Pengarah SME Bank dan pasukan Pengurusan Kanan memacu operasi dengan pendekatan menyeluruh, seiring dengan amalan terbaik tadbir urus korporat, untuk menghasilkan impak lebih besar terhadap perkembangan di dalam negara. Gabungan kepakaran ini diujarkan sepenuhnya dengan visi strategik Bank untuk menjadi peneraju dalam penciptaan nilai ekosistem PKS yang melangkaui perkhidmatan pembiayaan.

SENIOR MANAGEMENT

PENGURUSAN KANAN

52

SME BANK | INTEGRATED ANNUAL REPORT 2018 LAPORAN TAHUNAN BERSEPADU 2018



From left
Dari kiri:

Aria Putera Ismail

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

Mohammad Hardee Ibrahim

Chief Banking Officer
Ketua Pegawai Perbankan

Haizad Rizal Aziz

Group Chief Financial Officer
Ketua Pegawai Kewangan Kumpulan

Y.M. Raja Shahrman Raja Harun Al Rashid

Chief Operating Officer
Ketua Pegawai Operasi



From left
Dari kiri:

Khairil Anuar Mohammad Anuar
Group Chief Strategy Officer
Ketua Pegawai Strategi Kumpulan

Zarina Nor Ismail
Chief Credit Officer
Ketua Pegawai Kredit

Hairil Izwar Abd Rahman
Group Chief Digital & Technology Transformation Officer
Ketua Pegawai Transformasi Digital & Teknologi Kumpulan

Sainursalwa Sani
Group Chief Human Capital Officer
Ketua Pegawai Modal Insan Kumpulan

SHARIAH COMMITTEE

AHLI JAWATANKUASA SYARIAH

54



From left:
Dari kiri:

Tuan Haji Jalil Haji Said
Member/Ahli

Prof. Dr. Abdul Basir Mohamad
Chairman/Pengerusi

Dr. Tajul Aris Ahmad Bustami
Member/Ahli



From left
Dari kiri:

Dr. Marjan Muhammad
Member/Ahli

Assoc. Prof. Dr. Asmak Ab Rahman
Member/Ahli

Prof. Dr. Norhashimah Mohd Yasin
Member/Ahli





ADOPTING BEST PRACTICES

MENERIMA PAKAI AMALAN TERBAIK

Corporate governance in SME Bank is based on the principles of separation of powers, effective management by the Board of Directors, regulation of corporate conflicts and conflicts of interest, and transparency and objectivity of information disclosure on the Bank's activities.

Tadbir urus korporat dalam SME Bank adalah berdasarkan prinsip pengasingan kuasa, pengurusan berkesan oleh Lembaga Pengarah, pengawalseliaan konflik korporat dan konflik kepentingan, dan ketelusan dan keobjektifan pendedahan maklumat tentang aktiviti Bank.

Statement on Corporate Governance
Penyata Tadbir Urus Korporat

Nomination Committee
Jawatankuasa Pencalonan

Nomination and Compensation Committee
Jawatankuasa Pencalonan dan Pampasan

Audit Committee
Jawatankuasa Audit

Risk Management Committee
Jawatankuasa Pengurusan Risiko

Statement on Risk Management and Internal Control
Penyata Pengurusan Risiko dan Kawalan Dalam

Asset Quality Review Committee
Jawatankuasa Semakan Kualiti Aset

Shariah Committee
Jawatankuasa Syariah



STATEMENT ON CORPORATE GOVERNANCE

PENYATA TADBIR URUS KORPORAT

The Board of Directors of Small Medium Enterprise Development Bank Malaysia Berhad (“Bank”) is committed to high standards of Corporate Governance and subscribes to Bank Negara Malaysia’s Guidelines on Corporate Governance Standards on Directorship for Development Financial Institutions (“DFIs”) in achieving an optimal governance framework and maximising the shareholders value of the Bank.

A. BOARD OF DIRECTORS

The Board is governed by nine (9) members consisting of one (1) Non-Executive Chairman, two (2) Non-Independent Non-Executive Directors representing Minister of Finance Incorporated (“MOF”) and Ministry of International Trade and Industry (“MITI”) and six (6) Independent Directors.

The diversity of the Directors’ background, ranging from the fields of Management, Banking, Finance, Accounting, Legal, Entrepreneur Development, and 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 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 of Directors meets at least once a month 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 Guidelines on Corporate Governance for DFIs and the Bank’s Memorandum and Articles of Association.

Lembaga Pengarah Small Medium Enterprise Development Bank Malaysia Berhad (“Bank”) komited terhadap piawaian tinggi Tadbir Urus Korporat dan mematuhi Garis Panduan Bank Negara Malaysia bagi Piawaian Tadbir Urus Korporat berhubung Pengarah Institusi Kewangan Pembangunan (“DFI”) dalam mencapai rangka kerja tadbir urus yang terbaik dan memaksimumkan nilai pemegang saham Bank.

A. LEMBAGA PENGARAH

Lembaga Pengarah ditadbir oleh sembilan (9) ahli terdiri daripada seorang (1) Pengerusi Bukan Eksekutif, dua (2) Pengarah Bukan Eksekutif Bukan Bebas mewakili *Minister of Finance Incorporated* (“MOF”) dan Kementerian Perdagangan Antarabangsa dan Industri (“MITI”) dan enam (6) Pengarah Bebas.

Kepelbagaian latar belakang para Pengarah, daripada bidang Pengurusan, Perbankan, Kewangan, Perakaunan, Undang-Undang, Pembangunan Keusahawanan, dan keseluruhan pengalaman mereka semasa berkhidmat dalam sektor awam dan swasta, menyumbang kepada Lembaga Pengarah segala kepakaran yang diperlukan oleh Lembaga Pengarah untuk melaksanakan fungsi mereka dengan berkesan.

Pengerusi dan semua Pengarah adalah pakar dalam bidang masing-masing dan telah banyak menyumbang kepada proses membuat keputusan Lembaga Pengarah. Presiden Kumpulan/Ketua Pegawai Eksekutif melaksanakan dasar-dasar Lembaga Pengarah dan menguruskan hal ehwal harian Bank.

Lembaga Pengarah bertanggungjawab untuk 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 sekali sebulan untuk membincangkan antara lainnya hal-hal berkaitan dasar, strategi, prestasi, sumber, keseluruhan urusan perniagaan dan hal-hal kewangan Bank serta memantau prestasi keseluruhan.

Pelantikan Pengerusi dan semua Pengarah adalah menurut Garis Panduan Tadbir Urus Korporat bagi DFI dan Tatawujud dan Tataurus Bank.



The composition of the Board of Directors during the year 2018 is as follows:
Komposisi Lembaga Pengarah pada tahun 2018 adalah seperti berikut:

	NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN
1.	Tan Sri Faizah Mohd Tahir	Non-Executive Chairman (tenure ended on 4 September 2018) Pengerusi Bukan Eksekutif (tempoh berakhir pada 4 September 2018)
2.	Dato' Asri Hamidon	Non-Independent Non-Executive Director (representing MOF) (tenure ended on 31 March 2019) Pengarah Bukan Eksekutif Bukan Bebas (mewakili MOF) (tempoh berakhir pada 31 Mac 2019)
3.	Encik Muthafa Yusof	Non-Independent Non-Executive Director (representing MITI) (appointed on 1 May 2017) (tenure ended on 10 March 2018) Pengarah Bukan Eksekutif Bukan Bebas (mewakili MITI) (dilantik pada 1 Mei 2017) (tempoh berakhir pada 10 Mac 2018)
4.	Encik Ishak Ismail	Independent Director (tenure ended on 1 February 2018) Pengarah Bebas (tempoh berakhir pada 1 Februari 2018)
5.	Encik Khairuzzaman Muhammad	Independent Director (tenure ended on 1 February 2019) Pengarah Bebas (tempoh berakhir pada 1 Februari 2019)
6.	Dato' Jamelah Jamaluddin	Independent Director (tenure ended on 1 February 2019) Pengarah Bebas (tempoh berakhir pada 1 Februari 2019)
7.	Prof. Dr. Abdul Basir Mohamad	Independent Director Pengarah Bebas
8.	Dato' Mohd Shukri Hussin	Independent Director (tenure ended on 1 May 2019) Pengarah Bebas (tempoh berakhir pada 1 Mei 2019)
9.	Dato' Muslim Hussain	Independent Director (appointed on 1 September 2018) Pengarah Bebas (dilantik pada 1 September 2018)

For the year 2018, sixteen (16) meetings were held. The record of attendance by the Board of Directors at the Board Meetings for 2018 is as follows:

Bagi tahun 2018, enam belas (16) mesyuarat diadakan. Rekod kehadiran oleh Lembaga Pengarah pada Mesyuarat Lembaga Pengarah bagi 2018 adalah seperti berikut:

	NAME OF DIRECTOR NAMA PENGARAH	NO. OF MEETINGS ATTEND BIL. MESYUARAT DIHADIRI
1.	Tan Sri Faizah Mohd Tahir	9/9* (tenure ended on 4 September 2018) 9/9* (tempoh berakhir pada 4 September 2018)
2.	Dato' Asri Hamidon	7/16 (tenure ended on 31 March 2019) 7/16 (tempoh berakhir pada 31 Mac 2019)
3.	Encik Muthafa Yusof	3/3* (appointed on 1 May 2017) (tenure ended on 10 March 2018) 3/3* (dilantik pada 1 Mei 2017) (tempoh berakhir pada 10 Mac 2018)
4.	Encik Ishak Ismail	2/2* (tenure ended on 1 February 2018) 2/2* (tempoh berakhir pada 1 Februari 2018)
5.	Encik Khairuzzaman Muhammad	15/16* (tenure ended on 1 February 2019) 15/16* (tempoh berakhir pada 1 Februari 2019)
6.	Dato' Jamelah Jamaluddin	16/16* (tenure ended on 1 February 2019) 16/16* (tempoh berakhir pada 1 Februari 2019)
7.	Prof. Dr. Abdul Basir Mohamad	16/16
8.	Dato' Mohd Shukri Hussin	16/16 (tenure ended on 1 May 2019) 16/16 (tempoh berakhir pada 1 Mei 2019)
9.	Dato' Muslim Hussain	6/7 (appointed on 1 September 2018) 6/7 (dilantik pada 1 September 2018)

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

* Mewakili bilangan mesyuarat dihadiri semasa Pengarah berkhidmat.

STATEMENT ON CORPORATE GOVERNANCE

PENYATA TADBIR URUS KORPORAT

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

It is the Bank's practice that each new Director is given a Board Kit and is required to attend on boarding session to be briefed on the Bank's history, operations and financial performance to enable his/her to have first-hand understanding of the Bank's operations.

The members of the Board keep abreast with developments in the banking industry by attending conferences and seminars held in Malaysia and abroad.

The Bank also organises training on AML/CFT and talks of relevant topics and encourages Directors to attend talks, training programmes and seminars to update themselves on new developments in the business environment.

The Directors of the Bank in 2018 have attended the Financial Institutions Directors' Education ("FIDE") Programme organised by The Iclif Leadership and Governance Centre.

D. BOARD COMMITTEES

There are four Board Committees established to assist the Board in discharging its duties and responsibilities, namely the Audit Committee, Risk Management Committee, Nomination and Compensation Committee and Asset Quality Review Committee.

B. BEKALAN MAKLUMAT

Pengarah menerima notis dan kertas Lembaga Pengarah sebelum Mesyuarat Lembaga Pengarah untuk memberikan mereka masa bagi membincangkan isu-isu yang dibangkitkan pada mesyuarat.

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

C. LATIHAN PENGARAH

Amalan Bank adalah bahawa setiap Pengarah baharu diberikan Kit Lembaga Pengarah dan diperlukan untuk menghadiri sesi penyesuaian supaya diberikan taklimat mengenai sejarah, operasi dan prestasi kewangan Bank bagi membolehkan beliau mendapat pemahaman awal tentang operasi Bank.

Ahli-ahli Lembaga Pengarah mengikuti perkembangan dalam industri perbankan dengan menghadiri persidangan dan seminar yang diadakan di Malaysia dan luar negara.

Bank juga menganjurkan latihan mengenai AML/CFT dan perbincangan topik-topik relevan dan menggalakkan Pengarah untuk menghadiri sesi bual bicara, program latihan dan seminar untuk mengemas kini diri mereka tentang perkembangan baharu dalam persekitaran perniagaan.

Pada tahun 2018, para Pengarah Bank telah menghadiri Program Pendidikan Pengarah Institusi Kewangan ("FIDE") yang dianjurkan oleh Pusat Kepimpinan dan Tadbir Urus ICLIF.

D. JAWATANKUASA LEMBAGA PENGARAH

Terdapat empat Jawatankuasa Lembaga Pengarah yang ditubuhkan untuk membantu Lembaga Pengarah dalam melaksanakan tugas-tugas dan tanggungjawabnya, iaitu Jawatankuasa Audit, Jawatankuasa Pengurusan Risiko, Jawatankuasa Pencalonan dan Pampasan dan Jawatankuasa Semakan Kualiti Aset.



NOMINATION COMMITTEE

JAWATANKUASA PENCALONAN

1. OBJECTIVE

The primary objective of the Nomination Committee (“NC”) is to establish a documented, formal and transparent procedure for the appointment of Directors, Group President/Chief Executive Officer (“GP/CEO”) and Senior Management (Management Director and above) and to assess the effectiveness of individual Directors, the Board of Directors and the various committees of the Board, the GP/CEO and Senior Management.

2. COMPOSITION, MEETING AND ATTENDANCE

During the financial year ended 31 December 2018, the NC held one (1) meeting. The composition of the NC during the year 2018 and the record of attendance of the Committee Members at the NC Meeting are as follows:

1. OBJEKTIF

Objektif utama Jawatankuasa Pencalonan (“JP”) adalah untuk menetapkan prosedur yang didokumenkan, formal dan telus bagi pelantikan Pengarah, Presiden Kumpulan/Ketua Pegawai Eksekutif dan Pengurusan Kanan (Pengarah Pengurusan dan ke atas) dan untuk menilai keberkesanan Pengarah secara individu, Lembaga Pengarah dan pelbagai jawatankuasa Lembaga Pengarah, Presiden Kumpulan/Ketua Pegawai Eksekutif dan Pengurusan Kanan.

2. KOMPOSISI, MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2018, JP mengadakan satu (1) mesyuarat. Komposisi JP sepanjang tahun 2018 dan rekod kehadiran Ahli Jawatankuasa pada mesyuarat JP adalah seperti berikut:

	NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN	NO. OF MEETINGS ATTENDED BIL. MESYUARAT DIHADIRI
1.	Encik Ishak Ismail	Chairman/Independent Director (tenure ended on 1 February 2018) Pengerusi/Pengarah Bebas (tempoh berakhir pada 1 Februari 2018)	1/1*
2.	Dato’ Asri Hamidon	Member/Non-Independent Non-Executive Director (tenure ended on 31 March 2019) Ahli/Pengarah Bukan Eksekutif Bukan Bebas (tempoh berakhir pada 31 Mac 2019)	1/1
3.	Encik Muthafa Yusof	Member/Non-Independent Non-Executive Director (appointed on 1 May 2017) (tenure ended on 10 March 2018) Ahli/Pengarah Bukan Eksekutif Bukan Bebas (dilantik pada 1 Mei 2017) (tempoh berakhir pada 10 Mac 2018)	1/1*
4.	Dato’ Jamelah Jamaluddin	Member/Independent Director (tenure ended on 1 February 2019) Ahli/Pengarah Bebas (tempoh berakhir pada 1 Februari 2019)	1/1
5.	Prof. Dr. Abdul Basir Mohamad	Member/Independent Director Ahli/Pengarah Bebas	1/1

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

* Mewakili bilangan mesyuarat yang dihadiri semasa Pengarah berkhidmat.

NOMINATION AND COMPENSATION COMMITTEE

JAWATANKUASA PENCALONAN DAN PAMPASAN

The Nomination and Compensation Committee (“NCC”) of the Bank has been established effective 1 February 2018 and consequentially, the Nomination Committee and Remuneration Committee of the Bank has been respectively dissolved on even date.

1. OBJECTIVE

The primary objectives of the NCC are as follows:

Nomination Objective

1.1 To establish a documented, formal and transparent procedure for the appointment of the Key Responsible Persons¹ of the Bank and to assess the effectiveness of individual Key Responsible Persons and the various committees of the Board.

Compensation Objective

1.1 To provide a formal and transparent procedure for developing a remuneration policy for Key Responsible Persons of the Bank and ensuring that compensation is competitive and consistent with the Bank’s culture, objectives and strategy.

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/CEO, 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).

2. COMPOSITION, MEETING AND ATTENDANCE

During the financial year ended 31 December 2018, the NCC held twelve (12) meetings. The composition of the NCC during the year 2018 and the record of attendance of the Committee Members at the NCC Meetings are as follows:

Jawatankuasa Pencalonan dan Pampasan (“JPP”) Bank telah ditubuhkan berkuatkuasa 1 Februari 2018 dan berikutan ini, Jawatankuasa Pencalonan dan Jawatankuasa Imbuan Bank telah dibubarkan pada tarikh yang sama.

1. OBJEKTIF

Objektif utama JPP adalah seperti berikut:

Objektif Pencalonan

1.1 Untuk menetapkan prosedur yang didokumentasikan, formal dan telus bagi pelantikan Individu dengan Tanggungjawab Utama¹ bagi Bank dan untuk menilai keberkesanan mereka dan pelbagai jawatankuasa Lembaga Pengarah.

Objektif Pampasan

1.1 Untuk menyediakan prosedur formal dan telus bagi membangunkan dasar imbuan untuk Individu dengan Tanggungjawab Utama bagi Bank dan memastikan bahawa pampasan tersebut berdaya saing dan tekal dengan budaya, objektif dan strategi Bank.

¹ Definisi Individu dengan Tanggungjawab Utama bagi Bank adalah sepertimana Kriteria Sesuai dan Betul 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, dan termasuk mereka yang Menggantikan/Memangku jawatan-jawatan di atas).

2. KOMPOSISI, MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2018, JPP mengadakan dua belas (12) mesyuarat. Komposisi JPP sepanjang tahun 2018 dan rekod kehadiran Ahli Jawatankuasa pada Mesyuarat JPP adalah seperti berikut:

	NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN	NO. OF MEETINGS ATTENDED BIL. MESYUARAT DIHADIRI
1.	Encik Khairuzzaman Muhammad	Chairman/Independent Director (appointed on 1 February 2018) (tenure ended 1 February 2019) Pengerusi/Pengarah Bebas (dilantik pada 1 Februari 2018) (tempoh berakhir pada 1 Februari 2019)	12/12
2.	Dato’ Asri Hamidon	Member/Non-Independent Non-Executive Director (tenure ended on 31 March 2019) Ahli/Pengarah Bukan Eksekutif Bukan Bebas (tempoh berakhir pada 31 Mac 2019)	12/12
3.	Dato’ Jamelah Jamaluddin	Member/Independent Director (tenure ended on 1 February 2019) Ahli/Pengarah Bebas (tempoh berakhir pada 1 Februari 2019)	12/12
4.	Prof. Dr. Abdul Basir Mohamad	Member/Independent Director Ahli/Pengarah Bebas	12/12
5.	Dato’ Mohd Shukri Hussin	Member/Independent Director (appointed on 1 February 2018) Ahli/Pengarah Bebas (dilantik pada 1 Februari 2018)	12/12



3. ROLES AND RESPONSIBILITIES

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

Nominating responsibilities

1. To establish minimum requirements for the Board 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 full board.
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 whole board for decision.
3. To establish a mechanism for a formal assessment on the effectiveness of the board as a whole, the contribution of the board's various committees, each Key Responsible Persons* and Management Directors 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 Management Directors, and recommending to the Board 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 programmes within three months of appointment and receive continuous training programmes.
6. To ensure the members of the Board of Directors receive an appropriate and continuous training programme in order to keep abreast with the latest developments in the industry.
7. To assess on an annual basis and to ensure that the directors and GP/CEO are not disqualified under Section 7 of the DFIA 2002.

3. PERANAN DAN TANGGUNGJAWAB

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

Tanggungjawab pencalonan

1. Untuk menetapkan keperluan minimum bagi Lembaga Pengarah iaitu kombinasi kemahiran, pengalaman, kelayakan dan kecekapan teras yang diperlukan oleh seseorang pengarah. Jawatankuasa juga bertanggungjawab untuk mewujudkan keperluan minimum bagi Presiden Kumpulan/Ketua Pegawai Eksekutif. Keperluan dan kriteria hendaklah diluluskan oleh seluruh Lembaga Pengarah.
2. Untuk mengesyorkan dan menilai calon bagi pengarah, para pengarah bagi jawatankuasa Lembaga Pengarah, 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 disyorkan kepada Lembaga Pengarah untuk membuat keputusan.
3. Untuk menetapkan mekanisme bagi penilaian rasmi terhadap keberkesanan Lembaga Pengarah secara keseluruhan, sumbangan pelbagai jawatankuasa Lembaga Pengarah, setiap Individu dengan Tanggungjawab Utama dan Pengarah Pengurusan dan juga menjalankan penilaian setiap tahun 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 Pengarah Pengurusan, dan mengesyorkan kepada Lembaga Pengarah tentang penyingkiran Individu dengan Tanggungjawab Utama dan Pengarah Pengurusan sekiranya mereka tidak berkesan, salah dan cuai dalam melaksanakan tanggungjawab mereka.
5. Untuk memastikan ahli-ahli Lembaga Pengarah menjalani program induksi yang sesuai dalam tempoh tiga bulan pelantikan dan menerima program latihan yang berterusan;
6. Untuk memastikan ahli-ahli Lembaga Pengarah menerima program latihan yang sesuai dan berterusan bagi memastikan mereka mengetahui perkembangan terkini dalam industri.
7. Untuk menilai secara tahunan dan untuk memastikan bahawa para Pengarah dan Presiden Kumpulan/Ketua Pegawai Eksekutif tidak terbatal kelayakan di bawah Seksyen 7 DFIA 2002.

NOMINATION AND COMPENSATION COMMITTEE

JAWATANKUASA PENCALONAN DAN PAMPASAN

Remunerating responsibilities

1. Recommend a framework of remuneration for Key Responsible Persons and Senior Management. The remuneration policy should:
 - a. Be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
 - b. Support the Bank's culture, objectives and strategy and reflect the experience and level of responsibility and commitment borne by individual Key Responsible Persons and Senior Management;
 - c. Be sufficient to attract and retain Key Responsible Persons and Senior Management but at the same time to be balanced against the need to ensure that the funds of the Bank are not used to subsidise excessive remuneration packages.
2. Recommend specific remuneration packages for Key Responsible Persons and Senior Management. The Remuneration Packages should:
 - a. Be based on an objective consideration and approved by the full Board;
 - b. Take due consideration of the assessments of the committees of the effectiveness and contribution of the Key Responsible Persons and Senior Management concerned;
 - c. Not be decided by the exercise of sole discretion or any one individual or restricted group of individuals; and
 - d. 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.

Other than the above, the roles and responsibilities of the Committee are extended 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 Malaysia's Guidelines, *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)*, the Bank's Memorandum and Articles of Association and other relevant policy documents/memo issued by the BNM/governing authorities as revised from time to time.

Tanggungjawab imbuhan

1. Mengesyorkan rangka kerja imbuhan untuk Individu dengan Tanggungjawab Utama dan Pengurusan Kanan. Dasar imbuhan harus:
 - a. Didokumen dan diluluskan oleh Lembaga Pengarah dan sebarang perubahan kepadanya hendaklah tertakluk kepada pengesahan seluruh Lembaga Pengarah;
 - b. Menyokong budaya, objektif, dan strategi Bank dan mencerminkan pengalaman dan tahap tanggungjawab dan komitmen yang ditanggung oleh Individu dengan Tanggungjawab Utama dan Pengurusan Kanan;
 - c. Mencukupi untuk menarik dan mengekalkan Individu dengan Tanggungjawab Utama dan Pengurusan Kanan tetapi 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 dan Pengurusan Kanan. Pakej Imbuhan perlu:
 - a. Berdasarkan objektif yang dipertimbang dan diluluskan oleh seluruh Lembaga Pengarah;
 - b. Pertimbangkan dengan sewajarnya penilaian jawatankuasa mengenai keberkesanan dan sumbangan Individu dengan Tanggungjawab Utama dan Pengurusan Kanan yang berkenaan;
 - c. Tidak diputuskan hanya mengikut budi bicara mana-mana individu atau sekumpulan individu yang terhad; dan
 - d. 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.

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 Malaysia yang berkaitan, *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)*, Tatawujud dan Tataurus Bank dan dokumen dasar/memo yang berkenaan yang dikeluarkan oleh BNM/pihak berkuasa kerajaan sebagaimana yang disemak dari semasa ke semasa.



AUDIT COMMITTEE

JAWATANKUASA AUDIT

1. OBJECTIVE

The objective of the Audit Committee (“AC”) shall be to review the financial condition of the Bank and its subsidiaries, its internal control, performance and findings of the internal auditors and to recommend appropriate remedial action regularly.

2. COMPOSITION, MEETING AND ATTENDANCE

During the financial year ended 31 December 2018, the AC held seven (7) meetings. The composition of the AC during the year 2018 and the record of attendance of the Committee Members at the AC Meetings are as follows:

	NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN	NO. OF MEETINGS ATTENDED BIL. MESYUARAT DIHADIRI
1.	Dato’ Mohd Shukri Hussin	Chairman/Independent Director (tenure ended on 1 May 2019) Pengerusi/Pengarah Bebas (tempoh berakhir pada 1 Mei 2019)	7/7
2.	Dato’ Asri Hamidon	Member/Non-Independent Non-Executive Director (tenure ended on 31 March 2019) Ahli/Pengarah Bukan Eksekutif Bukan Bebas (tempoh berakhir pada 31 Mac 2019)	1/7
3.	Encik Muthafa Yusof	Member/Non-Independent Non-Executive Director (appointed on 1 May 2017) (tenure ended on 10 March 2018) Ahli/Pengarah Bukan Eksekutif Bukan Bebas (dilantik pada 1 Mei 2017) (tempoh berakhir pada 10 Mac 2018)	2/2*
4.	Encik Ishak Ismail	Member/Independent Director (tenure ended on 1 February 2018) Ahli/Pengarah Bebas (tempoh berakhir pada 1 Februari 2018)	1/1*
5.	Encik Khairuzzaman Muhammad	Member/Independent Director (tenure ended on 1 February 2019) Ahli/Pengarah Bebas (tempoh berakhir pada 1 Februari 2019)	7/7
6.	Prof. Dr. Abdul Basir Mohamad	Member/Independent Director Ahli/Pengarah Bebas	7/7
7.	Dato’ Muslim Hussain	Member/Independent Director (appointed on 1 October 2018) Ahli/Pengarah Bebas (dilantik pada 1 Oktober 2018)	2/2

* 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 AC are, but not limited to the following:

1. AC shall carry out and report on the following to the Board:
 - a) Recommend to the Board on the appointment of the External Auditor, the fee and other matters pertaining to the resignation or termination or change of the External Auditor.

1. OBJEKTIF

Objektif Jawatankuasa Audit (“JA”) adalah untuk menyemak keadaan kewangan Bank dan anak-anak syarikatnya, kawalan dalaman, prestasi dan penemuan juruaudit dalaman dan untuk mengesyorkan tindakan pembetulan yang sesuai secara berkala.

2. KOMPOSISI MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2018, JA mengadakan tujuh (7) mesyuarat. Komposisi JA pada tahun 2018 dan rekod kehadiran Ahli Jawatankuasa pada Mesyuarat JA adalah seperti berikut:

3. PERANAN DAN TANGGUNGJAWAB

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

1. JA harus melaksana dan melaporkan perkara berikut kepada Lembaga Pengarah:
 - a) Mencadangkan kepada Lembaga Pengarah berhubung pelantikan Juruaudit Luar, dan hal-hal lain berkenaan peletakan jawatan atau penamatan atau perubahan Juruaudit Luar.

AUDIT COMMITTEE

JAWATANKUASA AUDIT

b) Review with the External Auditor on the following:

- Scope of the External Auditor's audit plan.
- The system of internal accounting controls.
- The External Auditor's audit reports.
- The External Auditor's management letter and management's response.
- The assistance given by the Management and staff to the External Auditor.
- Findings and actions to be taken as reported by the External Auditor.
- Assess objectivity, performance and independence of External Auditor.
- Approve the provision of non-audit service by the External Auditor.
- 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.
- Regularly review the audit findings and ensuring that issues are being managed and rectified appropriately and in a timely manner.

c) Carry out the following with regards to the internal audit function:

- Oversee the functions of the Group Audit Division and ensure compliance with BNM internal audit requirements.
- Review the adequacy of scope, functions and resources of the Group Audit Division and that it has the necessary authority to carry out its work.
- Review and approve the internal audit plan, programme and processes, internal audit findings and recommend actions to be taken by management.
- Review audit reports and consider the adequacy of Group Audit Division.
- Evaluate the performance and decide on the remuneration package of the internal auditors.
- Appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the Chief Internal Auditor.

b) Menyemak dengan Juruaudit Luar berhubung perkara berikut:

- Skop pelan audit Juruaudit Luar.
- Sistem kawalan perakaunan dalaman.
- Laporan audit Juruaudit Luar.
- Surat pengurusan Juruaudit Luar dan jawapan pengurusan.
- Bantuan yang diberi oleh Pengurusan dan kakitangan kepada Juruaudit Luar.
- Penemuan dan tindakan yang akan diambil seperti yang dilaporkan oleh Juruaudit Luar.
- Menilai objektiviti, prestasi dan kebebasan Juruaudit Luar.
- Meluluskan peruntukan perkhidmatan bukan audit oleh Juruaudit Luar.
- Memastikan terdapat pemeriksaan dan imbalan yang betul supaya penyediaan perkhidmatan bukan audit tidak mengganggu pelaksanaan penilaian bebas juruaudit.
- Menyemak secara berkala penemuan audit dan memastikan isu-isu diurus dan diperbetulkan dengan sewajarnya dan pada masanya.

c) Menjalankan perkara-perkara berikut berhubung fungsi audit dalaman:

- Mengawasi fungsi Bahagian Audit Kumpulan dan memastikan pematuhan terhadap keperluan audit dalaman BNM.
- Menyemak kecukupan skop, fungsi dan sumber Bahagian Audit Kumpulan dan bahawa ia mempunyai kuasa yang diperlukan untuk melaksanakan tugasnya.
- Menyemak dan meluluskan rancangan audit dalaman, proses dan program, penemuan audit dalaman dan mencadangkan tindakan yang perlu diambil oleh pihak pengurusan.
- Menyemak laporan audit dan pertimbangkan kecukupan Bahagian Audit Kumpulan.
- Menilai prestasi dan membuat keputusan mengenai pakej imbuhan bagi juruaudit dalaman.
- Melantik, menetapkan pampasan, menilai prestasi dan memutuskan pemindahan dan pemecatan Ketua Juruaudit Dalaman.



- d) Receive and consider reports relating to the perpetration and prevention of fraud.
- e) Review the Bank's compliance with the related Government's regulations.
- f) Review the half-yearly results and the year-end financial statements prior to approval by the Board.
- g) With reference to the year-end financial statements, the External Auditor will conduct the presentation to AC with particular focus on the following:
 - Any changes in or implementation of major accounting policy changes.
 - Adequacy of provisions against contingencies, bad and doubtful debts.
 - Significant and unusual events.
 - Compliance with accounting standards and other legal requirements.
- h) Ensure fair and transparent reporting and prompt publication of annual accounts.
- i) Have direct communication channels with the External Auditor and meet with the External Auditor without the presence of management, at least annually.
- j) 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 keeping the Board informed of such transactions.

- d) Menerima dan mempertimbangkan laporan yang berkaitan dengan pelaksanaan dan pencegahan penipuan.
- e) Menyemak pematuhan Bank terhadap peraturan-peraturan Kerajaan yang berkaitan.
- f) Menyemak pencapaian setengah tahun dan penyata kewangan akhir tahun sebelum diluluskan oleh Lembaga Pengarah.
- g) Merujuk kepada penyata kewangan akhir tahun, Juruaudit Luar akan membuat pembentangan kepada JA dengan tumpuan khusus kepada perkara berikut:
 - Sebarang perubahan dalam atau pelaksanaan perubahan dasar perakaunan utama.
 - Kecukupan peruntukan terhadap kontingensi, hutang lapuk dan ragu.
 - Acara penting dan luar biasa.
 - Pematuhan terhadap piawaian perakaunan dan keperluan undang-undang lain.
- h) Memastikan pelaporan yang adil dan telus dan penerbitan akaun-akaun tahunan tanpa lewa.
- i) Mempunyai saluran komunikasi langsung dengan Juruaudit Luar dan bertemu dengan Juruaudit Luar tanpa kehadiran pihak pengurusan, sekurang-kurangnya setiap tahun.
- j) Menyemak sebarang transaksi pihak berkaitan dan situasi konflik kepentingan yang mungkin timbul dalam Bank atau dalam kumpulan Perbankan termasuk sebarang transaksi, prosedur atau tata laku yang menimbulkan kemusykilan berhubung integriti Pengurusan dan memaklumkan kepada Lembaga Pengarah mengenai transaksi – transaksi tersebut.

AUDIT COMMITTEE

JAWATANKUASA AUDIT

- k) Preparation of an AC report at the end of each financial year which will be published in the Bank's annual report.
 - l) Report 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 for approval.
 - m) Review the effectiveness of internal controls and risk management processes.
2. The AC 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.
 3. The performance and contribution of AC shall be formally assessed by the Nomination and Compensation Committee, as stipulated in BNM/RH/GL 005-14 or any amendments thereof and in line with the terms of reference of the Nomination and Compensation Committee. The Nomination and Compensation Committee shall report its recommendations relating to AC to the Board for decision.
 4. In the event that the Committee is unable to approve/ resolve matters within its roles and responsibilities, the matters shall be escalated to the next level of authority i.e. Board of Directors.

- k) Penyediaan laporan JA pada akhir setiap tahun kewangan yang akan diterbitkan dalam laporan tahunan Bank.
 - l) Melapor dan menyokong status dan kemajuan tindak balas Pengurusan dan langkah-langkah pembedahan berhubung isu-isu yang dibangkitkan dalam surat Penarafan Risiko Komposit (CRR) daripada BNM sebelum dibentangkan kepada Lembaga Pengarah untuk kelulusan.
 - m) Menyemak keberkesanan kawalan dalaman dan proses pengurusan risiko.
2. JA perlu memaklumkan Lembaga Pengarah mengenai isu dan kebimbangan yang dibincangkan semasa mesyuarat termasuk yang dibangkitkan oleh Juruaudit Luar dan di mana wajar, membuat cadangan yang diperlukan kepada Lembaga Pengarah.
 3. Prestasi dan sumbangan JA akan dinilai secara formal oleh Jawatankuasa Pencalonan dan Pampasan, seperti dinyatakan dalam BNM/RH/GL 005-14 atau sebarang pindaan yang ada dan yang selaras dengan terma rujukan Jawatankuasa Pencalonan dan Pampasan. Jawatankuasa Pencalonan dan Pampasan perlu melaporkan cadangannya berkaitan JA kepada Lembaga Pengarah untuk membuat keputusan.
 4. Sekiranya Jawatankuasa tidak dapat melulus/ menyelesaikan hal-hal dalam peranan dan tanggungjawabnya, hal-hal tersebut akan dopanjangkan kepada peringkat kuasa seterusnya iaitu Lembaga Pengarah.



RISK MANAGEMENT COMMITTEE

JAWATANKUASA PENGURUSAN RISIKO

1. OBJECTIVE

The primary objective of the Risk Management Committee (“RMC”) is to oversee the Senior Management’s activities in managing the key risk areas of the SME Bank and to ensure that the risk management process is in place and running effectively.

2. COMPOSITION, MEETING AND ATTENDANCE

During the financial year ended 31 December 2018, the RMC held seven (7) meetings. The composition of the RMC during the year 2018 and the record of attendance of the Committee Members at the RMC Meetings are as follows:

	NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN	NO. OF MEETINGS ATTENDED BIL. MESYUARAT DIHADIRI
1.	Dato’ Jamelah Jamaluddin	Chairman/Independent Director (tenure ended 1 February 2019) Pengerusi/Pengarah Bebas (tempoh berakhir pada 1 Februari 2019)	7/7
2.	Dato’ Asri Hamidon	Member/Non-Independent Non-Executive Director (tenure ended 31 March 2019) Ahli/Pengarah Bukan Eksekutif Bukan Bebas (tempoh berakhir pada 31 Mac 2019)	3/7
3.	Encik Ishak Ismail	Member/Independent Director (tenure ended on 1 February 2018) Ahli/Pengarah Bebas (tempoh berakhir pada 1 Februari 2018)	1/1*
4.	Encik Khairuzzaman Muhammad	Member/Independent Director (tenure ended on 1 February 2019) Ahli/Pengarah Bebas (tempoh berakhir pada 1 Februari 2019)	7/7
5.	Dato’ Mohd Shukri Hussin	Member/Independent Director (tenure ended 1 May 2019) Ahli/Pengarah Bebas (tempoh berakhir pada 1 Mei 2019)	7/7
6.	Dato’ Muslim Hussain	Member/Independent Director (appointed on 1 October 2018) Ahli/Pengarah Bebas (dilantik pada 1 Oktober 2018)	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 the RMC are, but not limited to the following:

1. Formulating and approving risk strategies/ tolerances for all risks (credit, market, liquidity, operational, Shariah non-compliance, IT, Business Continuity Management and any other emerging risks associated with the Bank’s business and operations).

1. OBJEKTIF

Objektif utama Jawatankuasa Pengurusan Risiko (“JPR”) adalah untuk memantau aktiviti Pengurusan Kanan dalam menguruskan bidang risiko utama SME Bank dan untuk memastikan bahawa adanya proses pengurusan risiko dan ia dilaksanakan secara berkesan.

2. KOMPOSISI, MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2018, JPR mengadakan tujuh (7) mesyuarat. Komposisi JPR sepanjang tahun 2018 dan rekod kehadiran Ahli-ahli Jawatankuasa pada Mesyuarat JPR adalah seperti berikut:

3. PERANAN DAN TANGGUNGJAWAB

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

1. Merangka dan meluluskan strategi/toleransi risiko bagi semua risiko (kredit, pasaran, kecairan, operasi, ketidakpatuhan Syariah, IT, Pengurusan Kesyinambungan Perniagaan dan sebarang risiko baharu yang berkaitan dengan perniagaan dan operasi Bank).

RISK MANAGEMENT COMMITTEE

JAWATANKUASA PENGURUSAN RISIKO

2. Annually approving the Bank's credit risk strategy. The RMC 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. Reviewing and recommending appropriate risk tolerance, risk appetite, risk management policies, procedures and processes in key risk areas such as market risk, credit risk, investment risk and operational risk in line with the Bank's mandated role as a developmental bank for Board's approval.
 4. Reviewing the adequacy of Risk Management framework, policies and procedures, limits, processes and systems in identifying, measuring, monitoring, controlling and reporting risks and the extent to which these are operating effectively.
 5. Reviewing 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.
 6. Reviewing and affirming the Bank's risk appetite regularly to ensure 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.
 7. Promoting an integrated approach to evaluate, monitor and address interrelated risks In the Bank.
 8. Ensuring that the infrastructure, resources and systems are in place to identify, measure, monitor and control risks as well as to support risk management processes.
 9. Ensure staff responsible for implementing risk management systems perform duties independently of the Bank's risk taking activities.
 10. Reviewing 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.
 11. Formulating contingency plans i.e. business continuity plans for worst-case scenarios and contingency funding plans.
2. Meluluskan strategi risiko kredit Bank pada setiap tahun. JPR 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. Menyemak dan mengesyorkan kecukupan toleransi risiko, selera risiko, prosedur dan proses dalam pengurusan risiko, risiko kredit dan risiko operasi selari dengan peranan yang diamanahkan kepada Bank sebagai bank pembangunan untuk kelulusan Lembaga Pengarah.
 4. Menyemak kecukupan rangka kerja Pengurusan Risiko, dasar dan prosedur, had, proses dan sistem dalam mengenal pasti, mengukur, memantau, mengawal dan melapor risiko dan tahap yang mana ini semua berfungsi dengan berkesan.
 5. Menyemak pelaksanaan pengurusan strategi risiko yang sesuai dan mendapatkan jaminan bahawa unit organisasi beroperasi dalam parameter selera Bank untuk jenis-jenis risiko yang khusus.
 6. Menyemak dan mengesahkan selera risiko Bank secara berkala bagi memastikan ia terus relevan dan mencerminkan sebarang perubahan dalam keupayaan Bank untuk menerima risiko, profil risikonya yang ada, serta keadaan pasaran dan makroekonomi.
 7. Menggalakkan pendekatan bersepadu untuk menilai, memantau dan menangani risiko yang saling berkaitan dalam Bank.
 8. Memastikan terdapat infrastruktur, sumber dan sistem untuk mengenal pasti, mengukur, memantau dan mengawal risiko serta menyokong proses pengurusan risiko.
 9. Memastikan kakitangan yang bertanggungjawab untuk melaksanakan sistem pengurusan risiko melaksanakan tugas secara bebas daripada aktiviti pengambilan risiko oleh pihak Bank.
 10. Menyemak secara berkala maklumat/laporan pengurusan mengenai pendedahan risiko, komposisi portfolio risiko dan aktiviti pengurusan risiko yang berkaitan dengan toleransi dan selera risiko Bank.
 11. Merangka rancangan kontingensi iaitu rancangan kesinambungan perniagaan untuk senario terburuk dan rancangan pendanaan kontingensi.



12. Ensuring that risk management activity is not carried out in isolation but is well-integrated throughout the organisation.
 13. Amongst others, reviewing the adequacy of:
 - i) Integrated stress testing programme.
 - ii) Implementation of management's risk management activities.
 14. Receive regular and timely risk exposure report(s), while ensuring the adequacy and effectiveness of overall risk management processes and internal controls.
 15. Establish the frequency, content and form of risk reports to be submitted to the Board so as to ensure the risk reports facilitate the understanding and the determination of appropriate risk responses.
 16. Promoting risk awareness culture.
 17. Periodically meet with the Audit Committee 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.
 18. Overseeing the institution's remuneration structure and its implementation, and must monitor and review the remuneration structure to ensure that it operates as intended. The RMC and Board must be satisfied that the overall remuneration policy does not induce excessive risk-taking and is consistent with the risk appetite and the long-term strategy of the Bank.
 19. Actively involved in the performance reviews of individuals primarily responsible for control functions including compliance and risk management.
 20. Understanding the Bank's operational and organisational 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.
 21. Other than the above, the Committee shall also carry out the roles and responsibilities as outlined in relevant Bank Negara Guidelines and other relevant policy documents/memo issued by the Bank/governing authorities as revised from time to time.
 22. In the event that the Committee is unable to approve/resolve matters within its roles and responsibilities, the matters shall be escalated to the next level of authority i.e. Board of Directors.
12. Memastikan bahawa aktiviti pengurusan risiko tidak dijalankan secara berasingan tetapi secara bersepadu di seluruh organisasi.
 13. Antara lainnya, menyemak kecukupan:
 - i) Program ujian tekanan bersepadu.
 - ii) Pelaksanaan aktiviti pengurusan risiko pengurusan.
 14. Menerima laporan pendedahan risiko secara berkala dan pada masanya, sementara memastikan kecukupan dan keberkesanan proses pengurusan risiko keseluruhan dan kawalan dalaman.
 15. Menetapkan kekerapan, kandungan dan bentuk laporan risiko untuk diserahkan kepada Lembaga Pengarah bagi memastikan laporan risiko memudahkan pemahaman dan penentuan tindak balas risiko yang sesuai.
 16. Menggalakkan budaya kesedaran risiko.
 17. Bertemu secara berkala dengan Jawatankuasa 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.
 18. Mengawas struktur imbuhan institusi dan pelaksanaannya, dan mesti memantau dan menyemak struktur imbuhan untuk memastikan ia berfungsi sebagaimana dimahukan. JPR dan Lembaga Pengarah mesti berpuas hati bahawa dasar imbuhan keseluruhan tidak mendorong pengambilan risiko berlebihan dan tekal dengan selera risiko dan strategi jangka panjang Bank.
 19. Secara aktif terlibat dalam penilaian prestasi individu yang terutamanya bertanggungjawab terhadap fungsi kawalan termasuk pematuhan dan pengurusan risiko.
 20. Memahami struktur operasi dan organisasi Bank dan risiko yang ditimbulkan dan berpuas hati bahawa ia tidak terlalu rumit atau legap sehingga ia menghalang pengurusan risiko yang berkesan oleh institusi kewangan.
 21. Selain dari itu, Jawatankuasa juga harus melaksanakan peranan dan tanggungjawab seperti yang digariskan dalam Garis Panduan Bank Negara dan dokumen/memo dasar lain yang berkaitan yang dikeluarkan oleh Bank/pihak berkuasa sebagaimana disemak dari semasa ke semasa.
 22. Sekiranya Jawatankuasa tidak dapat melulus/ menyelesaikan perkara-perkara dalam peranan dan tanggungjawabnya, perkara-perkara tersebut akan dipanjangkan kepada peringkat kuasa seterusnya iaitu Lembaga Pengarah.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

PENYATA PENGURUSAN RISIKO DAN KAWALAN DALAMAN

A. INTRODUCTION

The Board of Directors ("Board") is responsible for the Group's risk management and internal control system and for reviewing its adequacy and integrity. The Board recognises that the practice of good governance is an important and continuous process and has established the Risk Management Committee ("RMC"), Audit Committee ("AC") and Asset Quality Review Committee ("AQRC") to ensure the maintenance of a sound system of internal controls and good risk management practices.

For the purposes of this statement, associates are not dealt with as part of the Group, and are therefore not covered by this statement.

B. RESPONSIBILITIES

The Board acknowledges its overall responsibility 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 and not absolute 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 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.

A. PENGENALAN

Lembaga Pengarah bertanggungjawab terhadap pengurusan risiko dan sistem kawalan dalaman Kumpulan dan untuk mengkaji kecekapan dan integriti. Lembaga Pengarah mengiktiraf bahawa amalan tadbir urus yang baik adalah proses yang penting dan berterusan dan telah menubuhkan Jawatankuasa Pengurusan Risiko ("JPR"), Jawatankuasa Audit ("JA") dan Jawatankuasa Semakan Kualiti Asset ("JSKA") untuk memastikan pengekalan sistem kawalan dalaman dan amalan pengurusan risiko yang baik.

Bagi tujuan penyata ini, syarikat-syarikat bersekutu tidak diuruskan sebagai sebahagian daripada Kumpulan, dan oleh itu tidak disertakan oleh penyata ini.

B. TANGGUNGJAWAB

Lembaga Pengarah mengiktiraf tanggungjawab keseluruhannya terhadap persekitaran kawalan dalaman dan keberkesananannya dalam melindungi kepentingan pemegang saham dan aset Kumpulan. Langkah-langkah kawalan dalaman dirancang untuk mengurus dari untuk menghapus risiko kegagalan dalam pencapaian matlamat dan objektif Kumpulan, dan oleh itu ia hanya memberi jaminan munasabah dan bukan jaminan mutlak terhadap salah nyata ketara maklumat kewangan atau terhadap kerugian kewangan dan penipuan.

Sistem kawalan dalaman yang diguna pakai secara menyeluruh dalam Kumpulan dikemas kini dari semasa ke semasa untuk menyelaraskan perubahan dalam persekitaran perniagaan serta inisiatif peningkatan proses yang dilaksanakan. Lembaga Pengarah mengesahkan bahawa Pengurusan Kumpulan bertanggungjawab melaksanakan dasar, prosedur dan garis panduan berhubung risiko dan kawalan secara mengenal pasti dan menilai risiko yang dihadapi, dan 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.



C. KEY INTERNAL CONTROL

PROCESSES

The key internal control processes that are established in reviewing the adequacy and integrity of the system of internal controls are as follows:

a) Risk Management Function

The organisational structure of the Group clearly demarcates the lines of accountability, authority limits and obligations in tandem with the business and operational requirements within the ambit of sustainable and robust control environment. Risk assessment and evaluation has been an integral part of the strategic planning cycle of the Group, ensuring timely and effective identification, measurement, mitigation and reporting of significant and emerging risks faced by the Group throughout the financial year under review.

The Board, via RMC, drives the overall risk oversight agenda of the Group. The RMC, in discharging its roles and responsibilities, is supported by a number of Management Committees, namely Executive Committee ("EXCO"), Asset and Liability Committee ("ALCO"), Compliance, Risk and Audit Committee ("CRAMC") as well as IT Steering Committee ("ITSC"). These Management Committees are generally accountable for the effectiveness of the day-to-day risk measures and controls, in an effort to balance the Group's risk and return as well as maintain its competitive advantage.

The Group's risk management function undertakes the implementation of an enterprise and integrated risk management approach in the business and support units in creating continuous risk awareness, understanding of procedures and controls and thus, enhancing the overall control environment. In establishing and reviewing the risk management and internal control system, the materiality of relevant risks, the likelihood of losses being incurred and the cost of control have been considered. Additionally, a robust Stress Testing Programme, conducted on a quarterly and/or ad hoc basis, is employed to assess the capability of the Group to continue functioning under varied adverse operational and market conditions. The results of the Stress Testing are used to evaluate the next course of actions in mitigating the emerging risks as well as to determine the appropriate policy responses.

C. KAWALAN DALAMAN UTAMA

PROSES

Proses kawalan dalaman utama yang diwujudkan dalam menyemak kecukupan dan integriti sistem kawalan dalaman adalah seperti berikut:

a) Fungsi Pengurusan Risiko

Struktur organisasi Kumpulan jelas mensyaratkan garis kebertanggungjawaban, had kuasa dan kewajipan selaras dengan keperluan perniagaan dan operasi dalam lingkungan persekitaran terkawal yang mampan dan teguh. Penaksiran dan penilaian risiko merupakan bahagian penting kitaran perancangan strategik Kumpulan, memastikan pengenalpastian, pengukuran, mitigasi dan pelaporan risiko baharu dan ketara yang dihadapi oleh Kumpulan sepanjang tahun kewangan.

Lembaga Pengarah, melalui JPR, memacu agenda pengawasan risiko keseluruhan Kumpulan. JPR, dalam melaksanakan peranan dan tanggungjawabnya, disokong oleh beberapa Jawatankuasa Pengurusan, iaitu Jawatankuasa Eksekutif ("EXCO"), Jawatankuasa Aset dan Liabiliti ("ALCO"), Jawatankuasa Pematuhan, Risiko dan Audit ("CRAMC") serta 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.

Fungsi pengurusan risiko Kumpulan melaksanakan pelaksanaan sesuatu pendekatan pengurusan risiko bersepadu dalam unit-unit perniagaan dan sokongan bagi mewujudkan kesedaran risiko berterusan, pemahaman tentang prosedur dan kawalan dan dengan itu, meningkatkan persekitaran kawalan keseluruhan. Dalam mewujudkan dan menyemak pengurusan risiko dan sistem kawalan dalaman, keketaraan risiko-risiko berkaitan, kemungkinan kerugian yang ditanggung dan kos kawalan telahpun dipertimbangkan. Tambahan pula, Program Ujian Tekanan yang kukuh, dilaksanakan secara suku tahunan dan/atau secara ad-hoc untuk menilai keupayaan Kumpulan untuk terus berfungsi di bawah keadaan operasi dan pasaran berbeza. Keputusan Ujian Tekanan digunakan untuk menilai tindakan selanjutnya dalam meringankan risiko yang timbul serta menentukan tindak balas dasar yang sesuai.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

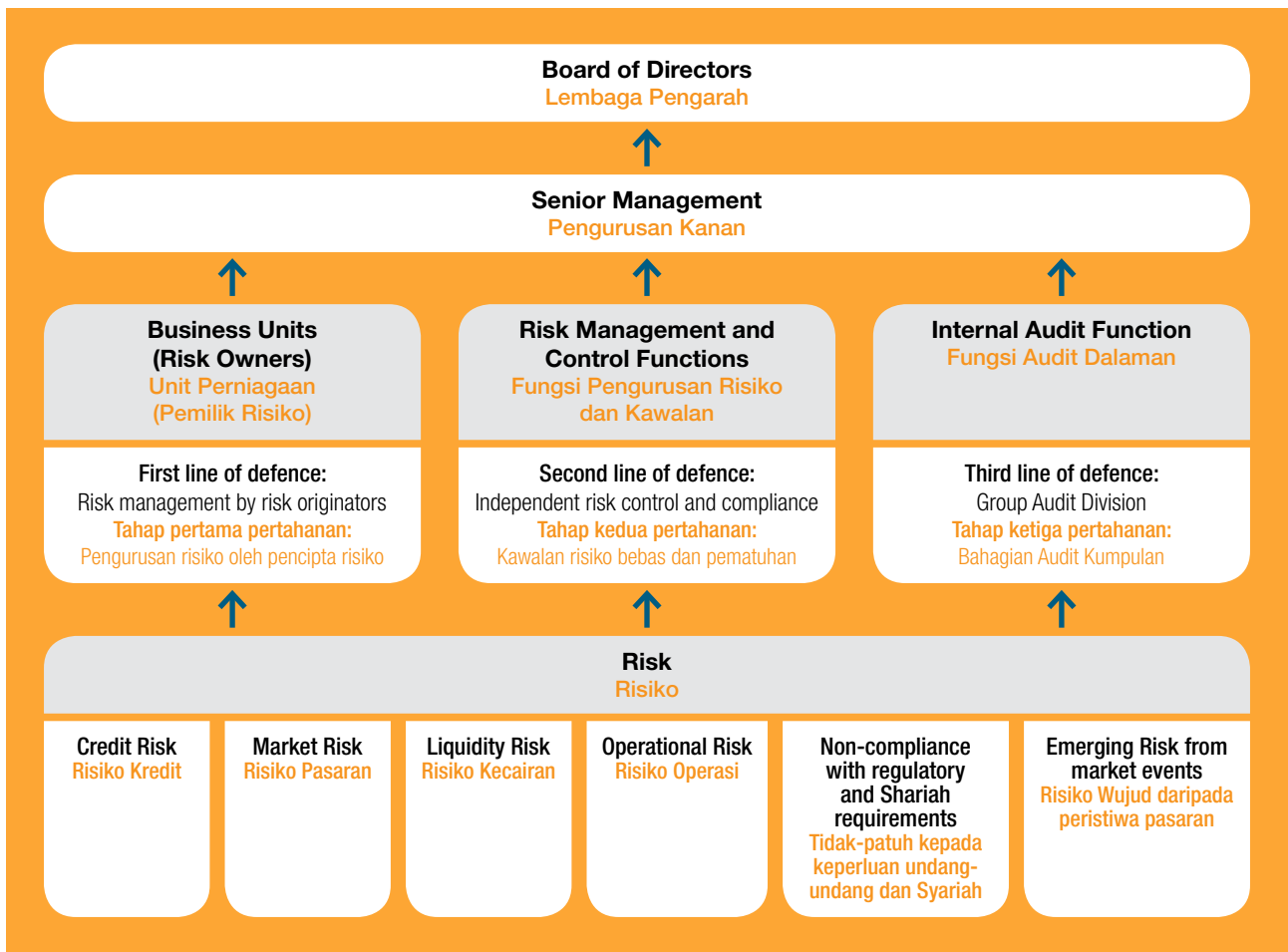
PENYATA PENGURUSAN RISIKO DAN KAWALAN DALAMAN

In line with the Group's aspiration to become a Shariah-based Development Financial Institution, an internal guideline has been established to strengthen the management of potential Shariah Non-compliance risk arising from business activities and operations. Amongst others, key functions of Shariah Review, Shariah Risk and Shariah Audit are governed by clear roles and responsibilities, which were established in line with the Shariah Governance Framework and other regulatory requirements.

In order to manage fraud risk which may arise within the Group's operations, anti-fraud measures have been established to provide the Group with broad principles and strategies in order to promote higher standards of integrity. The internal guideline that has been established includes robust and comprehensive programmes and controls in preventing and responding to fraud and fraud-related matters in a timely, effective and efficient manner as prescribed by the regulatory requirements.

Selaras dengan aspirasi Kumpulan untuk menjadi Institusi Kewangan Pembangunan berasaskan Syariah, garis panduan dalaman telah diwujudkan bagi mengukuhkan pengurusan kemungkinan Ketidapatuhan Syariah yang timbul daripada aktiviti perniagaan dan operasi. Antara lain, fungsi utama Semakan Syariah, Risiko Syariah dan Audit Syariah ditadbir dengan peranan dan tanggungjawab yang jelas, yang ditubuhkan selaras dengan Rangka Kerja Tadbir Urus Syariah dan keperluan pengawalseliaan lain.

Untuk menguruskan risiko penipuan yang mungkin timbul dalam operasi Kumpulan, langkah anti-penipuan telah diwujudkan bagi menyediakan prinsip dan strategi meluas untuk menggalakkan piawai integriti yang lebih tinggi. Garis panduan dalaman yang telah diwujudkan termasuk program dan kawalan yang mantap dan komprehensif bertujuan menghalang dan menangani penipuan dan hal-hal berkaitan penipuan secara berkesan dan cekap seperti ditetapkan oleh keperluan pengawalseliaan.





In consideration of the rapid enhancement in technological capability especially the real threats of cyber-attack, the Group's aspiration in embracing financial technology ("FinTech") as well as the heightened regulations enforced by Bank Negara Malaysia, the Group is now establishing and modernising its Information Security Policy and Information Technology Risk Management Framework. These efforts would help alleviate the severity of technology risk emanating from increased complexity in technological advancements and cyber realms.

Operationally, the Group manages the spectrum of risks associated to its banking operations via the Three Lines of Defence Approach i.e. risk taking functions (risk owners), risk management and control functions (including compliance functions) and internal audit functions. The First Level of Defence entails the responsibilities of risk owners (business and support units) in the day-to-day management of risks inherent in the various business and operational activities.

At the Second Level, the risk management and control functions (Group Compliance Department and Group Risk Management Department) 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 brought about by the Group's business and operational activities. And thirdly, the internal audit functions (Group Audit Division) complements the functions of risk management and control by reviewing and evaluating significant exposures to risks and contributing towards the overall improvement of risk management and control system. The internal audit functions also provide, from an independent perspective, its assessment and assurance on the adequacy and effectiveness of the existing risk management policies and guidelines.

With the robust levels of internal controls in place and the initiatives embarked by the Group in establishing the risk management functions to manage emerging threats whilst complying with tightening regulations, there are still an unprecedented number of exposures faced by the Group today that could potentially threaten the long term survival of the organisation.

Dalam mengambil kira peningkatan pesat keupayaan teknologi terutamanya yang berkaitan dengan ancaman serangan siber, aspirasi Kumpulan adalah untuk menerima teknologi kewangan ("FinTech") serta peraturan yang dikuatkuasakan oleh Bank Negara Malaysia, Kumpulan kini sedang membuat dan memodenkan Dasar Keselamatan Maklumat dan Rangka Kerja Pengurusan Risiko Teknologi Maklumat. Usaha ini akan membantu mengurangkan kesan teruk risiko teknologi yang berpunca daripada peningkatan kerumitan dalam kemajuan teknologi dan alam maya.

Kumpulan menguruskan spektrum risiko yang berkaitan dengan operasi perbankannya melalui Pendekatan Tiga Tahap Pertahanan iaitu fungsi pengambilan risiko (pemilik risiko), pengurusan risiko dan fungsi kawalan (termasuk fungsi pematuhan) dan fungsi audit dalaman. Tahap Pertahanan Pertama melibatkan tanggungjawab pemilik risiko (unit perniagaan dan sokongan) dalam pengurusan risiko harian yang terdapat dalam berbagai kegiatan perniagaan dan operasi.

Pada Tahap Kedua, fungsi pengurusan dan kawalan risiko (Jabatan Pematuhan Kumpulan dan Jabatan Pengurusan Risiko) melaksanakan peranan penetapan dasar yang merangkumi pembangunan alat dan kaedah yang relevan untuk mengenal pasti, mengukur, mengurangkan dan melaporkan risiko ketara dan akan wujud daripada aktiviti perniagaan dan operasi Kumpulan. Dan ketiga, fungsi audit dalaman (Bahagian Audit Kumpulan) melengkapkan fungsi pengurusan risiko dan kawalan dengan menyemak dan menilai pendedahan ketara kepada risiko dan menyumbang ke arah penambahbaikan keseluruhan sistem pengurusan risiko dan kawalan. Fungsi audit dalaman juga menyediakan, daripada perspektif bebas, penilaian dan jaminan berhubung kecukupan dan keberkesanan dasar dan garis panduan pengurusan risiko sedia ada.

Dengan tahap kawalan dalaman yang kukuh dan inisiatif yang dimulakan oleh Kumpulan dalam mewujudkan fungsi pengurusan risiko untuk menguruskan ancaman yang timbul sambil mematuhi peraturan yang semakin ketat, masih lagi terdapat pendedahan yang tidak pernah berlaku sebelum ini yang dihadapi oleh Kumpulan yang berkemungkinan mengancam kelangsungan jangka panjang organisasi.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

PENYATA PENGURUSAN RISIKO DAN KAWALAN DALAMAN

In this regard, the Group's Business Continuity Management ("BCM") Programme was implemented specifically to address emerging threats from these exposures whilst safeguarding the interest of the Group and its stakeholders from long term risks. BCM is a critical component of risk management that focuses on recovery strategies, proactive and reactive planning and continuity and is documented in a framework that has been put in place and regularly reviewed to ensure its levels of robustness and effectiveness in mitigating threats from existing and emerging risks.

The Group's BCM Programme is operationally managed according to the regulated requirements and international standards and best practices that covers key components such as Business Continuity, Disaster Recovery and Emergency Response. Activities such as the Crisis Simulation Exercise ("CSE") are periodically conducted to test the viability and reliability of the developed response, recovery and continuity strategies whilst identifying gaps which are assessed and addressed immediately with the objectives of leading the Group's BCM to a higher level of maturity.

b) Compliance Function

Group Compliance Department ("GCD") is established to provide oversight and coordinating the management of the compliance risk within the Group which include compliance with operational, regulatory and Shariah requirements. The assessment on the level of compliance is further supported via the establishment of Compliance Programme that includes advisory, communication, review exercise, and training as well as oversight on the Bank's networks aimed towards improving the Group's compliance culture.

Sehubungan ini, Program Pengurusan Kesenambungan Perniagaan Kumpulan ("BCM") telah dilaksanakan khusus untuk menangani ancaman yang timbul daripada pendedahan ini sambil melindungi kepentingan Kumpulan dan pihak berkepentingannya daripada risiko jangka panjang. BCM adalah komponen penting dalam pengurusan risiko yang memberi tumpuan kepada strategi pemulihan, perancangan proaktif dan reaktif dan kesinambungan dan didokumenkan dalam rangka kerja yang telah disediakan dan diperiksa secara berkala untuk memastikan tahap kekukuhan dan keberkesannya dalam mengurangkan ancaman daripada risiko sedia ada dan baharu.

Program BCM Kumpulan diurus secara operasi mengikut keperluan dan piawaian antarabangsa dan amalan terbaik yang meliputi komponen utama seperti Kesenambungan Perniagaan, Pemulihan Bencana dan Respons Kecemasan. Aktiviti-aktiviti seperti Latihan Simulasi Krisis ("CSE") dijalankan secara berkala untuk menguji kebolehlaksanaan dan kebolehpercayaan strategi respons, pemulihan dan kesinambungan yang dibangunkan serta mengenal pasti jurang-jurang yang dinilai dan ditangani serta-merta dengan objektif memimpin BCM Kumpulan ke tahap kematangan yang lebih tinggi.

b) Fungsi Pematuhan

Jabatan Pematuhan Kumpulan ("JPK") ditubuhkan untuk menyediakan pengawasan dan menyelaraskan pengurusan risiko pematuhan di dalam Kumpulan yang termasuk pematuhan terhadap keperluan operasi, pengawalseliaan dan Syariah. Penilaian terhadap tahap pematuhan selanjutnya disokong melalui penubuhan Program Kepatuhan yang merangkumi nasihat, komunikasi, semakan, latihan dan pengawasan terhadap rangkaian bank yang bertujuan untuk meningkatkan budaya pematuhan Kumpulan.



Besides conducting compliance reviews on the areas identified within the Group, compliance self-assessment programme is established to ensure that the risk taking functions are aware on the regulatory and Shariah requirements, thus improving the level of compliance within the Group. GCD is also responsible for guiding the business unit to prevent money laundering, combating the financing of terrorism and mitigating the risk of market abuse to protect the integrity and stability of the Group. In that respect, GCD's function helps the Board and Management to identify, evaluate and to mount an adequate response to such risks. In addition, GCD also provides advisory, training and engagement session to update and communicate compliance-related matters within the Group.

c) Internal Audit Function

The Group Audit Division ("GAD") undertakes periodic reviews of the Group's business and operations to provide independent assurance to the Board that the risk management, internal controls and governance processes implemented by the Management are adequate and effective. The performance of the reviews is mainly guided by the annual Audit Plan approved by the AC. In formulating the annual Audit Plan, GAD adopts a risk-based approach which takes into account regulatory requirements and the emerging risks affecting the Group's business and operations such as asset quality, assessment by regulators, previous audit rating and criticalness of functions, in identifying the critical areas to be audited. GAD also undertakes ad hoc assignments and special reviews as directed by the Board, Board Committees and Bank Negara Malaysia.

Audit observations on significant risks and non-compliances impacting the Group together with the recommended solutions are highlighted, discussed and followed up with the stakeholders until resolution to ensure that the controls are effectively implemented to mitigate the risks. GAD also carries out investigative audits into alleged negligence, frauds and misconduct reported. Audits on the information systems of the Group are also conducted to ensure that the computing resources are adequately secured to protect the data integrity and confidentiality, and there are adequate measures to safeguard and provide for the continued availability of the systems to support business operational needs.

Selain menjalankan kajian kepatuhan terhadap bidang-bidang yang dikenal pasti dalam Kumpulan, program penilaian sendiri pematuhan diwujudkan untuk memastikan fungsi pengambilan risiko sedar tentang keperluan pengawalseliaan dan Syariah, dengan itu dapat meningkatkan tahap kepatuhan dalam Kumpulan. JPK juga bertanggungjawab membimbing unit perniagaan untuk mencegah pengubahan wang haram, memerangi pembiayaan keganasan dan mengurangkan risiko penyalahgunaan pasaran untuk melindungi integriti dan kestabilan Kumpulan. Sehubungan itu, fungsi JPK berupaya membantu Lembaga Pengarah dan Pengurusan untuk mengenal pasti, menilai dan memberikan respon yang berpatutan bagi menghadapi risiko tersebut. Di samping itu, JPK juga menyediakan sesi khidmat nasihat, latihan dan penglibatan untuk mengemas kini dan menyampaikan perkara berkaitan pematuhan dalam Kumpulan.

c) Fungsi Audit Dalaman

Bahagian Audit Kumpulan ("BAK") menjalankan kajian berkala berkaitan dengan perniagaan dan operasi Kumpulan untuk memberikan jaminan bebas kepada Lembaga Pengarah bahawa pengurusan risiko, kawalan dalaman dan proses tadbir urus yang dijalankan oleh pihak Pengurusan adalah mencukupi dan berkesan. Prestasi ulasan-ulasan ini dipandu oleh Rancangan Audit tahunan yang diluluskan oleh JA. Dalam merumus Rancangan Audit tahunan, BAK mengamalkan pendekatan berasaskan risiko yang mengambil kira keperluan pengawalseliaan dan risiko baharu yang menjejaskan perniagaan dan operasi Kumpulan seperti kualiti aset, penilaian oleh pengawal selia, penarafan audit terdahulu dan kekritikalan fungsi, dalam mengenal pasti bahagian kritikal yang diaudit. BAK juga menjalankan tugas ad hoc dan ulasan khas sebagaimana diarahkan oleh Lembaga Pengarah, Jawatankuasa Lembaga Pengarah dan Bank Negara Malaysia.

