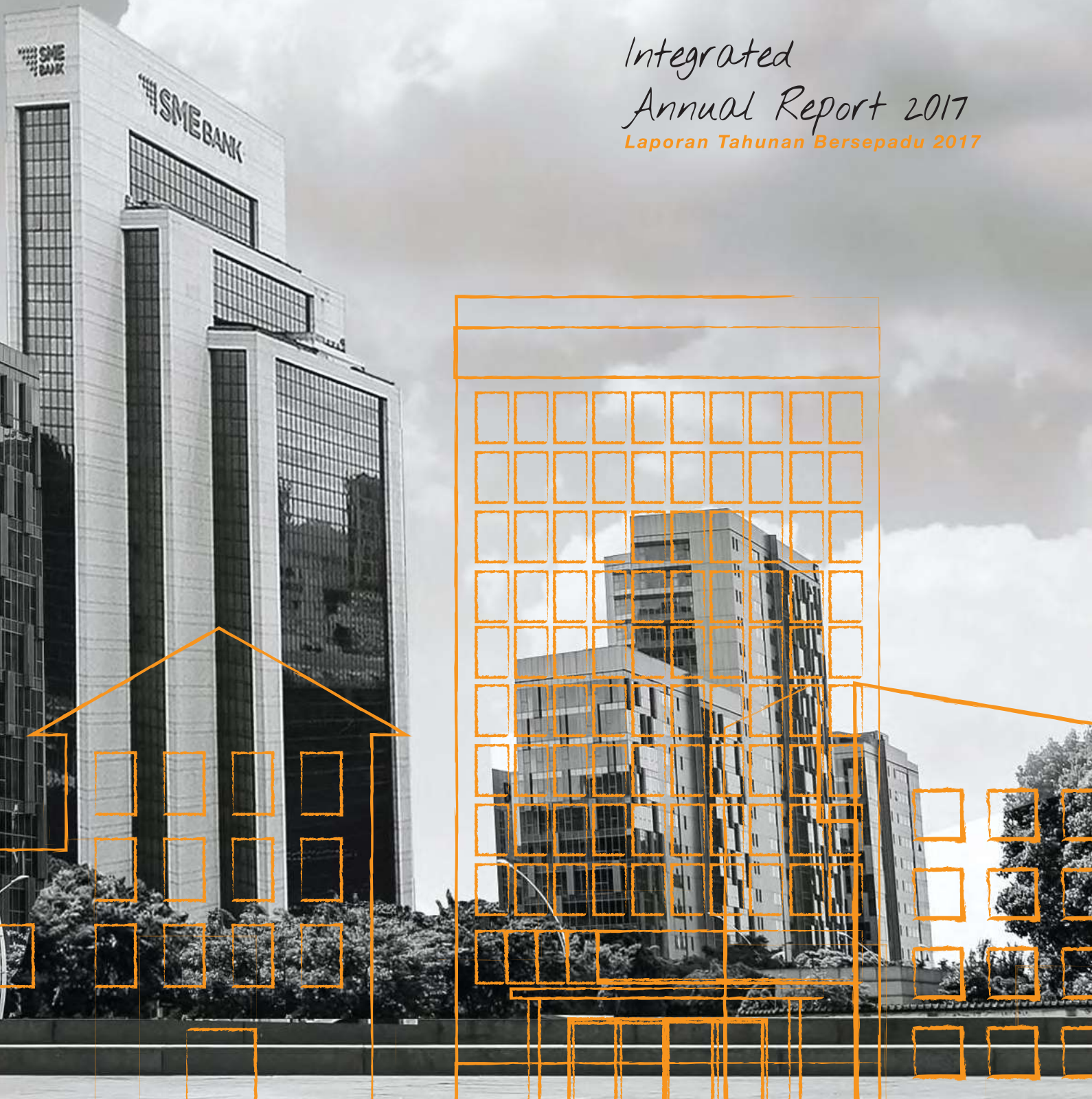




'Catalysing Growth'
'Memangkin Pertumbuhan'

*Integrated
Annual Report 2017*
Laporan Tahunan Bersepadu 2017





Cover Rationale Rasional Muka Depan



The sun that shines over the grey skyscrapers gives shades of orange to the building structures, depicting hope and optimism. The colour orange, our corporate colour, represents SME Bank whose existence has contributed to such panoramic skyline and will continue to be a catalyst for the nation's growth.

Matahari yang menyinari pencakar langit kelabu memberi jalur jingga ke struktur bangunan, lambang harapan dan keyakinan. Warna korporat kami iaitu jingga mewakili SME Bank yang mana kewujudannya telah menyumbang kepada pemandangan panorama sebegini dan akan terus menjadi pemangkin kepada pertumbuhan negara.

Vision *Visi*

A Full-Fledged Specialised Financial Institution;
An International Benchmark For Nurturing SME
Excellence

Sebuah institusi kewangan khusus yang memenuhi keperluan; penanda aras antarabangsa untuk memupuk kecemerlangan PKS

Mission *Misi*

To Develop SMEs To Be The Nation's Engine
of Growth, In Line With The Government's
Economic Agenda

Membangunkan PKS sebagai pemacu pertumbuhan negara, selaras dengan agenda ekonomi negara.

Core Values *Nilai-nilai Korporat*

PASSION *KESUNGGUHAN*

Passion In All Actions Derives Fulfillment While
Ensuring Success

Kesungguhan Dalam Segala Tindakan Menghasilkan Kepuasan Sementara Memastikan Kejayaan

COMMITMENT *KOMITMEN*

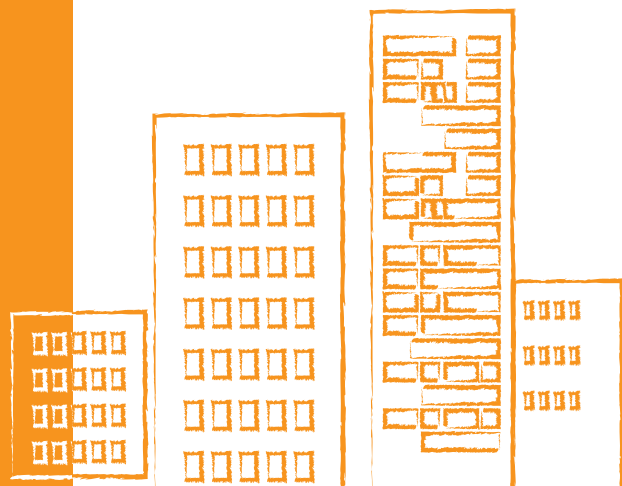
Commitment Turns A Promise Into Reality

Komitmen Mengubah Janji Kepada Realiti

TRUST *AMANAH*

Faith Is Meaningless Without Upholding Trust And
Integrity

Kepercayaan Tidak Bermakna Tanpa Mendokong Integriti





Who We Are

Siapa Kami

Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) provides financing and beyond financing assistance and expertise to small and medium enterprises. Wholly-owned by the Ministry of Finance, SME Bank plays a catalytic role in supporting the Malaysian government's economic and development initiatives including the National Key Economic Areas 2010-2020 and the Financial Sector Blueprint 2011-2020.

Since its establishment in 2005, the Bank has immensely progressed while it continues to support small and medium-sized businesses and promote private sector growth through financing, schemes and development initiatives. By the end of 2017, SME Bank had approved RM28 billion in financing and guarantees to finance projects with investments totalling over RM6.5 billion. 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 30 branches, comprising regional centres, enterprise centres, and business centres.

Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) menawarkan bantuan kepada perniagaan kecil dan sederhana. Dimiliki sepenuhnya oleh Kementerian Kewangan, SME Bank memainkan peranan pemangkinan dalam menyokong usaha-usaha ekonomi dan pembangunan oleh kerajaan Malaysia termasuk Bidang Ekonomi Utama Negara 2010-2020 dan Pelan Sektor Kewangan 2011-2020.

Sejak penubuhannya pada 2005, SME Bank telah membangun dengan pesat sementara ia terus menyokong perniagaan kecil dan sederhana di samping menggalakkan pertumbuhan sektor swasta menerusi pembiayaan, skim bantuan dan usaha pembangunan. Menjelang akhir 2017, SME Bank telah meluluskan RM28 bilion pembiayaan dan jaminan untuk membiayai projek-projek dengan pelaburan berjumlah lebih RM6.5 bilion. 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 30 cawangan, terdiri daripada pusat wilayah, pusat enterpris, dan pusat perniagaan.

Using This Report

Menggunakan Laporan Ini

The 2017 Annual Report begins with a message from the Chairman, 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.

REFERENCES AND GUIDELINES

- *GRI G4 Sustainability Reporting Framework*
- *Bursa Malaysia's Sustainability Reporting Guide*
- *International Organisation for Standardisation (ISO) 26000: Guidance on Social Responsibility*
- *Malaysian Code on Corporate Governance*

FIND OUT MORE

Website: <https://www.smebank.com.my>

Tel No: +603 2615 2020

Fax No: +603 2698 1748

Customer Care Centre: +603 2603 7700

Laporan Tahunan 2017 bermula dengan mesej daripada Pengerusi, 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.

RUJUKAN DAN GARIS PANDUAN

- *Rangka Kerja Pelaporan Kemampanan GRI G4*
- *Panduan Pelaporan Kemampanan Bursa Malaysia*
- *Organisasi Antarabangsa bagi Piawaian (ISO) 26000: Panduan Tentang Tanggungjawab Sosial*
- *Kod Tadbir Urus Korporat Malaysia*

KETAHUI LEBIH LANJUT

Laman sesawang: <https://www.smebank.com.my>

No. Tel.: +603 2615 2020

No. Faks: +603 2698 1748

Pusat Khidmat Pelanggan: +603 2603 7700

SME Bank remains true to its mission to develop Small and Medium Enterprises (SME) 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.

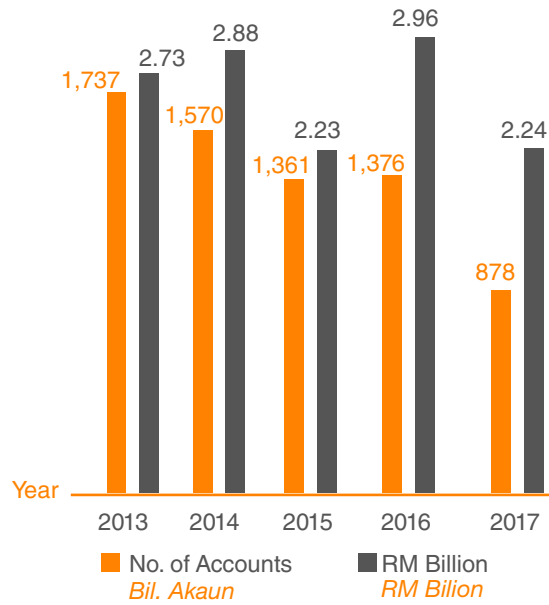
SME Bank berpegang kepada misinya untuk membangunkan Perusahaan Kecil dan Sederhana (PKS) sebagai penjana pertumbuhan negara sejajar dengan agenda ekonomi Kerajaan. Dalam kami meneruskan perkembangan dalaman, kami berusaha membantu PKS membangunkan perniagaan mereka. Oleh kerana pertumbuhan menjana kemakmuran 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 kemampanan.

Financial Highlights

Sorotan Kewangan

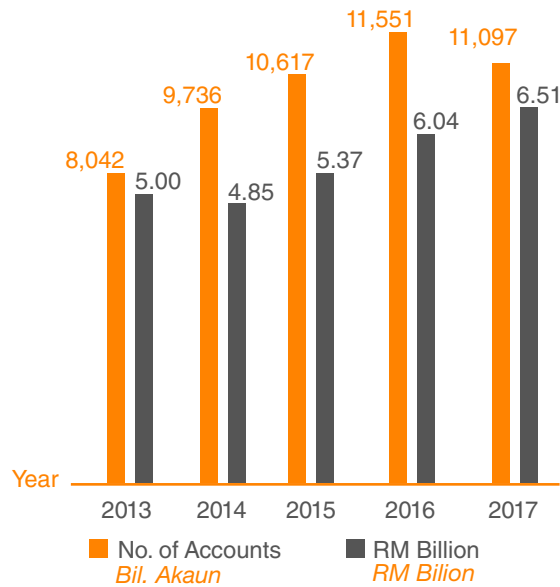
Financing Approvals

Kelulusan Pembiayaan



Financing Portfolio

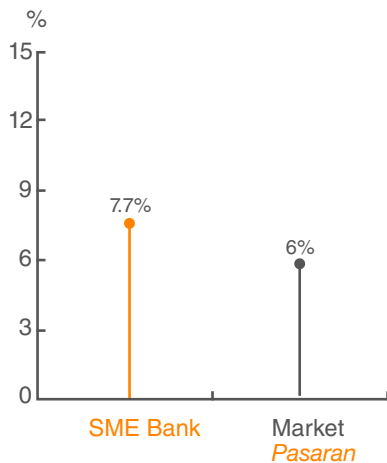
Portfolio Pembiayaan



Portfolio Growth

Pertumbuhan Portfolio

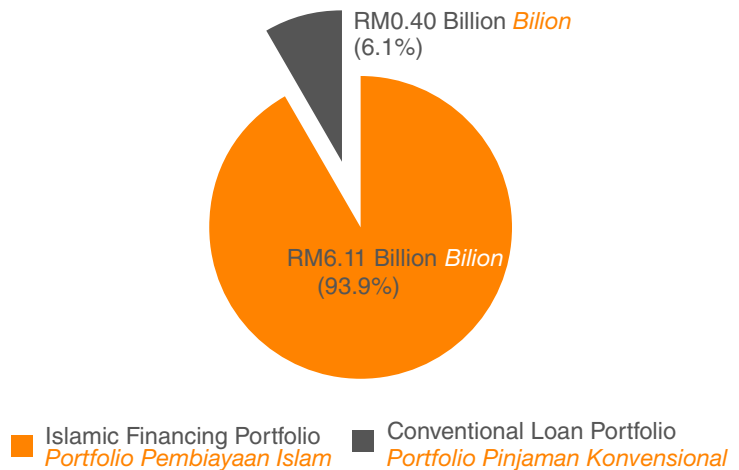
As at December 2017
Pada Disember 2017



Composition of Financing

Komposisi Pembiayaan

Total Financing RM6.51 Billion
Jumlah Pembiayaan RM6.51 Bilion As at December 2017
Pada Disember 2017



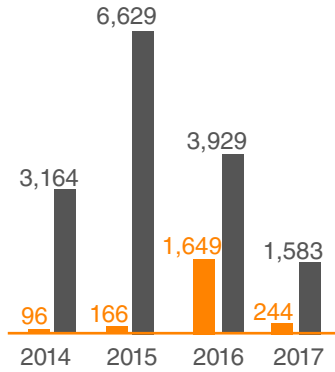


CEDAR's Entrepreneurial Programmes

Program Keusahawanan CEDAR

Fee-Based Programme

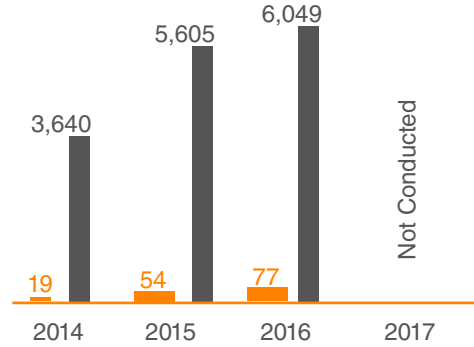
Program Berasaskan Yuran



■ No. of Sessions *Bil. Sesi*
 ■ No. of Participants *Bil. Peserta*

Non Fee-Based Programme

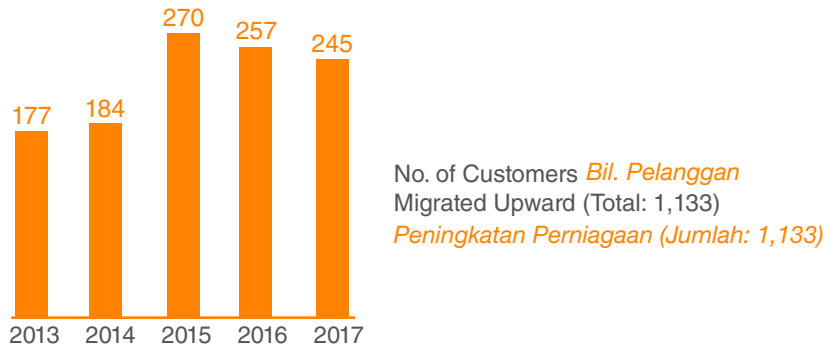
Program Bukan Berasaskan Yuran



■ No. of Sessions *Bil. Sesi*
 ■ No. of Participants *Bil. Peserta*

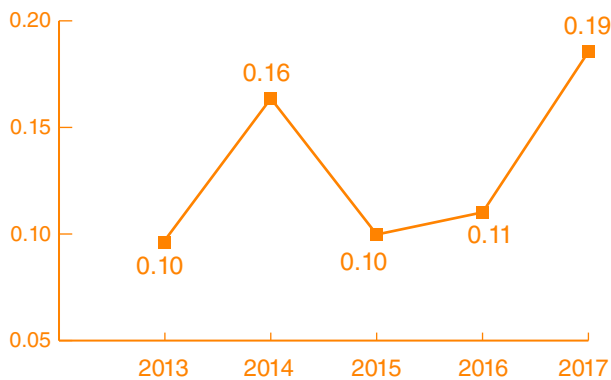
Upward Migration

Peningkatan Perniagaan



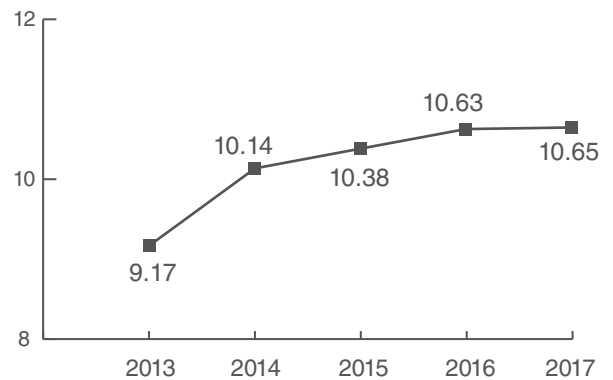
Operating Profit (RM Billion)

Keuntungan Operasi (RM Bilion)



Total Assets (RM Billion)

Jumlah Aset (RM Bilion)



Corporate Highlights

Sorotan Korporat



THE MONTREAL GROUP (TMG)



25 Jan

15 Feb

BOOK YOUR BANKER (BYB)

24 Feb

i-SMART



29 Mar

SME BANK XCESS 2017



10 -12 May

ADFIAP AWARDS



24 May

BID-it PROGRAMME



29 Jul

SUKSES



30 Aug

AAA/STABLE/P1 RECOGNITION FROM RAM RATINGS



2017 Milestones *Pencapaian*

The Montreal Group (TMG)

SME Bank's unique value proposition of "Beyond Financing" model in developing SMEs has been recognised at international level as the Bank attained an outstanding recognition as the first Development Financial Institution (DFI) in Malaysia and ASEAN to become a member of The Montreal Group, an exclusive global forum for state-owned development banks focused on assisting micro, small and medium-sized enterprises.

Book Your Banker (BYB)

Launched the Book Your Banker (BYB) online registration to allow customers to register for financing application online via the SME Bank's Mobile App. This Mobile App will facilitate SME entrepreneurs who are 'on the go' to communicate and engage with the Bank's officer. The use of IT will enable SME Bank to trim the turnaround time for financing applications considerably thus improving on its service delivery.

i-SMART

Launched the i-SMART Development Initiatives in becoming National, Regional or Global Champion to heighten the business of selected Bumiputera entrepreneurs. i-SMART aims to create SME entrepreneurs who can compete globally through an effective financial management, capacity building, strategic marketing, facilitation assistance and others from SME Bank.

SME Bank XCESS 2017

Launched to address issues on SME entrepreneurs' access to financing. SME Bank XCESS is an annual Outreach Programme which specifically act as a one-stop centre for entrepreneurs to get direct assistance on their financing needs on one to one basis. Held in 17 locations nationwide, SME Bank XCESS 2017 and its various Outreach Programme successfully approved financing close to RM573 million.

ADFIAP Awards

SME Bank won The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Awards, Winner for Best Exporter Programme: Trade Development Category; as well as recipient of the Merit Award: Human Capital Development for Employees Capacity Building Project; and a Special Award for Best Website during the 40th ADFIAP's Annual Meeting held in Macao, China.

BID-it Programme

Launched the Business in Digital Start-up programme (BID-it) for entrepreneurs to expand their businesses into successful digital business using digital technology as business enablers especially for start-ups. BID-it will be a platform for entrepreneurs to be considered for funding while being offered structured nurturing programmes from the point of ideation to commercialisation.

SUKSES

Produced the on-going 44-episode television programme, SUKSES, in collaboration with Astro Awani media station, aimed at highlighting issues faced by SME entrepreneurs. The programme which brings the latest news in the SME industry was first aired on 29 September 2017, every Friday at 8.30pm on channel 501 Astro Awani. SUKSES is the platform for SME entrepreneurs to introduce their products and services to the public and can be a useful guidance for future entrepreneurs.

AAA/Stable/P1 Recognition from RAM Ratings

RAM Rating Services Berhad, the leading and largest credit rating agency in Malaysia and South-East Asia, assigned an AAA/Stable/P1 ratings to SME Bank. Government support for SME Bank is highlighted by a recent conversion of RM500 million of government borrowing into equity as well as continuous funding support from the Government through lending, deposit placements and guarantees.

The Montreal Group (TMG)

Nilai yang unik SME Bank iaitu model "Perkhidmatan Berkaitan Pembiayaan" dalam membangunkan PKS telah diiktiraf di peringkat antarabangsa apabila Bank menerima pengiktirafan cemerlang sebagai Institusi Pembangunan Kewangan (DFI) pertama di Malaysia dan ASEAN untuk menjadi ahli The Montreal Group, forum global yang eksklusif bagi bank-bank pembangunan milik negara yang menumpukan kepada membantu perusahaan mikro, kecil dan sederhana.

Book Your Banker (BYB)

Melancarkan pendaftaran dalam talian 'Book Your Banker (BYB)' bagi membolehkan pelanggan mendaftar untuk permohonan pembiayaan secara dalam talian melalui aplikasi mudah alih SME Bank. Aplikasi ini akan memudahkan usahawan PKS yang sentiasa sibuk untuk berkomunikasi dengan pegawai Bank. Penggunaan Teknologi Maklumat akan membolehkan SME Bank untuk mengurangkan masa bagi permohonan pembiayaan lantas menambah baik penyampaian perkhidmatannya.

i-SMART

Melancarkan program i-SMART (Program Anjakan dan Pemindahan SME Bank) untuk melonjakkan perniagaan usahawan-usahawan terpilih ke pasaran global. i-SMART menyasarkan untuk mewujudkan usahawan PKS yang boleh bersaing secara global melalui pengurusan kewangan yang berkesan, pembinaan keupayaan, pemasaran strategik, bantuan kemudahan dan lain-lain daripada SME Bank.

SME Bank XCESS 2017

Dilancarkan menangani isu-isu berhubung akses kepada pembiayaan yang dihadapi oleh para usahawan PKS. SME Bank XCESS adalah Program Outreach tahunan yang secara khususnya bertindak sebagai pusat setempat bagi usahawan untuk mendapatkan bantuan langsung berhubung keperluan pembiayaan mereka secara pertemuan empat mata. Diadakan di 17 lokasi di seluruh negara, SME Bank XCESS 2017 dan berbagai Program Outreach telah berjaya meluluskan pembiayaan berjumlah hampir RM573 juta.

Anugerah ADFIAP

SME Bank memenangi anugerah daripada The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), pemenang bagi Program Pengeksport Terbaik: Kategori Pembangunan Perdagangan; serta penerima Anugerah Merit: Pembangunan Sumber Manusia bagi Projek Pembinaan Keupayaan Kakitangan; dan Anugerah Khas bagi Laman Web Terbaik semasa Mesyuarat Tahunan ADFIAP ke-40 di Macao, China.

Program BID-it

Melancarkan Program Business in Digital Start-up (BID-it) bagi usahawan mengembangkan perniagaan mereka kepada perniagaan digital berjaya, menggunakan teknologi digital sebagai pemboleh perniagaan terutamanya untuk syarikat baharu. BID-it akan menjadi platform untuk pertimbangan pendanaan serta penawaran program pemupukan secara tersusun kepada usahawan, dari mula idea dicetuskan sehinggalah kepada pengkomersialan.

SUKSES

Menerbitkan program televisyen 44-episod, SUKSES, dengan kerjasama stesen media Astro Awani, untuk memaparkan isu-isu yang dihadapi oleh usahawan PKS. Program yang membawa berita terkini dalam industri PKS ini pertama kali disiarkan pada 29 September 2017 pada setiap Jumaat pada jam 8.30 malam di saluran 501 Astro Awani. SUKSES adalah platform bagi usahawan PKS untuk memperkenalkan produk dan perkhidmatan mereka kepada umum dan boleh menjadi bimbingan berguna untuk bakal usahawan.

Pengiktirafan AAA/Stable/P1 daripada RAM Ratings

RAM Rating Services Berhad, agensi penarafan kredit yang terkemuka dan terbesar di Malaysia dan Asia Tenggara, memberi penarafan AAA/Stable/P1 kepada SME Bank. Sokongan kerajaan kepada SME Bank ditunjukkan oleh penukaran RM500 juta pinjaman kerajaan kepada ekuiti serta sokongan pendanaan yang berterusan daripada Kerajaan menerusi pinjaman, penempatan deposit dan jaminan.

SME Bank

at a Glance

Sepintas Lalu

UNDERSTANDING SME BANK

SME Bank was established in 2005 as a Development Financial Institution (DFI) and is wholly-owned by 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 is 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 (SME) as an engine of the country's economic growth. With over RM28 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, which recorded a contribution of 36.9% to GDP in 2017.

Through our strong 30 branch networks, comprising seven (7) regional centres, 19 enterprise centres and four (4) business centres, SME Bank is poised to support a sustainable growth and development of small and medium sized businesses.

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

MEMAHAMI SME BANK

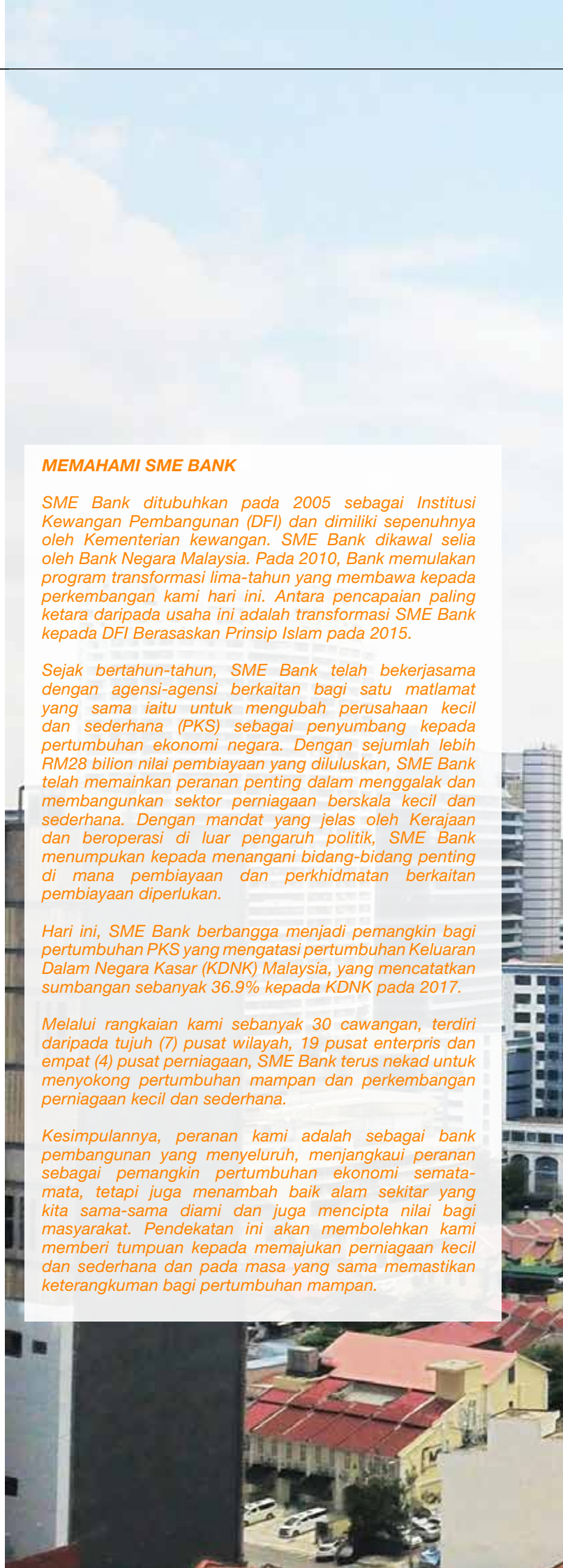
SME Bank ditubuhkan pada 2005 sebagai Institusi Kewangan Pembangunan (DFI) dan dimiliki sepenuhnya oleh Kementerian kewangan. SME Bank dikawal selia oleh Bank Negara Malaysia. Pada 2010, Bank memulakan program transformasi lima-tahun yang membawa kepada perkembangan kami hari ini. Antara pencapaian paling 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 RM28 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 berkaitan pembiayaan diperlukan.

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

Melalui rangkaian kami sebanyak 30 cawangan, terdiri daripada tujuh (7) pusat wilayah, 19 pusat enterpris dan empat (4) 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, menjangkau peranan sebagai pemangkin pertumbuhan ekonomi semamata-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.

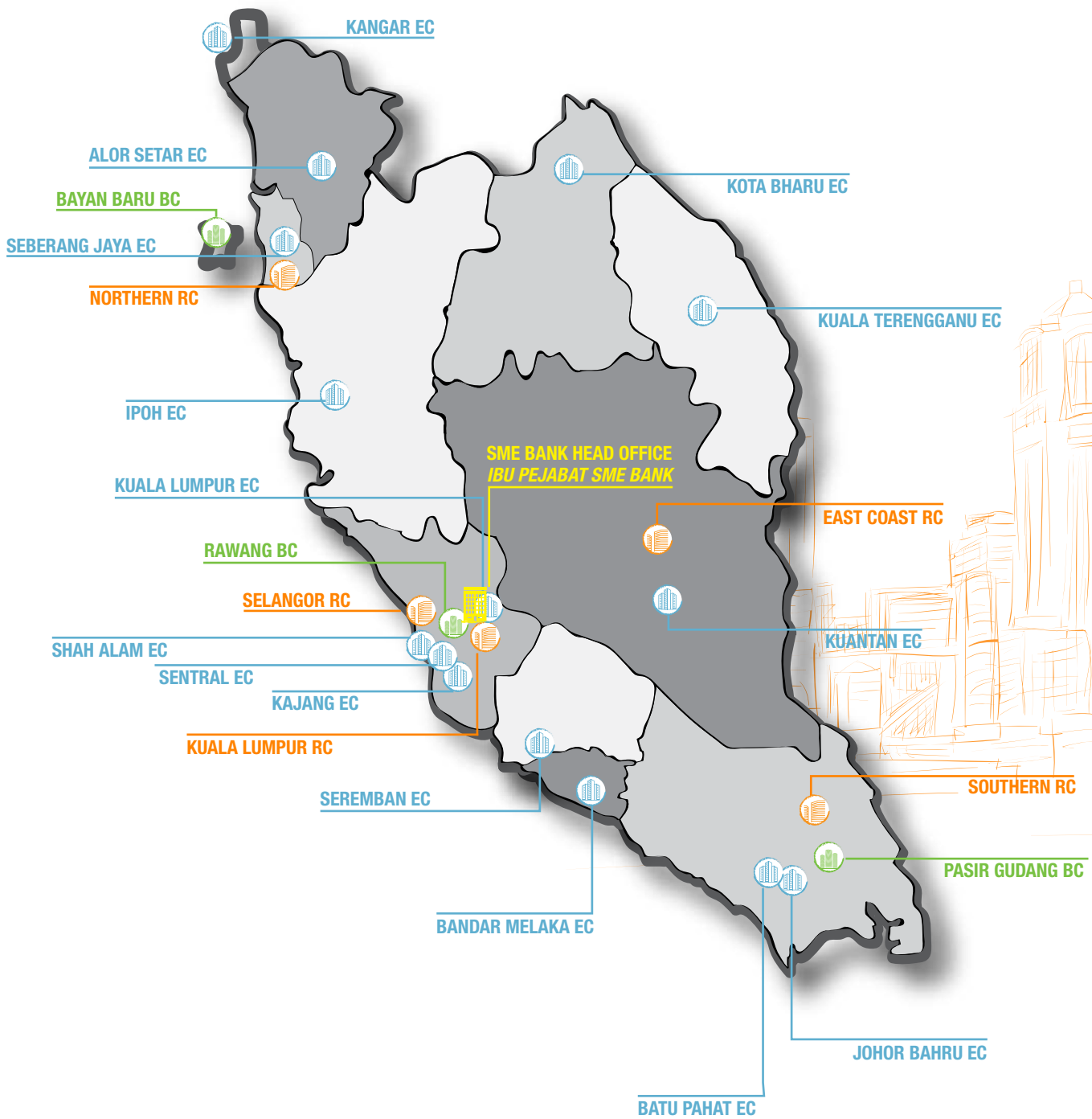




SME Bank

Network

Rangkaian Cawangan SME Bank



7



REGIONAL CENTRE (RC)
PUSAT WILAYAH

19

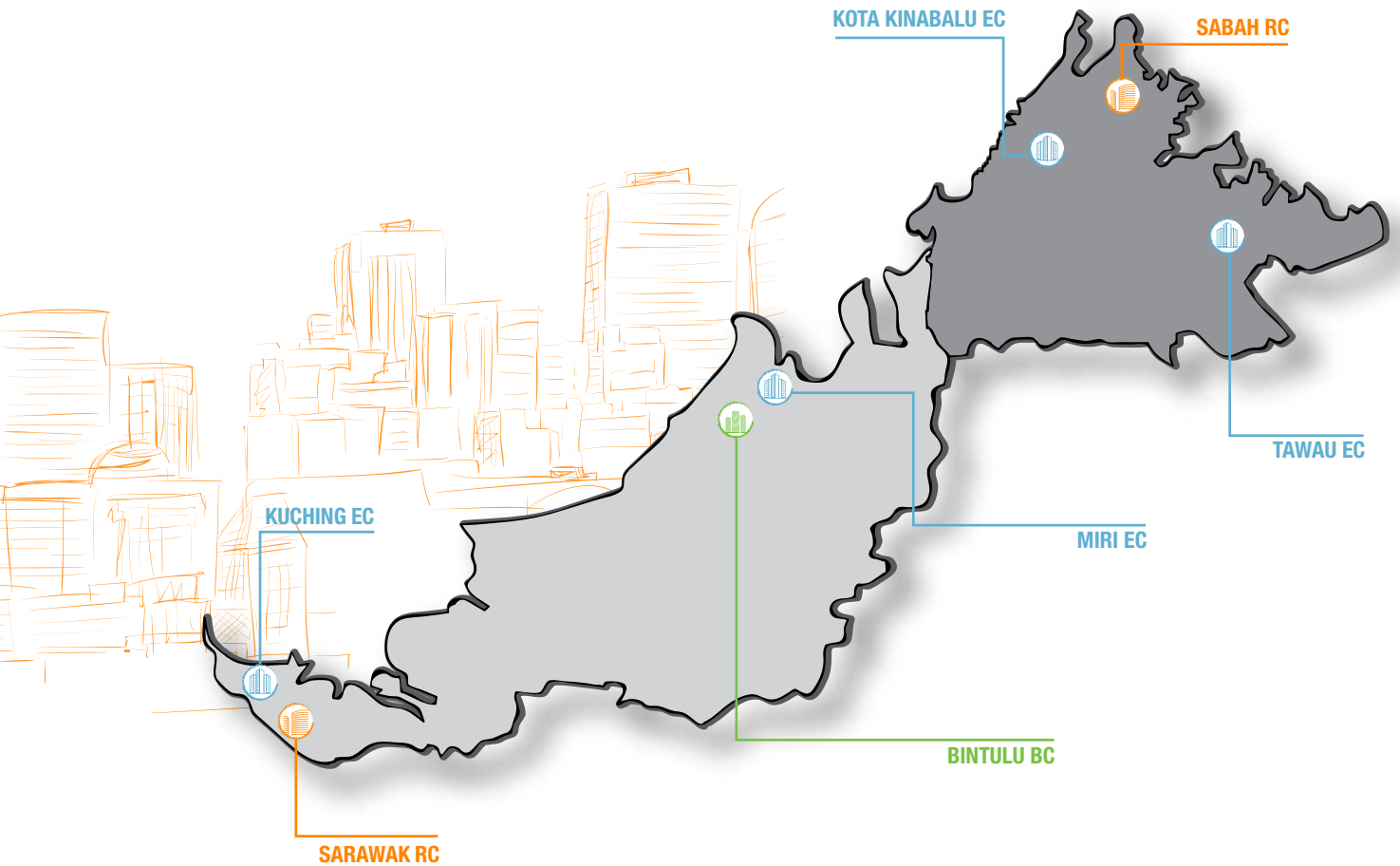


ENTERPRISE CENTRE (EC)
PUSAT ENTERPRIS

4



BUSINESS CENTRE (BC)
PUSAT PERNIAGAAN



Awards & Accolades *Anugerah & Pencapaian*



2017

MOST SUPPORTIVE BANK FOR THE GOVERNMENT'S GUARANTEE SCHEMES

Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP)