Pemerhatian audit terhadap risiko dan ketidakpatuhan ketara yang memberi kesan kepada Kumpulan bersama dengan penyelesaian yang disyorkan disorot, dibincang dan disusuli dengan pihak berkepentingan sehingga ia diselesaikan untuk memastikan bahawa kawalan telah dilaksanakan dengan berkesan untuk mengurangkan risiko. BAK juga menjalankan audit siasatan ke atas kecuriaan, penipuan dan salah laku yang dilaporkan. Audit ke atas sistem maklumat Kumpulan juga dijalankan bagi memastikan sumber pengkomputeran cukup selamat untuk melindungi integriti dan kerahsiaan data, dan terdapat langkah yang mencukupi untuk melindungi dan menyediakan ketersediaan sistem yang berterusan bagi menyokong keperluan operasi perniagaan.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

PENYATA PENGURUSAN RISIKO DAN KAWALAN DALAMAN

The AC is a sub-committee of the Board and is chaired by an Independent Non-Executive Director of the Board. The AC meets at a minimum, every quarter to deliberate on the significant issues and recommendations highlighted by internal audit, external audit and regulators. During the financial year ended 31 December 2018, the AC held seven (7) meetings. All AC's decisions and recommendations are duly cascaded down to the relevant stakeholders for actions and followed through until closure. AC Chairman's reports and minutes of the AC meetings are subsequently tabled to the Board.

GAD continues to enhance its capabilities to ensure that it is able to provide the necessary assurance to the Board more effectively and efficiently. This is done through continuous improvements to internal audit processes and improving the competency of internal auditors through various internal and external trainings including certification of auditors.

d) Other Major Internal Controls

- Other Board Committee is also established to assist the Board to perform its oversight function namely Nomination and Compensation Committee. Specific responsibilities have been delegated to this Board Committee via formalised terms of reference.
- The Board receives regular reports from the Management on the key operating statistics, business dynamics, legal matters and regulatory issues. An annual business plan and a budget are submitted to the Board for approval. Actual performance is reviewed against the targeted results on periodic basis allowing timely response and corrective actions to be taken to mitigate risk. The Board also approves any changes or amendments to the Group's policies. The Group manages its human capital through rigorous recruitment process, training programmes and performance appraisal system. Adequate policies and guidelines are in place for the recruitment, promotion and termination of staff.

JA adalah jawatankuasa kecil Lembaga Pengarah dan dipengerusikan oleh Pengarah Bukan Eksekutif Bebas. JA bermesyuarat sekurang-kurangnya, setiap suku tahun untuk membincangkan isu-isu dan cadangan penting yang diketengahkan oleh audit dalaman, audit luaran dan pengawal selia. Sepanjang tahun kewangan berakhir 31 Disember 2018, JA mengadakan tujuh (7) mesyuarat. Semua keputusan dan cadangan JA telah disampaikan kepada pihak berkepentingan berkaitan untuk tindakan dan susulan sehinggalah ia ditutup. Laporan Pengerusi JA dan minit mesyuarat JA seterusnya dibentangkan kepada Lembaga Pengarah.

BAK terus meningkatkan keupayaannya untuk memastikan ia boleh memberi kepastian yang diperlukan kepada Lembaga Pengarah dengan lebih berkesan dan cekap. Ini dilakukan melalui peningkatan berterusan dalam proses audit dalaman dan menambah baik kecekapan juruaudit dalaman menerusi pelbagai latihan dalaman dan luaran termasuk pensijilan juruaudit.

d) Kawalan Dalaman Utama Lain

- Jawatankuasa Lembaga Pengarah lain juga ditubuhkan untuk membantu Lembaga Pengarah melaksanakan fungsi pengawasannya iaitu Jawatankuasa Pencalonan dan Pampasan. Tanggungjawab khusus telah diberikan kepada Jawatankuasa Lembaga Pengarah ini melalui terma rujukan rasmi.
- Lembaga Pengarah menerima laporan berkala daripada Pengurusan mengenai statistik operasi utama, dinamik perniagaan, hal-hal perundangan dan isu-isu pengawalseliaan. Rancangan perniagaan tahunan dan belanjawan diserahkan kepada Lembaga Pengarah untuk kelulusan. Prestasi sebenar dibandingkan semula dengan hasil yang disasarkan secara berkala yang membolehkan tindak balas yang tepat dan tindakan pembetulan diambil untuk mengurangkan risiko. Lembaga Pengarah juga meluluskan apa-apa perubahan atau pindaan yang dibuat kepada dasar Kumpulan. Kumpulan mengurus modal insannya melalui proses pengambilan yang ketat, program latihan dan sistem penilaian prestasi. Dasar dan garis panduan yang mencukupi disediakan untuk pengambilan, kenaikan pangkat dan pemberhentian kakitangan.



- Establishment of SME Bank's Corporate Integrity Pledge as follows: 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.

e) 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 2018 is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

- Penetapan Ikrar Integriti Korporat SME Bank seperti berikut: SME Bank berjanji bahawa ia akan: (i) tidak, melalui mana-mana pekerja, wakil atau ejennya, melakukan apa-apa kesalahan rasuah di bawah mana-mana undang-undang, seperti Akta Suruhanjaya Pencegahan Rasuah Malaysia ("SPRM") 2009 atau Kanun Keseksaan; (ii) tidak menjalankan apa-apa amalan atau aktiviti perniagaan yang memerlukan atau menggalakkan mana-mana pekerja, wakil atau ejennya untuk melakukan kesalahan itu; (iii) bekerjasama dengan rakan niaga, pengawal selia dan agensi penguatkuasaan undang-undang untuk mewujudkan persekitaran perniagaan yang bebas daripada rasuah; (iv) mendokong Prinsip Integriti Korporat SME Bank di Malaysia dalam menjalankan perniagaannya dan dalam interaksinya dengan rakan niaga dan Kerajaan; dan (v) mengambil tindakan tegas terhadap mana-mana pihak yang mencemarkan integriti dan imej SME Bank.

e) 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 pihak Kumpulan bagi tahun berakhir 2018 beroperasi secukupnya dan dengan berkesan, dalam semua aspek material, berdasarkan pengurusan risiko dan sistem kawalan dalaman Kumpulan.

ASSET QUALITY REVIEW COMMITTEE

JAWATANKUASA SEMAKAN KUALITI ASET

1. OBJECTIVE

The primary objective of Asset Quality Review Committee ("AQRC") is to oversee the management and provide strategic direction with regard to the asset quality of the Bank.

2. COMPOSITION, MEETING AND ATTENDANCE

During the financial year ended 31 December 2018, the AQRC held six (6) meetings. The composition of the AQRC during the year 2018 and the record of attendance of the Committee Members at the AQRC Meetings are as follows:

1. OBJEKTIF

Objektif utama Jawatankuasa Semakan Kualiti Aset ("JSKA") adalah untuk mengawasi pengurusan dan memberi hala tuju strategik berhubung kualiti aset Bank.

2. KOMPOSISI MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2018, JSKA mengadakan enam (6) mesyuarat. Komposisi JSKA pada tahun 2018 dan rekod kehadiran Ahli Jawatankuasa pada Mesyuarat JSKA adalah seperti berikut:

	NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN	NO. OF MEETINGS ATTENDED BIL. MESYUARAT DIHADIRI
1.	Dato' Jamelah Jamaluddin	Chairman/Independent Director (tenure ended on 1 February 2019) Pengerusi/Pengarah Bebas (tempoh berakhir pada 1 Februari 2019)	6/6
2.	Encik Muthafa Yusof	Member/Non-Independent Non-Executive Director (appointed on 1 May 2017) (tenure ended on 10 March 2018) Ahli/Pengarah Bukan Eksekutif Bukan Bebas (dilantik pada 1 Mei 2017) (tempoh berakhir pada 10 Mac 2018)	1/1*
3.	Encik Khairuzzaman Muhammad	Member/Independent Director (tenure ended on 1 February 2019) Ahli/Pengarah Bebas (tempoh berakhir pada 1 Februari 2019)	6/6
4.	Dato' Mohd Shukri Hussin	Member/Independent Director (appointed on 27 March 2018) (tenure ended on 1 May 2019) Ahli/Pengarah Bebas (dilantik pada 27 Mac 2018) (tempoh berakhir pada 1 Mei 2019)	5/5
5.	Dato' Muslim Hussain	Member/Independent Director (appointed on 1 October 2018) Ahli/Pengarah Bebas (dilantik pada 1 Oktober 2018)	2/2

* 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 AQRC are, but not limited to the following:

1. To determine and provide input on strategic direction on management of delinquent assets, impaired assets and other rescheduled or restructured assets.
2. To develop appropriate strategies in enhancing the Bank's asset quality position as well as managing delinquent and impaired assets by providing advice on appropriate recourse related thereto.
3. To strategise on ways to improve the financing assets.
4. To take a forward view of the possibilities of future trends of impairment and delinquency and to deliberate on related issues.
5. To concur (with/without enhancement to the terms and condition) or veto with any decisions made by FIC on rescheduled & restructured accounts of RM20.0 million and above (on aggregated basis).
6. In the event that the Committee is unable to approve/ resolve matters within its roles and responsibilities, the matters shall be escalated to the next level of authority i.e. Board of Directors.

3. PERANAN DAN TANGGUNGJAWAB

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

1. Untuk menentukan dan memberi pandangan berhubung hala tuju strategik pengurusan tentang aset-aset tertunggak, dirosot nilai dan aset-aset dijadualkan semula atau disusun semula yang lain.
2. Untuk membangunkan strategi-strategi yang sesuai dalam meningkatkan kedudukan kualiti aset Bank serta menguruskan aset-aset tertunggak dan dirosot nilai dengan memberi nasihat untuk penyelesaian sesuai yang berkaitan.
3. Untuk merancang secara strategik cara-cara menambah baik aset-aset pembiayaan.
4. Untuk mengambil pandangan jauh tentang kemungkinan trend masa depan rosot nilai dan tunggakan dan untuk membincangkan berhubung isu-isu berkaitan.
5. Untuk bersetuju (dengan/tanpa peningkatan terma dan syarat) atau veto dengan apa-apa keputusan yang dibuat oleh FIC ke atas akaun yang dijadualkan semula & disusun semula sebanyak RM20.0 juta dan lebih (berdasarkan agregat).
6. Sekiranya Jawatankuasa tidak dapat meluluskan/menyelesaikan hal-hal dalam peranan dan tanggungjawabnya, hal-hal itu akan dipanjangkan kepada peringkat kuasa seterusnya, iaitu Lembaga Pengarah.

SHARIAH COMMITTEE

JAWATANKUASA SYARIAH

The Shariah Committee governed by Shariah Governance Framework for Islamic Financial Institutions (“SGF”) issued by BNM as a distinct feature in the organisational structure of the Bank, which includes establishment of the Shariah Committee (“SC”) in line with the requirement of Section 30(1) of the Islamic Financial Services Act (IFSA 2013).

1. COMPOSITION

As at 31 December 2018, the SC consist of (six) 6 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 2018, the SC held nine (9) meetings. The composition of the SC during the year 2018 and the record of attendance of the Committee Members at the SC Meetings are as follows:

Jawatankuasa Syariah ditadbirkan oleh Rangka Kerja Tadbir Urus Syariah untuk Institusi Kewangan Islam (“RKTUS”) yang dikeluarkan oleh BNM sebagai ciri khusus dalam struktur organisasi Bank, yang termasuk penubuhan Jawatankuasa Syariah (“JS”) selari dengan keperluan Seksyen 30(1) Akta Perkhidmatan Kewangan Islam (APKI 2013).

1. KOMPOSISI

Pada 31 Disember 2018, JS terdiri daripada enam (6) ahli daripada pelbagai latar belakang dari segi kelayakan, pengalaman dan pengetahuan, yang termasuk bidang undang-undang dan ekonomi, untuk menyokong had dan tahap perbincangan Syariah. Kebanyakan ahli adalah para cendekiawan akademik yang mempunyai kelayakan, kepakaran dan pengalaman dalam bidang Syariah terutamanya Perundangan Islam (“Usul al-Fiqh”) dan Undang-undang Komersial Islam (“Fiqh al-Muamalat”).

2. KOMPOSISI, MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2018, JS mengadakan sembilan (9) mesyuarat. Komposisi JS pada tahun 2018 dan rekod kehadiran Ahli Jawatankuasa pada Mesyuarat JS adalah seperti berikut:

	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	9/9
3.	Prof. Dr. Norhashimah Mohd Yasin	Member Ahli	9/9
4.	Tuan Haji Jalil Haji Said	Member (tenure ended on 1 June 2019) Ahli (tempoh berakhir pada 1 Jun 2019)	8/9
5.	Dr. Marjan Muhammad	Member Ahli	9/9
6.	Dr. Tajul Aris Ahmad Bustami	Member (appointed on 15 February 2018) Ahli (dilantik pada 15 Februari 2018)	8/8

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

* Mewakili bilangan mesyuarat yang dihadiri semasa Ahli Jawatankuasa Syariah berkhidmat.



3. ROLES AND RESPONSIBILITIES

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

1. 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.
2. 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.
3. 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.
4. 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, ijihad, fatwas or finding.
5. Advise the Bank to refer to the SAC of Bank Negara Malaysia on any Shariah matter that requires the SAC's endorsement.
6. 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.

3. PERANAN DAN TANGGUNGJAWAB

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

1. Memahami bahawa dalam menjalankan tugas dan tanggungjawab sebagai ahli Jawatankuasa Syariah, mereka bertanggungjawab ke atas semua keputusan, pendapat dan pandangan Syariah yang disediakan oleh mereka.
2. Memberi nasihat kepada Lembaga Pengarah dan/atau Pengurusan berhubung hal-hal Syariah untuk memastikan bahawa, perniagaan perbankan Islam Bank mematuhi prinsip-prinsip Syariah pada setiap masa.
3. Meluluskan Laporan Jawatankuasa Syariah tahunan sebagaimana terkandung dalam laporan tahunan berhubung pematuhan terhadap hal-hal Bank berkaitan Syariah menurut keperluan pengawalseliaan.
4. Dimaklumkan dengan sebaik-baiknya tentang perkembangan terkini perniagaan Perbankan Islam, perubahan kawal selia yang memberi kesan kepada perniagaan Bank, perintah oleh Majlis Penasihat Syariah ("MPS") dan perubahan dalam kajian terkini Syariah, ijihad, fatwa atau penemuan.
5. Menasihati Bank agar merujuk kepada MPS Bank Negara Malaysia tentang sebarang hal Syariah yang memerlukan kelulusan MPS.
6. Untuk menyemak dan mencadangkan dasar dan prosedur bagi perniagaan Perbankan Islam Bank dan meluluskan semua manual dan dasar operasi yang menyelia perniagaan Perbankan Islam Bank termasuk cadangan untuk semakan, penambahbaikan dan pemakluman terkini bilamana perlu.

SHARIAH COMMITTEE

JAWATANKUASA SYARIAH

7. To review and recommend the policies and guidelines to allow the Shariah Department of the Bank to process and decide on submissions from divisions in the Bank.
 8. Endorse, validate and approve relevant documentations including but not limited to:
 - a) The terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions.
 - b) The product manual, marketing advertisements, sales illustrations and brochures used to describe the product.
 9. Review the work carried out by Shariah functions including Shariah research, 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.
 10. The Committee members are expected to engage actively in deliberating Shariah issues presented. The Committee must have active participation through attending meetings, evaluating reports, reading minutes, and other mandated task.
 11. Ensure high standard in arriving at Shariah decision through proper and comprehensive Shariah ruling.
 12. Review and respond to proposals submitted for the Circular Resolution within seven (7) days after the proposals have been circulated.
 13. Portray professionalism in the best manner to reflect the integrity of the Committee.
7. Untuk menyemak dan mencadangkan dasar dan garis panduan bagi membolehkan Jabatan Syariah Bank memproses dan membuat keputusan tentang penyerahan daripada bahagian-bahagian dalam Bank.
 8. Mengesah dan meluluskan dokumentasi berkaitan termasuk tetapi tidak hanya terhad kepada:
 - a) Terma dan syarat yang terkandung dalam borang, kontrak, perjanjian atau dokumen undang-undang lain digunakan dalam melaksanakan transaksi.
 - b) Manual produk, iklan pemasaran, ilustrasi jualan dan risalah yang digunakan untuk menggambarkan produk.
 9. Menyemak kerja yang dijalankan oleh fungsi Syariah termasuk penyelidikan Syariah, semakan Syariah, audit Syariah dan pengurusan risiko Syariah. Di samping itu, menyemak rangka kerja pengurusan risiko Syariah yang disokong oleh pelbagai kaedah seperti semakan kepatuhan Syariah dan fungsi audit Syariah dalam Bank.
 10. Ahli-ahli Jawatankuasa dijangka terlibat secara aktif dalam membincangkan isu-isu Syariah yang dibentangkan. Jawatankuasa ini mesti mempunyai penyertaan aktif dengan menghadiri mesyuarat, menilai laporan, membaca minit, dan lain-lain tugas yang diberi mandat.
 11. Memastikan piawaian yang tinggi dalam mencapai keputusan Syariah melalui undang-undang Syariah yang betul dan lengkap.
 12. Menyemak dan bertindak balas terhadap cadangan yang diserahkan untuk Resolusi Pekeliling dalam tempoh tujuh (7) hari selepas cadangan telah diedarkan.
 13. Menggambarkan profesionalisme dalam cara terbaik untuk mencerminkan integriti Jawatankuasa.



14. 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.
15. Assist related parties such as the Bank's legal counsel, auditor or consultant that may seek advice on Shariah matters from the Shariah Committee.
16. 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.

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.

In the event that the Committee is unable to approve/resolve matters within its roles and responsibilities pertaining to non-Shariah matters, the matters shall be escalated to the next level of authority i.e. Board of Directors.

14. 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.
15. Membantu pihak berkaitan seperti peguam, juruaudit atau perunding Bank yang mungkin mendapatkan nasihat berhubung hal-hal Syariah daripada Jawatankuasa Syariah.
16. Memberi pandangan Syariah dalam keadaan bilamana Bank membuat rujukan kepada MPS untuk perbincangan lanjut, atau bilamana Bank menyerahkan permohonan kepada BNM untuk kelulusan produk baharu.

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, dokumen/memo dasar lain yang berkaitan yang dikeluarkan oleh Bank/pihak berkuasa sepertimana yang disemak dari semasa ke semasa.

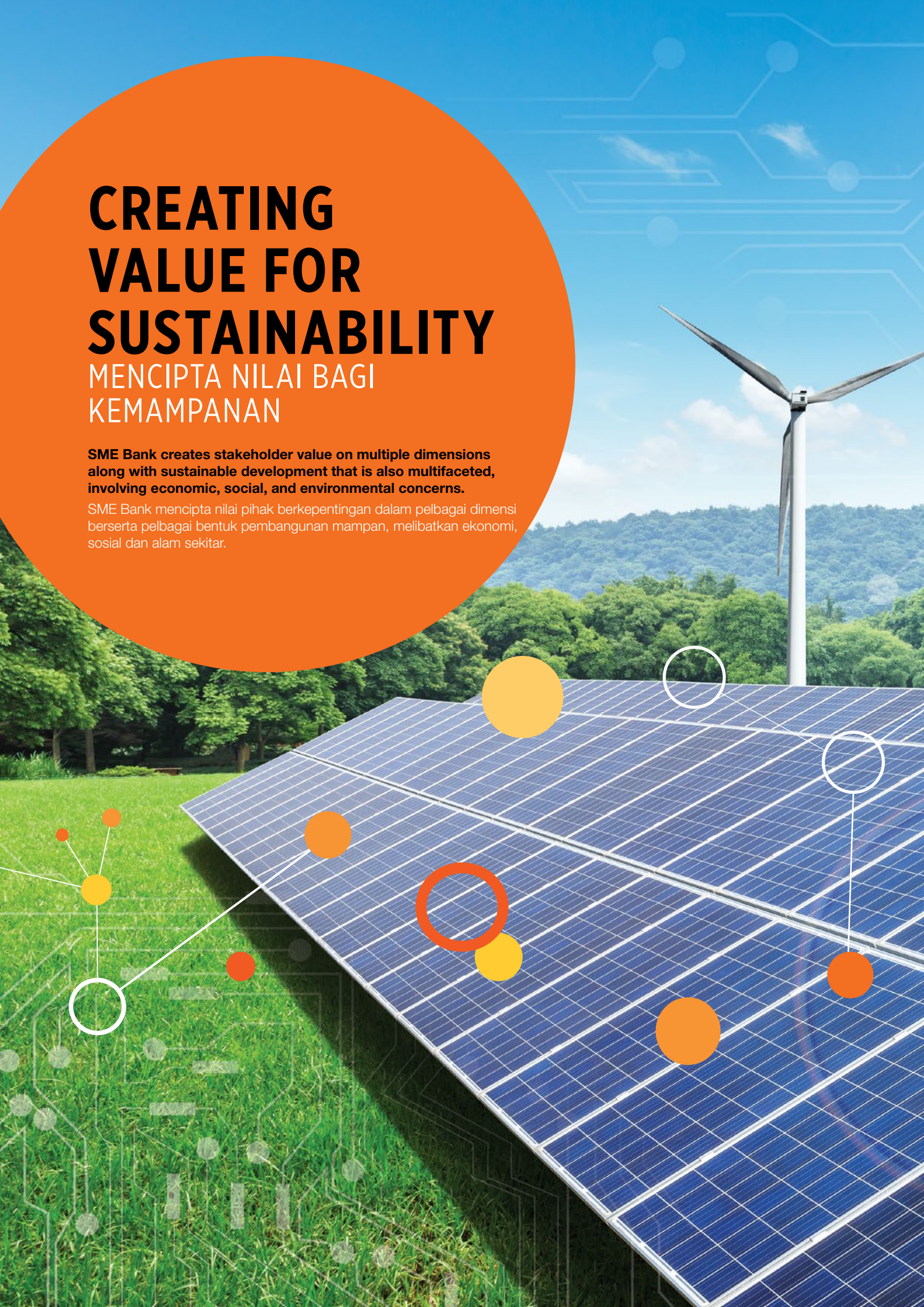
Sekiranya Jawatankuasa tidak dapat melulus/ menyelesaikan hal-hal dalam peranan dan tanggungjawabnya berkaitan dengan hal-hal bukan Syariah, hal-hal tersebut akan dipanjangkan kepada peringkat kuasa seterusnya, iaitu Lembaga Pengarah.

CREATING VALUE FOR SUSTAINABILITY

MENCIPTA NILAI BAGI
KEMAMPAHAN

SME Bank creates stakeholder value on multiple dimensions along with sustainable development that is also multifaceted, involving economic, social, and environmental concerns.

SME Bank mencipta nilai pihak berkepentingan dalam pelbagai dimensi berserta pelbagai bentuk pembangunan mampan, melibatkan ekonomi, sosial dan alam sekitar.





03

Sustainability Management
Pengurusan Kemampanan

Engaging Our Stakeholders
Hubungan dengan Pihak Berkepentingan

Economic
Ekonomi

Environment
Alam Sekitar

Social
Sosial

Governance and Compliance
Tadbir Urus dan Pematuhan

SUSTAINABILITY MANAGEMENT

PENGURUSAN KEMAMAPANAN

SME Bank's long term vision is to create value of SME ecosystem beyond financial services. Our ability to be the centre of excellence for the development of small and medium enterprises, however, depends on inclusive economic growth and a well-managed natural environment. With an aspiration of catalysing a digital future, we stay focused in an inclusive sustainable growth through the three spheres of sustainability – economic, social and environment.

Visi jangka panjang SME Bank adalah untuk mewujudkan nilai ekosistem PKS melangkaui perkhidmatan pembiayaan. Keupayaan kami untuk menjadi pusat kecemerlangan bagi memacu pembangunan perusahaan kecil dan sederhana, walau bagaimanapun, bergantung kepada pertumbuhan ekonomi yang terangkum dan alam sekitar yang diurus dengan baik. Dengan aspirasi untuk memangkin masa depan digital, kami tetap fokus dalam pertumbuhan mampan yang terangkum melalui tiga lingkungan kemampunan – ekonomi, sosial dan alam sekitar.



CREATION OF ECONOMIC, ENVIRONMENTAL AND SOCIAL VALUES

It is therefore essential for the projects we support in the short and medium terms to provide sustainable benefits for promoting inclusive growth. Several signs of positive change have emerged since we embarked on this sustainability journey, including an increasing number of initiatives promoting green features at our building. We are increasingly investing in sustainable infrastructure, natural capital, and capacity development for these economic, social and environmental areas, while also closely engaging with our stakeholders.

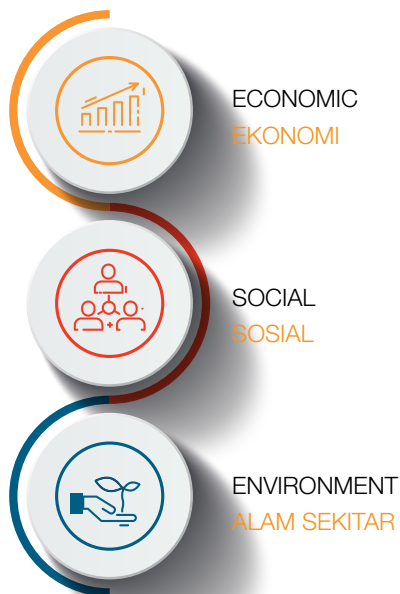
Economic sustainability at SME Bank involves creating economic value out of whatever project or decision we undertake. Our decisions are made in the most equitable and fiscally sound way possible while considering the other aspects of sustainability. In most cases, projects and decisions are made with the long term benefits in mind.

Our record shows that as an organisation, we take these matters very seriously. In 2018, SME Bank recorded RM30 billion in total financing approvals with 17,000 customers. We continued to adopt the philosophy of Environmental, Social and Governance (ESG) investments across our functional domains to champion sustainable and responsible investments.

We understand that good business practices which are combined with the social and environmental aspects of sustainability will definitely bring positive results that translate into the greater good of humanity.

Our commitment to social sustainability is based on the concept that a decision or project promotes the betterment of society. In general, future generations should have the same or greater quality of life benefits as the

Three spheres of sustainability Tiga lingkungan kemampunan





current generation does. Such is the concept we adopt and it also encompasses many things such as human rights, environmental law, public involvement and participation. Amongst the social sustainability aspects at SME Bank is our goal to avoid any instances of discrimination due to gender, sexual orientation, race, religion, nationality, civil status or social position.

In a truly sustainable environment, an ecosystem would maintain populations and overall functionality over an extended period of time. Ideally, we aim for our decisions that are made to promote equilibrium within our natural systems and seek to encourage positive growth. Unnecessary disturbances to the environment will be avoided whenever possible. Even if there is a disturbance, it should be mitigated to the maximum practicable extent. For this reason, at SME Bank, when decisions are made, one part of the discussion will always be the environmental impacts of the proposed outcome or result.

In response to the stakeholders' many needs, we continue to review and refine our operations to achieve maximum effectiveness; to learn from our experience and our partners; and to develop policies, strategies and programmes that respond to the needs of present and future generations. Our direction and aspiration may be changing, but our role to spur the growth of small and medium enterprises in contributing sustainably to the nation's economy remains the same.

We shall continue to invest in the future and work diligently to overcome the sustainability challenges ahead. We remain committed to our ongoing efforts to abide by the guidelines and international standards as we create economic, environmental and social values.

MENCIPTA NILAI EKONOMI, ALAM SEKITAR DAN SOSIAL

Oleh itu, ia adalah penting bahawa projek-projek yang kami sokong dalam jangka pendek dan sederhana memberi faedah yang mampan bagi menggalakkan pertumbuhan terangkum. Beberapa tanda perubahan positif telah muncul sejak kami memulakan perjalanan kemampanan ini, termasuk peningkatan usaha yang menggalakkan ciri-ciri atau konsep hijau di bangunan kami. Kami semakin banyak melabur dalam prasarana mampan, modal semula jadi, dan pembangunan keupayaan untuk ekonomi, sosial dan alam sekitar, dan pada masa yang sama juga berhubung rapat dengan pihak berkepentingan kami.

Kemampanan ekonomi di SME Bank melibatkan penciptaan nilai ekonomi daripada apa sahaja projek atau keputusan yang kami buat. Keputusan kami dibuat dengan cara yang seboleh mungkin adalah saksama dan kukuh dari segi kewangan, sementara mempertimbangkan aspek-aspek kemampanan lain. Dalam kebanyakan kes, projek dan keputusan dibuat dengan memikirkan manfaat jangka panjang.

Rekod kami menunjukkan bahawa sebagai sebuah organisasi, kami mengambil perkara-perkara ini dengan sangat serius. Pada tahun 2018, SME Bank mencatat kelulusan pembiayaan sebanyak RM30 bilion dengan jumlah 17,000 pelanggan. Kami terus mengamalkan falsafah pelaburan Alam Sekitar, Sosial dan Tadbir Urus di seluruh bahagian operasi kami untuk memperjuangkan pelaburan mampan dan bertanggungjawab.

Kami memahami bahawa amalan perniagaan yang baik yang digabungkan dengan aspek sosial dan alam sekitar akan membawa hasil positif yang tentunya akan mendatangkan kebaikan kepada kemanusiaan.

Komitmen kami terhadap kemampanan sosial adalah berdasarkan kepada konsep bahawa keputusan atau projek menggalakkan kebaikan untuk masyarakat. Secara amnya, generasi akan datang harus mempunyai mutu atau manfaat kehidupan yang sama atau lebih baik daripada generasi sekarang. Inilah konsep yang kami gunakan dan ia juga merangkumi banyak perkara seperti hak asasi manusia, undang-undang alam sekitar serta penglibatan dan penyertaan awam. Antara aspek kemampanan sosial di SME Bank adalah matlamat kami untuk mengelakkan sebarang kejadian diskriminasi yang disebabkan oleh jantina, orientasi seksual, bangsa, agama, kewarganegaraan, status sivil atau kedudukan sosial.

Dalam persekitaran mampan yang sebenar, ekosistem akan mengekalkan populasi dan keseluruhan kefungsiannya untuk tempoh masa yang panjang. Kami menyasarkan agar keputusan yang dibuat dapat mendorong kepada keseimbangan dalam sistem semula jadi dan menggalakkan pertumbuhan positif. Gangguan yang tidak perlu kepada alam sekitar akan dielakkan bilamana mungkin. Walaupun jika terdapat gangguan, seboleh mungkin ia akan dikurangkan ke tahap maksimum. Atas sebab ini, di SME Bank, apabila keputusan dibuat, satu bahagian perbincangan akan sentiasa bertumpukan mengenai kesan alam sekitar daripada keputusan atau hasil yang dicadangkan.

Sebagai tindak balas kepada keperluan pihak berkepentingan, kami terus mengkaji dan memperbaiki operasi kami untuk mencapai tahap keberkesanan maksimum; untuk belajar daripada pengalaman kami dan rakan niaga kami; dan untuk membangunkan dasar, strategi, dan program yang memenuhi keperluan generasi sekarang dan akan datang. Hala tuju dan aspirasi kami mungkin berubah, namun peranan kami untuk merangsang pertumbuhan perusahaan kecil dan sederhana untuk menyumbang secara mampan kepada ekonomi negara adalah tetap sama.

Kami akan terus melabur dalam masa depan dan berusaha gigih untuk mengatasi cabaran-cabaran kemampanan akan datang. Kami tetap komited terhadap usaha berterusan untuk mematuhi garis panduan dan piawaian antarabangsa dalam kami mencipta nilai ekonomi, alam sekitar dan sosial.

ENGAGING OUR STAKEHOLDERS

HUBUNGAN DENGAN PIHAK BERKEPENTINGAN

90

The Bank's stakeholder engagements are encompassed in the seven key stakeholder groups:

Hubungan Bank merangkumi tujuh kumpulan pihak berkepentingan utama:



EMPLOYEES
PEKERJA



GOVERNMENT/
REGULATORS
KERAJAAN/
PENGAWAL SELIA



CUSTOMERS
PELANGGAN



NON-GOVERNMENT
ORGANISATIONS
(NGOS)
PERTUBUHAN BUKAN
KERAJAAN (NGO)



INVESTMENT
COMMUNITY
KOMUNITI
PELABURAN



LOCAL
COMMUNITIES
MASYARAKAT
SETEMPAT



SUPPLY CHAIN
PARTNERS
RAKAN RANTAIAN
BEKALAN

Over the past year, an ongoing process has been underway to assimilate SME Bank's renewed vision to be a leader in SME ecosystem value creation beyond financial services, with the aim of expressing the future projected for the Bank at its best. The SME Bank Vision is a clear, powerful, meaningful description of our future as it can and should be. It also provides a structured framework for charting our future course; declares our commitment to our employees, our customers and all of our stakeholders; imparts meaning and a connection with our values to the objectives and initiatives led by the Bank; and empowers the Bank in its leadership on the shared path to the challenges of the future.

Our focus on our stakeholders and our financial leadership are a source of pride and foster a sense of belonging for all of them. The endeavour to create value for our stakeholders and our commitment to the cultivation of human capital on a path of compassion, integrity, openness and accountability are aimed at nurturing a personal commitment to our shared journey, in which each person acts responsibly and contributes to the success of all.

The drive towards business success for our customers, in congruence with the principles of sustainability and in encouragement of excellence and innovation, reflects a long-term commitment to improvement and empowerment.

In 2018, we continued with the advancement of different stakeholder relationships to execute engagement strategies that are informing, responding and involving. We acknowledge that diversity exists in sustainability disclosure by studying how it is used to engage stakeholders. Our engagement with stakeholders contribute to the three significant impacts on the **economy, environment and society**, which are also three of the dimensions in the Global Reporting Initiatives (GRI) Sustainability Reporting Standards to achieve the goal of sustainable development.





CREATING VALUE FOR STAKEHOLDERS

The essential undertaking of SME Bank is to maximise its value in a way that serves all of its stakeholders: employees, customers, investors, suppliers, the community, and the general public. The creation of value is based on our mindfulness of the stability of the Bank, which ensures its ability to meet its obligations at any given moment and to support the development of the economy; sustainable profitability, balancing risk and returns; promotion and cultivation of sustainability principles and a philosophy of genuine partnership with our **employees, customers, investment community, supply chain partners, Government and regulators, non-Government organisations and local communities.**

To shape stakeholder engagement, SME Bank identifies key stakeholders by mapping the level of influence on and level of interest in the Bank. Main stakeholders are the seven groups mentioned above with whom, throughout the year, we engaged with them on a continuous basis as part of our regular operations.

Internally, SME Bank organises regular Town Hall sessions where top management share business updates and establish a dialogue with staff; including participation in nationwide Bank events. We also regularly share information and updates on strategies, projects and people with our employees through the Bank's intranet site and via our internal newsletter.

We maintain open and active engagement with our external stakeholders through regular business interactions, including the SME Bank Engagement Session, SME Bank XCESS, Meet Customer Day, Focus Group Session and MindLab Series. In addition, we disseminate information via media releases, website updates and annual sustainability report.

Most of our engagement sessions are complemented by the interactions with stakeholders, enabling us to obtain feedback which feed into the management's approach to materiality and long-term value creation.

Sepanjang tahun lalu, proses berterusan telah dijalankan untuk mengasimilasikan visi baharu SME Bank untuk menjadi peneraju dalam penciptaan nilai ekosistem PKS yang melangkaui perkhidmatan pembiayaan, dengan matlamat untuk menzahirkan dengan terbaik masa depan Bank yang disasarkan. Visi SME Bank adalah penerangan yang jelas dan bermakna tentang masa depan kami kerana ia boleh dicapai dan perlu dilakukan. Ia juga menyediakan rangka kerja tersusun bagi mengorak hala tuju masa depan kami; memberitahu komitmen kami kepada para pekerja, pelanggan, dan semua pihak berkepentingan kami; memberikan maksud dan hubungan dengan nilai-nilai kami terhadap objektif dan inisiatif yang diterajui oleh Bank; dan memperkasakan Bank dalam kepemimpinannya untuk bersama-sama menghadapi cabaran masa depan.

Tumpuan kami terhadap pihak berkepentingan dan kepimpinan kewangan adalah sumber kebanggaan kami dan memupuk rasa kepujahan terhadap mereka semua. Usaha untuk mencipta nilai bagi pihak berkepentingan dan komitmen kami terhadap modal insan berada pada laluan yang baik dengan integriti, keterbukaan dan kebertanggungjawaban demi memupuk komitmen peribadi untuk perjalanan bersama, di mana setiap orang bertindak secara bertanggungjawab dan menyumbang kepada kejayaan semua pihak.

Keazaman terhadap kejayaan perniagaan untuk pelanggan kami, bersesuaian dengan prinsip kemampanan dan dalam menggalakkan kecemerlangan dan inovasi, mencerminkan komitmen jangka masa panjang terhadap penambahbaikan dan pemerikasaan.

Pada tahun 2018, kami meneruskan hubungan dengan pelbagai pihak berkepentingan untuk melaksanakan strategi hubungan yang berbentuk pemakluman, tindak balas dan penglibatan. Kami mengakui wujudnya kepelbagaian dalam pendedahan kemampanan dengan mengkaji bagaimana ia digunakan untuk berhubung dengan pihak berkepentingan. Penglibatan kami dengan pihak berkepentingan menyumbang kepada tiga kesan penting terhadap **ekonomi, alam sekitar dan masyarakat**, yang juga merupakan tiga dimensi dalam Piawaian Pelaporan Kemampanan bagi Inisiatif Pelaporan Global untuk mencapai matlamat pembangunan mampan.

MENCIPTA NILAI UNTUK PIHAK BERKEPENTINGAN

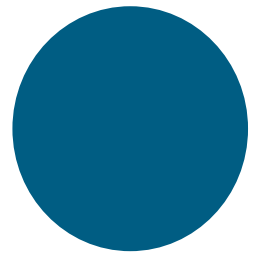
SME Bank mementingkan usaha dalam memaksimumkan nilainya dengan cara yang mampu memuaskan semua pihak berkepentingan: pekerja, pelanggan, pelabur, pembekal, masyarakat, dan orang awam. Penciptaan nilai adalah berdasarkan kesedaran kami terhadap kestabilan Bank, yang memastikan keupayaannya untuk memenuhi kewajipannya pada bila-bila masa tertentu dan untuk menyokong pembangunan ekonomi; keuntungan berterusan, mengimbangi risiko dan pulangan; galakan dan pemupukan prinsip kemampanan, dan falsafah perkongsian sebenar dengan **pekerja, pelanggan, komuniti pelaburan, rakan rantaian bekalan, Kerajaan dan pengawal selia, organisasi bukan Kerajaan dan masyarakat setempat.**

Untuk membentuk hubungan pihak berkepentingan, SME Bank mengenal pasti pihak berkepentingan utama dengan memetakan tahap pengaruh dan tahap kepentingan dalam Bank. Pihak berkepentingan utama adalah tujuh kumpulan yang disebutkan di atas di mana, sepanjang tahun, kami terlibat dengan mereka secara berterusan sebagai sebahagian daripada operasi biasa kami.

SME Bank menganjurkan *townhall* secara berkala di mana pengurusan kanan berkongsi maklumat perniagaan dan berdialog dengan pekerja;

ENGAGING OUR STAKEHOLDERS

HUBUNGAN DENGAN PIHAK BERKEPENTINGAN



During the year, we continued to address the different dependencies on stakeholders for economic, environment and social areas and thus engage stakeholders accordingly. Our corporate sustainability relies on sustainable relationships between the Bank and these stakeholders. The close engagement with our stakeholders improves the acceptance of sustainability initiatives both in terms of building trust and managing expectations and consequently supports the Bank's sustainability principles; ones that represent and reflect environmentally conscious business conduct aimed at preserving and enhancing existing resources and achieving economic, social, and environmental balance. We believe that the adoption of these principles supports the Bank's objectives and increases stakeholder value for the long term.

ENGAGEMENT WITH EMPLOYEES

Close engagements with employees as our internal stakeholders enable us to tap into their energy and creativity. This benefits us as we gain employees' support/buy-in through the creation of a shared image of the future and increased acceptance of decisions made by the Bank. Additionally, we achieve an increased trust and improved 'social capital' which greatly improve relationships that form the foundation to overcome future challenges.

We recognise that employee engagement is an essential factor when striving to increase productivity, execute business strategies, improve Bank performance and develop roles within the organisation. In this regard, various programmes and activities have been carried out during the year which include, among others: Leaders' Convention, GTP Engagement Session, SME Bank Sports Day and Teh Tarik Session with Directors.

a) Understanding our employees

In 2018, we initiated a series of measures to improve our employees' working environment. In terms of our IT structure, we improved the performance of programmes such as Outlook, updated networks and optimised IT support. Moreover, we enhanced our employee recruiting and integration processes, as well as optimised the search function and mobile access to our Intranet. To give us a better sense of the situation within our organisation as a whole, we conducted employee surveys to provide a platform for employees, leaders and executives to engage in a feedback, sharing ideas and experience.

termasuk penyertaan dalam acara Bank di seluruh negara. Kami juga kerap berkongsi maklumat dan memaklumkan perkembangan terkini tentang strategi, projek dan orang lain dengan pekerja kami melalui laman intranet Bank atau melalui surat berita dalaman kami.

Kami mengekalkan hubungan terbuka dan aktif dengan pihak berkepentingan luar kami melalui interaksi perniagaan biasa, termasuk SME Bank XCESS, Hari Bertemu Pelanggan, Sesi Kumpulan Fokus dan Siri *MindLab*. Di samping itu, kami menyebarkan maklumat melalui siaran media, mengemas kini laman web dan laporan tahunan lain.

Kebanyakan sesi pertemuan kami dilengkapi interaksi bersama dengan pihak berkepentingan, membolehkan kami mendapat maklum balas yang memberi manfaat kepada pendekatan pihak pengurusan terhadap materialiti dan penciptaan nilai jangka panjang.

Sepanjang tahun ini, kami terus menangani perihal yang bertalian tentang pihak berkepentingan kami untuk bidang ekonomi, alam sekitar dan sosial, dan berhubung dengan pihak berkepentingan dengan sewajarnya. Kemampanan korporat kami bergantung kepada hubungan berterusan antara Bank dengan pihak berkepentingan. Hubungan rapat dengan pihak berkepentingan kami adalah menambah baik penerimaan inisiatif kemampanan dari segi membina kepercayaan dan mengurus jangkaan, dan seterusnya menyokong prinsip kemampanan Bank; yang mewakili dan mencerminkan perjalanan perniagaan yang peka terhadap alam sekitar yang bertujuan memulihara dan meningkatkan sumber sedia ada dan mencapai keseimbangan ekonomi, sosial dan alam sekitar. Kami percaya bahawa penggunaan prinsip-prinsip ini menyokong matlamat Bank dan meningkatkan nilai pihak berkepentingan untuk jangka panjang.

HUBUNGAN DENGAN PEKERJA

Hubungan rapat dengan pekerja sebagai pihak berkepentingan dalaman membolehkan kami memanfaatkan tenaga dan kreativiti mereka. Ini menguntungkan kami kerana kami mendapat sokongan pekerja melalui penciptaan imej masa depan, dan peningkatan penerimaan keputusan yang dibuat oleh Bank. Di samping itu, kami meraih kepercayaan yang lebih tinggi dan meningkatkan 'modal sosial' yang dapat meningkatkan hubungan bagi membentuk asas untuk mengatasi cabaran masa depan.

Kami akur bahawa hubungan pekerja adalah faktor penting apabila berusaha meningkatkan produktiviti, melaksanakan strategi perniagaan, meningkatkan prestasi Bank dan membangunkan peranan dalam organisasi. Sehubungan ini, pelbagai program dan aktiviti telah dijalankan sepanjang tahun, termasuk: Konvensyen Pemimpin, Sesi Libat Urus GTP, Hari Sukan SME Bank, dan Sesi Teh Tarik bersama Pengarah.

a) Memahami pekerja kami

Pada tahun 2018, kami memulakan beberapa langkah untuk meningkatkan persekitaran kerja. Dari segi struktur IT, kami meningkatkan prestasi program seperti Outlook, rangkaian dikemas kini dan sokongan IT yang dioptimumkan. Selain itu, kami meningkatkan proses pengambilan dan integrasi pekerja kami, serta mengoptimalkan fungsi carian dan akses mudah alih ke Intranet kami. Untuk memberikan kami gambaran yang lebih baik mengenai keadaan dalaman organisasi secara keseluruhan, kami menjalankan kaji selidik pekerja bagi menyediakan platform untuk pekerja, pemimpin dan eksekutif berinteraksi, berkongsi idea dan pengalaman.



The close engagement with our stakeholders improves the acceptance of sustainability initiatives both in terms of building trust and managing expectations and consequently supports the Bank's sustainability principles; ones that represent and reflect environmentally conscious business conduct aimed at preserving and enhancing existing resources and achieving economic, social, and environmental balance.

b) Keeping employees informed

We keep our employees up to date through a number of formats namely the newsletters (SME News) which report on developments in the organisation. The newsletters enable all employees to keep abreast with all relevant topics which also include, amongst others, new products, special promotional offers and the Bank's participation in exhibitions and conferences. Additionally, our website contains news and updates from which our employees are also being informed of all updates regarding the Bank and the industry.

c) Deepening employee engagement

The Bank's involvement in programmes by the Financial Industry Collective Outreach (FINCO), the largest collective impact initiative in Malaysia, provided an opportunity for our employees' participation.

The FINCO Mentor programme saw our employees volunteering as mentors for secondary school students to provide career advice and help them set their life's future. The FINCO Reads, on the other hand, is a programme for primary school students to widen their engagement with English reading materials out of the normal classroom setting, where our staff also volunteered in these activities.

Engaging our employees to conduct these activities with both secondary and primary school children around the country in an effort to ignite a passion for aspiration, wisdom and knowledge amongst the next generation benefit the community at large. This initiative also gives our employees the opportunity to pass on their knowledge and at the same time, create a sense of belonging to the organisation that they represent. You can find more information on FINCO and its projects to the community under Community section of this report.

Hubungan rapat dengan pihak berkepentingan kami adalah menambah baik penerimaan inisiatif kemampanan dari segi membina kepercayaan dan mengurus jangkaan, dan seterusnya menyokong prinsip kemampanan Bank; yang mewakili dan mencerminkan perjalanan perniagaan yang peka terhadap alam sekitar yang bertujuan memulihara dan meningkatkan sumber sedia ada dan mencapai keseimbangan ekonomi, sosial dan alam sekitar.

b) Memastikan pekerja mendapat makluman

Kami memaklumkan pekerja kami sehingga kini melalui beberapa format iaitu surat berita yang melaporkan perkembangan dalam organisasi. Surat berita membolehkan semua pekerja untuk mengikuti semua topik yang berkaitan termasuk, produk baharu, tawaran promosi khas dan penyertaan Bank dalam pameran dan persidangan. Di samping itu, laman web kami mengandungi berita dan kemas kini dari kakitangan, kami juga memaklumkan tentang semua maklumat terkini mengenai Bank dan industri.

c) Mengukuhkan hubungan pekerja

Penglibatan Bank dalam program-program oleh *Financial Industry Collective Outreach* (FINCO), inisiatif impak kolektif terbesar di Malaysia, memberi peluang kepada penyertaan kakitangan kami.

Program FINCO Mentor menyaksikan pekerja kami menjadi sukarelawan sebagai mentor untuk pelajar sekolah menengah bagi memberi nasihat kerjaya dan membantu merangka masa depan mereka. FINCO Reads pula adalah program untuk pelajar sekolah rendah memperluaskan penglibatan mereka dengan bahan bacaan bahasa Inggeris dari suasana kelas biasa, di mana kakitangan kami juga menawarkan diri dalam aktiviti ini.

Melibatkan pekerja kami dalam aktiviti ini dengan sekolah menengah dan sekolah rendah di seluruh negara sebagai usaha untuk menaikkan semangat aspirasi, kebijaksanaan dan pengetahuan di kalangan generasi akan datang memberi manfaat kepada komuniti secara amnya. Inisiatif ini juga memberi peluang kepada pekerja kami untuk menyampaikan pengetahuan mereka dan pada masa yang sama, mewujudkan rasa organisasi yang mereka wakili. Anda boleh mendapatkan lebih banyak maklumat tentang FINCO dan projeknya dalam komuniti di bawah seksyen Komuniti laporan ini.

ENGAGING OUR STAKEHOLDERS

HUBUNGAN DENGAN PIHAK BERKEPENTINGAN

94



SME Bank recognises that customers' needs and aspirations change during different life stages. We therefore endeavour to provide customers with all of the financial information and services that can help them understand, plan and carry out both long-term and immediate financial decisions.

SME Bank akur bahawa keperluan dan aspirasi pelanggan berubah sepanjang peringkat kehidupan yang berbeza. Oleh itu, kami berusaha menyediakan semua maklumat dan perkhidmatan kewangan yang dapat membantu mereka memahami, merancang, dan menjalankan kedua-dua keputusan kewangan jangka panjang dan segera.

ENGAGEMENT WITH CUSTOMERS

SME Bank recognises that customers' needs and aspirations change during different life stages. We therefore endeavour to provide customers with all of the financial information and services that can help them understand, plan and carry out both long-term and immediate financial decisions. The Bank's view of its customers is derived from a philosophy of sustainability, giving rise to a relationship designed to encompass a comprehensive understanding of the needs of customers and their businesses over time.

In addition to the above, the changes underway in the business and social environment – the rapid technological changes and dynamically changing customer demands, the transition to a low-carbon economy, water and soil conservation and global warming – offer business opportunities for the Bank, while contributing to the economy and society. As a result of growing awareness of social and environmental issues, changes are emerging in customer values and needs.

HUBUNGAN DENGAN PELANGGAN

SME Bank akur bahawa keperluan dan aspirasi pelanggan berubah sepanjang peringkat kehidupan yang berbeza. Oleh itu, kami berusaha menyediakan semua maklumat dan perkhidmatan kewangan yang dapat membantu mereka memahami, merancang dan menjalankan kedua-dua keputusan kewangan jangka panjang dan segera. Pandangan Bank tentang para pelanggannya adalah daripada falsafah kemampanan, mewujudkan hubungan yang dirancang untuk merangkumi pemahaman menyeluruh tentang keperluan pelanggan dan perniagaan mereka.

Di samping itu, perubahan yang berlaku dalam perniagaan dan persekitaran sosial – perubahan teknologi pesat dan tuntutan pelanggan yang berubah secara dinamik, peralihan kepada ekonomi rendah karbon, pemuliharaan air dan tanah, dan pemanasan global – menawarkan peluang perniagaan kepada Bank, sambil menyumbang kepada ekonomi dan masyarakat. Akibat kesedaran yang semakin meningkat mengenai isu sosial dan alam sekitar ini, perubahan muncul dalam nilai dan keperluan pelanggan.



Our commitment to customers thus extends to the way in which we deliver our services and respond to their changing needs. Through engagement, we can better understand our customers and provide us with powerful insights to drive change in our business strategy. The success of our engagement in this area will be determined by our ability to support customers in their choices to better meet their needs. To do this we must continually improve how we engage and how stakeholder insights are incorporated into planning our networks for the future.

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.

The Department is committed to dealing effectively with all feedbacks and/or complaints on the Bank’s products and services, with close monitoring of adherence to the Bank’s policy and procedure and Bank Negara Malaysia’s regulations.

The Bank already has in place a customer contact centre system to improve our interaction and provide better services to customers. In addition, our Feedback Handling Section, enhances the communication between Customer Service Management Department and other departments within the Bank to ensure that all responses and status of feedbacks, complaints, suggestions or appeals are tracked, validated and responded timely for customer satisfaction.

This dedicated Department of the Bank will continue to focus specifically on improving customer experience through the identification of areas for improvement and developing strategies as we address various issues via regular customer interaction activities.

The Customer Service Management Department will continue to be the contact point for answering all customers’ enquiries and to assist them with any concern on our products and services via the Contact Centre (03-26037700) which operates during office hours from 8.30 a.m. to 5.30 p.m. or via email (customercare@smebank.com.my).

We are committed to create value for customers by continuously looking for ways to develop responsible products to foster economic and environmental sustainability; maintain a multichannel network for communication with customers at any time and place; and provide optimal service to achieve customer satisfaction while responding to and learning from customer communication.

Komitmen kami terhadap pelanggan oleh itu menjangkau cara kami menyampaikan perkhidmatan dan bertindak balas kepada keperluan mereka yang berubah-ubah. Melalui hubungan, kami dapat memahami pelanggan dengan lebih baik dan mendapat pandangan bagi memacu perubahan dalam strategi perniagaan kami. Kejayaan hubungan kami dalam bidang ini akan ditentukan oleh kemampuan kami untuk menyokong pelanggan dalam pilihan mereka bagi memenuhi keperluan mereka dengan lebih baik. Untuk itu, kami mesti terus memperbaiki cara kami berhubung dan bagaimana pandangan pihak berkepentingan dimasukkan ke dalam cara merancang rangkaian kami untuk masa depan.

Jabatan Pengurusan Khidmat Pelanggan kami memastikan agar “Strategi Mengutamakan Pelanggan” dan janji Slogan Bank “Kami komited ke arah Kecemerlangan” didukung dan dikekalkan melalui kualiti produk, proses dan perhubungan.

Jabatan ini komited untuk mengurus semua maklum balas dan/atau aduan mengenai produk dan perkhidmatan Bank secara efektif, dengan memantau pematuhan polisi dan tatacara Bank serta peraturan Bank Negara Malaysia secara dekat.

Bank telah membentuk sistem pusat perhubungan pelanggan untuk menambah baik interaksi kami dan menawarkan perkhidmatan yang lebih bermutu kepada pelanggan. Di samping itu, Seksyen Pengurusan Maklumbalas kami meningkatkan cara komunikasi di antara Jabatan Pengurusan Khidmat Pelanggan dan jabatan-jabatan lain di dalam Bank untuk memastikan bahawa semua respons dan status maklum balas, aduan, cadangan atau rayuan dikesan, disahkan, disampaikan tepat pada masanya untuk kepuasan pelanggan.

Jabatan yang khusus ini akan terus memberi tumpuan khasnya untuk menambah baik pengalaman pelanggan dengan mengenal pasti bahagian yang memerlukan penambahbaikan dan merangka strategi untuk menangani masalah melalui aktiviti interaksi berterusan bersama pelanggan.

Jabatan Pengurusan Khidmat Pelanggan akan terus menjadi pusat perhubungan untuk menjawab segala pertanyaan pelanggan dan membantu mereka dalam segala permasalahan tentang produk dan perkhidmatan kami melalui Pusat Khidmat Pelanggan di talian 03-26037700, yang beroperasi pada waktu pejabat dari 8.30 pagi hingga 5.30 petang atau melalui e-mel (customercare@smebank.com.my).

Kami komited mencipta nilai untuk pelanggan dengan terus mencari cara membangunkan produk yang bertanggungjawab bagi memupuk kemampanan ekonomi dan alam sekitar; mengekalkan rangkaian pelbagai saluran untuk komunikasi dengan pelanggan pada bila-bila masa dan tempat; dan memberi perkhidmatan yang optimum demi kepuasan pelanggan ketika membalas dan mendengar daripada komunikasi pelanggan.

ENGAGING OUR STAKEHOLDERS

HUBUNGAN DENGAN PIHAK BERKEPENTINGAN



96

SME BANK MEET CUSTOMER DAY

Our approach to customer engagement is designed to ensure that we make better and more sustainable decisions through a process that engenders trust and credibility.

SME Bank Meet Customer Day was part of the activities in Customer Service Management's programme for 2018 aimed at providing advisory and assistance and promoting the Bank's services. The objectives of the programme are to:

- Promote a customer-centric culture;
- Bridge the gap between customer engagement and experience;
- Provide the platform for SME customers and the general public to obtain the Bank's latest updates and information; and
- Increase improvement opportunities and acquisition of new customers.

The programme was held from 18 April to 19 September 2018 at 12 Enterprise Centres nationwide. The total turnout of 1,333 pax showed an encouraging response by more than 39% as against the turnout recorded in 2017.

Overall, the business consultation in the clinic sessions were conducted with professionalism and the customers were well attended to. Most of the customers gave good feedback and recommended some ways for improvement in financing process and service delivery by the Bank.

SME BANK FOCUS GROUP SESSION

In our continuous efforts engaging with customers, the Focus Group sessions is part of the programmes under the Customer Service Holistic Approach for 2018, were held from 18 April to 19 September 2018 at 12 Enterprise Centres nationwide.

The Focus Group sessions served as an avenue to build rapport with the Bank's selected customers.

Its main objectives are to:

- Share latest information on the Bank's initiatives and strategies;
- Identify issues faced by entrepreneurs and assist in resolving them;
- Obtain feedback on the overall impact of the Bank's contribution to their businesses;

HARI BERTEMU PELANGGAN SME BANK

Pendekatan kami terhadap hubungan pelanggan dirangka untuk memastikan kami membuat keputusan yang lebih baik, lebih mampan melalui proses yang menimbulkan kepercayaan dan kewibawaan.

Hari Bertemu Pelanggan SME Bank adalah sebahagian daripada aktiviti dalam program Pengurusan Perkhidmatan Pelanggan untuk tahun 2018 yang bertujuan menawarkan khidmat nasihat serta mempromosi perkhidmatan Bank. Matlamat program ini adalah untuk:

- Menggalakkan budaya mengutamakan pelanggan;
- Merapatkan jurang antara hubungan dan pengalaman pelanggan;
- Menyediakan platform untuk pelanggan PKS dan orang awam mendapatkan maklumat terkini Bank; dan
- Meningkatkan peluang penambahbaikan dan pemerolehan pelanggan baharu.

Program ini diadakan dari 18 April hingga 19 September 2018 di 12 Pusat Enterpris di seluruh negara. Jumlah keseluruhan 1,333 orang menunjukkan sambutan yang menggalakkan sebanyak lebih 39% daripada jumlah yang dicatatkan pada tahun 2017.

Secara keseluruhannya, perundingan perniagaan dalam sesi klinik dijalankan dengan profesionalisme dan para pelanggan telah dilayan dengan baik. Kebanyakan pelanggan memberi maklum balas yang baik dan mencadangkan beberapa cara untuk memperbaiki proses pembiayaan dan penyampaian perkhidmatan oleh Bank.

SESI KELOMPOK SASARAN SME BANK

Dalam usaha berterusan kami untuk berhubung dengan pelanggan, sesi Kelompok Sasaran, sebagai sebahagian daripada program di bawah Pendekatan Holistik Perkhidmatan Pelanggan 2018, telah diadakan dari 18 April hingga 19 September 2018 di 12 Pusat Enterpris di seluruh negara.

Sesi Kelompok Sasaran berfungsi sebagai saluran untuk membina hubungan dengan pelanggan terpilih. Matlamat utamanya adalah:

- Berkongsi maklumat terkini mengenai inisiatif dan strategi Bank;
- Mengenal pasti isu-isu yang dihadapi oleh usahawan dan membantu menyelesaikannya;
- Mendapat maklum balas mengenai impak keseluruhan sumbangan Bank kepada perniagaan mereka;



- Identify the entrepreneurs’ future strategic planning; and
- Close the gap between customer engagement and experience which eventually enhances customers satisfaction.

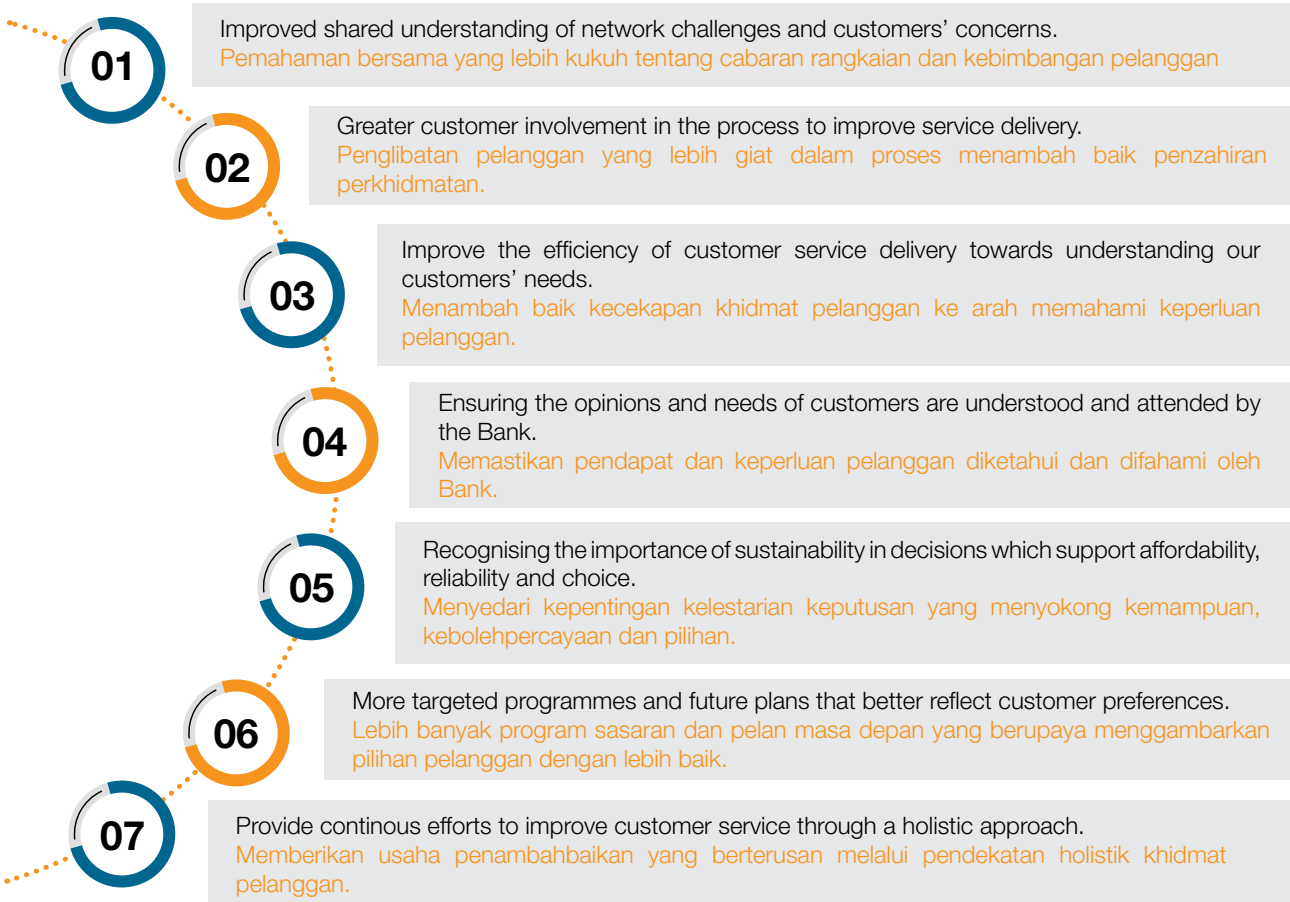
The programme received positive response, which focused on building relationships. It has also enabled us to understand the stakeholder view, in this case, the customers. As a result, we have been able to recognise and respect that customers hold their own values, opinions and experiences. Such perspectives help us further to acknowledge that this programme will lead to long lasting business relationships and smart partnerships with our customers.

- Mengenal pasti perancangan strategik masa depan usahawan; dan
- Merapatkan jurang antara penglibatan dan pengalaman pelanggan yang akhirnya meningkatkan kepuasan pelanggan.

Program ini mendapat sambutan positif, dan tertumpu kepada pembinaan hubungan. Program tersebut juga telah membolehkan kami memahami pandangan pihak berkepentingan, dalam hal ini, para pelanggan. Hasilnya, kami berupaya mengenal pasti dan akur bahawa pelanggan mempunyai nilai, pendapat dan pengalaman mereka tersendiri. Perspektif sedemikian membantu kami untuk lebih yakin bahawa program ini akan menghasilkan hubungan perniagaan lestari dan perkongsian pintar dengan para pelanggan.

Key Benefits From the Meet Customer Day & Focus Group Session

Faedah Utama Daripada Hari Bertemu Pelanggan & Sesi Kelompok Sasaran



ENGAGING OUR STAKEHOLDERS

HUBUNGAN DENGAN PIHAK BERKEPENTINGAN

MINDLAB SERIES

Following the Focus Group session, our Customer Service Management, the Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR) conducted the MindLab Series especially to engage with customers. It is a knowledge and experience sharing programme aimed at inculcating a competitive attitude with a positive outward mindset amongst entrepreneurs. It also aims to expose them with knowledge, skills and confidence in managing and increasing their wealth.

The MindLab Series carried the theme “Embrace Industry 4.0: Rediscover Growth” in line with the rise of new digital industrial technology, known as Industry 4.0 – a transformation that makes it possible to gather and analyse data, enabling faster, more flexible and more efficient processes to produce higher-quality goods at reduced costs. This revolution will increase productivity, shift economics, foster industrial growth and modify the profile of the workforce and ultimately change the competitiveness of companies.