SPECIAL AWARD FOR BEST WEBSITE

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) - ADFIAP Awards 2017



WINNER: TRADE DEVELOPMENT CATEGORY FOR BEST EXPORTER PROGRAMME

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) - ADFIAP Awards 2017

OUTSTANDING DEVELOPMENT PROJECTS FOR MERIT AWARD UNDER CATEGORY 1: HUMAN CAPITAL DEVELOPMENT FOR EMPLOYEES CAPACITY BUILDING PROJECT

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) - ADFIAP Awards 2017



2016

TOP SME SUPPORTER AWARD PLATINUM BUSINESS AWARDS 2016

SME Association of Malaysia

OUTSTANDING DEVELOPMENT PROJECT AWARD FOR GRADUATE ENTREPRENEUR FUND OR TABUNG USAHAWAN SISWAZAH 2 (TUS 2)

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) - ADFIAP Awards 2016

BEST SUSTAINABILITY REPORT

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) - ADFIAP Awards 2016



2015

WEBSITE 5-STAR RATING 2015

Malaysia Government Portals and Websites Assessment (MGPWA)

SAHABAT NEGARA SME RECOGNITION AWARD 2015

SME Association of Malaysia

TOP FI PARTNER AWARD (OVERALL)

Credit Guarantee Corporation Malaysia Berhad - CGC SME Awards 2015



TOP FI PARTNER AWARD (DEVELOPMENT FINANCIAL INSTITUTIONS)

Credit Guarantee Corporation Malaysia Berhad - CGC SME Awards 2015

SILVER AWARD FOR THE EMPLOYER OF CHOICE CATEGORY

Malaysian Institute of Human Resource Management (MIHRM) - Malaysia HR Awards 2015



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) - ADFIAP Awards 2014

SAHABAT NEGARA SME RECOGNITION AWARD 2014

SME Association of Malaysia



2013

WEBSITE 5-STAR RATING 2013

Malaysia Government Portals and Websites Assessment (MGPWA)

SAHABAT NEGARA SME RECOGNITION AWARD 2013

SME Association of Malaysia



2012

MOST PREFERRED BRAND IN BANKING 2012

The BrandLaureate SMEs Best Brand Awards

WEBSITE 5-STAR RATING 2012

Malaysia Government Portals and Websites Assessment (MGPWA)

SAHABAT NEGARA SME RECOGNITION AWARD 2012

SME Association of Malaysia



2011

PLAQUE OF MERIT FOR IQ-DAGANG

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

WEBSITE 5-STAR RATING 2011

Malaysia Government Portals and Websites Assessment (MGPWA)

SAHABAT NEGARA SME RECOGNITION AWARD 2011

SME Association of Malaysia

What's Inside

Kandungan

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- ii Using This Report *Menggunakan Laporan Ini*
- iv Financial Highlights *Sorotan Kewangan*
- vi Corporate Highlights *Sorotan Korporat*
- viii SME Bank at a Glance *Sepintas Lalu*
- x SME Bank Network *Rangkaian Cawangan SME Bank*
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Our Leaders *Pemimpin Kami*

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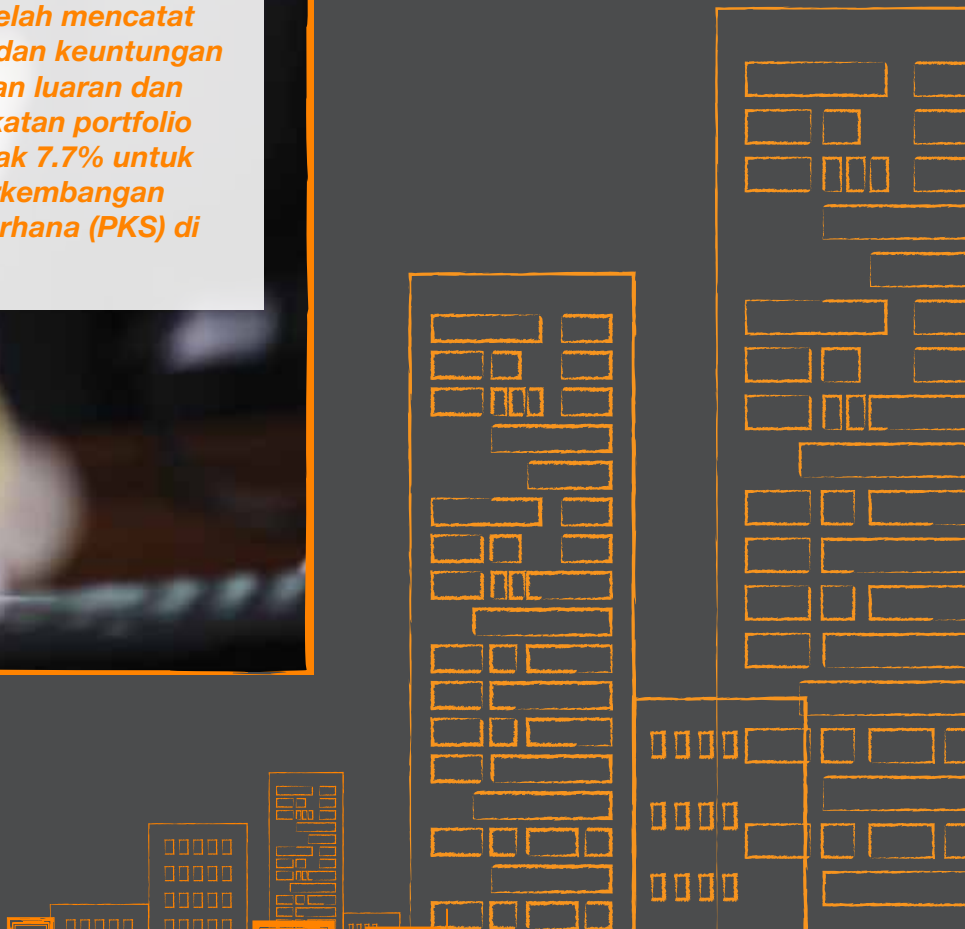


Message
from Chairman *Mesej daripada Pengerusi*
TAN SRI FAIZAH MOHD TAHIR



I am pleased to present an overview of the progress of SME Bank for the financial year ended 31 December 2017. The Bank has demonstrated dynamic growth and sustained profitability amidst external and domestic headwinds as it grew its gross financing portfolio by 7.7% to continuously bolster small and medium enterprise (SME) development in Malaysia.

Sukacita saya membentangkan laporan SME Bank bagi tahun kewangan berakhir 31 Disember 2017. Bank telah mencatat pertumbuhan yang dinamik dan keuntungan mampan di sebalik cabaran luaran dan domestik, dengan peningkatan portfolio pembiayaan kasar sebanyak 7.7% untuk terus menggalakkan perkembangan perusahaan kecil dan sederhana (PKS) di Malaysia.



REVIEW OF 2017

The operating environment during 2017 was better than the preceding year. Malaysia posted its strongest economic growth of 5.9% since 2015, fuelled by rising exports and higher private consumption and investment, despite the rising inflation that took some gloss off the solid economic data.

The Gross Domestic Product (GDP) figure was above expectations, propelled by external and domestic engines. Private consumption continued to grow above trend, with domestic demand that continued to be the key driver of growth, sustained primarily by private sector spending.

In line with stronger than expected economic growth in 2017, SME Bank's favourable financial results were also attributed to financing growth and continuous focus on strengthening account management and effective cost control. For the year ended 31 December 2017, SME Bank's profit before tax (PBT) increased significantly by 104.3% to RM114.2 million. Our financing portfolio has increased by 7.7% to RM6.5 billion as opposed to overall industry growth of 6.0% in 2017; driven by services sector as the main catalyst in financing growth followed by construction and manufacturing sectors. In addition, our capital position has improved to 23% indicating strong commitment and support from our shareholder, the Ministry of Finance (MOF).

As a leading Development Financial Institution (DFI), SME Bank has continued to fulfil its mandate of nurturing and developing the small and medium enterprises. We are proud to have played a catalytic role in SME growth, as verified by SME's significant contribution of 36.9% to the country's GDP in 2017.

Aligned with our focus on economic diversity, the projects that were funded during the year spanned a myriad of diverse sectors and industry. These included oil, gas & energy; wholesale & retail; tourism; business services; education and healthcare, among others.

Throughout the year, the Bank also implemented a number of development initiatives and programmes that were designed to train entrepreneurs and provided advisory services and support programmes for SMEs, including technical support and business incubation.

OUTLOOK FOR 2018

The banking sector's growth is expected to moderate at 4%-5% in 2018 as business loans accelerate with forward looking indicators such as an overall growth in loan applications, and loan approvals also point to a more positive growth for the banking system. Similarly, our financing portfolio would benefit from the expected uptick in the banking system's movement and we remain optimistic of the SME segment as the key driver of growth and continue to contribute significantly to the economy.

ULASAN 2017

Persekitaran operasi sepanjang tahun 2017 adalah lebih baik daripada tahun sebelumnya. Malaysia mencatatkan pertumbuhan ekonomi paling baik sebanyak 5.9% sejak 2015, didorong oleh peningkatan eksport serta penggunaan swasta dan pelaburan yang lebih tinggi, walaupun kenaikan inflasi sedikit menjejaskan kekukuhan data ekonomi tersebut.

Keluaran Dalam Negara Kasar (KDNK) adalah melebihi jangkaan, dirangsang oleh faktor luaran dan domestik. Penggunaan peribadi terus bertambah mengatasi trend, dengan permintaan domestik yang terus menjadi pemacu utama pertumbuhan, dikekalkan terutamanya oleh perbelanjaan sektor swasta.

Sejajar dengan pertumbuhan ekonomi yang lebih kukuh daripada jangkaan pada 2017, kedudukan kewangan SME Bank yang memberangsangkan juga disumbangkan oleh pertumbuhan pembiayaan dan tumpuan berterusan kepada pengukuhan pengurusan akaun dan keberkesanan kawalan kos. Bagi tahun berakhir 31 Disember 2017, keuntungan sebelum cukai SME Bank meningkat dengan ketara sebanyak 104.3% kepada RM114.2 juta. Portfolio pembiayaan kami bertambah sebanyak 7.7% kepada RM6.5 bilion berbanding pertumbuhan industri keseluruhan sebanyak 6.0% pada 2017; dipacu oleh sektor perkhidmatan sebagai pemangkin utama dalam pertumbuhan pembiayaan diikuti oleh sektor pembinaan dan pembuatan. Di samping itu, kedudukan modal kami bertambah baik kepada 23% menandakan komitmen dan sokongan padu daripada pemegang saham kami, Kementerian Kewangan (MOF).

Sebagai salah satu Institusi Kewangan Pembangunan (DFI), SME Bank terus memenuhi mandatnya untuk memupuk dan membangunkan perusahaan kecil dan sederhana (PKS). Kami berbangga menjadi pemangkin dalam pertumbuhan PKS, sebagaimana dibuktikan oleh sumbangan PKS sebanyak 36.9% kepada KDNK negara pada tahun 2017.

Sejajar dengan tumpuan kami kepada kepelbagaian ekonomi, projek-projek yang didana sepanjang tahun ini merangkumi berbagai jenis sektor dan industri. Ini termasuk minyak, gas & tenaga; pemborong & runcit; pelancongan; perkhidmatan perniagaan; pendidikan dan penjagaan kesihatan.

Sepanjang tahun ini, Bank juga telah melaksanakan beberapa usaha dan program pembangunan untuk melatih para usahawan dan menyediakan khidmat nasihat dan program sokongan untuk PKS, termasuk sokongan teknikal dan inkubasi perniagaan.

TINJAUAN 2018

Pertumbuhan sektor perbankan dijangka sederhana pada kadar 4%-5% di tahun 2018 dengan pemesatan pembangunan perniagaan yang ditunjukkan oleh indikator masa depan seperti pertumbuhan keseluruhan dalam permohonan pinjaman dan kelulusan pinjaman juga menandakan pertumbuhan positif bagi sistem perbankan. Begitu juga dengan portfolio pembiayaan kami yang akan mendapat manfaat daripada peningkatan yang dijangka dalam pergerakan sistem perbankan. Kami kekal optimis dengan segmen PKS sebagai pemacu utama pertumbuhan dan akan terus menyumbang dengan signifikan kepada ekonomi.

Going forward, the Bank will remain steadfastly focused on continued successful implementation of its strategy. In 2018, further emphasis will be placed on achieving sustainable growth of financing to small and medium enterprises, and to enhance the overall asset quality. A conducive entrepreneurial environment will remain as our top priority with greater focus on digital and information technology infrastructure, supported by robust risk management and compliance culture.

It is important that an unswerving focus is placed on the shaping and implementation of strategies that support economic diversification and enable the continuous growth of SMEs. In 2018, the Board shall continue to motivate entrepreneurship and facilitate small and medium enterprise sector growth, through the creation and nurturing of an entrepreneurial environment that is fully aligned with the local, regional and global economic reality, and leverages technology to spur future growth.

ACKNOWLEDGEMENTS

The Bank continues to strengthen on the back of a focused sustainable growth agenda, excellent teamwork as well as solid operational and financial performance. Our success to date is due to the strong commitment by the management and staff, and continuous support from our key stakeholders.

I would like to express my heartfelt appreciation to all our customers, Bank Negara Malaysia (BNM), ministries and government agencies, chambers of commerce, as well as business and trade associations for their steadfast support and cooperation.

My sincere gratitude to the loyal management and staff of SME Bank for their dedication to excellence, hard work and unwavering commitment, all of which have certainly helped us to deliver another solid performance. To my esteemed colleagues on the Board, please accept my utmost thanks for your astute insights and guidance.

I trust that all our stakeholders will continue to accord us their unwavering support as we work hard to fulfil SME Bank's mandate and elevate the SME community to new heights of success.

Thank you.



TAN SRI FAIZAH MOHD TAHIR
Chairman *Pengerusi*

Di masa akan datang, Bank akan kekal fokus dalam menjayakan pelaksanaan strateginya. Pada tahun 2018, lebih tumpuan akan diberikan bagi mencapai pertumbuhan mampan pembiayaan kepada PKS, dan untuk meningkatkan keseluruhan kualiti aset. Persekitaran perusahaan yang baik akan kekal sebagai keutamaan kami dengan lebih banyak tumpuan kepada prasarana digital dan teknologi maklumat, disokong oleh pengurusan risiko yang kukuh dan budaya pematuhan yang teguh.

Tumpuan jitu penting untuk diteruskan bagi merangka dan melaksanakan strategi-strategi yang menyokong kepelbagaian ekonomi dan membolehkan pertumbuhan berterusan PKS. Pada tahun 2018, Lembaga Pengarah akan terus menggalakkan keusahawanan dan memudahkan pertumbuhan sektor perusahaan kecil dan sederhana, menerusi penciptaan dan pemupukan persekitaran keusahawanan yang diselaraskan sepenuhnya dengan ekonomi tempatan, serantau dan sejagat, dan memanfaatkan teknologi untuk mendorong pertumbuhan di masa hadapan.

PENGHARGAAN

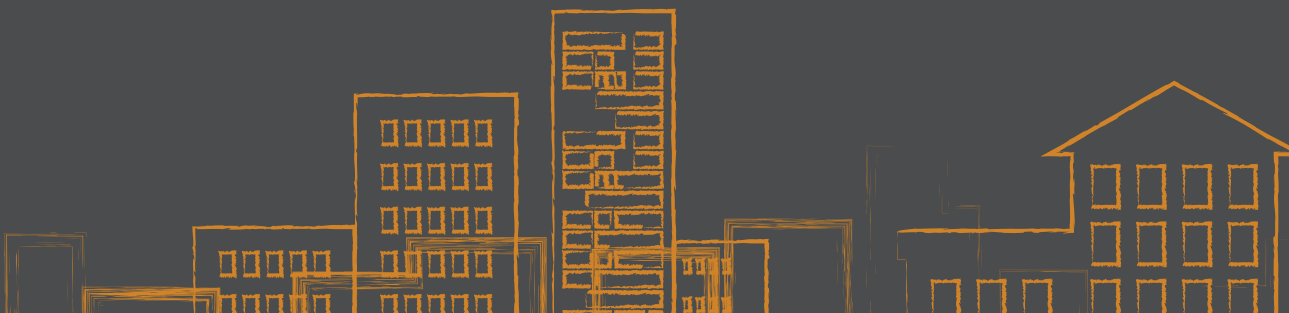
Bank terus mengukuh agenda yang menumpukan kepada pertumbuhan mampan, dan semangat kerja berpasukan yang cemerlang serta prestasi operasi dan kewangan yang teguh. Kejayaan kami sehingga kini adalah hasil komitmen padu oleh pengurusan dan kakitangan, dan sokongan berterusan daripada pihak berkepentingan kami.

Saya ingin merakamkan penghargaan kepada semua pelanggan kami, Bank Negara Malaysia (BNM), kementerian dan agensi kerajaan, dewan perniagaan, serta persatuan perdagangan dan perniagaan atas sokongan dan kerjasama mereka.

Ucapan terima kasih saya juga kepada pengurusan dan kakitangan SME Bank atas dedikasi mereka terhadap kecemerlangan, kerja keras dan komitmen yang tidak berbelah bahagi, yang mana kesemuanya nyata telah membantu kami meraih prestasi kukuh buat kesekian kalinya. Kepada semua rakan ahli Lembaga Pengarah, terimalah ucapan terima kasih saya yang tidak terhingga atas pandangan dan panduan bernas anda.

Saya percaya bahawa semua pihak berkepentingan kami akan terus memberi sokongan padu mereka dalam usaha kami memenuhi mandat SME Bank dan melonjakkan komuniti PKS menuju kejayaan yang lebih besar.

Terima kasih.



A Year in *Review* Tahun dalam Ulasan

For the financial year ended 31 December 2017, SME Bank made strong strides forward with high commitment and determination, in its mission of developing SMEs as the nation's engine of growth. It was certainly a good year for SME Bank, which recorded significant improvement in our operational and financial fronts by successfully achieving most of our targets. Our good performance to date comes on the back of the unwavering dedication and excellent work of our employees under the astute guidance of our Board of Directors.

As a Development Financial Institution (DFI), we are exposed to entrepreneurs which predominantly having inherent high risk profile characteristics. Hence, we shall continuously assess, monitor and manage these risks. We keep moving forward to strive for balancing act between sustainability and developmental mandate by benchmarking ourselves against the best, learn from past mistakes and implement continuous improvement.

FINANCIAL AND OPERATIONAL PERFORMANCE

SME Bank recorded a milestone financial performance in 2017. For the year ended 31 December 2017, SME Bank's profit before tax (PBT) increased significantly by 104.3% to RM114.2 million and net profit increased by 37.4% to RM74.0 million. The favourable results are attributed to the Bank's strategies of striving towards sustainable growth, our focus in strengthening account management and at the same time implementing effective cost management.

The Bank's stable funding position and liquidity also contributed to our financial performance, which will help ensure the Bank's financial sustainability so that we can meet our obligations to our diverse stakeholders including our shareholders, customers and employees.

The year in review saw the Bank was on track in its efforts towards the development of SMEs in Malaysia and with our unique value proposition for SMEs, financial strength, skills, experience and enthusiasm of our employees have contributed towards positive growth in 2017. We are pleased to report that our persistent efforts have shown encouraging results.

Bagi tahun kewangan berakhir 31 Disember 2017, SME Bank terus maju dengan komitmen dan tekad yang tinggi, dalam misi membangunkan perusahaan kecil dan sederhana (PKS) yang merupakan penjana pertumbuhan negara. Dengan mencapai sebahagian besar daripada sasaran tahunan, 2017 ternyata tahun yang cemerlang buat SME Bank. Peningkatan ketara dalam operasi dan kewangan. Prestasi yang membanggakan ini merupakan hasil dedikasi dan usaha gigih warga kerja SME Bank di bawah bimbingan padu Lembaga Pengarah.

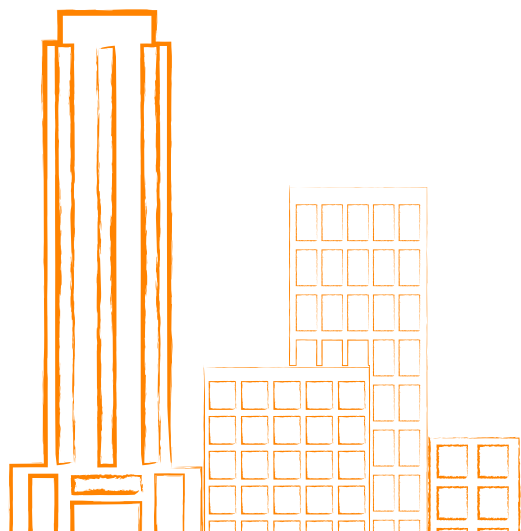
Sebagai sebuah Institusi Kewangan Pembangunan (DFI), SME Bank berdepan dengan para usahawan yang berisiko tinggi. Oleh itu, SME Bank akan terus menilai, memantau dan menguruskan risiko-risiko ini. SME Bank sentiasa berusaha mengimbangi mandat pembangunan dan kemampuan serta sentiasa menanda aras SME Bank dengan yang terbaik, belajar daripada kesilapan lalu dan melaksanakan penambahbaikan berterusan.

PRESTASI KEWANGAN DAN OPERASI

Tahun 2017 merekodkan prestasi kewangan yang cemerlang buat SME Bank. Bagi tahun kewangan berakhir 31 Disember 2017, keuntungan sebelum cukai SME Bank melonjak sebanyak 104.3% kepada RM114.2 juta manakala keuntungan bersih meningkat sebanyak 37.4% kepada RM74.0 juta. Prestasi yang baik ini adalah hasil daripada strategi-strategi SME Bank dalam usaha mencapai pertumbuhan mampan, tumpuan terhadap pengukuhan pengurusan akaun dan pada masa yang sama melaksanakan pengurusan kos yang berkesan.

Kedudukan pendanaan dan kecairan SME Bank yang stabil juga menyumbang kepada prestasi kewangan, yang membantu memastikan kemampuan kewangan agar SME Bank berupaya memenuhi kewajipan terhadap pihak berkepentingan yang pelbagai, termasuk pemegang-pemegang saham, para pelanggan dan warga kerja SME Bank.

Tahun ini juga menyaksikan SME Bank berada di landasan yang baik dalam usaha membangunkan PKS di Malaysia. Tawaran nilai unik kepada PKS, kekukuhan kewangan, kepakaran dan semangat para warga kerja SME Bank telah menyumbang kepada pertumbuhan positif tahun 2017. Sukacita dilaporkan bahawa usaha-usaha SME Bank yang berterusan ini telah menunjukkan hasil yang menggalakkan.



Financing Portfolio

In 2017, the Bank continued to play an important role in spearheading the growth of the country's strategic economic sectors. Despite the slower growth in the banking sector, the Bank managed to register a growth of 7.7% to RM6.5 billion from 2016, in its financing portfolio. Out of the Bank's total financing portfolio, the top three (3) sectors in 2017 were Wholesale & Retail Trade, Restaurant & Hotel at 25%; Manufacturing at 17%; and Education, Health & Others at 17%.

The Bank recorded total financing approval of RM2.2 billion to SMEs, a slight drop from the previous year's financing approval. Small and medium sized entrepreneurs obtained the majority of approvals at 43% each.

Market Outreach

SME Bank conducted various Outreach programmes in 2017 which attracted a total number of 3,227 participation throughout the year. SME Bank XCESS, our flagship marketing event is our annual programme to reach out to SME entrepreneurs directly, aimed at promoting SME Bank's financing and non-financing facilities. We also conducted a series of SME Bank Mini XCESS and engagement sessions at our regional locations nationwide.

In addition to these lead programmes, the Bank also participated in exhibitions, business talks, career and motivation talks organised by state and federal government agencies. Additionally, we took part in various events organised by Government-Linked Company (GLC), business associations, universities and colleges.

Developmental Programmes

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

Under the Bank's Intervention Programme, a total of 245 companies successfully migrated upward in 2017. 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.

Portfolio Pembiayaan

Pada tahun 2017, SME Bank terus memainkan peranan penting dalam memacu pertumbuhan sektor-sektor ekonomi strategik negara. Walaupun pertumbuhan lebih perlahan dalam sektor perbankan, SME Bank mencatat pertumbuhan portfolio pembiayaan sebanyak 7.7% kepada RM6.5 bilion, berbanding tahun 2016. Daripada jumlah portfolio pembiayaan SME Bank, tiga (3) sektor teratas pada tahun 2017 adalah Pemborongan & Runcit, Restoran & Hotel pada 25%; Pembuatan pada 17%; dan Pendidikan, Kesihatan & Lain-Lain pada 17%.

SME Bank merekodkan jumlah kelulusan pembiayaan sebanyak RM2.2 bilion kepada PKS, sedikit penurunan daripada kelulusan pembiayaan tahun sebelumnya. Usahawan kecil dan sederhana mendapat sebahagian besar kelulusan pembiayaan, masing-masing pada 43%.

Jangkauan Pasaran

Program-program Outreach SME Bank yang telah dijalankan sepanjang tahun 2017 berjaya menarik sejumlah 3,227 penyertaan. SME Bank XCESS, acara pemasaran utama yang merupakan program tahunan, bertujuan mendekati usahawan PKS secara langsung serta mempromosikan pelbagai kemudahan perbankan dan kewangan yang disediakan oleh SME Bank. Jelajah siri Mini XCESS SME Bank dan sesi turun padang bersama para pelanggan turut dilaksanakan di pelbagai lokasi di seluruh negara.

Selain daripada program-program utama ini, SME Bank turut melibatkan diri dalam pelbagai pameran, bicara niaga, serta ceramah motivasi dan kerjaya yang dianjurkan oleh agensi-agensi negeri dan persekutuan. Acara-acara anjuran Syarikat-syarikat Berkaitan Kerajaan (GLC), persatuan-persatuan perniagaan, universiti-universiti dan kolej-kolej turut disertai.

Program Pembangunan

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

Di bawah Program Intervensi Bank, sejumlah 245 syarikat telah berjaya meningkatkan tahap perniagaan mereka pada tahun 2017. Ini termasuk pengwujudan syarikat-syarikat dan usahawan-usahawan baharu, yang mencatat pertumbuhan dalam keuntungan mereka, serta pertambahan bilangan pekerja dan pengembangan ke pasaran eksport.



The Bank also continue to promote Entrepreneur Premises Programme (EPP), our special programme that provides affordable and competitive factory space for rental for Bumiputera entrepreneurs. Under this programme, the Bank provides 26 Entrepreneur Premises Complex (EPC) with 454 factory lots strategically located nationwide. We received encouraging demand with 83.5% occupancy rate.

The Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR), a subsidiary of SME Bank, enables the Bank to further strengthen our mandated role in offering 'beyond-financing' services. In 2017, CEDAR successfully rolled out a total of 27 training sessions benefitting 785 participants. Another 717 participants underwent coaching under programmes such as Best Exporters, Bumiputera Vendor Development and CCM Halal Pharmapreneurship Acceleration programmes.

CEDAR also initiated CEDAR MindLab Series, a special programme to address the common issues faced by entrepreneurs in doing business. The programme's main objective is to inculcate a competitive attitude and positive mind-set among entrepreneurs while exposing them to the knowledge and skills and at the same time instilling confidence which are essential attributes in managing and increasing their wealth. Entrepreneurs will learn from and share experiences with expert guest speakers and bounce thoughts and ideas in order to bridge gaps on specific issues in each series. Four (4) sessions were held in 2017 with a total of 353 participants. The 2017 MindLab Series addressed issues of survival of women entrepreneurs, digital marketing, fuel station business and e-Commerce.

SME Bank terus mempromosikan Program Premis Usahawan (EPP), iaitu program khas yang menyediakan ruang kilang mampu milik dan berdaya saing untuk disewakan kepada usahawan Bumiputera. Di bawah program ini, SME Bank menyediakan 26 buah Kompleks Premis Usahawan (EPC) dengan 454 lot kilang di lokasi strategik di seluruh negara. Permintaan amat menggalakkan dengan kadar pengisian sebanyak 83.5%.

The Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR), anak syarikat SME Bank, mengukuhkan lagi peranan yang diamanahkan kepada SME Bank dalam menawarkan perkhidmatan berkaitan pembiayaan. Pada tahun 2017, CEDAR berjaya menganjurkan 27 sesi latihan yang memanfaatkan 785 peserta. Seramai 717 peserta lagi menjalani latihan di bawah program-program seperti Pengeksport Terbaik, Pembangunan Pembekal Bumiputera dan program CCM Halal Pharmapreneurship Acceleration.

CEDAR turut menganjurkan Siri MindLab CEDAR, sebuah program khas untuk menangani isu-isu yang biasa dihadapi oleh usahawan dalam menjalankan perniagaan. Objektif utama program ini adalah untuk memupuk sikap berdaya saing dan berfikiran positif di kalangan usahawan serta mendedahkan mereka kepada pengetahuan dan kepakaran di samping menerapkan keyakinan; ciri-ciri utama dalam mengurus dan melipatgandakan kekayaan mereka. Para usahawan berpeluang belajar dan berkongsi pengalaman dengan penceramah pakar jemputan serta bertukar-tukar pandangan dan idea untuk merapatkan jurang tentang isu-isu tertentu dalam setiap siri. Empat (4) sesi telah diadakan pada tahun 2017 dengan 353 peserta. Siri MindLab 2017 membincangkan isu-isu ketahanan usahawan wanita, pemasaran digital, perniagaan stesen minyak dan e-Dagang.

Pushing the Boundaries Project

The overarching objective of this project is to push the boundaries of existing strategies and methods for charting new paths in doing business. At the same time, it generates ideas for the Bank to allocate its resources in a unique way on the basis of relative external competencies and limitations so as to achieve competitive advantage.

It has thus become essential for us to look at new dimensions in our strategic planning, which gives effective strategic directions to our corporate goals. With the increasing awareness that an effective, actionable strategic plan will give us an edge in the industry, SME Bank embarked on its first such project, initially called the Blue Ocean Strategy, or BOS 1.0, to create ideas, tools and frameworks to develop new products and improve our service delivery.

Now called Pushing the Boundaries Project, the Bank formulated two (2) new products in 2017 to address the necessities of entrepreneurs in export industry as well as the needs of female entrepreneurs as well as re-engineered our financing application process by leveraging on our Information Technology platform.

The Bank introduced a new online application system called MySMEBank. With a tagline ‘Apply Anytime Anywhere’, this online platform provides the entrepreneurs with a full digital end to end customer experience. MySMEBank offers a seamless experience to apply financing and it will also enhance the turnaround time in a more dynamic and systematic way from the point a customer applies for financing up to the point of disbursement. In addition, this system is integrated with the Book Your Banker (BYB) system where entrepreneurs are able to get in touch directly with the Bank’s officers to set an appointment at any of the SME Bank’s network branches of their choice.

RAM Rating

The Bank appointed RAM Rating Services Berhad (RAM), an independent rating agency to undertake the Financial Institution rating exercise for the Bank. In July 2017, the exercise was concluded and RAM has assigned AAA/Stable/P1 Financial Institution ratings to SME Bank.

The AAA rating is the highest long-term Financial Institution rating which affirms the Bank’s superior capacity to meet our financial obligations with stable outlook where the rating is expected to remain unchanged over the intermediate term. Short term rating of P1, on the other hand, proves that SME Bank has a strong capacity to meet its short term financial obligations.

The ratings reflect strong government support, underscored by the Bank’s strategic role in the Government socioeconomic agenda to develop the SME sector. RAM noted that Government support for SME Bank is reflected through its continuous funding, via lending, deposit placements and guarantees. The strong rating thus reaffirms the Bank’s status as a preferred deposit institution and allows for agile funding with higher liquidity.

Projek ‘Pushing the Boundaries’

Objektif utama projek ini adalah untuk melangkaui garis sempadan strategi dan kaedah sedia ada bagi melakar hala tuju baharu dalam menjalankan perniagaan. Pada masa yang sama, ia menghasilkan idea untuk Bank memperuntukkan sumber-sumbernya dalam cara yang unik berasaskan kecekapan dan had dalam mencapai kelebihan daya saing.

Maka itu ia penting bagi kami untuk melihat dimensi baharu dalam perancangan strategik kami, yang memberi hala tuju strategik yang berkesan kepada matlamat korporat kami. Dengan meningkatnya kesedaran bahawa perancangan strategik yang berkesan dan boleh laksana akan memberikan kami kelebihan dalam industri, SME Bank memulakan projek pertama, pada awalnya dipanggil Strategi Lautan Biru, atau BOS 1.0, untuk mencipta idea, kaedah dan rangka kerja bagi membangunkan produk baharu dan menambah baik perkhidmatan kami.

Kini dipanggil Projek ‘Pushing the Boundaries’, Bank berjaya membangunkan dua (2) produk baharu pada 2017 untuk menangani keperluan usahawan dalam industri eksport dan usahawanita serta merekayasa proses permohonan pembiayaan dengan memanfaatkan platform Teknologi Maklumat.

SME Bank memperkenalkan sistem permohonan pembiayaan dalam talian yang baharu, MySMEBank. Dengan slogan ‘Mohon Bila-Bila Masa Di Mana Sahaja, platform dalam talian ini memberikan pengalaman digital lengkap kepada pelanggan. MySMEBank menawarkan pengalaman yang lancar untuk memohon pembiayaan dan ia akan menambah baik masa pemerosesan dengan lebih dinamik dan sistematik, dari saat pelanggan mula memohon pembiayaan sehinggalah saat pengeluaran wang dibuat. Di samping itu, sistem ini disepadukan dengan sistem Book Your Banker (BYB) di mana usahawan boleh berhubung secara langsung dengan pegawai Bank untuk menetapkan temu janji di mana-mana rangkaian cawangan SME Bank pilihan mereka.

Penarafan RAM

RAM Rating Services Berhad (RAM), merupakan sebuah agensi penarafan bebas yang dilantik untuk menjalankan kegiatan penarafan Institusi Kewangan bagi SME Bank. Pada bulan Julai 2017, penarafan tersebut telah disempurnakan dan RAM telah memberi penarafan Institusi Kewangan AAA/Stable/P1 kepada SME Bank.

Penarafan AAA adalah penarafan Institusi Kewangan jangka panjang tertinggi yang mengiktiraf keupayaan SME Bank memenuhi tanggungjawab kewangan dengan tinjauan stabil di mana penarafan ini dijangka tidak berubah dalam tempoh jangka sederhana. Penarafan jangka pendek P1, sebaliknya, membuktikan bahawa SME Bank berupaya memenuhi tanggungjawab kewangan jangka pendek.

Penarafan ini menunjukkan sokongan padu Kerajaan, ditambah dengan peranan strategik SME Bank dalam agenda sosioekonomi Kerajaan untuk membangunkan sektor PKS. RAM memperakui bahawa sokongan Kerajaan kepada SME Bank ditunjukkan melalui pendanaan yang berterusan, pinjaman, penempatan dan jaminan deposit. Penarafan ini memperkukuhkan status SME Bank sebagai institusi deposit pilihan dan membolehkan pendanaan yang dinamik dengan kecairan lebih tinggi.



SME Bank 90-Days Business Challenge

The Bank's signature programme, SME Bank 90-Days Business Challenge, which started in 2015 and jointly organised by SME Bank and the Department of Community College Education, Ministry of Higher Education, continues to be successful in developing young entrepreneurs who are able to manage their business well and earn lucrative incomes.

The programme attests our commitment in fulfilling the Government mandate in creating more entrepreneurs in the country, especially amongst the youth. In 2017, the programme recorded a participation of 87 community colleges, involving 348 students. In order to retain and increase such enthusiasm and spirit of entrepreneurship, the Bank has formed the 90-Days Business Challenge Alumni where past participants would have the opportunity to join entrepreneurship programmes and participate in various activities that SME Bank organises as well as takes part in.

"SME Bank 90-Days Business Challenge"

"SME Bank 90-Days Business Challenge", sebuah program unggul yang bermula pada tahun 2015 dan dianjurkan bersama oleh SME Bank dan Jabatan Pendidikan Kolej Komuniti, Kementerian Pendidikan Tinggi, terus berjaya membangunkan usahawan-usahawan muda yang boleh menguruskan perniagaan mereka dan meraih pendapatan lumayan.

Program ini membuktikan komitmen kami dalam memenuhi mandat Kerajaan untuk mewujudkan lebih ramai usahawan di dalam negara, terutamanya di kalangan belia. Pada tahun 2017, program ini mencatat penyertaan 87 kolej komuniti, yang melibatkan 348 orang pelajar. Untuk mengekalkan dan meningkatkan semangat keusahawanan seumpama ini, SME Bank telah mewujudkan Alumni "90-Days Business Challenge" di mana peserta-peserta yang pernah menyertai pertandingan ini akan berpeluang untuk menyertai program-program keusahawanan dan mengambil bahagian dalam aktiviti-aktiviti anjuran SME Bank yang disertai oleh SME Bank.



SUKSES

In September 2017, the Bank launched SUKSES, a 44-episode television show in collaboration with Astro Awani station. This programme is an avenue for in-depth discussion on issues and challenges faced by the SME entrepreneurs and sharing on their success stories.

The programme is part of the Bank's continuous initiative to nurture and develop the champions of Malaysian SMEs. It is also a platform for intellectual discourse 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 should it be done on their own, and serves as a platform to inculcate the culture of entrepreneurship amongst Malaysians, especially the next generation entrepreneurs.

SUKSES

Pada bulan September 2017, SME Bank melancarkan SUKSES, sebuah rancangan televisyen 44-episod dengan kerjasama stesen Astro Awani. Program ini merupakan platform perbincangan terperinci tentang isu dan cabaran yang dihadapi oleh usahawan PKS di samping berkongsi kisah kejayaan.

Program ini adalah sebahagian usaha berterusan SME Bank untuk memupuk dan membangunkan PKS Malaysia yang berpotensi. Ia juga adalah platform bagi perbincangan tentang isu-isu berhubung PKS; kemajuan, cabaran dan pencapaian. Tambahan pula, program ini adalah salah satu cara untuk para usahawan mempromosikan produk dan perkhidmatan mereka tanpa mengeluarkan belanja kos media yang sangat tinggi sekiranya dilaksanakan sendiri, serta menjadi platform untuk menyemai budaya keusahawanan di kalangan rakyat Malaysia, terutamanya generasi usahawan akan datang.