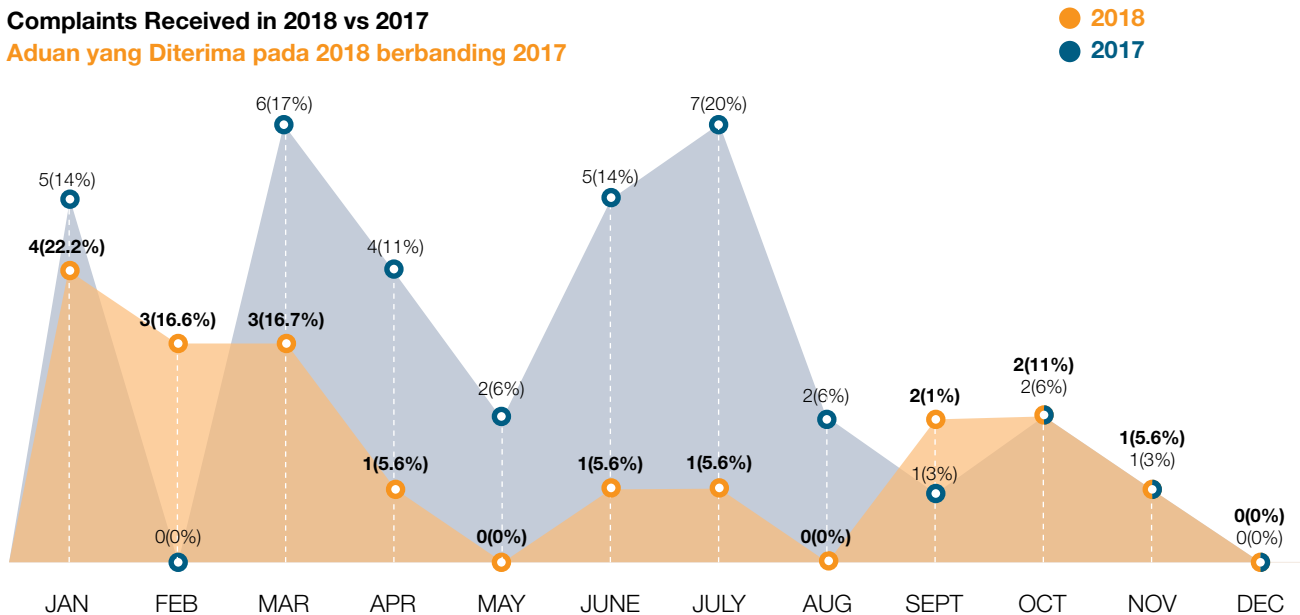
SIRI MINDLAB

Setelah menjalankan sesi kelompok sasaran, Pengurusan Perkhidmatan Pelanggan, *Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR)* mengadakan program *Siri MindLab* yang tertumpu pada maklum balas yang diterima semasa sesi Kelompok Sasaran. Ia adalah program perkongsian pengetahuan/pengalaman yang bertujuan untuk menanamkan sikap berdaya saing dengan pemikiran positif di kalangan usahawan. Ia juga bertujuan mendedahkan mereka terhadap pengetahuan, kemahiran, dan keyakinan dalam menguruskan dan meningkatkan harta mereka.

Siri MindLab bertemakan “*Embrace Industry 4.0: Rediscover Growth*” sejajar dengan kebangkitan teknologi industri digital baharu, yang dikenali sebagai Industri 4.0 – satu transformasi untuk mengumpul dan menganalisis data, membolehkan proses yang lebih cepat, lebih anjal dan lebih cekap bagi menghasilkan barangan yang bermutu tinggi pada kos yang dikurangkan. Revolusi ini akan meningkatkan produktiviti, mengalih ekonomi, mendorong pertumbuhan industri dan mengubah profil tenaga kerja dan akhirnya mengubah daya saing syarikat.

Complaints Received in 2018 vs 2017

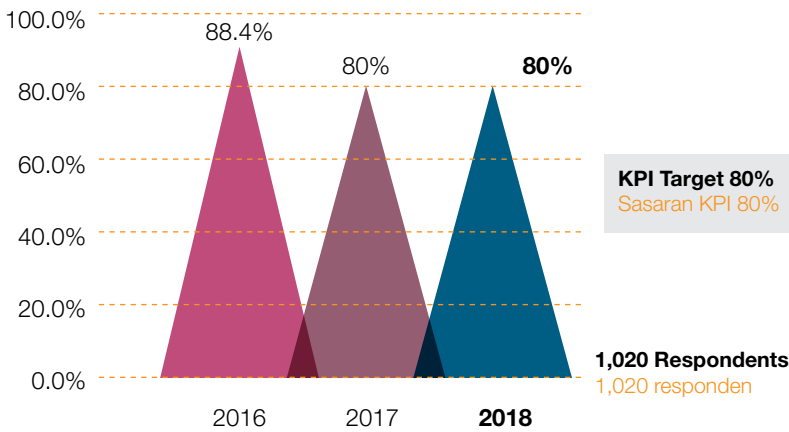
Aduan yang Diterima pada 2018 berbanding 2017



- a. A total of 18 complaints received as at 31 December 2018, a reduction by 51% as against the corresponding period of 2017 (35 complaints).
- a. Sejumlah 18 aduan diterima pada 31 Disember 2018, pengurangan sebanyak 51% berbanding tempoh yang sama pada 2017 (35 aduan).
- b. A reduction by almost 51% (17 cases) in the number of complaints received for the period ended 30 December 2018 as against the corresponding period in 2017 (35 cases) due to upgrading at the Bank's Core Banking System and the implementation of the Online Application System, Book Your Banker etc.
- b. Pengurangan hampir 51% (17 kes) dalam bilangan aduan yang diterima bagi tempoh berakhir 30 Disember 2018 berbanding tempoh yang sama pada 2017 (35 kes) hasil penaiktarafan Sistem Perbankan Teras Bank dan pelaksanaan Sistem Permohonan Dalam Talian, *Book Your Banker*, dll.
- c. No complaints received in December for both years.
- c. Bilangan aduan yang diterima untuk kedua-dua tahun.



Customer Satisfaction Survey for 2018 Kaji Selidik Kepuasan Pelanggan bagi 2018



SME BANK XCESS

SME Bank's principal strategic objective is to ensure the issues related to access to financing faced by SME entrepreneurs who have been operating for a minimum of two years are dealt with effectively and efficiently. Accordingly, the top priorities include engaging with them to create a healthy business platform which consequently help elevate small and medium enterprises to a higher level.

SME Bank XCESS is our annual flagship programme which is also the biggest event of the year that allows us to reach out to SME entrepreneurs directly. It also serves as an avenue for us to introduce and promote SME Bank's financing and non-financing facilities to customers.

Approximately, more than 700 entrepreneurs attended the SME Bank XCESS 2018 to get an insight on how SME Bank can assist them to solve financing issues and help elevate their businesses to a higher level. In 2018, dedicated credit officers guided the participants through a one on one interaction in the Biz Clinic session. We also invited seven anchor companies from the retail, telecommunication, IT and manufacturing sectors to participate in the business matching session, aimed at creating direct opportunities for SME entrepreneurs to be their suppliers.

Areas for Improvement Bidang untuk Penambahbaikan

Branch Cawangan	Look and feel Rupa dan rasa
Staff Pekerja	Continuous enhancement of soft/hard skills Berterusan bagi peningkatan kemahiran insaniah dan zahiriah
Business Coaches Pelatih Perniagaan	Relevant business coach based on customer's needs Pelatih perniagaan yang relevan berdasarkan keperluan pelanggan
Development Role Peranan Pembangunan	Practical insights targeted Pemahaman praktikal disasarkan
Customer Pelanggan	Financing Journey Perjalanan Pembiayaan
Technology/ Digital Teknologi/ Digital	Greater visibility and interactions Ketampakan dan interaksi lebih jelas

SME BANK XCESS

Objektif strategik utama SME Bank adalah untuk memastikan isu-isu yang berkaitan dengan akses kepada pembiayaan yang dihadapi oleh usahawan PKS yang telah beroperasi selama sekurang-kurangnya dua tahun diuruskan dengan cara yang berkesan dan cekap. Oleh itu, keutamaan kami adalah termasuk berhubung dengan mereka untuk mewujudkan platform perniagaan yang kukuh dan seterusnya membantu meningkatkan perusahaan kecil dan sederhana ke tahap lebih tinggi.

SME Bank XCESS adalah program perdana tahunan kami yang juga merupakan acara terbesar untuk tahun ini yang membolehkan kami berinteraksi dengan usahawan PKS secara langsung. Ia juga menjadi saluran bagi kami untuk memperkenalkan dan mempromosikan kemudahan pembiayaan dan kemudahan bukan pembiayaan kepada pelanggan.

Kira-kira 700 usahawan menghadiri SME Bank XCESS 2018 untuk mendapatkan maklumat tentang bagaimana SME Bank dapat membantu mereka untuk menyelesaikan isu pembiayaan dan membantu meningkatkan perniagaan mereka ke tahap lebih tinggi. Pada 2018, pegawai kredit membimbing para peserta melalui interaksi secara individu dalam sesi Biz Clinic. Kami juga menjemput tujuh pembekal dari sektor peruncitan, telekomunikasi, IT dan perkilangan untuk mengambil bahagian dalam sesi padanan perniagaan, yang bertujuan untuk mewujudkan peluang langsung bagi usahawan PKS menjadi pembekal mereka.

ENGAGING OUR STAKEHOLDERS

HUBUNGAN DENGAN PIHAK BERKEPENTINGAN

100

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

ENGAGEMENT SESSIONS

As a leading Development Financial Institution (DFI), SME Bank has the responsibility to promote economic opportunities and sustainability among its customers. We welcome this responsibility, and believe in our efforts to contribute to the empowerment of the customers from which we draw our strength.

The engagement sessions that the Bank held throughout the year are necessary for customers to obtain a solid understanding of the full range of financial needs and possibilities, become familiar with the tools and products offered in this area, and achieve optimised matching in order to eventually attain good control and balance between needs and possibilities. Proper identification of needs, full information regarding financial possibilities, tools, and supporting products, use of advice, and appropriate prioritisation make it possible to reach good decisions for each time frame and maximise financial potential.

During the year, we conducted six SME Bank Engagement Sessions from January to April 2018 in Kuala Lumpur, Kedah, Melaka, Kelantan, Sabah and Sarawak. From September to December 2018, we conducted seven other sessions in Terengganu, Johor Bahru, Perak, Sabah, Sarawak and two sessions in Kuala Lumpur respectively. These engagement sessions recorded a total of 811 attendees.

ENGAGEMENT WITH INVESTMENT COMMUNITY

The investment community is essential to our sustainability success. Engaging with the investor stakeholder group provides a platform to address issues and creates an avenue for aligning investment priorities and future strategies. Similarly, by proactively engaging with them, we can further strengthen relationships and facilitate improved outcomes as we recognise that our success is dependent on multiple constituencies. This results in partnerships creates open communication and aligned interests where possible.

SME Bank maintains an active and continuous dialogue with the investment community by engaging in non-financial risks and market disclosure obligations. Our aim is to generate a positive effect on the long-term growth of our investment community.

SESI LIBAT URUS

Sebagai Institusi Kewangan Pembangunan terkemuka, SME Bank mempunyai tanggungjawab untuk menggalakkan peluang dan kemampunan ekonomi di kalangan pelanggannya. Kami menggalas tanggungjawab ini dengan lapang dada, dan percaya dalam usaha kami untuk menyumbang kepada pemerkasaan pelanggan yang mana daripada merekalah kami membina kekukuhan kami.

Sesi libat urus yang diadakan oleh Bank sepanjang tahun adalah perlu bagi pelanggan untuk mendapat pemahaman mantap tentang berbagai keperluan kewangan dan kemungkinan, membiasakan dengan kaedah dan produk yang ditawarkan dalam bidang ini, dan mencapai pepadanan optimum agar akhirnya mencapai kawalan dan imbalan antara keperluan dan kemungkinan. Dengan pengenalanpastian keperluan yang betul, maklumat lengkap mengenai kemungkinan kewangan, kaedah dan produk sokongan, penggunaan nasihat dan memberi keutamaan dengan betul, mereka mungkin boleh mencapai keputusan yang baik bagi setiap rangka waktu dan memaksimumkan potensi kewangan.

Sepanjang tahun ini, kami menjalankan enam Sesi Libat Urus SME Bank dari Januari hingga April 2018 di Kuala Lumpur, Kedah, Melaka, Kelantan, Sabah dan Sarawak. Dari September hingga Disember 2018, kami mengadakan tujuh sesi lagi di Terengganu, Johor Bahru, Perak, Sabah, Sarawak dan dua sesi di Kuala Lumpur. Sesi Hubungan Libat Urus ini mencatatkan jumlah kehadiran seramai 811 orang.

HUBUNGAN DENGAN KOMUNITI PELABURAN

Komuniti pelaburan penting untuk kejayaan kemampunan kami. Hubungan dengan kumpulan pihak berkepentingan memberi platform untuk menangani masalah dan mewujudkan peluang menyelaraskan keutamaan pelaburan dan strategi masa depan. Begitu juga, dengan melibatkan komuniti pelaburan secara proaktif, kami berupaya mengukuhkan lagi jalinan perhubungan dan memudahkan perolehan hasil yang lebih lumayan, kerana kami sedar bahawa kejayaan Bank bergantung kepada pelbagai faktor. Ini membawa kepada terjalannya perkongsian, dan mewujudkan komunikasi terbuka dan kepentingan selari yang sewajarnya.

SME Bank mengekalkan dialog yang aktif dan berterusan dengan komuniti pelaburan. Matlamat kami adalah untuk menggalakkan kesan positif pada pertumbuhan jangka panjang komuniti pelaburan kami melalui amalan risiko bukan kewangan dan kewajipan pendedahan pasaran.

Komunikasi kami dengan mereka adalah berdasarkan prinsip yang jelas. Semua maklumat dikongsi dengan semua pihak berkepentingan, pada masa yang sama secara terbuka dan telus, dan pelaporan adalah aktif dan komprehensif. Matlamat SME Bank adalah untuk penilaian paling realistik tentang perkembangan syarikat kepada peserta pasaran. Oleh itu, tawaran komunikasi dan bahan maklumat sentiasa disesuaikan untuk memenuhi keperluan pelabur yang berorientasikan kemampunan.

Pengoptimuman pelaporan adalah titik penting aktiviti di SME Bank. Peningkatan dalam bidang ini adalah penerbitan Laporan Tahunan Bersepadu yang bermula pada Januari 2019 di mana kami menggabungkan laporan korporat dan kewangan dengan laporan tentang kemampunan. Laporan ini mengandungi laporan pengurusan



Our communication with them is based on clear principles. 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. Our goal is to provide the market participants with the most realistic evaluation of the Bank's development. Accordingly, the communication offering and information materials are regularly adapted to meet the needs of sustainability-oriented investors.

The optimisation of reporting is an important focal point of activities at SME Bank. A step up in this area is the publication of an Integrated Annual Report which began in January 2019, where we combine corporate and financial reports 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 Global Reporting Initiative.

SME Bank's website www.smebank.com.my serves as a communication platform that includes the Bank's financial and sustainability reports, market announcements, information on the Annual General Meeting, Outreach Programmes and other related activities.

These engagement efforts reinforce that SME Bank business processes and conducts are investor-driven. In-depth engagement with the investment community and the inclusion of dedicated outreach programmes for this group of stakeholders were innovative aspects which supported the management of expectations and created strong ownership of the programmes the Bank implemented. Further engagements remain necessary to ensure that the work envisaged directly supports the activities that Bank has undertaken. All these reaffirm our vision to be a leader in SME Ecosystem value creation beyond financial services.

SME Bank's website www.smebank.com.my serves as a communication platform that includes the Bank's financial and sustainability reports, market announcements, information on the Annual General Meeting, Outreach Programmes and other related activities.

Laman web SME Bank www.smebank.com.my berfungsi sebagai platform komunikasi yang merangkumi laporan kewangan dan kemampanan Bank, pengumuman pasaran, maklumat mengenai Mesyuarat Agung Tahunan, Program Jangkauan dan aktiviti-aktiviti berkaitan lain.

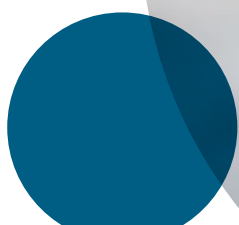
dan penyata kewangan yang disatukan serta laporan tadbir urus korporat dan juga menyediakan maklumat terperinci tentang petunjuk kemampanan seperti yang ditakrifkan oleh Inisiatif Pelaporan Global.

Laman web SME Bank www.smebank.com.my berfungsi sebagai platform komunikasi yang merangkumi laporan kewangan dan kemampanan Bank, pengumuman pasaran, maklumat mengenai Mesyuarat Agung Tahunan, Program Jangkauan dan aktiviti-aktiviti berkaitan lain.

Usaha hubungan ini mengukuhkan proses dan perjalanan perniagaan SME Bank yang didorong oleh pelabur. Hubungan erat dengan komuniti pelaburan dan kemasukan program jangkauan khusus untuk kumpulan pihak berkepentingan ini adalah aspek inovatif yang menyokong pengurusan jangkaan dan mewujudkan rasa pemilikan bagi program yang Bank laksanakan. Hubungan lanjut perlu kekal untuk memastikan bahawa kerja yang dibayangkan menyokong secara langsung aktiviti yang dijalankan oleh Bank. Semua ini mengukuhkan lagi visi kami untuk menjadi peneraju dalam penciptaan nilai ekosistem PKS yang melangkaui perkhidmatan pembiayaan.

HUBUNGAN DENGAN RAKAN RANTAIAN BEKALAN

Di SME Bank, berhubung dengan rakan rantaian bekalan kami membolehkan kami untuk mendapat lebih banyak data dan ketampakan maklumat, proses yang lebih lancar dan cekap, inventori yang diuruskan pembekal, dan keuntungan yang lebih tinggi. Kami komited untuk memenuhi keperluan pihak berkepentingan dengan memastikan jangkaan mereka dizahirkan. Proses rantaian bekalan tidak berlaku dalam ruang tertutup, tetapi memerlukan penerapan semangat dan komitmen, yang diperhebatkan dengan pelbagai cara pendedahan dan ketelusan. Rahsia untuk memanfaatkan proses





ENGAGING OUR STAKEHOLDERS

HUBUNGAN DENGAN PIHAK BERKEPENTINGAN

ENGAGEMENT WITH SUPPLY CHAIN PARTNERS

At SME Bank, engaging with our supply chain partners enables us for greater data and information visibility, leaner and more efficient processes, vendor managed inventories and higher profitability. We commit to serve the needs of stakeholders by ensuring that their expectations are realised. The supply chain process does not occur in a vacuum but requires an infusion of enthusiasm and commitment powered by the full range of disclosure and transparency. The key to effectively harnessing this requires keen analytical and intuitive skills to engage with our supply chain partners and work with them to understand their expectations to ensure success. This facilitates managing a process that maximises stakeholder positive input and minimises any potential detrimental impact.

We understand it is critical to move beyond the transactional dimensions of supply chain management into a deeper understanding of supplier relationships. Our commitment is to promote a transparent supply chain process and prioritise locals to help boost the nation's economy.

Engagements with our supply chain partners involve ongoing communication and interaction which include:

- meetings, as required;
- site visits to facilities, as arranged;
- personal interaction with third parties by relevant senior executives;
- information sharing for mutual benefit; and
- dedicated technical and advisory teams to promote understanding of the Bank's policy, governance, and so forth.

Our work is carried out via seven geographically organised Regional Centres throughout the country. They are complemented by Enterprise Centres and Business Centres. In total, we have 28 branches serving more than 17,000 customers and working with 1,812 supply chain partners. We are committed to further such dynamic and develop a mutually beneficial relationship that creates value for both parties.

ENGAGEMENT WITH GOVERNMENT/REGULATORS

We recognise that the decisions we make and the actions we take in adhering to Government/regulatory policies affect a wide range of work that we do. We are committed to continually improving the effectiveness of our engagement with the Government and regulators and a key element of this improvement will be evaluating our performance under this scope. In implementing this, we commit to reviewing our organisational policies on whether they are operating effectively and meeting our expectations and those of our stakeholders, i.e. the Government and regulators.

ini secara efektif adalah kemahiran analitik dan intuitif secara bersemangat untuk melibatkan dan bekerjasama dengan rakan rantaian bekalan untuk memahami harapan mereka agar berjaya. Ini memudahkan pengurusan proses yang memaksimumkan input pihak berkepentingan dan mengurangkan sebarang kesan kerugian yang mungkin wujud.

Kami faham pentingnya untuk bergerak melangkaui dimensi pengurusan rantaian bekalan kepada pemahaman lebih mendalam tentang hubungan pembekal. Komitmen kami adalah untuk menggalakkan proses rantaian bekalan yang telus dan memberi keutamaan kepada penduduk tempatan untuk membantu meningkatkan ekonomi negara.

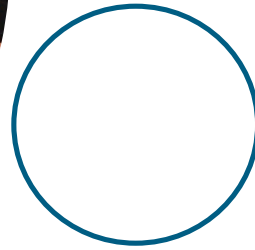
Penglibatan dengan rakan rantaian bekalan kami merangkumi komunikasi dan interaksi berterusan, termasuk:

- mesyuarat, apabila perlu;
- lawatan tapak ke kawasan kemudahan, seperti yang diatur;
- interaksi peribadi dengan pihak ketiga oleh golongan eksekutif kanan yang berkenaan;
- perkongsian maklumat untuk manfaat bersama; dan
- pasukan teknikal dan penasihat khusus untuk menggalakkan pemahaman tentang polisi Bank, tadbir urus, dan lain-lain.

Kami melaksanakan usaha merentasi sempadan negeri di tujuh Pusat Wilayah seluruh negara. Pusat Wilayah ini dilengkapi dengan Pusat Enterpris dan Pusat Perniagaan. Kami mempunyai sejumlah 28 cawangan yang menawarkan perkhidmatan kepada 17,000 pelanggan dan bekerjasama dengan 1,812 rakan kongsi rantaian bekalan. Kami komited untuk meneruskan jalinan dinamik ini dan membina lagi hubungan yang saling menguntungkan yang mencipta nilai bagi kedua-dua pihak.

HUBUNGAN DENGAN KERAJAAN/PENGAWAL SELIA

Kami sedar bahawa keputusan yang dibuat dan tindakan yang diambil dalam mematuhi polisi Kerajaan/badan kawal selia akan memberi kesan kepada pelbagai usaha yang dilakukan. Kami komited untuk terus menambah baik keberkesanan usaha hubungan dengan Kerajaan dan badan kawal selia, dan elemen utama penambahbaikan ini adalah dengan menilai prestasi kami di bawah skop ini. Kami komited untuk mengkaji semula polisi syarikat, sama ada operasi dijalankan secara berkesan dan memenuhi jangkaan kami dan juga pihak berkepentingan kami, iaitu pihak Kerajaan dan pengawal selia.



In this regard, we shall continue to ensure that our operations adhere to stringent Government regulations by implementing policy decisions and other Governmental announcements at all levels.

As we continue to help realise the vision of the Government in spurring SME growth, we continue to work with the Government and regulatory bodies. In 2018, we participated in exhibitions, business talks, career and motivation talks organised by state and federal Government agencies. We also took part in various events organised by the Government.

Following the change of the Malaysian Government post general election, the supervision of SME Bank changed from the Ministry of International Trade and Industry (MITI) to the re-established Ministry of Entrepreneur Development (MED). The change in reporting line nonetheless does not affect our focus in carrying out our mandate to develop small and medium entrepreneurs. We instead continued to engage with the Government and regulators and has since welcomed the visit by delegates from MED which was an opportunity for both the Bank and the Ministry to understand each other's roles in achieving a common objective.

These efforts gave us the opportunity for more thorough understanding on the goals and priorities of this group of stakeholders, and in strategically reaching out to provide them with information relevant to their expectations.

ENGAGEMENT WITH NON-GOVERNMENT ORGANISATIONS

Engagement with Non-Government Organisations (NGO) continues to be one of our priorities in our endeavour to realise their impact on our overall business. Thought leaders and influencers from NGOs play an important role in creating and maintaining business value. As their influence evolves, we must take a strategic and structured approach to our relations with this group of stakeholders.

We shall continue to engage with trade associations and industry relevant NGOs in order to understand their causes and find constructive ways to work together to deliver mutually beneficial outcome.

Our engagement with NGOs provide valuable insight as we pursue our mission to develop SMEs to be the nation's engine of growth, in line with the Government's economic agenda. We meet regularly with stakeholders from the NGO community as well as industry representatives to listen to all viewpoints and gather additional data for environmental review and regulatory revisions which may impact our overall business strategies and activities.

Dalam hal ini, kami akan terus memastikan bahawa operasi kami mematuhi peraturan ketat Kerajaan dengan melaksanakan keputusan polisi dan pengumuman Kerajaan yang lain di semua peringkat.

Di samping membantu menzahirkan visi Kerajaan memacu pertumbuhan PKS, kami terus bekerjasama dengan Kerajaan dan pengawal selia. Pada 2018, kami menyertai pameran, ceramah perniagaan serta ceramah kerjaya dan motivasi anjuran agensi Kerajaan negeri dan Kerajaan persekutuan. Kami juga mengambil bahagian dalam pelbagai majlis yang dianjurkan oleh Kerajaan.

Berikutan perubahan Kerajaan Malaysia selepas pilihan raya umum, penyeliaan SME Bank berubah daripada Kementerian Perdagangan Antarabangsa dan Industri (MITI) kepada Kementerian Pembangunan Usahawan (MED) yang ditubuhkan semula. Perubahan dalam saluran pelaporan ini tetap tidak menjejaskan tumpuan kami dalam melaksanakan mandat kami untuk membangunkan usahawan kecil dan sederhana. Kami sebaliknya terus berhubung dengan Kerajaan dan pengawal selia dan telah menyambut kunjungan delegasi dari MED yang merupakan peluang bagi Bank dan Kementerian untuk memahami peranan masing-masing dalam mencapai objektif bersama.

Usaha-usaha ini memberi kami peluang untuk memahami lebih mendalam tentang matlamat dan keutamaan dari kumpulan pihak berkepentingan ini, dan secara strategik dapat memberi mereka maklumat yang relevan kepada jangkaan mereka.

HUBUNGAN DENGAN ORGANISASI BUKAN KERAJAAN

Hubungan dengan Organisasi Bukan Kerajaan (NGO) terus menjadi antara keutamaan dalam usaha untuk menzahirkan kesan penglibatan mereka terhadap perniagaan kami secara keseluruhan. Pemimpin pemikir dan pihak berpengaruh dari NGO memainkan peranan penting dalam mewujudkan dan mengekalkan nilai perniagaan. Apabila pengaruh mereka bertambah, kami perlu mengambil pendekatan strategik dan berstruktur terhadap hubungan Bank dengan kumpulan pihak berkepentingan ini.

Kami akan terus terlibat dengan NGO yang berkaitan dengan persatuan dan industri perdagangan untuk memahami punca dan mencari cara terbaik untuk bekerjasama demi hasil yang memberi manfaat bersama.

Hubungan dengan NGO memberi pandangan yang bernilai dalam usaha kami meneruskan misi membangunkan PKS sebagai jentera pertumbuhan negara, selaras dengan agenda ekonomi Kerajaan. Kami sering bermesyuarat dengan pihak berkepentingan dalam kalangan komuniti NGO dan wakil industri untuk mendengar segala pandangan dan mengumpul data tambahan. Selain itu, kami meminta komen secara rasmi untuk kajian semula alam sekitar dan semakan peraturan yang mungkin meninggalkan kesan terhadap strategi dan aktiviti perniagaan secara keseluruhan.

ENGAGING OUR STAKEHOLDERS

HUBUNGAN DENGAN PIHAK BERKEPENTINGAN

104

SME BANK | INTEGRATED ANNUAL REPORT 2018 LAPORAN TAHUNAN BERSEPADU 2018

Building relationships with the existing community helps us to communicate with local people and businesses. Our engagement with the local communities not only improves our decision making, legitimacy and competitiveness, but enables us to tap into local knowledge, prevent potential conflict and costly delays.

Hubungan dengan masyarakat tempatan bukan sahaja menambah baik proses membuat keputusan, kesahihan dan daya saing, tetapi juga membolehkan kami memanfaatkan pengetahuan tempatan, mengelak konflik yang mungkin wujud serta kelewatan yang mungkin meningkatkan kos.

ENGAGEMENT WITH LOCAL COMMUNITIES

Building relationships with the existing community helps us to communicate with local people and businesses. Our engagement with the local communities not only improves our decision making, legitimacy and competitiveness, but enables us to tap into local knowledge, prevent potential conflict and costly delays. It allows us to explain our intentions to create value beyond financial services for SMEs. It also creates ongoing opportunities to listen to their views, as well as discovering the issues and challenges they face. Through these discussions, we will be able to develop a list of their most pressing concerns and aspirations for the future.

Our investment in the community is a one-way process of providing information or resources through information sessions, charitable donations or employee volunteering. Involvement with the community, on the other hand, is a two-way communication that helps dispel confusion, amongst others, via dialogues and briefings.

We aim to effect long-lasting and positive change within the communities by engaging in transparent and accountable dialogue with them as well as ensuring the effectiveness of Corporate Responsibility initiatives.

SME Bank is therefore committed to engaging with communities to ensure that development, economic growth, services and facilities meet local needs and are delivered in the most cost-effective and efficient way enabling local communities to feel supported and enabled to prosper.

Building on existing links with communities and local organisations were the key components of our effective engagement throughout the year. In 2018, more than 168 SME Bank employees took part in various community programmes and activities. Trading their working day to help out in the community, they volunteered to engage in a number of activities, including the joint impact initiatives of Financial Industry Collective Outreach (FINCO) namely the FINCO Mentor Programme – Life Aspiration Programme and FINCO Reads Programme. More information on these are available in the Social section of this report.



HUBUNGAN DENGAN KOMUNITI TEMPATAN

Hubungan dengan masyarakat tempatan bukan sahaja menambah baik proses membuat keputusan, kesahihan dan daya saing, tetapi juga membolehkan kami memanfaatkan pengetahuan tempatan, mengelak konflik yang mungkin wujud serta kelewatan yang mungkin meningkatkan kos. Ia membolehkan kami menjelaskan hasrat kami untuk mencipta nilai yang melangkaui perkhidmatan pembiayaan untuk PKS. Ia juga mewujudkan peluang berterusan untuk mendengar pandangan mereka, serta mengetahui isu dan cabaran yang mereka hadapi. Melalui perbincangan ini, kami akan dapat membangunkan satu senarai kebimbangan mereka dan aspirasi mereka untuk masa depan.

Pelaburan kami dalam komuniti merupakan proses sehalu untuk menawarkan maklumat atau sumber melalui sesi berkongsi maklumat, sumbangan amal atau usaha sukarela pekerja. Penglibatan dengan komuniti, sebaliknya, merupakan komunikasi dua hala yang membantu meleraikan kekeliruan, antara lain, melalui dialog dan taklimat.

Matlamat kami adalah untuk menzahirkan perubahan lestari dan positif dalam kalangan masyarakat dengan melibatkan syarikat dan pekerja dalam dialog yang telus dan bertanggungjawab serta memastikan keberkesanan inisiatif Tanggungjawab Korporat.

SME Bank dengan itu komited untuk melibatkan masyarakat bagi memastikan pembangunan, pertumbuhan ekonomi, perkhidmatan dan kemudahan memenuhi keperluan warga tempatan dan dizahirkan dalam gaya paling menjimatkan kos dan cekap, membolehkan masyarakat tempatan terasa disokong dan berupaya untuk berjaya.

Membina pertalian di atas hubungan sedia ada dengan komuniti dan pertubuhan tempatan merupakan komponen utama usaha penglibatan berkesan kami sepanjang tahun. Pada tahun 2018, lebih daripada 168 pekerja SME Bank mengambil bahagian dalam pelbagai program dan aktiviti kemasyarakatan. Mengantikan hari bekerja mereka untuk membantu dalam komuniti, mereka secara sukarela melibatkan diri dalam beberapa aktiviti, termasuk inisiatif-inisiatif berkesan bersama *Financial Industry Collective Outreach* (FINCO) iaitu program *FINCO Mentor* – Aspirasi Kehidupan dan program *FINCO Reads*. Maklumat lanjut tentangnya boleh didapati di bahagian Sosial laporan ini.

ECONOMIC

EKONOMI

Our mandated role is to help SMEs prosper. We do this by striking a balance between economic growth and sustainability because we believe that all business conducts and actions must be accompanied by sustainable, profitable growth that benefits the Bank.

Tugas yang diamanahkan kepada kami adalah untuk membantu PKS berkembang maju. Kami melakukannya dengan mencapai keseimbangan antara pertumbuhan ekonomi dan kemampanan kerana kami percaya bahawa semua kegiatan perniagaan mesti disertakan dengan pertumbuhan mampan dan menguntungkan yang memanfaatkan Bank.

CONTRIBUTING TO THE ECONOMY

SME Bank's sustainability efforts are rooted in our resolve to lead the way to a sound economy where companies are prospering and the people in the communities have sufficient knowledge to be able to make informed decisions.

We thus bear a great responsibility to conduct our operations sustainably and ethically and to work proactively on issues of business and finance. On a daily basis, we are in touch with thousands of people, namely the small and medium enterprises (SME) with varying degrees of needs and different financial circumstances.

We 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.

Our mandated role is to help SMEs prosper. We do this by striking a balance between economic growth and sustainability because we believe that all business conducts and actions must be accompanied by sustainable, profitable growth that benefits the Bank. At the same time, they also contribute to the economic development of society as a whole through the progress of SMEs.

Growth in SME businesses leads to various spill-over economic and socio economic impacts. This principle is behind the business strategies that we formulate and implement, in order to sustainably maximise the Bank's economic value as a corporation. We are pursuing financial innovation and creating value in wider society by establishing new product and service offerings, such as those that leverage on technology and by operating in a transparent manner through open disclosure of our performance to stakeholders.

Across all our business activities, SME Bank aims to create value and contribute to the development of a sustainable society. We continue to implement business strategies in striking a balance between economic growth and sustainability.

MENYUMBANG KEPADA EKONOMI

Usaha kemampanan SME Bank adalah bertunjangan kecekan kami untuk menerajui ke arah ekonomi yang kukuh di mana syarikat-syarikat berkembang maju dan orang ramai dalam masyarakat mempunyai pengetahuan mencukupi untuk membuat keputusan berdasarkan maklumat yang ada.

Maka itu, kami memikul tanggungjawab yang besar untuk menjalankan operasi kami secara mampan dan beretika dan untuk berusaha secara proaktif berhubung isu-isu perniagaan dan kewangan. Setiap hari, kami berhubung dengan ribuan orang, iaitu perusahaan kecil dan sederhana (PKS) dengan pelbagai tahap keperluan dan keadaan kewangan yang berbeza-beza.

Dengan membantu perniagaan maju dan berkembang, memberi khidmat nasihat dan sokongan tentang hal-hal kewangan, sementara pada masa yang sama menawarkan perkhidmatan yang melangkaui pembiayaan, kami menggalakkan ekonomi yang kukuh untuk masyarakat umum.

Tugas yang diamanahkan kepada kami adalah untuk membantu PKS berkembang maju. Kami melakukannya dengan mencapai keseimbangan antara pertumbuhan ekonomi dan kemampanan kerana kami percaya bahawa semua kegiatan perniagaan mesti disertakan dengan pertumbuhan mampan dan menguntungkan yang memanfaatkan Bank. Pada masa yang sama, ia juga menyumbang kepada pembangunan ekonomi masyarakat secara keseluruhan melalui kemajuan PKS.

Pertumbuhan dalam perniagaan PKS menghasilkan pelbagai kesan limpahan ekonomi dan sosioekonomi. Kami bersandarkan kepada prinsip ini dalam strategi perniagaan yang kami rangka dan laksanakan demi memaksimumkan nilai ekonomi Bank sebagai sebuah organisasi. Kami meneruskan inovasi kewangan dan mencipta nilai dalam masyarakat yang lebih luas melalui penawaran produk dan perkhidmatan baharu, contohnya yang memanfaatkan kelebihan teknologi, dan dengan beroperasi dalam cara yang telus melalui pendedahan prestasi kami kepada pihak berkepentingan.

Di seluruh kegiatan perniagaan kami, SME Bank menyasarkan untuk mencipta nilai dan menyumbang kepada pembangunan masyarakat yang mampan. Kami terus melaksanakan strategi perniagaan dalam mencapai keseimbangan antara pertumbuhan ekonomi dan kemampanan.

A Sustained Responsibility

As Malaysia's leading Development Financial Institution (DFI), setting the standard for our industry and leading the way in sustainable future business practices is both an opportunity and a responsibility.

In 2018, SME Bank took the first step into a digital future by embarking on a digital and technology transformation within the organisation. Accordingly, we continued to further develop, and more clearly integrate, sustainability issues into our operations. Our primary focus is on generating value for our stakeholders and society in general, at the same time as we continued to measure a range of economic, social and environmental sustainability indicators.

It is important for us to be responsive to and include those who are affected by our business, to better understand their opinions and their expectations on our work. Throughout the year we have had continuous dialogues with a range of key stakeholders, and through these dialogues we have gathered knowledge to identify our material topics. The results have played a significant role for our sustainability agenda and formed the foundation of our materiality analysis.

FOCUS AREAS IN ECONOMIC SUSTAINABILITY

SME Bank manages economic performance as part of its business strategy. Therefore, to achieve 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.

We adopt the philosophy of Environmental, Social and Governance (ESG) investments across our functional domains to champion sustainable and responsible investment, which has proven to bring positive impact. This principle creates sustainable value, derived from greater investor interest and better financial performance. This helps drive our commitment to spur the growth of SMEs further, while at the same time ensures the sustainable environment and social well-being of the community. From the perspective of economic sustainability, we focus on two areas: direct economic impacts and indirect economic impacts.

Tanggungjawab Berterusan

Sebagai Institusi Kewangan Pembangunan (DFI) terkemuka Malaysia, menetapkan piawaian untuk industri kami dan menerajui dalam amalan perniagaan akan datang yang mampan adalah satu peluang dan juga tanggungjawab. Sehubungan ini, kami bekerjasama dengan syarikat dan pembekal yang berkongsi nilai-nilai kami berhubung etika perniagaan yang baik.

Pada 2018, SME Bank mengorak langkah menuju masa depan digital dengan memulakan transformasi digital dan teknologi dalam organisasi. Sehubungan ini, kami terus membangunkan lagi, dan menyepadukan dengan lebih jelas, isu-isu kemampanan ke dalam operasi kami. Tumpuan utama kami adalah untuk menjana nilai bagi pihak berkepentingan dan masyarakat secara amnya, pada masa yang sama kami terus mengukur petunjuk ekonomi, sosial dan alam sekitar.

Ia penting bagi kami untuk bertindak balas kepada mereka yang terkesan oleh perniagaan kami supaya kami lebih memahami pandangan dan jangkaan mereka. Sepanjang tahun ini kami telah mengadakan sesi dialog dengan pihak berkepentingan utama, di mana melalui kami mengumpul maklumat dan pengetahuan untuk mengenal pasti topik-topik penting. Hasilnya telah memainkan peranan yang signifikan bagi agenda kemampanan kami sekaligus membentuk asas bagi analisis kepentingan kami.

BAHAGIAN TUMPUAN DALAM KEMAMPANAN EKONOMI

SME Bank menguruskan prestasi ekonomi sebagai sebahagian strategi perniagaannya. Oleh itu, untuk mencapai pembangunan mampan, kami memastikan kesan alam sekitar dan sosial dengan menggunakan nilai-nilai kewangan, di mana perlu, kepada beberapa petunjuk bagi orang, alam sekitar dan komuniti, dan kemajuan bagi setiap satunya adalah sepertimana dinyatakan dalam laporan ini.

Kami menerima pakai falsafah pelaburan Alam Sekitar, Sosial dan Tadbir Urus (ESG) di seluruh bahagian operasi kami untuk berada di hadapan dalam pelaburan mampan dan bertanggungjawab, yang mana telah terbukti memberikan impak positif. Prinsip seumpama ini mencipta nilai mampan, yang terhasil daripada kepentingan pelabur yang lebih besar dan prestasi kewangan yang lebih baik. Ini membantu dalam memacu komitmen kami untuk lebih mendorong lagi pertumbuhan PKS, manakala pada masa yang sama memastikan alam sekitar dan kesejahteraan sosial komuniti yang mampan. Daripada perspektif kemampanan ekonomi, kami menumpukan kepada dua bahagian: impak ekonomi langsung dan impak ekonomi tidak langsung.



Direct Economic Impacts

Many stakeholders rely on our economic performance, both inside and outside the Bank. Strong economic performance means:

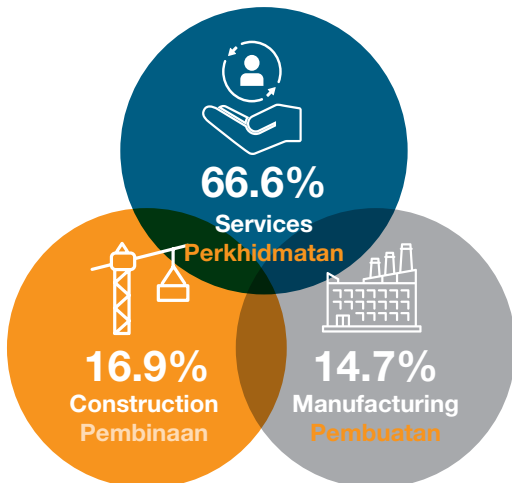
- Value is delivered to our shareholders.
- Value is delivered through our services to society.
- Employees are offered competitive salaries and benefits.
- Obligations to suppliers and creditors are met.
- Customers' needs are fulfilled.
- Local communities receive investment benefits.

We received significant funding allocation in 2018 of RM180 million from the Government to facilitate the implementation of various funds to be channelled to SME entrepreneurs.

This has directly benefitted 637 SMEs who, during the year, received financing approval totalling RM1.8 billion from the Bank. The majority of approvals were for small and medium sized entrepreneurs, of 38.0% and 46.9%, respectively.

This has brought the Bank's gross financing portfolio in 2018 to RM6.5 billion. The main beneficiaries are Small entrepreneurs who made up the majority of the portfolio (42.5%) and followed by Medium scale entrepreneurs at 39.1%. Meanwhile, the top three sectors which benefitted from this are Services at 66.6%, Construction at 16.9%, and Manufacturing at 14.7%.

From the time when SME Bank was established in 2005, a total of 17,000 SMEs has directly benefitted from the financing SME Bank provides, which amounts to approximately RM30 billion.



Top Three Sectors which Benefitted from Direct Economic Impacts

Tiga Sektor Teratas yang Menerima Manfaat daripada Impak Ekonomi Langsung



Impak Ekonomi Langsung

Ramai pihak berkepentingan di dalam dan di luar syarikat, bergantung kepada prestasi ekonomi kami. Prestasi ekonomi yang kukuh bermaksud:

- Nilai disampaikan kepada pemegang saham kami.
- Nilai disampaikan melalui khidmat kami kepada masyarakat.
- Warga kerja ditawarkan gaji dan manfaat yang berdaya saing.
- Kewajipan kepada pembekal dan pemiutang dipenuhi.
- Keperluan pelanggan dipenuhi.
- Masyarakat setempat menikmati manfaat pelaburan.

Kami menerima dana berjumlah RM180 juta daripada Kerajaan bagi membantu pelaksanaan pelbagai dana yang disalurkan kepada usahawan PKS.

Dana ini telah memanfaatkan 637 PKS yang mana, sepanjang tahun ini, mendapat kelulusan pembiayaan berjumlah RM1.8 bilion daripada Bank. Kebanyakan kelulusan adalah untuk usahawan bersaiz kecil dan sederhana, masing-masing sebanyak 38.0% dan 46.9%.

Ini telah menjadikan portfolio pembiayaan kasar Bank sebanyak RM6.5 bilion pada tahun 2018. Benefisiari utama adalah usahawan Kecil yang membentuk sebahagian besar daripada portfolio (42.5%) dan diikuti oleh usahawan berskala Sederhana pada 39.1%. Sementara itu, tiga sektor teratas yang menerima manfaat daripada dana ini adalah Perkhidmatan (66.6%), Pembinaan (16.9%) dan Pembuatan (14.7%).

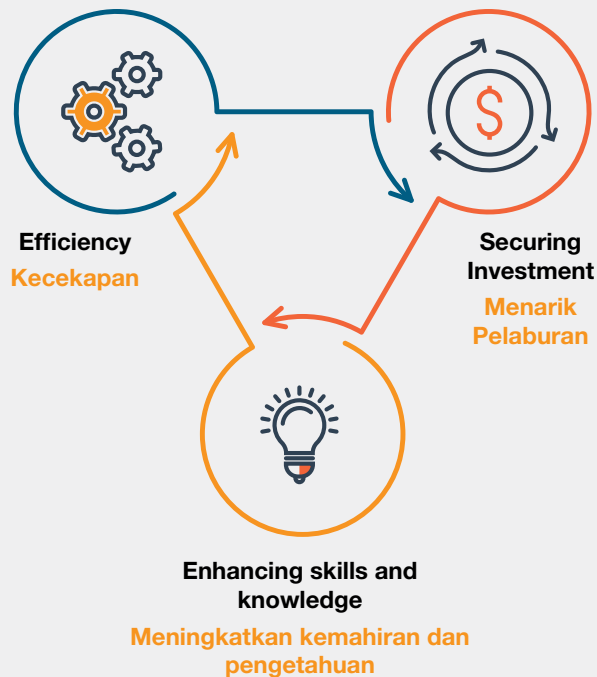
Sejak SME Bank ditubuhkan pada 2005, sejumlah 17,000 PKS telah mendapat manfaat langsung daripada pembiayaan yang disediakan oleh SME Bank, dengan jumlah mencapai kira-kira RM30 bilion.

Indirect Economic Impacts

With more than 1,000 employees, and a supply chain of over 1,812 vendors, our indirect economic impacts are extensive albeit difficult to quantify. Some examples include:

We work with organisations and Government/regulators to increase efficiency and productivity, and improve social and environmental conditions. For example, we collaborated with the Ministry of Education Malaysia in the SME Bank Y-Biz Challenge, a programme to nurture and groom secondary school students into becoming future entrepreneurs, and with the Ministry of Education Malaysia to organise the SME Bank 90-Days Biz Challenge, an entrepreneurship competition for students of Community Colleges and Polytechnics who are undergoing the Entrepreneurship Incubator Programme.

Kami bekerjasama dengan pelbagai organisasi dan Kerajaan/pengawal selia untuk meningkatkan produktiviti dan kecekapan, serta menambah baik keadaan sosial dan alam sekitar. Sebagai contohnya, kami bekerjasama dengan Kementerian Pendidikan Malaysia dalam program *SME Bank Y-Biz Challenge*, bertujuan memupuk dan melatih pelajar sekolah menengah untuk menjadi usahawan di masa akan datang; dan dengan Kementerian Pendidikan Malaysia dalam penganjuran *SME Bank 90-Days Biz Challenge*, pertandingan keusahawanan untuk pelajar Kolej Komuniti dan Politeknik yang sedang menjalani Program Inkubator Keusahawanan.



Our annual intervention programmes provide expert advice to SMEs in addressing the opportunities and challenges while catalysing growth of SMEs in the country.

Program-program tahunan kami menyediakan khidmat nasihat pakar kepada PKS bagi menangani peluang dan cabaran di samping memangkin pertumbuhan PKS di dalam negara.

Impak Ekonomi Tidak Langsung

Dengan lebih 1,000 kakitangan dan rantaian pembekal melebihi 1,812, impak ekonomi tidak langsung memang besar walaupun sukar untuk diberi nilai dalam bentuk kuantiti. Sebahagian daripada contoh termasuk:

Various services we provide help to give investors the confidence they need to fund projects. We help manage project risks faced by SMEs by providing independent advice on issues such as technical due diligence and project monitoring in addition to guidance on embracing opportunities and managing challenges.

Pelbagai perkhidmatan yang kami sediakan membantu memberi keyakinan kepada para pelabur untuk mendapatkan dana bagi projek mereka. Kami membantu menguruskan risiko yang dihadapi oleh PKS dengan menyediakan khidmat nasihat bagi isu-isu teknikal seperti ketekunan wajar dan pemantauan projek serta bimbingan dalam mengambil peluang dan menguruskan cabaran.

Many of our services, which go beyond financing, have indirect economic impacts, as highlighted in the Environmental and Social sections of this report.

Kebanyakan perkhidmatan kami, yang menjangkau pembiayaan, mempunyai impak ekonomi tidak langsung sepertimana yang dinyatakan di bahagian Alam Sekitar dan Sosial dalam laporan ini.



CONTRIBUTION TO SUSTAINABLE ENTREPRENEURSHIP

SME Bank recognises that sustainable entrepreneurship pursues a triple bottom line approach of economic, social and environmental goals. We thus emphasise on sustainable entrepreneurship which focuses on the preservation of nature, life support, and community in the pursuit of perceived opportunities to bring into existence future products, processes, and services for inclusive gains that include economic and non-economic gains to individuals, the economy, and society. This is also based on the foundation that sustainable entrepreneurship will provide economic solutions to social and environmental spectrums.

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 the SME's entrepreneurship journey by offering various types of financing. These include financing for purchase of assets and working capital, namely: Small Business Financing; Entrepreneur Acceleration Scheme (SAU); and *i-Pembiayaan Premis Perniagaan* (i-3P). All of these help create a sustainable business for SMEs as they step into the future.



Upscale of Mature Micro Enterprises into SMEs

The dynamics of SMEs and entrepreneurship is a key underpinning for productivity enhancement and inclusive growth. SME Bank ensures that it continues to help mature micro enterprises wishing to upscale their operations.

The Small Business Financing (SBF) package that we offer has an allocation of RM100 million to help 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.

SUMBANGAN KEPADA KEUSAHAWANAN MAMPAN

SME Bank mengiktiraf bahawa keusahawanan mampan menumpukan kepada pendekatan serampang tiga mata iaitu matlamat ekonomi, sosial dan alam sekitar. Maka itu kami memberi penekanan terhadap keusahawanan mampan yang menumpukan kepada pemuliharaan alam semulajadi, sokongan kehidupan, dan masyarakat dalam usaha mencari peluang bagi produk, proses dan perkhidmatan akan datang demi manfaat bersama, termasuk manfaat ekonomi dan bukan ekonomi kepada individu, ekonomi dan masyarakat. Ini adalah juga berdasarkan bahawa keusahawanan mampan akan memberi penyelesaian ekonomi kepada bidang sosial dan alam sekitar.

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. Ini termasuk pembiayaan untuk membeli aset dan modal kerja, iaitu: Pembiayaan Perniagaan Kecil; Skim Anjakan Usahawan dan i-Pembiayaan Premis Perniagaan (i-3P). Kesemuanya membantu mewujudkan perniagaan mampan bagi PKS menuju masa depan.

Meningkatkan Taraf Syarikat Mikro Matang menjadi PKS

Kemajuan PKS dan keusahawanan adalah kunci kepada peningkatan produktiviti dan pertumbuhan terangkum. SME Bank memastikan bahawa ia terus membantu syarikat-syarikat mikro matang yang berhasrat untuk menaik taraf operasi mereka.

Pakej Pembiayaan Perniagaan Kecil (SBF) yang kami tawarkan mempunyai peruntukan sebanyak RM100 juta untuk membantu usahawan-usahawan mikro menaik taraf kepada PKS. SBF menawarkan modal kerja antara RM100,000 dan RM750,000 untuk meningkatkan kebolehpasaran produk dan meningkatkan operasi.

Elevation of High Potential SMEs into SME Champions

Looking at the possible great future that Malaysia has towards SMEs, progressing plans towards the elevation of entrepreneurship is vital to boost economic growth and development of the nation. SME Bank is fully aware of this and therefore continues with its role as the implementing agency for the Entrepreneur Acceleration Scheme (Skim Anjakan Usahawan) initiative.

With a total allocation of RM20 million to execute the programme, the scheme aims at developing and elevating high potential SMEs to become SME Champions, to achieve our target of creating 30 national SME champions, 10 regional champions and 5 international champions.

Support for SME Business Efficiency

SME Bank recognises and establishes the key role it plays in contributing to improve the business landscape by creating unparalleled opportunities to boost SME's business efficiency. Additionally, the ability of small and medium-sized enterprises to establish themselves and scale their operations is integral to achieving economic growth.

The *i-Pembiayaan Premis Perniagaan* (i-3P) is a financing package to part finance the purchase or re-finance premises such as factory, shop office or shop lot, either completed or under construction. The package is bundled together with Working Capital to support business operations and/or additional fund.

A total of 36 entrepreneurs have benefitted from i-3P in 2018, with a total financing of more than RM64 million.

Promotion of SME Exports Growth

With the drastic change of the business landscape in recent years as markets become more globalised and digitalised, SMEs are no longer limited to just the market in which they are based in. Following the Government's call which encourages local SMEs to expand their markets beyond Malaysia, SME Bank offers the SME-Go, MySMExport and Best Exporter Programme financing package to entrepreneurs to support Going-Export programme under Malaysian External Trade Development Corporation (MATRADE).

SME-Go provides customised financing programme for SMEs to upgrade their local base operations to become export-ready. The potential of SMEs for export-led growth, increased productivity, economic diversification, and job creation, is an assurance that exports growth will only provide sustainable economic returns.

Peningkatan PKS Berpotensi menjadi Juara PKS

Melihat kepada kemungkinan masa depan PKS yang cerah, perancangan ke arah peningkatan keusahawanan adalah penting untuk merangsang pertumbuhan ekonomi dan pembangunan negara. SME Bank sedar akan hakikat ini dan oleh itu meneruskan peranannya sebagai agensi pelaksana bagi inisiatif Skim Anjakan Usahawan.

Dengan jumlah peruntukan sebanyak RM20 juta untuk melaksanakan program tersebut, skim ini bertujuan membangun dan meningkatkan PKS berpotensi untuk menjadi Juara PKS, bagi mencapai sasaran mewujudkan 30 Jaguh PKS di dalam negara, 10 jaguh serantau dan 5 jaguh di peringkat global.

Sokongan bagi Kecekapan Perniagaan PKS

SME Bank mengiktiraf dan menetapkan peranan utama yang dimainkan dalam menyumbang untuk menambah baik landskap perniagaan dengan mewujudkan peluang setara bagi meningkatkan kecekapan perniagaan PKS. Di samping itu, keupayaan perusahaan kecil dan sederhana untuk merealisasikan kewujudan mereka serta menaik taraf operasi adalah gabungan penting dalam mencapai pertumbuhan ekonomi.

i-Pembiayaan Premis Perniagaan (i-3P) merupakan pakej pembiayaan kewangan untuk membiayai sebahagian daripada pembelian atau pembiayaan semula premis seperti kilang, lot pejabat atau kedai, sama ada yang telah siap sepenuhnya atau masih dalam pembinaan. Pakej ini digabungkan dengan Modal Kerja bagi menyokong operasi perniagaan dan/atau dana tambahan.

Sejumlah 36 PKS mendapat manfaat daripada i-3P pada tahun 2018, dengan jumlah pembiayaan sebanyak lebih daripada RM64 juta.

Galakan Pertumbuhan Eksport PKS

Dengan perubahan mendadak landskap perniagaan dalam tahun-tahun kebelakangan apabila pasaran menjadi lebih global dan digital, PKS tidak lagi terhad kepada pasaran di mana mereka berada semata-mata. Berikutan seruan Kerajaan yang menggalakkan PKS tempatan untuk mengembangkan pasaran mereka ke luar negara, SME Bank menawarkan pakej pembiayaan SME-Go, MYSMExport dan Best Exporter kepada usahawan untuk menyokong program Going-Export di bawah Perbadanan Pembangunan Perdagangan Luar Malaysia (MATRADE).

SME-Go menawarkan program pembiayaan yang disesuaikan dengan keperluan PKS bagi menaik taraf operasi tempatan kepada operasi yang berupaya mengendalikan eksport. Potensi pertumbuhan PKS daripada hasil eksport, peningkatan produktiviti, kepelbagaian ekonomi dan pengwujudan peluang pekerjaan, adalah kepastian bahawa pertumbuhan eksport akan memberi pulangan ekonomi mampan.



COMMITMENT TO SUSTAINABLE SME EXPANSION

SME Bank continued with its developmental and intervention programmes in 2018, in fulfilling our mandate to develop SMEs as the nation's engine of growth. We have had ample evidence that SME Bank can inspire and concretely help small and medium enterprises to expand and grow sustainably, via specific interventions and by transmitting knowledge and sharing advice about the industry and markets.

SCORE

The SME Competitiveness Rating for Enhancement (SCORE) is a diagnostic tool by SME Corporation Malaysia (SME Corp) which is used to rate and enhance the competitiveness of SMEs based on their performance and capabilities.

The three SCORE key performance index (KPIs) are used 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; or
- migration from being a needs-based to a merit-based client.

In 2018, a total of 331 companies successfully migrated upward under the Bank's Intervention Programme. 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.

Entrepreneur Premises Complex

SME Bank's Entrepreneur Premises Complex (EPC) aims at providing Bumiputera entrepreneurs with affordable and competitive factory space for rental. Currently, we provide 26 Entrepreneur Premises Complex (EPC) with 454 factory lots strategically located nationwide. In 2018, there has been an encouraging demand with 80.8% occupancy rate.

Contributing further to ensuring their sustainable expansion, the EPC officers are on hand to ensure optimum supervision of each tenant's progress and development throughout the tenancy period.

KOMITMEN TERHADAP PERKEMBANGAN PKS MAMPAN

SME Bank meneruskan program pembangunan pada tahun 2018, dalam menunaikan mandat kami untuk membangunkan PKS sebagai jentera pertumbuhan negara. Sehingga kini, banyak bukti menyokong bahawa SME Bank berjaya memberi inspirasi serta membantu perusahaan kecil dan sederhana untuk maju dan berkembang dengan mampan, melalui intervensi spesifik serta berkongsi pengetahuan dan nasihat berkaitan industri dan pasaran.

SCORE

SME Competitiveness Rating for Enhancement (SCORE) adalah kaedah yang digunakan untuk menilai dan meningkatkan daya saing PKS berdasarkan prestasi dan keupayaan mereka.

Tiga indeks prestasi utama (KPI) *SCORE* digunakan sebagai panduan untuk PKS dinaik taraf. KPI tersebut adalah:

- penambahbaikan dalam penarafan risiko atau *SCORE*;
- pengembangan pasaran daripada pasaran tempatan kepada eksport; atau
- penghijrahan daripada menjadi pelanggan berasaskan keperluan kepada pelanggan berasaskan merit.

Pada tahun 2018, sebanyak 331 syarikat berjaya dinaik taraf ke peringkat lebih tinggi di bawah Program Jangkauan Intervensi SME Bank. Ini termasuk pewujudan syarikat dan usahawan baharu yang mencatatkan peningkatan keuntungan, serta peningkatan bilangan kakitangan dan pengembangan ke pasaran eksport.

Kompleks Premis Usahawan

Kompleks Premis Usahawan (EPC) SME Bank bertujuan menyediakan ruang kilang mampu-sewa dan kompetitif untuk usahawan-usahawan Bumiputera. Buat Masa ini, kami menyediakan 26 buah Kompleks Premis Usahawan dengan 454 lot kilang yang terletak di lokasi strategik di seluruh negara. Pada 2018, permintaan amat menggalakkan dengan kadar pendudukan sebanyak 80.8%.

Sebagai menyumbang lagi untuk memastikan pengembangan mampan mereka, pegawai-pegawai EPC sentiasa memantau kemajuan dan pembangunan setiap penyewa sepanjang tempoh sewaan.



i-SMART

In 2018, SME Bank continued to fulfil its mandate as the implementing agency for i-SMART programme with a RM60 million fund allocation under the Entrepreneur Acceleration Scheme by the Ministry of International Trade and Industry (MITI), to escalate the business of selected entrepreneurs into the global market.

Under this programme, the Bank provides assistance to existing eligible Bumiputera customers and other Bumiputera business entities in funding activities that are not normally financed under the ordinary banking activities. The assistance provided include, but not limited to, talent acquisition, capacity building and training, product packaging, advertising and promotion, and software acquisition.

COMMITMENT TO SUSTAINABLE PRODUCTIVITY AND SERVICE DELIVERY

In our commitment towards sustainable productivity and service delivery, SME Bank includes the perspective that we always take the long-term view in everything we do. We have set a strong ambition to capture opportunities presented by the emerging digital economy. We embrace the digital economy or IR 4.0 not just for the sake of upgrading our hardware and technology but also to digitalise how our products and services are delivered to customers.

We recognise the importance of a new platform to remain competitive in a dynamic digital market. Not least will be the requirement for the highest levels of satisfaction across a complex service delivery environment encompassing SME consumers as well as other stakeholders of the Bank. This wave of change certainly impacts on how we deliver our services while at the same time enhance humanity.

i-SMART

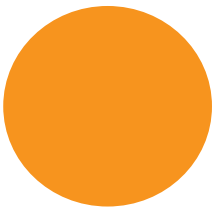
Pada 2018, SME Bank meneruskan mandatnya sebagai agensi pelaksana program i-SMART dengan peruntukan dana sebanyak RM60 juta di bawah Skim Anjakan Usahawan oleh Kementerian Perdagangan Antarabangsa dan Industri (MITI), bagi mempercepatkan proses menaik taraf perniagaan usahawan-usahawan terpilih ke pasaran global.

Di bawah program ini, kami menawarkan bantuan dana kepada pelanggan Bumiputera dan entiti perniagaan Bumiputera sedia ada yang layak, bagi aktiviti pendanaan yang kebiasaannya tidak dibiayai di bawah program perbankan biasa. Bantuan yang disediakan termasuk, tetapi tidak terhad kepada, pengambilan bakat, pembangunan keupayaan dan latihan, pembungkusan produk, pengiklanan dan pemasaran, dan pembelian perisian.

KOMITMEN TERHADAP PRODUKTIVITI DAN PENYAMPAIAN PERKHIDMATAN MAMPAN

Dalam komitmen kami terhadap produktiviti dan penyampaian perkhidmatan mampan, SME Bank menyertakan pandangan bahawa kami sentiasa mengambil pandangan jauh dalam segala apa yang kami lakukan. Kami telah menetapkan cita-cita teguh untuk merebut peluang daripada ekonomi digital yang semakin berkembang. Kebergantungan terhadap ekonomi digital atau IR 4.0 bukan sekadar menaik taraf perkakasan dan teknologi, malah produk dan perkhidmatan turut mengalami proses digitalisasi untuk ditawarkan kepada pelanggan.

Kami sedar akan kepentingan platform baharu untuk kekal berdaya saing dalam pasaran digital yang dinamik. Keuasan tahap tertinggi dalam persekitaran perkhidmatan kompleks yang ditawarkan kepada para pelanggan PKS serta pihak berkepentingan kami turut diberi keutamaan. Arus perubahan ini pastinya memberi impak terhadap penyampaian perkhidmatan kami dan pada masa yang sama meningkatkan kemanusiaan.



Pushing the Boundaries Project

SME Bank has always valued and taken pride in a strong culture of innovation, with constant developments to increase productivity. In order to move forward, we are fully aware that sustainable productivity is key and this can be achieved by shifting our organisation and our team to new heights of confidence, market creation, and growth.

Pushing the Boundaries Project crosses the boundaries of existing strategies and methods to chart new paths in doing business as we strive to become an innovative, competitive Bank.

This project is also in addressing the operating environment of digital economy, which represent both opportunities and challenges. We thus continued to pursue the implementation of our strategy to automate and digitalise some areas of business.

Through the application of selected digital and electronic tools and frameworks, we successfully developed new products that at the same time, improve our service delivery, namely MySMEBank which allows customers to apply for financing online, and MySMELady, a financing facility especially for women entrepreneurs.

Our further efforts to meet the demands will involve investments in the digitalisation and improvement of our networks. In addition to productivity, our strategic focus in this area also includes the further development of service delivery. We see interesting opportunities for such, which we will continue to realise in correspondence with our sustainable business model.

MySMEBank

MySMEBank is an online application system under 'Pushing the Boundaries Project' that the Bank introduced to improve service delivery. It provides a full digital end-to-end customer experience to customers which gives them the convenience of financing application through online platform.

With MySMEBank online application system, customers enjoy faster approvals for their financing application. 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 application right to disbursement are now entirely online.

Projek *Pushing the Boundaries*

SME Bank menghargai dan berbangga dengan budaya inovasi yang tinggi, dengan perkembangan yang berterusan bagi meningkatkan produktiviti. Untuk maju ke depan, kami sedar bahawa produktiviti mampan adalah kunci utama dan ini boleh dicapai dengan menganjakkan organisasi dan pasukan kami ke peringkat keyakinan, pengwujudan pasaran dan pertumbuhan yang lebih tinggi.

Projek *Pushing the Boundaries* melangkaui sempadan strategi dan kaedah sedia ada bagi mengorak haluan baharu dalam cara kami menjalankan perniagaan untuk menjadi Bank yang inovatif dan berdaya saing.

Projek ini juga adalah sebagai menangani persekitaran operasi dalam ekonomi digital yang terkandung di dalamnya peluang dan cabaran. Oleh itu kami meneruskan usaha pelaksanaan strategi untuk mengautomasi dan mendigitalkan beberapa bahagian perniagaan kami.

Melalui penggunaan kaedah dan rangka kerja digital dan elektronik, kami berjaya membangunkan produk baharu dan pada masa yang sama, menambah baik penyampaian perkhidmatan kami, iaitu *MySMEBank*, yang membolehkan pelanggan membuat permohonan pembiayaan secara dalam talian, dan *MySMELady*, satu kemudahan pembiayaan khusus untuk usahawanita.

Usaha kami seterusnya dalam memenuhi permintaan akan melibatkan pelaburan dalam pendigitalan dan penambahbaikan rangkaian kami. Di samping produktiviti, tumpuan strategik kami dalam bahagian ini adalah juga termasuk pembangunan selanjutnya dalam penyampaian perkhidmatan. Dalam hal ini, kami melihat peluang menarik, yang akan terus kami zahirkan sebagai menepati model perniagaan mampan kami.

MySMEBank

MySMEBank adalah sistem permohonan dalam talian di bawah Projek *Pushing the Boundaries* yang diperkenalkan untuk menambah baik penyampaian perkhidmatan. Dengan slogan 'Mohon Bila-Bila Masa Di Mana Sahaja', *MySMEBank* menawarkan pengalaman digital menyeluruh kepada usahawan yang memberikan mereka kemudahan permohonan pembiayaan melalui platform dalam talian.

Melalui *MySMEBank*, pelanggan mendapat kelulusan lebih cepat bagi permohonan pembiayaan mereka. Ini kerana Bank kini boleh mengurangkan masa kepada hanya 14 hari hasil daripada jumlah 41% langkah yang dikurangkan oleh kerana proses permohonan sehingga pengeluaran dana keseluruhannya berlaku secara dalam talian.

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 communication with the Bank with regard to financing matters is well documented.

MySMELady

MySMELady is a unique product that provides financing to women entrepreneurs as we focus on elevating micro and small entrepreneurs for business expansion and growth. Women entrepreneurs who qualify can apply for financing of up to RM1 million with minimum collaterals. The option to utilise up to 30% of the working capital financing to be disbursed via debit card, coupled with a dedicated Business Club called MySMELady Biz Club are the unique features of MySMELady.

MySMELady is expected to further spur economic growth which contributes to sustainable development that extends benefits to all people, and reduces any form of inequalities including gender. Ultimately, this unique product promotes equal access to economic assets and opportunities, and helps transform business practices in support of gender equality and women's empowerment.

Book Your Banker (BYB)

MySMEBank digabungkan dengan perkhidmatan *Book Your Banker* (BYB), satu perkhidmatan pendaftaran dalam talian untuk pelanggan memohon pembiayaan kewangan. BYB, yang didapati pada aplikasi mudah alih SME Bank, menggunakan teknologi kewangan untuk menambah baik penyampaian perkhidmatan.

Dengan aplikasi BYB, usahawan PKS boleh membuat janji temu dengan pegawai Bank di cawangan pilihan mereka, pada masa yang sesuai. Perkhidmatan inovatif ini membolehkan SME Bank memendekkan tempoh permohonan pembiayaan kewangan, di samping memastikan semua komunikasi berkaitan urusan kewangan didokumenkan dengan sempurna.