OTHER SIGNIFICANT INITIATIVES

i-SMART

The Government has introduced various programmes that helps drive SMEs to the next level. The Ministry of International Trade and Industry (MITI) has mandated SME Bank as the implementing agency to implement i-SMART. Under this programme, the Bank will assist existing eligible Bumiputera customers and other Bumiputera business entities in funding activities that are not normally financed under the ordinary banking activities. This include but not limited to talent acquisition, capacity building & training, product packaging, advertising & promotion, software acquisition and others.

BID-it Programme

Entrepreneurs who wish to turn their creative ideas into successful digital business can realise it with the launch of SME Bank's Business in Digital Startup Programme or known as BID-it on 24 May 2017. BID-it was introduced in support of the Government's effort in making digital business as a major economic contributor to the country.

BID-it is a platform that offers entrepreneurs with structured nurturing programmes from the point of ideation to the point of commercialisation and also to be considered for financing.

BID-it journey began with awareness campaigns held at 11 locations nationwide in the first quarter of 2017. The campaign received positive response, recording an attendance of more than 1,300 participants who took the opportunity to get insights on current trend of doing business and the various opportunities available for them to expand the businesses.

Participants were invited to submit their ideas to be evaluated by the Bank and partners on their viability and bankability. The successful finalists would be further coached and guided through a hand-holding structured programme by SME Bank over a span of 12 to 24 months to ensure the success of their ventures.

LAIN-LAIN INISIATIF PENTING

i-SMART

Kerajaan telah memperkenalkan pelbagai program yang membantu memacu PKS ke tahap lebih tinggi. Kementerian Perdagangan Antarabangsa dan Industri (MITI) telah mengamanahkan SME Bank sebagai agensi pelaksana untuk melaksanakan program i-SMART. Di bawah program ini, SME Bank akan membantu pelanggan Bumiputera sedia ada yang layak dan entiti perniagaan Bumiputera lain dalam menyediakan pendanaan yang biasanya tidak dibiayai di bawah aktiviti perbankan biasa. Ini termasuk, tetapi tidak terhad kepada pengambilan pekerja, pengembangan keupayaan & latihan, pembungkusan produk, pengiklanan & promosi, pemerolehan perisian dan lain-lain.

Program BID-it

Usahawan-usahawan yang ingin menukarkan idea kreatif mereka kepada perniagaan digital berjaya boleh menzahirkannya melalui Program Business in Digital Start-up SME Bank atau dikenali sebagai BID-it, yang telah dilancarkan pada 24 Mei 2017. BID-it diperkenalkan sebagai menyokong usaha Kerajaan menjadikan perniagaan digital sebagai penyumbang ekonomi utama negara.

BID-it adalah satu platform yang menawarkan program-program bimbingan yang tersusun kepada usahawan, dari saat cetusan ilham sehingga pengkomersilan, di samping dipertimbangkan bagi tujuan pembiayaan.

BID-it bermula dengan kempen kesedaran yang diadakan di 11 lokasi di seluruh negara dalam suku tahun pertama 2017. Kempen tersebut menerima sambutan positif, dengan mencatat kehadiran lebih 1,300 peserta yang mengambil peluang untuk mendapatkan pandangan tentang keadaan semasa dalam menjalankan perniagaan digital serta pelbagai peluang lain yang ada untuk mengembangkan perniagaan.

Para peserta dipelawa untuk mengemukakan idea-idea mereka agar dapat dinilai oleh SME Bank dan rakan-rakan niaga daripada aspek potensi dan keuntungan. Peserta-peserta yang berjaya mara ke peringkat akhir akan dilatih dan dibimbing menerusi program berstruktur SME Bank selama 12 hingga 24 bulan bagi memastikan kejayaan usaha niaga mereka.





AWARDS & RECOGNITIONS

SME Bank continues to be recognised as the leading DFI in the country. The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) awarded SME Bank as the Winner for the Best Exporter Programme under the Trade Development Category, Merit Award for Human Capital Development Category for Employees Capacity Building project and a Special Award for Best Website. These awards were presented to the Bank during ADFIAP's 40th Annual Meeting held in Macao, China.

ANUGERAH & PENGIKTIRAFAN

SME Bank terus diiktiraf sebagai DFI terkemuka di negara. Persatuan Institusi Kewangan Pembangunan di Asia dan Pasifik (ADFIAP) telah menganugerahkan SME Bank sebagai Pemenang melalui Program 'Best Exporter di bawah Kategori 'Trade Development', Anugerah Merit untuk projek 'Employees Capacity Building' di bawah Kategori 'Human Capital Development' dan Anugerah Khas bagi 'Best Website'. Anugerah-anugerah ini disampaikan kepada SME Bank semasa Mesyuarat Tahunan ADFIAP ke-40 yang telah diadakan di Macao, China.

THE WAY FORWARD

Our expectations for the future are high. We remain optimistic of the SME segment as the key driver of growth that contribute significantly to the economy. In developing the SMEs, the Bank is committed to take a more holistic approach with comprehensive entrepreneur developmental framework that are effective and efficient in delivering desired outcomes in a structured and strategic manner.

For the year 2018, the Government has allocated RM70 million for SME Bank to implement two (2) programmes for small and medium enterprises. Through i-SMART, with an allocation of RM40 million, the Bank will continue with the implementation of the programme to develop and uplift high potential SMEs into becoming SME Champions.

The Bank will also roll-out *Program Pembiayaan Premis Kilang (3PK)*, a new programme aimed at assisting entrepreneurs to acquire their business premises. With RM30 million allocation, the Bank will provide financing for entrepreneurs to purchase premises which are either fully completed or under construction. The financing provided to eligible entrepreneurs is also to finance working capital requirement including expenses incurred to commence operation such as renovation, production, manufacturing, certification, moving cost and other related costs.

While focusing our efforts in our developmental role, we shall put in place various measures that will enable us to maintain our sustainability. In 2018, while targeting for market driven growth, we strive to strengthen our account management, enhance talent management and development and improve efficiency through automation and digitisation initiatives. It is also imperative for us to anticipate future trends and develop ideas, tools, products and services that allow us to meet future demand rapidly and effectively. We will continue with the next phase of the Pushing the Boundaries Project.

These approaches and implementation of other strategic initiatives will enable us to continue as an effective catalyst for SME growth while ensuring the Bank's own sustainable growth, successfully fulfilling our mandated roles and creating values to our stakeholders.

HALA TUJU MASA HADAPAN

Harapan SME Bank untuk masa hadapan adalah tinggi. SME Bank kekal optimis dengan segmen PKS sebagai penggerak utama pertumbuhan yang menyumbang kepada ekonomi. Dalam membangunkan PKS, SME Bank komited dalam mengambil pendekatan lebih menyeluruh dengan rangka kerja pembangunan keusahawanan lebih komprehensif yang cekap dan berkesan bagi mencapai matlamat yang ditetapkan dengan tersusun dan strategik.

Bagi tahun 2018, Kerajaan memperuntukkan RM70 juta kepada SME Bank bagi melaksanakan dua (2) program untuk PKS. Menerusi i-SMART, dengan peruntukan sebanyak RM40 juta, SME Bank akan meneruskan pelaksanaan program ini untuk membangun dan mengembangkan PKS yang berpotensi menjadi Jaguh PKS.

SME Bank juga akan melancarkan Program Pembiayaan Premis Kilang (3PK), sebuah program baharu yang bertujuan membantu usahawan mendapatkan premis perniagaan mereka. Dengan peruntukan RM30 juta, SME Bank akan menyediakan pembiayaan untuk usahawan membeli premis yang telah siap atau sedang dibina. Pembiayaan yang disediakan kepada usahawan yang layak juga adalah untuk membiayai keperluan modal kerja, termasuk perbelanjaan untuk memulakan operasi seperti pengubahsuaian, pengeluaran, pembuatan, pensijilan, kos pemindahan dan kos-kos lain yang berkaitan.

Di samping menumpukan usaha dalam pembangunan, SME Bank akan menetapkan pelbagai langkah yang akan berupaya mengekalkan kemampanan. Pada tahun 2018, sementara menyasarkan pertumbuhan yang digerakkan oleh pasaran, SME Bank berusaha mengukuhkan pengurusan akaun, meningkatkan pengurusan dan pembangunan bakat serta menambah baik kecekapan melalui inisiatif automasi dan pendigitalan. Adalah penting bagi SME Bank untuk meramal senario akan datang dan membangunkan idea, kaedah, produk dan perkhidmatan bagi memenuhi permintaan masa hadapan dengan pantas dan berkesan. SME Bank akan meneruskan usaha Projek 'Pushing the Boundaries'.

Pendekatan dan pelaksanaan usaha-usaha strategik lain berupaya menjadikan SME Bank pemangkin yang berkesan bagi pertumbuhan PKS di samping memastikan pertumbuhan mampan SME Bank, serta memenuhi peranan yang telah diamanahkan dengan jaya dan mencipta nilai kepada para pihak berkepentingan.



Board of *Directors*

Lembaga Pengarah



08



02



01



03

- 01 Tan Sri Faizah Mohd Tahir** (Chairman) *Pengerusi*
- 02 Datuk Mohd Radzif Mohd Yunus** (Group Managing Director, ceased w.e.f. 1 July 2017)
Pengarah Urusan Kumpulan, tamat pada 1 Julai 2017
- 03 Dato' Asri Hamidon**
- 04 Muthafa Yusof** (ceased w.e.f. 10 March 2018) *tamat pada 10 Mac 2018*
- 05 Khairuzzaman Muhammad**
- 06 Ishak Ismail** (ceased w.e.f. 1 February 2018) *tamat pada 1 Februari 2018*
- 07 Dato' Jamelah Jamaluddin**
- 08 Prof. Dr. Abdul Basir Mohamad**
- 09 Dato' Mohd Shukri Hussin**



Profile of Directors

Profil Pengarah



TAN SRI FAIZAH MOHD TAHIR

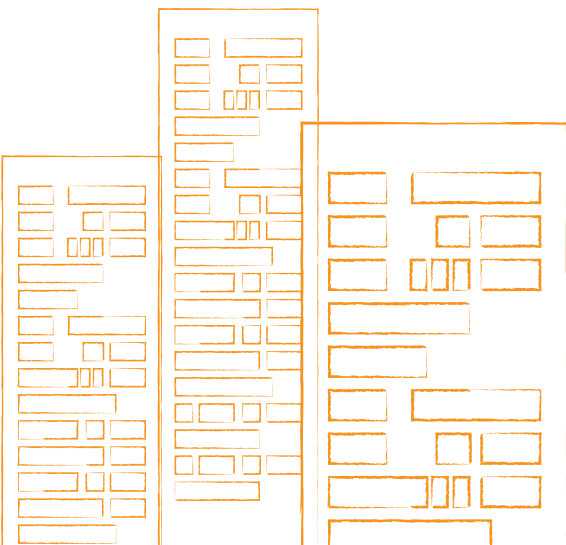
Chairman
Pengerusi

Tan Sri Faizah Mohd Tahir was appointed to the Board of SME Bank on 4 September 2015. A graduate with a Bachelor of Economics (Hons.) from the University of Malaya and a Masters of Arts (Development Economics) from Williams College, the United States of America, she joined the Economic Planning Unit (EPU) of the Prime Minister's Department in 1973 serving in various capacities within the Agriculture, Distribution and Human Resources Sections. Her last position in the EPU was as Director, Commerce and Industry Section before being promoted to Secretary-General of the Ministry of Women, Family and Community Development, a post she held from 2001 until her retirement in 2009.

Tan Sri Faizah is also the Chairman of Orphancare Foundation and Yayasan Sejahtera, a member of the Board of Trustees of Yayasan Kebajikan Negara Malaysia and Temasek Foundation International CLG Limited, Singapore, as well as a Board member of Goodyear Malaysia Berhad and AMWAY (Malaysia) Holdings Berhad.

Tan Sri Faizah Mohd Tahir dilantik ke Lembaga Pengarah SME Bank pada 4 September 2015. Lulusan Ijazah Sarjana Muda Ekonomi (Kepujian) dari Universiti Malaya dan Ijazah Sarjana (Ekonomi Pembangunan) dari Williams College, Amerika Syarikat, beliau menyertai Unit Perancang Ekonomi (EPU) di Jabatan Perdana Menteri pada tahun 1973 dan menyandang beberapa jawatan dalam Bahagian Pertanian, Pengagihan dan Sumber Manusia. Jawatan terakhir beliau di EPU adalah sebagai Pengarah, Bahagian Perdagangan dan Industri sebelum dinaikkan pangkat kepada Ketua Setiausaha Kementerian Pembangunan Wanita, Keluarga dan Masyarakat, jawatan yang disandangnya dari 2001 hingga beliau bersara pada 2009.

Tan Sri Faizah juga ialah Pengerusi Orphancare Foundation dan Yayasan Sejahtera, ahli Lembaga Pemegang Amanah Yayasan Kebajikan Negara Malaysia dan Temasek Foundation International CLG Limited, Singapore, serta ahli Lembaga Pengarah Goodyear Malaysia Berhad dan AMWAY (Malaysia) Holdings Berhad.





DATUK MOHD RADZIF MOHD YUNUS

Group Managing Director,
Non-Independent Executive Director
*Pengarah Urusan Kumpulan,
Pengarah Eksekutif Bukan Bebas*

(ceased w.e.f. 1 July 2017) *tamat pada 1 Julai 2017*

Datuk Mohd Radzif Mohd Yunus was Group Managing Director of SME Bank from 1 July 2010 to 30 June 2017. He is currently the Chairman of Ethis Ventures, an Ethical & Islamic Crowdfunding platform.

His vast management experience ranges from the fields of academia, when he started his career to commercial banking until the time when he was chief executive officer of various organisations including a local conglomerate with diversified businesses, Tabung Haji subsidiaries and Institut Jantung Negara Sdn Bhd as well as a Group Managing Director of IJN Holdings Sdn Bhd.

He was Chairman of Association of Development Finance Institutions of Malaysia (ADFIM) and Vice Chairman of the Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI). He was also member of Board of Advisors for Franchise Association, Committee of Advisory for Entrepreneurship in the Ministry of Higher Education and Advisory Committee for Innovation Agency of Malaysia.

Datuk Mohd Radzif currently sits on the Board of two (2) public listed companies. He also serves as Advisory Board Member to Frost & Sullivan Fintech and Blockchain Technology and is a Strategic Advisor to a healthcare public listed company involved in healthcare. He is the Chairman of a private company involved in domestic and international trade. He also serves as the Chairman of the Board of Advisors to a private college.

Datuk Mohd Radzif was the recipient of the Malaysian Business Leadership Award for Healthcare in 2009 and was named CEO of the Year in 2015 by the Association of Development Financial Institution Asia Pacific. He was conferred an Honorary membership by ADFIMI in 2018 for his contribution to Islamic Development Finance.

Datuk Mohd Radzif Mohd Yunus merupakan Pengarah Urusan Kumpulan SME Bank bermula dari 1 Julai 2010 hingga 30 Jun 2017. Beliau kini ialah Pengerusi Ethis Ventures, sebuah platform Pendanaan Khalayak (Crowdfunding) Etika & Islam.

Pengalaman luas beliau merangkumi daripada bidang akademik semasa beliau memulakan kerjayanya, kepada bidang perbankan komersial sehingga ketika beliau menjadi ketua pegawai eksekutif beberapa organisasi termasuk konglomerat tempatan dengan pelbagai jenis perniagaan, anak-anak syarikat Tabung Haji dan Institut Jantung Negara Sdn Bhd serta Pengarah Urusan Kumpulan IJN Holdings Sdn Bhd.

Datuk Mohd Razif pernah menjadi Pengerusi Persatuan Institusi Kewangan Pembangunan Malaysia (ADFIM) dan Naib Pengerusi Persatuan Institusi Kewangan Pembangunan Malaysia dalam Negara-Negara Ahli Bank Pembangunan Islam (ADFIMI). Beliau juga pernah mmenjadi ahli Lembaga Penasihat Persatuan Francais, Jawatankuasa Penasihat bagi Keusahawanan di Kementerian Pendidikan Tinggi dan Jawatankuasa Penasihat bagi Agensi Inovasi Malaysia.

Datuk Mohd Razif kini ialah ahli Lembaga Pengarah dalam dua (2) syarikat awam. Beliau juga berkhidmat sebagai ahli Lembaga Penasihat bagi Frost & Sullivan Fintech and Blockchain Technology, dan Penasihat Strategik untuk sebuah syarikat awam dalam penjagaan kesihatan. Beliau ialah Pengerusi syarikat sendirian berhad yang terlibat dalam perdagangan domestik dan antarabangsa. Beliau juga berkhidmat sebagai Pengerusi Lembaga Pengarah sebuah kolej persendirian.

Datuk Mohd Radzif ialah penerima Anugerah Kepimpinan bagi Penjagaan Kesihatan oleh Malaysian Business pada 2009 dan dinamakan Ketua Pegawai Eksekutif untuk Keseluruhan Tahun oleh Persatuan Institusi Kewangan Pembangunan Asia Pasifik pada 2015. Beliau menerima keahlian Kepujian daripada ADFIMI pada 2018 untuk sumbangannya kepada Kewangan Pembangunan Islam.



DATO' ASRI HAMIDON

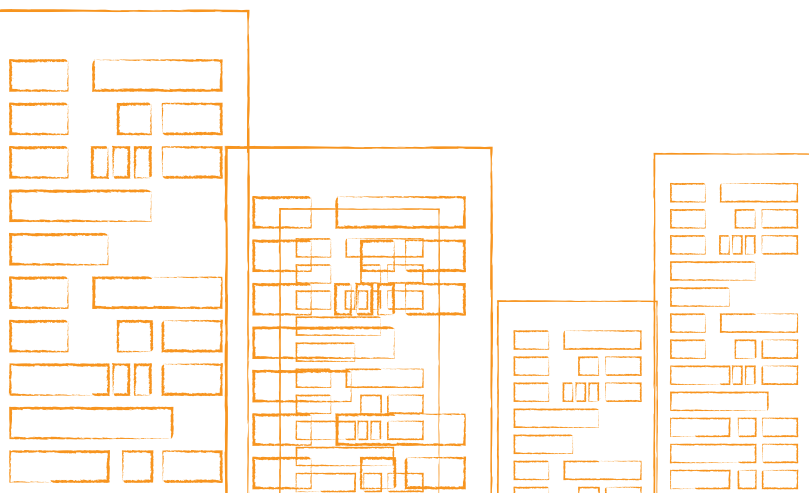
Non-Independent Non-Executive Director
Pengarah Bukan Eksekutif Bukan Bebas

Dato' Asri Hamidon was appointed as a Non-Independent Non-Executive Director of SME Bank on 2 May 2013. He holds a Bachelor of Economics from University of Malaya and a Masters in Economics from Hiroshima University, Japan. He began his career with the Government as the Assistant Director of the Economic Planning Unit at the Prime Minister's Department and was later appointed as the Assistant Director of the Anti Corruption Commission. He later became an Administrative and Diplomatic Officer at the Public Service Department before being appointed as the Assistant Secretary at the Ministry of Finance.

He is currently the Deputy Secretary General of Treasury (Investment), Ministry of Finance Malaysia. He also sits on the Board of IJN Holdings Sdn. Bhd., Pelaburan Hartanah Berhad, Malaysian Convention & Exhibition Bureau, Bina Darulaman Berhad, Usahasama SPNB-LTAT, DanaInfra Nasional Berhad, SPAD, Prokhas Sdn. Bhd., Telekom Malaysia Berhad, ProtectHealth Malaysia, TRX City Sdn. Bhd., Bandar Malaysia Sdn. Bhd. and Malaysia Airlines Berhad.

Dato' Asri Hamidon dilantik sebagai Pengarah Bukan Eksekutif Bukan Bebas SME Bank pada 2 Mei 2013. Beliau ialah lulusan Sarjana Muda Ekonomi dari Universiti Malaya dan Sarjana dalam Ekonomi dari Universiti Hiroshima, Jepun. Beliau memulakan kerjaya dengan Kerajaan sebagai Penolong Pengarah Unit Perancangan Ekonomi di Jabatan Perdana Menteri dan dilantik sebagai Penolong Pengarah Suruhanjaya Anti Rasuah. Beliau kemudian menjadi Pegawai Pentadbiran dan Diplomatik di Jabatan Perkhidmatan Awam sebelum dilantik sebagai Penolong Setiausaha di Kementerian Kewangan.

Beliau kini ialah Timbalan Ketua Setiausaha Perbendaharaan (Pelaburan) Kementerian Kewangan Malaysia. Beliau juga merupakan ahli Lembaga Pengarah IJN Holdings Sdn. Bhd., Pelaburan Hartanah Berhad, Malaysian Convention & Exhibition Bureau, Bina Darulaman Berhad, Usahasama SPNB-LTAT, DanaInfra Nasional Berhad, SPAD, Prokhas Sdn. Bhd., Telekom Malaysia Berhad, ProtectHealth Malaysia, TRX City Sdn. Bhd., Bandar Malaysia Sdn. Bhd. dan Malaysia Airlines Berhad.





MUTHAFA YUSOF

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

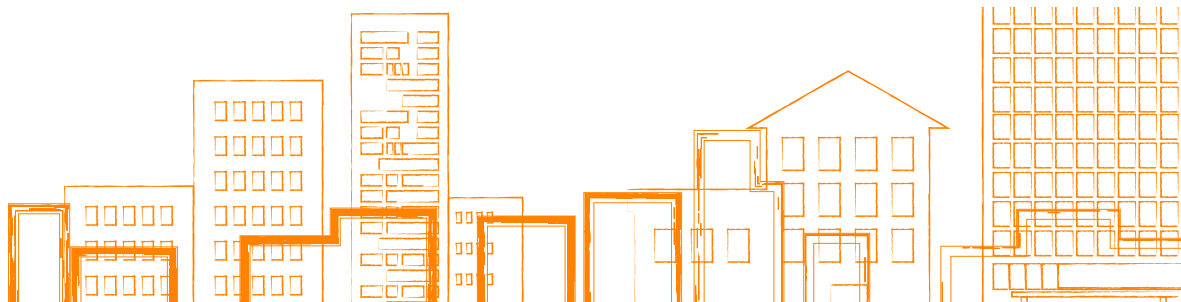
(ceased w.e.f. 10 March 2018) *tamat pada 10 Mac 2018*

Muthafa Yusof was appointed as a Non-Independent Non-Executive Director of SME Bank on 1 May 2017. He holds a Masters 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 previously the Senior Director, Bumiputera Entrepreneurship & SME Division of Ministry of International Trade & Industry.

Muthafa Yusof dilantik sebagai Pengarah Bukan Eksekutif Bukan Bebas SME Bank pada 1 Mei 2017. Beliau ialah lulusan Sarjana dalam Pengurusan Kejuruteraan & Pembuatan dari United Kingdom, Sarjana Muda Pentadbiran perniagaan dari Universiti Kebangsaan Malaysia, Diploma Pengurusan Sains dan Diploma Pentadbiran Awam, INTAN. Beliau memulakan kerjayanya di Kementerian Perdagangan Antarabangsa & Industri, Kementerian Kesihatan, Kementerian Kewangan dan kemudian meneruskan kerjaya di Kementerian Perdagangan Antarabangsa & Industri.

Muthafa Yusof sebelum ini ialah Pengarah Kanan, Bahagian Keusahawanan & PKS Bumiputera, Kementerian Perdagangan Antarabangsa dan Industri.





KHAIRUZZAMAN MUHAMMAD

Independent Non-Executive Director
Pengarah Bebas Bukan Eksekutif

Khairuzzaman Muhammad was appointed as an Independent Non-Executive Director of SME Bank on 2 February 2011. He graduated in 1988 with a LLB (Hons.) Degree from the Essex Institute of Higher Education (now known as the Anglia Ruskin University), England. He also received a Degree of Utter Barrister from the Honourable Society of Lincoln's Inn, England (1989) and a Graduate Diploma in Commercial Law from the University of Sydney, Australia (2000). He was enrolled as a Barrister-At-Law for England and Wales on 21 November 1989 and was admitted as an Advocate and Solicitor by the High Court of Malaya on 21 September 1990.

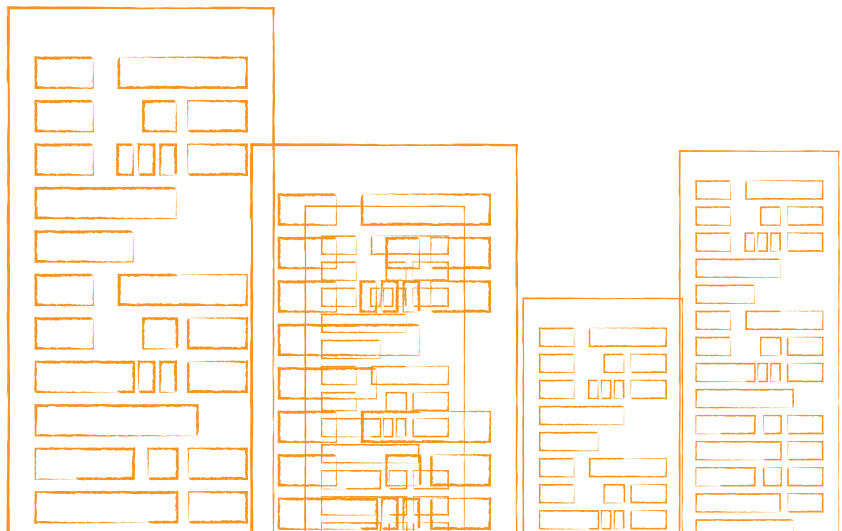
Khairuzzaman Muhammad is one of the partners at Messrs. Zul Rafique & Partners and specialises in corporate advisory, legislative drafting and land development projects. He also acts as the advisor to the Government, its agencies, government-linked companies and multi-national companies.

Actively involved in educational social work, Khairuzzaman Muhammad currently sits on the Boards of MIMOS Berhad and several other private companies.

Khairuzzaman Muhammad dilantik sebagai Pengarah Bebas Bukan Eksekutif SME Bank 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 memperoleh Ijazah Utter Barrister dari Honourable Society of Lincoln's Inn, England (1989) dan Diploma Graduan dalam Undang-Undang Komersial dari University of Sydney, Australia (2000). Beliau dilantik sebagai Barrister-At-Law untuk England dan Wales pada 21 November 1989 dan diterima sebagai Peguambela dan Peguamcara oleh Mahkamah Tinggi Malaya pada 21 September 1990.

Khairuzzaman Muhammad ialah salah seorang rakan kongsi di Messrs. Zul Rafique & Partners dengan pengkhususan dalam khidmat nasihat korporat, perangkaan undang-undang dan projek pembangunan tanah. Beliau bertindak sebagai penasihat kepada Kerajaan, agensi-agensinya, syarikat berkaitan kerajaan dan syarikat multinasional.

Terlibat secara aktif dalam kerja-kerja sosial berbentuk pendidikan, Khairuzzaman Muhammad kini menjadi ahli Lembaga Pengarah MIMOS Berhad dan beberapa syarikat swasta lain.





ISHAK ISMAIL

Independent Non-Executive Director
Pengarah Bebas Bukan Eksekutif

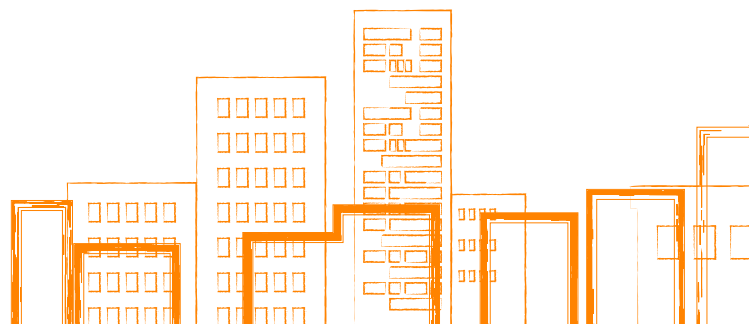
(ceased w.e.f. 1 February 2018) *tamat pada 1 Februari 2018*

Ishak Ismail was appointed as an Independent Non-Executive 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 (the Central Bank of 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 Bukan Eksekutif SME Bank pada 3 Mei 2011. Beliau ialah lulusan Sarjana Muda Perdagangan dari University of Newcastle, NSW Australia dan merupakan ahli Institut Akauntan Berkanun, Australia, Institut Akauntan Malaysia dan Juruaudit Dalaman Bertauliah, Amerika Syarikat.

Beliau telah berkhidmat selama lebih 30 tahun dalam pelbagai jawatan dengan Kerajaan dan sektor swasta. Beliau telah memegang banyak jawatan penting sepanjang tempohnya termasuk Akauntan Kanan di beberapa jabatan Kerajaan. Beliau juga menyandang beberapa jawatan kanan di Bank Negara Malaysia. Beliau juga ialah Pengurus Besar Arab-Malaysian Assurance Berhad dan AmBank (M) Berhad. Beliau merupakan ahli Lembaga Pengarah SMEB Asset Management Sdn. Bhd.





DATO' JAMELAH JAMALUDDIN

Independent Non-Executive Director
Pengarah Bebas Bukan Eksekutif

Dato' Jamelah Jamaluddin was appointed as an Independent Non-Executive Director on 1 February 2014. With more than 30 years experience in the financial services industry, Dato' Jamelah was the Chief Executive Officer of Kuwait Finance House (Malaysia) Berhad prior to joining 3P Capital Advisers Sdn. Bhd. Her earlier appointments included being the Managing Director of RHB Islamic Bank Berhad, Chief Operating Officer of RHB Sakura Merchant Bankers Berhad, Principal Officer of Macquarie Malaysia Sdn. Bhd. and Division Director of Macquarie Bank Limited (Labuan Branch).

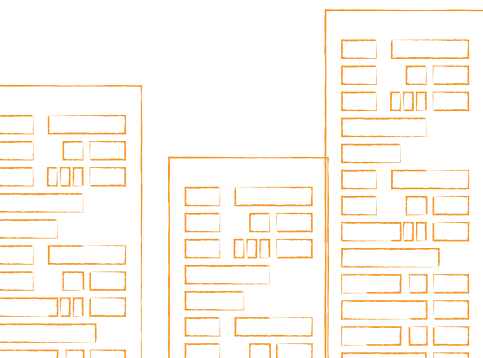
She holds a Masters in Business Administration (Finance) from Central Michigan University and a Bachelor of Business Administration (Finance) from Western Michigan University, the United States of America.

Dato' Jamelah also currently sits on the Board of Global Berhad, Scomi Energy Services Berhad, 3P Capital Advisers Sdn. Bhd., Weida (M) Berhad, PMB Tijari Berhad and Ice Petroleum Sdn. Bhd.

Dato' Jamelah Jamaluddin dilantik sebagai Pengarah Bebas Bukan Eksekutif pada 1 Februari 2014. Dengan lebih 30 tahun pengalaman dalam industri perkhidmatan kewangan, Dato' Jamelah ialah Ketua Pegawai Eksekutif Kuwait Finance House (Malaysia) Berhad sebelum menyertai 3P Capital Advisers Sdn. Bhd. Pelantikan awal beliau termasuklah sebagai Pengarah Urusan RHB Islamic Bank Berhad, Ketua Pegawai Operasi RHB Sakura Merchant Bankers Berhad, Pegawai Utama Macquarie Malaysia Sdn. Bhd. dan Pengarah Bahagian, Macquarie Bank Limited (cawangan Labuan).

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

Dato' Jamelah kini ialah ahli Lembaga Pengarah Global Berhad, Scomi Energy Services Berhad, 3P Capital Advisers Sdn. Bhd., Weida (M) Berhad, PMB Tijari Berhad, dan Ice Petroleum Sdn. Bhd.





PROF. DR. ABDUL BASIR MOHAMAD

Independent Non-Executive Director
Pengarah Bebas Bukan Eksekutif

Prof. Dr. Abdul Basir Mohamad was appointed as an Independent Non-Executive Director of SME Bank on 3 June 2015. He holds a PhD from the University of Edinburgh, Scotland in 1997 specialising in the Law of Torts and Criminal Islamic Laws and has written many books and journals on the subject.

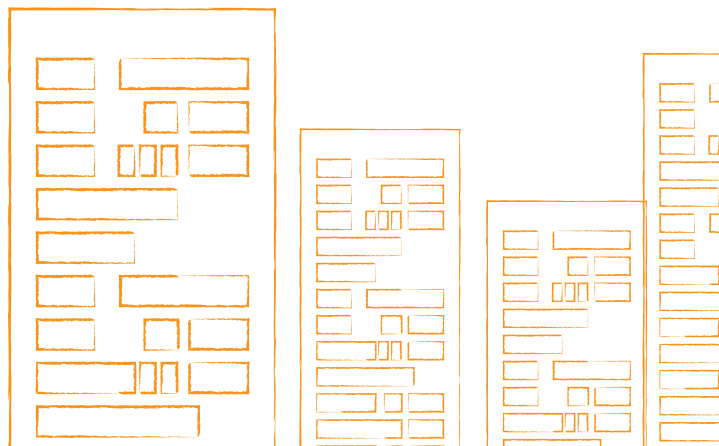
Besides serving in various capacities at the National University of Malaysia, he is also on the panel of advisors for various institutions.

Prof. Dr. Abdul Basir is currently the Chairman of the Shariah Committee of SME Bank, Chairman of Key Result Areas, Wealth Creation Strategies and Intensive, Faculty of Islamic Studies, National University of Malaysia, Academic Board Member for College of Islamic Studies of Johor, External Appraiser for Diploma of Muamalat Studies of Institute Professional Baitulmal, Academic Panel of Islamic University College Pahang Sultan Ahmad Shah, Academic Fellowship of Islamic University College Malacca and Adviser for Islamic Crime/Muamalat Terminology of Dewan Bahasa dan Pustaka besides being a member of other board committees.

Prof. Dr. Abdul Basir Mohamad dilantik sebagai Pengarah Bebas Bukan Eksekutif SME Bank pada 3 Jun 2015. Beliau menerima PhD dari University of Edinburgh, Scotland pada 1997 dengan pengkhususan dalam Undang-Undang Tort dan Undang-Undang Jenayah Islam dan telah menulis banyak buku dan jurnal tentang subjek tersebut.

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, Pengerusi Bidang Hasil Utama, Strategi Penciptaan Kekayaan dan Intensif, Fakulti Pengajian Islam, Universiti Kebangsaan Malaysia, Ahli Lembaga Akademik untuk Kolej Pengajian Islam Johor, Penilai Luar untuk Diploma Pengajian Muamalat Institut Profesional Baitulmal, Panel Akademik Kolej Universiti Islam Pahang Sultan Ahmad Shah, Felo Akademik Kolej Universiti Islam Melaka dan Penasihat untuk Terminologi Muamalat/Jenayah Islam di Dewan Bahasa dan Pustaka di samping menjadi ahli jawatankuasa-jawatankuasa Lembaga Pengarah lain.





DATO' MOHD SHUKRI HUSSIN

Independent Non-Executive Director
Pengarah Bebas Bukan Eksekutif

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

Dato' Mohd Shukri began his career as a Management Executive with Petronas Carigali Sdn. Bhd. and later worked as an Audit Supervisor in an international company, Touche Ross London, United Kingdom for four (4) years. Dato' Mohd Shukri then returned to Malaysia and assumed the position of Audit Supervisor at Hanafiah Raslan & Mohamad. He later held various management positions with several companies including the Bank of Commerce (M) Berhad, CIMB securities Sdn. Bhd., Bank Muamalat (M) Berhad and Bumiputera Commerce Holdings Berhad. His last position with CIMB Group Holdings Berhad was as Executive Director before his retirement in 2011.

Dato' Mohd Shukri currently holds Directorships in LeapEd Services Sdn. Bhd., Sun Life Malaysia Assurance Berhad, Sun Life Malaysia Takaful Berhad and Pelaburan Hartanah Berhad. He also sits on the Board of Trustees for the CIMB Foundation.

Dato' Mohd Shukri Hussin dilantik sebagai Pengarah Bebas Bukan Eksekutif pada 1 Mei 2016. Beliau ialah lulusan Sarjana Muda Ekonomi (Kepujian) dari Universiti Malaya dan Akauntan Bertauliah dari Institut Akauntan Berkanun (England dan Wales).

Dato' Mohd Shukri memulakan kerjayanya sebagai Eksekutif Pengurusan di Petronas Carigali Sdn. Bhd. dan kemudian bertugas sebagai Penyelia Audit di sebuah syarikat antarabangsa, Touche Ross London, United Kingdom selama empat (4) tahun. Dato' Mohd Shukri kemudian kembali ke Malaysia dan menyandang jawatan Penyelia Audit di Hanafiah Raslan & Mohamad. Beliau selepas itu menyandang pelbagai jawatan pengurusan dengan beberapa syarikat termasuk Bank of Commerce (M) Berhad, CIMB securities Sdn. Bhd., Bank Muamalat (M) Berhad dan Bumiputera Commerce Holdings Berhad. Jawatan terakhir beliau bersama CIMB Group Holdings Berhad adalah sebagai Pengarah Eksekutif sebelum persaraannya pada 2011.

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. Beliau juga ialah ahli Lembaga Pemegang Amanah bagi Yayasan CIMB.