MySMELady

MySMELady adalah produk unik yang menyediakan pembiayaan kepada usahawanita dalam usaha kami menumpukan terhadap menaikkan usahawan mikro dan kecil bagi tujuan pengembangan dan pertumbuhan perniagaan. Usahawanita yang layak boleh memohon pembiayaan sehingga RM1 juta dengan cagaran yang minimum. Ciri-ciri unik MySMELady termasuklah pilihan untuk menggunakan sehingga 30% daripada pembiayaan modal kerja yang akan diberi melalui kad debit, serta Kelab Perniagaan khusus yang dipanggil *MySMELady Biz Club*.

MySMELady dijangka akan meransangkan lagi pertumbuhan ekonomi dan menyumbang kepada perkembangan mampan yang memanfaatkan semua orang, dan mengurangkan sebarang bentuk ketidaksamaan termasuk ketidaksamaan jantina. Akhirnya, produk unik ini menggalakkan akses sama rata kepada aset dan peluang ekonomi, dan membantu mengubah amalan perniagaan sebagai menyokong kesamaan jantina dan pemerkeasaan wanita.

MY SME
Lady

Empowering Women in Business





SUSTAINABILITY BEYOND FINANCING

While SME Bank's responsibilities in relation to sustainable economy remains unparalleled, there are various other areas that extend beyond financing that we give equal importance. An important point is that several of the actions that support sustainability goals are also those that we have undertaken and are likely to undertake for other reasons, such as introducing automation to improve efficiency and reduce costs. In many cases we are well positioned and willing to assist the relevant stakeholders as part of our existing relationship commitments.

Fulfilling its mandate to develop SMEs into the nation's engine of growth, and in its role as a Development Financial Institution, SME Bank ensures the sustainability of SME development and ecosystem via '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 'hand-holding' approach is essential to ensure that SMEs can sustain business growth until they finally manage to penetrate the global market.

The Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR) is a wholly-owned subsidiary of SME Bank, established in 2013 to enhance 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' and nurturing excellence that is championed by the Bank.

With business coaching and engagement as the essence, our aim is to achieve the double bottom line - a social commitment to benefiting SMEs coupled with a financial commitment to operating profitably. In the long run, these two objectives do not contradict each other but instead, our commitment in doing right for all stakeholders, in this case, the SME businesses, is a long-term sustainable business and economic solution that benefits the Bank, the SMEs, the nation and the people of Malaysia.

KEMAMPANAN MENJANGKAUI PEMBIAYAAN

Walaupun tanggungjawab SME Bank berhubung ekonomi mampan kekal tiada bandingannya, terdapat berbagai-bagai bidang lain yang menjangkaui pembiayaan yang kami sama utamakan. Apa yang penting adalah bahawa beberapa tindakan yang menyokong matlamat kemampunan adalah juga apa yang telah kami jalankan dan mungkin akan jalankan untuk tujuan-tujuan lain, seperti memperkenalkan automasi untuk menambah baik kecekapan dan mengurangkan kos. Sememangnya kami berada dalam kedudukan yang betul dan bersedia untuk membantu pihak berkepentingan tertentu sebagai sebahagian komitmen hubungan sedia ada kami.

Memenuhi mandat untuk membangunkan PKS sebagai jentera pertumbuhan negara, dan dalam peranannya sebagai Institusi Kewangan Pembangunan, SME Bank memastikan kemampunan perkembangan dan ekosistem PKS melalui aktiviti 'pemupukan' dan 'jangkauan'. Kami kekal komited dalam memandu dan membangunkan PKS sepanjang kitaran hayat PKS, daripada peringkat pertumbuhan sehinggalah peringkat kematangan. Pendekatan 'bimbingan peribadi' adalah penting untuk memastikan PKS boleh mengekalkan pertumbuhan perniagaan sehingga berupaya menembusi pasaran global.

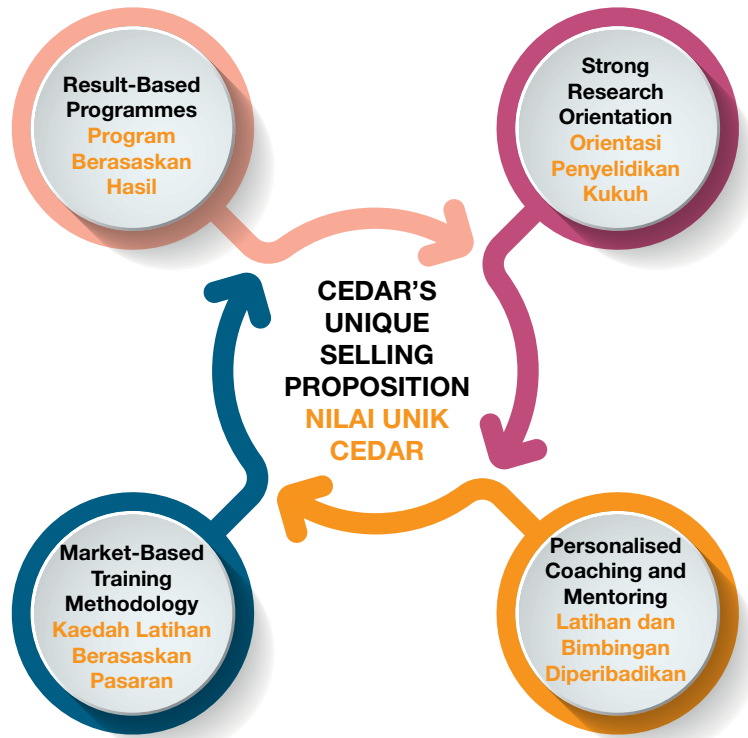
Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR) adalah anak syarikat milik penuh SME Bank, ditubuhkan pada 2013 bagi melengkapkan peranan pembangunan SME Bank. Sebagai entiti kejurulatihan berasaskan hasil yang memberi tumpuan terhadap pembangunan usahawan, misi CEDAR adalah untuk terus membangunkan keupayaan usahawan bagi memastikan pertumbuhan mampan mereka dan menyumbang kepada ekonomi negara.

SME Bank adalah satu-satunya institusi kewangan pembangunan Malaysia yang memiliki anak syarikat seperti CEDAR. Program-program yang dijalankan adalah unik, dengan identiti yang menepati slogan 'menjangkaui pembiayaan' yang diterajui oleh SME Bank.

Dengan latihan perniagaan serta penglibatan sebagai intipati, CEDAR berazam untuk mencapai dua objektif – komitmen sosial yang memberi manfaat kepada PKS, serta komitmen kewangan bagi memastikan keuntungan operasi. Untuk jangka masa panjang, dua objektif ini tidak bercanggah antara satu sama lain. Sebaliknya komitmen kami dalam melakukan apa yang betul untuk pihak berkepentingan, iaitu perniagaan PKS, adalah penyelesaian jangka panjang bagi perniagaan dan ekonomi mampan yang memberi manfaat kepada Bank, PKS, negara dan rakyat Malaysia.

CEDAR offers SMEs a holistic learning strategy, from conception, inception and growth, in every business coaching module it conducts. In achieving its broad agenda, CEDAR executes its role through unique outcome-driven intervention programmes.

CEDAR menawarkan strategi pembelajaran holistik kepada PKS, daripada konsep, pewujudan dan pertumbuhan, dalam setiap modul latihan perniagaan yang dijalankan. Bagi mencapai agenda umum, CEDAR melaksanakan peranannya melalui program-program pembangunan berasaskan hasil.



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, inception and growth, in every business coaching module it conducts. In achieving its broad agenda, CEDAR executes its role through unique outcome-driven intervention programmes.

In 2018, CEDAR continued to extend its reach by building regional and international networks. Partnerships with established institutions including GLCs, private sector corporations, higher learning institutions and non-governmental organisations helped strengthen the centre's presence and capacity in the entrepreneur development space. These strategic partnerships have given CEDAR a more holistic offering that has done much to strengthen its market presence and developmental role in building the capabilities of SMEs in Malaysia.

CEDAR's past and current strategic partners:

Pertumbuhan pasaran CEDAR boleh dinilai melalui pendekatan yang memenuhi keperluan usahawan di setiap peringkat kitaran PKS. CEDAR menawarkan strategi pembelajaran holistik kepada PKS, daripada konsep, pewujudan dan pertumbuhan, dalam setiap modul latihan perniagaan yang dijalankan. Bagi mencapai agenda umum, CEDAR melaksanakan peranannya melalui program-program pembangunan berasaskan hasil.

Pada tahun 2018, CEDAR terus meluaskan capaiannya dengan membina rangkaian serantau dan antarabangsa. Kerjasama dengan institusi-institusi berprestij termasuk GLC, sektor swasta, institusi pengajian tinggi dan organisasi bukan kerajaan membantu mengukuhkan kewujudan pusat ini serta keupayaan dalam pembangunan usahawan. Kerjasama strategik ini membolehkan CEDAR memberi tawaran menyeluruh bagi mengukuhkan kedudukannya di dalam pasaran serta peranan pembangunan dalam membina keupayaan PKS di Malaysia.

Rakan-rakan strategik CEDAR yang dahulu dan sekarang adalah:





Against the backdrop of high aspiration and new challenges, CEDAR has embraced the need for a proactive responsible agenda by putting in place relevant coaching programmes. Its efforts to implement meaningful improvements in its course structures with a growing consensus amongst the CEDAR team members that development of SMEs is not for today alone, but needs to be sustainable.

It also examines emerging practice to support the basic premise that business processes must be aligned with mission and ultimately, deliver on the promise of a wider scope.

The CEDAR coaching sessions in 2018 have benefitted more than 7,300 participants. The programmes carried out are:

- Leaders Entrepreneurship Acceleration Programme
- Women Entrepreneur Financing Programme (WEP-LEAP)
- SME Financing Programme (SME-LEAP)
- Vendor Development Programme (VDP)
- Business Model Action Plan (BMAP)
- Business Transformation Programme (BTP)
- *Bisnes Anda Hidup Anda* (BAHA)
- 3 Steps to Profits
- Financial Management
- Certified Islamic Development Banker (CIDB)
- Professional Islamic Development Banker (PIDB)

SIGNIFICANT PROJECTS IMPLEMENTED AND ACCOMPLISHED IN 2018

Best Exporters Programme: Export Acceleration Mission

CEDAR organised export acceleration missions overseas to explore and identify trade opportunities for selected products and services. Apart from generating potential sales, these missions also offer opportunities for establishing business networks. The missions focused on business meetings between the Malaysian delegation and local businessmen, briefings on the business opportunities and visits to related business organisation and companies.

The main objectives of Best Exporters Programme are to enhance the capacity and capability of selected Bumiputera companies and to develop selected or potential companies into becoming either national, regional or global Champions. The overseas missions was the strategies to serve these objectives.

Berlatarbelakangkan aspirasi tinggi dan cabaran-cabaran baharu, CEDAR menyedari perlunya agenda tanggungjawab proaktif dalam menyusun program latihan yang relevan. Usaha CEDAR dalam melaksanakan penambahbaikan struktur kursus yang lebih bermakna, dengan peningkatan persetujuan di kalangan ahli CEDAR bahawa pembangunan PKS bukan sekadar untuk hari ini, tetapi berterusan.

la turut menilai amalan-amalan yang menyokong premis asas, di mana proses-proses perniagaan perlu selari dengan misi, serta menepati janji.

Sesi latihan CEDAR pada 2018 telah memberi manfaat kepada 7,300 peserta. Program yang dijalankan adalah:

- Program Anjakan Keusahawanan Pemimpin
- Program Pembiayaan Kewangan Usahawanita
- Program Pembiayaan Kewangan PKS
- Program Pembangunan Vendor
- Pelan Tindakan Model Perniagaan
- Program Transformasi Perniagaan
- Bisnes Anda Hidup Anda
- 3 Langkah mencapai Keuntungan
- Pengurusan Kewangan
- Pembangunan Pegawai Bank Islamik Bertauliah
- Pembangunan Pegawai Bank Islamik Profesional

PROJEK SIGNIFIKAN YANG DILAKSANA DAN DICAPAI PADA 2018

Program Best Exporters: Misi Perkembangan Eksport

CEDAR menganjurkan misi perkembangan eksport di luar negara untuk meneroka dan mengenal pasti peluang perdagangan bagi produk dan perkhidmatan terpilih. Selain daripada menjana potensi jualan, misi-misi ini juga membuka peluang untuk menjalinkan rangkaian perniagaan. Misi-misi ini menumpukan kepada mesyuarat perniagaan antara delegasi Malaysia dan ahli perniagaan tempatan, taklimat tentang peluang perniagaan dan lawatan ke organisasi dan syarikat perniagaan yang berkenaan.

Matlamat utama program *Best Exporters* adalah untuk meningkatkan kemampuan dan keupayaan syarikat-syarikat Bumiputera terpilih yang merupakan pelanggan SME Bank, dan untuk membangunkan syarikat-syarikat terpilih dan berpotensi untuk menjadi sama ada Juara negara, serantau atau global. Misi luar negara ini adalah salah satu daripada strategi untuk mencapai matlamat ini.

Apart from this, Best Exporters Programme offered tutorial and coaching sessions to entrepreneurs. In 2018, the first batch of 42 SME Bank's clients completed their sessions, while the second batch of 19 SME Bank's clients would complete in February 2019.

UEM Group Vendor Development Programme

The UEM Group Vendor Development Programme is designed to enhance capacity and capability building of 24 UEM selected Bumiputera vendor companies. The programme consisted of three modular training sessions and two business coaching sessions on Strategic Corporate Planning, Strategic Sales & Marketing & Financial Management for three batches which will run until year 2020.

Through this programme, CEDAR has succeeded in helping to improve business acumen, to be more resilient, better structured business approach, business growth, clarity in strategic directions and KPIs, better understanding through numbers in financial management and better people management.

CCM Halal Pharmapreneur Accelerator Programme

The CCM Halal Pharmapreneur Accelerator Programme is to establish the first Muslim friendly standard operating procedures (SOP) of Chemical Company of Malaysia Berhad known as "CCM Halal Certified Vitamins & Medicines (by JAKIM Inside)" and to increase product sales growth.

The programme also aims to equip CCM pharmaceutical entrepreneurs, also known as pharmapreneurs, with hands-on entrepreneurial knowledge and business acumen related to the industry.

CEDAR conducted this session for a total of 19 participants for batch 1 & 2 (2017 & 2018) selected community pharmacies under CCM community pharmacies network. The programme consists of eight modular coaching sessions such as Marketing & Branding Plan, Sales Force Management, Strategic Management, Financial Management, Pharmacy Retail Business Operation and Inventory Control, Halal Centric Customer Service, Strategic Plan & KPI Review and Managing People over a period of six months.

The programme was completed in December 2017 and December 2018 (batch 1 & 2), and has been successful as attested by the growth in sales and profit, employment number and technology adoption as well as improvements in inventory control, customer service quality and better compliance with the Community Pharmacy Benchmarking Guideline 2016.

Di samping itu, program *Best Exporters* menawarkan sesi tutorial dan latihan kepada usahawan. Pada 2018, kumpulan pertama seramai 42 usahawan menyelesaikan sesi mereka, sementara kumpulan kedua seramai 19 usahawan akan tamat pada Februari 2019.

Program Pembangunan Pembekal Kumpulan UEM

Program Pembangunan Pembekal Kumpulan UEM diwujudkan bagi meningkatkan keupayaan dan kebolehan 30 syarikat pembekal Bumiputera UEM terpilih. Program ini mengandungi tiga sesi latihan bermodul dan dua sesi kejurulatihan perniagaan, berkisar Perancangan Strategik Korporat, Jualan dan Pemasaran Strategik dan Pengurusan Kewangan untuk tiga kumpulan, yang akan dijalankan sehingga tahun 2020.

Melalui program ini, CEDAR berjaya membantu menambah baik entiti perniagaan menjadi lebih kental, pendekatan perniagaan lebih tersusun, perkembangan perniagaan, hala tuju dan KPI strategik yang jelas, pemahaman pengurusan kewangan, dan pengurusan insan yang lebih baik.

Program CCM Halal Pharmapreneur Accelerator

Program CCM Halal *Pharmapreneur Accelerator* dibentuk bagi tujuan membangunkan prosedur operasi standard yang mesra Islam yang pertama bagi Chemical Company of Malaysia Berhad, dikenali sebagai "Ubat-ubatan & Vitamin CCM Disijilkan Halal" (oleh JAKIM Inside).

Program ini juga bertujuan memberi pengetahuan keusahawanan dan kepintaran perniagaan kepada usahawan farmasi CCM, juga dikenali sebagai *pharmapreneurs*.

CEDAR melaksanakan program ini untuk 19 peserta bagi kumpulan 1 & 2 (2017 & 2018) farmasi terpilih dalam rangkaian farmasi komuniti CCM. Ia terdiri daripada lapan sesi latihan bermodul seperti Rancangan Pemasaran & Penjenamaan, Pengurusan Tenaga Jualan, Pengurusan Strategik, Pengurusan Kewangan, Operasi Perniagaan Runcit Farmasi dan Kawalan Inventori, Khidmat Pelanggan Bertumpukan Halal, Pelan Strategik & Semakan KPI dan Pengurusan Pekerja selama tempoh enam bulan.

Program ini tamat pada Disember 2017 dan Disember 2018 (kumpulan 1 & 2), dan terbukti berjaya berdasarkan pertumbuhan dalam jualan dan keuntungan, bilangan pengambilan pekerja dan penggunaan teknologi serta penambahbaikan dalam kawalan inventori dan pematuhan kepada Garis Panduan Penanda Aras Farmasi Komuniti 2016.



PUBLICATIONS

CEDAR plays its role to promote sustainability beyond financing by sharing information, news and updates through publications, both online and in print. The materials gathered in these publications provide a comprehensive view of the industry and bring together the statements, issues, summaries of roundtables and other discussions. These publications also serve as a resource and a vehicle for both the Bank and its stakeholders to keep up-to-date with all the relevant information.

PENERBITAN

CEDAR memainkan peranannya dalam menggalakkan kemampanan menjangkau pembiayaan dengan berkongsi maklumat, berita dan perkembangan terkini melalui penerbitan secara dalam talian mahupun bercetak. Bahan-bahan yang dikumpulkan dalam penerbitan ini memberi pandangan lengkap berhubung industri dan menyertakan kenyataan, isu, ringkasan perbincangan meja bulat dan perbincangan lain. Penerbitan ini juga menjadi sumber kepada Bank dan pihak berkepentingannya untuk terus mendapat maklumat terkini.

ASEAN Community of Entrepreneurs

Abbreviated as ACE, the online publication is issued twice a year. Prior to this, from 2014 to 2016, it was a quarterly publication and is circulated to customers and SME associations free of charge via emails. It is also available on CEDAR website www.cedar.my.

ASEAN Community of Entrepreneurs

Diringkaskan sebagai ACE, penerbitan dalam talian ini dikeluarkan dua kali setahun. Sebelum ini, dari tahun 2014 hingga 2016, ia diterbitkan setiap suku tahun dan diedarkan kepada pelanggan dan persatuan PKS secara percuma melalui e-mel. Ia juga boleh didapati di laman sesawang CEDAR www.cedar.my.



BizPulse Newsletter

BizPulse is an online newsletter and has to date a total of 34 issues. It is circulated free to customers and SME associations via emails, as well as posted on the Bank's website.

BizPulse Newsletter

BizPulse adalah surat berita dalam talian dan hingga kini mempunyai sejumlah 34 edisi. Ia diedarkan percuma kepada pelanggan dan persatuan-persatuan PKS melalui e-mel dan diposkan di laman sesawang SME Bank



PERFORMANCE MEASUREMENT FRAMEWORK FOR DFI: CONTRIBUTING TO THE ENHANCED ROLE OF DFI

In 2018, Bank Negara Malaysia collaborated with the World Bank and Development Financial Institutions (DFI) to develop an enhanced performance measurement framework for DFIs. It aims to capture the broader contributions of DFIs by moving beyond the narrow focus of financing growth indicators, and integrating developmental key performance indicators to measure the socio-economic impact of DFIs' operations. The framework also aims to encourage a stronger alignment between the performance of DFIs and their development impact. The Performance Measurement Framework (PMF) offers a more structured and defined reporting mechanism on developmental programmes and activities that SME Bank has undertaken since its inception.

RANGKA KERJA PENGUKURAN PRESTASI BAGI DFI: MENYUMBANG KEPADA PERANAN DFI YANG DIPERTINGKATKAN

Pada 2018, Bank Negara Malaysia bekerjasama dengan Bank Dunia dan Institusi Kewangan Pembangunan (DFI) untuk membangunkan rangka kerja pengukuran prestasi yang dipertingkatkan bagi DFI. Ia bertujuan mendapatkan sumbangan lebih besar daripada DFI dengan cara beralih daripada petunjuk pertumbuhan pembiayaan semata-mata, dan menyatukan petunjuk prestasi utama pembangunan untuk mengukur impak sosioekonomi daripada operasi DFI. Rangka kerja ini juga bertujuan menggalakkan penajaran semula antara prestasi DFI dan impak pembangunannya. Rangka Kerja Pengurusan Prestasi (RKPP) ini menyediakan mekanisme lebih tersusun dan jelas tentang program dan aktiviti pembangunan yang SME Bank telah jalankan sejak penubuhannya.

Rangka kerja ini menekankan keperluan bagi kami, sebagai DFI untuk lebih mampan dari 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. Dengan peranan signifikan SME Bank dalam membangun dan

The framework emphasises the need for us, as a DFI to be financially sustainable, while minimising credit market distortions. We are committed to institutionalise the new enhanced performance measurement framework and ensure its effective implementation will continue to be a key priority for us. 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.

Our Achievements So Far

As a full-fledged Development Financial Institution (DFI), we have been offering innovative financing solutions for SMEs while acting as a supportive partner in offering beyond-financing services and solutions to accelerate their growth, productivity and efficiency.

Our **Specific Intervention Programme** has been introduced since in 2013, and has helped almost 1,500 entrepreneurs, one which is of the ‘hand-holding’ approach, to enhance business acumen and generate an upward migration of SME businesses to the next stage of their development and performance through specific initiatives and action plans.

Through this programme, we offer a series of developmental intervention methodologies which include coaching, training and mentoring as well as facilitation, advisory and consultation. We employ suitable methods to assist SMEs to upgrade their capabilities into becoming both performers and contributors towards the national economic growth.

In January 2017, SME Bank further strengthened its Specific Intervention Programme by introducing the Upward Migration Programme which involves working closely with pre-identified SMEs to achieve their targeted growth such as an increase in sales, profitability, export revenue, employment and technology adoption or enhancement.

In 2018, we successfully assisted 331 SMEs improve their performance through the Upward Migration Programme, surpassing our target of 300 companies. In total, 576 entrepreneurs have been migrated upwards since 2017.

menggalakkan sektor strategik ekonomi 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.

Pencapaian Kami Setakat Ini

Sebagai Institusi Kewangan Pembangunan (DFI) lengkap, kami telah menawarkan penyelesaian pembiayaan inovatif kepada PKS dan pada yang sama menawarkan perkhidmatan dan penyelesaian yang melangkaui perkhidmatan pembiayaan untuk mempercepatkan pertumbuhan, produktiviti dan kecekapan mereka.

Program Intervensi Spesifik kami telah diperkenalkan pada 2013, dan telah membantu hampir 1,500 usahawan, yang merupakan pendekatan ‘bimbingan peribadi’, untuk meningkatkan kepintaran perniagaan dan menghasilkan peningkatan perniagaan PKS ke peringkat seterusnya bagi perkembangan dan prestasi mereka melalui inisiatif dan pelan tindakan khusus.

Melalui program ini, kami menawarkan kaedah jangkauan pembangunan yang melibatkan bimbingan, latihan dan pementoran serta pemudahan, khidmat nasihat dan rundingan. Kami menggunakan kaedah sesuai untuk membantu PKS menaik taraf keupayaan mereka untuk menjadi pelaksana dan penyumbang ke arah pertumbuhan ekonomi negara.

Pada Januari 2017, SME Bank mengukuhkan lagi Program Intervensi Spesifik dengan memperkenalkan Program Peningkatan Perniagaan yang melibatkan kami bekerjasama rapat dengan PKS yang dikenal pasti untuk mencapai sasaran pertumbuhan mereka seperti kenaikan dalam jualan, keuntungan, hasil eksport, pekerjaan dan penggunaan atau peningkatan teknologi.

Pada 2018, kami berjaya membantu 331 PKS menambah baik prestasi mereka melalui Program Peningkatan Perniagaan, mengatasi sasaran kami sebanyak 300 syarikat. Secara keseluruhannya, 576 usahawan telah ditingkatkan sejak 2017.

YEAR TAHUN	TARGET NO. OF SMEs BIL. PKS DISASARKAN	ACHIEVED NO. OF SMEs BIL. PKS DICAPAI
2018	300	331 (110%)
2017	210	245 (117%)
Total Jumlah	510	576 (113%)

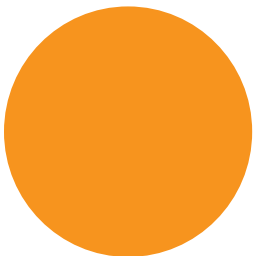


In collaboration with the Bumiputera Agenda Steering Unit (TERAJU) and Malaysia External Trade Development Corporation (MATRADE), we offer the **Best Exporters Programme** to develop potential Bumiputera SMEs to become exporters through a structured intervention programme which involves individual coaching sessions, amongst others. We exceeded our target of 50 companies when we identified and enrolled a total of 73 companies into the programme to either become exporters or enhance their current export sales and/or markets. We also exceeded the targeted incremental export revenue of RM50 million following the recorded export revenue totalling RM124 million.

These existing programmes and their results suggest that SME Bank is on the right track in following the Performance Measurement Framework (PMF). The impact of our initiatives extends well beyond providing the necessary financing to also include creating growth opportunities and upskilling the targeted segment namely the small and medium enterprises. We view this as a good step into a promising future when economic growth and sustainability are in parallel, and ultimately, will result in a sustainable and inclusive economy.

Dengan kerjasama Unit Peneraju Agenda Bumiputera (TERAJU) dan Perbadanan Pembangunan Perdagangan Luar Malaysia (MATRADE), kami menawarkan **Program Best Exporters** untuk membangunkan PKS Bumiputera yang berpotensi menjadi pengeksport melalui program intervensi berstruktur yang melibatkan antara lainnya, sesi latihan individu. Kami telah mengatasi sasaran kami sebanyak 50 syarikat apabila mengenal pasti dan mengambil sejumlah 73 syarikat ke dalam program ini untuk menjadi sama ada pengeksport atau untuk meningkatkan jualan dan/atau pasaran eksport mereka yang sedia ada. Kami juga mengatasi peningkatan hasil eksport sebanyak RM50 juta berikutan hasil eksport yang direkodkan sebanyak RM124 juta.

Program-program sedia ada ini dan keputusannya menunjukkan bahawa SME Bank berada pada landasan yang betul dalam mengikut Rangka Kerja Pengukuran Prestasi. Impak daripada usaha-usaha kami menjangkau pemberian pembiayaan dan termasuk mencipta peluang pertumbuhan dan anjakan segmen sasaran iaitu perusahaan kecil dan sederhana. Kami melihat ini sebagai satu langkah yang baik ke masa depan yang cerah apabila pertumbuhan ekonomi dan kemampanan adalah seiring, yang akhirnya akan menghasilkan ekonomi yang mampan dan terangkum.



ENVIRONMENT

ALAM SEKITAR

122

SME BANK | INTEGRATED ANNUAL REPORT 2018 LAPORAN TAHUNAN BERSEPADU 2018

REDUCING ENVIRONMENTAL IMPACT

Environmental sustainability is among the top of our agenda. We aim to grow our business whilst decoupling our environmental impact from our growth. We consider the reduction of our power consumption, water and waste impacts across our value chain, from sourcing our raw materials, for example the use of LED bulbs which contain no toxic elements, to within our own operations such as the Variable Refrigerant Volume (VRV) system as an energy efficient means to regulate the temperature in our building.

SME Bank recognises the strategic inevitability of the necessary change, and the resulting opportunities. Action is therefore being taken at all levels of the activity, both internally and externally. In addition to our internal environmental efforts, the Bank has set a strategic objective of being a leader in offering financing solutions to our clients for projects that promote environmental concerns: renewable energy (solar thermal energy, cogeneration stations, transition to natural gas etc.), energy efficiency, water, and more. Activity in these areas is conducted alongside traditional banking activity. The new activity follows the accumulation of the necessary professional knowledge and an in-depth examination of goals and consequences.

We tackle a range of sustainability issues in order to balance economic growth with environmental preservation. All SME Bank projects comply with the requirements of relevant authorities such as Department of Environment, Ministry of Natural Resources and Environment.

We adhere to the relevant guidelines on environmental protection and conservation. This enables us to take proactive measures to identify the direct and indirect environmental impact on our activities. The Bank pursues the required technologies and processes to help reduce the impact of our products and our actions on people and communities throughout their lifecycle, while also engaging in communication with society.

The efforts of reducing the environmental impact of how we manage our resources are on-going. Needless to say, in areas where we have control over our impacts, such as energy efficiency and water management, we are making excellent progress.



MENGURANGKAN KESAN ALAM SEKITAR

Kemampuan alam sekitar adalah antara keutamaan kami. Kami menyasarkan untuk mengembangkan perniagaan dan pada masa yang sama menghilangkan kesan alam sekitar daripada pertumbuhan kami. Kami mempertimbangkan pengurangan dalam kesan penggunaan tenaga elektrik, air dan sisa di seluruh rangkaian kami, daripada bahan mentah, sebagai contohnya penggunaan lampu LED yang tidak mengandungi bahan toksik, kepada operasi dalaman kami seperti sistem Jumlah Bahan Penyejuk Berubah (VRV) sebagai kaedah penjimatan tenaga untuk mengawal suhu dalam bangunan kami.

SME Bank akur bahawa perubahan yang perlu serta peluang yang terhasil daripadanya tidak dapat dielakkan. Oleh yang demikian, tindakan diambil di segenap peringkat aktiviti, sama ada dalaman dan luaran. Di samping usaha-usaha dalaman kami berhubung alam sekitar, Bank juga menetapkan matlamat strategik untuk menjadi peneraju dalam menawarkan penyelesaian kewangan kepada para pelanggan kami bagi projek yang menggalakkan pemuliharaan alam sekitar: tenaga diperbaharui (tenaga solar, stesen kogenerasi, peralihan ke gas asli, dll.), kecekapan tenaga, air, dan banyak lagi. Kegiatan dalam bahagian ini dijalankan bersama-sama kegiatan perbankan biasa. Kegiatan baharu ini mengikut pengumpulan pengetahuan yang perlu serta pemeriksaan terperinci tentang matlamat dan akibat.

Kami menangani isu-isu kemampuan untuk mengimbangi pertumbuhan ekonomi dengan penjagaan alam sekitar. Semua projek SME Bank mematuhi keperluan pihak-pihak berkuasa berkenaan seperti Jabatan Alam Sekitar, Kementerian Sumber Asli dan Alam Sekitar.

Kami mengikut garis panduan berkenaan tentang perlindungan dan pemuliharaan alam sekitar. Ini membolehkan kami mengambil langkah proaktif untuk mengenal pasti kesan langsung dan tidak langsung alam sekitar daripada aktiviti kami. Bank terus melaksanakan teknologi dan proses yang diperlukan untuk membantu mengurangkan kesan daripada produk kami dan tindakan kami terhadap orang ramai dan komuniti di seluruh kitaran hayat mereka, sementara turut terlibat dalam komunikasi dengan masyarakat.



OUR APPROACH

We want to play our part in tackling climate change and reduce the depletion of natural resources. It makes business sense to reduce our risk by securing sustainable sources of supply for raw materials, to cut costs through reducing electricity and water consumption and higher business efficiencies, and to appeal to more customers and even the public with sustainable, purpose-led brand of SME Bank.

We adopt a holistic approach to environmental issues, which involves acknowledging how environmental sustainability contributes to the overall sustainable development, and which directly supports a number of the UN Sustainable Development Goals.

Our approach to environment thus focuses on:

- Taking global climate action and protecting our environment;
- Recycling more and using less water and less energy;
- Producing products with a lower environmental impact;
- Making our distribution more eco-efficient; and
- Advocating public policy on environment.

OUR COMMITMENT

SME Bank is serious about conducting business in a way that protects and improves the state of the environment. We are committed to reducing our own environmental footprint, and we do so by improving energy efficiency, using resources responsibly, and reducing waste.

We thus are committed to make it our social responsibility to place the highest importance on sustainable environmental policies and therefore are focused on an inclusive commitment which becomes an integral part of and consideration for the Bank's strategy to:

Usaha-usaha mengurangkan kesan alam sekitar daripada cara bagaimana kami menguruskan sumber-sumber kami adalah sesuatu yang berterusan. Tidak disangkal lagi bahawa dalam bidang di mana kami mempunyai kawalan terhadap kesan ini, seperti kecekapan tenaga dan pengurusan air, kami membuat kemajuan yang cemerlang.

PENDEKATAN KAMI

Kami mahu memainkan peranan kami dalam menangani perubahan iklim dan mengurangkan penghapusan sumber asli. Ia sememangnya wajar bagi perniagaan untuk mengurangkan risiko kami dengan mendapatkan sumber-sumber mampan bagi mengurangkan kos melalui pengurangan penggunaan tenaga elektrik dan air serta kecekapan perniagaan. Dalam pada itu, jenama SME Bank yang bermatlamat dan mampan juga boleh membuahakan keyakinan kepada lebih ramai pelanggan dan malahan orang awam.

Kami menerima pakai pendekatan yang menyeluruh terhadap isu-isu alam sekitar, yang melibatkan pengiktirafan bagaimana kemampanan alam sekitar menyumbang kepada pembangunan mampan secara keseluruhannya, dan yang mana secara langsung menyokong beberapa Matlamat Pembangunan Mampan Pertubuhan Bangsa-Bangsa Bersatu.

Oleh itu, pendekatan kami terhadap alam sekitar menumpukan kepada:

- Mengambil tindakan iklim sejagat dan melindungi alam sekitar kami;
- Mengitar semula dan menggunakan kurang air dan kurang tenaga letrik;
- Menghasilkan produk dengan kesan alam sekitar yang lebih rendah;
- Menjadikan pengagihan kami lebih berkesan dari segi ekologi; dan
- Menyokong dasar awam berhubung alam sekitar.

KOMITMEN KAMI

SME Bank serius tentang menjalankan perniagaan dalam cara yang melindungi dan menambah baik keadaan alam sekitar. Kami komited dalam mengurangkan kesan alam sekitar, dan kami melakukannya dengan cara menambah baik kecekapan tenaga, menggunakan sumber dengan bertanggungjawab, dan mengurangkan sisa.

Maka itu kami komited menjadikannya tanggungjawab sosial kami untuk memberi kepentingan terhadap dasar alam sekitar mampan dan oleh yang demikian, memberi tumpuan pada komitmen terangkum yang menjadi bahagian yang penting serta pertimbangan untuk strategi Bank:

ENVIRONMENT

ALAM SEKITAR

124

- View environmental protection as a social value, managed as an integral component of the Bank's social responsibility;
- Recognise natural resources as an asset belonging to the public, the community, and future generations, in accordance with the principle of sustainable development;
- Seek to achieve the proper balance between economic development and environmental protection in the Bank's business decisions;
- Comply with environmental regulations and laws, and adheres to the directives of environmental protection organisations;
- Endeavour diligently to prevent environmental damage;
- Collaborate with other companies and public entities to promote environmental causes; and
- Work to assimilate environmental education among the Bank's employees, and will initiate and participate in community projects.

These commitments will help in our path of economic growth that uses natural resources in a sustainable manner. In playing a part in the transition to green growth, SME Bank will focus its efforts on:

- Promoting sustainable infrastructure that contributes to reduced environmental impacts, including abating air and water pollution and increasing resilience to climate change;
- Conserving natural capital and protecting biodiversity;
- Strengthening environmental governance; and
- Promoting climate change mitigation and adaptation.

We are proud of what we have accomplished thus far, but have no intention of stopping there. We continue to explore and implement new sustainability solutions as we strive for a sustainable future.



- Menganggap perlindungan alam sekitar sebagai nilai sosial, yang diurus sebagai komponen penting tanggungjawab sosial Bank;
- Mengiktiraf sumber alam sebagai aset yang dimiliki orang awam, komuniti, dan generasi akan datang, selaras dengan prinsip pembangunan mampan;
- Berusaha mencapai keseimbangan yang betul antara pembangunan ekonomi dan perlindungan alam sekitar dalam keputusan perniagaan Bank;
- Mematuhi peraturan dan undang-undang alam sekitar, dan berpegang teguh kepada arahan organisasi perlindungan alam sekitar;
- Berusaha bersungguh-sungguh untuk menghalang kemusnahan alam sekitar;
- Bekerjasama dengan syarikat dan entiti awam lain untuk memperjuangkan isu-isu alam sekitar; dan
- Berusaha menerapkan pendidikan alam sekitar dalam kalangan pekerja Bank, dan akan memulakan dan mengambil bahagian dalam projek komuniti.

Komitmen ini akan memudahkan haluan pertumbuhan ekonomi kami yang menggunakan sumber asli secara mampan. Dalam memainkan peranan peralihan ke arah pertumbuhan dalaman, SME Bank akan menumpukan usaha dalam:

- Menggalakkan prasarana mampan yang menyumbang ke arah pengurangan kesan alam sekitar, termasuk mengurangkan pencemaran udara dan air serta meningkatkan ketahanan terhadap perubahan iklim;
- Memulihara sumber asli dan melindungi kepelbagaian bio;
- Mengukuhkan tadbir urus alam sekitar; dan
- Menggalakkan pengurangan dan penyesuaian iklim.

Kami berbangga dengan apa yang telah kami capai setakat ini, namun kami tidak berhasrat untuk berhenti setakat itu sahaja. Kami terus meneroka dan melaksanakan penyelesaian kemampanan baharu dalam kami berusaha ke arah masa depan yang mampan.

OUR POLICY

SME Bank's Environmental Policy mandates that we operate with complete respect for the environment. Our policy calls for us to promote environmental awareness and responsibility across the organisation. Not only do we commit to comply with the relevant legislation, but we also pledge to surpass it wherever possible. In this regard, we continue to reduce the impact on the environment that could arise from the work that we do through various ways and means, while at the same time working with all our customers to reduce their environmental impact.

SUSTAINABLE ENERGY MANAGEMENT

Sustainable energy management has long been the primary focus at SME Bank as electrical power is a key resource for the Bank's operations.

Optimising Energy Consumption

The Building Energy Management Systems (BEMS) at Menara SME Bank, our head office in Kuala Lumpur has been used to control, monitor, measure and optimise building technical services and the energy consumption used by the building.

The system automatically connect and control Menara SME Bank's lighting as well as heating, ventilation, and air conditioning (HVAC) systems to create a single, central platform to manage the building's energy consumption. Additionally, BEMS provide metering, sub-metering, and monitoring functions which collate energy data, enabling Building Manager to gain detailed insight into the building's energy usage.

Such systems enable us to achieve the optimal level of efficiency by continuously maintaining the correct balance between operating requirements, external and internal environmental conditions, and energy usage while meeting our social and corporate responsibility objectives.

DASAR KAMI

Dasar Alam Sekitar SME Bank menggariskan bahawa kami beroperasi dengan penuh prihatin terhadap alam sekitar. Dasar ini memerlukan kami agar menggalakkan kesedaran dan tanggungjawab terhadap alam sekitar di seluruh organisasi. Kami bukan sekadar komited untuk mematuhi undang-undang berkenaan, tetapi juga berikrar untuk melangkauinya di mana mungkin. Dalam hal ini, kami terus mengurangkan kesan terhadap alam sekitar yang boleh timbul daripada kerja yang kami lakukan melalui pelbagai cara, dan pada masa yang sama berusaha dengan para pelanggan kami untuk mengurangkan kesan alam sekitar mereka.

PENGURUSAN TENAGA MAMPAN

Pengurusan tenaga mampan telah sekian lama menjadi tumpuan SME Bank memandangkan tenaga elektrik adalah sumber utama yang digunakan di Bank.

Mengoptimumkan Penggunaan Tenaga

Sistem Pengurusan Tenaga Bangunan (BEMS) di ibu pejabat kami di Menara SME Bank Kuala Lumpur yang membantu mengawal, memantau, menghitung dan mengoptimumkan perkhidmatan teknikal bangunan dan penggunaan tenaga yang digunakan oleh bangunan ini.

Sistem ini menyambungkan sistem Menara SME Bank seperti pencahayaan serta pemanasan, pengudaraan, dan penyaman udara (HVAC) untuk mewujudkan satu platform pusat untuk mengurus penggunaan tenaga bangunan ini. Selain itu, BEMS menyediakan fungsi pemeteran, subpemeteran, dan pemantauan yang mengumpul semua data tenaga, membolehkan Pengurus Bangunan memperolehi pandangan terperinci tentang penggunaan tenaga bangunan.

Sistem sebegini membolehkan kami mencapai tahap penjimatan yang optimum dengan mengekalkan keseimbangan yang menjamin antara keperluan operasi, keadaan persekitaran luaran dan dalaman, dan penggunaan tenaga sementara memenuhi matlamat tanggungjawab sosial dan korporat kami.



ENVIRONMENT

ALAM SEKITAR



Energy Efficiency

The entire Menara SME Bank is lighted by LED bulbs which are energy efficient, and contain no toxic elements and with a longer life span.

One LED bulb can reduce energy consumption by over 80% compared to traditional lighting such as a fluorescent and incandescent light and can last up to 25% longer. 95% of the energy in LEDs is converted into light and only 5% is wasted as heat. LED lights also draw much less power than traditional lighting, with less energy use that reduces the demand from power plants and decreases greenhouse gas emissions.

Using LED lights in our building means we play our role in reducing carbon emissions as a longer life span of LED lights means lower carbon emissions. LED lights last up to six times longer than other types of lights, thus reducing the requirement for frequent replacements. This results in using fewer lights and therefore fewer resources are needed for manufacturing processes, packaging materials and transportation. These are indirect positive impacts which contribute towards a sustainable environment.

Reducing Energy Demand

We continue to leverage on a cost effective Variable Refrigerant Volume (VRV) system as an energy efficient means of precisely regulating the temperature within our building.

The rooms or zones within the building will usually need to operate at differing temperatures. The cooling and heating requirements of these spaces inevitably change throughout the day, typically as a result of varying occupancy, heat emitting office equipment and lighting, and changes in outdoor temperature. The combined effect of these internal and external influences often means that some areas of the building require cooling, while simultaneously, other areas require heating to maintain a constant and comfortable internal environment.

The VRV system matches the air volume with the actual cooling loads and helps reduce the energy consumption of the Air Handling Unit (AHU) by between 20% and 60% in comparison to constant air volume systems.

Kecekapan Tenaga

Keseluruhan Menara SME Bank diterangi oleh mentol lampu LED yang menjimatkan tenaga, dan tidak mengandungi elemen toksik dengan jangka hayat yang lebih panjang.

Lampu LED boleh mengurangkan penggunaan tenaga sehingga 80% berbanding pencahayaan lampu biasa seperti lampu pendafluor dan pijar yang mampu bertahan sehingga 25% lebih lama. 95% daripada tenaga dalam LED ditukar menjadi cahaya dan hanya 5% dibazirkan sebagai haba. Lampu LED juga menyerap kurang tenaga berbanding pencahayaan lama, dengan penggunaan tenaga yang lebih berkurangan untuk mengurangkan permintaan daripada loji kuasa dan mengurangkan pelepasan gas rumah hijau.

Dengan menggunakan lampu LED dalam bangunan, kami sebenarnya memainkan peranan mengurangkan pelepasan karbon kerana jangka hayat lampu LED bermakna pelepasan karbon berkurangan. Lampu LED bertahan sehingga enam kali lebih lama berbanding lampu jenis lain; dengan itu mengurangkan keperluan penggantian yang kerap. Ini menyebabkan pengurangan penggunaan lampu dan oleh itu kurang sumber diperlukan untuk proses pembuatan, bahan pembungkusan dan pengangkutan. Ini merupakan kesan positif tidak langsung daripada peranan yang kami mainkan dalam usaha menyumbang ke arah persekitaran yang mampan.

Mengurangkan Permintaan Tenaga

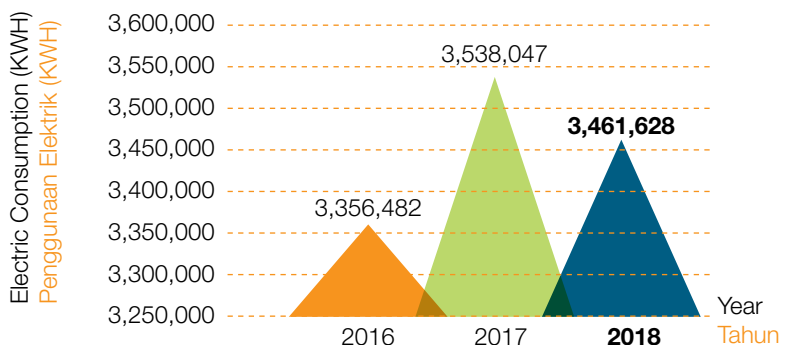
Kami terus memanfaatkan sistem Jumlah Bahan Penyejuk Berubah (VRV) yang menjimatkan kos, sebagai kaedah penjimatan tenaga untuk mengawal suhu dengan tepat dalam bangunan kami.

Bilik atau zon dalam bangunan ini lazimnya beroperasi pada suhu yang berbeza. Keperluan penyejukan atau pemanasan ruang-ruang ini berubah tanpa kawalan sepanjang hari, lazimnya disebabkan oleh kadar penghunian yang berubah, alat dan pencahayaan pejabat yang memancarkan haba, serta perubahan suhu di luar. Gabungan kesan pengaruh dalaman dan luaran ini lazimnya bermaksud bahawa sesetengah bahagian bangunan memerlukan penyejukan, sementara pada masa yang sama, bahagian lain memerlukan pemanasan untuk mengekalkan persekitaran dalaman yang tetap dan selesa.

Sistem VRV memadankan jumlah udara dengan beban penyejukan sebenar dan membantu mengurangkan penggunaan tenaga Unit Pengendalian (AHU) sebanyak antara 20% sehingga 60% berbanding sistem jumlah udara tetap.

Electric Consumption

Penggunaan Elektrik





SUSTAINABLE WATER MANAGEMENT

Sustainable water management is part of SME Bank’s sustainable effort in meeting the needs of the present without compromising the needs of the future generations. 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.

Reducing Water Consumption

In 2018, our water consumption reduced by 24% to 21,219 m³ from 28,075 m³ in the previous year as a result of consistent monitoring and proactive repair works to minimise leaking. This is also a result of the upgrading works on the main pipeline and domestic water tank, air-conditioning water tank and gate valve that we had implemented earlier in 2015.

PENGURUSAN AIR MAMPAN

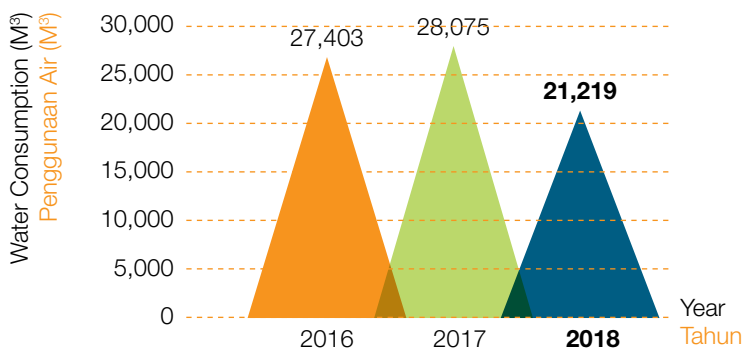
Pengurusan air mampan adalah sebahagian daripada pembangunan mampan SME Bank dalam memenuhi keperluan semasa tanpa mengendahkan keperluan generasi akan datang. Kami tetap menyasarkan untuk mencapai pengurusan air mampan yang memerlukan pendekatan pelbagai disiplin dan menyeluruh di mana isu-isu teknikal, alam sekitar, ekonomi, landskap dan masyarakat ditangani. Oleh yang demikian kami mempunyai 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. Pada 2018, 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.

Mengurangkan Penggunaan Air

Pada 2018, penggunaan air kami berkurangan sebanyak 24% kepada 21,219 m³ berbanding 28,075 m³ sebelumnya hasil pemantauan yang konsisten dan kerja-kerja pembaikan yang proaktif untuk mengurangkan kebocoran. Ini juga disebabkan oleh kerja-kerja naik taraf pada talian paip utama dan tangki air dalaman, tangki air pendingin hawa dan injap pagar yang telah dilaksanakan pada 2015.

Water Consumption
Penggunaan Air



ENVIRONMENT

ALAM SEKITAR

128

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

SUSTAINABLE WASTE MANAGEMENT

SME Bank views sustainable waste management as an opportunity, not a burden. Our ability to manage waste allows us to mitigate the risk to sustainable development due to soil, air and water pollution. We recognise that the traditional systems for solid waste management, disposal and recycling are no longer appropriate.

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 the wastes on a daily basis.

Effective Waste Management

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.

We are constantly using sophisticated components such as printer cartridges and toners to assist us in our daily work. These products contain toxins that can damage the environment if not handled properly when we are done with them. By recycling this office waste in the correct manner, we are helping to prevent the environment from being contaminated, facilitating the reuse of elaborate components, and reducing the amount of land required for landfill. In the end, such sustainable waste management contributes to a sustainable environment we live in.

Recycling paper
Mengitar semula kertas

Recycling batteries
Mengitar semula bateri



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

Examples of Items that are Recycled Daily Contoh Barang-barang yang Dikitar Semula Setiap Hari

PENGURUSAN SISA MAMPAN

SME Bank melihat pengurusan sisa mampan sebagai satu peluang, bukannya beban. Keupayaan kami untuk menguruskan sisa membolehkan kami mengurangkan risiko kepada pembangunan mampan disebabkan pencemaran tanah, udara dan air. Kami sedar bahawa sistem lama bagi pengurusan sisa pepejal, pembuangan dan kitar semula tidak lagi sesuai.

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.

Pengurusan Sisa yang Berkesan

Kami mengguna 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 adalah 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.

Kami sentiasa menggunakan komponen canggih seperti kartrij pencetak dan toner untuk memudahkan kerja harian. Produk sebegini mengandungi toksin yang boleh mencemar alam sekitar sekiranya tidak diurus dengan betul setelah selesai digunakan. Dengan mengitar semula sisa pejabat ini melalui kaedah yang betul, kami membantu



SUSTAINABLE MANAGEMENT OF PAPER RESOURCES

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 cut back consumption and increase recycling.

The drive to reduce paper consumption at the Bank continued in 2018. Special attention has been devoted to fully maximising the potential for automation of formerly paper-consuming processes.

Among the “paperless” initiatives include the online financing application system via MySMEBank from where SME entrepreneurs can apply for financing online without the use of paper as how it is traditionally done. In addition, the use of e-forms for certain business functions such as our Information Technology and Human Resources also contributes to the reduction of paper consumption.

While it can be a daunting task to significantly reduce paper consumption, the Bank is committed to make it a part of our culture by encouraging employees to break their habits. We realise that employees often resort to printing documents because they do not have the right tools to work with them digitally. 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.

Printing Centres

We have 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.

Electronic Mails

SME Bank aims 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.

mencegah pencemaran alam sekitar, memudahkan penggunaan semula komponen terperinci, dan mengurangkan jumlah kawasan tanah yang diperlukan untuk tapak pelupusan. Dengan itu, pengurusan sisa mampan menyumbang kepada persekitaran tempat kerja.

PENGURUSAN SUMBER KERTAS MAMPAN

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 2018. Perhatian khas ditumpukan ke arah memaksimumkan potensi pengautomatan pemprosesan menggunakan kertas sebelumnya.

Antara inisiatif “tanpa kertas” yang diambil termasuk sistem aplikasi pembiayaan dalam talian melalui MySMEBank di mana usahawan PKS boleh memohon pembiayaan dalam talian tanpa menggunakan kertas, sebagaimana yang lazim dilakukan. Di samping itu, penggunaan e-borang bagi beberapa bahagian atau jabatan tertentu seperti Teknologi Maklumat dan Sumber Manusia turut menyumbang kepada pengurangan penggunaan kertas.

Sungguhpun tugas untuk mengurangkan penggunaan kertas dengan ketara bukan mudah, Bank komited untuk menjadikannya sebagai 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. 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.

Pusat Percetakan

Kami 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.

Surat Elektronik

SME Bank berhasrat untuk menyelaras dan mengurangkan surat-menyurat kepada pelanggan. Dalam beberapa keadaan tertentu, Bank menghantar surat elektronik melalui emel. Walau bagaimanapun, mengikut pelbagai arahan kawal selia tertentu, kami tetap dikehendaki menghantar surat bercetak kertas kepada pelanggannya dan akan terus berbuat demikian.

ENVIRONMENT

ALAM SEKITAR

130



GREEN BUILDING INITIATIVES: SME Bank's GBI Certification

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.

GBI activities relate to the incorporation of environmentally-friendly and resource-efficient processes at each stage of construction, right from site selection and the design stage, to construction and operations followed by maintenance, renovation or even demolition activities.

SME Bank began incorporating green building features in the design and construction of our head office back in 2014 with the objective of mitigating any possible environmental impact from our activities.

INISIATIF BANGUNAN HIJAU: Pensijilan GBI SME Bank

Indeks Bangunan Hijau (GBI) adalah alat penarafan hijau untuk bangunan, yang diiktiraf oleh industri di Malaysia untuk menggalakkan kemampanan dalam persekitaran terbina dan menimbulkan kesedaran dalam kalangan pemaju, arkitek, jurutera, perancang, pereka, kontraktor dan orang awam mengenai masalah alam sekitar dan tanggungjawab kita terhadap generasi akan datang.

Aktiviti-aktiviti GBI merujuk kepada gabungan proses mesra alam dan sumber cekap di setiap peringkat pembinaan, daripada pemilihan tapak dan rekaan, sehingga ke pembinaan dan operasi diikuti oleh aktiviti penyelenggaraan, pengubahsuaian bahkan aktiviti perobohan.

SME Bank mula memasukkan ciri-ciri bangunan hijau ke dalam reka bentuk dan pembinaan ibu pejabat kami pada 2014 dengan matlamat untuk mengurangkan sebarang kesan alam sekitar yang mungkin timbul daripada aktiviti kami.



In 2017, Menara SME Bank had successfully achieved GBI certification after meeting all its requirements. This acknowledgement is the result of our various Green Building activities, from the incorporation of environmentally-friendly and resource-efficient processes at each stage of construction. These encompass the site selection and the design stage, to construction and operations followed by maintenance, renovation or even demolition 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 on two main 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.

We shall continue with our Green Building practices in view of the immense benefits. Going green means that 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.

Pada 2017, Menara SME Bank berjaya menerima pensijilan GBI, setelah memenuhi segala keperluannya. Pengiktirafan ini adalah hasil daripada pelbagai aktiviti Bangunan Hijau kami, daripada gabungan proses mesra alam dan sumber cekap di setiap peringkat pembinaan. Ini merangkumi peringkat pemilihan tapak dan rekaan, sehingga ke pembinaan dan operasi diikuti oleh aktiviti penyelenggaraan, pengubahsuaian bahkan aktiviti perobohan.

Konsep dan reka bentuk bangunan pejabat hijau merangkumi enam bahagian tumpuan. Ini termasuk kualiti persekitaran dalaman, perancangan dan pengurusan tapak yang mampan, pembaharuan, kecekapan air, bahan dan sumber, serta kecekapan tenaga.

Konsep bangunan hijau yang diguna pakai tertumpu kepada dua aspek utama:

1. Meningkatkan kecekapan bangunan dari 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.

Kami akan meneruskan amalan Bangunan Hijau kerana manfaatnya begitu luas. 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 dari segi ekologi dan alam sekitar serta faktor ekonomi yang kukuh, yang akhirnya menjurus kepada pembangunan mampan.



ENVIRONMENT

ALAM SEKITAR

KEY GREEN FEATURES IMPLEMENTED AT MENARA SME BANK

CIRI-CIRI HIJAU UTAMA DI MENARA SME BANK



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 tugasan dan keutamaan individu.

Enhanced Commissioning

- Improvements to ensure the building's major energy-using systems are repaired, operated and maintained effectively to optimise energy performance;
- Commissioning plan for the building's major energy-using systems;
- 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.



Penggunaan Yang Dipertingkatkan

- Penambahbaikan untuk memastikan sistem utama bangunan yang menggunakan tenaga dibaiki, dikendalikan dan dikekalkan dengan berkesan untuk mengoptimalkan prestasi tenaga;
- Pelan penggunaan untuk sistem utama bangunan yang menggunakan tenaga;
- 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.



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.



Internal Noise Levels

- Internal noise levels should be maintained at a safe level and 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 should not exceed 40dBAeq; and
 - Within the baseline building office space, the sound level should not exceed 45dBAeq for open plan or 40dBAeq for closed offices.

Tahap Bunyi Dalaman

- Tahap bunyi dalaman perlu dikekalkan pada tahap selamat dan memastikan 90% daripada tahap bunyi tidak melebihi tahap bunyi sekeliling dalaman yang berikut:
 - Dalam seluruh garis ruang pejabat bangunan, bunyi daripada perkhidmatan bangunan tidak boleh melebihi 40dBAeq; dan
 - Dalam garis ruang pejabat bangunan, tahap bunyi tidak boleh melebihi 45dBAeq untuk pelan terbuka atau 40dBAeq untuk pejabat tertutup.



Renewable Energy
The use of renewable energy is encouraged.

Tenaga Boleh Diperbaharui
Penggunaan tenaga boleh diperbaharui adalah digalakkan.



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.



**REDUCE
REUSE
RECYCLE**

Lighting Zoning

- Flexible lighting controls to maximise energy savings;
- Individual switches for all individual or enclosed spaces;
- Auto-sensor controlled lighting with daylighting strategy for all perimeter zones and daylight areas; and
- Motion sensors that compliment lighting zoning for at least 25% of landlord and common areas.

Pengezonan Pencahayaan

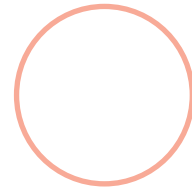
- Kawalan pencahayaan yang anjal untuk memaksimumkan penjimatan tenaga;
- Suis individu untuk semua individu dan ruang yang sempit;
- Pencahayaan yang dikawal oleh penerima automatik dengan strategi cahaya siang untuk semua zon perimeter dan ruang cahaya siang; dan
- Penerima pergerakan yang melengkapi zon pencahayaan untuk sekurang-kurangnya 25% daripada kawasan tuan tanah dan kawasan umum.



Air Change Effectiveness
Effective delivery of clean air through reduced mixing with indoor pollutants to promote a healthy indoor environment.

Keberkesanan Penukaran Udara
Penyampaian udara bersih yang berkesan melalui pengurangan campuran dengan bahan cemar dalaman untuk menggalakkan persekitaran dalaman yang sihat.





CREATING VALUE FOR SOCIETY AND FOR THE ECONOMY

SME Bank believes that business growth should not be at the expense of people as much as it is at the expense of the planet. That's why we are constantly looking at new ways of doing business, and why we want to change the way business is done.

We set a bold ambition to achieve change within our organisation, to create sustainable growth by looking at the broad economic impact that the Bank brings and with its extensive efforts to promote Malaysian society and communities.

We set out our strategy, our targets and performance which guide us in taking actions to drive value for our business and society. We articulated a thinking that what matters to them, matters to us, simply because there has always existed a deep interdependence and interconnectivity between economic activity and societal advancement.

We do not derail from the right perspective on the relationship between business and society. As evidenced in recent years, we have defined the role of our business in society with a clear focus on long-term thinking and aligning the interests of stakeholders and societies for mutual impact.

Given the nature of our activities as Malaysia's leading Development Financial Institution (DFI), our principle is simple – understand that the Bank can be successful if it focuses on stakeholders and that its business activities have a positive impact on and create value for the society and the economy.

Such collective social and economic or "socioeconomic" effects that our activities have on the people and communities are the result of our sensitively balancing local communities' concerns with the desire for economic development, and ultimately bring about a sustainable development.

OUR APPROACH

Cognizant of the Bank's long term business operations, we have fused a corporate sustainability approach as part of our corporate strategy. Our approach to managing business risks and local community impacts are guided by several core elements, including:

- Adhering to corporate policies and expectations;
- Complying with applicable regulatory requirements;
- Being consistent with universally recognised principles, assessing risks and acting on opportunities;

MENCIPTA NILAI UNTUK MASYARAKAT DAN EKONOMI

SME Bank percaya bahawa pertumbuhan perniagaan tidak seharusnya menjejaskan orang ramai mahupun bumi ini. Itulah sebabnya mengapa kami sentiasa mencari cara baharu menjalankan perniagaan, dan mengapa kami mahu mengubah cara perniagaan dilakukan.

Kami menetapkan cita-cita berani untuk membuat perubahan dalam organisasi kami, untuk mewujudkan pertumbuhan mampan dengan melihat kepada kesan ekonomi secara keseluruhan yang dibawa oleh Bank dan dengan usaha meluasnya untuk menggalakkan masyarakat dan komuniti di Malaysia.

Kami menetapkan strategi, sasaran dan prestasi kami yang memandu kami dalam mengambil tindakan untuk menghasilkan nilai bagi perniagaan dan masyarakat. Kami menzahirkan dengan jelas pemikiran bahawa apa yang penting bagi mereka adalah penting bagi kami hanya kerana kesalingbergantungan dan kesalinghubungan sentiasa wujud antara kegiatan ekonomi dengan kemajuan masyarakat.

Kami tidak tersasar daripada pandangan yang betul tentang hubungan antara perniagaan dengan masyarakat. Sebagaimana dibuktikan dalam tahun-tahun lalu, kami telah menafsirkan peranan perniagaan kami dalam masyarakat dengan tumpuan jelas berhubung pemikiran jangka panjang dan menjajarkan kepentingan pihak berkepentingan dan masyarakat demi impak bersama.

Berdasarkan bentuk kegiatan kami sebagai Institusi Kewangan Pembangunan terkemuka Malaysia, prinsip kami mudah – memahami bahawa Bank boleh berjaya sekiranya ia menumpukan kepada pihak berkepentingan dan bahawa kegiatan perniagaannya mempunyai kesan positif, dan mencipta nilai bagi masyarakat dan ekonomi.

Kesan kolektif sosial dan ekonomi atau "socioekonomi" daripada kegiatan-kegiatan kami terhadap orang ramai dan komuniti adalah hasil usaha kami mengimbangi keseimbangan komuniti tempatan dengan hasrat untuk kemajuan ekonomi, dan akhirnya membawa kepada pembangunan mampan.

PENDEKATAN KAMI

Menyedari akan operasi perniagaan jangka panjang Bank, kami telah menerima pakai pendekatan kemampuan korporat sebagai sebahagian strategi korporat kami. Pendekatan kami dalam menguruskan risiko perniagaan dan impak komuniti tempatan berpandukan beberapa unsur teras, termasuk:

- Berpegang teguh kepada dasar dan jangkaan korporat;
- Mematuhi keperluan peraturan yang berkaitan;
- Tekal dengan prinsip-prinsip yang diiktiraf sejagat, menilai risiko dan bertindak terhadap peluang;



- Engaging with external stakeholders namely the community; and
- Providing direct and indirect economic benefits such as local capacity development.

The Bank's social sustainability goals encompass the following:

- Human Rights and Labour Practice
- Leadership and Human Capital Development
- Occupational Safety, Health and Environment
- Social Impact
- Health and Well-Being

While engaging with the communities, besides financial assistance that we provide, we also pursue activities that benefit them. We emphasise on communicating and working with specialised non-profit and non-governmental organisations that have great expertise in their fields to ensure that our social contributions are effective. We also support employee involvement in social contribution activities.

- Berhubung dengan pihak berkepentingan luar iaitu komuniti; dan
- Menyediakan manfaat ekonomi langsung dan tidak langsung seperti pembangunan keupayaan tempatan.

Matlamat kemampanan Bank merangkumi perkara berikut:

- Hak Manusia dan Amalan Buruh
- Kepimpinan dan Pembangunan Modal Insan
- Keselamatan, Kesihatan dan Persekitaran Pekerjaan
- Impak Sosial
- Kesihatan dan Kesejahteraan

Dalam hubungan dengan komuniti, selain daripada bantuan kewangan yang kami berikan, kami juga menjalankan kegiatan yang memanfaatkan mereka. Kami memberi penekanan terhadap komunikasi dan bekerjasama dengan badan bukan beraskan keuntungan dan badan bukan kerajaan yang mempunyai kemahiran tinggi dalam bidang mereka bagi memastikan keberkesanan sumbangan kami. Kami juga menyokong penglibatan pekerja dalam kegiatan-kegiatan sosial.

OUR POLICY

In consideration of the approach, the Bank is 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.

The Bank’s Corporate Social Responsibility Policy places an emphasis on creating social values through fair business operations, strengthening of professional security, and increasing positive impact all the communities. This approach is achieved through the Bank’s business capacity, to buttress the efforts in achieving Sustainable Development Goals (SDG).

OUR WORKFORCE

The Bank’s success depends on the quality of our people who form the integral part of our overall operation. We work to maintain a productive and healthy organisation, employ and develop talented people, strengthen our leadership, and enhance employee performance through strong engagement.

DASAR KAMI

Dalam mempertimbangkan pendekatan tersebut, Bank tekad untuk mewujudkan asas kemampanan menurut hala tuju kemampanan Pertubuhan Bangsa-Bangsa Bersatu, berserta kemajuan 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 dijaikarkan dengan visi kami untuk menjadi peneraju dalam penciptaan nilai ekosistem PKS yang melangkaui perkhidmatan pembiayaan, sementara memastikan kesejahteraan dan kegembiraan masyarakat.

Dasar Tanggungjawab Sosial Korporat Bank memberi penekanan pada mencipta nilai-nilai sosial melalui operasi perniagaan yang saksama, pengukuhan keselamatan profesional, dan peningkatan impak positif bagi semua komuniti. Pendekatan ini dicapai melalui keupayaan perniagaan Bank, untuk menyokong usaha mencapai Matlamat Pembangunan Mampan.

TENAGA KERJA KAMI

Kejayaan Bank bergantung pada mutu warga kerja kami yang membentuk bahagian penting keseluruhan operasi kami. Kami berusaha mengekalkan sebuah organisasi yang produktif dan teguh, mengambil dan membangunkan mereka yang berbakat, mengukuhkan kepimpinan kami, dan meningkatkan prestasi pekerja melalui hubungan dan penglibatan yang jitu.

Highlights in 2018

Sorotan 2018



We employed 1,043 people who were all directly employed by the Bank.

Kami mengambil 1,043 orang yang kesemuanya diambil bekerja secara langsung oleh Bank.



About 9.6% were new hires.

Kira-kira 9.6% ialah kakitangan yang baru diambil bekerja.



We recruited 30 graduates, 19 experienced professionals and 3 for the Group operations.