Senior Management

Pengurusan Kanan



From left *Dari kiri:*
Datuk Kamaluddin Ismail (Chief Operating Officer, Banking) *Ketua Pegawai Operasi, Perbankan, Dato' Razman Mohd Noor* (Chief Operating Officer, Operations & Group Corporate Management) *Ketua Pegawai Operasi, Pengurusan Operasi & Korporat Kumpulan* **Datuk Mohd Radzif Mohd Yunus** (Group Managing Director, ceased w.e.f. 1 July 2017) *Pengarah Urusan Kumpulan, tamat pada 1 Julai 2017*



From left *Dari kiri:*
Abd. Karim Ahmad (Director, Enterprise & Development Banking) *Pengarah, Perbankan Perusahaan & Pembangunan, Datuk Dr. Sheikh Ghazali Sheikh Abod* (Director, Entrepreneur Development) *Pengarah, Pembangunan Usahawan, Zarina Nor Ismail* (Director, Credit Management) *Pengarah, Pengurusan Kredit*



From left *Dari kiri:*
Y.M. Raja Shahrizan Raja Harun Al Rashid (Director, Group Compliance & Risk Management) *Pengarah, Pematuhan & Pengurusan Risiko Kumpulan*, **Khairil Anuar Mohammad Anuar** (Director, Group Strategy & Branding) *Pengarah, Penjenamaan & Strategi Kumpulan*



From left *Dari kiri:*
Wan Zainuddin Wan Muda (Director, Group Human Capital Management) *Pengarah, Pengurusan Modal Insan Kumpulan*, **Haizad Rizal Aziz** (Director, Group Financial Management) *Pengarah, Pengurusan Kewangan Kumpulan*, **Datuk Ismail Kamaruddin** (Chief Internal Auditor) *Ketua Audit Dalaman*, **Rokiah Rajak** (Director, Operations) *Pengarah, Operasi*, **Hasmah Razali** (Company Secretary) *Setiausaha Syarikat*

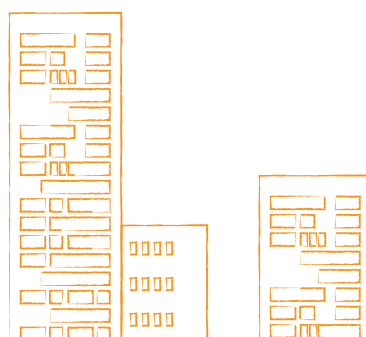
Shariah Committee

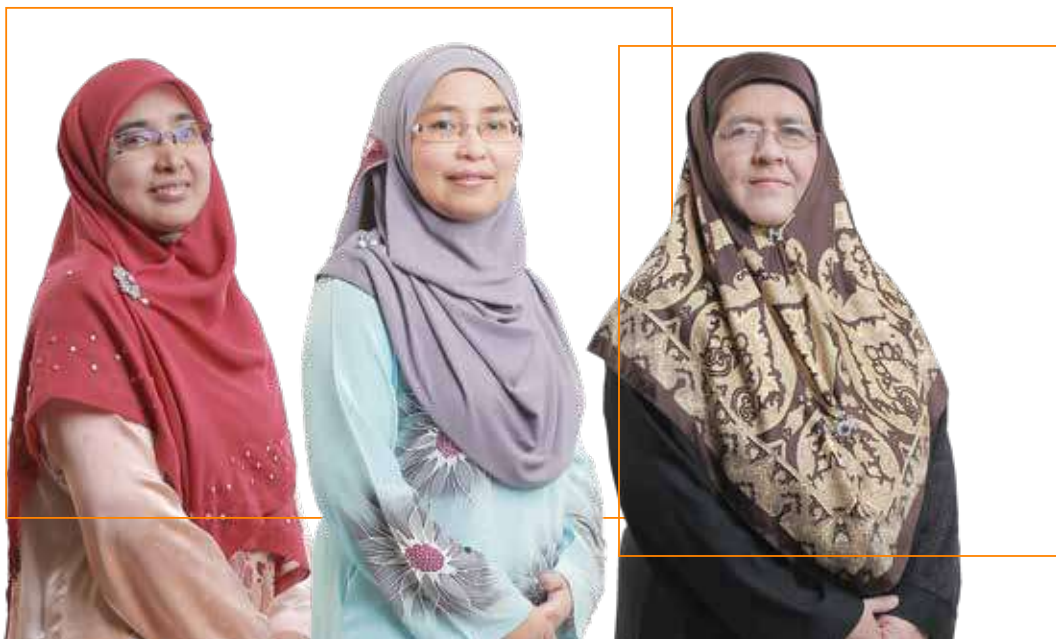
Jawatankuasa Syariah



From top *Dari atas:*
Prof. Dr. Abdul Basir Mohamad (Chairman) *Pengerusi*

From left *Dari kiri:*
Tuan Haji Jalil Haji Said (Member) *Ahli*, **Dr. Yusof Ramli** (Member, ceased w.e.f. 1 January 2018) *Ahli, tamat pada 1 Januari 2018*, **Dr. Tajul Aris Ahmad Bustami** (Member, appointed on 15 February 2018) *Ahli, dilantik pada 15 Februari 2018*





From left *Dari kiri:*
Dr. Marjan Muhammad (Member, appointed on 15 February 2018) *Ahli, dilantik pada 15 Februari 2018*
Dr. Asmak Ab Rahman (Member) *Ahli*, **Prof. Dr. Norhashimah Mohd Yasin** (Member) *Ahli*



Corporate Governance

Tadbir Urus Korporat

Statement of Corporate Governance	<i>Penyata Tadbir Urus Korporat</i>
Nomination Committee	<i>Jawatankuasa Penamaan</i>
Remuneration Committee	<i>Jawatankuasa Imbuhan</i>
Audit Committee	<i>Jawatankuasa Audit</i>
Risk Management Committee	<i>Jawatankuasa Pengurusan Risiko</i>
Statement on Risk Management and Internal Control	<i>Penyata Pengurusan Risiko dan Kawalan Dalaman</i>
Asset Quality Review Committee	<i>Jawatankuasa Semakan Kualiti Aset</i>
Shariah Committee	<i>Jawatankuasa Syariah</i>





Statement of 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 shareholder value of the Bank.

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. BOARD OF DIRECTORS

The Board is governed by nine (9) members consisting of one (1) Non-Executive Chairman, one (1) Non-Independent Executive Director who is the Bank’s Group Managing Director, two (2) Non-Independent Non-Executive Directors representing Minister of Finance Incorporated (“MOF”) and Ministry of International Trade and Industry (“MITI”) and five (5) Independent Non-Executive 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 Managing Director 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 Constitution.

A. LEMBAGA PENGARAH

Lembaga Pengarah ditadbir oleh sembilan (9) ahli terdiri daripada seorang (1) Pengerusi Bukan Eksekutif, seorang (1) Pengarah Eksekutif Bukan Bebas yang merupakan Pengarah Urusan Kumpulan Bank, dua (2) Pengarah Bukan Eksekutif Bukan Bebas mewakili Minister of Finance Incorporated (“MOF”) dan Kementerian Perdagangan Antarabangsa dan Industri (“MITI”) dan lima (5) Pengarah Bebas Bukan Eksekutif.

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 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 dalam Lembaga Pengarah. Pengarah Urusan Kumpulan 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 Perlembagaan Bank.

The composition of the Board of Directors during the year 2017 is as follows:

Komposisi Lembaga Pengarah pada tahun 2017 adalah seperti berikut:

NO.	NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN
1.	Tan Sri Faizah Mohd Tahir	Non Executive Chairman <i>Pengerusi Bukan Eksekutif</i>
2.	Datuk Mohd Radzif Mohd Yunus	Group Managing Director (Non-Independent Executive Director) (tenure ended on 1 July 2017) <i>Pengarah Urusan Kumpulan</i> <i>(Pengarah Eksekutif Bukan Bebas) (tempoh berakhir pada 1 Julai 2017)</i>
3.	Dato' Asri Hamidon	Non-Independent Non-Executive Director (representing MOF) <i>Pengarah Bukan Eksekutif Bukan Bebas (mewakili MOF)</i>
4.	Encik Muthafa Yusof	Non-Independent Non-Executive Director (representing MITI) (appointed on 1 May 2017) (tenure ended on 10 March 2018) <i>Pengarah Bukan Eksekutif Bukan Bebas (mewakili MITI)</i> <i>(dilantik pada 1 Mei 2017) (tempoh berakhir pada 10 Mac 2018)</i>
5.	Encik Ishak Ismail	Independent Director (tenure ended on 1 February 2018) <i>Pengarah Bebas (tempoh berakhir pada 1 Februari 2018)</i>
6.	Encik Khairuzzaman Muhammad	Independent Director <i>Pengarah Bebas</i>
7.	Dato' Jamelah Jamaluddin	Independent Director <i>Pengarah Bebas</i>
8.	Prof. Dr. Abdul Basir Mohamad	Independent Director <i>Pengarah Bebas</i>
9.	Dato' Mohd Shukri Hussin	Independent Director <i>Pengarah Bebas</i>

For the year 2017, 13 meetings were held. The record of attendance by the Board of Directors at the Board Meetings for 2017 is as follows:

Bagi tahun 2017, 13 mesyuarat diadakan. Rekod kehadiran oleh Lembaga Pengarah pada Mesyuarat Lembaga Pengarah bagi 2017 adalah seperti berikut:

NO.	NAME OF DIRECTOR NAMA PENGARAH	NO. OF MEETINGS ATTENDED BIL. MESYUARAT DIHADIRI
1.	Tan Sri Faizah Mohd Tahir	13/13
2.	Datuk Mohd Radzif Mohd Yunus	7/7* (tenure ended on 1 July 2017) <i>7/7* (tempoh berakhir pada 1 Julai 2017)</i>
3.	Dato' Asri Hamidon	9/13
4.	Encik Muthafa Yusof	8/8* (appointed on 1 May 2017) (tenure ended on 10 March 2018) <i>8/8* (dilantik pada 1 Mei 2017) (tempoh berakhir pada 10 Mac 2018)</i>
5.	Encik Ishak Ismail	13/13* (tenure ended on 1 February 2018) <i>13/13* (tempoh berakhir pada 1 Februari 2018)</i>
6.	Encik Khairuzzaman Muhammad	10/13
7.	Dato' Jamelah Jamaluddin	12/13
8.	Prof. Dr. Abdul Basir Mohamad	12/13
9.	Dato' Mohd Shukri Hussin	12/13

* Reflects the number of meetings attended during the time the Director held office in 2017.

* *Mewakili bilangan mesyuarat dihadiri semasa Pengarah berkhidmat dalam tahun 2017.*

B. SUPPLY OF INFORMATION

Directors are provided with notices and Board papers at least five (5) days 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 a 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 AMLA 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 2017 have attended the Financial Institutions Directors' Education ("FIDE") Programme organized by The Iclif Leadership and Governance Centre.

D. BOARD COMMITTEES

There are five (5) Board Committees established to assist The Board in discharging its duties and responsibilities, namely the Audit Committee, Risk Management Committee, Nomination Committee, Remuneration Committee and Asset Quality Review Committee. The Board is also planning to establish its Board's Financing and Investment Committee in the near future.

B. BEKALAN MAKLUMAT

Pengarah menerima notis dan kertas Lembaga Pengarah sekurang-kurangnya lima (5) hari 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 baru diberikan Kit Lembaga Pengarah dan diperlukan untuk menghadiri sesi penyesuaian untuk diberikan taklimat tentang 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 AMLA 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 2017, 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 lima (5) Jawatankuasa Lembaga Pengarah yang ditubuhkan untuk membantu Lembaga Pengarah dalam melaksanakan tugas-tugas dan tanggungjawabnya, iaitu Jawatankuasa Audit, Jawatankuasa Pengurusan Risiko, Jawatankuasa Penamaan, Jawatankuasa Imbuhan dan Jawatankuasa Semakan Kualiti Aset. Lembaga Pengarah juga bercadang menubuhkan Jawatankuasa Lembaga Pengarah Pembiayaan dan Pelaburan dalam masa terdekat ini.

Nomination Committee *Jawatankuasa Penamaan*

1. OBJECTIVE

The primary objective of the Nomination Committee (“NC”) is to establish a documented, formal and transparent procedure for the appointment of Directors, Managing Director 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 Group Managing Director and Senior Management.

2. COMPOSITION, MEETING AND ATTENDANCE

During the financial year ended 31 December 2017, the NC held nine (9) meetings. The composition of the NC during the year 2017 and the record of attendance of the Committee Members at the NC Meetings are as follows:

1. OBJEKTIF

Objektif utama Jawatankuasa Penamaan (“JP”) adalah untuk menetapkan prosedur yang didokumenkan, formal dan telus bagi pelantikan Pengarah, Pengarah Urusan dan Pengurusan Kanan (Pengarah Pengurusan dan yang lebih tinggi) dan untuk menilai keberkesanan Pengarah secara individu, Lembaga Pengarah dan pelbagai jawatankuasa Lembaga Pengarah, Pengarah Urusan Kumpulan dan Pengurusan Kanan.

2. KOMPOSISI, MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2017, JP mengadakan sembilan (9) mesyuarat. Komposisi JP sepanjang tahun 2017 dan rekod kehadiran Ahli Jawatankuasa pada mesyuarat JP adalah seperti berikut:

NO.	NAME OF DIRECTOR <i>NAMA PENGARAH</i>	DESIGNATION <i>JAWATAN</i>	NO. OF MEETINGS ATTENDED <i>BIL. MESYUARAT DIHADIRI</i>
1.	Encik Ishak Ismail	Chairman / Independent Director (tenure ended on 1 February 2018) <i>Pengerusi / Pengarah Bebas</i> (tempoh berakhir pada 1 Februari 2018)	9/9*
2.	Dato’ Asri Hamidon	Member / Non-Independent Non-Executive Director <i>Ahli / Pengarah Bukan Eksekutif Bukan Bebas</i>	9/9
3.	Encik Muthafa Yusof	Member / Non-Independent Non-Executive Director (appointed on 1 May 2017) (tenure ended on 10 March 2018) <i>Ahli / Pengarah Bukan Eksekutif Bukan Bebas</i> (dilantik pada 1 Mei 2017) (tempoh berakhir pada 10 Mac 2018)	5/5*
4.	Datuk Mohd Radzif Mohd Yunus	Member / Non-Independent Executive Director (tenure ended on 1 July 2017) <i>Ahli / Pengarah Eksekutif Bukan Bebas</i> (tempoh berakhir pada 1 Julai 2017)	5/5*
5.	Dato’ Jamelah Jamaluddin	Member / Independent Director <i>Ahli / Pengarah Bebas</i>	9/9
6.	Prof. Dr. Abdul Basir Mohamad	Member / Independent Director <i>Ahli / Pengarah Bebas</i>	9/9

* Reflects the number of meetings attended during the time the Director held office in 2017.

* *Mewakili bilangan mesyuarat yang dihadiri semasa Pengarah berkhidmat dalam tahun 2017.*

3. FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the NC shall be:

- To carry out annual assessment in evaluating effectiveness of each individual Directors, the Board as a whole, and the various committees of the Board, the Managing Director and Senior Management (Management Director and above);
- To carry out annual assessment on the overall composition of the Board in terms of the appropriate size, the balance between Executive Directors, Non-Executive Directors and Independent Directors, the mix of skills, experience and required core competencies within the Board of Directors;
- To recommend and assess the nominees for directorship, the Directors to fill up board committees, as well as nominees for the Managing Director position. This includes assessing Directors and the Managing Director proposed for reappointment, before an application is submitted to Bank Negara Malaysia;
- To assess the effectiveness of the Board as a whole, the contribution by each director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Managing Director;
- To recommend to the Board on removal of a Director/ Managing Director if he/she is ineffective, errant or negligent in discharging his responsibilities;
- To oversee the appointment, management succession planning and performance evaluation of Senior Management (Management Director and above), and recommending to the Board the removal of Senior Management (Management Director and above) if they are ineffective, errant and negligent in discharging their responsibilities;
- To ensure that members of the Board of Directors receive continuous training programmes; and
- To ensure that new Directors and reappointed Directors who have yet to attend the mandatory training programmes prescribed by the Malaysia Securities Exchange Berhad for listed companies or Companies Commission of Malaysia ("CCM") are to attend the said programmes within 6 months of their appointment.

3. FUNGSI DAN TANGGUNGJAWAB

Fungsi dan tanggungjawab JP adalah:

- Untuk melaksanakan penilaian tahunan dalam mengkaji keberkesanan setiap Pengarah, Lembaga Pengarah secara keseluruhannya, dan pelbagai jawatankuasa Lembaga Pengarah, Pengarah Urusan dan Pengurusan Kanan (Pengarah Pengurusan dan lebih tinggi);
- Untuk melaksanakan penilaian tahunan tentang komposisi keseluruhan Lembaga Pengarah dari segi saiz yang sesuai, keseimbangan antara Pengarah Eksekutif, Pengarah Bukan Eksekutif dan Pengarah Bebas, adunan kepakaran, pengalaman dan kecekapan utama yang diperlukan dalam Lembaga Pengarah;
- Untuk mencadang dan menilai penama untuk jawatan Pengarah Pengarah untuk mengisi Jawatankuasa Lembaga Pengarah, serta penama untuk jawatan Pengarah Urusan. Ini termasuk menilai Pengarah dan Pengarah Urusan yang dicadangkan untuk pelantikan semula, sebelum permohonan dihantar ke Bank Negara Malaysia;
- Untuk menilai keberkesanan Lembaga Pengarah secara keseluruhan, sumbangan oleh setiap Pengarah terhadap keberkesanan Lembaga Pengarah, sumbangan pelbagai jawatankuasa Lembaga Pengarah dan prestasi Pengarah Urusan;
- Untuk mencadangkan kepada Lembaga Pengarah berhubung pemecatan Pengarah/Pengarah Urusan jika beliau tidak cekap, salah laku atau cuai dalam menjalankan tanggungjawabnya;
- Untuk mengendalikan pelantikan, perancangan penggantian pengurusan dan penilaian prestasi Pengurusan Kanan (Pengarah Urusan dan yang lebih tinggi), dan mencadangkan kepada Lembaga Pengarah berhubung pemecatan Pengurusan Kanan (Pengarah Urusan dan yang lebih tinggi) jika mereka tidak cekap, salah laku dan cuai dalam menjalankan tanggungjawab mereka;
- Untuk memastikan bahawa ahli-ahli Lembaga Pengarah mendapat latihan berterusan; dan
- Untuk memastikan bahawa para Pengarah baharu dan Pengarah yang dilantik semula yang masih belum menghadiri program latihan mandatori yang ditetapkan oleh Malaysia Securities Exchange Berhad bagi syarikat-syarikat tersenarai atau Suruhanjaya Syarikat Malaysia ("SSM") perlu menghadiri program tersebut dalam masa 6 bulan selepas pelantikan mereka.

Remuneration Committee *Jawatankuasa Imbuan*

1. OBJECTIVE

The primary objective of the Remuneration Committee ("RC") is to provide a formal and transparent procedure for developing a remuneration policy for Directors, Managing Director and Senior Management (Management Director and above) and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategy.

2. COMPOSITION, MEETING AND ATTENDANCE

During the financial year ended 31 December 2017, the RC held five (5) meetings. The composition of the RC during the year 2017 and the record of attendance of the Committee Members at the RC Meetings are as follows:

1. OBJEKTIF

Objektif utama Jawatankuasa Imbuan ("JI") adalah untuk menyediakan prosedur rasmi dan telus bagi membangunkan dasar imbuan untuk para Pengarah, Pengarah Urusan dan Pengurusan Kanan (Pengarah Urusan dan yang lebih tinggi) dan memastikan bahawa pampasan adalah kompetitif dan konsisten dengan budaya, objektif dan strategi Bank.

2. KOMPOSISI, MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2017, JI mengadakan lima (5) mesyuarat. Komposisi JI sepanjang tahun 2017 dan rekod kehadiran Ahli Jawatankuasa pada Mesyuarat JI adalah seperti berikut:

NO. BIL	NAME OF DIRECTOR NAMA PENGARAH	DESIGNATION JAWATAN	NO. OF MEETINGS ATTENDED BIL. MESYUARAT DIHADIRI
1.	Encik Khairuzzaman Muhammad	Chairman / Independent Director <i>Pengerusi / Pengarah Bebas</i>	5/5
2.	Dato' Asri Hamidon	Member / Non-Independent Non-Executive Director <i>Ahli / Pengarah Bukan Eksekutif Bukan Bebas</i>	5/5
3.	Encik Muthafa Yusof	Member / Non-Independent Non-Executive Director (appointed on 1 May 2017) (tenure ended on 10 March 2018) <i>Ahli / Pengarah Bukan Eksekutif Bukan Bebas (dilantik pada 1 Mei 2017) (tempoh berakhir pada 10 Mac 2018)</i>	2/2*
4.	Dato' Jamelah Jamaluddin	Member / Independent Director <i>Ahli / Pengarah Bebas</i>	5/5

* Reflects the number of meetings attended during the time the Director held office in 2017.

* *Mewakili bilangan mesyuarat yang dihadiri semasa Pengarah berkhidmat dalam tahun 2017.*



3. FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the RC are as follows:

- i. Recommending a framework of remuneration for Directors, Managing Director and Senior Management (Management Director and above). The remuneration policy should:
 - Be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
 - Reflect the experience and level of responsibility borne by individual Director, Managing Director and Senior Management (Management Director and above);
 - Be sufficient to attract and retain Directors, Managing Director and Senior Management (Management Director and above) of calibre needed to manage the Bank successfully; and
 - Be balanced against the need to ensure that the funds of the Bank are not used to subsidise excessive remuneration packages.
- ii. Recommending specific remuneration packages for Directors, Managing Director and Senior Management (Management Director and above). The Remuneration Packages should:
 - Be based on an objective consideration and approved by the Full Board;
 - Take due consideration of the assessments of the RC of the effectiveness and contribution of the Director, Managing Director or Senior Management (Management Director and above) concerned;
 - Not be decided by the exercise of sole discretion or any one individual or restricted group of individuals; and
 - Be competitive and is consistent with the Bank's culture, objective and strategy.
- iii. Endorsing any changes deemed necessary to the schemes, terms of services and new terms for Executives and Staff of the Bank before submission to the Board of Directors for final approval.

3. FUNGSI DAN TANGGUNGJAWAB

Fungsi dan tanggungjawab JI adalah seperti berikut:

- i. *Mencadangkan rangka kerja imbuhan untuk para Pengarah, Pengarah Urusan dan Pengurusan Kanan (Pengarah Pengurusan dan yang lebih tinggi). Dasar imbuhan perlu:*
 - *Didokumen dan diluluskan oleh Lembaga Pengarah dan sebarang perubahan adalah tertakluk kepada kelulusan keseluruhan Lembaga Pengarah;*
 - *Mencerminkan pengalaman dan tahap tanggungjawab yang dipikul oleh Pengarah secara individu, Pengarah Urusan dan Pengurusan Kanan (Pengarah Pengurusan dan yang lebih tinggi);*
 - *Mencukupi untuk menarik dan mengekalkan para Pengarah, Pengarah Urusan dan Pengurusan Kanan (Pengarah Pengurusan dan yang lebih tinggi) yang mempunyai bakat yang diperlukan untuk menguruskan Bank dengan jaya; dan*
 - *Seimbang terhadap keperluan untuk memastikan bahawa dana-dana Bank tidak digunakan untuk menampung pakej imbuhan yang berlebihan.*
- ii. *Mencadangkan pakej-pakej imbuhan khusus untuk para Pengarah, Pengarah Urusan dan Pengurusan Kanan (Pengarah Pengurusan dan yang lebih tinggi). Pakej-pakej Imbuhan perlu:*
 - *Berdasarkan pada pertimbangan yang objektif dan diluluskan oleh keseluruhan Lembaga Pengarah;*
 - *Memberi pertimbangan terhadap penilaian JI tentang keberkesanan dan sumbangan Pengarah, Pengarah Urusan atau Pengurusan Kanan (Pengarah Pengurusan dan yang lebih tinggi) yang berkenaan;*
 - *Tidak ditentukan oleh amalan budi bicara tunggal atau mana-mana satu individu atau kumpulan individu yang terhad; dan*
 - *Kompetitif dan konsisten dengan budaya, objektif dan strategi Bank.*
- iii. *Meluluskan sebarang perubahan yang dikira perlu oleh skim-skim, terma-terma perkhidmatan dan terma baru untuk Eksekutif dan Kakitangan Bank sebelum diserahkan kepada Lembaga Pengarah untuk kelulusan akhir.*

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 2017, the AC held nine (9) meetings. The composition of the AC during the year 2017 and the record of attendance of the Committee Members at the AC Meetings are as follows:

1. OBJEKTIF

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

2. KOMPOSISI, MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2017, JA mengadakan sembilan (9) mesyuarat. Komposisi JA sepanjang tahun 2017 dan rekod kehadiran Ahli-ahli Jawatankuasa pada Mesyuarat JA adalah seperti berikut:

NO.	NAME OF DIRECTOR <i>NAMA PENGARAH</i>	DESIGNATION <i>JAWATAN</i>	NO. OF MEETINGS ATTENDED <i>BIL. MESYUARAT DIHADIRI</i>
1.	Dato’ Mohd Shukri Hussin	Chairman / Independent Director <i>Pengerusi / Pengarah Bebas</i>	9/9
2.	Dato’ Asri Hamidon	Member / Non-Independent Non-Executive Director <i>Ahli / Pengarah Bukan Eksekutif Bukan Bebas</i>	7/9
3.	Encik Muthafa Yusof	Member / Non-Independent Non-Executive Director (appointed on 1 May 2017) (tenure ended on 10 March 2018) <i>Ahli / Pengarah Bukan Eksekutif Bukan Bebas (dilantik pada 1 Mei 2017) (tempoh berakhir pada 10 Mac 2018)</i>	5/5*
4.	Encik Ishak Ismail	Member / Independent Director (tenure ended on 1 February 2018) <i>Ahli / Pengarah Bebas (tempoh berakhir pada 1 Februari 2018)</i>	9/9*
5.	Encik Khairuzzaman Muhammad	Member / Independent Director <i>Ahli / Pengarah Bebas</i>	7/9
6.	Prof. Dr. Abdul Basir Mohamad	Member / Independent Director <i>Ahli / Pengarah Bebas</i>	9/9

* Reflects the number of meetings attended during the time the Director held office in 2017.

* *Mewakili bilangan mesyuarat yang dihadiri semasa Pengarah berkhidmat dalam tahun 2017.*

3. FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the AC shall be:

- i. 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.
 - 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; and
 - The assistance given by the Management and staff to the External Auditor.
 - c) Carry out the following with regards to the internal audit function:
 - Review the adequacy of scope, functions and resources of the Audit Department and that it has the necessary authority to carry out its work;
 - Review and approve the internal audit plan, programme and processes;
 - Review audit reports and consider the adequacy of Management's actions taken on audit findings or recommendations; and
 - Decide on the selection, retention, evaluation and compensation of internal auditors.
 - 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:
 - Adequacy of provisions against contingencies, bad and doubtful debts;
 - Significant and unusual events;

3. FUNGSI DAN TANGGUNGJAWAB

Fungsi dan tanggungjawab JA adalah:

- i. AC akan menjalan dan melaporkan perkara berikut kepada Lembaga Pengarah:
 - a) Mencadangkan kepada Lembaga Pengarah berhubung pelantikan Juruaudit Luar, yuran dan hal-hal lain berkenaan pelantikan atau penamatan atau perubahan Juruaudit Luar.
 - b) Menyemak dengan Juruaudit Luar berhubung perkara berikut:
 - Skop pelan audit Juruaudit Luar;
 - Sistem kawalan perakaunan dalaman;
 - Laporan audit Juruaudit Luar;
 - Surat pengurusan dan balasan pengurusan Juruaudit Luar; dan
 - Bantuan yang diberi oleh Pengurusan dan kakitangan kepada Juruaudit Luar.
 - c) Menjalankan perkara berikut berhubung fungsi audit dalaman:
 - Menyemak keberkesanan skop, fungsi dan sumber Jabatan Audit dan bahawa ia mempunyai kuasa yang perlu untuk menjalankan kerjanya;
 - Menyemak dan meluluskan pelan, program dan proses audit dalaman;
 - Menyemak laporan audit dan mempertimbangkan keberkesanan tindakan yang diambil oleh Pengurusan berhubung penemuan atau cadangan audit; dan
 - Membuat keputusan tentang pemilihan, pengekalan, penilaian dan pampasan juruaudit dalaman.
 - d) Menerima dan mempertimbangkan laporan berkaitan dengan pelaksanaan dan pencegahan penipuan.
 - e) Menyemak pematuhan Bank terhadap pengawalseliaan kerajaan.
 - f) Menyemak keputusan separuh tahun dan penyata kewangan tahunan sebelum kelulusan oleh Lembaga Pengarah.
 - g) Merujuk kepada penyata kewangan akhir tahun, Juruaudit Luar akan membuat pembentangan kepada JA dengan tumpuan khusus bagi perkara berikut:
 - Kecukupan peruntukan terhadap kontingensi, hutang lapuk dan ragu;
 - Acara-acara penting dan tidak biasa;

- Any changes in or implementation of major accounting policy changes; and
 - Compliance with accounting standards and other legal requirements.
- h) Ensure the prompt publication of annual accounts.
- i) Discuss any problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss (in the absence of Management where necessary).
- j) Review any related party transactions and conflict of interest situation that may arise in the Bank or within the Banking Division including any transaction, procedure or conduct that raises questions of Management integrity.
- k) Preparation of an AC report at the end of each financial year, which will be published in the Bank's annual report.
- l) Review and endorse the status and progress of Management's response and corrective measures on issues raised in the BNM Examination Report, before it is tabled to the Board for approval.
- ii. AC shall also report on the following to the Board to enable the Board in preparing an AC Report for the Bank's annual report:
- The member composition of AC, including the name, designation and directorship of the members and whether the director is independent or otherwise;
 - The Terms of Reference of AC;
 - The number of AC meetings held in the financial year and details of attendance of each member;
 - A summary of the activities of AC in the discharge of its functions and duties for the financial year; and
 - A summary of the activities of the Audit Department.
- iii. 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.
- iv. The performance and contribution of AC shall be formally assessed by the Nomination Committee, as stipulated in BNM/DFI/GP4 and in line with the terms of reference of the Nomination Committee. The Nomination Committee shall report its recommendations relating to AC to the Board for decision.
- *Sebarang perubahan dalam pelaksanaan perubahan dasar perakaunan utama; dan*
 - *Pematuhan terhadap piawaian perakaunan dan keperluan undang-undang lain.*
- h) *Memastikan penerbitan akaun-akaun tahunan tanpa lewa.*
- i) *Membincangkan sebarang masalah dan keraguan yang timbul daripada audit interim dan akhir, dan sebarang perkara yang Juruaudit Luar mungkin mahu bincangkan (tanpa kehadiran Pengurusan bilamana perlu).*
- j) *Menyemak sebarang transaksi pihak berkaitan dan situasi konflik kepentingan yang mungkin wujud dalam Bank atau dalam Bahagian Perbankan termasuk sebarang transaksi, prosedur atau tata laku yang menimbulkan kemusykilan berhubung integriti Pengurusan.*
- k) *Penyediaan laporan JA pada setiap akhir tahun kewangan, yang akan diterbitkan dalam laporan tahunan Bank.*
- l) *Menyemak dan meluluskan status dan kemajuan tindak balas Pengurusan dan langkah-langkah pembetulan berhubung isu-isu yang dibangkitkan oleh Laporan Pemeriksaan BNM, sebelum ia dibentangkan kepada Lembaga Pengarah untuk kelulusan.*
- ii. *JA melaporkan tentang perkara berikut kepada Lembaga Pengarah untuk membolehkan Lembaga Pengarah dalam menyediakan Laporan JA bagi laporan tahunan Bank:*
- *Komposisi ahli JA, termasuk nama, jawatan dan pengarah ahli dan sama ada pengarah adalah bebas atau sebaliknya;*
 - *Terma Rujukan JA;*
 - *Bilangan mesyuarat JA yang diadakan dalam tahun kewangan dan butiran kehadiran setiap ahli;*
 - *Ringkasan aktiviti JA dalam melaksanakan fungsi dan tugasnya bagi tahun kewangan; dan*
 - *Ringkasan aktiviti Jabatan Audit.*
- iii. *JA memberi maklumat terkini kepada Lembaga Pengarah berhubung isu-isu dan perkara yang dibincangkan semasa mesyuarat termasuk hal-hal yang dibangkitkan oleh Juruaudit Luar, dan bilamana sesuai, membuat cadangan yang perlu kepada Lembaga Pengarah.*
- iv. *Prestasi dan sumbangan JA dinilai secara formal oleh Jawatankuasa Penamaan, sepertimana dinyatakan dalam BNM/DFI/GP4 dan sejajar dengan terma rujukan Jawatankuasa Penamaan. Jawatankuasa Penamaan melaporkan cadangannya berkaitan JA kepada Lembaga Pengarah untuk membuat keputusan.*

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 2017, the RMC held six (6) meetings. The composition of the RMC during the year 2017 and the record of attendance of the Committee Members at the RMC Meetings are as follows:

1. OBJEKTIF

Objektif utama Jawatankuasa Pengurusan Risiko (“JPR”) adalah untuk memantau aktiviti-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 2017, JPR mengadakan enam (6) mesyuarat. Komposisi JPR sepanjang tahun 2017 dan rekod kehadiran Ahli-ahli Jawatankuasa pada Mesyuarat JPR adalah seperti berikut:

NO.	NAME OF DIRECTOR <i>NAMA PENGARAH</i>	DESIGNATION <i>JAWATAN</i>	NO. OF MEETINGS ATTENDED <i>BIL. MESYUARAT DIHADIRI</i>
1.	Dato’ Jamelah Jamaluddin	Chairman / Independent Director <i>Pengerusi / Pengarah Bebas</i>	6/6
2.	Dato’ Asri Hamidon	Member / Non-Independent Non-Executive Director <i>Ahli / Pengarah Bukan Eksekutif Bukan Bebas</i>	4/6
3.	Encik Ishak Ismail	Member / Independent Director (tenure ended on 1 February 2018) <i>Ahli / Pengarah Bebas</i> (tempoh berakhir pada 1 Februari 2018)	6/6*
4.	Encik Khairuzzaman Muhammad	Member / Independent Director <i>Ahli / Pengarah Bebas</i>	4/6
5.	Dato’ Mohd Shukri Hussin	Member / Independent Non-Executive Director <i>Ahli / Pengarah Bebas Bukan Eksekutif</i>	6/6

* Reflects the number of meetings attended during the time the Director held office in 2017.

* *Mewakili bilangan mesyuarat yang dihadiri semasa Pengarah berkhidmat dalam tahun 2017.*



3. FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the RMC shall be:

- Formulating strategies to manage the overall risks associated with SME Bank's activities;
- Recommending appropriate 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 Development Bank;
- Reviewing the adequacy of Risk Management policies and systems and the extent to which these are operating effectively;
- Promoting an integrated approach to evaluate and monitor interrelated risks;
- Ensuring that the infrastructure, resources and systems are in place to identify, measure, monitor and control risks;
- Reviewing management's periodic information on risk exposures in relation to the Bank's risk tolerance and appetite and risk management activities;
- Formulating contingency plans i.e. business continuity plans for worst-case scenarios.

Additional Requirement as specified in BNM Guidelines on Best Practices for the Management of Credit Risk for Development Financial Institutions (Effective from 1 January 2010)

- Review the adequacy of strategies to manage the overall credit risk associated with the Bank's activities;
- Oversee the formal development of credit policies within the Bank, encompassing all products and businesses, and ensuring the development of policy manual and procedures;
- Monitor, assess and advise on the credit risk portfolio composition of the Bank;
- Evaluate risks under stress scenarios and the capacity of the Bank's capital to sustain such risk;
- Assess the risk-return trade-off;
- Review reports of the credit review process, asset quality and ensure that corrective actions is taken; and
- Review and evaluate the various credit products engaged by the Bank to ensure that it is conducted within the standards and policies set by the Board.

3. FUNGSI DAN TANGGUNGJAWAB

Fungsi dan tanggungjawab JPR adalah:

- Merangka strategi untuk menguruskan keseluruhan risiko yang berkaitan dengan aktiviti-aktiviti SME Bank;
- Mencadangkan dasar, prosedur dan proses pengurusan risiko yang sesuai dalam bidang risiko utama seperti risiko pasaran, risiko kredit, risiko pelaburan dan risiko operasi sejajar dengan peranan yang diamanahkan kepada Bank sebagai sebuah Bank Pembangunan;
- Menyemak kecukupan dasar dan sistem Pengurusan Risiko dan ke tahap mana ia dilaksanakan dengan berkesan;
- Menggalakkan pendekatan bersepadu untuk menilai dan memantau risiko yang saling berkait;
- Memastikan bahawa adanya infrastruktur, sumber dan sistem untuk mengenal pasti, mengukur dan mengawal risiko;
- Menyemak maklumat secara berkala oleh Pengurusan berhubung pendedahan risiko yang berkaitan dengan toleransi dan selera risiko serta aktiviti pengurusan risiko Bank;
- Merangka perancangan kontingensi iaitu perancangan kesinambungan perniagaan bagi senario paling buruk.

Keperluan Tambahan sepertimana dinyatakan dalam Garis Panduan BNM berhubung Amalan Terbaik bagi Pengurusan Risiko Kredit untuk Institusi Kewangan Pembangunan (Berkuat kuasa dari 1 Januari 2010)

- Menyemak kecukupan strategi untuk menguruskan keseluruhan risiko kredit yang berkaitan dengan aktiviti Bank;
- Memantau pembangunan formal dasar kredit dalam Bank, merangkumi semua produk dan perniagaan, dan memastikan pembangunan manual dasar dan prosedur;
- Momantau, menilai dan menasihati tentang komposisi portfolio risiko kredit Bank;
- Menilai risiko di bawah keadaan tekanan dan keupayaan Bank untuk menghadapi risiko tersebut;
- Menilai imbalan risiko-pulangan;
- Menyemak laporan proses semakan kredit, kualiti aset dan memastikan tindakan pembetulan diambil; dan
- Menyemak dan menilai pelbagai produk kredit yang digunakan oleh Bank untuk memastikan bahawa ia dilaksanakan dalam piawaian dan dasar yang ditetapkan oleh 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 Board policies, procedures and guidelines on risks and controls via identifying and evaluating the risks faced, and the achievement of business objectives and strategies.