Kami merekrut 30 graduan, 19 profesional berpengalaman dan 3 untuk operasi Kumpulan.



About 6.7% of graduate recruits came from universities outside of Malaysia.

Kira-kira 6.7% daripada rekrut graduan datangnya dari universiti di luar Malaysia.



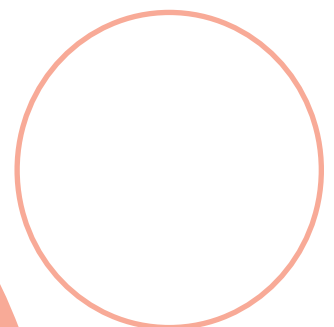
About 50% of our employees are female.

Kira-kira 50% daripada pekerja kami ialah wanita.



We provided average 35 hours training per employee.

Kami menyediakan purata 35 jam latihan bagi setiap pekerja.





In 2018, the Bank employed 1,043 people, with 50% of our workforce are females. We strive for a gender balance of our employees, and maintain strong relations with them. 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.

Dialogues between management and employees take place directly and through employee representative bodies namely the National Union of Commercial Workers (NUCW). The Bank complies with the relevant laws and promote a responsible work environment while ensuring work-life balance. We offer multiple channels for employees to report, confidentially and anonymously, breaches of the Bank's Code of Conduct or other concerns.

Employee feedback is requested on a regular basis both through formal employee engagement surveys and informal feedback requests by managers. This feedback is then used to determine the areas of focus for the business to improve the level of employee engagement across the Bank.

EMPLOYMENT

SME Bank's employment strategy is to hire the right competencies required by the business at the right time. In 2018, we hired 74 new employees, made up of a judicious mix of experienced professionals and trainees.

While there is no formal policy on employing local talents, recruitment statistics show that all employees in 2018 were locals. SME Bank encourages the hiring of local talents through:

- Online advertisements on job portal which have proven track record to reach out to a wide pool of local talents, namely Jobstreet;
- Online advertisements on SME Bank's Facebook page;
- Locally-published and distributed newspaper advertisements;
- Participation in local career fairs;
- The use of headhunting talent searches for critical and senior management positions; and
- Strategic collaborations and engagements with universities and colleges.

Pada tahun 2018, Bank mengambil 1,043 pekerja, dengan 50% daripada tenaga kerja ialah wanita. Kami berusaha untuk mencapai keseimbangan jantina di kalangan pekerja, dan mengekalkan hubungan yang padu dengan mereka. Kami menyediakan peluang sama rata dalam perekrutan, pembangunan kerjaya, kenaikan pangkat, latihan dan ganjaran untuk semua pekerja, tanpa mengira jantina, keetnikan, orientasi seksual atau keupayaan fizikal. Kami memantau kepelbagaian dan mengukur perwakilan wanita dan warga tempatan dalam jawatan kepimpinan kanan. SME Bank percaya bahawa pasukan yang majmuk diterajui oleh para pemimpin inklusif boleh menambah baik prestasi perniagaan.

Dialog antara pengurusan dan pekerja berlaku secara langsung dan melalui badan perwakilan pekerja iaitu Kesatuan Sekerja Kebangsaan Pekerja-Pekerja Perdagangan (NUCW). Bank mematuhi undang-undang berkenaan dan menggalakkan persekitaran kerja yang bertanggungjawab sementara memastikan keseimbangan kerja dan kehidupan. Kami menawarkan pelbagai saluran untuk pekerja melapor, secara rahsia dan tanpa menyatakan nama, tentang pelanggaran Kod Tata Laku Bank atau sebarang kebimbangan lain.

Maklum balas pekerja diperlukan secara berkala melalui kaji selidik hubungan pekerja dan permintaan maklum balas tidak rasmi daripada pengurus. Maklum balas ini kemudian digunakan untuk menentukan bidang tumpuan perniagaan untuk menambah baik tahap hubungan pekerja di seluruh Bank.

PEKERJAAN

Strategi pekerjaan SME Bank adalah untuk mengambil orang yang mempunyai kecekapan yang betul yang diperlukan oleh perniagaan pada masa yang betul. Pada tahun 2018, kami mengambil 74 pekerja baharu, terdiri daripada gabungan profesional dan pelatih.

Walaupun tiada dasar rasmi tentang mengambil bakat tempatan, perangkaan perekrutan menunjukkan bahawa semua pekerja pada tahun 2018 ialah warga tempatan. SME Bank menggalakkan pengambilan bakat tempatan melalui:

- Iklan atas talian di portal pekerjaan yang telah terbukti berupaya menjangkau ke kumpulan bakat tempatan yang luas, contohnya Jobstreet;
- Iklan dalam talian di laman Facebook SME Bank;
- Iklan akhbar terbitan dan edaran tempatan;
- Penyertaan dalam pameran kerjaya tempatan;
- Penggunaan pencarian bakat melalui agensi pekerjaan untuk jawatan pengurusan kritikal dan kanan; dan
- Kerjasama dan penglibatan strategik dengan universiti dan kolej.

WORKFORCE DIVERSITY

We aim to have a diverse workforce and an inclusive environment that respects and nurtures different people as a way to improve our business performance. The principles of diversity and inclusion is thus embedded in our staffing strategy, which focuses on hiring, developing and retaining the best.

We provide equal opportunity in recruitment, career development, promotion, training and rewards for all employees, including those with disabilities.

SME Bank maintains a standard of sixty (60) calendar days paid maternity leave, since 2005 and three (3) working days of paternity leave.

We actively monitor diversity on an organisational level, measuring representation of women and local nationals in senior leadership positions, and have processes in place to identify and mitigate any biases. At the end of 2018, the percentage of women in senior leadership positions was 9.7% compared with 8.3% at the end of 2017. We continue to measure and work to improve our gender balance by making female leaders more visible and accessible as role models, by providing leadership programmes for women and by embedding diversity and inclusiveness in our policies and processes.

EMPLOYEE-MANAGEMENT RELATIONS

The pursuit of economic growth through employment creation should be balanced with protection for basic rights of employees.

Our workforce is a valuable asset, and a sound employee-management relationship is a key ingredient to the long-term sustainability of the Bank. We understand that failure to establish and foster a sound relationship can undermine employee commitment and retention and to the extent of even causing labour strikes, and can jeopardise the Bank's reputation.

The Bank's commitment to establish a sound employee-management relationship encompasses the following aspects:

- **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.



KEPELBAGAIAN TENAGA KERJA

Kami menyasarkan untuk mempunyai tenaga kerja yang pelbagai dan persekitaran terangkum yang menghormati dan memupuk orang berbeza-beza sebagai cara untuk menambah baik prestasi perniagaan kami. Oleh itu, prinsip kepelbagaian dan keterangkuman dimasukkan dalam strategi pengambilan pekerja, yang menumpukan pada penggajian, pembangunan dan pengkalan pekerja-pekerja terbaik.

Kami memberi peluang sama rata dalam perekrutan, pembangunan kerjaya, kenaikan pangkat, latihan dan ganjaran untuk semua pekerja, termasuk mereka yang kurang upaya.

SME Bank mengekalkan standard sebanyak enam puluh (60) hari kalendar untuk cuti bersalin berbayar sejak 2005 dan 3 hari bekerja untuk cuti bapa.

Kami memantau kepelbagaian pada peringkat organisasi, mengukur perwakilan wanita dan rakyat tempatan dalam jawatan kepimpinan kanan, dan mempunyai proses untuk mengenal pasti dan mengurangkan sebarang keadaan atau perlakuan berat sebelah. Pada akhir 2018, peratusan wanita dalam jawatan kepimpinan kanan adalah 9.7% berbanding 8.3% pada akhir 2017. Kami terus mengukur dan berusaha menambah baik keseimbangan jantina dengan membuatkan pemimpin wanita lebih menonjol sebagai contoh untuk diikuti, dengan menyediakan program kepimpinan untuk wanita dan dengan memasukkan kepelbagaian dan keterangkuman ke dalam dasar dan proses kami.

HUBUNGAN PEKERJA-PENGURUSAN

Usaha ke arah pertumbuhan ekonomi melalui penciptaan pekerjaan perlu diimbangkan dengan perlindungan bagi hak-hak asasi pekerja.

Tenaga kerja kami merupakan aset berharga, dan hubungan pekerja-pengurusan yang kukuh adalah kunci kepada kemampanan jangka panjang Bank. Kami memahami bahawa kegagalan untuk mewujudkan dan menjalinkan hubungan yang kukuh boleh menjejaskan komitmen dan pengkalan sehingga ke tahap mengakibatkan mogok dan boleh merosakkan reputasi Bank.

Komitmen Bank dalam mewujudkan hubungan kukuh antara pekerja dengan pengurusan merangkumi aspek berikut:

- **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.



- **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. This includes respecting a collective bargaining agreement with a workers' organisation if there is such an agreement.
- **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 managers and some contract employees, 17.9% of our employees are union members. In 2018, the National Union Commercial Workers (NUCW) represented 186 employees from the non-executive workforce. The Bank honours employees' rights to bargain collectively under the NUCW, with the renewed Cumulative Agreement being sealed in February 2018. Under the agreement, the Bank's non-executive staff will receive a salary increment between 5% and 12%. Together with their family members, they will also enjoy a 38% increment for outpatient treatment and an increment of 20% for hospitalisation.

NON-DISCRIMINATION AND EQUAL OPPORTUNITY

SME Bank does not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements but rather on the principle of equal opportunity and fair treatment.

Our goal is to avoid any instances of discrimination due to gender or sexual orientation, race, religion, nationality, civil status or social position. We enplace specific policy in respecting employees' rights, and strive to make improvements based on the most pertinent issues in their respective area.

We foster equal opportunities within the Bank without discriminating either race, ethnicity, nationality, religion, social background, family responsibilities (including pregnancy), or disabilities.

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

- **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. Ini termasuk menghormati perjanjian kolektif dengan kesatuan pekerja jika terdapat perjanjian sedemikian.
- **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, 17.9% daripada pekerja kami ialah ahli kesatuan. Pada 2018, Kesatuan Sekerja Kebangsaan Pekerja-Pekerja Perdagangan (NUCW) mewakili 186 pekerja dari tenaga kerja bukan eksekutif. Bank memenuhi hak pekerja untuk membuat tawaran secara kolektif di bawah NUCW, di mana Perjanjian Kumulatif yang diperbaharui telah ditandatangani pada Februari 2018. Di bawah perjanjian ini, pekerja bukan eksekutif Bank akan menerima kenaikan gaji antara 5% dengan 12%. Bersama-sama ahli keluarga mereka, mereka juga akan menikmati 38% kenaikan untuk rawatan pesakit luar dan kenaikan 20% untuk kemasukan ke hospital.

TIADA DISKRIMINASI DAN PELUANG SAMA RATA

SME Bank tidak membuat keputusan pekerjaan berdasarkan ciri-ciri peribadi yang tidak berkaitan dengan keperluan pekerjaan tetapi berdasarkan prinsip peluang sama rata dan layanan saksama.

Matlamat kami adalah untuk mengelakkan sebarang kejadian diskriminasi disebabkan jantina atau orientasi seksual, bangsa, agama, kewarganegaraan, status sivil atau kedudukan sosial. Kami menempatkan dasar khusus demi menghormati hak-hak pekerja, dan berusaha membuat penambahbaikan berdasarkan isu-isu paling berkait dalam bidang masing-masing.

Kami memupuk peluang sama rata dalam Bank tanpa mendiskriminasi sama ada bangsa, keetnikan, kewarganegaraan, agama, latar sosial, tanggungjawab keluarga (termasuk kehamilan), atau ketidakupayaan.

Dengan penekanan terhadap kesamaan, pendirian kami akan tetap sama iaitu untuk menghormati hak-hak pekerja menurut Pengisytiharan Kerajaan tentang Hak Manusia. Kami tidak bertolak ansur terhadap sebarang bentuk gangguan, diskriminasi atau keganasan di tempat kerja. Kami ditadbir oleh Terma dan Syarat Perkhidmatan kami sendiri dan juga mematuhi amalan dan peraturan buruh seperti Akta Pekerjaan 1955 dan Kod Tata Laku Keharmonian Industri.

DIVERSITY AND INCLUSION

By managing diversity and accepting differences in an appropriate manner, SME Bank believes that it is able to 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. In this regard, we continually develop a workplace that promotes diversity and fosters a culture that recognises and celebrates the success of our team.

We have a formal strategy in place with the aim to mutually benefit our business operations and employees. Leaders at every level must be prepared to listen to differing opinions from others while encouraging and driving employees to be courageous in openly expressing their ideas and opinions that are creative. We promote respectful working environment and valuing difference with no discrimination based on personal preferences, personality, race, religion, gender, generation or marital status. There is neither discrimination nor biasness in the recruitment process and we provide equitable access to opportunities for career progression according to performance, competency and growth of the Bank.

A clear understanding on diversity and inclusion is helps to further enhance the Bank's competitiveness and promote a holistic and sustainability development.

KEPELBAGAIAN DAN KETERANGKUMAN

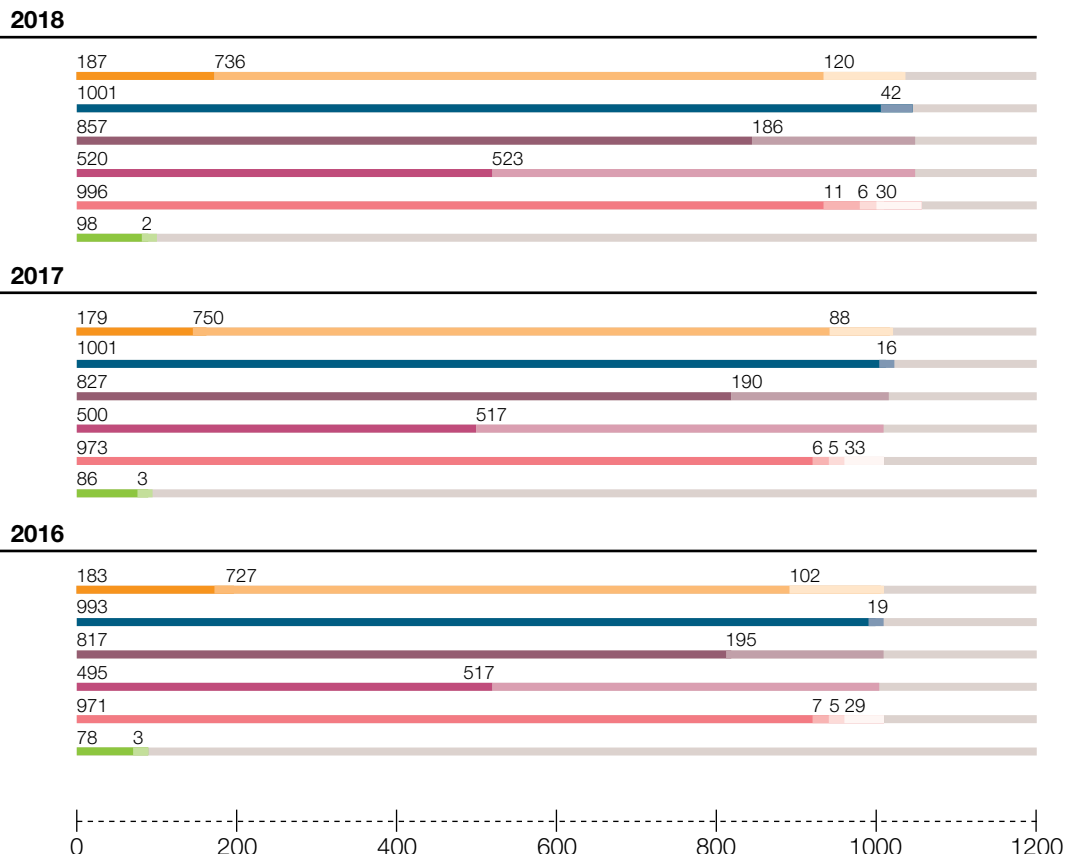
Dengan menguruskan kepelbagaian dan keterangkuman dalam cara yang betul, SME Bank percaya bahawa ia boleh menarik dan mengekalkan pekerja yang baik, serta menghasil dan memanfaatkan potensi dan keupayaan terbaik daripada pekerja. Dalam hal ini, kami terus membangunkan tempat kerja yang menggalakkan kepelbagaian dan memupuk budaya yang mengiktiraf dan meraikan kejayaan pasukan.

Kami mempunyai strategi formal yang bertujuan untuk bersama-sama memanfaatkan operasi perniagaan dan pekerja kami. Pemimpin di setiap peringkat mesti bersedia untuk mendengar pendapat berbeza daripada orang lain sementara menggalak dan menggerakkan pekerja untuk menjadi berani dalam menyuarakan secara terbuka idea dan pandangan yang kreatif. Kami menggalakkan persekitaran kerja yang saling menghormati dan menghargai perbezaan tanpa diskriminasi terhadap minat peribadi, personaliti, bangsa, agama, jantina, generasi atau status perkahwinan. Tidak ada diskriminasi mahupun berat sebelah dalam proses perekrutan dan kami memberi peluang sama rata untuk kemajuan kerjaya mengikut prestasi, kecekapan dan pertumbuhan Bank.

Pemahaman yang jelas berhubung kepelbagaian dan keterangkuman membantu meningkatkan lagi daya saing Bank dan menggalakkan pembangunan menyeluruh dan mampan.

WORKPLACE STATISTICS

- Workforce by Age Group**
 - <30
 - 30-50
 - >50
- Workforce by Employment Contract**
 - Non-Permanent Staff
 - Permanent Staff
- Workforce by Employment Type**
 - Executive
 - Non-Executive
- Workforce by Gender**
 - Male
 - Female
- Workforce by Ethnicity**
 - Malay
 - Chinese
 - Indian
 - Others
- Women in Management**
 - Management
 - Top Management





EMPLOYEE COMPETENCIES

In line with the Bank's business direction and growth, Human Resources and other departments and business units join in evaluating the competencies and workforce during the annual strategic plan. Human Resources assesses employee competencies required by the Bank by analysing core competencies, strategic challenges, and required competencies according to the strategic goals. This information is then used to formulate the short-term and long-term human resource development plan to support business expansion and to enhance the capabilities of employees to enable them to grow in their career path.

One of the ways for employees to enhance competencies is through regular training and education programmes. We recognise training is one of the cornerstones of the Bank's professional development drive.

In 2018, we invested RM3.9 million towards increasing employee knowledge, skills and alignment with the corporate culture. 93% of staff received training, with an average of 35 hours per employee over the year.

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 61 in-house training sessions and 120 external training sessions.

The training and education involved preliminary and immediate stages of employment, which include internship, on-boarding, strategic account management development, and employee education assistance programmes

Internship Programme

In 2018, we continued with the SME Bank Internship Programme by accepting 7 local students from recognised institutions of higher learning. The interns had the opportunity to undergo industrial training in relevant divisions or departments within the Bank.

On-boarding Programme

All new employees are required to undergo the on-boarding programme within the first 30 days of employment.

The on-boarding programme aims to acclimate and welcome new employees into the organisation and provide them with the tools, resources, and knowledge to become successful and productive. It is our way to successfully engage employee's right from the moment they become part of the organisation. They get familiar with the Bank's vision and strategic initiatives for the financial year. Between the second and sixth month of their employment, new hires are to attend a two-day programme where they undergo a comprehensive hands-on introduction to organisational requirements and banking etiquette.

KECEKAPAN PEKERJA

Sejajar dengan hala tuju dan pertumbuhan perniagaan Bank, Sumber Manusia serta jabatan dan unit perniagaan lain turut terlibat dalam menilai kecekapan dan tenaga kerja semasa rancangan strategik tahunan. Sumber Manusia menilai kecekapan pekerja yang diperlukan oleh Bank dengan menganalisis kecekapan teras, cabaran strategik dan kecekapan yang diperlukan berdasarkan matlamat strategik. Maklumat ini kemudian digunakan untuk merangka rancangan pembangunan sumber manusia jangka pendek dan jangka panjang bagi menyokong pengembangan perniagaan dan meningkatkan keupayaan pekerja untuk maju dalam kerjaya mereka.

Salah satu cara bagi pekerja untuk meningkatkan kecekapan adalah melalui program latihan dan pendidikan secara berkala. Kami akur bahawa latihan adalah asas kepada pembangunan profesional Bank.

Pada 2018 kami melabur RM3.9 juta untuk meningkatkan pengetahuan, kemahiran pekerja dan penajajaran dengan budaya korporat. Seramai 93% pekerja menerima latihan, dengan purata sebanyak 35 jam seorang setahun.

Kami telah meneruskan rangka kerja Pembelajaran dan Pembangunan (merangkumi fungsi, teknikal dan latihan teras) dan Program Kepemimpinan (merangkumi latihan kepemimpinan). Secara keseluruhannya, kami menjalankan sebanyak 61 sesi latihan dalaman dan 120 sesi latihan luaran.

Latihan dan pendidikan ini melibatkan peringkat permulaan dan pertengahan pekerjaan, termasuk latihan amali, pembiasaan (*on-boarding*), pembangunan pengurusan akaun strategik, dan program bantuan pendidikan pekerja.

Program Latihan Amali

Pada tahun 2018, kami meneruskan Program Latihan Amali dengan menerima 7 pelajar tempatan daripada institusi pengajian tinggi yang diiktiraf. Pelatih berpeluang menjalankan latihan perindustrian di bahagian atau jabatan berkenaan di dalam Bank.

Program On-boarding

Semua pekerja baharu perlu menjalani program *on-boarding* dalam tempoh 30 hari pertama pekerjaan.

Program *on-boarding* bertujuan menyesuaikan diri dan meraikan pekerja baharu ke dalam organisasi ini dan memperkenalkan kepada mereka peralatan, sumber, dan pengetahuan untuk berjaya dan produktif. Ia adalah cara kami untuk melibatkan pekerja dengan jayanya sejak dari saat mereka menjadi sebahagian daripada organisasi ini. Mereka akan dibiasakan dengan visi dan inisiatif strategik Bank untuk tahun kewangan semasa. Antara bulan kedua dan keenam pekerjaan mereka, pekerja baharu harus menghadiri program dua hari yang mana mereka akan menjalani proses pengenalan amali secara menyeluruh untuk keperluan organisasi dan etika perbankan.

In their first three years, new employees go through a five-stage programme to ensure their sense of belonging with structured career development paths. This focuses all employees on progressing SME Bank's values and allows them to see how their work contributes towards the overall success of themselves and of the Bank.

Moody's Certification in Commercial Credit (CICC)

Partnering with Moody Analytics, 153 staffs was enrolled in the Certification in Commercial Credit (CICC) in the year 2018. The certification is part of Group Human Capital Management's (GHCM) initiative in the Bank's Internal Structured Offices Development Programme with the objectives as follows:

- To elevate the credit competency and the credibility of our credit officers.
- To accelerate the Bank's Professionalizing Workforce Initiatives in line with the Board's aspiration and Bank Negara Malaysia's requirement.

REMUNERATION AND BENEFITS

Group Human Capital Management (GHCM) 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.

Dalam tempoh tiga tahun pertama, pekerja baharu akan menjalani program lima peringkat untuk menerapkan rasa kepunyaan dengan haluan pembangunan kerjaya yang berstruktur. Program ini menekankan kepada semua pekerja tentang nilai-nilai SME Bank yang kian membanggakan dan membolehkan mereka melihat bagaimana hasil kerja mereka telah menyumbang ke arah kejayaan keseluruhan diri mereka dan juga Bank.

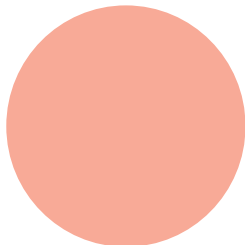
Pensijilan dalam Kredit Komersial Moody (CICC)

Dalam kerjasama dengan *Moody Analytics*, 153 pekerja telah menjalani kursus Pensijilan dalam Kredit Komersial [*Certification in Commercial Credit (CICC)*] pada tahun 2018. Pensijilan ini adalah sebahagian daripada usaha Pengurusan Modal Insan Kumpulan dalam Program Dalaman Bank untuk Pembangunan Pejabat Distrukturkan, yang bertujuan untuk:

- Meningkatkan kecekapan kredit dan kebolehpercayaan kredit pegawai-pegawai kredit kami.
- Mempercepatkan Inisiatif Tenaga Kerja Profesional Bank sejajar dengan aspirasi Lembaga Pengarah dan keperluan Bank Negara Malaysia.

IMBUHAN DAN MANFAAT

Pengurusan Modal Insan Kumpulan menyemak imbuhan dan manfaat setiap tahun dengan mengumpul maklumat, keputusan daripada kaji selidik hubungan 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, among others.

In addition to monetary rewards, SME Bank offers 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.

Other Benefits:

- Retirement Benefits (additonal EPF)
- Vehicle & Home Financing Subsidy Scheme
- Group Personal Accident Takaful & Group Family Takaful
- Extensive Medical Benefits
- Financial aid in the event of death (employee and family member)
- Education Excellence Incentive Scheme for employee and their children

SAFETY AND HEALTH

The safety and health of our people is something we take very seriously. Throughout our operations, robust policies and practices are in place to ensure a safe working environment. Our safety and health policy demonstrates this progress and we continually strive to be world class in safety and health.

We promote a strong safety and health culture by way of effective communication through multiple channels that engages employees and vendors in understanding and following our safety policies. Regular communication on safety and health is carried out, while employees are encouraged to report all safety and health for us to take appropriate actions to create a healthier and safer workplace for all.

We participate in programmes and activities related to occupational safety and health topics, which share information on safety practices and industry trends. At the same time, we explore potential collaborations to address current issues.

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.

Selain ganjaran kewangan, SME Bank 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.

Manfaat-manfaat Lain:

- Manfaat Persaraan (tambahan KWSP)
- Skim Subsidi Pembiayaan Kereta & Rumah
- Takaful Kemalangan Peribadi Kumpulan & Takaful Keluarga Kumpulan
- Manfaat Perubatan Menyeluruh
- Bantuan kewangan di masa kematian (pekerja dan keluarga mereka)
- Skim Insentif Kecemerlangan Pendidikan pekerja dan anak-anak pekerja

KESELAMATAN DAN KESIHATAN

Keselamatan dan kesihatan pekerja kami adalah sesuatu yang kami ambil berat. Di seluruh operasi kami terdapat dasar dan amalan yang kukuh untuk memastikan persekitaran kerja yang selamat. Dasar keselamatan dan kesihatan kami menunjukkan kemajuan dan kami terus berusaha mencapai taraf dunia dalam keselamatan dan kesihatan.

Kami menggalakkan budaya keselamatan dan kesihatan yang teguh secara komunikasi berkesan melalui pelbagai saluran yang berhubung dengan pekerja dan pembekal untuk mereka memahami dan mengikut dasar keselamatan kami. Komunikasi secara berkala tentang keselamatan dan kesihatan dilaksanakan, manakala pekerja digalakkan untuk melapor segala perkara keselamatan dan kesihatan untuk kami ambil tindakan yang betul demi mewujudkan tempat kerja lebih sihat dan selamat.

Kami mengambil bahagian dalam program dan aktiviti berkaitan keselamatan dan kesihatan pekerjaan, yang berkongsi maklumat tentang amalan keselamatan dan trend industri. Pada masa yang sama, kami meneroka potensi kerjasama untuk menangani isu-isu semasa.

SME BANK POLICY STATEMENT ON SAFETY AND HEALTH
KENYATAAN POLISI SME BANK MENGENAI KESELAMATAN DAN KESIHATAN

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



**SAFETY AND HEALTH COMMITTEE STRUCTURE**

The Safety and Health Committee, appointed by the Bank consists of representatives from the employer (middle and senior management) as well as representatives from employee (operations staff), who work together to set working policies. The responsibilities for each party are as follows:

RESPONSIBILITIES TANGGUNGJAWAB	EMPLOYEE INVOLVEMENT BY JOB LEVEL PENGLIBATAN PEKERJA MENGIKUT PERINGKAT PEKERJAAN	
	% EMPLOYER REPRESENTATIVES WAKIL MAJIKAN	% EMPLOYEE REPRESENTATIVES WAKIL PEKERJA
Assist in the development of safety and health rules and safe systems of work. Membantu membentuk peraturan keselamatan dan kesihatan serta sistem keselamatan kerja.	50%	50%
Review the effectiveness of the existing safety and health programme. Mengkaji keberkesanan program keselamatan dan kesihatan sedia ada.		
Study trends of accidents, near misses, dangerous occurrences and occupational poisoning or disease occurring in the workplace. Mengkaji trend kemalangan, kejadian nyaris, kejadian berbahaya dan keracunan di tempat kerja atau penyakit yang berpunca di tempat kerja.		
Report any unsafe or unhealthy conditions or practices in the workplace together with recommendations for corrective action to the employer. Melaporkan sebarang keadaan tidak selamat atau tidak sihat atau amalan di tempat kerja bersama dengan saranan untuk tindakan pembedahan kepada majikan.		
Review the workplace safety and health policies and recommend any revisions to the employer. Mengkaji polisi keselamatan dan kesihatan tempat kerja dan menyarankan apa-apa semakan kepada majikan.		

The Bank conducts Safety and Health Committee meetings at least every quarter or as required by the Occupational Safety and Health Act, 1994. These meetings are minuted, particularly on the problems or issues along with the respective corrective actions proposed or taken to address each issue. Attendance is compulsory and those repeatedly missing meetings are removed from the Committee Members.

Periodically, individual departmental safety and health inspections are conducted to:

- Identify hazards and unsafe acts that need to be corrected;

STRUKTUR JAWATANKUASA KESELAMATAN DAN KESIHATAN

Jawatankuasa Keselamatan dan Kesihatan yang dilantik oleh Bank terdiri daripada wakil daripada majikan (pengurusan pertengahan dan kanan) serta wakil daripada pekerja (kakitangan operasi), yang bersama-sama menetapkan polisi bekerja. Tanggungjawab setiap pihak adalah seperti berikut:

Bank mengadakan mesyuarat Jawatankuasa Keselamatan dan Kesihatan sekurang-kurangnya setiap suku tahun atau seperti yang diperuntukkan dalam Akta Keselamatan dan Kesihatan Pekerjaan, 1994. Mesyuarat ini diminitkan, terutamanya mengenai masalah atau isu berkaitan tindakan pembedahan tertentu yang dicadangkan atau diambil untuk menangani setiap isu. Kehadiran setiap ahli adalah wajib dan mereka yang berulang kali tidak hadir akan dikeluarkan daripada jawatankuasa.

Pemeriksaan keselamatan dan kesihatan jabatan dilaksanakan secara berkala untuk:

- Mengenal pasti perbuatan berbahaya dan tidak selamat yang perlu dibetulkan;

- Assign corrective responsibility;
- Evaluate programme effectiveness; and
- Report identified problems and progress to management to improve workplace safety and health.

The responsibilities of the Safety and Health Committee 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.

We conducted several Safety and Health activities in 2018, such as Basic Occupational First Aid Training, Emergency Response Team Training for Menara SME Bank and SME Bank network, fire drill awareness talk by BOMBA Wilayah Persekutuan Kuala Lumpur, BOMBA inspection for the renewal of fire certificate, safety audit at Menara SME and Kuantan Network by the Department of Occupational Safety and Health, quarterly workplace inspection at Menara SME Bank and SME Bank network, Ergonomics Awareness Talk by a certified Ergonomist as well as safety briefing to the Board of Directors of SME Bank.

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 talk for Contractors, Ergonomic Risk Assessment for Employees, monthly Safety and Health Bulletins and many more.

To ensure strict compliance to these standards, and to promote a strong safety culture, we have in place effective communication and reinforcement through a variety of channels. This provides us the platform to engage all employees in understanding and adhering to safety programmes and policies.

- Menugaskan tanggungjawab pembedahan;
- Menilai keberkesanan program; dan
- Melaporkan masalah dan kemajuan yang dikenal pasti kepada pihak pengurusan untuk menambah baik keselamatan dan kesihatan tempat kerja.

Tanggungjawab Jawatankuasa Keselamatan dan Kesihatan adalah berpandukan Akta Keselamatan dan Kesihatan Pekerjaan, 1994, khususnya untuk:

- Mengenal pasti potensi bahaya;
- Menilai potensi bahaya;
- Menyarankan tindakan pembedahan; dan
- Membuat susulan terhadap pelaksanaan saranan.

Kami menjalankan beberapa aktiviti Keselamatan dan Kesihatan pada tahun 2018, seperti latihan pertolongan cemas untuk Pasukan Tindakan Kecemasan di Menara SME Bank dan rangkaian SME Bank, ceramah kesedaran latihan kebakaran oleh BOMBA Wilayah Persekutuan Kuala Lumpur, pemeriksaan BOMBA untuk pembaharuan sijil kebakaran, audit keselamatan di Menara SME Bank dan rangkaian SME Bank di Kuantan oleh Jabatan Keselamatan dan Kesihatan Pekerjaan, pemeriksaan suku tahunan tempat kerja di Menara SME Bank dan rangkaian SME Bank, ceramah kesedaran ergonomik oleh Ahli Ergonomi bertauliah serta taklimat keselamatan kepada Lembaga Pengarah SME Bank.

PEMATUHAN KEPADA PIAWAIAN KESELAMATAN DAN KESIHATAN

Bank mematuhi beberapa piawaian antarabangsa, seperti OHSAS 18001 untuk kesihatan dan keselamatan, daripada mana kami membentuk sistem Keselamatan dan Kesihatan Pekerjaan (OHS) kami sendiri untuk memantau rapi kejadian keselamatan dan kesihatan 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, buletin bulanan tentang keselamatan dan kesihatan dan lain-lain.

Bagi memastikan pematuhan kepada piawaian-piawaian ini, dan untuk menggalakkan budaya keselamatan yang kukuh, kami melaksanakan komunikasi berkesan melalui pelbagai saluran. Ini memberikan kami platform untuk berhubung dengan semua pekerja agar mereka memahami dan mematuhi program dan dasar keselamatan.



SOCIAL AND COMMUNITY SUPPORT

Building good relationships with communities in which the business operates is a value on which SME Bank places great importance. This is because communities are neighbours, customers, and business partners all at the same time, with whom we can help each other. The Bank thus believes in the philosophy of giving back to the community and today, corporate citizenship has been an integral part of our corporate culture.

The commitment to respond to concerns is part of building relationships and an aspiration to become one with the communities whose resilience the Bank aims to foster. In this regard, we strive to:

- Disseminate and share knowledge with the community;
- Creatively respond to community needs;
- Fulfil dreams and 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.

CORPORATE VOLUNTEERING

In addition to benefitting the community, SME Bank strongly believes that corporate volunteering improves the reputation and motivation of staff, develops neglected skills and competences, strengthens trust and empathy, and contributes to build a team spirit.

In 2018, we even had the privilege to join other financial institutions through volunteering involvements. While this helps to motivate employees to contribute their time and skills towards social causes in the areas of community welfare, it provides the edge for the Bank to prove that we are fully committed to social and community causes.



SOKONGAN SOSIAL DAN KOMUNITI

Membina hubungan yang baik dengan komuniti di mana perniagaan beroperasi adalah nilai yang sangat diutamakan oleh SME Bank. Ini adalah kerana komuniti pada masa yang sama adalah jiran, pelanggan dan rakan niaga, yang mana kami boleh saling membantu. Oleh itu Bank percaya dalam falsafah memberi balik kepada komuniti dan hari ini, kewarganegaraan korporat menjadi bahagian penting budaya korporat kami.

Komitmen untuk bertindak balas ke atas hal-hal yang menjadi kepentingan kepada komuniti adalah sebahagian usaha membina hubungan dan merupakan aspirasi untuk bersatu dengan komuniti. Dalam hal ini, kami berusaha untuk:

- Menyebar dan berkongsi pengetahuan dengan komuniti;
- Bertindak balas secara kreatif terhadap keperluan komuniti;
- Memenuhi impian dan 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.

KERJA SUKARELA KORPORAT

Di samping memanfaatkan komuniti, SME Bank begitu percaya bahawa kerja sukarela menambah baik reputasi dan motivasi pekerja, membangunkan kemahiran dan kecekapan yang terabai, mengukuhkan kepercayaan dan empati, dan menyumbang ke arah membina semangat pasukan.

Pada tahun 2018, kami malah berpeluang menyertai beberapa institusi kewangan lain melalui penglibatan kerja sukarela. Semua ini membantu dalam motivasi pekerja untuk menyumbang masa dan kemahiran mereka bagi tujuan sosial dalam bidang kebajikan komuniti. Ia juga memberi peluang kepada Bank untuk membuktikan bahawa kami benar-benar komited terhadap usaha sosial dan komuniti.

SOCIAL

SOSIAL

148

FINCO Mentor Programme

SME Bank joins other 107 Malaysian financial institutions who are also members of Financial Industry Collective Outreach (FINCO) which is the country's largest collective impact initiative programme to help prosper the community.

The FINCO Mentor is a programme for upper secondary students that provides access to a deep pool of mentors with wide ranging experience in every career imaginable. It is a life aspiration initiative which comprises online and offline segments.

In 2018, the Bank was involved in both offline segment that brought our volunteers into schools to support both students and school counsellors as well as the online segment which saw our Group President/Chief Executive Officer volunteering to the FINCO Legend Interview to share his own personal experience and professional aspirations, which can be viewed on YouTube – FINCO Interview with SME Bank CEO, Aria Putera Ismail (Mentor).

FINCO Reads Programme

We took the opportunity to contribute towards English language learning for primary school students by volunteering in the FINCO Reads, another programme by the Financial Industry Collective Outreach (FINCO).

Our staff were at the specific schools in Sabah to assist in this pilot programme by FINCO, which is aimed at enhancing English proficiency among students.

Following this initiative and the Bank's experience in fostering good relationships with communities, we will continue to support the whole concept of collective outreach as the pooling of resources on a wide level will generate greater multiplier effects.

ENTREPRENEURSHIP

During the year, we continued with our corporate social responsibility (CSR) activities in the area of entrepreneurship to support the relevant community while benefitting the public at large. The CSR concept to us is a very progressive approach that focuses on long-term goals and long-term returns while harmonising relationships with the community.



Program FINCO Mentor

SME Bank turut serta bersama-sama 107 institusi kewangan Malaysia lain yang juga ahli *Financial Industry Collective Outreach (FINCO)*, iaitu program impak kolektif terbesar negara untuk membantu memakmurkan masyarakat.

FINCO Mentor adalah program untuk pelajar sekolah menengah yang menyediakan mentor yang berpengalaman dalam berbagai-bagai bidang kerjaya. Ia adalah inisiatif aspirasi kehidupan yang mengandungi bahagian dalam talian dan fizikal.

Pada tahun 2018, Bank terlibat dalam kedua-duanya, iaitu segmen fizikal di mana sukarelawan kami pergi ke sekolah untuk menyokong para pelajar dan perunding, serta segmen dalam talian di mana Presiden Kumpulan/Ketua Pegawai Eksekutif secara sukarela berkongsi pengalaman peribadi dan aspirasi profesional beliau dalam *FINCO Legend Interview*, yang boleh ditonton di YouTube – *FINCO Interview with SME Bank CEO, Aria Putera Ismail (Mentor)*.

Program FINCO Reads

Kami mengambil peluang menyumbang kepada pembelajaran bahasa Inggeris untuk pelajar sekolah rendah dengan menawarkan diri secara sukarela dalam *FINCO Reads*, satu lagi program oleh *Financial Industry Collective Outreach (FINCO)*.

Kakitangan kami telah berada di sekolah terpilih di Sabah untuk membantu program fasa pertama oleh *FINCO* ini, yang bertujuan meningkatkan kefasihan bahasa Inggeris di kalangan pelajar.

Susulan daripada inisiatif ini serta pengalaman Bank dalam menjalin hubungan baik dengan masyarakat, kami akan terus menyokong keseluruhan konsep jangkauan kolektif oleh kerana pengumpulan sumber pada peringkat lebih besar akan menghasilkan kesan limpahan lebih besar.

KEUSAHAWANAN

Sepanjang tahun ini, kami meneruskan program tanggungjawab sosial korporat (CSR) dalam bidang keusahawanan sebagai menyokong komuniti berkenaan sementara memanfaatkan semua orang secara amnya. Konsep CSR bagi kami adalah satu pendekatan progresif yang menumpukan pada matlamat dan pulangan jangka panjang dan pada masa yang sama mengharmonikan perhubungan dengan komuniti.



SME Bank Y-Biz Challenge

SME Bank continued with its signature CR programme, the 'Program Inovasi Usahawan Muda: SME Bank Y-Biz Challenge' for the sixth year in 2018.

This signature programme is an ongoing effort with the Co-curricular and Arts Division, Ministry of Education Malaysia (MOE) which has so far been successful in nurturing and grooming future entrepreneurs amongst secondary school students in Malaysia. The programme aims to raise students' interest in entrepreneurship, provide them with the opportunity to explore their creativity and innovativeness, as well as accord them the knowledge to become potential entrepreneurs in the future.

During the year, 113 secondary schools participated in SME Bank Y-Biz Challenge which involved 825 students and submissions of 209 project papers.

All the semi-finalist received seed capital of RM1,000 each to produce the product or service. The teams were exposed to topics on entrepreneurship, leadership skills and product design. They also participated in motivational talks and various group activities conducted by the invited speakers and an appointed training consultant.

Following the presentation of their project proposals and product, the panel of judges comprising representatives from CEDAR, the MOE and MIMOS selected 10 schools to compete in the final round. All the finalists presented the progress update on their respective businesses following which the top three winners were announced, with Kolej Vokasional (Pertanian) Teluk Intan being the champion.

SME Bank Y-Biz Challenge

SME Bank meneruskan program tanggungjawab korporat ulungnya, 'Program Inovasi Usahawan Muda: SME Bank Y-Biz Challenge' untuk tahun keenam pada 2018.

Program *signature* ini adalah usaha berterusan bersama Bahagian Kokurikulum dan Seni, Kementerian Pendidikan Malaysia yang setakat ini telah berjaya memupuk dan mempersiapkan bakal usahawan dalam kalangan pelajar sekolah menengah di Malaysia. Program ini bertujuan meningkatkan minat keusahawanan pelajar, membuka peluang untuk mereka menerokai kreativiti dan inovasi masing-masing, serta membekalkan pengetahuan untuk menjadi usahawan berpotensi di masa hadapan.

Pada tahun ini, 113 sekolah menengah mengambil bahagian dalam *SME Bank Y-Biz Challenge* yang melibatkan 825 pelajar dan penyerahan 209 kertas projek.

Kesemua pemenang peringkat separuh akhir menerima wang modal sebanyak RM1,000 setiap seorang untuk menghasilkan produk dan perkhidmatan mereka. Setiap pasukan didedahkan kepada topik tentang keusahawanan, kemahiran kepimpinan, dan reka bentuk produk. Mereka juga mengambil bahagian dalam ceramah motivasi dan pelbagai aktiviti berkumpul yang dikendalikan oleh penceramah jemputan dan perunding latihan yang dilantik.

Berikutan pembentangan cadangan projek dan produk mereka, panel hakim yang terdiri daripada wakil dari CEDAR, Kementerian Pendidikan Malaysia dan MIMOS telah memilih 10 sekolah untuk bertanding dalam pusingan akhir. Kesemua pemenang peringkat akhir membentangkan laporan kemajuan perniagaan masing-masing, dan kemudiannya tiga pemenang diumumkan, di mana Kolej Vokasional (Pertanian) Teluk Intan diumumkan sebagai juara.



SOCIAL

SOSIAL

150



CORPORATE PHILANTHROPY

Over the years, SME Bank's approaches to sustainability evolve from community engagement and philanthropic programmes to integrated strategies that focus on long-term value for all stakeholders including the society and community. In this regard we are proud to have helped lead the shift of the people's lives towards betterment.

Our corporate philanthropy efforts are aligned with broader sustainability initiatives and overall corporate strategy and many of the initiatives are conducted with the involvement of our employees. Over 7,950 people benefitted from our philanthropy efforts in 2018.

Financial Assistance for Palu Earthquake Victims

In support of community welfare and in line with our sustainable social commitment, SME Bank made a RM30,000 contribution to the Media Prima-NSTP Humanitarian Fund. The contribution was channelled to the Malaysian Medical Relief Society (Mercy Malaysia) for its Palu Disaster Aid Fund to purchase relief items, including food and medical supplies, and recovery efforts for the communities affected by the earthquake in Palu, Sulawesi.

Cash Contribution to Aid Palestinian Refugees

Our support in 2018 extended beyond local communities and involved a cash contribution of RM30,000 to the National Welfare Foundation, which was channelled to the United Nation's Relief and Works Agency for Palestine Refugees (UNRWA). UNRWA is a relief and human development agency which supports more than five million registered Palestinian refugees, and their patrilineal descendants, who fled or were expelled from their homes during the 1948 Palestine war as well as those who fled or were expelled during and following the 1967 Six Day war.

KEDERMAWANAN KORPORAT

Selama bertahun-tahun, pendekatan SME Bank terhadap kemampunan berkembang daripada hubungan komuniti dan program kedermawanan kepada strategi bersepadu yang menumpukan pada semua pihak berkepentingan termasuk masyarakat dan komuniti. Dalam hal ini kami bangga kerana telah dapat membantu dalam peralihan kehidupan kepada tahap lebih baik.

Kedermawanan korporat kami dijangka dengan usaha kemampunan lebih meluas dan keseluruhan strategi korporat dengan kebanyakan usaha-usaha ini adalah dengan penglibatan kakitangan kami. Lebih 7,950 orang mendapat manfaat daripada usaha-usaha kedermawanan kami pada tahun 2018.

Bantuan Kewangan kepada Mangsa Gempa Bumi Palu

Sebagai menyokong kebajikan masyarakat dan sejajar dengan komitmen sosial yang mampan, SME Bank menyumbang RM30,000 kepada Dana Kemanusiaan Media Prima-NSTP. Sumbangan ini disalurkan kepada Persatuan Bantuan Perubatan Malaysia (Mercy Malaysia) bagi Dana Bantuan Bencana Palu untuk membeli barang-barang seperti makanan dan bekalan perubatan, dan usaha pemulihan bagi komuniti yang menerima akibat daripada gempa bumi di Palu, Sulawesi.

Sumbangan Tunai untuk Membantu Pelarian Palestin

Sokongan kami pada tahun 2018 melangkaui komuniti tempatan dan melibatkan sumbangan tunai sebanyak RM30,000 kepada Yayasan Kebajikan Negara, yang disalurkan kepada Agensi Bantuan dan Pekerjaan Kesatuan Bangsa-Bangsa Bersatu bagi Pelarian Palestin (UNRWA). UNRWA adalah agensi bantuan dan pembangunan manusia yang menyokong lebih lima juta pelarian Palestin yang berdaftar, dan keturunan mereka, yang lari atau dihalau dari rumah mereka semasa perang Palestin 1948 serta mereka yang lari atau dihalau berikutan perang Enam Hari 1967.



Contribution of Haemodialysis Machines

We contributed six dialysis machines worth RM222,600 to the National Welfare Foundation (YKN), a charity organisation to help the Government's efforts to improve the people's quality of life. The machines would help those in need, including kidney patients undergoing haemodialysis treatment at Pusat Dialisis YKN Rompin, Pusat Dialisis YKN Terengganu and Pusat Dialisis YKN Kota Bharu.

Back to School Programme

The Bank's Back to School Programme in 2018 extended to 10 locations throughout the country, benefitting 1,000 students, including 45 Rohingyas. They received contributions including school bags and stationery items. The programme is aimed at easing the burden of the underprivileged in preparation of the upcoming school year.

Various Other Corporate Contributions

We continued to make donations to non-profit organisations and the people in need as we fostered community involvement. The donations were in the form of cash as well as goods and food to various groups of the community. In collaboration with PERTIWI Soup Kitchen, we distributed food packs to the homeless during the month of Ramadan for Iftar and Sahur as well as to the homeless at Pusat Transit Gelandangan Medan Tuanku that benefitted a total of about 400 people. In collaboration with Syrian Care, we contributed 5,000 food packs (RM75,000) for its Ramadhan Al-Khair campaign 6.0 in Ghoutan and Damsyik. In conjunction with Aidilfitri, we contributed "baju raya" and distributed food packs to Rohingya students. In collaboration with Islamic Relief Malaysia, we also contributed a total of RM31,250 to 125 single mothers and children from poor families for the 'Ceria Aidilfitri' programme.

Sumbangan Mesin Haemodialisis

Kami menyumbang enam mesin dialisis bernilai RM222,600 kepada Yayasan Kebajikan Negara (YKN), sebuah badan amal untuk membantu usaha Kerajaan menambah baik mutu kehidupan rakyat. Mesin-mesin ini akan membantu mereka yang memerlukan, termasuk pesakit buah pinggang untuk menjalani rawatan haemodialisis di Pusat Dialisis YKN Rompin, Pusat Dialisis YKN Terengganu dan Pusat Dialisis YKN Kota Bharu.

Program Kembali ke Sekolah

Program Kembali ke Sekolah Bank pada tahun 2018 menjangkau ke 10 lokasi di seluruh negara, memberi manfaat kepada 1,000 orang pelajar, termasuk 45 kanak-kanak Rohingya. Mereka menerima sumbangan termasuk beg sekolah dan alat tulis. Program ini bertujuan meringankan beban golongan kurang bernasib baik dalam persediaan mereka untuk tahun persekolahan yang bakal tiba.

Pelbagai Sumbangan Korporat Lain

Kami meneruskan derma kepada badan-badan bukan berasaskan keuntungan dan orang-orang yang memerlukan sebagai mengukuhkan lagi penglibatan komuniti. Derma ini adalah dalam bentuk tunai serta barangan dan makanan kepada pelbagai kumpulan masyarakat. Dengan kerjasama PERTIWI *Soup Kitchen*, kami mengedarkan paket makanan kepada orang-orang yang tiada tempat perlindungan semasa bulan Ramadan untuk Iftar and Sahur serta golongan yang sama di Pusat Transit Gelandangan Medan Tuanku. Seramai kira-kira 400 orang menikmati bantuan tersebut. Melalui kerjasama dengan Syrian Care, kami menyumbang 5,000 paket makanan berjumlah RM75,000 untuk kempen Ramadhan Al-Khair 6.0 di Ghoutan dan Damsyik. Bersempena Aidilfitri, kami menyumbang baju raya dan mengedarkan peket makanan kepada para pelajar Rohingya. Dengan kerjasama Islamic Relief Malaysia, kami turut membantu 125 ibu tunggal dan kanak-kanak daripada keluarga miskin melalui sumbangan kesemuanya berjumlah RM31,250 sempena program 'Ceria Aidilfitri'.

GOVERNANCE AND COMPLIANCE

TADBIR URUS DAN PEMATUHAN

152

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018



GROUP COMPLIANCE

SME Bank is committed in operating our business in a manner that will resonate sustainability. We achieve this through the implementation of a management system, which uphold good governance principles rooted in ethics, equality, traceability, accountability, and responsibility to all stakeholders. The Bank complies with relevant laws and regulatory requirements, while simultaneously conforming our practices in line with the Government's aspiration to uphold integrity, governance and anti-corruption via its circular in October 2018. This is in accordance to our goal to bring economic growth impact, address and reduce environmental impacts, as well as create values to society.

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 Bank. 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.

Detailed disclosure on the Bank's corporate governance is included in this Integrated Report on pages 58 to 85.

PEMATUHAN KUMPULAN

SME Bank komited menjalankan operasi perniagaan kami dalam cara yang menunjukkan kemampunan. Kami mencapainya melalui pelaksanaan sistem pengurusan, yang mendukung prinsip tadbir urus yang baik yang bertunjangkan etika, kesamaan, kebolehlihatan, akauntabiliti dan tanggungjawab kepada semua pihak berkepentingan. Bank mematuhi semua keperluan undang-undang dan pengawalseliaan, dan pada masa yang sama mengikut piawaian antarabangsa dalam amalan perniagaan kami. Ini adalah berdasarkan matlamat kami untuk membawa impak pertumbuhan ekonomi, menangani dan mengurangkan kesan alam sekitar, serta mencipta nilai untuk masyarakat.

Pendekatan kami terhadap tadbir urus dan pematuhan adalah dengan menerima pakai tahap etika dan ketelusan yang tinggi, sementara membina asas yang kukuh bagi organisasi untuk menjadi sebuah Bank 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.

Pendedahan terperinci tentang tadbir urus korporat Bank disertakan dalam Laporan Bersepadu ini di halaman 58 hingga 85.



ETHICS

Code of Conduct

The Bank's Code of Conduct which was revised on 28 September 2017 prohibits the Bank's staff from offering or accepting bribes for their own or for their relatives' benefit. The Code of Conduct spells out what constitutes corrupt practices and highlights that accepting and attempting to solicit any gratification from any party is part of major misconduct.

Corporate Integrity Pledge

We continue to uphold the corporate integrity pledge we made in 2016 in which the Bank agrees to create a business environment that is free from corrupt and unethical practices. The function of Corporate Integrity Section within the Group Compliance Department remains important for implementing the necessary and relevant programmes as we continue to instil a culture of integrity within the Bank.

Gift and Entertainment Policy

The Bank's improved version of its gift and entertainment policy which 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

The Bank had launched a whistleblowing mechanism namely 'SME Bank Speak Up.' SME Bank Speak Up is an independent service operated by Deloitte Corporate Solutions Sdn. Bhd. (Deloitte) which gives the opportunity to report any misconduct anonymously.

RISK MANAGEMENT

The Bank sets a specific work sector within the organisation structure to address this particular area. The Group Risk Management Department reports to the Risk Management Committee.

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 Bank 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 has a set of underwriting criteria that stipulates control measures such as the listing of non-qualified business activities for financing and effective credit risk management at the macro level.

ETIKA

Kod Tata Laku

Kod Tata Laku Bank yang disemak pada 28 September 2017 melarang kakitangan Bank daripada memberi atau menerima rasuah untuk manfaat diri mereka sendiri ataupun sanak saudara. Kod Tata Laku menyatakan dengan jelas apa yang dimaksudkan dengan amalan rasuah dan bahawa menerima atau mencuba mendapatkan sesuatu balasan daripada mana-mana pihak adalah sebahagian salah laku serius.

Ikrar Integriti Korporat

Kami terus mendukung ikrar integriti korporat yang dibuat pada tahun 2016 di mana Bank bersetuju untuk mewujudkan persekitaran perniagaan yang bebas daripada amalan rasuah dan tidak beretika. Fungsi Unit Integriti Korporat dalam Jabatan Pematuhan Kumpulan kekal penting bagi melaksanakan program-program yang perlu dan sesuai dalam usaha kami untuk terus memupuk budaya integriti dalam 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 (*Whistleblowing*)

Bank melancarkan mekanisme memberitahu maklumat (*whistleblowing*) iaitu 'SME Bank Speak Up.' SME Bank Speak Up adalah perkhidmatan bebas yang dikendalikan oleh Deloitte Corporate Solutions Sdn. Bhd. (Deloitte) yang memberi peluang untuk melaporkan sebarang salah laku tanpa memerlukan individu yang memberi maklumat itu mendedahkan namanya.

PENGURUSAN RISIKO

Bank menetapkan sektor kerja khusus dalam struktur organisasi untuk mengendalikan bahagian ini. Jabatan Pengurusan Risiko Kumpulan melapor kepada Jawatankuasa Pengurusan Risiko.

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 yang mungkin menghalang Bank 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.

Bank mempunyai kriteria garis panduan yang menetapkan langkah-langkah kawalan seperti penyenaian aktiviti perniagaan tidak layak untuk pembiayaan dan pengurusan berkesan risiko kredit pada peringkat makro.

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.

Sectoral Concentration Limits

To prevent concentration towards a particular economic sector, we have established internal thresholds for all its financing exposures. The Bank adopts the Classical Mean-Variance model, a widely-accepted portfolio optimization model, in the assignment of limits. The model allows the Bank to factor in economic factors, historical experience of the Bank as well as the correlation between the sectors. 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 addition to the overall sectoral projection shared before the start of new financial year plus in sectoral concentration limit exercise. In 2019, Strategic Credit and Economic Analytics (SCEA) have done 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. Besides, SCEA also covers the updates on what happened in the global, regional and local economy through our Economic Review in which until year-to-date, we have been written about the Malaysia Quarterly Economic Performance, the Overnight Policy Rate and others to ensure every and each of us alert about what is happening in the surrounding. SCEA also has been

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.

Had Penumpuan Sektor

Dalam usaha menghalang penumpuan terhadap satu sektor ekonomi tertentu, kami telah menetapkan ambang dalaman untuk semua pendedahan pembiayaannya. Bank menerima pakai model *Classical Mean-Variance*, satu model pengoptimuman portfolio yang diterima secara meluas, dalam penetapan had. Model ini membolehkan Bank mempertimbangkan faktor ekonomi, pengalaman lampau Bank serta hubungan kait antara sektor-sektor tersebut. 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.

Topik yang kami kaji termasuk minyak dan gas, pukal dan runcit, pendidikan, perubatan, pengangkutan, dan keperlahanan ekonomi China. Kajian ini dikongsi dalam Bank untuk menyediakan panduan umum bagi tujuan penilaian permohonan pembiayaan, berhubung risiko yang wujud serta faktor sisihan yang berkaitan dengan risiko tersebut. Di samping itu unjuran sektor keseluruhan dikongsi sebelum tahun kewangan baharu bermula serta dalam kegiatan had tumpuan sektor. Pada 2019, *Strategic Credit and Economic Analytics* (SCEA) menjalankan kajian mendalam ke atas sektor Pelacangan, segmen Peruncitan-Kedai Runcit, Kapal Sokongan Luar Pesisir,



sharing Economic Updates paper every month which includes 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 as well as 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 Department on a regular basis and is revised on annual basis. Any deviation to the statement metrics shall be escalated to the Senior Management, together with feasible recommendations for addressing issues.

SUSTAINABLE PROCUREMENT

SME Bank views sustainable procurement as 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 flowed down 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. We prioritise suppliers with local and international standards accreditation such as ISO and SIRIM, and encourage them to adopt our high standards and work towards continual improvement.

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 dan lain-lain bagi memastikan semua orang maklum tentang apa yang berlaku dalam persekitaran kerja. SCEA juga berkongsi kertas Maklumat Terkini Ekonomi pada setiap bulan yang termasuk prestasi dan perubahan ekonomi umum, berita disemak dan terkini bagi setiap sektor serta isu-isu berhubung keseimbangan 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 kewajipannya 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 Jabatan 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.

PEROLEHAN MAMPAN

SME Bank melihat perolehan mampan sebagai satu proses di mana kami memenuhi keperluan untuk mendapatkan barangan, perkhidmatan, kerja dan utiliti dalam cara 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 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

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, so as 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. The tender process must be carried out when the purchase amount exceeds the limit 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, Senior Management 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.

DATA PRIVACY AND SECURITY

In a time when digital technologies become deeply integrated in people's lives, generating greater quantities of data, the twin challenges of privacy and cybersecurity loom even larger. We take great responsibility to protect our stakeholders' personal data and proprietary information which is our utmost priority.

We have established the Bank-wide policy and directives 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 we received no customer or staff complaints concerning breach of personal information.

prestasi, korporat dan keutamaan komuniti. Kami menilai pendekatan langkah-langkah kemampunan oleh pembekal. Kami mengutamakan pembekal yang mendapat pensijilan tempatan dan antarabangsa seperti ISO dan SIRIM, dan 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 diperolehi. Proses tender mesti dijalankan apabila amaun pembelian melebihi had yang dinyatakan dalam dasar pembelian. Proses tender merangkumi jemputan, penyediaan dan penilaian serta penubuhan Jawatankuasa Pembukaan Tender, Jawatankuasa Pengurusan Kanan, Jawatankuasa Penilaian Kewangan dan Jawatankuasa Penilaian Teknikal. Kami memastikan komunikasi terbuka dan berkesan antara pihak Bank dan penender untuk mengelakkan kemungkinan salah laku sepanjang kegiatan pengambilan, penilaian dan pemilihan tender.

KEBERSENDIRIAN DAN KESELAMATAN DATA

Dalam masa di mana teknologi digital bersatu dengan kehidupan orang ramai, menghasilkan begitu banyak data, cabaran dari segi kebersendirian dan keselamatan maya kian bertambah. Kami memikul tanggungjawab yang besar untuk melindungi data dan maklumat peribadi pihak berkepentingan yang menjadi suatu yang paling utama bagi kami.

Kami telah membuat dasar dan arahan untuk seluruh Bank bagi memastikan keyakinan sesiapa sahaja yang mengamanahkan maklumat peribadi mereka kepada kami adalah berterusan. Pada masa yang sama kami mematuhi dengan penuh teliti undang-undang perlindungan kebersendirian seperti Akta Perlindungan Data Peribadi 2010. Usaha-usaha ini berbaloi di mana kami tidak menerima sebarang aduan daripada pelanggan mahupun kakitangan berhubung kebocoran atau salah guna maklumat peribadi.



2018 SUSTAINABILITY REPORT: DISCLOSURE INDEX

We prepared our Sustainability Report in alignment with the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines which provide a globally recognised framework for companies to measure and communicate their environmental, economic, social and governance performance.

The following GRI index indicates how our reporting meets GRI standards. The table lists down all the areas and information that are disclosed in our 2018 Integrated Annual Report, which covers both sustainability reporting and the audited parts of the annual report. SME Bank transparently reports all information and data that are ascertainable and relevant from a management perspective.

LAPORAN KEMAMPAAN 2018: INDEKS PENDEDAHAN

Kami menyediakan Laporan Kemampanan selari dengan Garis Panduan Pelaporan Kemampanan di dalam Inisiatif Pelaporan Global (GRI) yang menyediakan rangka kerja yang diiktiraf di seluruh dunia untuk syarikat mengukur dan memaklumkan prestasi ekonomi, alam sekitar dan sosial mereka.

Indeks GRI berikut menunjukkan bagaimana pelaporan kami memenuhi piawaian GRI. Jadual berikut menyenaraikan semua bidang dan maklumat yang didedahkan dalam Laporan Tahunan Bersepadu 2018, yang merangkumi laporan kemampanan dan bahagian laporan tahunan yang telah diaudit. SME Bank melaporkan secara telus semua maklumat dan data yang boleh dipastikan dan relevan daripada pandangan pengurusan.

	GRI STANDARD PIAWAIAN GRI	DISCLOSURE PENDEDAHAN	
GRI 102: General disclosure Pendedahkan Am	102-18	Governance structure Struktur tadbir urus	✓
	102-22	Composition of the highest governance body and its committees Komposisi badan tadbir urus tertinggi dan jawatankuasa-jawatankuasanya	✓
	102-26	Role of highest governance body in setting purpose, values, and strategy Peranan badan tadbir urus tertinggi dalam menetapkan tujuan, nilai, dan strategi	✓
	102-40	List of stakeholder groups Senarai kumpulan pihak berkepentingan	✓
	102-43	Approach to stakeholder engagement Pendekatan terhadap penglibatan pihak berkepentingan	✓
	102-55	GRI content index Indeks kandungan GRI	✓
GRI 201: Economic Performance Prestasi Ekonomi	103-2	The management approach and its components Pendekatan pengurusan dan komponen-komponennya	✓
	201-1	Direct economic value generated and distributed Impak ekonomi langsung yang dijana dan diagihkan	✓
GRI 203: Indirect Economic Impacts Impak Ekonomi Tidak Langsung	203-2	Significant indirect economic impacts Impak ekonomi tidak langsung yang ketara	✓
GRI 204: Procurement Practices Amalan Perolehan	103-1	Explanation of the material topic and its boundary Penjelasan topik penting dan batasannya	✓
	103-2	The management approach and its components Pendekatan pengurusan dan komponen-komponennya	✓

GOVERNANCE AND COMPLIANCE

TADBIR URUS DAN PEMATUHAN

	GRI STANDARD PIAWAIAN GRI	DISCLOSURE PENDEDAHAN	
GRI 205: Anti-corruption Anti Rasuah	103-1	Explanation of the material topic and its boundary Penjelasan topik penting dan batasannya	✓
	103-2	The management approach and its components Pendekatan pengurusan dan komponen-komponennya	✓
GRI 302: Energy Tenaga	103-1	Explanation of the material topic and its boundary Penjelasan topik penting dan batasannya	✓
	103-2	The management approach and its components Pendekatan pengurusan dan komponen-komponennya	✓
	302-1	Energy consumption within the organization Penggunaan tenaga di dalam organisasi	✓
	302-4	Reduction of energy consumption Pengurangan penggunaan tenaga	✓
GRI 303: Water Air	103-1	Explanation of the material topic and its boundary Penjelasan topik penting dan batasannya	✓
	103-2	The management approach and its components Pendekatan pengurusan dan komponen-komponennya	✓
GRI 306: Effluents and Waste Buangan dan Sisa	103-1	Explanation of the material topic and its boundary Penjelasan topik penting dan batasannya	✓
	306-2	Waste by type and disposal method Sisa mengikut jenis dan kaedah pembuangan	✓
GRI 307: Environmental Compliance Pematuhan Alam Sekitar	103-1	Explanation of the material topic and its boundary Penjelasan topik penting dan batasannya	✓
GRI 401: Employment Pengambilan Pekerja	103-1	Explanation of the material topic and its boundary Penjelasan topik penting dan batasannya	✓
	401-1	New employee hires and employee turnover Pengambilan pekerja baharu dan pemberhentian pekerja	✓
GRI 402: Labour Management/ Relations Pengurusan/Hubungan Pekerja	103-1	Explanation of the material topic and its boundary Penjelasan topik penting dan batasannya	✓
GRI 403: Occupational Safety and Health Keselamatan dan Kesihatan Pekerja	103-1	Explanation of the material topic and its boundary Penjelasan topik penting dan batasannya	✓
	103-2	The management approach and its components Pendekatan pengurusan dan komponen-komponennya	✓
	403-1	Workers representation in formal joint management- worker safety and health committees Perwakilan pekerja dalam jawatankuasa bersama rasmi keselamatan dan kesihatan antara pengurusan-pekerja	✓



	GRI STANDARD PIAWAIAN GRI	DISCLOSURE PENDEDAHAN	
GRI 404: Training and Education Latihan dan Pendidikan	103-1	Explanation of the material topic and its boundary Penjelasan topik penting dan batasannya	✓
	404-1	Average hours of training per year per employee Purata jam latihan setiap tahun setiap kakitangan	✓
	404-2	Programmes for upgrading employee skills and transition assistance programmes Program untuk menaik taraf kemahiran kakitangan dan program bantuan peralihan	✓
GRI 405: Diversity and Equal Opportunity Kepelbagaian dan Peluang Sama Rata	103-1	Explanation of the material topic and its boundary Penjelasan topik penting dan batasannya	✓
	103-2	The management approach and its components Pendekatan pengurusan dan komponen-komponennya	✓
	405-1	Diversity of governance bodies and employees Kepelbagaian badan tadbir urus dan kakitangan	✓
GRI 406: Non-Discrimination Tiada Diskriminasi	103-1	Explanation of the material topic and its boundary Penjelasan topik penting dan batasannya	✓
	103-2	The management approach and its components Pendekatan pengurusan dan komponen-komponennya	✓
GRI 413: Local Communities Komuniti Setempat	103-1	Explanation of the material topic and its boundary Penjelasan topik penting dan batasannya	✓
	103-2	The management approach and its components Pendekatan pengurusan dan komponen-komponennya	✓
	413-1	Operations with local community engagement, impact assessments, and development programmes Operasi dengan penglibatan masyarakat setempat, penilaian kesan, dan program pembangunan	✓

AN EVENTFUL YEAR

TAHUN PENUH PERISTIWA

It has been an exciting year for SME Bank, with business and events becoming intertwined, as we rounded up some of the main goings-on over the last twelve months.