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

A. PENGENALAN

Lembaga Pengarah ("Lembaga") bertanggungjawab terhadap pengurusan risiko dan sistem kawalan dalaman Kumpulan dan untuk menyemak keberkesanan dan integritinya. Lembaga Pengarah menyedari bahawa amalan tadbir urus yang baik adalah satu proses yang penting dan berterusan dan telah menubuhkan Jawatankuasa Pengurusan Risiko ("JPR"), Jawatankuasa Audit ("JA") dan Jawatankuasa Semakan Kualiti Aset untuk memastikan pengendalian sistem kawalan dalaman yang kukuh dan amalan pengurusan risiko yang baik.

Bagi tujuan penyata ini, syarikat-syarikat bersekutu tidak dikira sebahagian daripada Kumpulan, dan oleh yang demikian tidak disertakan dalam penyata ini.

B. TANGGUNGJAWAB

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

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

Lembaga berpandangan bahawa terdapat pengurusan risiko dan sistem kawalan dalaman bagi tahun dalam kajian dan penerbitan penyata kewangan yang terkini adalah mencukupi dan berkesan untuk melindungi pelaburan para pemegang saham, kepentingan pelanggan, pengawal selia dan kakitangan, serta 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 organizational structure of the Group has 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 Group Senior Management Committee as well as Asset and Liability Committee. 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 adhoc 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. PROSES KAWALAN DALAMAN UTAMA

PROSES

Proses-proses kawalan dalaman utama yang dibuat untuk menyemak kecukupan dan integriti sistem kawalan dalaman adalah seperti berikut:

a) Fungsi Pengurusan Risiko

Struktur organisasi Kumpulan menjelaskan aturan kebertanggungjawaban, had kuasa dan kewajipan seiring dengan keperluan perniagaan dan operasi dalam suasana persekitaran kawalan yang mampan dan kukuh. Penilaian risiko menjadi bahagian penting dalam kitaran perancangan strategik Kumpulan – memastikan pengenalpastian berkesan dan pada masanya, pengukuran, pengurangan dan pelaporan risiko yang penting dan yang mula wujud yang dihadapi oleh Kumpulan sepanjang tahun kewangan dalam kajian.

Lembaga Pengarah, melalui JPR, memantau keseluruhan risiko Kumpulan. JPR, dalam melaksanakan peranan dan tanggungjawabnya, disokong oleh Jawatankuasa Pengurusan, iaitu Jawatankuasa Pengurusan Kanan Kumpulan serta Jawatankuasa Aset dan Liabiliti. Jawatankuasa-jawatankuasa Pengurusan ini rata-ratanya bertanggungjawab terhadap keberkesanan langkah dan kawalan risiko harian, dalam usaha mengimbangi risiko dan pulangan Kumpulan serta mengekalkan kelebihan daya saingnya.

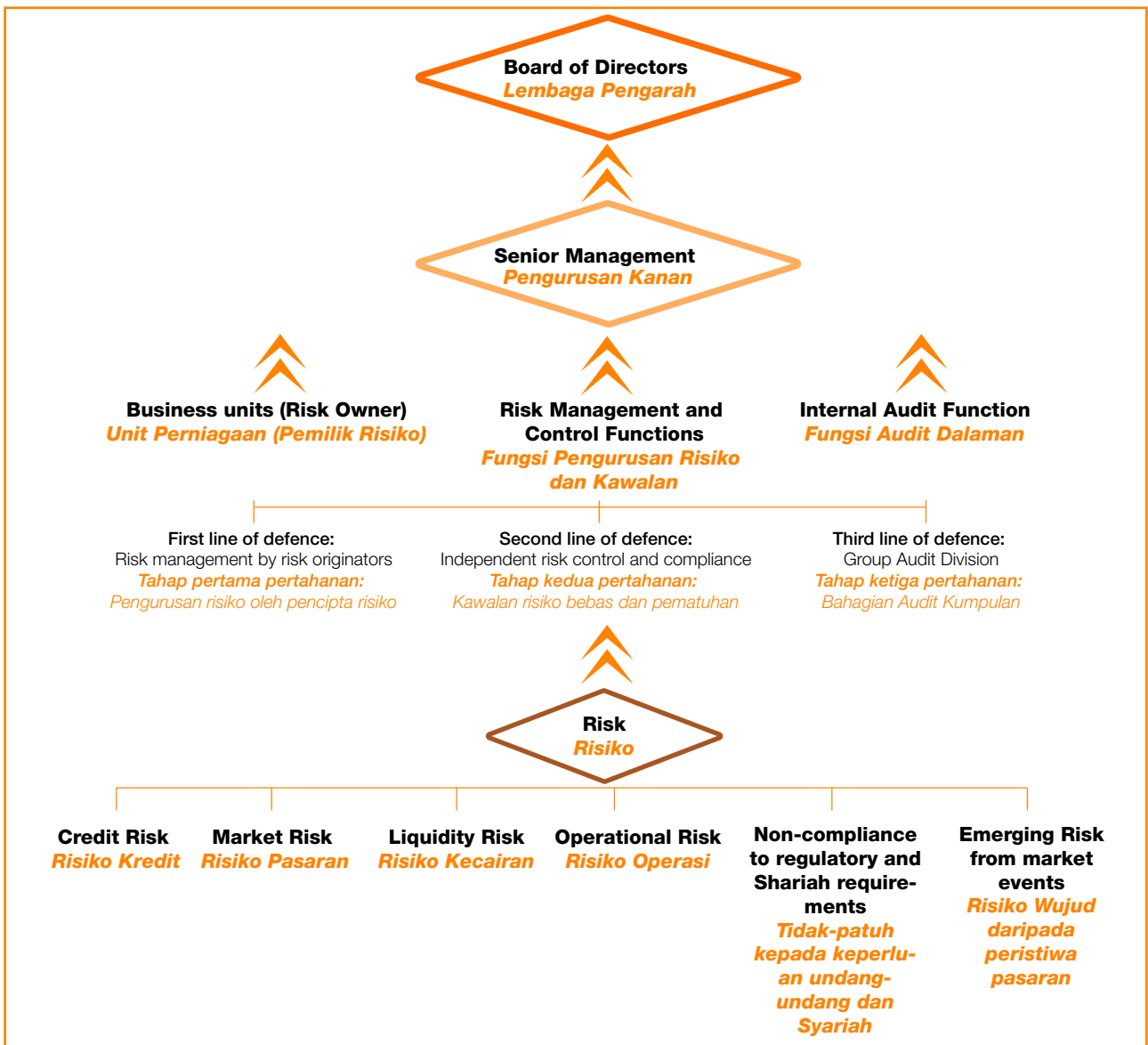
Pengurusan risiko Kumpulan memastikan pelaksanaan pendekatan pengurusan risiko bersepadu dalam unit perniagaan dan sokongan untuk mewujudkan kesedaran risiko, memahami prosedur dan kawalan. Oleh yang demikian, ia meningkatkan keseluruhan persekitaran kawalan. Dalam mewujudkan dan menyemak pengurusan risiko dan sistem kawalan dalaman, kepentingan risiko berkaitan, kemungkinan kerugian yang ditanggung dan kos kawalan telah dipertimbangkan. Di samping itu, Program Latihan Tekanan yang kukuh, yang dijalankan pada asas suku tahun dan/ atau bilamana perlu, diadakan untuk menilai keupayaan Kumpulan untuk terus berfungsi dalam pelbagai keadaan operasi dan pasaran yang tidak baik. Keputusan Ujian Tekanan digunakan untuk menilai tindakan selanjutnya dalam mengurangkan risiko yang wujud serta untuk menentukan tindak balas dasar yang sesuai.

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.

Sejajar dengan aspirasi Kumpulan untuk menjadi Institusi Kewangan Pembangunan berasaskan Syariah, satu garis panduan dalaman telah diwujudkan untuk mengukuhkan pengurusan potensi risiko tidak-patuh Syariah yang timbul daripada aktiviti dan operasi perniagaan. Antara lainnya, fungsi-fungsi utama Semakan Syariah, Risiko Syariah dan Audit Syariah ditadbir oleh peranan dan tanggungjawab yang jelas, yang ditetapkan sejajar dengan Rangka Kerja Tadbir Urus Syariah dan keperluan kawal selia lain.

Untuk menguruskan risiko penipuan yang mungkin berlaku dalam operasi Kumpulan, langkah-langkah anti-penipuan telah ditetapkan bagi menyediakan prinsip dan strategi meluas untuk menggalakkan piawaian integriti yang tinggi. Garis panduan dalaman yang telah ditetapkan termasuk program dan kawalan yang lengkap dan padu untuk menghalang dan bertindak balas terhadap penipuan dan hal-hal berkaitan penipuan dalam cara yang berkesan, cekap dan tepat pada masanya sepertimana ditentukan oleh keperluan kawal selia.



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 and Risk Management Division) perform the role of policy setting which includes the development of relevant tools and methodologies to identify, measure, mitigate and report significant and emerging risks 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.

b) Compliance Function

Group Compliance Department ("GCD") is established to provide oversight on the level of compliance in various risk taking functions in 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, self-assessment programme and training, aimed towards improving the Group's compliance culture.

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. In addition to the self-assessment, GCD also provides advisory, training and engagement session to update and communicate compliance related matters within the Group.

Kumpulan menguruskan rangkaian risiko yang berkaitan dengan operasi perbankannya menerusi Pendekatan Tiga Barisan Pertahanan iaitu fungsi pengambilan risiko (pemilik risiko), fungsi pengurusan dan kawalan risiko (termasuk fungsi pematuhan) dan fungsi audit dalaman. Tahap Pertama Pertahanan melibatkan tanggungjawab pemilik risiko (unit perniagaan dan sokongan) dalam pengurusan risiko harian yang penting dalam pelbagai aktiviti perniagaan dan operasi.

Pada Tahap Kedua, fungsi pengurusan dan kawalan risiko (Bahagian Pengurusan Risiko dan Pematuhan Kumpulan) melaksanakan peranan penetapan dasar yang termasuk pembangunan kaedah berkaitan untuk mengenal pasti, mengukur, mengurangkan dan melaporkan risiko-risiko penting dan yang wujud daripada aktiviti perniagaan dan operasi Kumpulan. Ketiga, fungsi audit dalaman (Bahagian Audit Kumpulan) melengkapi fungsi pengurusan dan kawalan risiko dengan menyemak dan menilai pendedahan ketara terhadap risiko dan menyumbang kepada keseluruhan penambahbaikan sistem pengurusan risiko dan kawalan. Fungsi audit dalaman juga menyediakan, daripada perspektif bebas, penilaian dan jaminannya tentang kecukupan dan keberkesanan dasar dan garis panduan pengurusan risiko sedia ada.

b) Fungsi Pematuhan

Jabatan Pematuhan Kumpulan ("JPK") diwujudkan untuk menyediakan pemantauan ke atas tahap pematuhan dalam pelbagai fungsi pengambilan risiko dalam Kumpulan yang termasuk pematuhan terhadap keperluan operasi, kawal selia dan Syariah. Penilaian ke atas tahap pematuhan seterusnya disokong dengan pengwujudkan Program Pematuhan yang termasuk program dan latihan khidmat nasihat, komunikasi, latihan semakan, dan penilaian diri, yang disasarkan untuk menambah baik budaya pematuhan Kumpulan.

Selain daripada menjalankan semakan pematuhan ke atas bidang-bidang yang dikenal pasti dalam Kumpulan, program penilaian diri terhadap pematuhan juga diwujudkan untuk memastikan bahawa fungsi pengambilan risiko sedar akan keperluan undang-undang dan Syariah, dan oleh yang demikian menambah baik tahap pematuhan dalam Kumpulan. Di samping penilaian diri, JPK juga menyediakan khidmat nasihat, sesi latihan dan penglibatan untuk memberi maklumat terkini dan memaklumkan tentang hal-hal berkaitan pematuhan dalam Kumpulan.

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 processes, system of internal controls and governance processes put in place by the Management are working effectively. The performance of the reviews is based on the annual Audit Plan approved by the AC, which is derived from the annual risk assessment to identify critical areas to be audited. In formulating the audit plan, close reference is made to the relevant Bank Negara Malaysia requirements to ensure regulatory compliance.

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 carries out investigative audits where there are improper and dishonest acts reported / suspected. 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 to provide for the continued availability of the systems to support business operational needs. 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 internal audit reports and make recommendations to further strengthen the risk management system, system of internal controls and governance processes, where necessary. 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 its internal audit processes benchmarked against industry’s standards, upskilling of the internal auditors through various internal and external trainings, certification of auditors and engagements with reputable third party service providers when undertaking specific audit assignments.

c) Fungsi Audit Dalaman

Bahagian Audit Kumpulan (“BAK”) menjalankan semakan berkala ke atas perniagaan dan operasi Kumpulan untuk memberi jaminan bebas kepada Lembaga bahawa proses pengurusan risiko, sistem kawalam dalaman dan tadbir urus yang ditetapkan oleh Pengurusan berfungsi dengan berkesan. Prestasi semakan tersebut adalah berdasarkan Pelan Audit tahunan yang diluluskan oleh Jawatankuasa Audit, yang diperoleh daripada penilaian risiko tahunan untuk mengenal pasti bidang-bidang kritikal untuk diaudit. Dalam merangka pelan audit, rujukan terperinci dibuat terhadap keperluan tertentu Bank Negara Malaysia bagi memastikan pematuhan kawal selia.

Pemerhatian audit ke atas risiko-risiko ketara dan tiada-pematuhan yang memberi kesan kepada Kumpulan berserta cadangan penyelesaian diutarakan, dibincangkan dan disusuli dengan para pihak berkepentingan sehingga resolusi untuk memastikan bahawa kawalan dilaksanakan dengan berkesan untuk mengurangkan risiko itu. BAK menjalankan audit penyiasatan bilamana terdapat perlakuan tidak betul dan tidak jujur dilaporkan/disyaki. Audit ke atas sistem maklumat Kumpulan juga dijalankan untuk memastikan bahawa sumber-sumber pengkomputeran cukup selamat untuk melindungi integriti dan kerahsiaan data, dan terdapat langkah secukupnya untuk melindungi dan menyediakan sistem yang berterusan bagi menyokong keperluan operasi. Jawatankuasa Audit (JA) adalah sub-jawatankuasa Lembaga Pengarah dan dipengerusikan oleh Pengarah Bebas Bukan Eksekutif.

JA bermesyuarat sekurang-kurangnya sekali setiap suku tahun untuk membincangkan laporan audit dalaman dan membuat cadangan untuk mengukuhkan lagi sistem pengurusan risiko, sistem kawalan dalaman dan proses tadbir urus, di mana perlu. Semua keputusan dan cadangan JA dimaklumkan kepada para pihak berkepentingan dan disusuli sehingga akhir. Laporan Pengerusi JA dan Minit mesyuarat JA seterusnya dibentangkan kepada Lembaga Pengarah. BAK terus meningkatkan keupayaannya untuk memastikan bahawa ia boleh menyediakan jaminan yang perlu kepada Lembaga Pengarah dengan lebih cekap dan berkesan. Ini dilakukan melalui penambahbaikan berterusan bagi proses audit dalamannya yang ditanda aras dengan piawai industri, peningkatan kemahiran juruaudit dalaman melalui pelbagai latihan dalaman dan luaran, pensijilan juruaudit dan penglibatan dengan penyedia perkhidmatan pihak ketiga yang mempunyai reputasi apabila menjalankan tugas audit khusus.

d) Other Major Internal Controls

- Other Board Committees are also established to assist the Board to perform its oversight function namely Nomination Committee, Remuneration Committee and Asset Quality Review Committee. Specific responsibilities have been delegated to these Board Committees 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.
- Establishment of the Group's Integrity Pledge Ethics is based on the following principles: observance of laws both in letter and in spirit; upholding the reputation of integrity throughout the Group; avoiding possible conflicts of interest; ensuring completeness and accuracy of relevant records; ensuring fair and equitable treatment of all customers; avoiding misuse of position and information and ensuring confidentiality of information and transactions.

e) Assurance from Management

The Board has also received reasonable assurance from the Covering Chief Executive Officer / Chief Operating Officer – Operations & Group Corporate Management that the Group's risk management and internal control system for the year ended 2017 is operating adequately and effectively, in all material respects, based on the risk management and internal control system of the Group.

d) Kawalan Dalaman Utama Lain

- *Jawatankuasa Lembaga lain juga ditubuhkan untuk membantu Lembaga Pengarah melaksanakan fungsi pemantauannya, iaitu Jawatankuasa Penamaan, Jawatankuasa Imbuan dan Jawatankuasa Semakan Kualiti Aset. Tanggungjawab khusus telah diberikan kepada jawatankuasa-jawatankuasa ini menerusi terma rujukan rasmi.*
- *Lembaga menerima laporan daripada Pengurusan berhubung statistik operasi utama, dinamik perniagaan, hal-hal perundangan dan isu-isu kawal selia. Perancangan perniagaan dan bajet tahunan diserahkan kepada Lembaga untuk kelulusan. Prestasi sebenar disemak berbanding keputusan yang disasarkan secara berkala yang membolehkan tindak balas pada masanya dan tindakan pembetulan diambil untuk mengurangkan risiko. Lembaga juga meluluskan sebarang perubahan atau pindaan kepada dasar-dasar Kumpulan. Kumpulan menguruskan modal insannya melalui proses pengambilan kerja yang teliti, program-program latihan dan sistem penilaian prestasi. Dasar-dasar dan garis panduan yang mencukupi tersedia bagi tujuan pengambilan pekerja, kenaikan pangkat dan penamatan pekerja.*
- *Penetapan Etika Ikrar Integriti Kumpulan adalah berdasarkan prinsip-prinsip berikut: pematuhan undang-undang secara bertulis dan secara rohaniah; menegakkan reputasi integriti di seluruh Kumpulan; mengelakkan kemungkinan konflik kepentingan; memastikan keterangkuman dan ketepatan rekod-rekod yang berkenaan; memastikan layanan saksama dan sama rata kepada semua pelanggan; mengelakkan penyalahgunaan kedudukan dan maklumat dan memastikan kerahsiaan maklumat dan transaksi.*

e) Jaminan daripada Pengurusan

Lembaga juga menerima jaminan munasabah daripada Ketua Pegawai Eksekutif / Ketua Pegawai Operasi – Pengurusan Korporat & Operasi Kumpulan bahawa pengurusan risiko dan sistem kawalan dalaman Kumpulan bagi tahun berakhir 2017 berfungsi dengan secukupnya dan dengan berkesan, dalam semua aspek penting, 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 2017, the AQRC held seven (7) meetings. The composition of the AQRC during the year 2017 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 memantau pengurusan dan memberi hala tuju strategik berhubung kualiti aset Bank.

2. KOMPOSISI, MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2017, JSKA mengadakan tujuh (7) mesyuarat. Komposisi JSKA sepanjang tahun 2017 dan rekod kehadiran Ahli Jawatankuasa pada Mesyuarat JSKA adalah seperti berikut:

NO.	NAME OF DIRECTOR <i>NAMA PENGARAH</i>	DESIGNATION <i>JAWATAN</i>	NO. OF MEETINGS ATTENDED <i>BIL. MESYUARAT DIHADIRI</i>
1.	Dato’ Jamelah Jamaluddin	Chairman / Independent Director <i>Pengerusi /Pengarah Bebas</i>	7/7
2.	Datuk Mohd Radzif Mohd Yunus	Member / Non-Independent Executive Director (tenure ended on 1 July 2017) <i>Ahli / Pengarah Eksekutif Bukan Bebas (tempoh berakhir pada 1 Julai 2017)</i>	3/4*
3.	Encik Muthafa Yusof	Member / Non-Independent Non-Executive Director (appointed on 1 May 2017) (tenure ended on 10 March 2017) <i>Ahli / Pengarah Bukan Eksekutif Bukan Bebas (dilantik pada 1 Mei 2017) (tempoh berakhir pada 10 Mac 2017)</i>	4/4*
4.	Encik Ishak Ismail	Member / Independent Director (tenure ended on 1 February 2018) <i>Ahli / Pengarah Bebas (tempoh berakhir pada 1 Februari 2018)</i>	7/7*
5.	Encik Khairuzzaman Muhammad	Member / Independent Director <i>Ahli / Pengarah Bebas</i>	6/7

* Reflects the number of meetings attended during the time the Director held office in 2017.

* *Mewakili bilangan mesyuarat yang dihadiri semasa Pengarah berkhidmat dalam tahun 2017.*

3. FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the AQRC shall be:

The duties and responsibilities of AQRC include but not limited to the following:

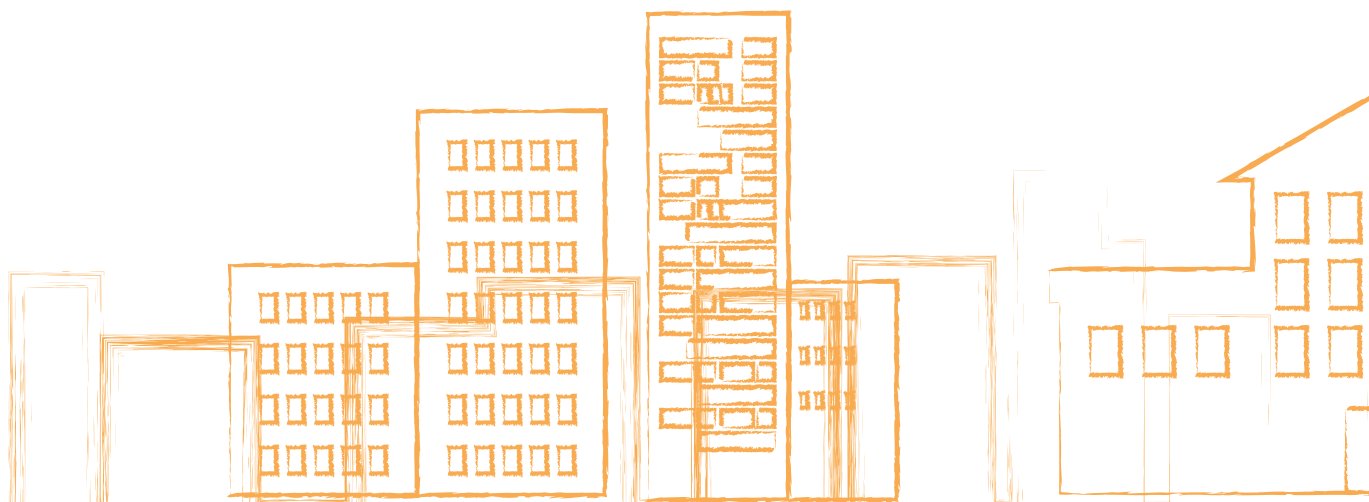
- To determine and provide input on strategic direction to management on delinquent and impaired assets;
- To develop appropriate strategies in managing delinquent and impaired assets and to advice on appropriate recourse related thereto;
- To strategise on ways to improve/increase the financing assets;
- To take a forward view of the possibilities of future trends of impairment and delinquency and to deliberate on related issues; and
- To review the report of impaired accounts of Asset Management Company (AMC) as well as the Interco financing status.

3. FUNGSI DAN TANGGUNGJAWAB

Fungsi dan tanggungjawab JSKA adalah:

Tugas dan tanggungjawab JSKA termasuk, tetapi tidak terhad kepada yang berikut:

- *Untuk menentukan dan memberi pandangan berhubung hala tuju strategik kepada pengurusan tentang aset-aset tertunggak dan dirosot nilai;*
- *Untuk membangunkan strategi-strategi yang sesuai dalam menguruskan aset-aset tertunggak dan dirosot nilai dan untuk menasihati untuk penyelesaian sesuai yang berkaitan;*
- *Untuk merancang secara strategik cara-cara menambah baik/meningkatkan aset-aset pembiayaan;*
- *Untuk mengambil pandangan jauh tentang kemungkinan trend masa depan rosot nilai dan tunggakan bagi isu-isu berkaitan; dan*
- *Untuk menyemak laporan akaun-akaun dirosot nilai bagi Syarikat Pengurusan Aset (AMC) serta status pembiayaan antara syarikat.*



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 organizational structure of the Bank, which includes the 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 2017, 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 2017, the SC held nine (9) meetings. The composition of the SC during the year 2017 and the record of attendance of the Committee Members at the SC Meetings are as follows:

NO. BIL.	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 <i>Pengerusi</i>	9/9
2.	Dr. Asmak Ab Rahman	Member <i>Ahli</i>	9/9
3.	Prof. Dr. Norhashimah Mohd Yasin	Member <i>Ahli</i>	9/9
4.	Tuan Haji Jalil Haji Said	Member <i>Ahli</i>	9/9
5.	Dr. Yusof Ramli	Member <i>Ahli</i> (tenure ended on 1 January 2018) <i>(tempoh berakhir pada 1 Januari 2018)</i>	7/9*
6.	Dr. Marjan Muhammad	Member <i>Ahli</i> (appointed on 1 June 2017) <i>(dilantik pada 1 Jun 2017)</i>	5/5
7.	Dr. Tajul Aris Ahmad Bustami	Member <i>Ahli</i> (appointed on 15 February 2018) <i>(dilantik pada 15 Februari 2018)</i>	0/0

* Reflects the number of meetings attended during the time the Shariah Committee Member held office in 2017.

* *Mewakili bilangan mesyuarat yang dihadiri semasa Ahli Jawatankuasa Syariah berkhidmat dalam tahun 2017.*

3. FUNCTIONS AND RESPONSIBILITIES

- The main role and function of the Committee is to advise and supervise the Islamic Banking Business. The Committee would also review and approve Shariah Compliance Review & Shariah Audit to be conducted.
- The Committee oversees the state of Shariah Governance of the Bank’s Islamic Banking activities. The Committee should accord itself a high level of integrity that commands confidence of all in order to effectively discharge its role.

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 (“JS”) sejajar dengan keperluan Seksyen 30(1) Akta Perkhidmatan Kewangan Islam (APKI 2013).

1. KOMPOSISI

Pada 31 Disember 2017, 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 Islami (“Usul al-Fiqh”) dan Undang-undang Komersial Islam (“Fiqh al-Muamalat”).

2. KOMPOSISI, MESYUARAT DAN KEHADIRAN

Sepanjang tahun kewangan berakhir 31 Disember 2017, JS mengadakan sembilan (9) mesyuarat. Komposisi JS sepanjang tahun 2017 dan rekod kehadiran Ahli Jawatankuasa pada Mesyuarat JS adalah seperti berikut:

3. FUNGSI DAN TANGGUNGJAWAB

- Peranan dan fungsi utama Jawatankuasa adalah untuk menasihati dan mengawal selia Perniagaan Perbankan Islam. Jawatankuasa juga akan menyemak dan meluluskan Semakan Pematuhan Syariah & Audit Syariah untuk dijalankan.*
- Jawatankuasa memantau kedudukan Tadbir Urus Syariah bagi aktiviti-aktiviti Perbankan Islam Bank. Jawatankuasa perlu memastikan tahap integriti yang tinggi yang mendatangkan keyakinan semua pihak untuk melaksanakan peranannya dengan berkesan.*

4. DUTIES AND RESPONSIBILITIES

The following are the main duties and responsibilities of the Shariah Committee:

- 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 to the Shariah principles.
- Be well informed of the latest developments in Islamic Banking Business, regulatory changes affecting the Bank's business, the rulings made by the SAC and the changes in the latest Shariah research, ijthad, fatwas or findings.
- Advise the Bank to refer to the Shariah Advisory Council ("SAC") of BNM on any Shariah matter that requires the SAC's endorsement.
- 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.
- To review and recommend the policies and guidelines to allow the Shariah Unit of the Bank to process and decide on submissions from divisions in the Bank.
- To review Shariah Risk Management Framework that being supported by various tools such as Shariah Compliance Review and Shariah Audit functions of the Bank.
- 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.
- Ensure high standard in arriving at Shariah decision through proper and comprehensive Shariah ruling.
- Review and respond to proposals submitted seven (7) days after the proposals have been circulated via SC Circular Resolution.
- Portray professionalism in the best manner to reflect the integrity of the Committee.
- Ensure attending at least 75% of all the meetings held in a year.

4. TUGAS DAN TANGGUNGJAWAB

Berikut adalah tugas dan tanggungjawab utama Jawatankuasa Syariah:

- *Memberi nasihat kepada Lembaga Pengarah dan/atau Pengurusan Bank berhubung hal-hal Syariah untuk memastikan bahawa Perniagaan Perbankan Islam Bank mematuhi prinsip-prinsip Syariah pada setiap masa.*
- *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, ijthad, fatwa atau penemuan.*
- *Menasihati Bank agar merujuk kepada MPS Bank Negara Malaysia tentang sebarang hal Syariah yang memerlukan kelulusan MPS.*
- *Untuk menyemal 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.*
- *Untuk menyemak dan mencadangkan dasar dan garis panduan bagi membolehkan Unit Syariah Bank memproses dan membuat keputusan tentang penyerahan daripada bahagian-bahagian dalam Bank.*
- *Untuk menyemak Rangka Kerja Pengurusan Risiko Syariah yang disokong oleh pelbagai kaedah seperti Semakan Pematuhan Syariah dan Audit Syariah Bank.*
- *Ahli-ahli Jawatankuasa diharapkan agar melibatkan diri secara aktif dalam membincangkan isu-isu Syariah yang dibentangkan. Jawatankuasa perlu membuat penglibatan aktif dengan menghadiri mesyuarat, menilai laporan, membaca minit mesyuarat, dan tugas lain sebagaimana diamanahkan.*
- *Memastikan piawaian tinggi dalam mencapai keputusan Syariah melalui perintah Syariah yang betul dan lengkap.*
- *Menyemak dan memberi respon terhadap cadangan yang diserahkan tujuh (7) hari selepas cadangan tersebut diedarkan melalui Resolusi Pekeliling JS.*
- *Mempamerkan profesionalisme dalam cara terbaik sebagai mencerminkan integriti Jawatankuasa.*
- *Memastikan sekurang-kurangnya 75% kehadiran pada semua mesyuarat yang diadakan dalam tahun itu.*

Our Sustainability Journey

Perjalanan Kemampanan Kami

Stakeholders' Engagement	<i>Hubungan Pihak Berkepentingan</i>
Economic	<i>Ekonomi</i>
Environment	<i>Alam Sekitar</i>
Social	<i>Sosial</i>
Governance & Compliance	<i>Tadbir Urus & Pematuhan</i>





Stakeholders' Engagement

Hubungan Pihak Berkepentingan

SME Bank's concept of sustainability was developed in response to stakeholder demands. One of the key mechanisms for engaging stakeholders is sustainability disclosure. Our sustainability reporting thus aims at engaging stakeholders as we recognise stakeholder engagement's contribution to corporate sustainability value creation.

We 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 its multiple stakeholders. The close engagement with our stakeholders improves the acceptance of sustainability initiatives both in terms of building trust and managing expectations.

THE BEST INTEREST OF STAKEHOLDERS

Our stakeholders are broad and wide-reaching, bringing diverse views to the way we operate. Understanding these stakeholders and their interests is important to meaningful engagement.

In 2017, we continued with the advance 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 (3) significant impacts on the economy, environment and society, which are also three (3) of the GRI dimensions in achieving the goal of sustainable development.

Konsep kemampanan SME Bank telah dibentuk bagi memenuhi permintaan pihak berkepentingan. Antara mekanisme utama melibatkan pihak berkepentingan ialah pendedahan kemampanan. Oleh yang demikian, pelaporan kemampanan kami bertujuan melibatkan pihak berkepentingan kerana kami mengiktiraf sumbangan penglibatan pihak berkepentingan terhadap penciptaan nilai kemampanan korporat.

Perhatian kami ditumpukan kepada kebergantungan berbeza pihak berkepentingan dari sudut ekonomi, persekitaran, dan sosial; yang mendorong ke arah penglibatan pihak berkepentingan sewajarnya. Kemampanan korporat kami bergantung kepada perhubungan mampan antara Bank dan pelbagai pihak berkepentingan. Penglibatan akrab dengan pihak berkepentingan meneguhkan penerimaan inisiatif kemampanan, baik dari segi membina kepercayaan dan juga mengurus jangkaan.

MEMENTINGKAN PIHAK BERKEPENTINGAN

Para pihak berkepentingan kami adalah meluas, meliputi pelbagai lapisan yang membawa pelbagai pandangan mengenai cara kami mengendalikan operasi. Justeru, adalah penting untuk memahami setiap pihak berkepentingan ini dan kepentingan mereka untuk menghasilkan penglibatan yang bermakna.

Pada 2017, kami meneruskan usaha dengan mengeratkan lagi pelbagai hubungan pihak berkepentingan demi melaksanakan strategi penglibatan yang bijaksana, responsif dan terangkum. Kami akui bahawa kepelbagaian wujud dalam pendedahan kemampanan dengan mengkaji cara kepelbagaian tersebut dimanfaatkan untuk melibatkan pihak berkepentingan. Penglibatan kami dengan pihak berkepentingan menyumbang ke arah tiga (3) impak signifikan terhadap ekonomi, persekitaran dan masyarakat, yang juga merupakan tiga (3) dimensi GRI dalam mencapai matlamat pembangunan mampan.

The Bank's stakeholder engagements are encompassed in the seven (7) key stakeholder groups:

Bank merangkumi tujuh (7) kumpulan pihak berkepentingan utama:

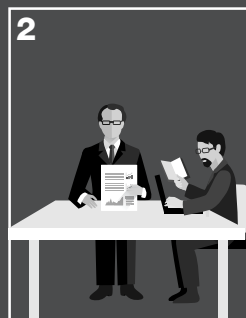
EMPLOYEES

PEKERJA



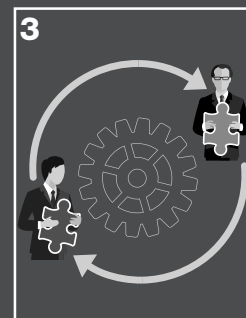
CUSTOMERS

PELANGGAN



INVESTMENT COMMUNITY

KOMUNITI PELABURAN





SUPPLY CHAIN PARTNERS
RAKAN RANTAIAN BEKALAN



GOVERNMENT/ REGULATORS
KERAJAAN/ PENGAWAL SELIA



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



LOCAL COMMUNITIES
MASYARAKAT SETEMPAT



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 an 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.

HUBUNGAN DENGAN PEKERJA

Hubungan erat dengan pekerja sebagai pihak berkepentingan dalam membolehkan kami memanfaatkan tenaga dan kreativiti mereka. Faktor ini menguntungkan, lebih-lebih lagi apabila kami mendapat sokongan/belian semula pekerja melalui penghasilan bersama imej masa depan, dan penerimaan yang kian meningkat terhadap keputusan Bank. Selain itu, kami semakin mendapat kepercayaan dan meningkatkan 'modal sosial' yang lebih menjamin; memperbaiki hubungan yang lebih erat yang membentuk asas untuk mengatasi cabaran masa depan.

Promotes a culture of commitment, accountability, empowerment and result oriented amongst our employees, while at the same time feeling safe at work.

Menggalakkan budaya komitmen, kebertanggungjawaban, pemerksaan dan tertumpu kepada hasil di kalangan pekerja kami, di samping berasa selamat di tempat kerja.

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

Kami akui bahawa hubungan pekerja adalah faktor penting dalam usaha untuk meningkatkan produktiviti, melaksanakan strategi perniagaan, menambah baik prestasi syarikat dan membentuk peranan dalam syarikat. Dalam hal ini, pelbagai program dan aktiviti telah dilaksanakan sepanjang tahun, termasuk antaranya: Konvensyen Pemimpin, Sesi Bersama Pengarah Urusan Kumpulan, Sesi Bersama GTP (Program Latihan Graduan), Hari Sukan SME Bank, Sesi Teh Tarik bersama Pengarah.

ENGAGEMENT WITH CUSTOMERS

Our commitment to customers 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.

HUBUNGAN DENGAN PELANGGAN

Komitmen kami terhadap pelanggan menjangkau kepada cara penzahiran perkhidmatan dan gaya kami bertindak balas terhadap keperluan pelanggan yang berubah. Melalui penglibatan sebegini, kami berupaya untuk mendalami kehendak pelanggan dan ini memberi gambaran yang lebih terperinci untuk memacu perubahan dalam strategi perniagaan kami. Kejayaan usaha penglibatan kami di bahagian ini akan ditentukan oleh keupayaan syarikat menyokong pelanggan dalam pilihan mereka, yang dibuat untuk lebih memenuhi keperluan mereka. Bagi mencapai matlamat ini, SME Bank perlu terus menambah baik usaha penglibatan dengan pelanggan dan gaya syarikat menggabungkan pandangan pemegang amanah ke dalam usaha merancang rangkaian masa depan.





Support our customers through our services as well as through responding to their feedback while constantly improving our customer service levels.

Menyokong pelanggan melalui perkhidmatan yang ditawarkan dan juga memberi respons terhadap maklum balas mereka, dan pada waktu yang sama sentiasa menambah baik tahap perkhidmatan pelanggan.

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.

In 2017, the Bank has established a new customer contact centre system to improve our interaction and provide better services to customers. We have also established the Customer Relationship Management (CRM) Helpdesk to replace the e-mail 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, responded timely for customer satisfaction.

Jabatan Pengurusan Khidmat Pelanggan kami memastikan agar “Strategi Mengutamakan Pelanggan” dan janji 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.

Pada 2017, Bank telah membentuk sistem pusat perhubungan pelanggan yang baharu untuk menambah baik interaksi kami dan menawarkan perkhidmatan yang lebih berkualiti kepada pelanggan. Kami juga telah mewujudkan Meja Bantuan Pengurusan Perhubungan Pelanggan (PPP) yang menggantikan segala bentuk komunikasi melalui emel antara Jabatan Pengurusan Khidmat Pelanggan dan jabatan lain di dalam Bank, dan memastikan bahawa semua respons dan kedudukan maklum balas, aduan, cadangan mahupun rayuan dipantau, disahkan, dijawab tepat pada masanya, agar pelanggan berpuas hati.



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 Department will continue to be the contact point for answering all customers' enquiries and to help them with any concern on our products and services via the Contact Centre (03-26037700) which operates during office hours from 8.30 am -5.30 pm, or via email (customer@smebank.com.my).

2017 SME Bank Meet Customer Day

Our approach to customer engagement is designed to ensure that we make better, 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 2017 aimed at providing advisory and assistance and promoting the Bank's services. The objectives of the programme are to:-

- promote a customer-centric culture;
- create customer-friendly services;
- provide the platform for SME customers and the general public to obtain direct information; and
- address any concerns and issues related to their existing financing.

The programme was held from 2 August to 22 August 2017 at 12 Enterprise Centres nationwide with a total turnout of 960 people. Overall, the business consultation in the clinic sessions were conducted with professionalism and the customers were well entertained. Most of the customers gave good feedback and recommended some ways for improvement in financing process and service delivery by the Bank.

Jabatan Bank 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 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 Perhubungan di talian 03-26037700, yang beroperasi setiap hari waktu pejabat bermula dari jam 8.30 pagi sehingga 5.30 pagi, atau melalui emel (customer@smebank.com.my).

Hari Bertemu Pelanggan SME Bank 2017

Pendekatan yang kami gunakan dalam penglibatan pelanggan dirangka untuk memastikan bahawa kami membuat keputusan yang lebih mantap dan mampan, melalui proses yang menimbulkan keyakinan dan kewibawaan.

Hari Bertemu Pelanggan SME Bank merupakan sebahagian daripada aktiviti dalam program Pengurusan Khidmat Pelanggan untuk 2017 yang bertujuan menawarkan khidmat nasihat dan bantuan serta mempromosi perkhidmatan Bank ini. Matlamat program tersebut adalah untuk:-

- menggalakkan budaya mengutamakan pelanggan;
- mewujudkan khidmat mesra pelanggan;
- menawarkan platform untuk pelanggan SME dan orang awam mendapatkan maklumat secara langsung; dan
- menangani sebarang kebimbangan dan masalah berkaitan pembiayaan sedia ada mereka.

Program tersebut telah dijalankan dari 2 Ogos sehingga 22 Ogos 2017 di 12 Pusat Enterpris di seluruh negara, dengan jumlah kehadiran seramai 960 orang. Secara keseluruhannya, perundingan perniagaan dalam klinik tersebut telah dijalankan secara profesional dan menghiburkan. Kebanyakan pelanggan memberi maklum balas yang positif dan menyarankan beberapa cara penambahbaikan dalam proses pembiayaan dan penzahiran perkhidmatan oleh Bank.



2017 SME Bank Focus Group Session

The Focus Group session is another of our efforts in engaging with the customers. As part of the programmes under the Customer Service Holistic Approach for 2017, the session was intended to serve as an avenue to build rapport with the Bank's selected customers. Its objectives are to:-

- identify issues faced by entrepreneurs;
- gain feedback on the impact of SME Bank's contribution to business;
- identify the entrepreneurs' future strategic planning; and
- close the gap between customer engagement and experience which eventually enhances customers satisfaction.

Held from 2 August to 22 August 2017 at 12 Enterprise Centres nationwide, 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.



2017 MindLabs Series

Following the Focus Group session, we conducted the MindLabs Series which is a knowledge/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.

Conducted with the collaboration between Customer Service Management, The Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR), and Business Banking Division, the programme centred on the pressing needs and feedback received during the Focus Group session.

Sesi Kelompok Sasaran SME Bank 2017

Sesi Kelompok Sasaran merupakan satu lagi usaha kami untuk berurusan dengan pelanggan. Sebagai sebahagian daripada program di bawah Pendekatan Holistik Khidmat Pelanggan untuk 2017, sesi tersebut bertujuan untuk menjadi saluran membina hubungan dengan pelanggan Bank yang terpilih. Matlamatnya adalah untuk:-

- *mengenal pasti masalah yang dihadapi oleh usahawan;*
- *mendapat maklum balas mengenai kesan sumbangan SME Bank terhadap perniagaan;*
- *mengenal pasti pelan strategik masa depan usahawan; dan*
- *merapatkan jurang antara penglibatan pelanggan dan pengalaman mereka, yang mana akhirnya akan meningkatkan kepuasan pelanggan.*

Program yang telah dijalankan dari 2 Ogos sehingga 22 Ogos 2017 di 12 Pusat Enterpris seluruh negara itu telah mendapat respons yang positif, dan tertumpu kepada menjalin 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 mampan dan perkongsian pintar dengan para pelanggan.



Siri MindLabs 2017

Setelah menjalankan sesi Kelompok Sasaran, kami seterusnya menjalankan Siri MindLabs iaitu program berkongsi pengetahuan/pengalaman, untuk menyemai sikap berdaya saing dengan pemikiran positif dan berpandangan luas dalam kalangan usahawan. Program ini juga bertujuan mendedahkan peserta dengan pengetahuan, kemahiran dan keyakinan dalam mengurus dan meningkatkan kekayaan mereka.

Program yang dijalankan dengan kerjasama antara Pengurusan Khidmat Pelanggan, Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR), dan Bahagian Perbankan Perniagaan ini tertumpu kepada perkara-perkara penting serta maklum balas yang diterima ketika sesi kelompok sasaran tersebut.

The MindLabs Series discussed topics that include petrol station business, conducted on 26 October 2017, to learn the crafts of how to survive in the current challenging business environment and competing business cultures, diverging values and challenging landscape. Another session on “e-Commerce Reshaping the Retailing Business” was held on 6 December 2017 in collaboration with Malaysia Digital Economy Corporation (MDEC) to ascertain the potential of e-Commerce as a game changer in taking the leap forward for wholesale and retail businesses.

Siri MindLabs yang membincangkan topik-topik termasuk perniagaan stesen minyak, telah diadakan pada 26 Oktober 2017, untuk mempelajari teknik untuk bertahan dalam persekitaran perniagaan semasa yang mencabar dan budaya perniagaan bersaing, nilai yang tersasar dan lanskap yang mencabar. Satu lagi sesi tentang “e-Commerce Reshaping the Retailing Business” (e-Dagang Mengubah Bentuk Perniagaan Runcit) telah diadakan pada 6 Disember 2017, dengan kerjasama Perbadanan Ekonomi Digital Malaysia (MDEC) untuk memastikan keupayaan eDagang sebagai pembawa perubahan dalam lonjakan ke hadapan untuk perniagaan borong dan perniagaan runcit.

CUSTOMER MEET DAY AND FOCUS GROUP SESSION FOR 2017 2 - 22 AUGUST 2017 HARI BERTEMU PELANGGAN DAN SESI KELOMPOK SASARAN 2017 2 - 22 OGOS 2017



Kajang



Kuala Lumpur



Melaka & Batu Pahat



Kangar & Alor Setar



Seberang Jaya



Kuantan



Kota Bharu



Kuala Terengganu



Tawau & Kuching

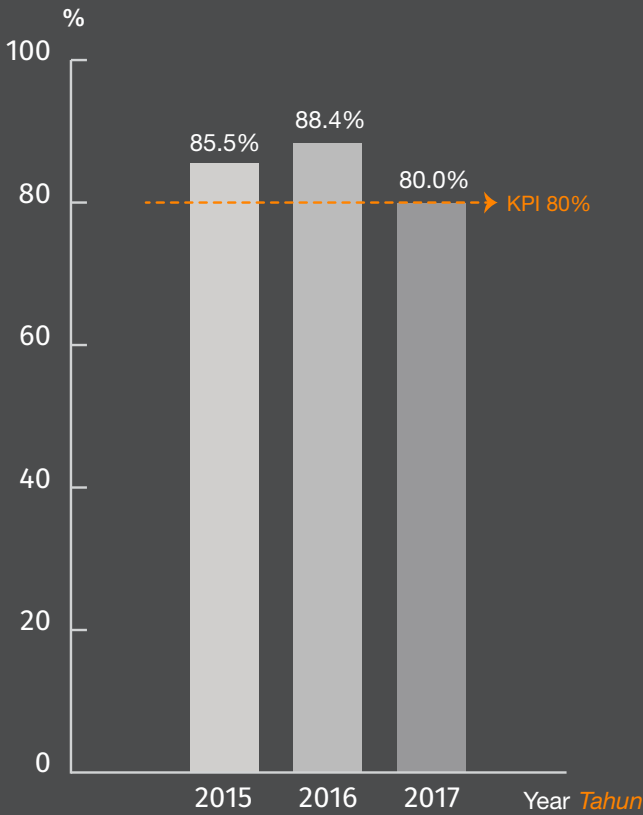
KEY BENEFITS FROM THE PROGRAMME

FAEDAH UTAMA PROGRAM

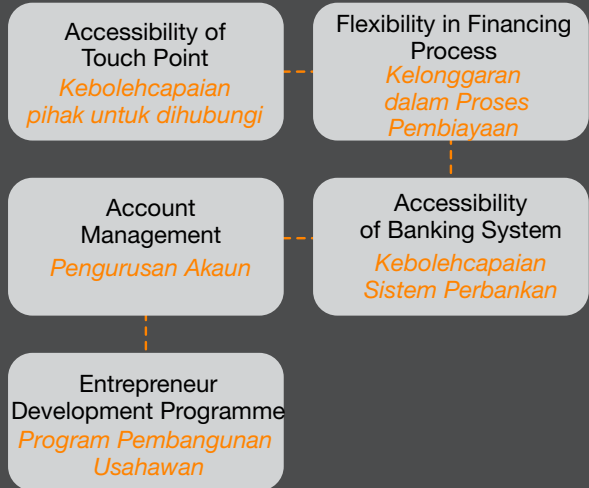
- Improved shared understanding of network challenges and customers concerns
Pemahaman bersama yang lebih kukuh tentang cabaran rangkaian dan kebimbangan pelanggan
- Greater customer involvement in the process to improve service delivery
Penglibatan pelanggan yang lebih giat dalam proses menambah baik penzahiran perkhidmatan
- Improve the efficiency of customer service delivery towards understanding our customer's need
Manambah baik kecekapan penzahiran khidmat pelanggan ke arah memahami keperluan pelanggan
- Ensuring the opinions and needs of customers are known and understood
Memastikan pendapat dan keperluan pelanggan diketahui dan difahami
- Recognizing the importance of sustainability of decisions which support affordability, reliability and choice
Menyedari kepentingan kemampanan keputusan yang menyokong kemampuan, kebolehpercayaan dan pilihan
- More targeted programmes and future plans that better reflect customer preferences
Lebih banyak program sasaran dan pelan masa depan yang berupaya menggambarkan pilihan pelanggan dengan lebih baik
- Continue efforts to improve on customer service delivery holistic approach
Meneruskan usaha menambah baik pendekatan holistik penzahiran khidmat pelanggan



Customer Satisfaction Index
Indeks Kepuasan Pelanggan 2017

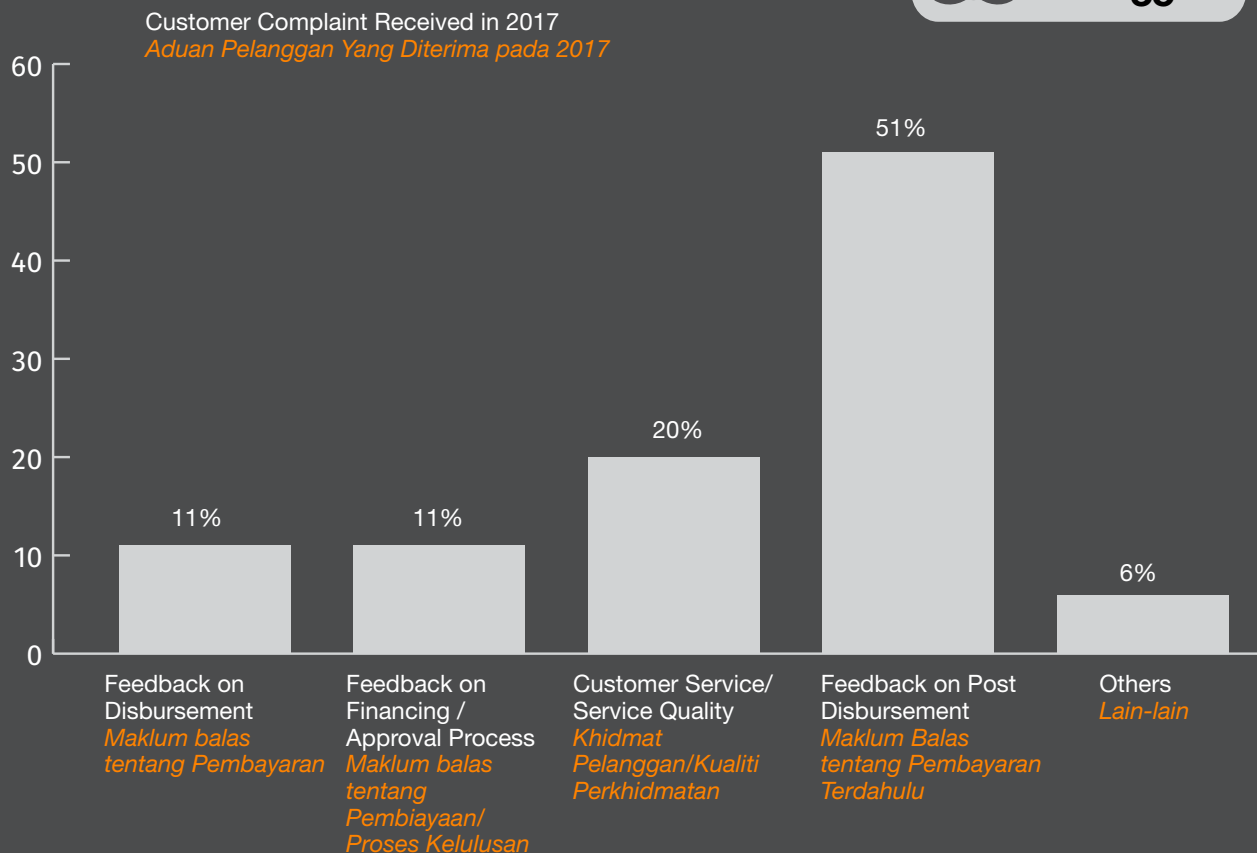


Customer Satisfaction Survey
Feedback - Areas For Improvement
Maklum balas Tinjauan Kepuasan Pelanggan -Bidang yang perlu diperbaiki



2017 CUSTOMER COMPLAINT HANDLING PENGENDALIAN ADUAN PELANGGAN 2017

Total Complaint Cases :
Jumlah Kes Aduan:
35



SME Bank XCESS 2017

Furthering our efforts in engaging with the customers, made up mainly of SME entrepreneurs, we continued with our annual flagship programme. SME Bank XCESS remains our dedicated engagement and Outreach Programme to help resolve issues related to access to financing faced by SME entrepreneurs who have been operating for a minimum of two (2) years.

SME Bank XCESS allows us to reach out to SME entrepreneurs directly, which is also an avenue for us to introduce and promote SME Bank's financing and non-financing facilities to customers. In addition, we also conducted a series of SME Bank Mini XCESS and engagement sessions at our regional locations nationwide.

During the year, we conducted six (6) sessions SME Bank XCESS from January to April 2017 in Selangor, Johor, Kelantan, Perak, Sabah and Sarawak. From end April to October 2017, we conducted seven (7) SME Bank Engagement Sessions in Negeri Sembilan, Penang, Kuala Lumpur, Pahang, Johor, Selangor, Sarawak and Sabah.

SME Bank XCESS 2017

Sebagai usaha kami yang seterusnya untuk melibatkan pelanggan, yang terutamanya terdiri daripada usahawan PKS, kami menyambung program tahunan kami. SME Bank XCESS terus menjadi Program Outreach dan capaian untuk menyelesaikan masalah berkaitan akses kepada pembiayaan yang dihadapi oleh usahawan PKS yang telah beroperasi sekurang-kurangnya dua (2) tahun.

SME Bank XCESS membolehkan kami mendekati usahawan PKS secara langsung, juga membuka jalan untuk kami memperkenalkan dan mempromosi kemudahan pembiayaan dan bukan pembiayaan SME Bank kepada pelanggan. Selain itu, kami juga menjalankan satu siri sesi Mini XCESS SME Bank dan sesi penglibatan di lokasi serantau di seluruh negara.

Sepanjang tahun tersebut, kami menjalankan enam (6) sesi SME Bank XCESS dari Januari hingga ke April 2017 di Selangor, Johor, Kelantan, Perak, Sabah dan Sarawak. Mulai penghujung April sehingga Oktober 2017, kami telah menjalankan tujuh (7) Sesi Jalinan Hubungan SME Bank di Negeri Sembilan, Pulau Pinang, Kuala Lumpur, Pahang, Johor, Selangor, Sarawak dan Sabah.

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, and creates open communication and aligned interests where possible.

HUBUNGAN DENGAN KOMUNITI PELABURAN

Komuniti pelaburan penting untuk kejayaan kemampuan Bank. Penglibatan kumpulan pihak berkepentingan pelabur menawarkan 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 kami bergantung kepada pelbagai faktor. Ini mengakibatkan terjalannya perkongsian, yang mewujudkan komunikasi terbuka dan penyelarasan kepentingan yang sewajarnya.

Generate a positive effect on the long-term growth of our investment community through engaging in non-financial risks and market disclosure obligations.

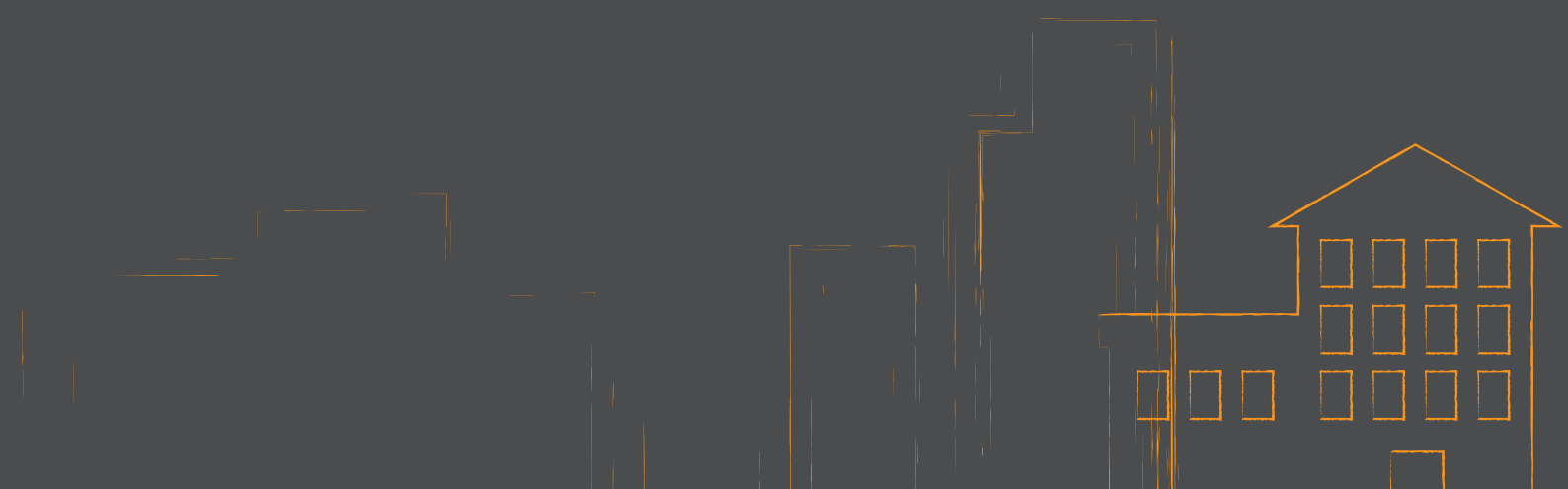
Menghasilkan kesan positif pada pertumbuhan jangka panjang komuniti pelaburan kami ini melalui amalan risiko bukan kewangan dan kewajipan pendedahan pasaran.

SME Bank reaffirms both our vision to become a full-fledged specialised financial institution and to set an international benchmark for nurturing SME excellence to catalyse SME growth. To achieve this, we continue engaging our investing public through various engagement programmes.

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 the Bank undertakes.

SME Bank menegaskan sekali lagi bahawa kedua-dua visi kami adalah untuk menjadi institusi kewangan khusus yang lengkap dan bagi menetapkan tanda aras antarabangsa dalam memupuk kecemerlangan PKS untuk memacu pertumbuhan PKS. Untuk mencapai matlamat ini, usaha penglibatan ini mengukuhkan lagi bahawa proses dan amalan perniagaan SME Bank adalah didorong oleh pelabur.

Penglibatan secara menyeluruh dengan komuniti pelaburan dan pelaksanaan Program Outreach tertentu untuk kumpulan pihak berkepentingan ini merupakan aspek inovatif yang menyokong pengurusan jangkaan dan mewujudkan pemilikan kukuh program yang dilaksanakan oleh pihak Bank. Program jalinan hubungan ini wajar diteruskan bagi memastikan usaha yang digambarkan secara langsung menyokong aktiviti Bank.





ENGAGEMENT WITH SUPPLY CHAIN PARTNERS

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.

HUBUNGAN DENGAN RAKAN KONGSI RANTAIAN BEKALAN

Kami komited untuk memenuhi keperluan pihak berkepentingan dengan memastikan bahawa harapan mereka tercapai. Proses rantai bekalan tidak berlaku dalam ruang tertutup, tetapi memerlukan penerapan semangat dan komitmen, yang diperhebatkan dengan pelbagai kaedah pemakluman dan ketelusan. Kunci untuk memanfaatkan proses ini secara efektif memerlukan kesungguhan kemahiran mengkaji dan ketepatan naluri untuk berurusan dengan rakan kongsi rantai bekalan dan bekerjasama dengan mereka untuk memahami jangkaan mereka dalam menjamin kejayaan. Ini memudahkan pengurusan proses yang memaksimumkan input positif pihak berkepentingan dan mengurangkan sebarang kesan kerugian yang mungkin wujud.

Promote a transparent supply chain process and prioritise locals to help boost the nation's economy.

Menggalakkan proses rantai bekalan yang telus dan mengutamakan warga tempatan untuk merencanakan ekonomi negara.

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.

Hubungan dengan rakan kongsi rantai 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.



Our work is carried out via seven (7) geographically organised regional centres throughout the country. They are complemented by enterprise centres, urban transformation centres and business centres. In total, we have 30 branches serving more than 16,114.

Kami melaksanakan usaha merentasi sempadan negeri di tujuh (7) pusat wilayah di seluruh negara. Pusat serantau ini dilengkapi pusat enterpris, pusat transformasi bandar dan pusat perniagaan. Kami mempunyai sejumlah 30 cawangan yang menawarkan perkhidmatan lebih daripada 16,114 pelanggan.

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.

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 penglibatan dengan kerajaan dan badan kawal selia, dan elemen utama penambahbaikan ini adalah penilaian prestasi bank. Kami komited untuk mengkaji semula polisi syarikat, sama ada operasi dijalankan secara berkesan dan memenuhi jangkaan kami dan juga para pihak berkepentingan, iaitu pihak kerajaan dan badan pengawal selia.

To ensure that our operations adhere to stringent government regulations by implementing policy decisions and other governmental announcements at all levels.

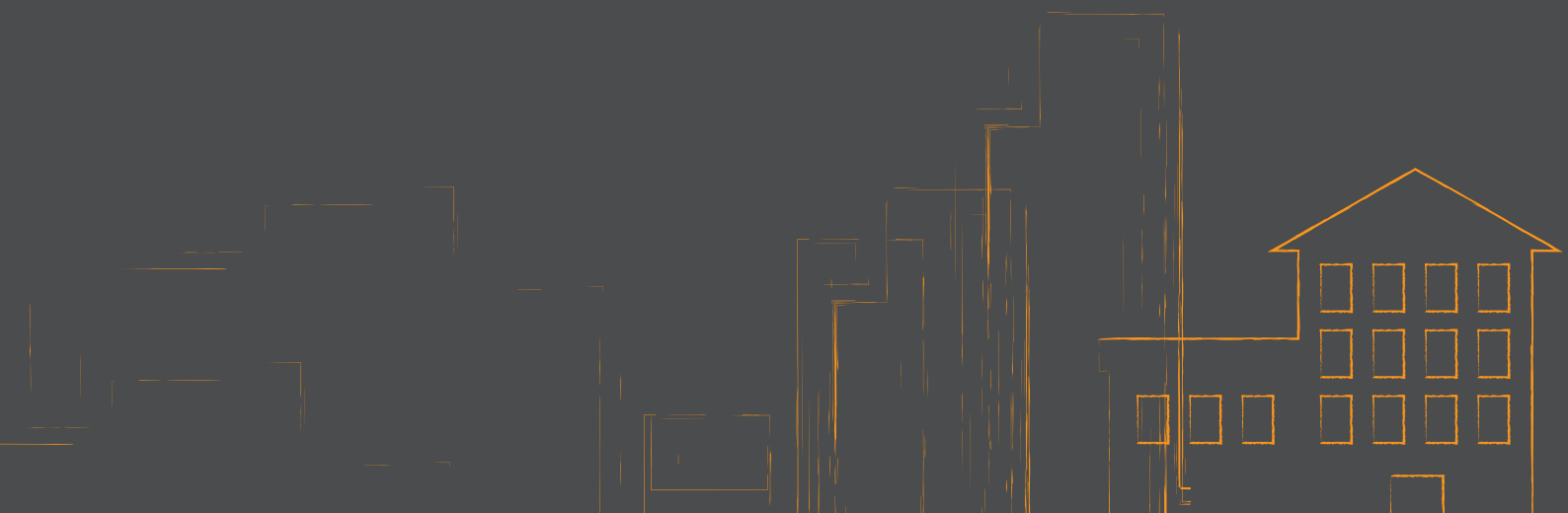
Untuk memastikan bahawa operasi syarikat mematuhi peraturan ketat kerajaan dengan melaksanakan keputusan polisi dan pengumuman kerajaan yang lain di semua peringkat.

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 2017, 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.

Dalam kami membantu menzahirkan visi Kerajaan memacu pertumbuhan PKS, kami terus bekerjasama dengan Kerajaan dan badan pengawal selia. Pada 2017, kami telah menyertai pameran, ceramah perniagaan serta ceramah kerjaya dan motivasi anjuran agensi Kerajaan Negeri dan Kerajaan Persekutuan. Kami juga telah mengambil bahagian dalam pelbagai majlis anjuran Kerajaan.

These efforts gave us the opportunity for more thorough understandings of stakeholder goals and priorities, and strategically reaching out to provide regulators with information relevant to their expectations.

Usaha-usaha sebegini telah membuka peluang untuk kami memahami secara lebih mendalam tentang matlamat dan keutamaan pihak berkepentingan, dan mendekati kumpulan pengawal selia secara strategik untuk berkongsi maklumat berkenaan harapan mereka.



ENGAGEMENT WITH NON-GOVERNMENT ORGANISATIONS (NGO)

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 including Islamic Relief Malaysia (IRM) and Syria Care.

HUBUNGAN DENGAN PERTUBUHAN BUKAN KERAJAAN (NGO)

Hubungan dengan Pertubuhan 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 termasuk Islamic Relief Malaysia (IRM) dan Syria Care.

To understand their causes and find constructive ways to work together to deliver mutually beneficial outcome.

Untuk memahami punca dan mencari cara terbaik untuk bekerjasama demi hasil yang memberi manfaat bersama.

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. In addition, comments are solicited formally through the Focus Group Session.

ENGAGEMENT WITH LOCAL COMMUNITIES

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 costly delays. 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.

Hubungan dengan Pertubuhan Bukan Kerajaan (NGO) memberi pandangan yang bernilai dalam usaha kami meneruskan misi membangunkan PKS sebagai pemangkin 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 maklumbalas secara rasmi melalui Sesi Kelompok Sasaran.

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



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.

Untuk menzahirkan perubahan mampan dan positif dalam masyarakat dengan mengambil bahagian dalam dialog yang telus dan bertanggungjawab serta memastikan keberkesanan inisiatif Tanggungjawab Korporat.

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.

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

Membina pertalian di atas hubungan sedia ada dengan masyarakat dan pertumbuhan tempatan merupakan komponen utama usaha hubungan berkesan kami sepanjang tahun.

Economic *Ekonomi*

STRIKING A BALANCE BETWEEN ECONOMIC GROWTH AND SUSTAINABILITY

The operating environment during the last financial year was better than the preceding period. Malaysia posted the strongest economic growth of 5.9% since 2014, fuelled by rising exports and higher private consumption and investment, despite the rising inflation that took some gloss off the solid economic data. As an Islamic Principle Based Development Financial Institution (DFI), SME Bank aims to continue moving forward to strive for balancing act between sustainability and developmental mandate by benchmarking ourselves against the best to develop SMEs as the nation's engine of growth.

SME Bank believes that all business conducts and actions must be accompanied by sustainable, profitable growth that benefits the company while also contributing 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 socioeconomic impacts. This principle is behind the business strategies that we formulate and implement in order to sustainably maximise the company'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.

KESEIMBANGAN ANTARA PERTUMBUHAN EKONOMI DAN KEMAMPUAN

Secara keseluruhan, operasi bagi tahun kewangan yang lepas adalah lebih baik daripada tahun sebelumnya. Malaysia mencatatkan perkembangan ekonomi yang kukuh sejak tahun 2014 sebanyak 5.9%, hasil daripada peningkatan eksport serta penggunaan dan pelaburan swasta yang lebih tinggi, walaupun dengan peningkatan inflasi yang turut memberi kesan kepada data ekonomi yang kukuh. Sebagai Institusi Kewangan Pembangunan berasaskan Prinsip Islam (DFI), SME Bank sentiasa mencari keseimbangan antara kemampuan dan mandat pembangunan dengan mengambil contoh yang terbaik di dalam industri sebagai penanda aras dalam membangunkan PKS sebagai penjana pertumbuhan negara.

SME Bank percaya bahawa semua tindakan dan amalan perniagaan mesti disokong oleh pertumbuhan mampan dan menguntungkan yang memanfaatkan syarikat di samping menyumbang kepada pembangunan ekonomi masyarakat melalui kemajuan PKS. Pertumbuhan dalam perniagaan PKS memberi susulan impak positif kepada pelbagai sektor ekonomi dan sosioekonomi. Prinsip ini mendokong strategi perniagaan yang kami rangka dan laksanakan untuk terus memaksimumkan nilai ekonomi syarikat. Kami meneruskan inovasi kewangan dan mewujudkan nilai dalam masyarakat yang lebih besar melalui tawaran produk dan perkhidmatan baharu yang memanfaatkan teknologi, dan dengan beroperasi dalam cara yang telus melalui pembentangan prestasi kepada para pihak berkepentingan.

SME Bank menyasarkan untuk terus mencipta nilai dan menyumbang kepada pembangunan masyarakat mampan melalui semua kegiatan perniagaan kami. Kami sentiasa melaksanakan strategi perniagaan bagi mencari keseimbangan antara kemampuan dan pertumbuhan ekonomi.





HOW WE MANAGE ECONOMIC PERFORMANCE

Our economic performance is managed as part of our business strategy. In achieving a sustainable development, we measure our environmental and social impact by also applying financial values, where relevant, to a range of indicators on people, environment and community and progress on these is as stated in this report.

We were managing our business in 2017 through a positive operating environment, with SME growing at an average annual rate of 7.3% between 2010 and 2015, outperforming the overall average growth of economy of 5.3%. The contribution of 36.9% by SME to the country's GDP in 2017 signals positively towards achieving the target of 40% SME contribution to GDP by year 2020.

With total market share of SME financing by DFI at 45.8%, SME Bank remains fully committed to developing Malaysia's economic outlook through the various initiatives and activities we undertook throughout the year.

BAGAIMANA KAMI MENGURUSKAN PRESTASI EKONOMI

Pengurusan prestasi ekonomi SME Bank diuruskan sebahagian daripada strategi perniagaan. Dalam mencapai pembangunan mampan, kami mengukur kesan sosial dan persekitaran dengan mengguna pakai nilai kewangan, di mana bersesuaian, terhadap julat petunjuk bagi orang ramai, persekitaran dan masyarakat serta kemajuannya, sebagaimana dinyatakan di dalam laporan ini.

Pada tahun 2017 kami menguruskan perniagaan melalui persekitaran operasi positif, dengan PKS berkembang pada kadar tahunan sebanyak 7.3% antara 2010 dan 2015, mengatasi pertumbuhan ekonomi keseluruhan sebanyak 5.3%. Sumbangan oleh PKS sebanyak 36.9% kepada Keluaran Dalam Negara Kasar (KDNK) pada tahun 2017 memberi isyarat positif terhadap pencapaian sasaran 40% sumbangan PKS menjelang 2020.

Dengan jumlah penguasaan pasaran pembiayaan PKS oleh DFI sebanyak 45.8%, SME Bank kekal komited untuk membangunkan ekonomi Malaysia melalui pelbagai inisiatif dan aktiviti yang telah dilaksanakan sepanjang tahun ini.



PERFORMANCE ON ECONOMIC VALUE GENERATED

2017 saw a year of solid growth and increased profitability fuelled by strong performance in our operations amidst external and domestic challenges.

PRESTASI NILAI EKONOMI YANG DIHASILKAN

2017 menyaksikan pertumbuhan kukuh dan peningkatan keuntungan didorong oleh prestasi operasi kami yang teguh walaupun dalam cabaran domestik dan luar.

SME Bank recorded RM2.24 billion in financing approvals with a total of 1,303 accounts. This brought to our financing portfolio total RM6.51 billion with 11,262 accounts.

SME Bank mencatatkan kelulusan pembiayaan sebanyak RM2.24 bilion dengan jumlah 1,303 akaun. Dengan ini, portfolio pembiayaan SME Bank mencatatkan jumlah keseluruhan RM6.51 bilion dengan jumlah 11,262 akaun.

Adopting the philosophy of Environmental, Social and Governance (ESG) investments – across our functional domains to champion sustainable and responsible investment proves to bring positive impact, as translated in the our increased pre-tax profit of 104.3% to RM114.2 million, and a 37.4% net profit increase RM74.0 million.

Such 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 ensure sustainable environment and social well-being of the community.

Falsafah pelaburan Persekitaran, Sosial dan Tadbir Urus (ESG) di seluruh operasi kami sebagai usaha mengutamakan pelaburan mampan dan bertanggungjawab terbukti memberi kesan positif, sebagaimana dilihat dalam peningkatan 104.3% untung sebelum cukai kepada RM114.2 juta, dan peningkatan 37.4% untung bersih kepada RM74.0 juta.

Prinsip yang diamalkan ini mencipta nilai mampan, hasil daripada minat pelabur yang lebih tinggi dan prestasi kewangan yang lebih baik. Ini membantu dalam komitmen kami mengembangkan lagi PKS, di samping memastikan persekitaran dan kesejahteraan masyarakat yang mampan.

DIRECT ECONOMIC IMPACTS

Many stakeholders rely on our economic performance, both inside and outside the company. 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 of RM100 million from the Government to facilitate the implementation of various funds to be channelled to SME entrepreneurs.

INDIRECT ECONOMIC IMPACTS

With more than 1,017 employees, our indirect economic impacts are extensive albeit difficult to quantify.

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

IMPAK EKONOMI LANGSUNG

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

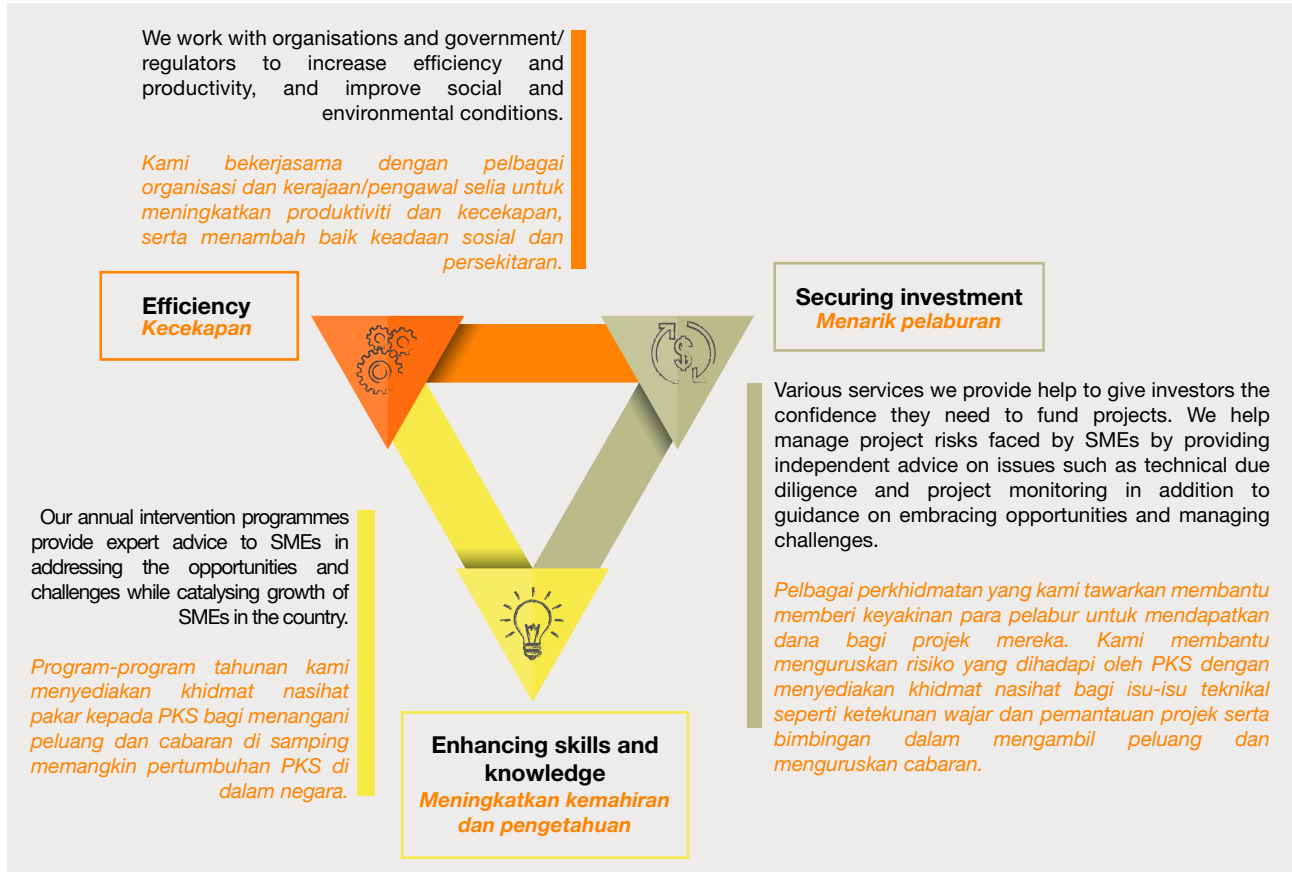
- Nilai disampaikan kepada pemegang saham kami
- Nilai disampaikan melalui khidmat kami kepada masyarakat
- Warga kerja ditawarkan gaji dan manfaat yang kompetitif
- Kewajipan kepada pembekal dan pemiutang dipenuhi
- Keperluan pelanggan dipenuhi
- Masyarakat setempat menikmati manfaat pelaburan

Kami menerima dana berjumlah RM100 juta daripada Kerajaan bagi membantu pelaksanaan pelbagai dana yang disalurkan kepada usahawan PKS.