Bagi SME Bank, ini adalah satu tahun di mana perniagaan dan peristiwa saling berkait, dan kami merumuskan beberapa peristiwa yang berlaku sepanjang dua belas bulan lalu.



04

Calendar of Events
Kalendar Peristiwa

Corporate Visits
Lawatan Korporat



CALENDAR OF EVENTS

KALENDAR PERISTIWA

162

JANUARY



22 January

Dialogue Session with YB Datuk Haji Ahmad Maslan, Deputy Minister MITI at Auditorium Foyer, Level 2, Menara SME Bank, Kuala Lumpur



25 January

SME Bank Engagement Session at The Saujana Hotel Kuala Lumpur, Selangor



26-28 January

Karnival Jom Niaga Northern Region at Amanjaya Mall, Sg. Petani, Kedah



30 January

Durian Event for Networking Session with Existing Depositors at MATIC, Jalan Ampang, Kuala Lumpur

FEBRUARY



7 February

SME Bank Engagement Session at Hilton Kuching, Sarawak



8 February

SME Bank Engagement Session at LA Hotel, Tawau, Sabah

MARCH



8 March

SME Bank Engagement Session at Grand Alora Hotel, Alor Star, Kedah



12 March

SME Bank Engagement Session at Holiday Inn, Melaka

APRIL



5 April

SME Bank Engagement Session at Perdana Hotel, Kota Bharu, Kelantan



12 April

Cheque Presentation for Malaysian Press Institute (MPI) at Saloma Bistro, Jalan Ampang, Kuala Lumpur



16 April

SME Bank Health Day 2018 and Blood Donation Campaign at Lobby Area and Auditorium Foyer, Level 2, Menara SME Bank, Kuala Lumpur



28 April

SME Bank Employee Appreciation Dinner 2018 at Royale Chulan Hotel, Damansara, Kuala Lumpur



MAY



18 May
Distribution of *Bubur Lambuk* at PUSRAWI Hospital, Kuala Lumpur



23 May
Distribution of 400 packed food for *Sahur* at *Pusat Transit Gelandangan Medan Tuanku*, Kuala Lumpur

JUNE



1 June
Distribution of 500 pack *Bubur Lambuk* at SME Bank's vicinity



1 June
Distribution of 500 packed food for IFTAR at Terminal Bersepadu Selatan (TBS), Bandar Tasik Selatan

JUNE



4 June
Contribution for *Ceria Aidilfitri* programme with *Asnaf* in collaboration with the Islamic Relief Malaysia (IRM) at Mydin Mall, Subang, Selangor



5 June
Contribution of *Baju Raya* for Rohingya students and a teacher in collaboration with MyCARE at Jakel Mall, Kuala Lumpur



5 June
Majlis Berbuka Puasa SME Bank 2018 at Menara SME Bank, Kuala Lumpur



6 June
Distribution of packed food for IFTAR for Rohingya Students at Bandar Baru Bangi, Selangor

JUNE



6 June
Contribution of 170 Solat Kits to *Persatuan Sukarelawan Hospital Sungai Buloh*, Selangor



7 June
Distribution of packed food for IFTAR for *Persatuan Membantu Orang Kelainan Upaya Malaysia* at Petaling Jaya, Selangor



7 June
Contribution for *Ceria Aidilfitri* programme with underprivileged students in collaboration with the Islamic Relief Malaysia (IRM) at Mydin Mall, Subang, Selangor

CALENDAR OF EVENTS

KALENDAR PERISTIWA

JULY



6 July

SME Bank Aidilfitri Open House 2018 at Menara SME Bank, Kuala Lumpur



23-25 July

SME Bank Y-Biz Challenge 2018 & Bootcamp Session at Kinrara Resort, Puchong, Selangor

AUGUST



30 August

SME Bank National Day Celebration at Lobby Area, Menara SME Bank, Kuala Lumpur

SEPTEMBER



6 September

SME Bank Engagement Session at Duyong Marina Resort, Terengganu



19 September

SME Bank Engagement Session at Casuarina@Meru Hotel, Ipoh, Perak

OCTOBER



27 October

SME Bank Group Paintball Tournament 2018 at Sri Awana Paintball Park, Bandar Baru Bangi, Selangor

DECEMBER



6 December

SME Bank Engagement Session at TPC Kuala Lumpur



8 December

CR Programme for Beach Clean-up & Mangrove Seed Planting at Bagan Lalang, Sepang, Selangor



11 December

SME Bank Engagement Session at Mutiara Hotel, Johor Bahru



12 December

BCP Crisis Simulation at Menara SME Bank and The Saujana Hotel Kuala Lumpur, Selangor



DECEMBER



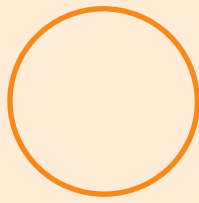
13 December
SME Bank Engagement Session at Marriott Hotel, Kota Kinabalu, Sabah



18 December
SME Bank Engagement Session at Promenade Hotel, Bintulu, Sarawak



20 December
SME Bank Engagement Session at Seri Pacific Hotel, Kuala Lumpur



CORPORATE VISITS

LAWATAN KORPORAT

166

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018



5 January 2018

Visit by YB Datuk Ahmad Maslan, Deputy Minister, Ministry of International Trade and Industry (MITI)



7 June 2018

Visit by the Ministry of Economic Development, Maldives



6 August 2018

Visit by the World Bank Group (WBG)



13 August 2018

Visit by the Business Development Bank of Canada (BDC)



18 September 2018

Visit by the Minister and Secretary General, Ministry of Entrepreneur Development (MED)



21 September 2018

Visit by Kenyan Delegates in collaboration with the Malaysian Institute of Management




9 July 2018
Visit by the Minister & Deputy Minister, Ministry of International Trade and Industry (MITI)



23 July 2018
Visit by the Bank of Industry (BOI), Nigeria



4 September 2018
Visit by the Bank of Bhutan



13 September 2018
Visit by the Nepal Bank Ltd.



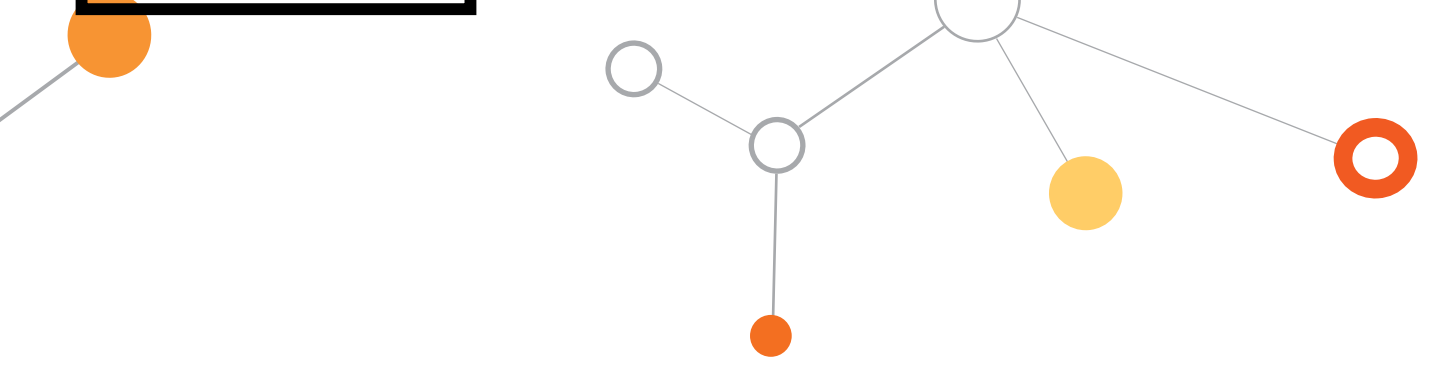
15 October 2018
Visit by the Japan International Cooperation Agency (JICA)



18 October 2018
Visit by the World Bank Group (WBG)



19 November 2018
Visit by the Small and Medium Enterprises General Authority of Saudi Arabia



FINANCIAL STATEMENTS

PENYATA KEWANGAN

GDP Growth | Pertumbuhan KDNK

7.2%

Operating Profit | Keuntungan Operasi

RM**157.3** million juta

Financing Approval | Kelulusan Pembiayaan

RM**1.80** billion bilion

05

Directors' Report
Laporan Pengarah

Statement by Directors
Penyata oleh Pengarah

Statutory Declaration
Akuian Berkanun

Shariah Committee's report
Laporan Jawatankuasa Syariah

Independent Auditors' Report
Laporan Juruaudit Bebas

Statements of Financial Position
Penyata Kedudukan Kewangan

Statements of Comprehensive Income
Penyata Pendapatan Komprehensif

Statements of Changes in Equity
Penyata Perubahan dalam Ekuiti

Statements of Cash Flows
Penyata Aliran Tunai

Notes to the Financial Statements
Nota-nota Penyata Kewangan

DIRECTORS' REPORT

170

Directors' report

The directors of Small Medium Enterprise Development Bank Malaysia Berhad hereby submit their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018.

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 10 and Note 11 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
Loss before tax expense and zakat:	(552,175)	(495,552)
Tax credit	47	50
Zakat	(4,000)	(4,000)
Net loss for the year	(556,128)	(499,502)

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 accounting policy as disclosed in Note 39 to the financial statements.



Dividends

The amount of dividend paid by the Bank since the end of the previous financial year was as follows:

In respect of the financial year ended 31 December 2017, a final dividend of 1.80 sen per share, amounting to RM33,300,000 was proposed, approved and declared at the Annual General Meeting held on 28 June 2018. The dividend was dealt with in the previous Directors' report and paid on 29 June 2018.

The directors do not recommend any dividend payment in respect of the current financial year.

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.

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:

Y.Bhg. Dato' Mohd Shukri bin Hussin
Y.Bhg. Prof. Dr. Abdul Basir bin Mohamad
Y.Bhg. Dato' Muslim bin Hussain (appointed on 1 September 2018)
En. Mohd Sakeri bin Abdul Kadir (appointed on 28 February 2019)
Y.Bhg. Datuk Ahmad Hizzad bin Baharuddin (appointed on 6 March 2019)
En. Zulkiflee bin Hashim (appointed on 6 March 2019)
Y.Bhg. Dato' Mohd Sukarno bin Tun Sardon (appointed on 8 April 2019)
Y.Bhg. Dato' Jamelah binti Jamaluddin (tenure ended on 31 January 2019)
En. Ishak bin Ismail (tenure ended on 1 February 2018)
En. Muthafa bin Yusof (tenure ended on 10 March 2018)
Y.Bhg. Tan Sri Faizah binti Mohd Tahir (Chairman) (tenure ended on 4 September 2018)
En. Khairuzzaman Muhammad (tenure ended on 31 January 2019)
Y.Bhg. Dato' Asri bin Hamidin @ Hamidon (resigned on 31 March 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:

En. Edlin Ghazaly (resigned on 31 December 2018)
En. Aria Putera bin Ismail (appointed on 26 October 2018)
En. Haizad Rizal bin A Aziz (appointed on 26 October 2018)
Hajjah Rozita binti Abd Hafiz (appointed on 26 October 2018)
En. Khairil Anuar bin Mohammad Anuar (appointed on 30 November 2018)
En. Wan Zainuddin bin Wan Muda (appointed on 30 November 2018)
Y.Bhg. Tan Sri Datuk Mohamed Khatib bin Abdul Hamid (resigned on 31 December 2018)
Y.Bhg. Dato' Hazimah binti Zainuddin (resigned on 31 December 2018)
Tuan Haji Ishak bin Hashim (ceased on 8 January 2018)
En. Ishak bin Ismail (resigned on 31 December 2018)

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 28 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.

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.

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 Company in accordance with Section 289 of the Companies Act, 2016.

Holding company

The directors regard Minister of Finance Incorporated, a company incorporated in Malaysia as the Bank's immediate and ultimate holding company.

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 2018 is as disclosed in Note 27 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 April 2019.

Dato' Mohd Shukri bin Hussin

Kuala Lumpur, Malaysia

Dato' Muslim bin Hussain

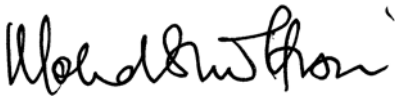
STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

174

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 2018 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 15 April 2019.



Dato' Mohd Shukri bin Hussin
Kuala Lumpur, Malaysia



Dato' Muslim bin Hussain



STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

We, Dato' Mohd Shukri bin Hussin and Aria Putera bin Ismail, being the Director 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 15 April 2019.

Dato' Mohd Shukri bin Hussin

Aria Putera bin Ismail

Before me,



G1-1-2, Ground Floor, Menara 1 Dutamas,
Solaris Dutamas, No. 1, Jalan Dutamas 1,
50480 KUALA LUMPUR, MALAYSIA.

SHARIAH COMMITTEE'S REPORT

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

176

In the Name of Allah, The Compassionate, The Most Merciful

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Small Medium Enterprise Development Bank Malaysia Berhad ("the Bank") during the financial year ended 31 December 2018. 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 is responsible for ensuring that the conducts of all its Islamic Banking operations 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 nine (9) meetings during the financial year, in which we reviewed inter alia products, transactions, services, processes and documents of the Bank. All Shariah Committee ("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 Muzakarah Cendekiawan Syariah Nusantara organized by International Shariah Research Academy for Islamic Finance ("ISRA") and two internal courses entitled 'The Latest Landscape and Trends on BCM in Financial Services Industry' and 'Integriti & Akauntabiliti Sebagai Pemimpin Mengikut Cara Rasulullah S.A.W'.

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.

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.

In our opinion:

- i) The contracts, transactions and dealings of Islamic Banking products that were entered into by the Bank during the financial year ended 31 December 2018 that we have reviewed are in compliance with the Shariah principles;
- ii) All earnings that have been realised from sources or means prohibited by the Shariah principles have been considered for disposal to charitable causes; and
- iii) The calculation and distribution of zakat is in compliance with the Shariah principles.

SHARIAH COMMITTEE'S REPORT (CONT'D)

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016



We, Prof. Dr. Abdul Basir bin Mohamad and Associate Prof. Dr. Asmak binti Ab Rahman, being two of the members of the Shariah Committee of the Bank, do hereby confirm on behalf of the members of the Shariah Committee that, in our level best, the Islamic Banking operations of the Bank for the financial year ended 31 December 2018 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.

On behalf of the Committee:

Prof. Dr. Abdul Basir bin Mohamad
Chairman of the Committee

Associate Prof. Dr. Asmak binti Ab Rahman
Member of the Committee

Kuala Lumpur, Malaysia
15 April 2019

INDEPENDENT AUDITORS' REPORT

178

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

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 of 31 December 2018, 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 181 to 321.

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 2018, 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 comprises the information included in the annual 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.

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.
- (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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

180

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

15 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
Cash and short term funds	4	485,308	423,032	481,615	418,981
Deposits and placements with banks	5	151,878	182,013	151,878	182,013
Financial assets	6	2,722,241	2,677,007	2,722,241	2,677,007
Loans, advances and financing	7	5,657,732	6,583,790	5,657,732	6,159,840
Other assets	8	14,903	27,614	132,218	526,956
Derivative financial assets	9	2,816	-	2,816	-
Investment in subsidiaries	10	-	-	-	3,582
Investment in associate	11	3,548	3,416	-	-
Property, plant and equipment	12	139,517	148,695	139,497	148,651
Investment properties	13	373,214	372,910	373,214	372,910
Intangible assets	14	17,785	11,830	17,759	11,733
Tax recoverable		29,857	27,136	26,083	26,034
Deferred tax assets	15	120,059	121,723	120,059	121,723
TOTAL ASSETS		9,718,858	10,579,166	9,825,112	10,649,430
LIABILITIES					
Deposits from customers	16	2,974,984	3,261,929	3,071,441	3,321,145
Deposits from banks and other financial institutions	17	301,417	100,172	301,417	100,172
Derivative financial liabilities	9	-	696	-	696
Medium-term notes	18	1,821,436	1,821,452	1,821,436	1,821,452
Borrowings	19	1,982,921	2,036,006	1,982,921	2,036,006
Other liabilities	20	1,039,958	1,088,286	1,055,495	1,099,933
Government funds	21	326,344	285,049	326,344	285,049
TOTAL LIABILITIES		8,447,060	8,593,590	8,559,054	8,664,453
EQUITY					
Share capital	22	1,850,000	1,850,000	1,850,000	1,850,000
(Accumulated loss)/Retained earnings		(583,618)	145,727	(589,358)	145,128
Other reserves	23	5,416	(10,151)	5,416	(10,151)
TOTAL EQUITY		1,271,798	1,985,576	1,266,058	1,984,977
TOTAL LIABILITIES AND EQUITY		9,718,858	10,579,166	9,825,112	10,649,430
COMMITMENTS AND CONTINGENCIES	32	1,675,103	2,875,173	1,675,103	2,875,173

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

182

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income	24	26,580	45,543	23,271	31,871
Interest expense	25	(55,537)	(57,617)	(55,537)	(57,617)
Net interest expense		(28,957)	(12,074)	(32,266)	(25,746)
Gross income from Islamic banking business	38	377,773	389,986	383,195	399,307
Other operating income	26	8,324	15,824	8,324	15,824
Net income		357,140	393,736	359,253	389,385
Other operating expenses	27	(207,521)	(207,335)	(201,911)	(203,862)
Operating profit		149,619	186,401	157,342	185,523
Allowance for impairment loss on:					
- loans, advances and financing	29	(694,169)	(81,031)	(289,583)	(71,331)
- commitment and contingencies	7(x)	2,638	-	2,638	-
- financial assets at FVOCI	23	(9,698)	-	(9,698)	-
- financial assets at AC	6(d)	15	-	15	-
- other assets at AC	8(b)(i)	(712)	-	(712)	-
- other assets at FVOCI	8(a)	-	-	(351,972)	-
- investment in subsidiaries	10	-	-	(3,582)	-
		(552,307)	105,370	(495,552)	114,192
Share of profit/(loss) after tax of an associate	11(ii)	132	(754)	-	-
(Loss)/Profit before tax expense and zakat		(552,175)	104,616	(495,552)	114,192
Tax credit/(expense)	30	47	(36,149)	50	(35,470)
Zakat	30	(4,000)	(4,694)	(4,000)	(4,694)
(Loss)/Profit for the year		(556,128)	63,773	(499,502)	74,028
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Unrealised gain/(loss) on revaluation of					
- financial assets at FVOCI	23	(2,362)	-	(2,362)	-
- available-for-sale financial assets	23	-	21,102	-	21,102
Changes in expected credit losses on financial assets at FVOCI	23	9,698	-	9,698	-
Income tax relating to components of other comprehensive income	23	567	(4,689)	567	(4,689)
Other comprehensive income for the year, net of tax		7,903	16,413	7,903	16,413
Total comprehensive income for the year, net of tax		(548,225)	80,186	(491,599)	90,441
(Loss)/Profit for the year attributable to the owner of the Bank		(556,128)	63,773	(499,502)	74,028
Total comprehensive (loss)/income attributable to the owner of the Bank		(548,225)	80,186	(491,599)	90,441
(Loss)/Profit per share attributable to the owner of the Bank (sen)					
- Basic	31			(27.00)	4.23

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	← Attributable to the Owner of the Bank →				Total equity RM'000
	Share capital RM'000	Non-distributable Fair value reserve RM'000	General reserve RM'000	Retained earnings/ (Accumulated loss) RM'000	
At 1 January 2018, as previously stated	1,850,000	(20,265)	10,114	145,727	1,985,576
Impact of adopting MFRS 9 at 1 January 2018 (Note 39)	-	7,664	-	(139,917)	(132,253)
At 1 January 2018 as restated	1,850,000	(12,601)	10,114	5,810	1,853,323
Unrealised loss on revaluation of financial assets at FVOCI	-	(2,362)	-	-	(2,362)
Changes in expected credit losses of financial assets 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 loss for the year	-	7,903	-	(556,128)	(548,225)
Transaction with owner: Dividends (Note 37)	-	-	-	(33,300)	(33,300)
At 31 December 2018	1,850,000	(4,698)	10,114	(583,618)	1,271,798
At 1 January 2017	1,350,000	(36,678)	10,114	98,154	1,421,590
Conversion of borrowing	500,000	-	-	-	500,000
Unrealised gain on revaluation of available-for-sale financial investments	-	21,102	-	-	21,102
Income tax relating to components of other comprehensive income	-	(4,689)	-	-	(4,689)
Profit for the year	-	-	-	63,773	63,773
Total comprehensive income for the year	-	16,413	-	63,773	80,186
Transaction with owner: Dividends (Note 37)	-	-	-	(16,200)	(16,200)
At 31 December 2017	1,850,000	(20,265)	10,114	145,727	1,985,576

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

184

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

Bank	← Attributable to the Owner of the Bank →				Total equity RM'000
	Share capital RM'000	Non-distributable Fair value reserve RM'000	General reserve RM'000	Retained earnings/ (Accumulated loss) RM'000	
At 1 January 2018, as previously stated	1,850,000	(20,265)	10,114	145,128	1,984,977
Impact of adopting MFRS 9 at 1 January 2018 (Note 39)	-	7,664	-	(201,684)	(194,020)
At 1 January 2018	1,850,000	(12,601)	10,114	(56,556)	1,790,957
Unrealised loss on revaluation of financial assets at FVOCI	-	(2,362)	-	-	(2,362)
Changes in expected credit losses of financial assets 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 loss for the year	-	7,903	-	(499,502)	(491,599)
Transaction with owner: Dividends (Note 37)	-	-	-	(33,300)	(33,300)
At 31 December 2018	1,850,000	(4,698)	10,114	(589,358)	1,266,058
At 1 January 2017	1,350,000	(36,678)	10,114	87,300	1,410,736
Conversion of borrowing	500,000	-	-	-	500,000
Unrealised gain on revaluation of available-for-sale financial investments	-	21,102	-	-	21,102
Income tax relating to components of other comprehensive income	-	(4,689)	-	-	(4,689)
Profit for the year	-	-	-	74,028	74,028
Total comprehensive income for the year	-	16,413	-	74,028	90,441
Transaction with owner: Dividends (Note 37)	-	-	-	(16,200)	(16,200)
At 31 December 2017	1,850,000	(20,265)	10,114	145,128	1,984,977

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018



185

Financial Statements | Penyata Kewangan

	Notes	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from/(used in) operating activities					
Profit before tax expense and zakat		(552,175)	104,616	(495,552)	114,192
Adjustments for:					
Net impairment loss on loan, advances and financing	29	723,573	143,904	318,987	134,203
Writeback of commitment and contingencies	7(x)	(2,638)	-	(2,638)	-
Impairment loss on financial assets	6(a) & (d)	9,683	-	9,683	-
Impairment loss on other asset at AC	8(b)(ii)	712	-	712	-
Impairment loss on other asset at FVOCI	8(a)	-	-	351,972	-
Depreciation of property, plant and equipment	27(ii)	12,759	12,134	12,735	12,103
Amortisation of intangible assets	27(ii)	6,097	3,858	6,026	3,680
Fair value adjustment on investment properties	38(k)	(304)	(14,740)	(304)	(14,740)
Dividend income from unquoted securities	26	-	(655)	-	(655)
Government funds (writeback)/released, net	26 & 38(k)	64	(11,777)	64	(11,777)
Impairment loss on investment in subsidiaries	10	-	-	3,582	-
Income from financial assets at FVOCI	24 & 38(j)	(88,430)	-	(88,430)	-
Income from financial assets at AC	38(j)	(22,510)	-	(22,510)	-
Income from available-for-sale financial assets	24 & 38(j)	-	(79,972)	-	(79,972)
Income from held-to-maturity financial assets	24 & 38(j)	-	(26,448)	-	(26,448)
Interest expense on borrowings	25 & 38(l)	57,544	61,375	57,544	61,375
Interest expense on medium-term notes	38(l)	70,445	65,316	70,445	65,316
Profit expense waived	38(k)	-	(33,777)	-	(33,777)
Property, plant and equipment written off	27(ii)	641	-	641	-
Share of (profit)/loss of an associate	11	(132)	754	-	-
Operating profit before working capital changes		215,329	224,588	222,957	223,500
Changes in working capital:					
Loans, advances and financing		54,077	(528,287)	34,713	(543,140)
Deposits and placement with banks and other financial institutions		30,135	45,992	30,135	45,992
Other assets		8,491	12,788	(23,221)	56,575
Deposits from customers		(335,714)	(286,328)	(298,473)	(303,715)
Deposits from banks and other financial institutions		201,245	(100,130)	201,245	(100,130)
Other liabilities		(48,888)	170,099	(44,997)	167,151
Cash generated from/(used in) operating activities		124,675	(461,278)	122,359	(453,767)
Interest and profit paid		(127,646)	(140,378)	(127,646)	(140,378)
Interest and profit received		159,379	114,821	159,379	114,821
Tax paid		(2,674)	(4,136)	-	(1,849)
Zakat paid		(3,440)	(4,338)	(3,440)	(4,338)
Net cash from/(used in) operating activities		150,294	(495,309)	150,652	(485,511)
Cash flows from/(used in) investing activities					
Purchase of private debt securities		-	(165,969)	-	(165,969)
Purchase of Islamic commercial paper		(671,000)	(594,000)	(671,000)	(594,000)
Purchase of Sukuk		(50,000)	-	(50,000)	-
Proceeds from redemption of Islamic commercial paper		426,000	475,868	426,000	475,868
Proceeds from sale of private debt securities		200,000	40,132	200,000	40,132
Proceeds from redemption of Sukuk		20,000	111,417	20,000	111,417
Purchase of property, plant and equipment		(4,222)	(9,101)	(4,222)	(9,101)
Purchase of intangible assets		(12,052)	(7,667)	(12,052)	(7,607)
Dividend received from associate and unquoted securities		-	655	-	655
Net cash used in investing activities		(91,274)	(148,665)	(91,274)	(148,605)

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

186

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from/(used in) financing activities					
Dividend paid		(33,300)	(16,200)	(33,300)	(16,200)
Drawdown of borrowings		17,364	34,433	17,364	34,433
Drawdown of medium-term notes		-	900,000	-	900,000
Repayment of borrowings		(70,808)	(133,124)	(70,808)	(133,124)
Repayment of medium-term notes		-	(600,000)	-	(600,000)
Proceeds from government funds		90,000	40,000	90,000	40,000
Net cash from financing activities		3,256	225,109	3,256	225,109
Net increase/(decrease) in cash and cash equivalents		62,276	(418,865)	62,634	(409,007)
Cash and cash equivalents at beginning of year		423,032	841,897	418,981	827,988
Cash and cash equivalents at end of year		485,308	423,032	481,615	418,981
Cash and cash equivalents comprise of:					
- Cash and short term funds	4	485,308	423,032	481,615	418,981

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.

	Note	1 January 2018 RM'000	Financing cash flows (i) RM'000	Non cash changes			31 December 2018 RM'000
				Interest/ profit accrual (Note 25 & 38(l)) RM'000	Re- classification to deposit from customer (Note 21) RM'000	Amortisation to profit or loss (Note 26 & 38(k)) RM'000	
Group and Bank							
Borrowings	19	2,036,006	(110,629)	57,544	-	-	1,982,921
Medium-term notes	18	1,821,452	(70,461)	70,445	-	-	1,821,436
Government funds	21	285,049	90,000	-	(48,769)	64	326,344
		4,142,507	(91,090)	127,989	(48,769)	64	4,130,701

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Reconciliation of liabilities arising from financing activities (cont'd)

	Note	1 January 2017 RM'000	Financing cash flows (i) RM'000	← Non cash changes →		Balance c/f RM'000
				Interest/ profit accrual (Note 25 & 38(l)) RM'000	Amortisation to profit or loss (Note 26 & 38(k)) RM'000	
Group and Bank						
Borrowings	19	2,683,818	(175,410)	61,375	-	2,569,783
Medium-term notes	18	1,519,795	236,341	65,316	-	1,821,452
Government funds	21	305,044	40,000	-	(11,777)	333,267
		4,508,657	100,931	126,691	(11,777)	4,724,502

	Note	Balance b/f RM'000	← Non cash changes →			31 December 2017 RM'000
			Conversion of borrowings (Note 22) RM'000	Profit expense waived (Note 39(k)) RM'000	Re- classification to other liabilities RM'000	
Group and Bank						
Borrowings	19	2,569,783	(500,000)	(33,777)	-	2,036,006
Medium-term notes	18	1,821,452	-	-	-	1,821,452
Government funds	21	333,267	-	-	(48,218)	285,049
		4,724,502	(500,000)	(33,777)	(48,218)	4,142,507

- (i) The cash flows from borrowings, medium-term notes, and government funds make up the net amount & proceeds and repayments of borrowings and medium-term notes, interest/profit payment on borrowings and medium-term notes and receipt of government funds in the statements of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

188

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 10 and Note 11, respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15 April 2019.

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

New and amended standards and interpretations

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 for annual periods on or after 1 January 2018. The Bank has not restated comparative information for 2017 for financial instruments in the scope of MFRS 9. Therefore, the comparative information for 2017 is reported under MFRS 139 and is not comparable to the information presented for 2018. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings as at 1 January 2018 and are disclosed in Note 39.

Changes to classification and measurement

To determine their classification and measurement category, MFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics.

The MFRS 139 measurement categories of financial assets (fair value through profit or loss (“FVTPL”), available-for-sale (“AFS”), held-to-maturity and Amortised Cost) have been replaced by:

- Debt instruments at Amortised Cost (“AC”)
- Debt instruments at fair value through other comprehensive income (“FVOCI”), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies and disclosures (cont'd)

Changes to classification and measurement (cont'd)

The accounting for financial liabilities remains largely the same as it was under MFRS 139, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

The Bank's classification of its financial assets and liabilities is explained in Notes 2.12 and 2.14. The quantitative impact of applying MFRS 9 as at 1 January 2018 is disclosed in Note 39.

Changes to the impairment calculation

The adoption of MFRS 9 has fundamentally changed the Bank's accounting for financing loss impairments by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Bank to record an allowance for ECLs for all financing and other debt financial assets not held at FVTPL, together with financing commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Details of the Bank's impairment method are disclosed in Note 2.13. The quantitative impact of applying MFRS 9 as at 1 January 2018 is disclosed in Note 39.

MFRS 7 Revised

To reflect the differences between MFRS 9 and MFRS 139, MFRS 7 Financial Instruments: Disclosures was updated and the Bank has adopted it, together with MFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in Note 39, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 2.13.

Reconciliations from opening to closing ECL allowances are presented in Notes 39.

MFRS 15

With the adoption of MFRS 15 "Revenue from Contracts with Customers" in the current financial year, 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. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

There were no material financial impacts to the statement of financial position and the statement of comprehensive income of the Bank arising from the adoption of MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

190

2. Summary of significant accounting policies (cont'd)

2.3 New and Revised Standards, Amendments and Issues Committee Interpretations ("IC Interpretations") In Issue But Not Effective

MFRS 16	Leases ¹
Amendments to	
MFRS 3	Definition of a Business ²
MFRS 9	Prepayment Features with Negative Compensation ¹
MFRS 101 and MFRS 108	Definition of Material ²
MFRS 119	Plan Amendment, Curtailment or Settlement ¹
MFRS 128	Long-term Interest in Associate and Joint Ventures ¹
MFRS 10 and MFRS 128	Sale or Contribution of Assets between and Investor and its Associate or Joint Ventures ³
MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle ¹
MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards ²
IC Interpretation 23	Uncertainty over Income Tax Payments ¹

The directors anticipate that the abovementioned Standards, Amendments and IC Interpretations 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 Standards, Amendments and IC Interpretations will have no material impact on the financial statements of the Group and of the Bank in the period of initial application.

¹ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

² Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted

³ Effective date deferred to a date to be announced by MASB

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 117, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



2. Summary of significant accounting policies (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

192

2. Summary of significant accounting policies (cont'd)

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.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's 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 17 to 906 years (2017 : 18 to 907 years).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



2. Summary of significant accounting policies (cont'd)

2.8 Property, plant and equipment and depreciation (cont'd)

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.

2.9 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 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.

2.10 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).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

194

2. Summary of significant accounting policies (cont'd)

2.10 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.

2.11 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.12 Financial instruments

Financial instruments: initial recognition

Date of 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 Bank becomes 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.

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 Bank accounts for the Day 1 profit or loss, as described below.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments (cont'd)

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 Bank recognises 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

With effect from 1 January 2018, the Bank classifies 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 Bank classifies and measures its derivative at FVTPL. The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Before 1 January 2018, the Bank classified its financial assets as Loans and Receivables, FVTPL, available-for-sale or held-to-maturity. Financial liabilities, other than loan commitments and financial guarantees, are measured at Amortised Cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

Financial assets and liabilities

Before 1 January 2018, loans, advances and financing to customers and financial investments, included non-derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

- That the Bank intended to sell immediately or in the near term
- That the Bank, upon initial recognition, designated as at FVTPL or as available-for-sale
- For which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale.

From 1 January 2018, the Bank only measures loans, advances and financing to customers and other financial investments at Amortised Cost 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.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below:

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

196

2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments (cont'd)

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. 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 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 Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates 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 Bank assesses 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 repayments of principal or amortisation of the premium/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 make the SPPI assessment, the Bank applies 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.

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 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.
- It is settled at a future date.

The Bank enters into derivative transactions to manage its exposure to interest rate risk, namely interest rate swaps. 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 9. Changes in the fair value of derivatives are included in net trading income.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments (cont'd)

Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short term profit taking. Held for trading assets and liabilities are recorded and measured in the statements of financial position at fair value. Changes in fair value are recognised in net trading income. Profit and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Debt instruments at FVOCI (policy applicable effective from 1 January 2018)

The Bank applies the new category under MFRS 9 of debt instruments measured 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
- The contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale under MFRS 139. FVOCI debt instruments are subsequently 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 Amortised Cost as explained in Note 2.21. The ECL calculation for Debt instruments at FVOCI is explained in Note 2.13. Where 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 (policy applicable effective from 1 January 2018)

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial guarantees, letters of credit and undrawn loan/financing commitments (policy applicable effective from 1 January 2018)

The Bank issues financial guarantees, letters of credit and loan/financing commitments. Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, 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, and under MFRS 139, the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or under MFRS 9, an ECL provision.

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/financing commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a financing with pre-specified terms to the customer. Similar to financial guarantee contracts, under MFRS 139, a provision was made if they were an onerous contract but, with effect from 1 January 2018, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan/financing commitments, where the loan/financing agreed to be provided is on market terms, are not recorded on in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

198

2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments (cont'd)

(a) Financial assets at fair value through profit or loss ("FVTPL") (policy applicable before 1 January 2018)

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking.

Financial instruments included in this category are recognised initially at fair value; transaction costs are recognised in profit or loss. Gains and losses arising from changes in fair value are recognised in profit or loss and are reported as 'gains/(losses) on revaluation of financial assets held for trading'.

(b) Loan/financing and receivables (policy applicable before 1 January 2018)

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

Loans and Receivables are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at Amortised Cost using the effective profit method, less any impairment. Regular way recognition of Loans and Receivables are recorded on settlement date, when all the conditions under financing contract have been fulfilled.

Interest/profit on financing is recognised in profit or loss by applying the effective interest/profit rate.

(c) Held-to-maturity investment (policy applicable before 1 January 2018)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intent and ability to hold to maturity.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at Amortised Cost, using the effective interest/profit method less any impairment.

Interest/profit on financial assets held-to-maturity is included in profit or loss and reported as 'Interest income'. In the case of an impairment, the impairment loss is been reported as a deduction from the carrying value of the financial asset and recognised in profit or loss as 'allowance for impairment on financial assets'.

(d) Available-for-sale financial assets (policy applicable before 1 January 2018)

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in profit rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value at the end of the reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in other reserves, with the exception of impairment losses and interest/profit calculated using the effective interest/profit method which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the other reserves is reclassified to profit or loss.

Available-for-sale equity instruments that do not have a quoted market price in an active market whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends from available-for-sale equity investments are recognised in profit or loss when the Bank's right to receive the dividend is established.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments (cont'd)

(e) Reclassification of financial assets and liabilities

From 1 January 2018, the Bank does not reclassify its 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. The Bank did not reclassify any of its financial assets or liabilities in 2018.

(f) Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Bank derecognises 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.

When assessing whether or not to derecognise a financing to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- 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 cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises 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 equity is recognised in profit and loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

200

SME BANK | INTEGRATED ANNUAL REPORT 2018 LAPORAN TAHUNAN BERSEPADU 2018

2. Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets (policy applicable effective from 1 January 2018)

Overview of the ECL principles

As described in Note 2.2, the adoption of MFRS 9 has fundamentally changed the Bank's financing loss impairment method by replacing MFRS 139's incurred loss approach with a forward-looking ECL approach. With effect from 1 January 2018, the Bank has been recording the allowance for expected credit losses for all loans/financing and other debt financial assets not held at FVTPL, together with loan/financing commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. 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 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 financial instruments.

The Bank has 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 Bank groups its loans/financing into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1 When loans/financing are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans/financing also include facilities where the credit risk has improved and the loan/financing has been reclassified from Stage 2.
- Stage 2 When a loan/financing has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans/financing also include facilities, where the credit risk has improved and the loan/financing has been reclassified from Stage 3.
- Stage 3 Loans/financing considered credit-impaired. The Bank records an allowance for the LTECLs.

The calculation of ECLs

The Bank calculates ECLs based on base scenario to measure the expected cash shortfalls, discounted at an approximation to 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 repayments of principal and interest and accrued interest 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 lender would expect to receive, including from the realisation of any collateral.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



201

2. Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets (policy applicable effective from 1 January 2018) (cont'd)

The calculation of ECLs (cont'd)

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 Bank calculates 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 an approximation to the original EIR.
- Stage 2 When a loan/financing has shown a significant increase in credit risk since origination, the Bank records 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 an approximation to the original EIR.
- Stage 3 For loans/financing considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

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. Instead, an amount equal to the allowance that would arise if the assets were measured at Amortised Cost 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

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- CPI rates
- KLIBOR rates

Write-offs

The Bank's accounting policy under MFRS 9 remains the same as it was under MFRS 139. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery or become uncollectible.

Impairment on Loans and Receivables (policy applicable before 1 January 2018)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Bank considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as loans, advances and financing, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

202

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

2. Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets (policy applicable effective from 1 January 2018) (cont'd)

Impairment on Loans and Receivables (policy applicable before 1 January 2018) (cont'd)

The carrying amount of the financial asset is directly reduced by the impairment loss for all financial assets with the exception of Loans and Receivables, where the carrying amount is reduced through the use of an allowance account. When Loans and Receivables become uncollectible, they are written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its Amortised Cost at the reversal date. The amount of reversal is recognised in profit or loss.

Impairment on unquoted equity securities carried at cost (policy applicable before 1 January 2018)

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on unquoted equity securities carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Impairment available-for-sale financial assets (policy applicable before 1 January 2018)

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, cumulative gain or losses previously recognised in other comprehensive income are classified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in other reserves. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

2.14 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 Amortised Cost using the effective interest/profit method. The Bank does not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities at Amortised Cost include deposits from customers, deposits and placements from banks and financial institutions, other liabilities, medium term notes and borrowings.

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 Bank does 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



2. Summary of significant accounting policies (cont'd)

2.14 Financial liabilities (cont'd)

(b) Other financial liabilities

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 Amortised Cost using the effective interest/profit method.

(c) Derecognition

The Bank derecognises financial liabilities when, and only when, 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.

2.15 Derivative financial instruments

The Bank enters into derivative financial instruments to manage its exposure to interest rate risks, namely interest rate swaps.

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.

2.16 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 one month, are short term, highly liquid investments with maturities of one month or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

2.17 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).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

204

2. Summary of significant accounting policies (cont'd)

2.18 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.

2.19 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").

2.20 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



2. Summary of significant accounting policies (cont'd)

2.20 Fair value measurement (cont'd)

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, staff financing, 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
---------------------------------	---

Unquoted shares

- | | |
|-----------------------------|---|
| - Current realisable values | - Increase in realisable value will result in higher fair value, and vice versa |
|-----------------------------|---|

Deposits and placements with banks, staff financing, Bai' Inah facility granted to SMEB Asset Management Sdn. Bhd. ("SAM") and derivative financial assets and liabilities

- | | |
|----------------------------|--|
| - 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.

2.21 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 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 effective profit rate method

Under both MFRS 9 and MFRS 139, profit income is recorded using the effective interest/profit rate (EIR) method for all financial instruments measured at Amortised Cost and financial instruments designated at FVTPL. Profit income on profit bearing financial assets measured at FVOCI under MFRS 9, similarly to profit bearing financial assets classified as available-for-sale or held to maturity under MFRS 139 are also recorded by using the EIR method. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

206

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

2. Summary of significant accounting policies (cont'd)

2.21 Revenue (cont'd)

(a) The effective profit rate method (cont'd)

The EIR (and therefore, the Amortised Cost 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 prepayments, 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 Bank calculates 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 Bank calculates interest/profit income by applying the effective interest/profit rate to the net Amortised Cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts 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.

(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.

Wakalah

Agency contract/ A contract where a party, as principal (muwakkil) authorises another party as his agent (wakil) to perform a particular task on matters that may be delegated, with or without imposition of a fee.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



2. Summary of significant accounting policies (cont'd)

2.21 Revenue (cont'd)

(c) Islamic income recognition by type of Shariah contract (cont'd)

(i) Bai' contracts (cont'd)

Murabahah Dayn

Bai' Murabahah - A sale and purchase of an asset where the acquisition cost and the mark-up are disclosed to the purchaser.

Bai' Dayn - A sale of debt.

Al-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.

Tawarrug

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 al-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 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 Ijarah Muntahia bi al-Tamlik 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

208

2. Summary of significant accounting policies (cont'd)

2.22 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.

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, associates and interests in joint ventures, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

209

2. Summary of significant accounting policies (cont'd)

2.23 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.

2.24 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.

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.

2.25 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.

2.26 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.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

210

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 and MFRS 139 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 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 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 and deferred 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) Allowance for losses on loans, advances and financing (policy applicable before 1 January 2018)

Under MFRS 139, loans, advances and financing are first assessed as to whether objective evidence of impairment exists individually. Collective assessment is performed on loans, advances and financing which are not individually significant based on the incurred loss approach. Loans, advances and financing which are individually assessed and where there is no objective evidence of impairment are also included in the group of loans, advances and financing for collective assessment. These loans, advances and financing are pooled into groups with similar credit risk characteristics and the expected cash flows for each group is based on the historical loss experience for such assets. A collective assessment allowance is made on any shortfall in the expected cash flows against the carrying value of the group of loans, advances and financing.

(d) Impairment assessment of available-for-sale financial assets (policy applicable before 1 January 2018)

The Group and the Bank review the securities portfolio and assesses at end of each reporting period whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the assets are subject to impairment review.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



3. Significant accounting judgement and estimates (cont'd)

(d) Impairment assessment of available-for-sale financial assets (policy applicable before 1 January 2018)

The impairment review comprises the following judgements made by management:

- (i) Determination whether its investment is impaired following certain indicators or triggers such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors; and
- (ii) Determination of "significant" or "prolonged" requires judgement, and management evaluates various factors, such as historical fair value movement and the significant reduction in fair value.

(e) Impairment assessment of held-to-maturity financial assets (policy applicable before 1 January 2018)

The Group and the Bank review the securities portfolio and assesses at the end of each reporting period whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the assets are subject to impairment review.

The impairment review comprises the following judgements made by management:

- (i) Determination whether the investment is impaired following certain indicators or triggers such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers of obligors; and
- (ii) Determination of "significant" or "prolonged" requires judgement and management evaluates various factors, such as historical fair value movement and the significant reduction in fair value.

4. Cash and short term funds

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash at banks and on hand	27,255	39,609	23,562	35,558
Short term deposits and maturing within three months:				
- Licensed banks	458,053	383,423	458,053	383,423
	485,308	423,032	481,615	418,981

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 2018 for the Group and the Bank was 3.44% per annum and 5 days (2017: 3.36% per annum and 10 days) respectively.

All bank balances are assessed to have low credit risk as they are held with reputable banking institutions and the identified expected credit loss was immaterial.

5. Deposits and placements with banks

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At Fair Value Through Profit or Loss ("FVTPL")				
Licensed banks	151,878	-	151,878	-
Loans and Receivables				
Licensed banks	-	182,013	-	182,013

The maturity structure of deposits and placements ranges from 2 to 3 years (2017: 3 to 4 years). The weighted average effective profit rate for deposits and placements with banks and other financial institutions is 5.12% (2017: 5.10%) per annum.

As at 1 January 2018, the Bank reclassified its structured deposit from "Loan and Receivables" to Fair Value Through Profit or Loss. Refer to Note 39 for transition details. Comparative figure are not restated in line with the transition requirements under MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

212

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

6. Financial assets

Total financial assets as at 31 December are as below:

	Group and Bank	
	2018 RM'000	2017 RM'000
(a) Debt instrument at FVOCI	1,904,721	-
(b) Equity instrument at FVOCI	143,387	-
(c) Available-for-sale financial assets	-	2,108,422
(d) Debt instrument at Amortised Cost	674,133	-
(e) Held-to-maturity financial assets	-	568,585
	2,722,241	2,677,007

(a) Debt instrument at Fair Value through Other Comprehensive Income ("FVOCI")

	Group and Bank	
	2018 RM'000	2017 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	710,577	-
Malaysian Government Securities	175,323	-
	885,900	-
Non-money market instruments		
Private debt securities	1,018,821	-
	1,018,821	-
Total	1,904,721	-

No loss allowance is recognised in the statement 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 23).

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

	Group and Bank		
	Stage1 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2018	-	-	-
Impact of adopting MFRS 9 (Note 39)	603	-	603
At 1 January 2018, as restated	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

	Group and Bank		
	Stage1 RM'000	Stage 3 RM'000	Total RM'000
<i>External rating grade</i>			
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



213

6. Financial assets (cont'd)

(a) Debt instrument at Fair Value through Other Comprehensive Income ("FVOCI") (cont'd)

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

As at 1 January 2018, the Group and the Bank classified these financial assets from "Available-for-sale financial assets" to Debt instrument at FVOCI. Refer to Note 39 for transition details. Comparative figure are not restated in line with the transition requirements under MFRS 9.

(b) Equity instrument at Fair Value through Other Comprehensive Income ("FVOCI")

	Group and Bank	
	2018 RM'000	2017 RM'000
Non-money market instruments		
At fair value		
Private debt securities	134,504	-
Unquoted shares	8,883	-
Total as at 31 December 2018	143,387	-

As at 1 January 2018, the Group and the Bank classified these financial assets from "Available-for-sale financial assets" and "Held-to-maturity" to Equity instrument at FVOCI. Refer to Note 39 for transition details. Comparative figure are not restated in line with the transition requirements under MFRS 9.

(c) Available-for-sale financial assets

	Group and Bank	
	2018 RM'000	2017 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	-	672,074
Malaysian Government Securities	-	177,021
	-	849,095
Money market instruments		
Commercial papers	-	171,723
Non-money market instruments		
Equity instruments		
- Unquoted shares	-	3,123
- Private debt securities	-	30,396
Debt instruments		
- Private debt securities	-	1,054,085
	-	1,087,604
Total	-	2,108,422

The financial assets available-for-sale category was removed upon the adoption of MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

214

6. Financial assets (cont'd)

(d) Debt instrument at Amortised Cost

	Group and Bank	
	2018 RM'000	2017 RM'000
Government securitites		
Malaysian Government Investment Issues	111,631	-
Money market instruments		
Commercial papers	243,076	-
Non-money market instruments		
Private debt securities	319,489	-
	674,196	-
Less: Accumulated impairment losses	(63)	-
Total	674,133	-

As at 1 January 2018, the Group and the Bank reclassified these financial assets from "Held-to-maturity financial assets" to "Debt instrument at Amortised Cost (AC)". Refer to Note 39 for transition details. Comparative figure are not restated in line with the transition requirements under MFRS 9.

	Group and Bank	
	2018 RM'000	2017 RM'000
Within one year	344,418	-
More than one year to three years	95,101	-
More than three years to five years	194,277	-
More than five years	40,400	-
	674,196	-

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

	Group and Bank	
	Stage1 RM'000	
At 1 January 2018	-	
Impact of adopting MFRS 9 (Note 39)	78	
At 1 January 2018, as restated	78	
Writeback made due to changes in credit risk	(15)	
At 31 December 2018	63	

The impairment losses by external rating grade as of 31 December 2018 are as follows:

	Group and Bank	
	Stage1 RM'000	
<i>External rating grade</i>		
RAM AAA	7	
MARC AAA	13	
RAM AA	43	
	63	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

6. Financial assets (cont'd)

(d) Debt instrument at Amortised Cost (cont'd)

The indicative market values of financial assets at Amortised Cost on government securities, money market instruments and non-money market instruments are as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Malaysian Government Investment Issues	110,459	-
Commercial papers	243,076	-
Private debt securities	315,648	-
	669,183	-

(e) Held-to-maturity financial assets

	Group and Bank	
	2018 RM'000	2017 RM'000
Government securitites		
Malaysian Government Investment Issues	-	111,705
Non-money market instruments		
Private debt securities		
- Debt instruments	-	354,346
- Equity instruments	-	102,534
Total	-	568,585

The maturity structure of held-to-maturity government securities and private debt securities are as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Within one year	-	25,110
More than one year to three years	-	217,646
More than three years to five years	-	260,161
More than five years	-	65,668
	-	568,585

The indicative market values of held-to-maturity government securities and non-money market securities are as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Malaysian Government Investment Issues	-	110,560
Private debt securities	-	450,367
	-	560,927

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

216

7. Loans, advances and financing

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(a) Amortised Cost (AC)	5,645,449	6,583,790	5,645,449	6,159,840
(b) FVTPL	12,283	-	12,283	-
	5,657,732	6,583,790	5,657,732	6,159,840

(a) Amortised Cost (AC)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Term loans				
- Hire purchase	373,469	396,404	335,424	338,429
- Leasing	363	48,205	15	47,702
- Other term loans	5,456,488	5,635,464	4,985,567	5,156,936
Revolving credits	1,166,536	953,637	1,153,006	948,435
Staff loan/financing	-	18,312	-	18,312
Gross loans, advances and financing	6,996,856	7,052,022	6,474,012	6,509,814
Less: Allowance for impairment losses on				
- Stage 1	(42,799)	-	(42,799)	-
- Stage 2	(55,642)	-	(55,642)	-
- Stage 3	(1,246,237)	-	(723,393)	-
- Commitment and contingencies	(6,729)	-	(6,729)	-
- Individual assessment allowance	-	(312,485)	-	(233,626)
- Collective assessment allowance	-	(155,747)	-	(116,348)
Net loans, advances and financing	5,645,449	6,583,790	5,645,449	6,159,840
Gross impaired loans, advances and financing (Note 7(vii))	2,005,646	1,370,947	1,482,802	828,739
Net impaired loans, advances and financing	759,409	1,058,462	759,409	595,113

As at 1 January 2018, the Bank classified this financial assets from "Loans and Receivables" to Amortised Cost (AC). Refer to Note 39 for transition details. Comparative figure are not restated in line with the transition requirements under MFRS 9.

Included in loans, advances and financing for the Group and the Bank are gross loans, advances and financing of RM53,045,000 (2017: RM43,548,000) financed by Government funds. The treatment of credit losses incurred for these loans, advances and financing is as disclosed in Note 2.18(ii).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



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

(b) Fair Value Through Profit or Loss (FVTPL)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Staff loan/financing	12,283	-	12,283	-

(i) Movement in gross loan, advances and financing are as follows:

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2018				7,033,710
At 1 January 2018, as restated	4,920,295	660,502	1,452,913	7,033,710
-Transfers to Stage 1	83,502	(64,842)	(18,660)	-
-Transfers to Stage 2	(357,606)	376,000	(18,394)	-
-Transfers to Stage 3	(404,525)	(211,796)	616,321	-
	(678,629)	99,362	579,267	-
(Partial repayment)/additional drawdown	(352,997)	(37,886)	12,117	(378,766)
New financial assets originated	1,116,287	212,373	116,625	1,445,285
Financial asset derecognised	(851,400)	(96,697)	(155,276)	(1,103,373)
At 31 December 2018	4,153,556	837,654	2,005,646	6,996,856

Bank

At 1 January 2018				6,491,502
At 1 January 2018, as restated	4,920,295	660,502	910,705	6,491,502
-Transfers to Stage 1	83,502	(64,842)	(18,660)	-
-Transfers to Stage 2	(357,606)	376,000	(18,394)	-
-Transfers to Stage 3	(404,525)	(211,796)	616,321	-
	(678,629)	99,362	579,267	-
(Partial repayment)/additional drawdown	(352,997)	(37,886)	12,117	(378,766)
New financial assets originated	1,116,287	212,373	116,625	1,445,285
Financial asset derecognised	(851,400)	(96,697)	(135,912)	(1,084,009)
At 31 December 2018	4,153,556	837,654	1,482,802	6,474,012

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

218

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

(ii) The maturity structure of gross loans, advances and financing are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Within one year	1,188,541	1,005,104	843,653	691,665
More than one year to three years	1,004,449	723,073	987,876	694,299
More than three years to five years	975,451	1,308,847	909,282	1,247,580
More than five years	3,828,415	4,014,998	3,733,201	3,876,270
	6,996,856	7,052,022	6,474,012	6,509,814

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Domestic business enterprise	6,996,856	7,033,710	6,474,012	6,491,502
Individual	-	18,312	-	18,312
	6,996,856	7,052,022	6,474,012	6,509,814

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Construction	1,346,818	959,307	1,343,958	956,435
Education, health and others	584,409	1,156,537	536,376	1,103,915
Electricity, gas and water supply	1,306	36,396	1,306	36,396
Financial, insurance, real estate and business services	1,026,569	860,355	1,023,412	856,274
Manufacturing	1,182,571	1,234,191	1,071,990	1,121,292
Mining and quarrying	46,701	29,856	44,705	27,860
Primary agriculture	6,693	4,270	6,446	4,030
Transportation, storage and communication	919,112	799,913	862,747	736,442
Wholesale, retail trade, restaurants and hotels	1,882,677	1,952,885	1,583,072	1,648,858
Others	-	18,312	-	18,312
	6,996,856	7,052,022	6,474,012	6,509,814

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

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

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

Group 2018	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	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
	3,919,965	520,176	728,075	786,300	591,996	450,344	6,996,856
2017							
Construction	469,240	117,434	134,713	63,913	84,585	89,422	959,307
Education, health and others	665,796	66,779	122,845	193,151	42,672	65,294	1,156,537
Electricity, gas and water supply	30,918	1,178	-	3,863	437	-	36,396
Financial, insurance, real estate and business services	645,326	16,733	104,368	35,362	52,297	6,269	860,355
Manufacturing	733,411	122,679	186,083	98,480	41,737	51,801	1,234,191
Mining and quarrying	14,614	1,879	-	10,617	-	2,746	29,856
Primary agriculture	1,021	-	655	76	2,518	-	4,270
Transportation, storage and communication	366,942	113,231	61,564	110,099	66,787	81,290	799,913
Wholesale, retail trade, restaurants and hotels	891,003	242,706	129,559	303,541	308,615	77,461	1,952,885
Others	18,312	-	-	-	-	-	18,312
	3,836,583	682,619	739,787	819,102	599,648	374,283	7,052,022

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

220

SME BANK | INTEGRATED ANNUAL REPORT 2018 LAPORAN TAHUNAN BERSEPADU 2018

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

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

Bank 2018	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	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
	3,397,121	520,176	728,075	786,300	591,996	450,344	6,474,012
2017							
Construction	466,368	117,434	134,713	63,913	84,585	89,422	956,435
Education, health and others	613,174	66,779	122,845	193,151	42,672	65,294	1,103,915
Electricity, gas and water supply	30,918	1,178	-	3,863	437	-	36,396
Financial, insurance, real estate and business services	641,245	16,733	104,368	35,362	52,297	6,269	856,274
Manufacturing	620,512	122,679	186,083	98,480	41,737	51,801	1,121,292
Mining and quarrying	12,618	1,879	-	10,617	-	2,746	27,860
Primary agriculture	781	-	655	76	2,518	-	4,030
Transportation, storage and communication	303,471	113,231	61,564	110,099	66,787	81,290	736,442
Wholesale, retail trade, restaurants and hotels	586,976	242,706	129,559	303,541	308,615	77,461	1,648,858
Others	18,312	-	-	-	-	-	18,312
	3,294,375	682,619	739,787	819,102	599,648	374,283	6,509,814

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



221

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

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate				
- Staff loan/financing	-	18,312	-	18,312
- Hire purchase receivables	287,849	328,527	250,681	270,552
- Leasing receivables	363	45,025	15	44,522
- Revolving credits	255,001	262,086	241,529	256,938
- Other term loans/financing	1,824,045	2,183,760	1,513,380	1,789,863
Variable rate				
- Hire purchase receivables	85,620	67,877	84,743	67,877
- Leasing receivables	-	3,180	-	3,180
- Revolving credits	911,535	691,551	911,477	691,497
- Other term loans/financing	3,632,443	3,451,704	3,472,187	3,367,073
	6,996,856	7,052,022	6,474,012	6,509,814

(vii) Impaired loans, advances and financing analysed by industry are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Construction	202,178	58,688	199,318	55,816
Education, health and others	160,824	193,317	112,791	140,695
Electricity, gas and water supply	-	54	-	54
Financial, insurance, real estate and business services	187,301	40,030	184,144	35,949
Manufacturing	416,512	311,067	305,931	198,168
Mining and quarrying	3,045	2,373	1,049	377
Primary agriculture	507	537	260	296
Transportation, storage and communication	299,457	207,387	243,092	143,917
Wholesale, retail trade, restaurants and hotels	735,822	557,494	436,217	253,467
	2,005,646	1,370,947	1,482,802	828,739

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

222

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

(viii) Impaired loans, advances and financing analysed by location and sector are as follows:

Group 2018	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	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
Electricity, gas and water supply	-	-	-	-	-	-	-
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
2017							
Construction	23,623	3,526	25,688	494	3,345	2,012	58,688
Education, health and others	134,438	6,260	7,495	43,084	1,210	830	193,317
Electricity, gas and water supply	54	-	-	-	-	-	54
Financial, insurance, real estate and business services	33,711	464	3,738	1,974	-	143	40,030
Manufacturing	218,663	31,882	45,298	13,688	1,254	282	311,067
Mining and quarrying	1,996	-	-	377	-	-	2,373
Primary agriculture	241	-	95	-	201	-	537
Transportation, storage and communication	118,629	1,293	14,644	47,996	1,611	23,214	207,387
Wholesale, retail trade, restaurants and hotels	376,077	16,015	51,776	31,500	80,571	1,555	557,494
	907,432	59,440	148,734	139,113	88,192	28,036	1,370,947

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

223

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

(viii) Impaired loans, advances and financing analysed by location and sector are as follows: (cont'd)

Bank 2018	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	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
Electricity, gas and water supply	-	-	-	-	-	-	-
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
2017							
Construction	20,751	3,526	25,688	494	3,345	2,012	55,816
Education, health and others	81,816	6,260	7,495	43,084	1,210	830	140,695
Electricity, gas and water supply	54	-	-	-	-	-	54
Financial, insurance, real estate and business services	29,630	464	3,738	1,974	-	143	35,949
Manufacturing	105,764	31,882	45,298	13,688	1,254	282	198,168
Mining and quarrying	-	-	-	377	-	-	377
Primary agriculture	-	-	95	-	201	-	296
Transportation, storage and communication	55,159	1,293	14,644	47,996	1,611	23,214	143,917
Wholesale, retail trade, restaurants and hotels	72,050	16,015	51,776	31,500	80,571	1,555	253,467
	365,224	59,440	148,734	139,113	88,192	28,036	828,739

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

224

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

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	-	1,318,504	-	761,443
Impaired during the year	-	307,804	-	307,804
Reclassified as non-impaired	-	(77,602)	-	(77,602)
Offsetted against other payables*	-	(8,808)	-	(8,808)
Amount recovered	-	(89,034)	-	(74,181)
Amount written-off ^	-	(79,917)	-	(79,917)
At 31 December	-	1,370,947	-	828,739

^ Included in amount written-off is profit on loan, advances and financing of RM Nil (2017: RM281,000) financed by Government Funds.

* The offsetting against other payables was an arrangement between the Group and the Bank, and the Ministry of Rural and Regional Development ("MRRD") for the fund received under Skim Pinjaman Ekonomi Desa ("SPED") from MRRD due to changes in the terms of the agreement during the previous year as mentioned in Note 20(a).

	Group		Bank	
	2018	2017	2018	2017
Net impaired loans, advances and financing as a percentage	13.21%	15.75%	13.21%	9.51%

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2018				468,232
Impact of adopting MFRS 9				152,881
At 1 January 2018, as restated	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 29)	(23,616)	15,858	731,931	724,173
New financial assets originated (Note 29)	11,887	3,076	54,688	69,651
Financial assets derecognised (Note 29)	(9,441)	(5,963)	(54,855)	(70,259)
At 31 December 2018	42,799	55,642	1,246,237	1,344,678
Bank				
At 1 January 2018				349,974
Impact of adopting MFRS 9				152,881
At 1 January 2018, as restated	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 29)	(23,616)	15,858	327,345	319,587
New financial assets originated (Note 29)	11,887	3,076	54,688	69,651
Financial assets derecognised (Note 29)	(9,441)	(5,963)	(54,855)	(70,259)
At 31 December 2018	42,799	55,642	723,393	821,834

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

225

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

(x) Movements in the allowances for impaired loans, advances and financing are as follows as per MFRS(39):

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Individual assessment allowance				
At 1 January	-	261,699	-	189,973
Amount transfer from collective assessment allowance	-	12,163	-	12,163
Allowance made during the year (Note 29)	-	204,767	-	192,666
Writeback made during the year (Note 29)	-	(97,138)	-	(92,170)
Amount written-off ^	-	(69,006)	-	(69,006)
At 31 December	-	312,485	-	233,626

^ Included in amount written-off is profit on loan, advances and financing of RM Nil (2017: RM281,000) financed by Government Funds.

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Collective assessment allowance				
At 1 January	-	143,261	-	106,430
Amount transfer to individual assessment allowance	-	(12,163)	-	(12,163)
Allowance made during the year (Note 29)	-	111,785	-	105,130
Writeback made during the year (Note 29)	-	(87,136)	-	(83,049)
At 31 December	-	155,747	-	116,348

	Group and Bank 2018 Stage 1 RM'000
Commitment and Contingencies	
At 1 January 2018	-
Impact of adopting MFRS 9 (Note 39)	9,367
At 1 January 2018, as restated	9,367
Changes to inputs used in ECL computation	(1,411)
New financial assets originated	1,915
Amount settled	(3,142)
At 31 December 2018	6,729

8. Other assets

	Note	Group	
		2018 RM'000	2017 RM'000
Financial assets at Amortised Cost			
Other receivables		9,677	20,218
Rental receivables	(i)	1,253	1,406
		10,930	21,624
Non-financial assets			
Prepayments		3,973	5,990
		14,903	27,614

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

226

8. Other assets (cont'd.)

(a) Financial assets at FVOCI

	Note	Bank	
		2018 RM'000	2017 RM'000
At fair value			
Amount due from a subsidiary	(ii)	82,878	-

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

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

	Bank	
	2018 RM'000	2017 RM'000
At 1 January 2018	-	-
Impact of adopting MFRS 9 (Note 39)	(61,767)	-
At 1 January 2018, as restated	(61,767)	-
Allowance made during the year	(351,972)	-
At 31 December 2018	(413,739)	-

	Bank	
	2018 RM'000	2017 RM'000
(b) Financial assets at Amortised Cost		
Amount due from subsidiaries	37,046	507,040
Other receivables	7,068	14,794
Rental receivables	(i) 1,253	1,406
	45,367	523,240

	Bank	
	2018 RM'000	2017 RM'000
(c) Non-financial assets		
Prepayments	3,973	3,716
	132,218	526,956

(i) As at 1 January 2018, the Group and the Bank have replaced incurred loss approach under MFRS 139 with forward-looking expected credit loss (ECL) under MFRS 9. The portfolio impacted under other assets is rental receivables investment properties with net carrying amount of RM1,253,000 as at 31 December 2018 (2017: RM1,406,000).

	Non credit impaired RM'000	Credit impaired RM'000	Total RM'000
Gross rental receivables			
At 1 January 2018	423	8,537	8,960
Transfer from/(to) non credit impaired	113	(626)	(513)
Transfer (to)/from credit impaired	(234)	863	629
Maintain status	45	394	439
At 31 December 2018	347	9,168	9,515

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

227

8. Other assets (cont'd.)

- (i) 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
Expected credit losses/Allowance for doubtful debts			
At 1 January 2018			(7,554)
Impact of adopting MFRS 9 (Note 39)			4
At 1 January 2018, as restated	(25)	(7,525)	(7,550)
Allowance made during the year	5	(717)	(712)
At 31 December 2018	(20)	(8,242)	(8,262)

- (ii) As at 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". Refer to Note 39 for transition details. Comparative figure are not restated in line with the transition requirements under MFRS 9.

This facility bears profit at 3.50% (2017: 3.50%) per annum and is repayable over 8 annual instalments commencing 15 December 2017.

9. Derivative financial instruments

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.

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:

	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	-
Group and Bank 2017			
	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	350,000	-	696

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

228

10. Investment in subsidiaries

	2018 RM'000	2017 RM'000
Unquoted shares		
At cost	3,582	3,582
Allowances for impairment loss	(3,582)	-
Carrying amount	-	3,582

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 (%)	
		2018	2017
Held by the Bank:			
SMEB Asset Management Sdn. Bhd.	Asset management company, debts recovery agents and advisory and consultancy provider on distressed loans and financing and debt recovery	100	100
Centre For Entrepreneur Development And Research Sdn. Bhd.	Providing training, consultancy services, research and 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 management accounts 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 auditors' report on the financial statements of these subsidiaries include an emphasis of matter as the financial statements have been prepared on a basis other than going concern basis.