IMPAK EKONOMI TIDAK LANGSUNG

Dengan lebih 1,017 kakitangan, impak ekonomi tidak langsung memang besar walaupun sukar untuk diberi nilai dalam bentuk kuantiti.

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



CONTRIBUTION TO SUSTAINABLE ENTREPRENEURSHIP JOURNEY

SME Bank, in its commitment towards sustainable growth, emphasises 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.

In 2017, 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; Young Entrepreneur Fund; and Entrepreneur Acceleration Scheme (Skim Anjakan Usahawan).

SUMBANGAN KEPADA PERJALANAN KEUSAHAWANAN MAMPAN

Demi memenuhi komitmen terhadap pertumbuhan mampan, SME Bank memberi penekanan terhadap keusahawanan mampan yang bertumpu 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 berdasarkan bahawa keusahawanan mampan akan memberi penyelesaian ekonomi kepada bidang sosial dan persekitaran.

Pada tahun 2017, kami terus membantu dalam perjalanan keusahawanan PKS dengan menawarkan pelbagai bentuk pembiayaan. Ini termasuk pembiayaan untuk pembelian aset dan modal kerja, antaranya: Pembiayaan Perniagaan Kecil; Dana Usahawan Muda; dan Skim Anjakan Usahawan.



Catalysing Mature Micro Enterprises to Upscale into SMEs

True to our aspiration to become SME growth catalyst, SME Bank continues to help mature micro enterprises wishing to upscale their operations through the Small Business Financing (SBF) package.

With an allocation of RM100 million, the SBF will 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. In 2017, SME Bank approved a total of RM23 million to 102 eligible micro enterprises.

Memangkin Syarikat Mikro Matang Menjadi PKS

Seiring aspirasi SME Bank untuk menjadi pemangkin pertumbuhan PKS, kami terus membantu syarikat-syarikat mikro yang telah mencapai kematangan yang berhasrat untuk menaik taraf operasi mereka melalui pakej Pembiayaan Perniagaan Kecil (SBF).

Dengan peruntukan sebanyak RM100 juta, SBF boleh 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. Pada 2017, SME Bank meluluskan pembiayaan sejumlah RM23 juta kepada 102 syarikat mikro yang layak.

Catalysing High Potential SMEs into SME Champions

SME Bank continued with its role as the implementing agency for the i-SMART initiative with a total allocation of RM60 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 five (5) international champions.

Catalysing SME Business Efficiency

The ability of small and medium enterprises to establish themselves and scale their operations is integral to achieving economic growth. The i-Enterprise Premise Financing (i-EPF) 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, in commercial complexes. The package is bundled together with Working Capital to support business operations and/or additional fund.

SMEs have benefitted from i-EPF in 2017, with a total financing of RM323 million for 122 entrepreneurs.

Catalysing SME Exports Growth

Identifying exports as a key growth lever, and as an initiative to catalyse and sustain the growth of exports for Malaysian small and medium enterprises, SME-Go financing package is offered 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.

In 2017, we disbursed a total financing of RM22 million under this package to four (4) SMEs. We are acutely aware of the potential of SMEs for export-led growth, increased productivity, economic diversification, and job creation, and we are assured of exports growth to provide sustainable economic returns.

BID-it - Catalysing Creative Ideas into Digital Business

SME Bank's Business in Digital Start-up Programme (BID-it) was introduced to help innovative and creative entrepreneurs who aspire to expand their businesses into successful digital business using digital technology.

BID-it started with the SME Bank Start-up Awareness Campaign 2017 at 11 locations nationwide attended by more than 1,300 participants, targeting young entrepreneurs and unemployed graduates.

The main objectives of the programme are:

- to promote new and innovative business ventures that incorporate digitalisation and cross border transaction through technology and e-commerce as business enablers for start-ups;
- as a launching pad for young entrepreneurs to embrace value creation and inculcating best practices in the strategic and operating models; and
- as a platform for young entrepreneurs to be considered for financing while being offered structured nurturing programme from the point of ideation to commercialisation.

Memangkin SME Berpotensi menjadi Jaguh PKS

SME Bank meneruskan peranannya sebagai agensi pelaksana untuk inisiatif i-SMART dengan jumlah peruntukan sebanyak RM60 juta.

Skim ini bertujuan membangun dan menaik taraf PKS berpotensi untuk menjadi Jaguh PKS, bagi mencapai sasaran SME Bank mewujudkan 30 Jaguh PKS di dalam negara, 10 jaguh serantau dan lima (5) jaguh di peringkat global.

Memangkin Kecekapan Perniagaan PKS

Keupayaan perusahaan kecil dan sederhana dalam merealisasikan kewujudan mereka serta menaik taraf operasi adalah gabungan penting dalam mencapai pertumbuhan ekonomi. Pembiayaan Premis i-Enterprise (i-EPF) merupakan pakej pembiayaan kewangan yang membiayai sebahagian daripada pembelian atau pembiayaan semula premis seperti kilang, lot pejabat atau kedai, di kompleks-kompleks perdagangan, sama ada yang telah siap sepenuhnya atau masih dalam pembinaan. Pakej ini digabungkan dengan Modal Kerja bagi menyokong operasi perniagaan dan/atau dana tambahan.

PKS mendapat manfaat daripada i-EPF pada tahun 2017, dengan jumlah pembiayaan mencapai RM323 juta untuk 122 usahawan.

Memangkin Pertumbuhan Eksport PKS

Dengan mengenal pasti eksport sebagai faktor pertumbuhan utama, dan sebagai usaha memangkin dan mengekalkan pertumbuhan eksport perusahaan kecil dan sederhana, pakej pembiayaan SME-Go ditawarkan untuk menyokong program Going-Export, satu program 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.

Pada tahun 2017, sebanyak RM22 juta pembiayaan di bawah pakej ini telah diberikan kepada empat (4) PKS. Kami sedar akan potensi pertumbuhan PKS daripada hasil eksport, peningkatan produktiviti, kepelbagaian ekonomi dan pengwujudan peluang pekerjaan, dan kami yakin bahawa pertumbuhan eksport akan memberi pulangan ekonomi mampan.

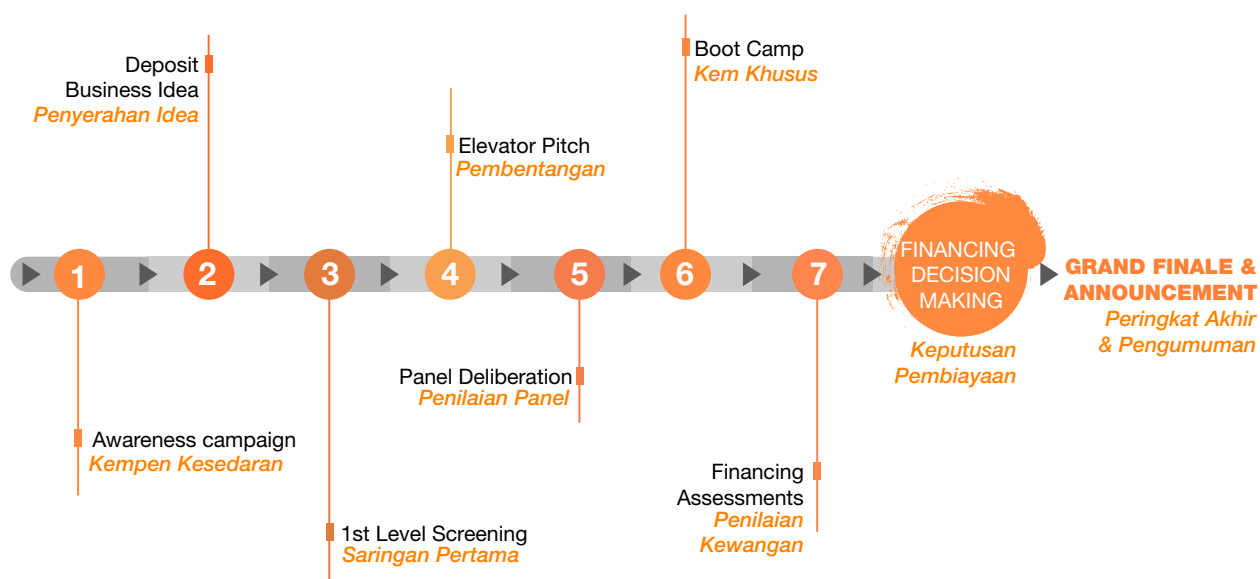
BID-it – Memangkin Idea Kreatif kepada Perniagaan Digital

Program 'Business in Digital Start-up' (BID-it) SME Bank diperkenalkan bagi membantu usahawan-usahawan kreatif dan inovatif yang berazam mengembangkan perniagaan kepada perniagaan digital menggunakan teknologi digital.

BID-it bermula dengan Kempen Kesedaran 'Start-up' SME Bank 2017 di 11 lokasi di seluruh negara yang dihadiri lebih 1,300 peserta, menyasarkan usahawan muda dan graduan yang tidak bekerja.

Objektif utama program ini adalah:

- untuk mempromosikan perniagaan kreatif dan inovatif yang menggunakan kaedah digital dan transaksi merentasi sempadan melalui teknologi e-dagang sebagai permulaan kepada perniagaan;
- sebagai permulaan kepada usahawan muda untuk memahami penciptaan nilai dan menerapkan amalan terbaik dalam model strategik dan operasi; dan
- sebagai wadah bagi usahawan muda untuk dipertimbangkan untuk pembiayaan kewangan di samping ditawarkan program tersusun daripada mula idea kepada pengkomersilan.



To make BID-it more meaningful and to embrace value adding principles on all aspects of the digital business, we collaborated with nine (9) reputable organisations and they are Cradle Fund Sdn Bhd., Malaysian Global Innovation & Creativity Centre (MaGIC), Malaysia Digital Economy Corporation Sdn Bhd (MDEC), Microsoft, New Entrepreneurs Foundation (MyNEF), Payoneer, Dewan Perniagaan Usahawan Siber Malaysia, RAVE and Universiti Malaysia Kelantan.

At the end of the session, we received 163 unique business ideas to be evaluated on its viability and bankability, from which, 72 were shortlisted for the elevator pitch session. Nineteen finalists were chosen where they attended a specially designed boot camp on 7 July to 9 July 2017 for their ideas to be further consolidated, fine-tuned and determined for an appropriate funding consideration.

Four (4) companies were successful to receive the financing, and they would be further coached and guided through a hand-holding structured programme by SME Bank that may take between 12 and 24 months to ensure the success of their ventures.

COMMITMENT TO SUSTAINABLE SME EXPANSION

In fulfilling our mandate to develop SMEs as the nation's engine of growth, SME Bank continued with its developmental and intervention programmes in 2017. By now, 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.

Bagi menjadikan BID-it lebih bermakna dan untuk menerapkan prinsip nilai tambah pada semua aspek perniagaan digital, SME Bank bekerjasama dengan sembilan (9) organisasi ternama iaitu Cradle Fund Sdn Bhd., Malaysian Global Innovation & Creativity Centre (MaGIC), Malaysia Digital Economy Corporation Sdn Bhd (MDEC), Microsoft, New Entrepreneurs Foundation (MyNEF), Payoneer, Dewan Perniagaan Usahawan Siber Malaysia, RAVE dan Universiti Malaysia Kelantan.

Pada akhir sesi, kami menerima 163 idea perniagaan unik untuk dinilai daripada aspek daya maju dan potensi keuntungan, di mana 72 telah disenarai pendek untuk sesi pembentangan. Sembilan belas finalis telah terpilih untuk menyertai 'boot camp' dari 7 hingga 9 Julai 2017 bagi menilai dan menghalusi idea-idea ini dan dipertimbangkan untuk pembiayaan dana.

Empat (4) syarikat berjaya mendapat pembiayaan, dan bakal dilatih dan dibimbing melalui program berstruktur SME Bank yang mengambil masa 12 ke 24 bulan bagi memastikan kejayaan inisiatif mereka.

KOMITMEN TERHADAP PERKEMBANGAN PKS MAMPAN

Dalam menunaikan mandat kami untuk membangunkan PKS sebagai jentera pertumbuhan negara, SME Bank terus menganjurkan program-program pembangunan sepanjang 2017. Sehingga kini, banyak bukti menyokong bahawa SME Bank berjaya memberi inspirasi serta membantu perusahaan kecil dan sederhana untuk lebih maju dan berkembang, melalui program-program intervensi serta berkongsi pengetahuan dan nasihat berkaitan industri dan pasaran.



SCORE

SME Bank continues to use the SME Competitiveness Rating for Enhancement (SCORE) as a tool to gauge the level of SME's competitiveness based on their performance and capabilities.

The three (3) SCORE key performance index (KPIs) are used as a guide for SMEs 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.

A total of 245 companies successfully migrated upward, under the Bank's Intervention Programme in 2017. 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 Programme

The Bank also continue to promote Entrepreneur Premises Programme (EPP), our special programme that provides Bumiputera entrepreneurs with affordable and competitive factory space for rental.

Under this programme, the Bank provides 26 Entrepreneur Premises Complex (EPC) with 454 factory lots strategically located nationwide. In 2017, there has been an encouraging demand with 83.5% occupancy rate.

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

SCORE

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

Tiga (3) 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.

Sejumlah 245 syarikat berjaya dianjukkan ke peringkat lebih tinggi, di bawah Program Intervensi SME Bank 2017. Ini termasuk pengwujudan syarikat dan usahawan baharu yang mencatatkan peningkatan keuntungan, serta peningkatan bilangan kakitangan dan pengembangan ke pasaran eksport.

Program Premis Usahawan

SME Bank terus menggalakkan Program Premis Usahawan (EPP), program khas yang menyediakan ruang kilang mampu-sewa dan kompetitif untuk usahawan-usahawan Bumiputera.

Di bawah program ini, SME Bank menyediakan 26 buah Kompleks Premis Usahawan dengan 454 lot kilang yang terletak di lokasi strategik di seluruh negara. Pada 2017, permintaan amat menggalakkan dengan kadar pendudukan sebanyak 83.5%.

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

i-SMART

SME Bank has been mandated as the implementing agency for i-SMART programme with a RM60 million fund allocated by the Ministry of International Trade and Industry, 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

SME Bank has set a strong ambition to capture opportunities presented by the emerging digital economy. We embrace the digital economy or Industry 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.

Pushing the Boundaries Project

SME Bank recognises that sustainable productivity can be achieved by shifting our organisation and our team to new heights of confidence, market creation and growth.

To explore new, uncontested market space that creates new customer value, SME Bank began its first phase of the Pushing the Boundaries Project, which was then called Blue Ocean Strategy (BOS), in 2017. Applying selected new tools and frameworks to develop new products and to improve our service delivery, we successfully formulated two new products to address the needs of entrepreneurs in the export industry and women entrepreneurs and at the same time re-engineer our financing application process by leveraging on our Information Technology platform.

On the axis of three (3) this project propositions - value, profit and people – is expected to result in high impact, low cost and rapid execution. We intend to internalise out of the box thinking across the organisation in coming out with new ways of doing business such as development of fast moving products and redefining financing processes.

Pushing the Boundaries Project has attained successful achievements with the introduction of two products, namely MySMExport and MySMELady.

i-SMART

SME Bank telah diberi mandat sebagai agensi pelaksana program i-SMART dengan dana sebanyak RM60 juta yang diperuntukkan oleh Kementerian Perdagangan Antarabangsa dan Industri, bagi mempercepatkan proses menaik taraf perniagaan usahawan-usahawan terpilih ke pasaran global.

Di bawah program ini, SME Bank 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

SME Bank berazam mengambil peluang pembangunan ekonomi digital. Kebergantungan terhadap ekonomi digital atau Industri 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. Kepuasan 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.

Projek 'Pushing the Boundaries'

SME Bank menyedari bahawa produktiviti mampam boleh dicapai dengan memberi anjakan keyakinan, pengwujudan pasaran dan pertumbuhan sesebuah organisasi dan warga kerjanya.

Bagi menerokai ruang pasaran baharu yang belum ditandingi serta mewujudkan nilai pelanggan baharu, SME Bank memulakan fasa pertama Projek Melangkaui Sempadan, yang sebelum ini dipanggil Strategik Lautan Biru pada 2017. Menggunakan kaedah dan rangka kerja baharu untuk membangunkan produk di samping memperbaiki tahap perkhidmatan, kami berjaya mengeluarkan dua produk baharu yang menepati keperluan usahawan dalam industri eksport dan usahawanita serta menyusun semula proses permohonan pembiayaan dengan memanfaatkan platform Teknologi Maklumat.

Berlandaskan tiga (3) faktor unik – nilai, keuntungan dan insan – projek ini dijangka memberi impak yang besar, kos yang rendah dan pelaksanaan yang pantas. Kami berhasrat untuk menerapkan pemikiran Lautan Biru di seluruh organisasi bagi mencetuskan cara baharu dalam menjalankan perniagaan, seperti pembangunan produk dan proses pembiayaan.

Projek 'Pushing the Boundaries' telah mencapai kejayaan dengan pelancaran dua produk iaitu MySMExport dan MySMELady.

MySMEExport

MySMEExport provides financing to exporters and potential exporters to purchase fixed assets and working capital as well as access to trade facilities with commercial banks. With MySMEExport, we hope to further catalyse the growth of small and medium enterprises as they penetrate the global market and become a significant contributor to the country's economic growth.

MySMELady

MySMELady is a unique product that provides financing to women entrepreneurs focusing on elevating micro and small entrepreneurs for business expansion and growth. 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 BizClub are the unique features of MySMELady.

MySMEBank - apply anytime anywhere

The Bank introduced a new online financing application system, MySMEBank, an online application system that provides a full digital end-to-end customer experience to entrepreneurs.

MySMEExport

MySMEExport menawarkan pembiayaan kewangan kepada pengeksport dan bakal pengeksport untuk membeli aset tetap, dan modal kerja juga akses kepada kemudahan perdagangan dengan bank-bank komersial. Dengan MySMEExport, SME Bank berharap dapat memangkin pertumbuhan perusahaan kecil dan sederhana ke arah penembusan pasaran global dan menjadi penyumbang penting kepada pertumbuhan ekonomi negara.

MySMELady

MySMELady adalah produk unik yang menawarkan pembiayaan kepada usahawan wanita dengan memberi tumpuan terhadap perkembangan dan pertumbuhan perniagaan usahawan mikro dan kecil. Antara ciri unik MySMELady adalah pilihan menggunakan hingga 30% daripada pembiayaan modal kerja melalui kad debit, serta kelab perniagaan khusus yang dinamakan Kelab MySMELady BizClub.

MySMEBank – pohon di mana sahaja, bila-bila masa

SME Bank memperkenalkan sistem permohonan pembiayaan dalam talian baharu, MySMEBank, sistem yang menawarkan pengalaman digital menyeluruh untuk usahawan.



The implementation of MySMEBank online application system will enable us to cut turnaround time to only 14 days which takes a total of 41% steps reduced as the processes from the point application right to disbursement are now entirely online.

'Book Your Banker' (BYB) – at your service

Integrated with MySMEBank is the first of its kind, "Book Your Banker" (BYB) online registration for customers to apply for financing. BYB, located in the SME Bank's mobile App, 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.

SUSTAINABILITY BEYOND FINANCING

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 "handholding" approach is essential to ensure that SMEs can sustain business growth until they finally manage to penetrate the global market.

CEDAR

The Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR) is a wholly-owned subsidiary of SME Bank, established in 2013 to complement the developmental role of SME Bank. As an outcome-based coaching outfit that is very focused on entrepreneur development as its flagship programme, CEDAR's mission is to continuously develop the capability of entrepreneurs to sustain their growth and contribute to the nation's economy.

SME Bank is the only Malaysian development financial institution with such a subsidiary. Programmes undertaken by CEDAR are unique, with an identity that defined the Group's slogan of 'beyond financing' that is championed by the Bank.

With business coaching and engagement as the essence, our aim is to achieve the double bottomline - a social commitment to benefiting SMEs coupled with a financial commitment to operating profitably. In the long run, these two (2) 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.

Pelaksanaan sistem permohonan dalam talian MySMEBank membolehkan tempoh permohonan dipendekkan kepada 14 hari, iaitu 41% pengurangan masa, daripada masa permohonan sehingga pengeluaran dana memandangkan proses keseluruhan berlaku secara dalam talian.

'Book Your Banker' (BYB) – sedia berkhidmat untuk anda

Digabungkan dengan MySMEBank, adalah perkhidmatan pendaftaran dalam talian yang pertama seumpamanya, Book Your Banker (BYB), bertujuan memudahkan 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 temu janji 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.

KEMAMPAAN MELANGKAUI PEMBIAYAAN KEWANGAN

Memenuhi mandat untuk membangunkan PKS sebagai jentera pertumbuhan negara, dan dalam peranannya sebagai Institusi Pembangunan Kewangan, SME Bank memastikan kemampuan 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.

CEDAR

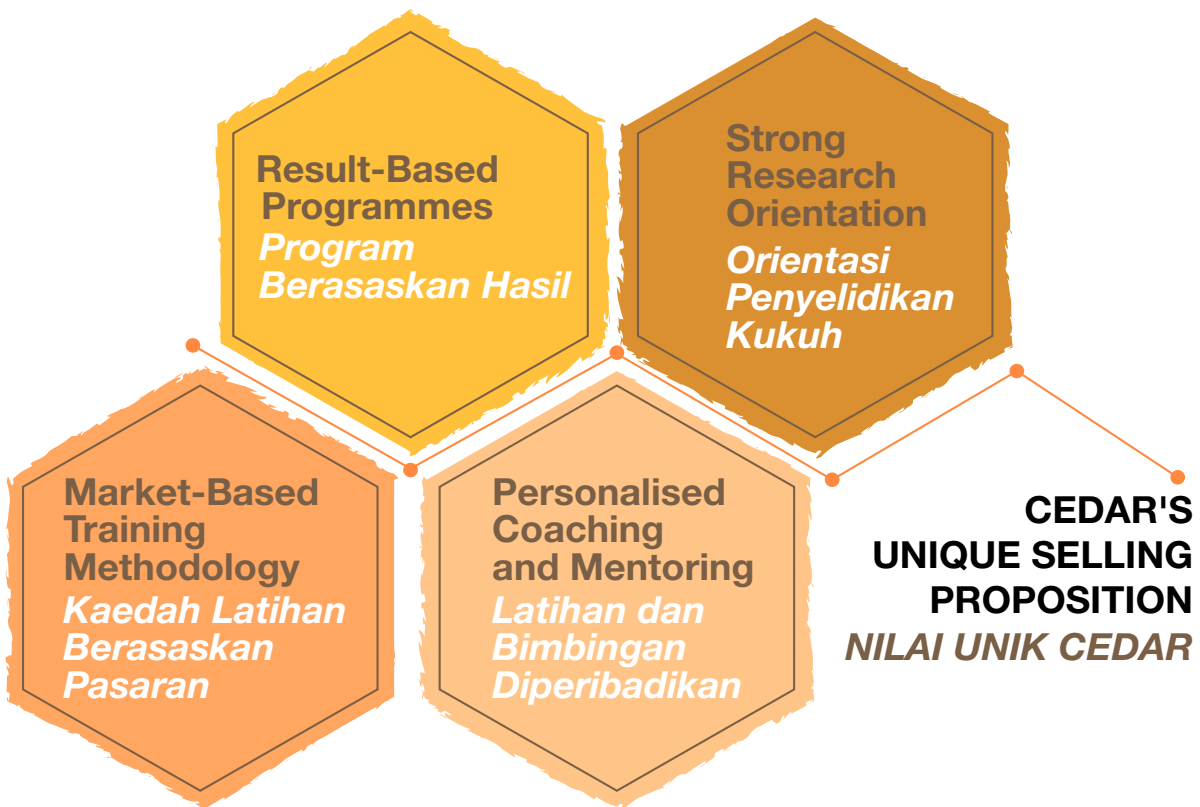
Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR) adalah anak syarikat milik penuh SME Bank, ditubuhkan pada 2013 bagi melengkapkan peranan pembangunan SME Bank. Sebagai entiti kejurulatihan berasaskan hasil yang memberi tumpuan terhadap pembangunan usahawan, misi CEDAR adalah untuk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

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

Dengan latihan perniagaan serta penglibatan sebagai intipati, CEDAR berazam untuk mencapai dua (2) objektif – komitmen sosial yang memberi manfaat kepada PKS, serta komitmen kewangan bagi memastikan keuntungan operasi. Untuk jangka masa panjang, dua (2) objektif ini tidak bercanggah antara satu sama lain. Sebaliknya 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 to inception, 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 kepada pengwujudan, dalam setiap modul latihan perniagaan yang dijalankan. Bagi mencapai agenda menyeluruh, 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 to inception, in every business coaching module it conducts. In achieving its broad agenda, CEDAR executes its role through unique outcome-driven intervention programmes.

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 kepada pengwujudan, dalam setiap modul latihan perniagaan yang dijalankan. Bagi mencapai agenda umum, CEDAR melaksanakan peranannya melalui program-program pembangunan berasaskan hasil.

In 2017, 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.

Among our strategic partners in 2017 are:



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 2017 have benefitted more than 34,000 participants. The programmes carried out are:

- Young Entrepreneur Programme (YEP)
- 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)

2017 Accomplishments and Planned Initiatives

Practical Business Ideas for Malaysian Entrepreneurs: Effective Start-Up Series

The Bank came up with a dedicated publication in collaboration between the Centre for Entrepreneur Development and Research Sdn. Bhd. (CEDAR) and Credit Guarantee Corporation to kick-start an "Effective Start-Up Series" to assist SME businesses in their survival within the first five (5) years of their inception.

Pada 2017, 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.

Antara rakan-rakan strategik SME Bank 2017 adalah:

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 2017 telah memberi manfaat kepada lebih daripada 34,000 peserta. Program yang dijalankan adalah:

- Program Usahawan Muda
- 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

Pencapaian dan Inisiatif Terancang 2017

Practical Business Ideas for Malaysian Entrepreneurs: Effective Start-Up Series

SME Bank mencetak penerbitan khusus, kerjasama antara CEDAR dan CGC, dengan melancarkan Effective Start-Up Series bagi membantu perniagaan PKS sepanjang lima (5) tahun pertama penubuhannya.

The Practical Business Ideas for Malaysian Entrepreneurs is the first publication which is intended to be a guiding light for budding entrepreneurs who are still unsure of the types of business they should venture into without the need for substantial investment amounts.

The publication contains information on three (3) cost effective start-ups: operating a franchised self-service (coin-operated) laundry; managing an online boutique business; and running a food truck business.

With such sharing of practical ideas and guidance, it is hoped that SMEs will be able to counter the potential problems and avoid failures in their quest for survival within the first five (5) years of inception and eventually ensure the sustainability of their business.

CCM Halal Pharmapreneur Accelerator Programme

The CCM Halal Pharmapreneur Accelerator Programme is designed for the purpose of developing the new business initiative of Chemical Company of Malaysia Berhad known as “CCM Halal Certified Vitamins & Medicines (by JAKIM Inside)”.

CEDAR conducted this session for nine (9) selected community pharmacies within Klang Valley. The programme consists of eight (8) modular coaching sessions such as Strategic Management, Sales and Marketing, Financial Management, Inventory Control and Halal Centric Customer Service over a period of six (6) months.

The programme, completed in December 2017, has been successful as attested by the average increase in sales of 20% as well as improvements in inventory control, customer service quality, profit growth, and better compliance with the Community Pharmacy Guideline.

CCM-USM Millennial Pharmapreneur Coaching Programme

The UEM Vendor Development Programme is designed to develop CCM’s JATI Programme (Jalinan Antara Universiti dan Industri) with Universiti Sains Malaysia (USM) under its School of Pharmaceutical Sciences.

CEDAR conducted the programme for 30 selected USM Pharmaceutical course students. It consists of six (6) modular training sessions and 12 business coaching sessions such as Strategic Management, Sales & Marketing, Financial Management, Inventory Control, and Halal Centric Customer Service.

The 8-month programme has brought about the establishment of pharmacy operated by USM students - Pharmilia Pharmacy - at USM Main Campus, Penang. Other programme outcomes include improvements in entrepreneurial mindset, better understanding in running a pharmacy, and understanding personal entrepreneurial competencies (PEC).

UEM Vendor Development Programme

The UEM Vendor Development Programme is designed to enhance capacity and capability building of 30 UEM selected Bumiputera vendor companies. The programme consists of three (3) modular training sessions and two (2) business coaching sessions on Strategic Corporate Planning, Strategic Sales & Marketing & Financial Management for three (3) batches which will run until year 2020.

“Practical Business Ideas for Malaysian Entrepreneurs” adalah penerbitan pertama untuk dijadikan panduan bagi usahawan yang masih ragu-ragu tentang jenis perniagaan yang ingin diceburi tanpa memerlukan jumlah pelaburan yang besar.

Penerbitan ini mengandungi maklumat tentang tiga (3) perniagaan ‘start-up’ dengan keberkesanan kos: menguruskan francais dobi layan diri (menggunakan syiling); menguruskan perniagaan butik dalam talian; dan menjalankan perniagaan trak makanan.

Dengan perkongsian idea dan panduan seumpama ini, kami berharap PKS akan dapat mengatasi masalah yang mungkin dihadapi dan mengelakkan kegagalan dalam tempoh lima (5) tahun pertama penubuhan, di samping memastikan kemampunan perniagaan mereka.

Program “CCM Halal Pharmapreneur Accelerator”

Program “CCM Halal Pharmapreneur Accelerator” dibentuk bagi tujuan membangunkan inisiatif perniagaan baharu Chemical Company of Malaysia Berhad, yang dikenali sebagai “Ubat-ubatan & Vitamin CCM Halal JAKIM” (oleh JAKIM Inside).

CEDAR melaksanakan program ini untuk sembilan (9) farmasi komuniti terpilih di Lembah Klang. Ia terdiri daripada lapan (8) sesi latihan bermodul seperti Pengurusan Strategik, Jualan dan Pemasaran, Pengurusan Kewangan, Kawalan Inventori, dan Khidmat Pelanggan yang mengutamakan Halal selama enam (6) bulan.

Program yang tamat pada Disember 2017 ini berjaya sebagaimana dibuktikan oleh purata peningkatan jualan sebanyak 20%, serta penambahbaikan dalam kawalan inventori, mutu khidmat pelanggan, peningkatan keuntungan, dan pematuhan kepada Garis Panduan Farmasi Komuniti.

Program “CCM-USM Millennial Pharmapreneur Coaching”

Program ini direka khas untuk membangunkan Program JATI (Jalinan Antara Universiti dan Industri) CCM dengan Fakulti Sains Farmaseutikal Universiti Sains Malaysia (USM).

CEDAR mengelolakan program ini untuk 30 pelajar jurusan Farmaseutikal USM yang terpilih. Ia terdiri daripada enam (6) sesi latihan bermodul dan 12 sesi kejurulatihan perniagaan seperti Pengurusan Strategik, Jualan dan Pemasaran, Pengurusan Kewangan, Kawalan Inventori, dan Khidmat Pelanggan yang mengutamakan Halal.

Program selama lapan (8) bulan ini telah membawa kepada pembentukan farmasi yang diuruskan oleh mahasiswa-mahasiswa USM – Farmasi Pharmilia di Kampus Utama USM, Pulau Pinang. Manfaat daripada program ini termasuk anjakan minda usahawan, pemahaman lebih baik dalam menguruskan farmasi serta pemahaman terhadap tahap kompeten usahawan peribadi.

Program Pembangunan Pembekal UEM

Program Pembangunan Pembekal UEM diwujudkan bagi meningkatkan keupayaan dan kebolehan 30 syarikat pembekal Bumiputera UEM terpilih. Program ini mengandungi tiga (3) sesi latihan bermodul dan dua (2) sesi kejurulatihan perniagaan, berkisar Perancangan Strategi Korporat, Jualan dan Pemasaran Strategik dan Pengurusan Kewangan untuk tiga (3) kumpulan, yang akan dijalankan sehingga tahun 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.

VALUE-BASED INTERMEDIATION: STRENGTHENING THE ROLES AND IMPACT OF ISLAMIC FINANCE

Bank Negara Malaysia has introduced Value-Based Intermediation (VBI) that aims to deliver the intended outcomes of Shariah through practices, conduct and offerings that generate positive and sustainable impact to the economy, community and environment, consistent with the shareholders' sustainable returns and long-term interests.

VBI strategies focus on adoption of relevant practices, offerings and conduct that generate positive and sustainable impact to the economy, community and environment, consistent with the shareholders' sustainable returns and long-term interests.

As an Islamic Principle Based Development Financial Institution (DFI), SME Bank is committed to champion relevant initiatives outlined under VBI. This presents us with the prospect for greater innovation, enhanced efficiency and an effective ecosystem. At the same time, it opens up an opportunity for improved standard of living, fair and transparent treatment of customers and the community.

In 2017, we have enabled an environment for the adoption of value-based intermediation. In collaboration with our stakeholders, we promoted a conducive environment via various strategies that aim to expedite the implementation of this initiative.

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

PERANTARAAN BERASASKAN NILAI: MEMPERKUKUHKAN PERANAN DAN IMPAK KEWANGAN ISLAM

Bank Negara Malaysia telah memperkenalkan Perantaraan Berasaskan Nilai (VBI) yang bertujuan menyampaikan keputusan Syariah melalui amalan, tata laku dan tawaran yang memberi kesan positif dan mampan kepada ekonomi, masyarakat dan persekitaran, konsisten dengan pulangan mampan dan minat jangka panjang pemegang saham.

Strategi VBI menumpukan kepada amalan, penawaran dan tindakan yang sesuai yang menghasilkan impak positif dan mampan kepada ekonomi, masyarakat dan alam sekitar, seiring dengan pulangan mampan dan manfaat jangka panjang para pemegang kepentingan

Sebagai sebuah Institusi Kewangan Pembangunan berasaskan Prinsip Islam (DFI), SME Bank komited dalam menerajui inisiatif-inisiatif yang berkaitan di bawah VBI. Ini memberi prospek kepada inovasi berskala besar, menaiktaraf tahap kecekapan dan sistem eko yang lebih berkesan. Pada masa yang sama, ia membuka peluang bagi memperbaiki taraf hidup, serta layanan adil dan telus kepada pelanggan dan masyarakat.

Pada tahun 2017, kami menyediakan persekitaran untuk menerima perantaraan berasaskan nilai. Bekerjasama dengan pihak berkepentingan, kami menggalakkan persekitaran selesa melalui pelbagai strategi yang bertujuan mempercepatkan pelaksanaan inisiatif ini.





FINANCIAL INDUSTRY COLLECTIVE OUTREACH

The Financial Industry Collective Outreach (FINCO) is an initiative by Bank Negara Malaysia which focuses on the implementation of programmes to boost the command of English language and motivation for children and youth from the low income group.

Among others, the programme emphasises on giving financial knowledge, while providing advisory services and consumer protection to enable the people to fully benefit from the financial ecosystem.

Such initiative augurs well with our commitment towards achieving inclusive, sustainable development. This also integrates the efforts in carrying out our corporate social responsibility.

In a nutshell:

SUSTAINED AND INCLUSIVE ECONOMIC GROWTH

Economic development requires sound foundations. Access to financial services, new technologies and affordable financing, gender equality and more equal distribution of resources can all support economic development. SME Bank's continued commitment in the cluster of sustained and inclusive economic growth shall remain our most effective way to ensure a sustainable development and an inclusive growth of small and medium enterprises.

JANGKAUAN KOLEKTIF INDUSTRI KEWANGAN

Jangkauan Kolektif Industri Kewangan (FINCO) adalah usaha Bank Negara Malaysia yang menumpukan kepada pelaksanaan program bagi meningkatkan penguasaan Bahasa Inggeris serta motivasi kepada kanak-kanak dan remaja daripada golongan berpendapatan rendah.

Antara lainnya, program ini memberi penekanan terhadap pengetahuan kewangan, di samping menyediakan khidmat nasihat dan perlindungan pelanggan bagi membolehkan orang ramai mendapat manfaat sepenuhnya daripada ekosistem kewangan.