11. Investment in associate

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost:				
Unquoted shares in Malaysia	6,826	6,826	6,826	6,826
Share of post-acquisition reserves	3,548	3,416	-	-
	10,374	10,242	6,826	6,826
Less: Accumulated impairment losses of unquoted shares	(6,826)	(6,826)	(6,826)	(6,826)
	3,548	3,416	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

11. Investment in associate (cont'd)

The associate, which is incorporated and having its principal place of business in Malaysia is as follows:

Name of company		Proportion of Ownership Interest and Voting Power Held by the Group (%)		Accounting model applied
		2018	2017	
Held by the Bank:				
Capatronics (M) Sdn. Bhd.	Manufacturing of ceramic capacitors	30	30	Equity method

(i) Summarised statement of financial position

	Capatronics (M) Sdn. Bhd.	
	2018 RM'000	2017 RM'000
Non-current assets	22,120	22,900
Current assets	-	-
Total assets	22,120	22,900
Current liabilities	10,293	11,514
Total liabilities	10,293	11,514
Net assets as at 31 December	11,827	11,386

(ii) Summarised statement of comprehensive income

	Capatronics (M) Sdn. Bhd.	
	2018 RM'000	2017 RM'000
Revenue	1,819	1,808
Profit/(Loss) before tax	441	(2,514)
Profit/(Loss) for the year	441	(2,514)
Total comprehensive income/(loss) for the year	441	(2,514)
Interest in associate	30%	30%
Share of profit/(loss) after tax of an associate	132	(754)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate

	Capatronics (M) Sdn. Bhd.	
	2018 RM'000	2017 RM'000
Net assets as at 1 January	11,386	13,900
Total comprehensive income/(loss) for the year	441	(2,514)
Net assets as at 31 December	11,827	11,386
Interest in associate	30%	30%
Carrying value of Group's interest in associate	3,548	3,416

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

230

12. Property, plant and equipment

Group	Free- hold land RM'000	Long term leasehold land RM'000	Building RM'000	Furniture and equipment RM'000	Reno- vation RM'000	Motor vehicles RM'000	Electrical and machinery RM'000	Work-in progress RM'000	Total RM'000
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-off (Note 27(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 27(ii))	-	24	2,442	4,618	5,610	2	63	-	12,759
Write-off (Note 27(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
Cost									
At 1 January 2017	4,083	34,752	85,029	34,681	48,015	1,504	7,135	4,987	220,186
Additions	-	-	186	6,089	2,684	10	132	-	9,101
Reclassification	-	-	-	1,265	3,082	-	-	(4,347)	-
At 31 December 2017	4,083	34,752	85,215	42,035	53,781	1,514	7,267	640	229,287
Accumulated depreciation									
At 1 January 2017	-	5,134	15,949	25,473	13,442	1,504	6,956	-	68,458
Charge for the year (Note 27(ii))	-	23	2,442	4,476	5,035	1	157	-	12,134
At 31 December 2017	-	5,157	18,391	29,949	18,477	1,505	7,113	-	80,592
Net carrying amount									
At 31 December 2017	4,083	29,595	66,824	12,086	35,304	9	154	640	148,695

Included in property, plant and equipment of the Group are fully depreciated property, plant and equipment at a total cost of RM34,742,026 (2017: RM34,661,434), which are still in use by the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

12. Property, plant and equipment (cont'd)

Bank	Free- hold land RM'000	Long term leasehold land RM'000	Building RM'000	Furniture and equipment RM'000	Reno- vation RM'000	Motor vehicles RM'000	Electrical and machinery RM'000	Work-in progress RM'000	Total RM'000
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-off (Note 27(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 27(ii))	-	24	2,442	4,594	5,610	2	63	-	12,735
Write-off (Note 27(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
Cost									
At 1 January 2017	4,083	34,752	85,029	34,544	48,015	1,504	7,135	4,987	220,049
Additions	-	-	186	6,089	2,684	10	132	-	9,101
Reclassification	-	-	-	1,265	3,082	-	-	(4,347)	-
At 31 December 2017	4,083	34,752	85,215	41,898	53,781	1,514	7,267	640	229,150
Accumulated depreciation									
At 1 January 2017	-	5,134	15,949	25,411	13,442	1,504	6,956	-	68,396
Charge for the year (Note 27(ii))	-	23	2,442	4,446	5,035	-	157	-	12,103
At 31 December 2017	-	5,157	18,391	29,857	18,477	1,504	7,113	-	80,499
Net carrying amount									
At 31 December 2017	4,083	29,595	66,824	12,041	35,304	10	154	640	148,651

Included in property, plant and equipment of the Bank are fully depreciated property, plant and equipment at a total cost of RM34,706,933 (2017:RM34,626,434), which are still in use by the Bank.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

232

13. Investment properties

	Group and Bank	
	2018 RM'000	2017 RM'000
At fair value		
At 1 January	372,910	358,170
Fair value adjustment (Note 38(k))	304	14,740
At 31 December	373,214	372,910

The following investment properties are held under leasehold:

	Group and Bank	
	2018 RM'000	2017 RM'000
At fair value		
Building	209,009	208,706
Land	164,205	148,104
	373,214	356,810

The investment properties comprise of land and building. The fair value of the Group's and of the Bank's investment properties as of 31 December 2018 have been arrived at on the basis of valuations carried out by independent valuers not related to the Group and to the Bank and they 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 a 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 costing RM10,942,000 (2017: RM17,757,000) 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 RM10,372,000 (2017: RM10,111,000). Direct operating expenses arising from the investment properties during the year amounting to RM5,669,000 (2017: RM3,080,000).

	Group and Bank	
	2018 RM'000	2017 RM'000
Fair value hierarchy	373,214	372,910

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

14. Intangible assets

	Group		Software		Bank	
	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At cost						
At 1 January	43,294	35,627	42,582		34,975	
Additions	12,052	7,667	12,052		7,607	
At 31 December	55,346	43,294	54,634		42,582	
Accumulated amortisation						
At 1 January	31,464	27,606	30,849		27,169	
Charge for the year (Note 27(ii))	6,097	3,858	6,026		3,680	
At 31 December	37,561	31,464	36,875		30,849	
Carrying amount						
At 31 December	17,785	11,830	17,759		11,733	

15. Deferred tax assets

	Group and Bank	
	2018	2017
	RM'000	RM'000
At 1 January	121,723	161,835
Impact of adopting MFRS 9 (Note 39)	(2,231)	-
At 1 January, as restated	119,492	161,835
Recognised in profit or loss (Note 30)	-	(35,423)
Recognised in other comprehensive income (Note 23)	567	(4,689)
At 31 December	120,059	121,723
Presented before appropriate offsetting as follows:		
Deferred tax assets	143,366	137,154
Deferred tax liabilities	(23,307)	(15,431)
	120,059	121,723

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

234

15. 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:

Group and Bank	Loans, advances and financing RM'000	Unabsorbed business losses and capital allowance RM'000	Provisions RM'000	MTM revaluation on financial assets at FVOCI RM'000	Total RM'000
At 1 January 2018	-	121,636	9,118	6,400	137,154
Impact of adopting MFRS 9 (Note 39)	-	-	-	(2,231)	(2,231)
At 1 January 2018, as restated	-	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
At 1 January 2017	-	160,698	4,465	11,089	176,252
Recognised in profit or loss	-	(39,062)	4,653	-	(34,409)
Recognised in other comprehensive income	-	-	-	(4,689)	(4,689)
At 31 December 2017	-	121,636	9,118	6,400	137,154

Deferred tax liabilities of the Group and of the Bank:

	Investment property RM'000	Property plant and equipment RM'000	Intangible assets RM'000	Total RM'000
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)
At 1 January 2017	(7,251)	(7,166)	-	(14,417)
Recognised in profit or loss	(736)	1,390	(1,668)	(1,014)
At 31 December 2017	(7,987)	(5,776)	(1,668)	(15,431)

Deferred tax assets have not been recognised in respect of the following items:

As mentioned in Note 2.22, 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 2018, the unused tax losses for which deferred tax assets has not been recognised in the financial statements due to uncertainty if its realisation, are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unused tax losses	84,692	-	84,692	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

235

16. Deposits from customers

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Term deposit:				
- Commodity Murabahah/Tawarruq	2,974,984	3,261,929	3,071,441	3,321,145

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Government and statutory bodies (Note 34(c))	2,253,186	2,051,954	2,253,186	2,051,954
Business enterprise	643,188	501,839	739,645	561,055
Others	78,610	708,136	78,610	708,136
	2,974,984	3,261,929	3,071,441	3,321,145

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Less than three months	2,526,180	2,453,571	2,557,124	2,511,711
Three months to six months	369,604	736,520	377,057	737,596
Six months to one year	79,200	71,838	137,260	71,838
	2,974,984	3,261,929	3,071,441	3,321,145

17. Deposits from banks and other financial institutions

	Group and Bank	
	2018 RM'000	2017 RM'000
Licensed banks and other financial institutions	301,417	100,172

The deposits maturity structure are as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Less than three months	301,417	100,172

The deposits from banks and other financial institutions carry a profit rate of 3.61% (2017: 3.22%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

236

18. Medium-term notes

	Group and Bank	
	2018 RM'000	2017 RM'000
Islamic medium-term notes ("IMTNs")	1,821,436	1,821,452

The IMTNs are guaranteed by the Government of Malaysia and details of issuance are as follows:

	Issuance Date
RM250,000,000 3.60% maturing 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% maturing 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 3 September 2022	9 March 2017
RM300,000,000 4.06% maturing on 13 June 2022	13 June 2017

The maturity structure of medium-term notes is as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Within one year	671,436	21,452
More than one year to three years	400,000	1,050,000
More than three years to five years	750,000	750,000
	1,821,436	1,821,452

19. Borrowings

	Group and Bank	
	2018 RM'000	2017 RM'000
Unsecured borrowings	1,982,921	2,036,006

The maturity structure of the borrowings is as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Within one year	98,880	59,335
More than one year to five years	789,842	160,392
More than five years	1,094,199	1,816,279
	1,982,921	2,036,006

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

237

19. Borrowings (cont'd)

	Note	Group and Bank	
		2018 RM'000	2017 RM'000
Government of Malaysia (Note 34(c))	(i)	1,050,185	1,057,979
Other institutions	(ii)	932,736	978,027
		1,982,921	2,036,006

(i) Borrowings from Government of Malaysia

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

	Group and Bank	
	2018 RM'000	2017 RM'000
Maturity structure:		
Within one year	29,113	14,006
More than one year to five years	570,459	8,333
More than five years	450,613	1,035,640
	1,050,185	1,057,979

The interest rates on the borrowings from the Government of Malaysia range from 0% to 4% (2017: 0% to 4%) per annum.

(ii) Borrowings from other institutions

	Group and Bank	
	2018 RM'000	2017 RM'000
Bank Negara Malaysia	126,590	171,903
Employee Provident Fund	806,146	806,124
	932,736	978,027

The borrowings from other institutions are repayable as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Maturity structure:		
Within one year	69,766	45,329
More than one year to five years	219,384	152,059
More than five years	643,586	780,639
	932,736	978,027

The interest rates on the borrowings from other institutions range from 0% to 5% (2017: 0% to 4%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

238

20. Other liabilities

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other payables and accruals (Note a)	317,750	341,174	313,227	334,048
Islamic Margin account (Note b)	522,722	531,710	522,722	531,546
Guarantee payable (Note c)	153,344	150,522	153,344	150,522
Amount due to subsidiaries (Note d)	-	-	20,114	20,343
Sinking Fund	1,240	9,134	1,240	9,134
Rental and security deposits	5,778	5,835	5,778	5,835
Charity fund (Note e)	436	646	436	646
Provision for zakat	5,220	4,660	5,220	4,660
Other provisions	33,468	44,605	33,414	43,199
	1,039,958	1,088,286	1,055,495	1,099,933

Note a

Included in other payables and accruals are undisbursed funds amounting to RM64,900,000 (2017: RM55,030,000) 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 funds received under Skim Pinjaman Ekonomi Desa ("SPED") amounting to RM48,200,000 which was classified as a 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.

Note b

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.

Note c

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.

Note d

The amounts due to subsidiaries are non-trade, interest-free, unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

239

20. Other liabilities (cont'd)

Note e

The movement and sources of charity funds are as below:

	Group and Bank	
	2018 RM'000	2017 RM'000
Charity fund		
At 1 January	646	761
Uses of charity funds		
Contribution to non-profit organisation	210	115
At 31 December	436	646

21. Government funds

	Note	Group and Bank	
		2018 RM'000	2017 RM'000
To finance:			
Purchase of investment properties	(a)	118,961	122,487
Loans, advances and financing	(b)	207,383	162,562
		326,344	285,049

(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 2018	66,071	22,067	34,349	122,487
Government fund released (Note 26)	(236)	(2,910)	(380)	(3,526)
At 31 December 2018	65,835	19,157	33,969	118,961
At 1 January 2017	66,307	24,979	34,729	126,015
Government fund released (Note 26)	(236)	(2,912)	(380)	(3,528)
At 31 December 2017	66,071	22,067	34,349	122,487

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

240

21. Government funds (cont'd)

(b) To finance loans, advances and financing:

Group and Bank	Tabung 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 (SMA) 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

* Included in the government fund is Teraju Facilitation Fund amounting to RM50,000,000 received during the year. The balance amount yet to be disbursed was channelled as placement with profit sharing of 70:30 between the Bank and Teraju. The amount available for distribution remained at RM48,769,000.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



21. Government funds (cont'd)

(b) To finance loans, advances and financing: (cont'd)

Group and Bank	Tabung 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 2017	36,796	288	2,669	22,741	5,442	4,147	72,083
Write-off	(436)	-	-	(5,606)	(1,101)	-	(7,143)
Recoveries from loan/financing written-off	46	-	-	686	175	21	928
At 31 December 2017	36,406	288	2,669	17,821	4,516	4,168	65,868

	Balance b/f RM'000	Basis Capital Scheme (SMA) RM'000	Skim Pembangunan Ekonomi Desa RM'000	Skim Perusahaan Kapal Traditional RM'000	Program dan Skim Usahawan Kraft RM'000	Skim Anjakan Usahawan RM'000	Total RM'000
At 1 January 2017	72,083	31,393	48,194	3,000	4,755	19,604	179,029
Proceeds	-	-	-	-	-	40,000	40,000
Write-off	(7,143)	(3,879)	-	-	-	-	(11,022)
Recoveries from loan/financing written-off	928	2,576	24	-	1	-	3,529
Utilised to offset expenses	-	-	-	-	-	(756)	(756)
Reclassification (Note 20(a))	-	-	(48,218)	-	-	-	(48,218)
At 31 December 2017	65,868	30,090	-	3,000	4,756	58,848	162,562

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

242

21. Government funds (cont'd)

Summary of the government funds are as follows:

Types of fund	Purpose of fund	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	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)	30,000
(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) Kompleks Kilang Bimbingan	To provide premises for Bumiputera entrepreneurs industry	Ministry of International Trade and Industry (MITI)	220,775
(k) Skim Anjakan Usahawan	To promote business expansion for Bumiputera entrepreneur	Ministry of International Trade and Industry (MITI)	100,000
(l) Teraju Facilitation Fund	To finance project cost and acquisition of machinery for Bumiputera entrepreneur	Teraju Bumiputera Corporation (TERAJU)	50,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

21. 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 the performance of the government funds

2018

Types of funds	Outstanding loans, advances and financing RM'000	No. of borrower assisted
(a) Soft Loan Scheme	6,592	116
(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) Kompleks Kilang Bimbingan	373,214	-
(k) Skim Anjakan Usahawan	24,641	266
(l) Teraju Facilitation Fund	-	-
Total	426,259	

2017

(a) Soft Loan Scheme	8,292	115
(b) Tabung Usahawan Pahang	-	-
(c) Tabung Inkubator Pertanian Kelantan	-	-
(d) Tabung Usahawan Siswazah	6,081	180
(e) Dana Usahawan Negeri Terengganu	6,037	70
(f) Program dan Skim Usahawan Batik	-	-
(g) Basic Capital Scheme	12,424	89
(h) Skim Perusahaan Kapal Tradisional	-	-
(i) Program dan Skim Usahawan Kraf	89	1
(j) Kompleks Kilang Bimbingan	372,910	-
(k) Skim Anjakan Usahawan	10,625	212
(l) Skim Pembangunan Ekonomi Desa	-	-
Total	416,458	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

244

22. Share capital

Group and Bank	Number of ordinary shares		Amount	
	2018 Unit '000	2017 Unit '000	2018 RM'000	2017 RM'000
Issued and fully paid:				
At 1 January	1,850,000	1,350,000	1,850,000	1,350,000
Principal conversion of long term borrowing from the Government of Malaysia*	-	500,000	-	500,000
At 31 December	1,850,000	1,850,000	1,850,000	1,850,000

*Minister of Finance ("MOF") vide its letter dated 7 September 2017, approved in principal the conversion of the long term borrowings granted by the Government of Malaysia to the Bank amounting to RM500 million into the share capital of the Bank. This conversion will not only assist the Bank to improve its capital adequacy requirements but also to increase the Bank's financing capacity in meeting the needs of the unserved and underserved market. The conversion was approved by the Parliament of Malaysia on 24 November 2017 and the conversion was completed on 16 March 2018.

23. Other reserves

Group and Bank	Fair value reserve RM'000	Distributable general reserve RM'000	Total RM'000
Impact of adopting MFRS 9 at 1 January 2018 (Note 39)	7,664	-	7,664
At 1 January 2018 as restated	(12,601)	10,114	(2,487)
Unrealised gain on revaluation of debt instrument at FVOCI	(811)	-	(811)
Unrealised gain on revaluation of equity instrument at FVOCI	(1,551)	-	(1,551)
Allowance made due to changes in credit risk	9,698	-	9,698
Income tax relating to components of other comprehensive income (Note 15)	567	-	567
At 31 December 2018	(4,698)	10,114	5,416
At 1 January 2017	(36,678)	10,114	(26,564)
Unrealised gain on revaluation of available-for-sale financial assets	21,102	-	21,102
Income tax relating to components of other comprehensive income (Note 15)	(4,689)	-	(4,689)
At 31 December 2017	(20,265)	10,114	(10,151)

(a) Distributable general reserve

Distributable general reserve arose from the merger between Bank Pembangunan Malaysia Berhad and Bank Industry Berhad in 2005.

(b) Fair value reserve

Non-distributable fair value reserve represents the cumulative fair value changes, net of tax, of financial assets at FVOCI. Interest/Profit income and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. 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 inception, the Group and the Bank measure the changes through FVOCI (without recycling profit or loss upon derecognition). Included in financial asset FVOCI are financial investments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



245

Financial Statements | Penyata Kewangan

24. Interest income

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income from loans, advances and financing	19,276	36,776	15,967	23,104
Financial assets at FVOCI	6,795	-	6,795	-
Available-for-sale financial investments	-	7,699	-	7,699
Held-to-maturity financial investments	-	302	-	302
Derivative forex	509	421	509	421
Others	-	345	-	345
	26,580	45,543	23,271	31,871

Included in interest income from loans, advances and financing is interest on impaired loans amounting to RM4,992,000 (2017: RM379,000).

25. Interest expense

	Group and Bank	
	2018 RM'000	2017 RM'000
Term loans	55,537	57,617

26. Other operating income

	Group and Bank	
	2018 RM'000	2017 RM'000
Fee income	493	555
Commission fee income [^]	13	24
	506	579
Investment in unquoted shares:		
- gross dividend income	-	655
Other income:		
Government funds released (Note 21(a))	3,526	3,528
Government compensation	2,519	3,847
Others	1,773	7,215
	7,818	14,590
Total other operating income	8,324	15,824

[^] The Group and Bank recognised commission fees from a third party insurance/takaful disbursement date of loans, advances and financing. The Group and 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 has assessed the impact of adopting MFRS 15 which comes into effect on 1 January 2018 and concluded no significant impact on the financial position of the Group and of the Bank.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

246

27. Other operating expenses

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Personnel expenses	(i)	134,331	142,960	129,563	138,110
Establishment related expenses	(ii)	41,251	35,847	41,109	35,614
Promotion and marketing expenses	(iii)	3,925	4,476	4,137	4,733
Administration and general expenses	(iv)	28,014	24,052	27,102	25,405
		207,521	207,335	201,911	203,862
(i) Personnel expenses					
Salaries, allowances and bonuses		104,975	121,203	101,075	117,376
Non-executive Directors fees and Remuneration (Note 28)		1,745	2,654	1,537	2,394
Social security cost		852	771	826	746
Contribution to Employee Provident Fund		13,224	12,796	12,802	12,321
Other staff related expenses		13,535	5,536	13,323	5,273
		134,331	142,960	129,563	138,110
(ii) Establishment related expenses					
Depreciation of property, plant and equipment (Note 12)		12,759	12,134	12,735	12,103
Amortisation of intangible assets (Note 14)		6,097	3,858	6,026	3,680
Rental of premises		3,898	4,062	3,898	4,062
Property, plant and equipment written off (Note 12)		641	-	641	-
Repairs and maintenance of property, plant and equipment		17,856	15,793	17,809	15,769
		41,251	35,847	41,109	35,614
(iii) Promotion and marketing expenses					
Advertisement and publicity		3,925	4,476	4,137	4,733
(iv) Administration and general expenses					
Administrative expenses		6,833	6,820	6,818	6,813
Auditors' remuneration					
- Statutory audit		626	579	560	529
- Regulatory related services		31	31	31	31
- Other assurance services		160	10	160	10
Recovery expenses charged by a subsidiary company (Note 34)		-	-	-	2,241
General expenses		20,364	16,612	19,533	15,781
		28,014	24,052	27,102	25,405

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

28. Directors fees and remuneration

2018

	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other Benefits- in-kind RM'000	Bank Total RM'000	Fees RM'000	Other Benefits- emoluments RM'000	Other Benefits- in-kind RM'000	Group Total RM'000
Executive Director:										
Aria Putera Ismail	295	-	-	53	20	368	-	-	-	368
	295	-	-	53	20	368	-	-	-	368
Non-Executive Directors:										
Y.Bhg. Dato' Asri bin Hamidin @ Hamidon	-	60	-	-	53	113	18	3	-	134
Y.Bhg. Dato' Mohd Shukri bin Hussin	-	60	-	-	124	184	-	-	-	184
Y.Bhg. Prof. Dr. Abdul Basir bin Mohamad	-	60	-	-	158	218	-	-	-	218
Y.Bhg. Dato' Muslim bin Hussain	-	20	-	-	26	46	-	-	-	46
Y.Bhg. Dato' Jamelah binti Jamaluddin	-	60	-	-	124	184	-	-	-	184
En. Ishak bin Ismail	-	5	-	-	21	26	18	7	-	51
En. Muthafa bin Yusof	-	15	-	-	25	40	-	-	-	40
Y.Bhg. Tan Sri Faizah binti Mohd Tahir	-	122	-	-	48	170	41	7	-	218
En. Khairuzzaman Muhammad	-	60	-	-	128	188	-	-	-	188
En. Edlin Ghazaly	-	-	-	-	-	-	18	7	-	25
Y.Bhg. Tan Sri Datuk Mohamed Khatib bin Abdul Hamid	-	-	-	-	-	-	60	6	-	66
Y.Bhg. Dato' Hazimah binti Zainuddin	-	-	-	-	-	-	18	4	-	22
Tuan Haji Ishak bin Hashim	-	-	-	-	-	-	1	-	-	1
	-	462	-	-	707	1,169	174	34	-	1,377
	295	462	-	53	727	1,537	174	34	-	1,745



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

28. Directors fees and remuneration (cont'd)

	Salary		Fees		Bonus		Pension cost		Other Benefits-in-kind emoluments		Bank Total		Fees		Other Benefits-in-kind emoluments		Group Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Executive Director:																			
Y.Bhg. Datuk Mohd Radzif bin Mohd Yunus	652	-	276	120	-	-	-	-	-	-	1,048	-	-	-	9	-	-	1,057	
	652	-	276	120	-	-	-	-	-	-	1,048	-	-	-	9	-	-	1,057	
Non-Executive Directors:																			
Y.Bhg. Dato' Asri bin Hamidin @ Hamidon	-	60	-	-	-	-	-	-	100	-	160	18	3	-	-	-	181		
Y.Bhg. Dato' Mohd Shukri bin Hussin	-	60	-	-	-	-	-	94	-	154	-	-	-	-	-	-	154		
Y.Bhg. Prof. Dr. Abdul Basir bin Mohamed	-	60	-	-	-	-	-	82	-	142	-	-	-	-	-	-	142		
Y.Bhg. Dato' Jameelah binti Jamaludin	-	60	-	-	-	-	-	131	-	191	-	-	-	-	-	-	191		
Tan Sri Mohamed Khatib Abdul Hamid	-	-	-	-	-	-	-	-	-	-	-	60	9	-	-	-	69		
En. Ishak bin Ismail	-	60	-	-	-	-	-	136	-	196	18	6	-	-	-	-	220		
En. Muthafa bin Yusof	-	40	-	-	-	-	-	61	-	101	-	-	-	-	-	-	101		
Y.Bhg. Tan Sri Faizah binti Mohd Tahir	-	180	-	-	-	-	-	60	-	240	60	9	-	-	-	-	309		
En. Khairuzzaman Muhammad	-	60	-	-	-	-	-	102	-	162	-	-	-	-	-	-	162		
En. Edlin Ghazaly	-	-	-	-	-	-	-	-	-	-	-	18	5	-	-	-	23		
Y.Bhg. Dato' Hazimah binti Zainuddin	-	-	-	-	-	-	-	-	-	-	-	18	5	-	-	-	23		
Tuan Haji Ishak bin Hashim	-	-	-	-	-	-	-	-	-	-	-	18	4	-	-	-	22		
	-	580	-	-	-	-	-	766	-	1,346	210	41	-	-	-	-	1,597		
	652	580	276	120	-	-	-	766	-	2,394	210	50	-	-	-	-	2,654		

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

249

28. Directors fees and remuneration (cont'd.)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Number of executive director:				
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	2	1	1
RM100,001 to RM200,000	4	6	5	7
RM1 to RM100,000	7	4	3	-
	13	12	9	8

29. Allowance for impairment loss on loans, advances and financing

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Allowance/(Writeback) for impairment losses on loans, advances and financing made during the year				
- Stage 1, net (Note 7(x))	(21,170)	-	(21,170)	-
- Stage 2, net (Note 7(x))	12,971	-	12,971	-
- Stage 3, net (Note 7(x))	731,764	-	327,178	-
	723,565	-	318,979	-
Allowance for impairment losses on loans, advances and financing made during the year				
- Individual assessment allowance (Note 7(x))	-	204,767	-	192,666
- Collective assessment allowance (Note 7(x))	-	111,785	-	105,130
	-	316,552	-	297,796
Allowance reversal for loans, advances and financing made during the year				
- Individual assessment allowance (Note 7(x))	-	(97,138)	-	(92,170)
- Collective assessment allowance (Note 7(x))	-	(87,136)	-	(83,049)
	-	(184,274)	-	(175,219)
Loans, advances and financing waived	8	715	8	715
Loans, advances and financing written-off	-	10,911	-	10,911
Impaired loans, advances and financing recovered	(29,404)	(62,873)	(29,404)	(62,872)
Total allowance for impairment losses on loans, advances and financing	694,169	81,031	289,583	71,331

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

250

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

30. Tax (credit)/expense and zakat

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax:				
Tax expense for the year	-	729	-	50
Overprovision in prior years	(47)	(3)	(50)	(3)
	(47)	726	(50)	47
Deferred tax (Note 15):				
Origination or reversal of temporary differences	-	17,610	-	17,610
Underprovision of deferred tax expense in prior years	-	17,813	-	17,813
	-	35,423	-	35,423
Total tax (credit)/expense for the year	(47)	36,149	(50)	35,470

The reconciliation between tax (credit)/expense and accounting (loss)/profit of the Group and of the Bank multiplied by the applicable corporate tax rate is as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/Profit before tax and zakat	(552,175)	104,616	(495,552)	114,192
Tax (credit)/expenses at Malaysian tax rate of 24%	(132,522)	25,108	(118,932)	27,406
Tax effects of:				
Non-deductible expenses	105,306	6,614	91,684	3,818
Non-taxable income	(1,022)	(10,763)	(1,022)	(10,763)
Deferred tax assets not recognised	20,326	-	20,326	-
Effects of changes in tax rate	7,987	-	7,987	-
Effects of differences in tax rate	(43)	(2,801)	(43)	(2,801)
Effects of share of associate's post-tax (profit)/loss included in Group's profit before taxation	(32)	181	-	-
Overprovision of current tax in prior years	(47)	(3)	(50)	(3)
Underprovision of deferred tax in prior years	-	17,813	-	17,813
Total tax (credit)/expense for the year	(47)	36,149	(50)	35,470

	Group and Bank	
	2018 RM'000	2017 RM'000
Zakat for the year	4,000	4,694

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

251

31. (Loss)/Earnings per share

The basic (loss)/earnings per share amount is calculated by dividing (loss)/profit for the year net of tax, by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the (loss)/profit and share data used in the computation of basic loss/earnings per share for the year ended 31 December:

	Bank	
	2018 RM'000	2017 RM'000
(Loss)/Profit for the year	(499,502)	74,028
(Loss)/Earnings per share (sen) - Basic	(27.00)	4.23
Weighted average number of ordinary shares for basic (loss)/earnings per share computation	1,850,000	1,748,630

32. Commitment and contingencies

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

	Group and Bank	
	2018 RM'000	2017 RM'000
Direct credit substitutes	190,108	183,276
Transaction-related-contingent items	138,014	171,364
Irrevocable commitments to extend credit:		
- maturity exceeding one year	1,140,227	1,618,351
- maturity not exceeding one year	-	539,028
Profit rate related contract	200,000	350,000
	1,668,349	2,862,019

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

	Group and Bank	
	2018 RM'000	2017 RM'000
Approved and contracted for:		
Property, plant and equipment	-	4,563
Information technology system	6,716	8,553
Kompleks Kilang Bimbingan construction	38	38
	6,754	13,154
Total commitments and contingencies	1,675,103	2,875,173

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

252

33. Capital adequacy

Capital management

Capital policy

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

Regulatory capital

In order to support its mandated roles, the Bank has strong and adequate capital to support its business activities on an on-going basis. Bank Negara Malaysia ("BNM") has imposed several regulatory capital requirements whereby, the Bank must have an absolute minimum capital of RM300,000,000 and a minimum Risk Weighted Capital Ratio ("RWCR") of 8% at all times. The minimum capital funds refer to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act 2002.

The capital adequacy ratios of the Group and of the Bank are computed in accordance with the requirements of the BNM's Capital Framework for Development Financial Institutions, which is based on the Basel I capital adequacy framework requirements.

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Tier I Capital				
Paid-up share capital	1,850,000	1,850,000	1,850,000	1,850,000
(Accumulated loss)/Retained earnings	(583,618)	145,727	(589,358)	145,128
General reserves	10,114	10,114	10,114	10,114
Less: Deferred tax assets	(120,059)	(121,723)	(120,059)	(121,723)
Less: Property revaluation reserve	(212,533)	(212,229)	(212,533)	(212,229)
Total Tier I capital	943,904	1,671,889	938,164	1,671,290
Tier II Capital				
General provision for loans, advances and financing*	105,170	70,207	105,170	70,207
Property revaluation reserve^	106,267	106,115	106,267	106,115
Government funds#	375,113	285,049	375,113	285,049
Total Tier II capital	586,550	461,371	586,550	461,371
Total capital	1,530,454	2,133,260	1,524,714	2,132,661
Less: Investment in subsidiaries	-	-	-	(3,582)
Total capital base	1,530,454	2,133,260	1,524,714	2,129,079

* 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.

Included in the government fund is Teraju Facilitation Fund amounting to RM50,000,000 received during the year. The balance amount yet to be disbursed was channelled as placement with profit sharing of 70:30 between the Bank and Teraju. The amount available for distribution remained at RM48,769,000.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



253

33. Capital adequacy (cont'd)

Capital management (cont'd)

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
20%	143,338	114,197	143,338	114,197
50%	291,347	548,026	291,347	548,026
100%	7,727,764	8,713,115	7,837,710	8,783,849
	8,162,449	9,375,338	8,272,395	9,446,072
Before deducting proposed dividends:				
Core capital ratio	11.564%	17.833%	11.341%	17.693%
Risk-weighted capital ratio	18.750%	22.754%	18.431%	22.539%
After deducting proposed dividends:				
Core capital ratio	11.564%	17.478%	11.341%	17.340%
Risk-weighted capital ratio	18.750%	22.399%	18.431%	22.187%

Capital monitoring

The Group's and the Bank's capital are closely monitored and actively managed. Besides the regulatory capital requirement of 8%, the Group and the Bank adhere to an internal capital limit that would act as a trigger to the regulatory capital and also as an indicator that allows the Group and the Bank to have the "well capitalised" status. Internal capital limit and regulatory capital requirement are closely monitored, regularly reviewed and reported to senior management and the Board of Directors.

34. 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 28 is follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries and other emoluments	11,479	11,285	11,479	11,285
Defined contribution plan	1,655	1,666	1,655	1,666
	13,134	12,951	13,134	12,951

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

254

34. Related party transactions (cont'd.)

(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	
	2018 RM'000	2017 RM'000
Long term loans/financing from Minister of Finance (Note 19)	1,035,702	1,043,441
Interest payable to Minister of Finance (Note 19)	14,483	14,538
Deposit acceptance from government agencies (Note 16(i))	2,233,569	2,027,964
Interest payable to government agencies (Note 16(i))	19,617	23,990
Government fund from MITI (Note 21(a) & 21(b))	324,825	284,761
Government fund from MRRD	35,788	31,452
	3,663,984	3,426,146

The significant related parties credits/(charges) within the Group, which were determined based on terms agreed between the parties are as follows:

	Bank	
	2018 RM'000	2017 RM'000
Profit income on amount due from subsidiary companies (Note 38(k))	17,777	17,752
Recovery expenses charged by a subsidiary company (Note 27)	-	(2,241)
Profit expense on Commodity Murabahah to subsidiary companies (Note 38(l))	(2,543)	(4,119)
	15,234	11,392

(d) Connected parties

	Group and Bank			
	Total outstanding RM'000	Total number of connected party account/ counter- party Amount	Total exposure (total outstanding plus unutilised limit) RM'000	Total financing exposure which is non- performing or in default RM'000
Financing facility (except guarantee)	504,120	2	506,118	-
Off-balance sheet exposure	942	1	942	-
Equities and private debt securities held	298,190	8	298,190	-
	803,252	11	805,250	-
Total exposure to connected parties as % of total capital	-	-	52.7%	-
Total exposure to connected parties as % of total outstanding exposure	-	-	9.9%	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



35. 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		Bank	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
31 December 2018				
Financial assets:				
Debt instrument at AC (Note 6(d))	674,133	669,183	674,133	669,183
Loans, advances and financing at AC (Note 7(a))	5,645,449	5,018,156	5,645,449	5,018,156
Financial liabilities:				
Medium-term notes (Note 18)	1,821,436	1,739,983	1,821,436	1,739,983
Borrowings (Note 19)	1,982,921	1,812,455	1,982,921	1,812,455
31 December 2017				
Financial assets:				
Held-to-maturity financial assets (Note 6(e))	568,585	560,927	568,585	560,927
Loans, advances and financing (Note 7(a))	6,583,790	5,592,112	6,159,840	5,198,952
Financial liabilities:				
Medium-term notes (Note 18)	1,821,452	1,749,553	1,821,452	1,749,553
Borrowings (Note 19)	2,036,006	1,995,962	2,036,006	1,995,962

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

256

35. Fair value of financial instruments (cont'd)

The methods and assumptions used in estimating the fair values of the financial instruments are as follows:

(a) Cash and short term funds, deposits and placements with banks and other financial institutions, other receivables, deposits from customers and deposits from other financial institutions

The carrying amount approximates fair value due to the relatively short maturity of these financial instruments.

(b) Debt instrument at Amortised Cost, Held-to-maturity financial assets

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.

(c) Loans, advances and financing at Amortised Cost/Loans and Receivables

The fair values of variable and fixed rate loans 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 to new borrowers with similar credit profiles, where applicable. For impaired loans, the fair values are deemed to approximate the carrying values, net of impairment allowance.

(d) Medium term notes and borrowings

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



35. 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.

	Group			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2018				
Financial assets and financial liabilities measured at fair value:				
Financial assets:				
Deposits and placements with banks	-	-	151,878	151,878
Debt instrument at FVOCI	-	1,904,721	-	1,904,721
Equity instrument at FVOCI	-	134,504	8,883	143,387
Loans, advances and financing at FVTPL	-	-	12,283	12,283
Derivative financial assets	-	-	2,816	2,816
Financial assets and financial liabilities not measured at fair value for which fair values are disclosed				
Financial assets:				
Loans, advances and financing at AC	-	-	5,018,156	5,018,156
Debt instrument at AC	-	669,183	-	669,183
Financial liabilities:				
Medium-term notes	-	-	1,739,983	1,739,983
Borrowings	-	-	1,812,455	1,812,455
31 December 2017				
Financial assets and financial liabilities measured at fair value:				
Financial assets:				
Available-for-sale financial assets (Note 6(c))				
- Private debt securities	-	1,054,085	-	1,054,085
- Malaysian Government Investment Issues	-	672,074	-	672,074
- Malaysian Government Securities	-	177,021	-	177,021
- Commercial papers	-	171,723	-	171,723
Financial liabilities:				
Derivative financial liabilities	-	-	696	696
Financial assets and financial liabilities not measured at fair value for which fair values are disclosed				
Financial assets:				
Loans, advances and financing	-	-	5,592,112	5,592,112
Held-to-maturity financial assets	-	560,927	-	560,927
Financial liabilities:				
Medium-term notes	-	-	1,749,553	1,749,553
Borrowings	-	-	1,995,962	1,995,962

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

258

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

35. Fair value of financial instruments (cont'd)

	Bank			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
31 December 2018				
<u>Financial assets and financial liabilities</u>				
<u>measured at fair value:</u>				
Financial assets:				
Deposits and placements with banks	-	-	151,878	151,878
Debt instrument at FVOCI	-	1,904,721	-	1,904,721
Equity instrument at FVOCI	-	134,504	8,883	143,387
Loan, advances and financing at FVTPL	-	-	12,283	12,283
Amount due from a subsidiary at FVOCI	-	-	82,878	82,878
Derivative financial assets	-	-	2,816	2,816
<u>Financial assets and financial liabilities</u>				
<u>not measured at fair value for</u>				
<u>which fair values are disclosed</u>				
Financial assets:				
Loans, advances and financing at AC	-	-	5,018,156	5,018,156
Debt instrument at AC	-	669,183	-	669,183
Financial liabilities:				
Medium-term notes	-	-	1,739,983	1,739,983
Borrowings	-	-	1,812,455	1,812,455
31 December 2017				
<u>Financial assets and financial liabilities</u>				
<u>measured at fair value:</u>				
Financial assets:				
Available-for-sale financial assets (Note 6(c))				
- Private debt securities	-	1,084,481	-	1,084,481
- Malaysian Government Investment Issues	-	672,074	-	672,074
- Malaysian Government Securities	-	177,021	-	177,021
- Commercial papers	-	171,723	-	171,723
Financial liabilities:				
Derivative financial liabilities	-	-	696	696
<u>Financial assets and financial liabilities</u>				
<u>not measured at fair value for</u>				
<u>which fair values are disclosed</u>				
Financial assets:				
Loans, advances and financing	-	-	5,198,952	5,198,952
Held-to-maturity financial assets	-	560,927	-	560,927
Financial liabilities:				
Medium-term notes	-	-	1,749,553	1,749,553
Borrowings	-	-	1,995,962	1,995,962

There were no transfers between Level 1, Level 2 and Level 3 during the current and previous financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

259

36. 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) Treasury and Balance Sheet Management and Fund Administration

Treasury and Balance Sheet Management and Fund Administration are responsible for managing the Bank's assets and liabilities and the overall financial structure. Treasury and Balance Sheet Management and Fund Administration 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.

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 monthly report provides aggregate credit exposure, limit exceptions, liquidity ratios and risk profile changes including detailed reporting of industry and customer risks. Senior Management Committee ("SMC") assesses the appropriateness of the allowance for credit losses on a monthly basis. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

260

36. Financial risk management objectives and policies (cont'd)

(e) Risk measurement and reporting systems (cont'd)

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 approved authority up to a specified limit.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

36. 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	
	2018 RM'000	2017 RM'000
On balance sheet:		
Cash and short term funds	485,308	423,032
Deposits and placements with banks	151,878	182,013
Debt instrument at FVOCI and AC	2,722,241	-
Available-for-sale financial assets	-	2,108,422
Held-to-maturity financial assets	-	568,585
Loans, advances and financing	5,657,732	6,583,790
Other receivables and rental receivables (Note 8)	10,930	21,624
	9,028,089	9,887,466
Off balance sheet:		
Commitments and contingencies (Note 32)	1,675,103	2,875,173
	10,703,192	12,762,639
	Bank	
	2018 RM'000	2017 RM'000
On balance sheet:		
Cash and short term funds	481,615	418,981
Deposits and placements with banks	151,878	182,013
Debt instrument at FVOCI and AC	2,722,241	-
Available-for-sale financial assets	-	2,108,422
Held-to-maturity financial assets	-	568,585
Loans, advances and financing	5,657,732	6,159,840
Amount due from subsidiaries, other receivables and rental receivables (Note 8)	128,245	523,240
	9,141,711	9,961,081
Off balance sheet:		
Commitments and contingencies (Note 32)	1,675,103	2,875,173
	10,816,814	12,836,254

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

262

36. 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 at Amortised Cost are rated based on internal rating by the Bank:

Group 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	9,361	840	-	10,201
Impaired	-	-	2,005,646	2,005,646
	4,153,556	837,654	2,005,646	6,996,856

The grouping of loans, advances and financing was revised upon the adoption of MFRS 9 on 1 January 2018. Comparative figure are not restated in line with the transition requirements under MFRS 9.

31 December 2017	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Risk rating category				
Highest safety*	1,410,707	20,413	-	1,431,120
Moderate safety**	3,896,277	207,187	-	4,103,464
High risk***	114,659	708	-	115,367
Non-rated	10,431	20,693	-	31,124
Impaired	-	-	1,370,947	1,370,947
	5,432,074	249,001	1,370,947	7,052,022

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

263

36. 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 at Amortised Cost are 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	9,361	840	-	10,201
Impaired	-	-	1,482,802	1,482,802
	4,153,556	837,654	1,482,802	6,474,012
31 December 2017	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Risk rating category				
Highest safety*	1,410,707	20,413	-	1,431,120
Moderate safety**	3,896,277	207,187	-	4,103,464
High risk***	114,659	708	-	115,367
Non-rated	10,431	20,693	-	31,124
Impaired	-	-	828,739	828,739
	5,432,074	249,001	828,739	6,509,814

* 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

264

SME BANK | INTEGRATED ANNUAL REPORT 2018 LAPORAN TAHUNAN BERSEPADU 2018

36. 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 RM'000	Debt instrument at FVOCI/ Available- for-sale financial assets RM'000	Debt instrument at AC/ Held-to- maturity financial assets RM'000	Loans, advances and financing at AC	Other assets RM'000	Total RM'000	Commit- ments and conting- encies RM'000
				Loans, and FVPTL/ advances and financing 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	10,930	23,213	1,675,103
Gross total	637,186	1,904,721	674,196	7,009,139	10,930	10,236,172	1,675,103
31 December 2017							
Government	-	849,095	111,705	-	-	960,800	-
Construction	-	-	-	959,307	-	959,307	-
Education, health and others	-	-	-	1,156,537	-	1,156,537	-
Electricity, gas and water supply	-	-	-	36,396	-	36,396	-
Financial, insurance, real estate and business services	605,045	1,225,808	354,346	860,355	-	3,045,554	-
Manufacturing	-	-	-	1,234,191	-	1,234,191	-
Mining and quarrying	-	-	-	29,856	-	29,856	-
Primary agriculture	-	-	-	4,270	-	4,270	-
Transportation, storage and communication	-	-	-	799,913	-	799,913	-
Wholesale, retail trade, restaurants and hotels	-	-	-	1,952,885	-	1,952,885	-
Others	-	-	-	18,312	21,624	39,936	2,875,173
Gross total	605,045	2,074,903	466,051	7,052,022	21,624	10,219,645	2,875,173

Comparative figure are not restated in line with the transition requirements under MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



265

Financial Statements | Penyata Kewangan

36. 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 instrument at FVOCI/ Available- for-sale financial assets	Debt instrument at AC/ Held-to- maturity financial assets	Loans, advances and financing at AC and FVPTL/ Loans, advances and financing	Other assets	Total	Commit- ments and contin- gencies
31 December 2018							
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	119,924	3,358,215	-
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	8,321	20,604	1,675,103
Gross total	633,493	1,904,721	674,196	6,486,295	128,245	9,826,950	1,675,103
31 December 2017							
Government	-	849,095	111,705	-	-	960,800	-
Construction	-	-	-	956,435	-	956,435	-
Education, health and others	-	-	-	1,103,915	-	1,103,915	-
Electricity, gas and water supply	-	-	-	36,396	-	36,396	-
Financial, insurance, real estate and business services	600,994	1,225,808	354,346	856,274	507,040	3,544,462	-
Manufacturing	-	-	-	1,121,292	-	1,121,292	-
Mining and quarrying	-	-	-	27,860	-	27,860	-
Primary agriculture	-	-	-	4,030	-	4,030	-
Transportation, storage and communication	-	-	-	736,442	-	736,442	-
Wholesale, retail trade, restaurants and hotels	-	-	-	1,648,858	-	1,648,858	-
Others	-	-	-	18,312	16,200	34,512	2,875,173
Gross total	600,994	2,074,903	466,051	6,509,814	523,240	10,175,002	2,875,173

Comparative figure are not restated in line with the transition requirements under MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

266

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

36. 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 31 December 2018	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Short term funds and placements with financial institutions	637,186	-	-	637,186
Debt instrument at FVOCI	1,895,923	-	8,798	1,904,721
Debt instrument at AC	674,196	-	-	674,196
Loans, advances and financing:				
Term loans				
Hire purchase	218,767	57,363	97,339	373,469
Leasing	15	-	348	363
Other term loans	3,091,541	650,220	1,714,727	5,456,488
Revolving credits	843,233	130,071	193,232	1,166,536
Staff loan/financing	-	12,283	-	12,283
Other assets	9,677	347	9,168	19,192
	7,370,538	850,284	2,023,612	10,244,434

	Current RM'000	Past due not impaired		Past due and impaired	Total RM'000
		1 month RM'000	2 months RM'000	RM'000	
31 December 2017					
Short term funds and placements with financial institutions	605,045	-	-	-	605,045
Available-for-sale financial assets	2,074,903	-	-	-	2,074,903
Held-to-maturity financial assets	466,051	-	-	-	466,051
Term loans					
Hire purchase	268,234	8,009	26,218	93,943	396,404
Leasing	40,416	328	3,040	4,421	48,205
Other term loans	4,243,831	74,750	97,133	1,219,750	5,635,464
Revolving credits	879,593	12,487	8,724	52,833	953,637
Staff loan/financing	-	-	18,312	-	18,312
Other assets	21,624	-	-	7,554	29,178
	8,599,697	95,574	153,427	1,378,501	10,227,199

Comparative figure are not restated in line with the transition requirements under MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

267

36. 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 31 December 2018	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Short term funds and placements with financial institutions	633,493	-	-	633,493
Debt instrument at FVOCI	1,895,923	-	8,798	1,904,721
Debt instrument at AC	674,196	-	-	674,196
Loans, advances and financing:				
Term loans				
Hire purchase	218,767	57,363	59,294	335,424
Leasing	15	-	-	15
Other term loans	3,091,541	650,220	1,243,806	4,985,567
Revolving credits	843,233	130,071	179,702	1,153,006
Staff loan/financing	-	12,283	-	12,283
Other assets	44,114	347	92,046	136,507
	7,401,282	850,284	1,583,646	9,835,212

	Current RM'000	Past due not impaired		Past due and impaired RM'000	Total RM'000
		1 month RM'000	2 months RM'000		
31 December 2017					
Short term funds and placements with financial institutions	600,994	-	-	-	600,994
Available-for-sale financial assets	2,074,903	-	-	-	2,074,903
Held-to-maturity financial assets	466,051	-	-	-	466,051
Term loans					
Hire purchase	268,234	8,009	26,218	35,968	338,429
Leasing	40,416	328	3,040	3,918	47,702
Other term loans	4,243,831	74,750	97,133	741,222	5,156,936
Revolving credits	879,593	12,487	8,724	47,631	948,435
Staff loan/financing	-	-	18,312	-	18,312
Other assets	523,240	-	-	7,554	530,794
	9,097,262	95,574	153,427	836,293	10,182,556

Comparative figure are not restated in line with the transition requirements under MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

268

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

36. 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 an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral 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 for the adequacy of impairment losses.

(vi) Collateral and credit enhancement for loans, advances and financing

Collateral represents the asset pledged by a borrower and/or a third party on behalf of the customer, in whole or in part, to secure a 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:

	Gross loans, advances and financing RM'000	Estimated fair value of collateral (%)
31 December 2018		
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
	6,996,856	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

269

36. 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

Group	Gross loans, advances and financing RM'000	Estimated fair value of collateral (%)
31 December 2017		
Construction	959,307	50.1
Education, health and others	1,156,537	57.8
Electricity, gas and water supply	36,396	41.5
Financial, insurance, real estate and business services	860,355	58.3
Manufacturing	1,234,191	58.2
Mining and quarrying	29,856	60.9
Primary agriculture	4,270	61.2
Transportation, storage and communication	799,913	70.5
Wholesale, retail trade, restaurants and hotels	1,952,885	74.1
Others	18,312	-
	7,052,022	
Bank		
31 December 2018		
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
	6,474,012	
31 December 2017		
Construction	956,435	50.3
Education, health and others	1,103,915	59.3
Electricity, gas and water supply	36,396	41.5
Financial, insurance, real estate and business services	856,274	58.4
Manufacturing	1,121,292	58.0
Mining and quarrying	27,860	65.2
Primary agriculture	4,030	58.9
Transportation, storage and communication	736,442	72.2
Wholesale, retail trade, restaurants and hotels	1,648,858	71.2
Others	18,312	-
	6,509,814	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

270

36. Financial risk management objectives and policies (cont'd)

(e) Risk measurement and reporting systems (cont'd)

(a) Credit risk (cont'd)

(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. The gross of restructured loans/financing held by the Group and the Bank at the end of the reporting period stood at RM657 million (2017: RM675 million).

(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 2018 RM'000	Nominal value 2017 RM'000
Corporate Sukuk	RAM	AAA	285,000	245,000
Corporate Sukuk	MARC	AAA	95,000	110,000
Corporate Sukuk/bonds	RAM	AA1	80,000	140,000
Corporate Sukuk	RAM	AA2	155,000	175,000
Corporate Sukuk	RAM	AA3	125,000	185,000
Corporate Sukuk	MARC	AA+	5,000	-
Corporate Sukuk	MARC	AA-	-	10,000
Corporate Sukuk	RAM	A1	35,000	-
Corporate Sukuk	RAM	BB2	10,000	-
Malaysian Government Sukuk/bonds	N/A	Exempted	1,000,000	965,000
Government Guarantee Sukuk	N/A	Exempted	435,000	435,000
Non-rated			100,000	100,000
Total			2,325,000	2,365,000

Deposits and placements with banks and other financial institutions:

Rating for counterparty	Total principal outstanding 2018 RM'000	Total principal outstanding 2017 RM'000
AAA	160,220	187,780
AA	416,200	325,000
Non-rated	30,000	50,000
Total	606,420	562,780

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



271

36. Financial risk management objectives and policies (cont'd)

(e) Risk measurement and reporting systems (cont'd)

(a) Credit risk (cont'd)

(ix) Impairment assessment (policy applicable effective from 1 January 2018)

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the customer from financing and lease receivables portfolio is 3 Months-in-Arrears ("MIA") on its contractual payments. The Bank considers treasury 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 a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank carefully considers whether the event should result in treating 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

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 is sufficient cash inflows. The 'cured' rate for Restructure and Reschedule financial instruments are 6 months continuously adherence to the revised repayment schedule.

Probability of Default ("PD") estimation (policy applicable effective from 1 January 2018)

The PD model was devised on non-rating based measure which is Months-in-Arrears ("MIA"). Financing, Undisbursed Commitments ("UDC") and Trade Finance shared the same 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 are adjusted to incorporate forward looking information and is assessed for updates on a quarterly basis. The suitability of Macro Economics Variables ("MEV") are assessed and applied as appropriate on similar intervals.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

272

36. 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

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 commitment is the full amount of the commitment.

	Group and Bank	
	2018 RM'000	2017 RM'000
Financial guarantees, Corporate Guarantee Schemes, Letters of Credit and others	190,108	183,276
Performance guarantees	138,014	171,364
Undisbursed commitments	1,140,227	2,157,379
Profit rate related contract	200,000	350,000
	1,668,349	2,862,019

(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 a possible parallel shift in interest/profit rate.

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impact on variable rate loans, advances and financing				
+ 50 basis points	23,148	21,072	22,342	20,648
- 50 basis points	(23,148)	(21,072)	(22,342)	(20,648)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

273

36. 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 31 December 2018	← Non-trading book →						Non- interest sensitive RM'000	Total RM'000	Weighted average effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Over 5 years 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 instrument at FVOCI	10,198	25,358	55,681	1,041,196	772,288	-	1,904,721	4.15	
Equity instrument at FVOCI	-	-	103,522	30,982	-	8,883	143,387	6.25	
Debt instrument 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	89,096	240,274	267,426	1,510,379	2,896,318	654,239	5,657,732	6.82	
Other assets (Note 8)	-	-	-	-	-	10,930	10,930	-	
Total financial assets	622,318	480,525	521,230	3,023,778	3,709,002	674,052	9,030,905		
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	
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 20)	-	-	-	-	-	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 sensitivity gap	(1,123,332)	(1,045,123)	(254,189)	1,020,318	2,678,421	(327,218)			
Off-balance sheet interest sensitivity gap	-	-	-	-	-	(1,675,103)			
Total interest sensitivity gap	(1,123,332)	(1,045,123)	(254,189)	1,020,318	2,678,421	(2,002,321)			

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

274

SME BANK | INTEGRATED ANNUAL REPORT 2018 LAPORAN TAHUNAN BERSEPADU 2018

36. 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 31 December 2017	← Non-trading book →						Non- interest sensitive RM'000	Total RM'000	Weighted average effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000				
Financial Assets									
Cash and short term funds	423,032	-	-	-	-	-	423,032		3.36
Deposits and placements with banks	-	-	182,013	-	-	-	182,013		5.10
Available-for-sale financial assets	-	15,145	257,150	966,535	866,469	3,123	2,108,422		4.24
Held-to-maturity financial assets	-	-	25,110	477,807	65,668	-	568,585		4.48
Loans, advances and financing	87,012	227,960	247,138	1,660,639	3,458,326	902,715	6,583,790		5.28
Other assets (Note 8)	-	-	-	-	-	21,624	21,624		-
Total financial assets	510,044	243,105	711,411	3,104,981	4,390,463	927,462	9,887,466		
Financial liabilities									
Deposits from customers	1,042,191	1,411,380	808,358	-	-	-	3,261,929		3.67
Deposits from banks and other financial institutions	100,172	-	-	-	-	-	100,172		3.22
Derivative financial liabilities	696	-	-	-	-	-	696		4.98
Medium-term notes	-	-	21,452	1,800,000	-	-	1,821,452		3.90
Borrowings	1,267	19,668	38,400	160,392	1,816,279	-	2,036,006		2.89
Other liabilities (Note 20)	-	-	-	-	-	1,039,021	1,039,021		-
Total financial liabilities	1,144,326	1,431,048	868,210	1,960,392	1,816,279	1,039,021	8,259,276		
On-balance sheet interest sensitivity gap	(634,282)	(1,187,943)	(156,799)	1,144,589	2,574,184	(111,559)			
Off-balance sheet interest sensitivity gap	-	-	-	-	-	(2,875,173)			
Total interest sensitivity gap	(634,282)	(1,187,943)	(156,799)	1,144,589	2,574,184	(2,986,732)			

Comparative figure are not restated in line with the transition requirements under MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

275

36. 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 31 December 2018	← Non-trading book →						Non- interest sensitive RM'000	Total RM'000	Weighted average effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years 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 instrument at FVOCI	10,198	25,358	55,681	1,041,196	772,288	-	1,904,721	4.15	
Equity instrument at FVOCI	-	-	103,522	30,982	-	8,883	143,387	6.25	
Debt instrument 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	89,096	240,274	267,426	1,510,379	2,896,318	654,239	5,657,732	6.41	
Other assets (Note 8)	82,878	-	-	-	-	45,367	128,245	3.68	
	701,503	480,525	521,230	3,023,778	3,709,002	708,489	9,144,527		
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	
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 20)	-	-	-	-	-	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 sensitivity gap	(1,073,333)	(1,046,881)	(319,702)	1,020,318	2,678,421	(308,372)			
Off-balance sheet interest sensitivity gap	-	-	-	-	-	(1,675,103)			
Total interest sensitivity gap	(1,073,333)	(1,046,881)	(319,702)	1,020,318	2,678,421	(1,983,475)			

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

276

SME BANK | INTEGRATED ANNUAL REPORT 2018 LAPORAN TAHUNAN BERSEPADU 2018

36. 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 31 December 2017	← Non-trading book →						Non- interest sensitive RM'000	Total RM'000	Weighted average effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000				
Financial Assets									
Cash and short term funds	418,981	-	-	-	-	-	418,981	3.36	
Deposits and placements with bank	-	-	182,013	-	-	-	182,013	5.10	
Available-for-sale financial assets	-	15,145	257,150	966,535	866,469	3,123	2,108,422	4.24	
Held-to-maturity financial assets	-	-	25,110	477,807	65,668	-	568,585	4.48	
Loans, advances and financing	87,012	227,960	247,138	1,660,639	3,458,326	478,765	6,159,840	5.28	
Other assets (Note 8)	-	-	63,750	318,750	96,340	47,360	523,240	3.68	
Total financial assets	505,993	243,105	775,161	3,423,731	4,486,803	529,248	9,961,081		
Financial liabilities									
Deposits from customers	1,051,121	1,460,594	809,433	-	-	-	3,321,145	3.67	
Deposits from banks and other financial institutions	100,172	-	-	-	-	-	100,172	3.22	
Derivative financial liabilities	696	-	-	-	-	-	696	4.98	
Medium-term notes	-	-	21,452	1,800,000	-	-	1,821,452	3.90	
Borrowings	1,267	19,668	38,400	160,392	1,816,279	-	2,036,006	2.89	
Other liabilities (Note 20)	-	-	-	-	-	1,052,074	1,052,074	-	
Total financial liabilities	1,153,256	1,480,262	869,285	1,960,392	1,816,279	1,052,074	8,331,545		
On-balance sheet interest sensitivity gap	(647,263)	(1,237,157)	(94,124)	1,463,339	2,670,524	(522,826)			
Off-balance sheet interest sensitivity gap	-	-	-	-	-	(2,875,173)			
Total interest sensitivity gap	(647,263)	(1,237,157)	(94,124)	1,463,339	2,670,524	(3,397,999)			

Comparative figure are not restated in line with the transition requirements under MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

277

36. 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 repayments 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 repayments to fund providers. The Group and the Bank may raise funds locally through government-to-government arrangements or direct negotiations.

The following table shows the maturity analysis of the Group's financial assets and financial liabilities based on its contractual maturity:

Group 31 December 2018	Non-trading book					Non-specific maturity RM'000	Total RM'000	Carrying amount RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000			
Financial Assets								
Cash and short term funds	485,481	-	-	-	-	-	485,481	485,308
Deposits and placements with banks	-	-	-	177,979	-	-	177,979	151,878
Debt instrument at FVOCI	10,228	25,602	57,036	1,166,034	1,037,308	-	2,296,208	1,904,721
Equity instrument at FVOCI	-	-	107,238	33,396	-	8,883	149,517	143,387
Debt instrument at AC	34,900	215,296	95,105	325,345	132,881	-	803,527	674,133
Derivative financial assets	2,816	-	-	-	-	-	2,816	2,816
Loans, advances and financing	92,763	248,276	281,016	1,810,640	5,423,387	654,239	8,510,321	5,657,732
Other assets (Note 8)	-	-	-	-	-	10,930	10,930	10,930
Total financial assets	626,188	489,174	540,395	3,513,394	6,593,576	674,052	12,436,779	9,030,905
Financial liabilities								
Deposits from customers	1,543,115	991,994	456,202	-	-	-	2,991,311	2,974,984
Deposits from banks and other financial institutions	200,954	100,942	-	-	-	-	301,896	301,417
Medium-term notes	-	428,978	283,150	1,236,344	-	-	1,948,472	1,821,436
Borrowings	3,562	19,233	148,738	1,098,274	1,222,485	-	2,492,292	1,982,921
Other liabilities (Note 20)	-	-	-	-	-	1,001,270	1,001,270	1,001,270
Total financial liabilities	1,747,631	1,541,147	888,090	2,334,618	1,222,485	1,001,270	8,735,241	8,082,028
Net maturity mismatches	(1,121,443)	(1,051,973)	(347,695)	1,178,776	5,371,091	(327,218)	3,701,538	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

278

36. Financial risk management objectives and policies (cont'd)

(e) Risk measurement and reporting systems (cont'd)

(c) Liquidity risk (cont'd)

Group 31 December 2017	Non-trading book					Non-specific maturity RM'000	Total RM'000	Carrying amount RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000			
Financial assets								
Cash and short term funds	423,271	-	-	-	-	-	423,271	423,032
Deposits and placements with banks	-	-	189,355	-	-	-	189,355	182,013
Available-for-sale financial assets	-	15,223	259,825	1,105,691	1,174,870	3,123	2,558,732	2,108,422
Held-to-maturity financial assets	-	-	26,271	537,717	89,399	-	653,387	568,585
Loans, advances and financing	88,979	235,433	258,580	1,974,474	6,058,425	902,715	9,518,606	6,583,790
Other assets (Note 8)	-	-	-	-	-	21,624	21,624	21,624
Total financial assets	512,250	250,656	734,031	3,617,882	7,322,694	927,462	13,364,975	9,887,466
Financial liabilities								
Deposits from customers	1,043,521	1,421,082	822,531	-	-	-	3,287,134	3,261,929
Deposits from banks and other financial institutions	100,291	-	-	-	-	-	100,291	100,172
Derivative financial liabilities	696	-	-	-	-	-	696	696
Medium-term notes	-	-	211,521	1,800,000	-	-	2,011,521	1,821,452
Borrowings	1,267	35,391	78,356	-	2,344,657	-	2,459,671	2,036,006
Other liabilities (Note 20)	-	-	-	-	-	1,039,021	1,039,021	1,039,021
Total financial liabilities	1,145,775	1,456,473	1,112,408	1,800,000	2,344,657	1,039,021	8,898,334	8,259,276
Net maturity mismatches	(633,525)	(1,205,817)	(378,377)	1,817,882	4,978,037	(111,559)		

Comparative figure are not restated in line with the transition requirements under MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

279

36. Financial risk management objectives and policies (cont'd)

(e) Risk measurement and reporting systems (cont'd)

(c) Liquidity risk (cont'd)

Bank 31 December 2018	Non-trading book						Non-specific maturity	Total	Carrying amount
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Financial assets									
Cash and short term funds	481,788	-	-	-	-	-	481,788	481,615	
Deposits and placements with banks	-	-	-	177,979	-	-	177,979	151,878	
Debt instrument at FVOCI	10,228	25,602	57,036	1,166,034	1,037,308	-	2,296,208	1,904,721	
Equity instrument at FVOCI	-	-	107,238	33,396	-	8,883	149,517	143,387	
Debt instrument at AC	34,900	215,296	95,105	325,345	132,881	-	803,527	674,133	
Derivative financial assets	2,816	-	-	-	-	-	2,816	2,816	
Loans, advances and financing	92,763	248,276	280,809	1,804,240	5,396,800	654,239	8,477,127	5,657,732	
Other assets (Note 8)	82,878	-	-	-	-	45,367	128,245	128,245	
Total financial assets	705,373	489,174	540,188	3,506,994	6,566,989	708,489	12,517,207	9,144,527	
Financial liabilities									
Deposits from customers	1,572,354	993,767	523,785	-	-	-	3,089,906	3,071,441	
Deposits from banks and other financial institutions	200,954	100,942	-	-	-	-	301,896	301,417	
Medium-term notes	-	428,978	283,150	1,236,344	-	-	1,948,472	1,821,436	
Borrowings	3,562	19,233	148,738	1,098,274	1,222,485	-	2,492,292	1,982,921	
Other liabilities (Note 20)	-	-	-	-	-	1,016,861	1,016,861	1,016,861	
Total financial liabilities	1,776,870	1,542,920	955,673	2,334,618	1,222,485	1,016,861	8,849,427	8,194,076	
Net maturity mismatches	(1,071,497)	(1,053,746)	(415,485)	1,172,376	5,344,504	(308,372)	3,667,780		

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

280

36. Financial risk management objectives and policies (cont'd)

(e) Risk measurement and reporting systems (cont'd)

(c) Liquidity risk (cont'd)

Bank 31 December 2017	Non-trading book						Non-specific maturity RM'000	Total RM'000	Carrying amount RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000				
Financial assets									
Cash and short term funds	419,220	-	-	-	-	-	419,220	418,981	
Deposits and placements with banks	-	-	189,355	-	-	-	189,355	182,013	
Available-for-sale financial assets	-	15,223	259,825	1,105,691	1,174,870	3,123	2,558,732	2,108,422	
Held-to-maturity financial assets	-	-	26,271	537,717	89,399	-	653,387	568,585	
Loans, advances and financing	88,980	235,432	258,367	1,967,235	6,022,383	478,765	9,051,162	6,159,840	
Other assets	-	-	63,750	318,750	96,340	47,360	523,240	523,240	
Total financial assets	508,200	250,655	797,568	3,929,393	7,382,992	529,248	13,395,096	9,961,081	
Financial liabilities									
Deposits from customers	1,052,452	1,470,291	823,607	-	-	-	3,346,350	3,321,145	
Deposits from banks and other financial institutions	100,291	-	-	-	-	-	100,291	100,172	
Derivative financial liabilities	696	-	-	-	-	-	696	696	
Medium-term notes	-	-	211,521	1,800,000	-	-	2,011,521	1,821,452	
Borrowings	1,267	35,391	78,356	-	2,344,657	-	2,459,671	2,036,006	
Other liabilities (Note 20)	-	-	-	-	-	1,052,074	1,052,074	1,099,933	
Total financial liabilities	1,154,706	1,505,682	1,113,484	1,800,000	2,344,657	1,052,074	8,970,603	8,379,404	
Net maturity mismatches	(646,506)	(1,255,027)	(315,916)	2,129,393	5,038,335	(522,826)			

Comparative figure are not restated in line with the transition requirements under MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

281

36. 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 32. 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 its 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.

37. Dividends

	Group and Bank	
	2018	2017
	RM'000	RM'000
Dividends on ordinary shares:		
Final tax exempt (single-tier) dividend for 2016: 1.2 sen per share	-	16,200
Dividends on ordinary shares:		
Final tax exempt (single-tier) dividend for 2017: 1.8 sen per share	33,300	-
	33,300	16,200

The directors do not recommend any dividend payment in respect of the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

282

38. Islamic banking business

The state of affairs as at 31 December 2018 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 2018

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Cash and short term funds	38(a)	484,082	421,706	480,389	417,655
Deposits and placements with bank	5	151,878	182,013	151,878	182,013
Financial investment	38(b)	2,538,035	2,481,718	2,538,035	2,481,718
Advances and financing	38(c)	5,357,110	5,854,132	5,357,110	5,785,507
Other assets	38(d)	7,172	5,612	123,865	510,945
Derivative financial assets	9	2,816	-	2,816	-
Investment in subsidiaries	10	-	-	-	3,582
Property, plant and equipment	38(f)	67,126	75,965	67,080	75,921
Investment properties	13	373,214	372,910	373,214	372,910
Deferred tax assets	38(e)	117,393	118,066	117,393	118,066
Total assets		9,098,826	9,512,122	9,211,780	9,948,317
Liabilities					
Deposits from customers	16	2,974,984	3,261,929	3,071,441	3,321,145
Deposits from banks and other financial institutions	17	301,417	100,172	301,417	100,172
Derivative financial liabilities	9	-	696	-	696
Medium-term notes	18	1,821,436	1,821,452	1,821,436	1,821,452
Term financing	38(g)	283,309	326,489	283,309	326,489
Other liabilities	38(h)	967,534	1,018,536	980,470	1,009,833
Amount due to conventional operations		1,352,932	1,331,084	1,659,113	1,674,712
Government funds	38(i)	196,985	152,164	196,985	152,164
Total liabilities		7,898,597	8,012,522	8,314,171	8,406,663
Islamic general fund		1,200,229	1,499,600	897,609	1,541,654
Total liabilities and Islamic banking funds		9,098,826	9,512,122	9,211,780	9,948,317
Commitments	38(q)	1,658,473	2,804,583	1,658,473	2,804,583

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

283

38. Islamic banking business (cont'd)

Statements of comprehensive income For the financial year ended 31 December 2018

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income from Islamic banking business	38(j)	571,420	542,187	562,649	539,170
Profit expense attributable to Islamic banking business	38(k)	(223,372)	(232,372)	(225,915)	(236,491)
Gross income from Islamic banking business		348,048	309,815	336,734	302,679
Other income	38(l)	29,725	80,171	46,461	96,628
Other operating expenses	38(m)	(187,847)	(189,158)	(185,596)	(186,404)
Operating profit		189,926	200,828	197,599	212,903
Allowance for impairment loss on:					
- advances and financing	38(n)	(358,052)	(121,206)	(293,078)	(115,704)
- commitment and contingencies	38(c)(x)	2,591	-	2,591	-
- financial assets at FVOCI	6(a)	(9,698)	-	(9,698)	-
- financial assets at AC	6(d)	15	-	15	-
- other assets at AC	8(b)(i)	(712)	-	(712)	-
- other assets at FVOCI	8(d)(i)	-	-	(351,972)	-
- investment in subsidiaries	10	-	-	(3,582)	-
(Loss)/Profit before taxation and zakat		(175,930)	79,622	(458,837)	97,199
Tax credit/(expense)	38(o)	47	(16,658)	47	(15,979)
Zakat	38(p)	(4,000)	(4,694)	(4,000)	(4,694)
(Loss)/Profit for the year		(179,883)	58,270	(462,790)	76,526
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Unrealised gain on revaluation of					
- financial assets at FVOCI		(884)	-	(884)	-
- available-for-sale financial assets		-	14,114	-	14,114
Changes in expected credit losses on financial assets at FVOCI		9,698	-	9,698	-
Income tax relating to components of other comprehensive income		212	(3,012)	212	(3,012)
Other comprehensive income for the year, net of tax		9,026	11,102	9,026	11,102
Total comprehensive income for the year		(170,857)	69,372	(453,764)	87,628

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

284

38. Islamic banking business (cont'd)

Statements of changes in Islamic General Funds For the financial year ended 31 December 2018

Group	Capital RM'000	Fair value reserve RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2018, as previously stated	1,050,564	(17,688)	466,724	1,499,600
Impact of adopting MFRS 9 at 1 January 2018	-	3,405	(131,919)	(128,514)
At 1 January 2018	1,050,564	(14,283)	334,805	1,371,086
Unrealised gain on revaluation of financial assets at FVOCI	-	(884)	-	(884)
Changes in expected credit losses of financial assets 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
At 1 January 2017	550,564	(28,790)	408,454	930,228
Conversion of term financing	500,000	-	-	500,000
Profit for the year	-	-	58,270	58,270
Unrealised gain on revaluation of available-for-sale financial investments	-	14,114	-	14,114
Income tax relating to components of other comprehensive income	-	(3,012)	-	(3,012)
Total comprehensive income for the year	-	11,102	58,270	69,372
At 31 December 2017	1,050,564	(17,688)	466,724	1,499,600

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

38. Islamic banking business (cont'd)

Statements of changes in Islamic General Funds For the financial year ended 31 December 2018 (cont'd)

Bank	Capital RM'000	Fair value reserve RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2018, as previously stated	1,050,564	(17,688)	508,778	1,541,654
Impact of adopting MFRS 9 at 1 January 2018	-	3,405	(193,686)	(190,281)
At 1 January 2018	1,050,564	(14,283)	315,092	1,351,373
Unrealised gain on revaluation of financial assets at FVOCI	-	(884)	-	(884)
Changes in expected credit losses of financial assets 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
At 1 January 2017	550,564	(28,790)	432,252	954,026
Conversion of term financing	500,000	-	-	500,000
Profit for the year	-	-	76,526	76,526
Unrealised gain on revaluation of available-for-sale financial investments	-	14,114	-	14,114
Income tax relating to components of other comprehensive income	-	(3,012)	-	(3,012)
Total comprehensive income for the year	-	11,102	76,526	87,628
At 31 December 2017	1,050,564	(17,688)	508,778	1,541,654

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

286

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

38. Islamic banking business (cont'd)

Statements of cash flows

For the financial year ended 31 December 2018

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from/(used in) operating activities				
(Loss)/Profit before tax expense and zakat	(175,930)	79,622	(458,837)	97,199
Adjustments for:				
Net impairment loss on loan, advances and financing	367,350	135,055	302,376	129,553
Writeback of commitment and contingencies	(2,591)	-	(2,591)	-
Impairment loss on financial assets	9,683	-	9,683	-
Impairment loss on other asset at AC	712	-	712	-
Impairment loss on other asset at FVOCI	-	-	351,972	-
Depreciation of property, plant and equipment	12,758	12,523	12,734	11,240
Income from financial asset at FVOCI	(81,635)	-	(81,635)	-
Income from available-for-sale financial assets	-	(72,273)	-	(72,273)
Income from financial asset at AC	(22,510)	-	(22,510)	-
Income from held-to-maturity financial assets	-	(26,146)	-	(26,146)
Profit expense on medium-term notes	70,445	65,316	70,445	65,316
Profit expense on term financing	2,007	3,758	2,007	3,758
Fair value adjustment on investment properties	(304)	(14,740)	(304)	(14,740)
Profit expense waived	-	(33,777)	-	(33,777)
Impairment loss on investment in subsidiaries	-	-	3,582	-
Property, plant and equipment written off	329	-	329	-
Government funds (writeback)/released, net	3,590	(8,249)	3,590	(8,249)
Operating profit before working capital changes	183,904	141,089	191,553	151,881
Changes in working capital:				
Other assets	(5,780)	(1,265)	(30,879)	53,157
Advances and financing	(10,785)	(639,620)	(14,436)	(642,932)
Deposits and placements with banks and other financial institutions	30,135	45,992	30,135	45,992
Deposits from customers	(335,714)	(286,327)	(298,473)	(303,715)
Deposits from banks and other financial institutions	201,245	(100,130)	201,245	(100,130)
Other liabilities	(51,515)	188,554	(29,876)	165,488
Amount due to conventional operations	21,848	132,304	(15,599)	120,349
Cash used in operating activities	33,338	(519,403)	33,670	(509,910)
Profit received	137,374	102,812	137,374	102,812
Profit paid	(69,949)	(67,279)	(69,949)	(67,279)
Tax paid	-	(724)	-	(45)
Zakat paid	(3,440)	(4,338)	(3,440)	(4,338)
Net cash from/(used in) operating activities	97,323	(488,932)	97,655	(478,760)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

287

38. Islamic banking business (cont'd)

Statements of cash flows For the financial year ended 31 December 2018 (cont'd)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from/(used in) investing activities				
Purchase of private debt securities	(50,000)	(165,969)	(50,000)	(165,969)
Purchase of Islamic commercial papers	(335,000)	(594,000)	(335,000)	(594,000)
Proceeds from redemption of Islamic commercial papers	90,000	475,868	90,000	475,868
Proceeds from sale of private debt securities	20,000	40,132	20,000	40,132
Proceed from redemption of private debt securities	200,000	65,000	200,000	65,000
Purchase of property, plant and equipment	(4,248)	(8,422)	(4,222)	(8,422)
Net cash used in investing activities	(79,248)	(187,391)	(79,222)	(187,391)
Cash flows from/(used in) financing activities				
Drawdown from term financing	17,364	34,433	17,364	34,433
Repayment from term financing	(63,063)	(111,913)	(63,063)	(111,913)
Drawdown from medium term notes	-	900,000	-	900,000
Repayment from medium term notes	-	(600,000)	-	(600,000)
Proceed from government funds	90,000	40,000	90,000	40,000
Net cash from financing activities	44,301	262,520	44,301	262,520
Net increase/(decrease) in cash and cash equivalents	62,376	(413,803)	62,734	(403,631)
Cash and cash equivalents at beginning of year	421,706	835,509	417,655	821,286
Cash and cash equivalents at end of year	484,082	421,706	480,389	417,655
Cash and cash equivalents comprise of:				
- Cash and short term funds	484,082	421,706	480,389	417,655

The accompanying notes form an integral part of the financial statements

Notes to the financial statements For the financial year ended 31 December

(a) Cash and short term funds

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash at banks and on hand	26,029	38,283	22,336	34,232
Money at call and deposit placements maturing within three months	458,053	383,423	458,053	383,423
	484,082	421,706	480,389	417,655

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

288

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(b) Financial assets

Total financial assets as at 31 December are as below:

	Group and Bank	
	2018 RM'000	2017 RM'000
(i) Debt instrument at FVOCI	1,729,398	-
(ii) Equity instrument at FVOCI	134,504	-
(iii) Available-for-sale financial assets	-	1,913,133
(iv) Debt instrument at Amortised Cost (Note 6(d))	674,133	-
(v) Held-to-maturity financial assets (Note 6(e))	-	568,585
	2,538,035	2,481,718

(i) Debt instrument at Fair Value through Other Comprehensive Income ("FVOCI")

	Group and Bank	
	2018 RM'000	2017 RM'000
At fair value through other comprehensive income		
Government securities		
Malaysian Government Investment Issues	710,577	-
Non-money market instruments		
Private debt securities	1,018,821	-
Total	1,729,398	-

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

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

	Group and Bank		
	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2018	-	-	-
Impact of adopting MFRS 9 (Note 39)	603	-	603
At 1 January 2018, as restated	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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

289

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(b) Financial assets (cont'd)

The impairment losses by external rating grade are as follows:

	Group and Bank		
	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
<i>External rating grade</i>			
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.

(ii) Equity instrument at Fair Value through Other Comprehensive Income ("FVOCI")

	Group and Bank	
	2018 RM'000	2017 RM'000
Non-money market instruments		
Private debt securities	134,504	-

(iii) Available-for-sale financial assets

	Group and Bank	
	2018 RM'000	2017 RM'000
At fair value		
Government securities		
Malaysian Government Investment Issues	-	672,074
Money market instruments		
Commercial papers	-	171,723
Non-money market instruments		
Private debt securities	-	1,069,336
Total	-	1,913,133

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

290

SME BANK | INTEGRATED ANNUAL REPORT 2018 LAPORAN TAHUNAN BERSEPADU 2018

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(c) Advances and financing

Total financial assets as at 31 December are as below:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(i) AC/Loan and Receivables	5,346,602	5,854,132	5,346,602	5,785,507
(ii) FV	10,508	-	10,508	-
	5,357,110	5,854,132	5,357,110	5,785,507

(i) Amortised Cost (AC)/Loan and Receivables

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Bai' Bithaman Ajil	1,509	1,839,631	-	1,771,725
Bai' Murabahah	2,589,397	953,699	2,524,498	947,512
Bai' Istisna	162,651	692,226	162,611	684,699
Ijarah	84	488,660	-	476,851
Ijarah Thumma Al-Bai	410,721	424,991	363,667	367,861
Bai' Dayn	7,397	63,930	7,397	63,930
Tawarruq	3,080,903	1,402,269	3,047,096	1,402,269
Bai' Inah	20,444	33,655	19,784	33,488
Wakalah	-	364,254	-	363,276
Gross advances and financing	6,273,106	6,263,315	6,125,053	6,111,611
Less: Allowance for impairment losses on				
- Stage 1	(42,207)	-	(42,207)	-
- Stage 2	(51,522)	-	(51,522)	-
- Stage 3	(826,154)	-	(678,101)	-
- Commitment and contingencies	(6,621)	-	(6,621)	-
- Individual assessment allowances	-	(271,193)	-	(214,997)
- Collective assessment allowance	-	(137,990)	-	(111,107)
Net advances and financing	5,346,602	5,854,132	5,346,602	5,785,507
Gross impaired advances and financing (Note 38(c)(vi))	1,492,925	877,541	1,344,872	725,837
Net impaired advances and financing	666,771	606,348	666,771	510,840

Included in advances and financing are gross advances and financing amounting to RM53,045,000 (2017: RM43,757,000) financed by the Government funds. The treatment of the credit losses incurred for these advances and financing are as disclosed in Note 2.18(ii).

(ii) Fair Value Through Profit or Loss (FVTPL)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Staff loan/financing	10,508	-	10,508	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

291

38. Islamic banking business (cont'd)

Notes to the financial statements
For the financial year ended 31 December (cont'd)

(c) Advances and financing (cont'd)

(i) Movement in gross advances and financing are as follows:

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2018				6,247,745
At 1 January 2018, as restated	4,711,076	577,164	959,505	6,247,745
-Transfers to Stage 1	75,443	(58,681)	(16,762)	-
-Transfers to Stage 2	(325,225)	343,357	(18,132)	-
-Transfers to Stage 3	(383,904)	(183,326)	567,230	-
	(633,686)	101,350	532,336	-
(Partial repayment)/additional drawdown	(336,948)	(31,149)	11,830	(356,267)
New financial assets originated	1,110,832	200,312	116,615	1,427,759
Financial asset derecognised	(822,161)	(96,609)	(127,361)	(1,046,131)
At 31 December 2018	4,029,113	751,068	1,492,925	6,273,106

Bank

At 1 January 2018				6,096,041
At 1 January 2018, as restated	4,711,076	577,164	807,801	6,096,041
-Transfers to Stage 1	75,443	(58,681)	(16,762)	-
-Transfers to Stage 2	(325,225)	343,357	(18,132)	-
-Transfers to Stage 3	(383,904)	(183,326)	567,230	-
	(633,686)	101,350	532,336	-
(Partial repayment)/additional drawdown	(336,948)	(31,149)	11,830	(356,267)
New financial assets originated	1,110,832	200,312	116,615	1,427,759
Financial asset derecognised	(822,161)	(96,609)	(123,710)	(1,042,480)
At 31 December 2018	4,029,113	751,068	1,344,872	6,125,053

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

292

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(c) Advances and financing (cont'd)

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Maturity within one year	941,018	775,519	816,559	664,940
More than one year to three years	960,543	691,632	958,558	678,259
More than three years to five years	883,724	1,229,309	869,041	1,212,012
More than five years	3,487,821	3,566,855	3,480,895	3,556,400
	6,273,106	6,263,315	6,125,053	6,111,611

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Domestic business enterprise	6,273,106	6,247,745	6,125,053	6,096,041
Individual	-	15,570	-	15,570
	6,273,106	6,263,315	6,125,053	6,111,611

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Construction	1,314,444	950,129	1,312,930	948,164
Education, health and others	552,812	1,097,575	516,680	1,061,327
Electricity, gas and water supply	1,306	36,396	1,306	36,396
Financial, insurance, real estate and business services	1,007,608	857,930	1,005,035	854,469
Manufacturing	1,118,262	1,172,496	1,057,836	1,110,201
Mining and quarrying	44,705	27,860	44,705	27,860
Primary agriculture	6,446	4,030	6,446	4,030
Transportation, storage and communication	841,759	722,535	809,120	689,936
Wholesale, retail trade, restaurants and hotels	1,385,764	1,378,794	1,370,995	1,363,658
Others	-	15,570	-	15,570
	6,273,106	6,263,315	6,125,053	6,111,611

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(c) Advances and financing (cont'd)

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

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	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
	3,455,584	466,906	672,804	707,627	519,859	450,326	6,273,106
2017							
Construction	468,333	117,430	126,447	63,913	84,584	89,422	950,129
Education, health and others	625,945	66,001	104,975	193,151	42,209	65,294	1,097,575
Electricity, gas and water supply	30,918	1,178	-	3,863	437	-	36,396
Financial, insurance, real estate and business services	644,668	14,966	104,368	35,362	52,297	6,269	857,930
Manufacturing	675,228	122,087	185,411	96,510	41,459	51,801	1,172,496
Mining and quarrying	12,618	1,879	-	10,617	-	2,746	27,860
Primary agriculture	781	-	655	76	2,518	-	4,030
Transportation, storage and communication	306,829	104,213	61,494	101,925	66,784	81,290	722,535
Wholesale, retail trade, restaurants and hotels	561,667	189,410	85,626	232,748	232,511	76,832	1,378,794
Others	15,570	-	-	-	-	-	15,570
	3,342,557	617,164	668,976	738,165	522,799	373,654	6,263,315

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

294

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(c) Advances and financing (cont'd)

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

Bank 2018	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	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
	3,307,531	466,906	672,804	707,627	519,859	450,326	6,125,053
2017							
Construction	466,368	117,430	126,447	63,913	84,584	89,422	948,164
Education, health and others	589,697	66,001	104,975	193,151	42,209	65,294	1,061,327
Electricity, gas and water supply	30,918	1,178	-	3,863	437	-	36,396
Financial, insurance, real estate and business services	641,207	14,966	104,368	35,362	52,297	6,269	854,469
Manufacturing	612,933	122,087	185,411	96,510	41,459	51,801	1,110,201
Mining and quarrying	12,618	1,879	-	10,617	-	2,746	27,860
Primary agriculture	781	-	655	76	2,518	-	4,030
Transportation, storage and communication	274,230	104,213	61,494	101,925	66,784	81,290	689,936
Wholesale, retail trade, restaurants and hotels	546,531	189,410	85,626	232,748	232,511	76,832	1,363,658
Others	15,570	-	-	-	-	-	15,570
	3,190,853	617,164	668,976	738,165	522,799	373,654	6,111,611

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

295

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(c) Advances and financing (cont'd)

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate				
- Staff financing	-	15,570	-	15,570
- Hire purchase receivables	286,066	327,678	250,680	270,548
- Leasing	84	44,535	-	44,451
- Revolving credits	244,078	248,508	231,015	245,425
- Other term financing	1,326,787	1,561,855	1,234,758	1,471,401
Variable rate				
- Hire purchase receivables	85,613	67,878	84,743	67,878
- Leasing	-	3,180	-	3,180
- Revolving credits	903,007	682,773	902,949	682,773
- Other term financing	3,427,471	3,311,338	3,420,908	3,310,385
	6,273,106	6,263,315	6,125,053	6,111,611

(vi) Impaired advances and financing analysed by industry are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Construction	169,805	57,781	168,291	55,816
Education, health and others	137,179	168,956	101,047	132,708
Electricity, gas and water supply	-	54	-	54
Financial, insurance, real estate and business services	186,716	39,410	184,143	35,949
Manufacturing	364,207	258,322	303,781	196,026
Mining and quarrying	1,049	377	1,049	377
Primary agriculture	260	296	260	296
Transportation, storage and communication	231,413	168,277	198,774	135,678
Wholesale, retail trade, restaurants and hotels	402,296	184,068	387,527	168,933
	1,492,925	877,541	1,344,872	725,837

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

296

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(c) Advances and financing (cont'd)

(vii) Impaired advances and financing analysed by location and sector are as follows:

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
2017							
Construction	22,716	3,526	25,688	494	3,345	2,012	57,781
Education, health and others	110,077	6,260	7,495	43,084	1,210	830	168,956
Electricity, gas and water supply	54	-	-	-	-	-	54
Financial, insurance, real estate and business services	33,091	464	3,738	1,974	-	143	39,410
Manufacturing	166,510	31,290	45,298	13,688	1,254	282	258,322
Mining and quarrying	-	-	-	377	-	-	377
Primary agriculture	-	-	95	-	201	-	296
Transportation, storage and communication	87,696	1,293	14,644	39,822	1,608	23,214	168,277
Wholesale, retail trade, restaurants and hotels	78,054	8,489	13,905	26,658	55,407	1,555	184,068
	498,198	51,322	110,863	126,097	63,025	28,036	877,541

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(c) Advances and financing (cont'd)

(vii) 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
2017							
Construction	20,751	3,526	25,688	494	3,345	2,012	55,816
Education, health and others	73,829	6,260	7,495	43,084	1,210	830	132,708
Electricity, gas and water supply	54	-	-	-	-	-	54
Financial, insurance, real estate and business services	29,630	464	3,738	1,974	-	143	35,949
Manufacturing	104,214	31,290	45,298	13,688	1,254	282	196,026
Mining and quarrying	-	-	-	377	-	-	377
Primary agriculture	-	-	95	-	201	-	296
Transportation, storage and communication	55,097	1,293	14,644	39,822	1,608	23,214	135,678
Wholesale, retail trade, restaurants and hotels	62,919	8,489	13,905	26,658	55,407	1,555	168,933
	346,494	51,322	110,863	126,097	63,025	28,036	725,837

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

298

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(c) Advances and financing (cont'd)

(viii) Movements in impaired advances and financing ("impaired financing") are as follows:-

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January, as restated	-	757,978	-	602,962
Impaired during the year	-	303,025	-	303,025
Reclassified as non-impaired	-	(39,148)	-	(39,148)
Offsetted with other payables*	-	(8,808)	-	(8,808)
Amount recovered	-	(55,604)	-	(52,292)
Amount written-off	-	(79,902)	-	(79,902)
At 31 December	-	877,541	-	725,837

* The offsetting against other payables is an arrangement between the Group and the Bank, and the Ministry of Rural and Regional Development ("MRRD") for the fund received under Skim Pinjaman Ekonomi Desa ("SPED") from MRRD due to changes in the terms of the agreement during the year as mentioned in Note 20.

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net impaired advances and financing as %	12.24%	10.15%	12.24%	8.69%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(c) Advances and financing (cont'd)

(ix) Movement in loss assessment 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 2018				409,183
Impact of adopting MFRS 9				143,358
At 1 January 2018, as restated	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	-
New remeasurement of allowances (Note 38(n))	(23,106)	15,369	373,551	365,814
New financial assets originated (Note 38(n))	11,794	3,020	54,635	69,449
Financial assets derecognised (Note 38(n))	(9,195)	(3,987)	(54,739)	(67,921)
At 31 December 2018	42,207	51,522	826,154	919,883
Bank				
At 1 January 2018				326,104
Impact of adopting MFRS 9				143,358
At 1 January 2018, as restated	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	-
New remeasurement of allowances (Note 38(n))	(23,106)	15,369	308,577	300,840
New financial assets originated (Note 38(n))	11,794	3,020	54,635	69,449
Financial assets derecognised (Note 38(n))	(9,195)	(3,987)	(54,739)	(67,921)
At 31 December 2018	42,207	51,522	678,101	771,830

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

300

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(c) Advances and financing (cont'd)

(x) Movements in the allowance for financing are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Individual assessment allowance				
At 1 January	-	233,283	-	178,752
Amount transfer from collective assessment allowance	-	12,105	-	12,105
Allowance made during the year	-	184,820	-	180,476
Writeback made during the year	-	(90,009)	-	(87,330)
Amount written off	-	(69,006)	-	(69,006)
At 31 December	-	271,193	-	214,997

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Collective assessment allowance				
At 1 January	-	121,476	-	98,430
Amount transfer to individual assessment allowance	-	(12,105)	-	(12,105)
Allowance made during the year	-	106,802	-	101,990
Writeback made during the year	-	(78,183)	-	(77,208)
At 31 December	-	137,990	-	111,107

Commitment and Contingencies	Group and Bank
	2018 Stage 1 RM'000
At 1 January 2018	-
Impact of adopting MFRS 9	9,212
At 1 January 2018, as restated	9,212
Changes to inputs used in ECL computation	(1,366)
New financial assets originated	1,872
Amount settled	(3,097)
At 31 December 2018	6,621

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



38. Islamic banking business (cont'd)

Notes to the financial statements
For the financial year ended 31 December (cont'd)

(c) Advances and financing (cont'd)

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

Group	Hire purchase	Leasing receivables	Other term loans/ financing	Revolving credit	Staff financing	Total
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bai' Bithaman Ajil	-	-	389	1,120	-	1,509
Bai' Murabahah	15,973	-	2,451,766	121,658	-	2,589,397
Bai' 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	-	2,082,958	978,453	-	3,080,903
Bai' Inah	112	-	20,274	58	-	20,444
	371,679	84	4,754,259	1,147,084	-	6,273,106
2017						
Bai' Bithaman Ajil	-	-	1,819,382	4,679	15,570	1,839,631
Bai' Murabahah	-	-	523,081	430,618	-	953,699
Bai' Istisna	-	-	689,343	2,883	-	692,226
Ijarah	-	47,715	440,945	-	-	488,660
Ijarah Thumma Al-Bai	395,556	-	395	29,040	-	424,991
Bai' Dayn	-	-	306	63,624	-	63,930
Tawarruq	-	-	1,103,741	298,528	-	1,402,269
Bai' Inah	-	-	33,566	89	-	33,655
Wakalah	-	-	262,432	101,822	-	364,254
	395,556	47,715	4,873,191	931,283	15,570	6,263,315

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

302

38. Islamic banking business (cont'd)

Notes to the financial statements
For the financial year ended 31 December (cont'd)

(c) Advances and financing (cont'd)

(x) Gross advances and financing by types and Shariah contracts are as follows: (cont'd.)

Bank	Hire purchase RM'000	Leasing receivables RM'000	Other term loans/ financing RM'000	Revolving credit RM'000	Staff financing RM'000	Total RM'000
2018						
Bai' Bithaman Ajil	-	-	-	-	-	-
Bai' Murabahah	-	-	2,404,083	120,415	-	2,524,498
Bai' Istisna	-	-	162,611	-	-	162,611
Ijarah	-	-	-	-	-	-
Ijarah Thumma Al-Bai	335,424	-	-	28,243	-	363,667
Bai' Dayn	-	-	-	7,397	-	7,397
Tawarruq	-	-	2,069,188	977,908	-	3,047,096
Bai' Inah	-	-	19,784	-	-	19,784
	335,424	-	4,655,666	1,133,963	-	6,125,053
2017						
Bai' Bithaman Ajil	-	-	1,754,281	1,874	15,570	1,771,725
Bai' Murabahah	-	-	517,172	430,340	-	947,512
Bai' Istisna	-	-	681,817	2,882	-	684,699
Ijarah	-	47,631	429,220	-	-	476,851
Ijarah Thumma Al-Bai	338,426	-	395	29,040	-	367,861
Bai' Dayn	-	-	306	63,624	-	63,930
Tawarruq	-	-	1,103,741	298,528	-	1,402,269
Bai' Inah	-	-	33,399	89	-	33,488
Wakalah	-	-	261,455	101,821	-	363,276
	338,426	47,631	4,781,786	928,198	15,570	6,111,611

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

303

38. Islamic banking business (cont'd)

Notes to the financial statements
For the financial year ended 31 December (cont'd)

(d) Other assets

	Group	
	2018 RM'000	2017 RM'000
Financial assets at Amortised Cost		
Other receivables and prepayments	5,919	4,206
Rental receivables (Note 8(b))	1,253	1,406
	7,172	5,612

(i) Financial assets at FVOCI

	Bank	
	2018 RM'000	2017 RM'000
At fair value		
Amount due from a subsidiary (Note 8(a))	82,878	-

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

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

	Bank	
	2018 RM'000	2017 RM'000
At 1 January 2018	-	-
Impact of adopting MFRS 9 (Note 39)	(61,767)	-
At 1 January 2018, as restated	(61,767)	-
Allowance made during the year	(351,972)	-
At 31 December 2018	(413,739)	-

(ii) Financial assets at Amortised Cost

Amount due from subsidiaries	36,993	507,040
Other receivables, rental receivables and prepayments (Note 8(b))	3,994	3,905
	40,987	510,945
	123,865	510,945

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

304

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

38. Islamic banking business (cont'd)

Notes to the financial statements

For the financial year ended 31 December (cont'd)

(e) Deferred tax assets

	Group and Bank	
	2018 RM'000	2017 RM'000
At 1 January 2018	118,066	137,012
Impact of adopting MFRS 9	(885)	-
At 1 January 2018, as restated	117,181	137,012
Recognised in profit or loss (Note 38(p))	-	(15,934)
Recognised in other comprehensive income	212	(3,012)
At 31 December	117,393	118,066
Presented before appropriate offsetting as follows:		
Deferred tax assets	135,656	129,193
Deferred tax liabilities	(18,263)	(11,127)
	117,393	118,066

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	Provision RM'000	MTM revaluation financial asset at FVOCI RM'000	Total RM'000
Group and Bank					
At 1 January 2018	-	114,841	8,767	5,585	129,193
Impact of adopting MFRS 9	-	-	-	(885)	(885)
At 1 January 2018, as restated	-	114,841	8,767	4,700	128,308
Recognised in profit or loss	16,312	(8,362)	(814)	-	7,136
Recognised in other comprehensive income	-	-	-	212	212
At 31 December 2018	16,312	106,479	7,953	4,912	135,656
At 1 January 2017	-	137,648	3,811	8,597	150,056
Recognised in profit or loss	-	(22,807)	4,956	-	(17,851)
Recognised in other comprehensive income	-	-	-	(3,012)	(3,012)
At 31 December 2017	-	114,841	8,767	5,585	129,193

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

38. Islamic banking business (cont'd)

Notes to the financial statements
For the financial year ended 31 December (cont'd)

(e) Deferred tax assets (cont'd)

Deferred tax liabilities of the Group and of the Bank:

	Investment property RM'000	Property and equipment RM'000	Total RM'000
At 1 January 2018	(7,987)	(3,140)	(11,127)
Recognised in profit or loss	(8,018)	882	(7,136)
At 31 December 2018	(16,005)	(2,258)	(18,263)
At 1 January 2017	(7,251)	(5,793)	(13,044)
Recognised in profit or loss	(736)	2,653	1,917
At 31 December 2017	(7,987)	(3,140)	(11,127)

(f) Property, plant and equipment

Group	Freehold land RM'000	Long- term leasehold land RM'000	Building RM'000	Furniture and equipment RM'000	Reno- vation RM'000	Motor vehicles RM'000	Electrical and machinery RM'000	Work-in progress RM'000	Total 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
Disposal / Write-off	-	-	-	(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
Disposal/ Write-off	-	-	-	(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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

306

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(f) Property, plant and equipment (cont'd)

Group	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 2017	2,085	17,749	43,427	17,780	24,523	768	3,644	2,547	112,523
Additions	-	-	95	3,110	1,371	5	67	-	4,648
Reclassification	-	-	-	646	1,574	-	-	(2,220)	-
At 31 December 2017	2,085	17,749	43,522	21,536	27,468	773	3,711	327	117,171
Accumulated depreciation									
At 1 January 2017	-	2,622	8,146	13,040	6,865	768	3,553	-	34,994
Charge for the year	-	12	1,247	2,302	2,572	-	79	-	6,212
At 31 December 2017	-	2,634	9,393	15,342	9,437	768	3,632	-	41,206
Net carrying amount									
At 31 December 2017	2,085	15,115	34,129	6,194	18,031	5	79	327	75,965

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

307

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(f) 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	Reno- vation RM'000	Motor vehicles RM'000	Electrical and machinery RM'000	Work-in progress RM'000	Total 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
Disposal/ Write-off	-	-	-	(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
Disposal/ Write-off	-	-	-	(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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

308

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(f) 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 2017	2,085	17,749	43,427	17,643	24,523	768	3,644	2,547	112,386
Additions	-	-	95	3,110	1,371	5	67	-	4,648
Reclassification	-	-	-	646	1,574	-	-	(2,220)	-
At 31 December 2017	2,085	17,749	43,522	21,399	27,468	773	3,711	327	117,034
Accumulated depreciation									
At 1 January 2017	-	2,622	8,146	12,978	6,865	768	3,553	-	34,932
Charge for the year	-	12	1,247	2,271	2,572	-	79	-	6,181
At 31 December 2017	-	2,634	9,393	15,249	9,437	768	3,632	-	41,113
Net carrying amount									
At 31 December 2017	2,085	15,115	34,129	6,150	18,031	5	79	327	75,921

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

309

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(g) Term financing

	Group and Bank	
	2018 RM'000	2017 RM'000
Unsecured term financing	283,309	326,489

The maturity structure of the term financing is as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Within one year	15,230	37,909
More than one year to five years	45,684	15,231
More than five years	222,395	273,349
	283,309	326,489

The unsecured term financing denominated in RM is sourced from the following:

	Group and Bank	
	2018 RM'000	2017 RM'000
Financing from:		
- Government of Malaysia	156,719	155,882
- Bank Negara Malaysia ("BNM")	126,590	170,607
	283,309	326,489

The profit rates on the financing from the Government of Malaysia is 0% - 4% (2017: 1.50%) per annum. The rate for BNM ranges from 4% - 5.23% (2017: 4% - 5.23%) per annum.

(h) Other liabilities

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other payables and accruals	286,248	331,644	299,184	323,105
Islamic margin account	522,722	531,710	522,722	531,546
Guarantee payable	153,344	150,522	153,344	150,522
Provision for zakat	5,220	4,660	5,220	4,660
	967,534	1,018,536	980,470	1,009,833

(i) Government funds

	Group and Bank	
	2018 RM'000	2017 RM'000
To finance:		
Advances and financing	196,985	152,164
	196,985	152,164

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

310

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(i) Government funds (cont'd.)

Group and Bank	Soft Loan Scheme RM'000	Program dan Skim Usahawan Batik RM'000	Basic Capital Scheme (SMA) RM'000	Tabung Usahawan Siswazah RM'000	Dana Usahawan Negeri Terengganu 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	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 21(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

Group and Bank	Soft Loan Scheme RM'000	Program dan Skim Usahawan Batik RM'000	Basic Capital Scheme (SMA) RM'000	Tabung Usahawan Siswazah RM'000	Dana Usahawan Negeri Terengganu RM'000	Skim Program dan Skim Usahawan Ekonomi RM'000	Program dan Skim Usahawan Kraf RM'000	Skim Anjakan Usahawan RM'000	Total RM'000
At 1 January 2017	36,796	4,147	31,393	18,300	5,442	48,194	4,755	19,604	168,631
Proceeds	-	-	-	-	-	-	-	40,000	40,000
Write-off	(436)	-	(3,879)	(5,606)	(1,101)	-	-	-	(11,022)
Recoveries from financing written-off	46	21	2,576	686	175	24	1	-	3,529
Utilised to offset expenses	-	-	-	-	-	-	-	(756)	(756)
Reclassification (Note 20(a))	-	-	-	-	-	(48,218)	-	-	(48,218)
At 31 December 2017	36,406	4,168	30,090	13,380	4,516	-	4,756	58,848	152,164

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(j) Income from Islamic banking business

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income from advances and financing				
- Bai Bithaman Ajil	101	112,058	-	110,707
- Bai' Murabahah	173,734	59,329	169,860	59,206
- Bai' Istisna	10,913	42,933	10,941	42,784
- Ijarah	6	30,031	-	29,796
- Ijarah Thuma Al-Bai	27,557	24,122	24,469	22,986
- Bai' Dayn	496	3,995	498	3,995
- Tawarruq	206,713	87,621	205,022	87,621
- Bai' Inah	1,372	2,096	1,331	2,093
- Wakalah	-	22,719	-	22,699
Total income from advances and financing	420,892	384,904	412,121	381,887
Tawarruq deposit acceptance	38,308	56,579	38,308	56,579
Derivative financial asset	8,075	2,285	8,075	2,285
Financial assets at FVOCI	81,635	-	81,635	-
Available-for-sale financial assets	-	72,273	-	72,273
Financial assets at Amortised Cost (AC)	22,510	-	22,510	-
Held-to-maturity financial assets	-	26,146	-	26,146
	571,420	542,187	562,649	539,170

Included in income from advances and financing is profit on impaired advances and financing amounting to RM36,796,000 (2017: RM17,682,000).

(k) Other income

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fee income	8,698	10,181	7,238	8,479
Commission fee income (Note 26)	1,469	1,501	1,469	1,501
Rental income	10,372	10,111	10,372	10,111
Government funds (writeback)/release, net	(3,590)	8,249	(3,590)	8,249
Management fee	-	-	419	419
Fair value adjustment (Note 13)	304	14,740	304	14,740
Profit expense waived	-	33,777	-	33,777
Profit income on amount due from subsidiary companies (Note 34 (c))	-	-	17,777	17,752
Others	12,472	1,612	12,472	1,600
	29,725	80,171	46,461	96,628

Profit expense waived related to a profit waiver obtained resulting from the conversion of term financing to share capital as mentioned in Note 22. The profit of RM33,777,000 related to profit accrued on the said term financing since inception and remained unpaid till conversion of the term financing.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

312

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(l) Profit expense attributable to Islamic banking business

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Commodity Murabahah	124,250	150,056	126,793	154,175
Medium-term notes	70,445	65,316	70,445	65,316
Long Term financing	2,007	3,758	2,007	3,758
Deposits from banks and other financial institutions	18,251	5,809	18,251	5,809
Others	8,419	7,433	8,419	7,433
	223,372	232,372	225,915	236,491

Included in profit expense on Commodity Murabahah of the Bank is profit expenses on Commodity Murabahah to subsidiary companies amounting to RM2,543,000 (2017: RM4,119,000)

(m) Other operating expenses

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Personnel expenses	126,307	133,682	121,530	128,832
Establishment related expenses	37,295	29,799	36,831	29,743
Promotion and marketing expenses	3,684	4,148	3,895	4,405
Administration and general expenses	20,561	21,529	23,340	23,424
	187,847	189,158	185,596	186,404

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

313

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(n) Allowance for impairment loss on advances and financing

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Allowance for impairment losses on advances and financing made during the year				
- Stage 1, net (Note 38(c)(ix))	(20,507)	-	(20,507)	-
- Stage 2, net (Note 38(c)(ix))	14,402	-	14,402	-
- Stage 3, net (Note 38(c)(ix))	373,447	-	308,473	-
	367,342	-	302,368	-
Allowance for impairment losses on advances and financing made during the year				
- Individual assessment allowance	-	184,820	-	180,476
- Collective assessment allowance	-	106,802	-	101,990
	-	291,622	-	282,466
Writeback/recoveries for advances and financing made during the year				
- Individual assessment allowance	-	(90,009)	-	(87,330)
- Collective assessment allowance	-	(78,183)	-	(77,208)
	-	(168,192)	-	(164,538)
Advances and financing waived	8	729	8	729
Advances and financing written-off	-	10,896	-	10,896
Impaired advances and financing recovered	(9,298)	(13,849)	(9,298)	(13,849)
Total allowance for impairment loss on advances and financing	358,052	121,206	293,078	115,704

(o) Tax (credit)/expense

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax:				
Income tax expense for the year	-	726	-	47
Over provision in prior years	(47)	(2)	(47)	(2)
	(47)	724	(47)	45
Deferred tax (Note 38(e)):				
Origination or reversal of temporary differences	-	12,520	-	12,520
Under provision in prior years	-	3,414	-	3,414
	-	15,934	-	15,934
Total tax (credit)/expense for the year	(47)	16,658	(47)	15,979

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

314

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(o) Tax (credit)/expense (cont'd)

The reconciliation between tax expense and accounting profit of the Group and Bank multiplied by the applicable corporate tax rate are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/Profit before taxation and zakat	(175,930)	79,622	(458,837)	97,199
Tax (credit)/expenses at Malaysian tax rate of 24% (2017: 24%)	(42,223)	19,109	(110,121)	23,328
Tax effects on:				
Non-deductible expenses	22,206	6,276	90,104	1,354
Non-taxable income	(243)	(9,338)	(243)	(9,314)
Deferred tax assets not recognised	12,316	-	12,316	-
Effects of differences in tax rate	(43)	(2,801)	(43)	(2,801)
Effects changes in tax rate	7,987	-	7,987	-
Over provision of current tax in prior year	(47)	(2)	(47)	(2)
Under provision of deferred tax in prior year	-	3,414	-	3,414
Tax (credit)/expense for the year	(47)	16,658	(47)	15,979

(p) Zakat

	Group and Bank	
	2018 RM'000	2017 RM'000
Zakat for the year	4,000	4,694

(q) Commitments

	Group and Bank	
	2018 RM'000	2017 RM'000
Direct credit substitutes	189,758	182,276
Transaction-related-contingent items	138,014	171,207
Irrevocable commitments to extend credit:		
- maturity exceeding one year	1,130,701	1,562,072
- maturity not exceeding one year	-	539,028
Profit rate related contract	200,000	350,000
	1,658,473	2,804,583

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

315

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(r) 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Tier I Capital</u>				
Capital funds	1,050,564	1,050,564	1,050,564	1,050,564
Retained earnings/(Accumulated loss)	154,922	466,724	(147,698)	508,778
Less: Deferred tax assets	(117,393)	(118,066)	(117,393)	(118,066)
Less: Property revaluation reserve	(212,533)	(212,229)	(212,533)	(212,229)
Total Tier I capital	875,560	1,186,993	572,940	1,229,047

The following table set forth capital resources and capital adequacy for the Group's and the Bank's Islamic banking business at the end of the reporting period:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Tier II Capital</u>				
General provision for advances and financing*	100,350	67,508	100,350	67,508
Property revaluation reserve [^]	106,267	106,115	106,267	106,115
Government funds [#]	245,754	152,164	245,754	152,164
Total Tier II capital	452,371	325,787	452,371	325,787
Total capital	1,327,931	1,512,780	1,025,311	1,554,834
Less: Investment in subsidiaries	-	-	-	(3,582)
Total capital base	1,327,931	1,512,780	1,025,311	1,551,252

* 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.

[#] Included in the government fund is Teraju Facilitation Fund amounting to RM50,000,000 received during the year. The balance amount yet to be disbursed was channelled as placement with profit sharing of 70:30 between the Bank and Teraju. The amount available for distribution remained at RM48,769,000.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

316

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

38. Islamic banking business (cont'd)

Notes to the financial statements For the financial year ended 31 December (cont'd)

(r) Capital adequacy (cont'd)

Capital management (cont'd)

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
20%	142,986	114,037	142,986	114,037
50%	288,143	532,662	288,143	532,662
100%	7,290,007	7,830,736	7,407,015	8,267,405
	7,721,136	8,477,435	7,838,144	8,914,104

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Before deducting proposed dividends:				
Core capital ratio	11.340%	14.002%	7.310%	13.788%
Risk-weighted capital ratio	17.199%	17.845%	13.081%	17.402%

After deducting proposed dividends:

Core capital ratio	11.340%	14.002%	7.310%	13.788%
Risk-weighted capital ratio	17.199%	17.845%	13.081%	17.402%

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018



39. Transition disclosure

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2018 is, as follows:

GROUP ASSETS	Ref Category	As at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement ECL RM'000	Other RM'000	As at 1 January 2018 RM'000	Category
Cash and short-term funds	L&R	423,032	-	-	-	423,032	AC
Deposits and placements with banks	a L&R	182,013	-	-	-	182,013	FVTPL
Available-for-sale financial assets	AFS	2,108,422	(2,108,422)	-	-	-	
To: Debt instrument at FVOCI	b	-	(2,074,903)	-	-	-	FVOCI
To: Equity instrument at FVOCI	c,d	-	(33,519)	-	-	-	FVOCI
Held-to-maturity financial assets	HTM	568,585	(568,585)	-	-	-	
To: Debts instruments at AC	e	-	(466,051)	-	-	-	AC
To: Equity instrument at FVOCI	c	-	(102,534)	-	-	-	FVOCI
Debt instruments at FVOCI		N/A	2,074,903	-	12,226	2,087,129	FVOCI
From: Available-for-sale financial assets	b		2,074,903	-	12,226	2,087,129	
Equity instrument at FVOCI		N/A	136,053	-	8,872	144,925	FVOCI
From: Available-for-sale financial assets	c,d		33,519	-	5,605	39,124	
From: Held-to-maturity financial assets	c		102,534	-	3,267	105,801	
Debts instruments at AC		N/A	466,051	(78)	-	465,973	AC
From: Held-to-maturity financial assets	e		466,051	(78)	-	465,973	
Loans, advances and financing	f L&R	7,052,022	(18,312)	(146,371)	-	6,887,339	AC
To: Financial assets at FVTPL		-	(18,312)	-	-	-	FVTPL
Financial assets at FVTPL	g	N/A	18,312	-	(4,675)	13,637	FVTPL
From: Loans, advances and financing			18,312	-	(4,675)	13,637	
Other assets	h L&R	27,614	-	4	-	27,618	AC
Deferred tax assets	j	121,723	-	-	(2,231)	119,492	
EQUITY							
Retained earnings		145,727	- (147,048)	7,131		5,810	
From: Deposits and placements with banks	a	-	-	-	-	-	FVTPL
From: Debt instrument at FVOCI	b	-	-	(603)	11,806	11,203	FVOCI
From: Equity instrument at FVOCI	c	-	-	-	-	-	FVOCI
From: Debts instruments at AC	e	-	-	(78)	-	(78)	AC
From: Loans, advances and financing	f	-	-	(146,371)	-	(146,371)	AC
From: Financial assets at FVTPL	g	-	-	-	(4,675)	(4,675)	FVTPL
From: Other assets	h	-	-	4	-	4	AC
Fair value reserve		(20,265)	-	603	7,061	(12,601)	
From: Debt instrument at FVOCI	b	-	-	603	420	-	FVOCI
From: Equity instrument at FVOCI	c	-	-	-	8,872	-	FVOCI
From: Deferred tax assets	j	-	-	-	(2,231)	-	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

318

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

39. Transition disclosure (cont'd)

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2018 is, as follows:

BANK ASSETS	Ref	Category	As at 31 December 2017 RM'000	Reclassifica-tion RM'000	Remeasurement ECL RM'000	Other RM'000	As at 1 January 2018 RM'000	Category
Cash and short-term funds		L&R	418,981	-	-	-	418,981	AC
Deposits and placements with banks	a	L&R	182,013	-	-	-	182,013	FVTPL
Available-for-sale financial assets		AFS	2,108,422	(2,108,422)	-	-	-	
To: Debt instrument at FVOCI	b		-	(2,074,903)	-	-	-	FVOCI
To: Equity instrument at FVOCI	c,d		-	(33,519)	-	-	-	FVOCI
Held-to-maturity financial assets		HTM	568,585	(568,585)	-	-	-	
To: Debts instruments at AC	e		-	(466,051)	-	-	-	AC
To: Equity instrument at FVOCI	c		-	(102,534)	-	-	-	FVOCI
Debt instruments at FVOCI			N/A	2,074,903	-	12,226	2,087,129	FVOCI
From: Available-for-sale financial assets	b			2,074,903	-	12,226	2,087,129	
Equity instrument at FVOCI			N/A	136,053	-	8,872	144,925	FVOCI
From: Available-for-sale financial assets	c,d			33,519	-	5,605	39,124	
From: Held-to-maturity financial assets	c			102,534	-	3,267	105,801	
Debts instruments at AC			N/A	466,051	(78)	-	465,973	AC
From: Held-to-maturity financial assets	e			466,051	(78)	-	465,973	
Loans, advances and financing	f	L&R	6,159,840	(18,312)	(146,371)	-	5,995,157	AC
To: Financial assets at FVTPL			-	(18,312)	-	-	-	FVTPL
Financial assets at FVTPL	g		N/A	18,312	-	(4,675)	13,637	FVTPL
From: Loans, advances and financing				18,312	-	(4,675)	13,637	
Other assets	h	L&R	526,956	(478,840)	4	-	48,120	AC
To: Financial assets at FVOCI	i		N/A	(478,840)	-	-	(478,840)	
Financial assets at FVOCI				478,840	-	(61,767)	417,073	
From: Other assets	i		N/A	478,840	-	(61,767)	417,073	FVOCI
Deferred tax assets	j		121,723	-	-	(2,231)	119,492	
EQUITY								
Retained earnings			145,128	-	(147,048)	(54,636)	(56,556)	
From: Deposits and placements with banks	a		-	-	-	-	-	FVTPL
From: Debt instrument at FVOCI	b		-	-	(603)	11,806	11,203	FVOCI
From: Equity instrument at FVOCI	c		-	-	-	-	-	FVOCI
From: Debts instruments at AC	e		-	-	(78)	-	(78)	AC
From: Loans, advances and financing	f		-	-	(146,371)	-	(146,371)	AC
From: Financial assets at FVTPL	g		-	-	-	(4,675)	(4,675)	FVTPL
From: Other assets	h		-	-	4	-	4	AC
From: Other assets	i		-	-	-	(61,767)	(61,767)	FVOCI
Fair value reserve			(20,265)	-	603	7,061	(2,601)	
From: Debt instrument at FVOCI	b		-	-	603	420	-	FVOCI
From: Equity instrument at FVOCI	c		-	-	-	8,872	-	FVOCI
From: Deferred tax assets	j		-	-	-	(2,231)	-	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

319

39. Transition disclosure (cont'd)

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2018 is, as follows:

- As at 1 January 2018, the Bank's analysis highlighted its principal protected Callable Range Placement - Islamic ("CRAN") structured deposit may not earn any profit margin for a particular profit period if the referenced profit rates move unfavourably. This volatility of cash flows and returns may not reflect the consideration for time value of money, therefore, did not meet the SPPI criterion. The Bank reclassified CRAN as FVTPL.
- As at 1 January 2018, the Bank has assessed its liquidity portfolio which had previously been classified as AFS financial assets. The Bank concluded that, apart from debt securities issued by Boustead, these instruments are managed within a business model of collecting contractual cash flows and selling the financial assets. Accordingly, the Bank has classified these investments as debt instruments at FVOCI.
- As at 1 January 2018, the Bank has reclassified a portion of its AFS and HTM financial assets as equity instrument at FVOCI as Boustead's profit and loss sharing features did not meet the SPPI criterion test. The Bank has elected for irrevocable OCI option as it is not held for trading.
- As at 1 January 2018, the Bank has elected to classify its unquoted shares as FVOCI.
- As at 1 January 2018, apart from debt securities issued by Boustead, the Bank did not have any debt instruments that did not meet the SPPI criterion within its held-to-maturity portfolio. Therefore, it has elected to classify all of these instruments as financial assets at Amortised Cost.
- As at 1 January 2018, all loans, advances and financing (except for staff financing) were originated to collect contractual cash flows hence the Bank elected to classify it as Amortised Costs. The replacement of MFRS 139's incurred loss approach with MFRS 9's forward-looking expected credit loss (ECL) approach contributed to opening balance adjustment.
- Staff financing did not meet the SPPI criterion as the contractual cash flow was not solely for principal and profit. The Bank has elected to classify as FVTPL.
- As at 1 January 2018, the Bank has replaced incurred loss approach under MFRS 139 with forward-looking expected credit loss (ECL) under MFRS 9. The portfolio impacted under other assets are rental receivables.
- The business model for Bai' Inah facility granted to SAM is managed within a business model of collecting contractual cash flows and selling the facility. Accordingly, the Bank has classified the facility as FVOCI.
- The deferred tax impact on fair value gain from debt instruments at FVOCI and equity instruments at FVOCI due to remeasurement.

The following table reconciles the aggregate opening loan/financing loss allowances under MFRS 139 and provisions for loan/financing commitments and financial guarantee contracts in accordance with MFRS 137 Provisions Contingent Liabilities and Contingent Assets to the ECL allowances under MFRS 9.

	CIP under MFRS 139 at 31 December 2017 RM'000	Remeasurement RM'000	ECLs under MFRS 9 at 1 January 2018 RM'000
Loss allowances for:			
loans, advances and financing	(116,348)	(50,235)	(166,583)
debt instruments at AC	-	(78)	(78)
debt instruments at FVOCI	-	(603)	(603)
other assets	(7,554)	4	(7,550)
commitment and contingencies	-	(9,367)	(9,367)
	(123,902)	(60,279)	(184,181)
	IIP under MFRS 139 at 31 31 December 2017 RM'000	Remeasurement RM'000	ECLs under MFRS 9 at 1 January 2018 RM'000
Loss allowances for loans, advances and financing	(233,626)	(86,769)	(320,395)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

320

SME BANK | INTEGRATED ANNUAL REPORT 2018 | LAPORAN TAHUNAN BERSEPADU 2018

39. Transition disclosure

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2018 is, as follows:

GROUP ASSETS	Ref Category	As at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement ECL RM'000	Other RM'000	As at 1 January 2018 RM'000	Category
Cash and short-term funds	L&R	421,706	-	-	-	421,706	AC
Deposits and placements with banks	a L&R	182,013	-	-	-	182,013	FVTPL
Available-for-sale financial assets AFS		1,913,133	(1,913,133)	-	-	-	
To: Debt instrument at FVOCI	b	-	(1,882,737)	-	-	-	FVOCI
To: Equity instrument at FVOCI	c,d	-	(30,396)	-	-	-	FVOCI
Held-to-maturity financial assets HTM		568,585	(568,585)	-	-	-	
To: Debts instruments at AC	e	-	(466,051)	-	-	-	AC
To: Equity instrument at FVOCI	c	-	(102,534)	-	-	-	FVOCI
Debt instruments at FVOCI		N/A	1,882,737	-	12,226	1,894,963	FVOCI
From: Available-for-sale financial assets	b		1,882,737	-	12,226	1,894,963	
Equity instrument at FVOCI		N/A	132,930	-	3,267	136,197	FVOCI
From: Available-for-sale financial assets	c,d		30,396	-	-	30,396	
From: Held-to-maturity financial assets	c		102,534	-	3,267	105,801	
Debts instruments at AC		N/A	466,051	(78)	-	465,973	AC
From: Held-to-maturity financial assets	e		466,051	(78)	-	465,973	
Loans, advances and financing	f L&R	6,263,315	(15,570)	(138,373)	-	6,109,372	AC
To: Financial assets at FVTPL		-	(15,570)	-	-	-	FVTPL
Financial assets at FVTPL	g	N/A	15,570	-	(4,675)	10,895	FVTPL
From: Loans, advances and financing			15,570	-	(4,675)	10,895	
Other assets	h L&R	5,612	-	4	-	5,616	AC
Deferred tax as sets	j	118,066	-	-	(885)	117,181	
EQUITY							
Retained earnings		466,724	- (139,050)	7,131		334,805	
From: Deposits and placements with banks	a	-	-	-	-	-	FVTPL
From: Debt instrument at FVOCI	b	-	-	(603)	11,806	11,203	FVOCI
From: Equity instrument at FVOCI	c	-	-	-	-	-	FVOCI
From: Debts instruments at AC	e	-	-	(78)	-	(78)	AC
From: Loans, advances and financing	f	-	- (138,373)	-	-	(138,373)	AC
From: Financial assets at FVTPL	g	-	-	-	(4,675)	(4,675)	FVTPL
From: Other assets	h	-	-	4	-	4	AC
Fair value reserve		(17,688)	-	603	2,802	(14,283)	
From: Debt instrument at FVOCI	b	-	-	603	420	-	FVOCI
From: Equity instrument at FVOCI	c	-	-	-	3,267	-	FVOCI
From: Deferred tax assets	j	-	-	-	(885)	-	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

321

Financial Statements | Penyata Kewangan

39. Transition disclosure (cont'd)

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2018 is, as follows:

BANK ASSETS	Ref	Category	As at 31 December 2017 RM'000	Reclassifica- tion RM'000	Remeasurement ECL RM'000	Other RM'000	As at 1 January 2018 RM'000	Category
Cash and short term funds		L&R	417,655	-	-	-	417,655	AC
Deposits and placements with banks	a	L&R	182,013	-	-	-	182,013	FVTPL
Available-for-sale financial assets		AFS	1,913,133	(1,913,133)	-	-	-	
To: Debt instrument at FVOCI	b		-	(1,882,737)	-	-	-	FVOCI
To: Equity instrument at FVOCI	c,d		-	(30,396)	-	-	-	FVOCI
Held-to-maturity financial assets		HTM	568,585	(568,585)	-	-	-	
To: Debts instruments at AC	e		-	(466,051)	-	-	-	AC
To: Equity instrument at FVOCI	c		-	(102,534)	-	-	-	FVOCI
Debt instruments at FVOCI			N/A	1,882,737	-	12,226	1,894,963	FVOCI
From: Available-for-sale financial assets	b			1,882,737	-	12,226	1,894,963	
Equity instrument at FVOCI			N/A	132,930	-	3,267	136,197	FVOCI
From: Available-for-sale financial assets	c,d			30,396	-	-	30,396	
From: Held-to-maturity financial assets	c			102,534	-	3,267	105,801	
Debts instruments at AC			N/A	466,051	(78)	-	465,973	AC
From: Held-to-maturity financial assets	e			466,051	(78)	-	465,973	
Loans, advances and financing	f	L&R	6,111,611	(15,570)	(138,373)	-	5,957,668	AC
To: Financial assets at FVTPL			-	(15,570)	-	-	-	FVTPL
Financial assets at FVTPL	g		N/A	15,570	-	(4,675)	10,895	FVTPL
From: Loans, advances and financing				15,570	-	(4,675)	10,895	
Other assets	h	L&R	510,945	(478,840)	4	-	32,109	AC
To: Financial assets at FVOCI	i		N/A	(478,840)	-	-	(478,840)	
Financial assets at FVOCI				478,840	-	(61,767)	417,073	
From: Other assets	i		N/A	478,840	-	(61,767)	417,073	FVOCI
Deferred tax assets	j		118,066	-	-	(885)	117,181	
EQUITY								
Retained earnings			508,778	-	(139,050)	(54,636)	315,092	
From: Deposits and placements with banks	a		-	-	-	-	-	FVTPL
From: Debt instrument at FVOCI	b		-	-	(603)	11,806	11,203	FVOCI
From: Equity instrument at FVOCI	c		-	-	-	-	-	FVOCI
From: Debts instruments at AC	e		-	-	(78)	-	(78)	AC
From: Loans, advances and financing	f		-	-	(138,373)	-	(138,373)	AC
From: Financial assets at FVTPL	g		-	-	-	(4,675)	(4,675)	FVTPL
From: Other assets	h		-	-	4	-	4	AC
From: Other assets	i		-	-	-	(61,767)	(61,767)	FVOCI
Fair value reserve			(17,688)	-	603	2,802	(14,283)	
From: Debt instrument at FVOCI	b		-	-	603	420	-	FVOCI
From: Equity instrument at FVOCI	c		-	-	-	3,267	-	FVOCI
From: Deferred tax assets	j		-	-	-	(885)	-	



06

List of Branch Network
Senarai Rangkaian Cawangan

GROUP DIRECTORY DIREKTORI KUMPULAN

SME Bank is the leading Islamic Principle Based Development Financial Institution with its roots embedded deep in the heart of the Malaysian community, with 28 branch network nationwide.

SME Bank adalah Institusi Kewangan Pembangunan Berasaskan Prinsip Islam yang berada begitu teguh dalam kehidupan masyarakat Malaysia, dengan 28 rangkaian cawangan di seluruh negara.





GROUP DIRECTORY

DIREKTORI KUMPULAN

324

SME BANK HEAD OFFICE

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50250 Kuala Lumpur
Wilayah Persekutuan
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Fax : 03-26981748

KUALA LUMPUR

KUALA LUMPUR REGIONAL CENTRE

Level 8, Menara SME Bank,
Jalan Sultan Ismail,
50250 Kuala Lumpur, Wilayah Persekutuan.
Tel : 03-26153945
Fax : 03-26947834

KUALA LUMPUR 1 ENTERPRISE CENTRE

Level 1, Menara SME Bank,
Jalan Sultan Ismail,
50250 Kuala Lumpur, Wilayah Persekutuan.
Tel : 03-26152020 Ext: 3140
Fax : 03-26981748

KUALA LUMPUR 2 ENTERPRISE CENTRE

Level 12, Menara SME Bank,
Jalan Sultan Ismail,
50250 Kuala Lumpur, Wilayah Persekutuan.
Tel : 03-26152020
Fax : 03-26981748

SELANGOR

SELANGOR REGIONAL CENTRE

Lot 23 & 23A,
Vista Alam Jalan Ikhtisas,
Section 14,
40000 Shah Alam, Selangor.
Tel : 03-33581471 / 03-33587491
Fax : 03-33580471

SHAH ALAM ENTERPRISE CENTRE

Lot 23 & 23A,
Vista Alam Jalan Ikhtisas,
Section 14,
40000 Shah Alam, Selangor.
Tel : 03-33588419 / 03-33589943
Fax : 03-33593701

KAJANG ENTERPRISE CENTRE

No. 9 & 10, Jalan KP1/2,
Taman Kajang Prima, Jalan Kajang Semenyih,
43000 Kajang, Selangor.
Tel : 03-87333645 / 03-87334017 / 03-87334046
Fax : 03-87333194

JOHOR

SOUTHERN REGIONAL CENTRE

No. 16, Jalan Padi Emas 5/2,
Pusat Bandar Tampoi,
81200 Johor Bahru, Johor.
Tel : 07-2323991 / 07-2326016
Fax : 07-2381480

JOHOR BAHRU ENTERPRISE CENTRE

No. 16, Jalan Padi Emas 5/2,
Pusat Bandar Tampoi,
81200 Johor Bahru, Johor.
Tel : 07-2381470 / 07-2381477 /
07-2381479 / 07-2382376
Fax : 07-2381480

BATU PAHAT ENTERPRISE CENTRE

No. 5 & 6, Jalan Setia Jaya,
Taman Setia Jaya,
83000 Batu Pahat, Johor.
Tel : 07-4328903 / 07-432946
Fax : 07-4328597

PASIR GUDANG BUSINESS CENTRE

No. 22 & 22 A, Jalan Serangkai 18,
Taman Bukit Dahlia,
81700 Pasir Gudang, Johor.
Tel : 07-2556477 / 07-2556240
Fax : 07-2556430



MELAKA

BANDAR MELAKA ENTERPRISE CENTRE

Lot 8 & 10, Taman Lagenda 2,
Jalan 1 Lagenda,
75400 Melaka.
Tel : 06-2880213 / 06-2880214 /
06-2880215 / 06-2880216
Fax : 06-2880218

SEREMBAN

SEREMBAN ENTERPRISE CENTRE

No. 295, Ground, 1st & 2nd Floor,
Jalan Bandar Senawang 16,
Pusat Bandar Senawang,
70450 Seremban, Negeri Sembilan.
Tel : 06-6716324 / 06-6716432
Fax : 06-6716039

PAHANG

EAST COAST REGIONAL CENTRE

Level 2, B-14 Jalan Tun Ismail 1,
Sri Dagangan,
25000 Kuantan, Pahang.
Tel : 09-5135482 / 09-5135487
Fax : 09-5135476

KUANTAN ENTERPRISE CENTRE

B-14, Jalan Tun Ismail 1,
Sri Dagangan,
25000 Kuantan, Pahang.
Tel : 09-5171630 / 09-5171499
Fax : 09-5171077

TERENGGANU

KUALA TERENGGANU ENTERPRISE CENTRE

Ground Floor, Lot G10 & Mezzaine,
Menara Yayasan Islam Terengganu, Jalan Sultan Omar,
20300 Kuala Terengganu, Terengganu.
Tel : 09-6223588 / 09-6223692
Fax : 09-6222129

KELANTAN

KOTA BHARU ENTERPRISE CENTRE

Lot 35, Section 8,
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15000 Kota Bharu, Kelantan.
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Fax : 09-7448361



GROUP DIRECTORY

DIREKTORI KUMPULAN

326

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PULAU PINANG

NORTHERN REGIONAL CENTRE

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Pusat Bandar Seberang Jaya, Bandar Sunway,
13700 Perai, Pulau Pinang.
Tel : 04-3906477 / 04-3906391

SEBERANG JAYA ENTERPRISE CENTRE

No. 12A, Jalan Todak 3,
Pusat Bandar Seberang Jaya, Bandar Sunway,
13700 Perai, Pulau Pinang.
Tel : 04-3998585
Fax : 04-3998475

BAYAN BARU BUSINESS CENTRE

No. 10, Jalan Tengah,
Taman Sri Tunas,
11950 Bandar Bayan Baru, Pulau Pinang.
Tel : 04-6437733 / 04-6447934
Fax : 04-6446943

KEDAH

ALOR SETAR ENTERPRISE CENTRE

No. 87 & 88, Kompleks Perniagaan
Sultan Abdul Hamid, Persiaran Sultan Abdul Hamid
05050 Alor Setar, Kedah.
Tel : 04-7774200 / 04-7774220
Fax : 04-7774222

PERAK

IPOH ENTERPRISE CENTRE

No. 28, Medan Istana,
Bandar Ipoh Raya,
30300 Ipoh, Perak.
Tel : 05-2417752 / 05-2417766
Fax : 05-2557278

SABAH

SABAH REGIONAL CENTRE

Level 2, Lot 24 & 25,
Block D, Kepayan Perdana Commercial Centre,
Jalan Lintas, 88200 Kota Kinabalu, Sabah.
Tel : 088-413586 / 088-413587 /
088-413588
Fax : 088-413589

KOTA KINABALU ENTERPRISE CENTRE

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Kepayan Perdana Commercial Centre, Jalan Lintas,
88200 Kota Kinabalu, Sabah.
Tel : 088-413276 / 088-413277 /
088-413278
Fax : 088-413279

TAWAU ENTERPRISE CENTRE

TB 193-195, Ground Floor,
Wisma DS, Jalan Bakau,
91000 Tawau, Sabah.
Tel : 089-750500 / 089-767500 /
089-767800
Fax : 089-763323

SARAWAK

SARAWAK REGIONAL CENTRE

Lot 514 & 515, Section 6,
Jalan Kulas,
93400 Kuching, Sarawak.
Tel : 082-259955 / 082-259994
Fax : 082-243181

KUCHING ENTERPRISE CENTRE

Lot 514 & 515, Section 6,
Jalan Kulas,
93400 Kuching, Sarawak.
Tel : 082-259955 / 082-259994
Fax : 082-243181

MIRI ENTERPRISE CENTRE

Lot 1190, Ground Floor, 1st Floor & 2nd Floor,
Miri Water Front, Jalan Permaisuri,
98000 Miri, Sarawak.
Tel : 085-418448 / 085-414418 / 085-430488
Fax : 085-415488

BINTULU BUSINESS CENTRE


Lot 7850, No. 259, Jalan Sultan Iskandar,
Assyakirin Commerce Square,
97000 Bintulu, Sarawak.
Tel : 086-339336 / 086-339586 / 086-339587
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