Inisiatif sebegini adalah sejajar dengan komitmen kami ke arah mencapai pembangunan menyeluruh yang mampan. Ia turut menggabungkan usaha dalam menggalas tanggungjawab sosial korporat kami.

Ringkasnya:

PERTUMBUHAN EKONOMI MENYELURUH DAN MAMPAN

Pembangunan ekonomi memerlukan asas yang teguh. Akses kepada perkhidmatan kewangan, teknologi baharu dan pembiayaan mampu, kesamarataan jantina serta agihan sumber yang sekata menyokong pembangunan ekonomi. Komitmen berterusan SME Bank dalam memastikan pertumbuhan ekonomi menyeluruh dan mampan kekal menjadi cara kami yang paling berkesan bagi memastikan pembangunan mampan serta pertumbuhan menyeluruh perusahaan kecil dan sederhana.

Environment *Alam Sekitar*

LIVING WITH THE ENVIRONMENT

Environmental sustainability is a prerequisite for both economic and socioeconomic growth. The increasing global population and the rapid growth of the world economy have complex and diverse connections with the global environment. They can also negatively affect the environment in numerous ways. It is essential to protect the world's irreplaceable natural capital - the air, water and soil that sustain it - for future generations.

To balance economic growth with environmental preservation, SME Bank tackles a range of sustainability issues. All SME Bank projects are in accordance with the requirements of relevant authorities such as Department of Environment of the Ministry of Natural Resources and Environment, coupled with our own internal policy and guidelines on environmental protection and conservation.

The policy put in place enables us to take proactive measures to identify the direct and indirect environmental effects of our activities, as well as those of our supply chain partners throughout the value chain. The Bank pursues the required technologies and processes to help minimise the impact of our products and our actions on people and communities throughout their lifecycle, while also engaging in communication with society.

SME BANK'S APPROACH TO ENVIRONMENT

SME Bank, in fulfilling its mandate to develop SMEs into becoming the nation's engine of growth, has an overarching goal to limit the environmental impact and resource consumption of its activities. We adopt a holistic approach to environmental issues, which involves acknowledging how environmental sustainability contributes to the overall sustainable development.

We view an inclusive approach to environmental, social and economic dimensions as a continuous long term strategic direction which will steer policies and make complex societal manoeuvres possible.

KEHIDUPAN BERSAMA ALAM SEKITAR

Kemampuan alam sekitar adalah prasyarat bagi pertumbuhan ekonomi dan sosioekonomi. Jumlah penduduk dunia yang kian meningkat serta pertumbuhan pesat ekonomi dunia mempunyai hubungan yang kompleks dan pelbagai dengan persekitaran global. Kedua-dua faktor ini juga boleh meninggalkan kesan negatif terhadap alam sekitar melalui pelbagai cara. Adalah penting bagi kita melindungi sumber asli tiada ganti dunia iaitu udara, air dan tanah untuk diwarisi generasi akan datang.

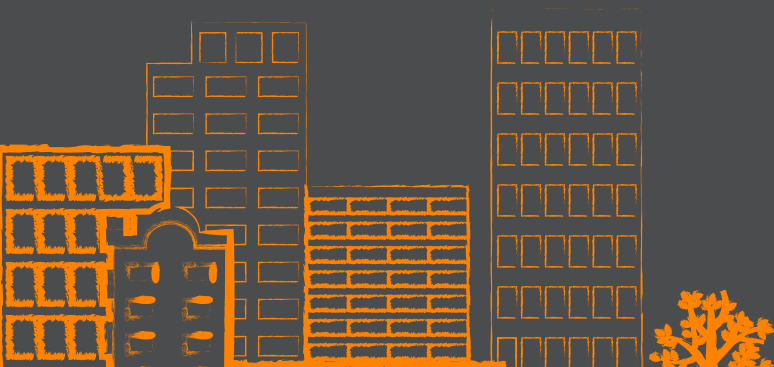
Untuk mengimbangi pertumbuhan ekonomi dan pemeliharaan alam sekitar, SME Bank menangani pelbagai isu kemampuan. Semua projek SME Bank adalah selaras dengan keperluan pihak berkuasa yang berkaitan seperti Jabatan Alam Sekitar di bawah Kementerian Sumber Asli dan Alam Sekitar, ditambah dengan polisi dalaman kami sendiri serta garis panduan tentang perlindungan dan pemeliharaan alam sekitar.

Polisi yang ditetapkan membolehkan kami mengambil langkah proaktif untuk mengenal pasti kesan persekitaran langsung dan tidak langsung akibat aktiviti kami, dan juga aktiviti rakan niaga rantaian bekalan kami di seluruh rantaian nilai. Pihak Bank meneruskan usaha mendapatkan teknologi dan proses yang bersesuaian untuk membantu mengurangkan impak produk serta tindakan kami ke atas rakyat dan komuniti sepanjang kitaran hayat mereka, selain mengadakan perbincangan dengan masyarakat.

PENDEKATAN SME BANK TERHADAP ALAM SEKITAR

Dalam menunaikan mandatnya untuk membangunkan PKS sebagai jentera pertumbuhan negara, SME Bank mempunyai matlamat yang menyeluruh untuk mengehadkan kesan aktiviti terhadap alam sekitar dan penggunaan sumber. Kami mengguna pakai pendekatan holistik terhadap masalah alam sekitar, termasuk mengakui bagaimana kemampuan alam sekitar menyumbang terhadap keseluruhan pembangunan yang mampan.

Kami menganggap pendekatan terangkum terhadap dimensi alam sekitar, sosial dan ekonomi sebagai kesinambungan hala tuju strategik jangka panjang yang akan mengemudi polisi dan menjadikan perubahan yang rumit dalam masyarakat berkemungkinan berlaku.





SME BANK'S ENVIRONMENTAL COMMITMENT

In recognition of the Bank's social responsibility and the importance of sustainable environmental policies, SME Bank is focused on an inclusive commitment which becomes an integral part of and consideration for the Bank's strategy:

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

KOMITMEN ALAM SEKITAR SME BANK

Sebagai mengiktiraf tanggungjawab sosial Bank dan kepentingan polisi alam sekitar yang mampan, SME Bank memberi tumpuan pada komitmen terangkum, yang menjadi bahagian yang penting serta pertimbangan untuk strategi bank:

- 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;
- berusaha menerapkan pendidikan alam sekitar dalam kalangan pekerja Bank, dan akan memulakan dan mengambil bahagian dalam projek komuniti.



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 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.



POWER CONSUMPTION MANAGEMENT AND ENERGY EFFICIENCY

Electrical power is a key resource used at the Bank. The basic assumption is that in enterprises that operate in an office setting, just as in industrial operations, electricity should not be seen as an uncontrollable expense. Electricity should be managed as a resource, with rigorous analysis of power consumption over the course of the day, week, and year, and with comparisons among buildings.

The central principle in efficient management of electricity consumption by offices is coordinated timing of air conditioning and lighting systems and of computer operation, according to employee presence, to the extent possible.

Our efforts towards environmental conservation are primarily focused on effective energy management.

ENERGY CONSUMPTION OPTIMISATION WITH BEMS

Menara SME Bank, our headquarter in Kuala Lumpur, is equipped with the Building Energy Management Systems (BEMS). BEMS are computer-based systems that help to control, monitor, measure and optimise building technical services and the energy consumption of devices used by the building.

The systems connect Menara SME's systems such as lighting as well as heating, ventilation, and air conditioning (HVAC) 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 managers to gain detailed insight into the building's energy usage.

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;*
- *menguatkan tadbir urus alam sekitar; dan*
- *menggalakkan pengurangan kesan dan penyesuaian terhadap perubahan iklim.*

PENGURUSAN PENGGUNAAN KUASA DAN KEBERKESANAN TENAGA

Kuasa elektrik merupakan sumber utama yang digunakan di Bank ini. Andaian asas adalah bahawa syarikat yang beroperasi di dalam persekitaran pejabat, sepertimana operasi perindustrian, tenaga elektrik tidak harus dilihat sebagai perbelanjaan luar kawal. Tenaga elektrik seharusnya diurus sebagai sumber, dengan analisis rapi tentang penggunaan kuasa dalam tempoh sehari, seminggu dan setahun, dengan membuat perbandingan antara bangunan.

Prinsip utama dalam pengurusan penggunaan tenaga elektrik yang cekap adalah penyelarasan masa pengendalian sistem penyaman udara dan pencahayaan serta pengendalian komputer, mengikut kehadiran pekerja, setakat yang mungkin.

Usaha kami ke arah pemuliharaan alam sekitar tertumpu terutamanya pada pengurusan tenaga yang berkesan.

PENGOPTIMUMAN PENGGUNAAN TENAGA DENGAN BEMS

Menara SME Bank, ibu pejabat kami di Kuala Lumpur, dilengkapi dengan Sistem Pengurusan Tenaga Bangunan (BEMS). BEMS adalah sistem berasaskan komputer yang membantu mengawal, memantau, menghitung dan mengoptimumkan perkhidmatan teknikal bangunan dan penggunaan tenaga oleh peranti yang digunakan oleh bangunan ini.

Sistem tersebut menyambungkan sistem Menara SME seperti pencahayaan serta pemanasan, pengudaraan, dan penyaman udara (HVAC) untuk mewujudkan satu platform pusat untuk mengurus penggunaan tenaga bangunan ini. Selain itu, BEMS menawarkan fungsi pemeteran, subpemeteran, dan pemantauan yang data tenaga, membolehkan pengurus bangunan memperoleh pengetahuan terperinci tentang penggunaan tenaga bangunan.

BEMS have helped us to monitor energy usage and targets by providing real-time data on energy flows, consumption, trends and the building's overall performance. Outside normal working hours, we have built-in motion sensors that detect movement and trigger lighting only when it is needed.

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.

ENERGY EFFICIENCY WITH LED LIGHTS

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.

LED lights are up to 80% more efficient than traditional lighting such as fluorescent and incandescent lights. 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.

The absence of toxic elements in LED lights, compared to fluorescent strip lights which contain noxious chemicals such as mercury, also significantly protects the environment from further toxic waste.

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 we play a part to contributing towards a sustainable environment.

Managing Energy Demand with VRV

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.

BEMS telah membantu kami memantau penggunaan dan sasaran tenaga dengan membekalkan data masa nyata berkenaan aliran, penggunaan dan trend tenaga, serta prestasi keseluruhan bangunan. Di luar waktu kerja, kami mempunyai alat pengesan pergerakan tertanam yang mengesan pergerakan dan hanya mengeluarkan cahaya apabila perlu.

Sistem sebegini membolehkan kami mencapai tahap penjimatan yang optimum dengan mengekalkan keseimbangan secara berterusan antara keperluan operasi, keadaan persekitaran luaran dan dalaman, dan penggunaan tenaga sementara memenuhi matlamat tanggungjawab sosial dan korporat kami.

PENJIMATAN TENAGA DENGAN LAMPU LED

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 adalah sehingga 80% lebih jimat berbanding pencahayaan lama seperti lampu pendafluor dan pijar. Sejumlah 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.

Ketiadaan elemen toksik dalam lampu LED, berbanding lampu jalur pendafluor yang mengandungi bahan kimia beracun seperti raksa, juga dengan ketara melindungi alam sekitar daripada sisa toksik berlebihan.

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

Mengurus Permintaan Tenaga dengan VRV

Kami terus memanfaatkan sistem Jumlah Bahan Penyejuk Berubah (VRV) yang menjimatkan kos, sebagai kaedah penjimatan tenaga untuk mengawal suhu dengan tepat dalam bangunan kami .

Billik 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, perkakasan dan pencahayaan pejabat yang memancarkan haba, serta perubahan suhu luaran. 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.

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.

WATER MANAGEMENT AND EFFICIENCY

Water is a finite resource that is the essence of life. Smart water management is a pre-requisite to sustainable development. An efficient management of water helps strengthen the resilience of social, economic and environmental systems.

SME Bank is committed to saving and conserving water, the important natural resources in our operations and activities. We view the sustainable use of water as ever more critical as SME Bank's business is strongly centralised to our buildings mainly our headquarter, Menara SME Bank.

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 2017, 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.

WASTE MANAGEMENT

As raw materials become scarcer, and soil, air and water pollution pose a risk to sustainable development, waste management is not to be side-lined. SME Bank recognises that waste disposal issues are exacerbated by changing patterns of consumption, industrial development and urbanisation. 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.

Sistem VRV memadankan jumlah udara dengan beban penyejukan sebenar dan membantu mengurangkan penggunaan tenaga Unit Pengendalian Udara (AHU) sebanyak antara 20% sehingga 60% berbanding sistem jumlah udara tetap.

PENGURUSAN DAN PENJIMATAN AIR

Air merupakan sumber terhad yang juga penting untuk kehidupan. Pengurusan air yang bestari merupakan prasyarat kepada pembangunan yang mampan. Pengurusan air yang cekap membantu mengukuhkan ketahanan sistem sosial, ekonomi dan alam sekitar.

SME Bank komited untuk menjimat dan memulihara air, sumber asli yang penting dalam operasi dan aktiviti kami. Bagi kami, penggunaan air yang mampan amat kritikal memandangkan perniagaan SME Bank bertapak kukuh dalam premis kami terutamanya ibu pejabat di Menara SME Bank.

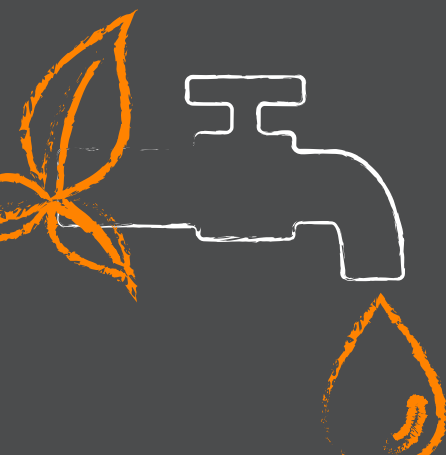
Kami berusaha melindungi sumber air dengan menambahbaik fungsi penjimatan air serta memastikan penggunaan air yang lebih cekap dalam aktiviti operasi kami. Pada 2017, kami telah meneruskan usaha untuk menambahbaik penggunaan sumber air yang cekap, dengan memasang pelbagai alat penjimatan air seperti paip jimat air dan pancuran mandi serta tandas siraman jimat 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 lain-lain kelengkapan air.

PENGURUSAN SISA

Memandangkan bahan mentah semakin berkurangan, dan pencemaran tanah, udara serta air menimbulkan risiko terhadap pembangunan mampan, pengurusan sisa tidak boleh dipinggirkan. SME Bank sedar bahawa isu pelupusan sisa diburukkan lagi dengan pola penggunaan, pembangunan perindustrian dan perbandaran yang kian berubah. Sistem lama untuk pengurusan, pelupusan dan kitar semula sisa pepejal tidak lagi sesuai.

Pendekatan kami terhadap bahagian ini melibatkan strategi teknikal, organisasi dan kewangan agar pengurusan sisa yang mampan digabungkan dalam operasi harian Bank. Menyedari 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.



Effective Waste Management Through 3R

The effectiveness of the implementation of waste reduction through 3R reflects the sustainability in waste management. While we ensure the amount of waste we generate is reduced whenever possible, we adopt the 3R (Reduce, Reuse, Recycle) approach to effectively manage wastes.

Reduction is considered the most effective and efficient method to manage wastes because it also can reduce the cost for transportation, waste disposal and waste recycling. Reuse is using 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.

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 during 2017. Special attention has been devoted to fully maximising the potential for automation of formerly paper-consuming processes.

Among the "paperless" initiatives include 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.

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.

Pengurusan Sisa Yang Berkesan Melalui 3R

Keberkesanan pelaksanaan pengurangan sisa melalui 3R mencerminkan kemampunan dalam pengurusan sisa. Di samping berusaha memastikan pengurangan hasil sisa sekerap mungkin, kami mengguna pakai pendekatan 3R (Reduce, Reuse, Recycle – Kurang, Guna Semula, Kitar Semula) untuk mengurus sisa secara berkesan.

Pengurangan dianggap sebagai kaedah paling berkesan dan cekap untuk menguruskan sisa kerana ini juga boleh mengurangkan kos pengangkutan, pelupusan sisa dan kitar semula sisa. Guna semula merujuk kepada penggunaan bahan yang sama lebih daripada sekali untuk fungsi yang sama, dan apabila pengurangan dan guna semula menjadi sukar, kitar semula diperlukan. Kitar semula berupaya mengubah sesuatu menjadi bahan baharu.

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 mencegah pencemaran alam sekitar, memudahkan penggunaan semula komponen terperinci dan mengurangkan jumlah kawasan tanah yang diperlukan untuk tapak pelupusan. Kesimpulannya, pengurusan sisa mampan menyumbang kepada persekitaran tempat kerja yang kondusif.

PENGURUSAN SUMBER KERTAS

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 SME Bank diteruskan pada 2017. Perhatian khas ditumpukan ke arah memaksimumkan potensi automasi pemprosesan yang sebelumnya menggunakan kertas.

Antara inisiatif 'tanpa kertas' adalah termasuk sistem aplikasi kewangan atas talian melalui MySMEBank, di mana usahawan PKS boleh memohon pembiayaan atas talian tanpa menggunakan kertas, sebagaimana yang lazim dilakukan.

Sungguhpun tugas untuk mengurangkan penggunaan kertas dengan ketara dianggap berat, SME Bank komited untuk menjadikannya sebagai sebahagian daripada budaya kerja kami, dengan menggalakkan kakitangan mengikis tabiat mereka itu. Kami sedar bahawa kakitangan terpaksa mencetak dokumen kerana ketiadaan peralatan yang sewajarnya untuk menjalankan tugas secara digital. Kami juga telah mula membekalkan peralatan digital kepada kakitangan; membolehkan penghasilan dokumen, penyuntingan dan kolaborasi pada komputer atau alat peranti mudah alih untuk menggantikan kertas secara berkesan dalam aliran kerja dokumen mereka.

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.

GOING GREEN – 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.

In 2017, Menara SME Bank has successfully achieved full 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 (6) focus areas. These include indoor environmental quality, sustainable site planning and management, innovation, water efficiency, materials and resources, and energy efficiency.

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.

Mel Elektronik

SME Bank berhasrat untuk menyelaras dan mengurangkan surat-menyurat kepada pelanggan. Dalam beberapa keadaan tertentu yang dibolehkan, pihak Bank menghantar mel elektronik melalui e-mel. Sungguh pun demikian, dimana terdapat arahan kawal selia yang mengkehendaki, pihak Bank menghantar surat bercetak kepada pelanggannya maka pihak Bank akan terus berbuat demikian.

KE ARAH AMALAN HIJAU – Pensijilan GBI SME Bank

Indeks Bangunan Hijau (GBI) ialah kaedah penarafan hijau untuk bangunan, yang diiktiraf oleh industri di Malaysia untuk menggalakkan kemampunan 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.

Pada 2017, Menara SME Bank berjaya menerima pensijilan penuh GBI, setelah memenuhi segala keperluannya.

Pengiktirafan ini adalah hasil daripada pelbagai aktiviti Bangunan Hijau kami, daripada gabungan proses mesra alam dan kecekapan sumber 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 (6) bahagian tumpuan. Ini termasuk kualiti persekitaran dalaman, perancangan dan pengurusan tapak yang mampan, inovasi, kecekapan air, bahan dan sumber, serta kecekapan tenaga.





The green building concept we have adopted concentrates on two main aspects: increase the efficiency of the building in terms of energy, water and materials usage; and reduce 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 for the benefits are immense. Going green means that it will help reduce the building operating cost by as much as 9.0%, 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.

Konsep bangunan hijau yang diguna pakai tertumpu kepada dua aspek utama: kecekapan bangunan dari segi penggunaan tenaga, air dan bahan; dan mengurangkan kesannya terhadap kesihatan manusia dan alam sekitar menerusi pemilihan tapak, reka bentuk, pembinaan, operasi, penyelenggaraan dan pelupusan tapak yang lebih berkesan sepanjang jangka hayat lengkap bangunan tersebut.

Kami akan meneruskan amalan Bangunan Hijau kerana manfaatnya begitu luas. Mengamalkan operasi hijau akan membantu mengurangkan kos operasi bangunan sebanyak 9.0%, 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.



KEY GREEN FEATURES IMPLEMENTED AT OUR SME BANK BUILDING

CIRI-CIRI HIJAU UTAMA YANG DILAKSANAKAN DI MENARA SME BANK

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 complement lighting zoning for at least 25% of landlord and common areas.

PENZEZONAN PENCAHAYAAN

- Kawalan pencahayaan yang anjal untuk memaksimumkan penjimatan tenaga;
- Suis individu untuk semua atau ruang yang sempit;
- Pencahayaan yang dikawal oleh penderia automatik dengan strategi cahaya siang untuk semua zon perimeter dan ruang cahaya siang; dan
- Penderia pergerakan yang melengkapi zon pencahayaan untuk sekurang-kurangnya 25% daripada kawasan pemilik dan kawasan umum.



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
- Negative pressure and an effective air filtration system is installed in smoking rooms.

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
- Tekanan negatif dan sistem penyaringan udara berkesan dipasang di dalam bilik merokok.



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, dikendali dan dikekalkan dengan berkesan untuk mengoptimumkan 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 bangunan, peralatan dan operasi serta 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.



INTERNAL NOISE LEVELS

- Internal noise levels maintained at a safe level that ensure 90% of noise levels do not exceed the following ambient internal noise levels:
 - Within the entire baseline building general office space, noise from the building services does not exceed 40dB(Aeq); and
 - Within the baseline building office space, the sound level does not exceed 45dB(Aeq) for open plan or 40dB(Aeq) for closed offices.

TAHAP BUNYI DALAMAN

- Tahap bunyi dalaman dikekalkan pada tahap selamat untuk memastikan 90% tidak melebihi tahap bunyi sekeliling dalaman yang berikut:
 - Dalam seluruh garis ruang pejabat bangunan, bunyi daripada perkhidmatan bangunan tidak melebihi 40dB(Aeq); dan
 - Dalam garis ruang pejabat bangunan, tahap bunyi tidak melebihi 45dB(Aeq) untuk pelan terbuka atau 40dB(Aeq) untuk pejabat tertutup.



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.



THERMAL COMFORT: DESIGN & CONTROLLABILITY OF SYSTEMS

- Individual comfort controls for 50% of the building's occupants that allow adjustments to suit individual tasks and preferences.

KESELESAAN UDARA PANAS: REKA BENTUK & KEBOLEHKAWALAN SISTEM

- Keselesaan individu mengawal sebanyak 50% daripada penghuni bangunan yang membolehkan penyelarasan untuk memenuhi tugas dan keutamaan individu.



AIR CHANGE EFFECTIVENESS

- Effective delivery of clean air through reduced mixing with indoor pollutants to promote a healthy indoor environment.

KEBERKESANAN PENUKARAN UDARA

- Penyampaian udara bersih yang berkesan melalui pengurangan campuran dengan bahan cemar dalaman untuk menggalakkan persekitaran dalaman yang sihat.



Social *Sosial*

CREATING VALUE FOR THE SOCIETY

As Malaysia's leading Development Financial Institution, SME Bank is a powerful economic institution with a strong influence on the economy and society. This section of the report reviews the broad economic impact of SME Bank, and describes its added value and its extensive efforts devoted to promoting Malaysian society and communities.

The economic impact of the Bank reaches beyond its direct positive value, which is primarily aimed at its shareholders and investors; it also takes the form of taxes, local procurement, and employment. In addition to its routine business, the Bank considers itself an integral part of the community, and is committed to advancing and empowering the community. The practical expression of this philosophy is the Bank's community investments, on a number of including :

- Continual volunteering by employees of the Bank;
- Donations and sponsorships.

Through all of these activities, the Bank expands its sphere of influence and promotes social and environmental values in society and in the community.

SME BANK'S APPROACH TO SOCIAL SUSTAINABILITY

SME Bank's social contribution activities focus mainly on the areas of people, local communities, customer privacy, and socioeconomic compliance.

In addition to these main areas of sustainability, SME Bank extends its social and philanthropic contribution and activities which focus mainly on community welfare and humanitarian support.

The Bank does not only provide financial assistance but also pursue activities that benefit the communities. 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.

We believe that when a company provides a range of resources to communities, while supporting their development and proactively tackling issues, it is, in part, fulfilling our social responsibility as a good corporate citizen. Such actions also benefit the company's own operations, fostering a better business environment and creating new markets that can grow sustainably.

MENCIPTA NILAI UNTUK MASYARAKAT

Sebagai peneraju institusi kewangan pembangunan di Malaysia, SME Bank merupakan institusi ekonomi yang mantap, dengan pengaruh yang kuat terhadap ekonomi dan masyarakat. Bahagian laporan ini mengulas kesan ekonomi SME Bank yang meluas, dan menggambarkan nilai tambahannya serta usaha gigih yang ditujukan untuk mempromosi masyarakat dan komuniti Malaysia.

Kesan ekonomi SME Bank melebihi nilai positif langsungnya, yang tertumpu terutamanya pada pemegang saham dan pelabur; kesan tersebut juga dapat dilihat pada cukai, perolehan tempatan, dan pekerjaan. Selain perniagaannya yang lazim, Bank juga menganggap kedudukannya sebagai bahagian yang penting dalam masyarakat dan komited untuk maju dan memperkasakan komuniti. Penzahiran nyata falsafah ini terlihat pada pelaburan komuniti Bank, dalam beberapa termasuk :

- Aktiviti sukarela berterusan oleh pekerja bank;
- Derma dan penajaan.

Menerusi semua aktiviti ini, Bank meluaskan pengaruhnya dan menggalakkan nilai sosial dan persekitaran dalam masyarakat dan komuniti.

PENDEKATAN SME BANK TERHADAP KEMAMPAHAN SOSIAL

Aktiviti sumbangan sosial SME Bank tertumpu terutamanya kepada orang awam, komuniti tempatan, privasi pelanggan, dan pematuhan sosioekonomi.

Sebagai tambahan kepada bidang kemampuhan utama ini, SME Bank juga menawarkan sumbangan sosial dan amal, dan aktiviti yang menjurus kepada kebajikan masyarakat dan sokongan kemanusiaan.

Bank ini bukan sahaja menawarkan bantuan kewangan, tetapi juga meneruskan aktiviti yang memanfaatkan masyarakat. Kami menekankan komunikasi dan kerjasama dengan organisasi bukan kerajaan yang berkemahiran tinggi dalam bidang masing-masing, untuk memastikan bahawa sumbangan sosial kami membuahkan hasil. Kami juga menyokong penglibatan pekerja dalam aktiviti sumbangan sosial.

Kami percaya bahawa apabila sesebuah syarikat menawarkan rangkaian sumber kepada masyarakat, di samping menyokong pembangunan mereka dan menangani masalah secara proaktif, syarikat tersebut, secara tidak langsung memenuhi tanggungjawab sosial kami sebagai warga korporat yang prihatin. Tindakan sedemikian juga memanfaatkan operasi syarikat itu sendiri, memupuk persekitaran perniagaan yang lebih harmoni dan mewujudkan pasaran baharu yang berupaya untuk berkembang secara mampan.



SME BANK PEOPLE

As at 31 December 2017, SME Bank had 1,017 employees who were all directly employed by the company.

SME Bank understands the value that its employees bring to the company. The organisation's sustainable development is achieved through our people. All of our employees received regular performance, remuneration and career development reviews during the reporting period. This process is repeated annually throughout the organisation.

Having an engaged workforce is vital to achieving our strategic objectives. 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 company.

The Bank applies long-term considerations of sustainability and social responsibility to the management of its human capital. We comply with the relevant laws and promote a responsible work environment while ensuring work-life balance. For us, our employees are key stakeholders; our relationship with them is conducted on a firm foundation of true growth and partnership.

WARGA SME BANK

Pada 31 Disember 2017, SME Bank mempunyai seramai 1,017 pekerja yang digajikan oleh syarikat.

SME Bank memahami nilai yang diterapkan oleh pekerja ke dalam syarikat. Pembangunan mampan organisasi ini tercapai melalui warga kerja kami. Kesemua pekerja kami mencatatkan prestasi, gaji dan ulasan kemajuan kerjaya yang teratur dan membanggakan sepanjang tempoh pelaporan. Proses ini diulangi saban tahun di seluruh organisasi.

Tenaga kerja yang aktif penting untuk mencapai matlamat strategik syarikat. Maklum balas sering diminta daripada pekerja, melalui tinjauan penglibatan pekerja yang formal dan permintaan maklum balas tidak formal oleh pengurus. Maklum balas ini kemudiannya digunakan untuk mengenal pasti bahagian tumpuan agar Bank dapat menambah baik tahap penglibatan pekerja di seluruh syarikat.

Bank mengguna pakai pertimbangan jangka panjang dari segi kemampanan dan tanggungjawab sosial terhadap pengurusan modal insannya. Kami mematuhi undang-undang yang berkenaan dan menggalakkan persekitaran kerja yang bertanggungjawab, dan memastikan keseimbangan kerja dan kehidupan. Bagi kami, pekerja adalah pihak yang berkepentingan yang utama; hubungan kami dengan mereka dizahirkan pada asas yang kukuh dari segi pertumbuhan sebenar dan perkongsian.

EMPLOYMENT

SME Bank's employment strategy is to hire the right competencies required by the business at the right time. In 2017, we hired five (5) 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 2017 were locals. SME Bank encourages the hiring of local talent through:












- online advertisements on job portal which have proven track record to reach out to 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.

PENGAMBILAN PEKERJA

Strategi pekerjaan SME Bank adalah untuk menggaji mereka yang mempunyai kecekapan tertentu yang diperlukan oleh Bank mengikut kesesuaian. Pada 2017, kami telah menggaji lima (5) pekerja baharu, yang terdiri daripada gabungan golongan profesional dan pelatih.

Walaupun tiada polisi formal tentang penggajian pekerja tempatan, statistik pengambilan pekerja menunjukkan bahawa semua pekerja yang digajikan pada 2017 adalah rakyat tempatan. SME Bank menggalakkan penggajian bakat tempatan melalui:

- iklan atas talian di portal pekerjaan yang telah terbukti berupaya menjangkau ke kumpulan bakat tempatan yang luas, contohnya Jobstreet;
- iklan atas talian di laman Facebook SME Bank;
- iklan akhbar terbitan dan edaran tempatan;
- penyertaan dalam pameran kerjaya tempatan;
- penggunaan pencarian pekerja untuk jawatan pengurusan kritikal dan kanan; dan
- kerjasama dan penglibatan strategik dengan universiti dan kolej.

Year Tahun	2013	2014	2015	2016	2017
 Total Employees Jumlah Kakitangan	1023	1044	1051	1012	1017
 New Hire Pengambilan Baru	159	111	111	56	68
 Executive Eksekutif	776	809	839	817	827
 Non-Executive Bukan Eksekutif	247	235	212	195	190
 Permanent Tetap	1003	1021	1027	993	1001
 Non-permanent Bukan Tetap	20	26	24	19	16
 Female Wanita	537	556	549	517	517
 Male Lelaki	486	488	502	495	500
 Management Pengurusan Wanita	61	74	81	78	86
 Top Management Pengurusan Kanan Wanita	2	2	3	3	3
 Maternity Leave Cuti Bersalin	43	55	62	59	68

LABOUR / MANAGEMENT RELATIONS

SME Bank believes that cooperative labour-management relations are the foundation of business success and sustainability. We therefore place great emphasis on equality of labour and management, as well as mutual trust between both sides. Our stance has, and always will 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.

Except for managers and some contract employees, 18.7% of SME Bank employees are union members. The management of the Bank holds frank discussions with the labour union. As soon as business plans are clarified, management holds a meeting where it explains these plans to the labour union.

Employee working conditions and status are matters discussed between labour and management, with results of these discussions promptly reported to employees of the various divisions.

The Bank also respects employees' rights to bargain collectively under the National Union Commercial Workers (NUCW). Both the Management and the Union enjoy good relations and meet regularly. As at 31 December 2017, the NUCW represented 190 employees from the non-executive workforce.

The Collective Agreement for the period 2013-2016 was sealed on 24 April 2014 and ended on 30 June 2016. Negotiations on the Collective Agreement for the period 2016-2019 have commenced and are still ongoing.

All employees are governed by their Terms & Conditions of Service. With all these in place for both management and employees, SME Bank thus aligns business conduct to universally accepted principles for respect for individual rights and diverse values to be in accordance to the international norms.

OCCUPATIONAL HEALTH AND SAFETY

The Bank acknowledges the positive co-relation between work health and safety, business productivity and sustainable business performance. Therefore, we are committed to ensuring that our people stay safe and healthy. We have robust policies and practices in place throughout our operations to measure our health and safety performance, demonstrate progress and identify areas for improvement.

How We Manage Health and Safety

Accountability for health and safety performance is established through business planning, policies and scorecards.

HUBUNGAN BURUH / PENGURUSAN

SME Bank percaya bahawa kerjasama hubungan pekerja-pengurusan merupakan asas kejayaan dan kemampuan perniagaan. Oleh itu, kami amat menekankan kesaksamaan pekerja dan pengurusan, serta kepercayaan bersama antara kedua-dua pihak. Pendirian kami adalah sentiasa untuk menghormati hak pekerja selaras dengan Deklarasi Hak Asasi Manusia.

Kami tidak bertolak-ansur dengan sebarang bentuk gangguan, diskriminasi atau keganasan di tempat kerja. Kami ditadbir oleh Terma dan Syarat Perkhidmatan tersendiri dan juga mematuhi amalan dan undang-undang buruh seperti Akta Pekerjaan 1955 dan Tatakelakuan Keharmonian Industri.

Melainkan kumpulan pengurusan dan beberapa pekerja kontrak, sekitar 18.7% daripada pekerja SME Bank merupakan ahli kesatuan. Pihak pengurusan Bank sering mengadakan perbincangan telus dengan kesatuan pekerja. Sebaik sahaja pelan perniagaan dimuktamadkan, pihak pengurusan mengadakan mesyuarat bagi menjelaskan pelan-pelan ini kepada kesatuan pekerja.

Keadaan dan persekitaran kerja pekerja adalah antara perkara yang dibincangkan di antara pekerja dan pihak pengurusan, di mana hasil perbincangan tersebut dimaklumkan segera kepada pekerja di pelbagai bahagian.

Pihak Bank juga menghormati hak pekerja untuk berunding secara bersama di bawah Kesatuan Kebangsaan Pekerja-Pekerja Komersil (NUCW). Pihak Pengurusan dan juga Kesatuan menjalinkan hubungan yang harmoni dan sering bermesyuarat. Setakat 31 Disember 2017, NUCW mewakili seramai 190 pekerja daripada tenaga kerja bukan eksekutif.

Perjanjian Kolektif untuk tempoh 2013-2016 telah dimeterai pada 24 April 2014 dan tamat pada 30 Jun 2016. Rundingan mengenai Perjanjian Kolektif untuk tempoh 2016-2019 telahpun bermula dan masih berterusan.

Semua pekerja ditadbir oleh Terma & Syarat Perkhidmatan mereka. Dengan adanya ketetapan sebegini untuk kedua-dua pihak Pengurusan dan pekerja, SME Bank menyelaraskan amalan perniagaannya dengan prinsip yang diterima di seluruh dunia sebagai menghormati hak asasi dan nilai berbeza setiap individu, selaras dengan norma antarabangsa.

KESIHATAN DAN KESELAMATAN PEKERJAAN

Bank mengakui hubungan positif antara kesihatan dan keselamatan pekerjaan, produktiviti perniagaan serta prestasi perniagaan mampan. Oleh itu, kami komited untuk memastikan bahawa warga kerja kami sentiasa selamat dan sihat. Kami mempunyai polisi dan amalan yang kukuh di semua bahagian operasi, untuk mengukur prestasi kesihatan dan keselamatan, menunjukkan peningkatan dan mengenal pasti bahagian yang memerlukan penambahbaikan.

Bagaimana Kami Menguruskan Kesihatan dan Keselamatan

Kebertanggungjawaban terhadap prestasi kesihatan dan keselamatan ditetapkan menerusi perancangan perniagaan polisi dan kad skor.

SME BANK POLICY STATEMENT ON SAFETY AND HEALTH

SME Bank is committed in providing a safe, healthy and secured work place to all employees, contractors, visitor 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:

Reinforcing Our Strong Safety Culture

Our efforts are guided by the international OHSAS 18001 standard from which we established our own OHS system to monitor work-related health and safety incidents closely. The OHS system is implemented throughout our network of offices.

Our strong safety culture relies on effective communication and reinforcement through a variety of channels, engaging all employees in understanding and adhering to safety programmes and policies. To achieve this, we established a Safety and Health Committee, which is also in compliance with the Occupational Safety and Health Act (OSHA) and Department of Occupational Safety and Health's (DOSH) requirements.

The Safety and Health Committee, representing 0.9% of our workforce, is tasked with the following:

- assists in the development of safety and health rules and safe systems of work;
- reviews the effectiveness of the existing safety and health programme;
- studies trends of accidents, near misses, dangerous occurrences and occupational poisoning or disease occurring in the workplace;
- reports any unsafe or unhealthy conditions or practices in the workplace together with recommendations for corrective action to the employer; and
- reviews the workplace safety and health policies and recommends any revisions to the employer.

OSH Activities – Indirect path to improved business sustainability

Investments in intervention programmes related to Occupational Safety and Health (OSH) can yield significant cost reductions and other economic benefits to the business – including having a positive impact on productivity and performance. Upon this understanding, SME Bank does not perceive intervention programmes and activities an expense but rather, a profitable investment.

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. Each member's attendance is compulsory and those repeatedly missing meetings are removed from the committee.

KENYATAAN POLISI SME BANK MENGENAI KESELAMATAN DAN KESIHATAN

SME Bank komited untuk menyediakan tempat kerja yang selamat, sihat dan terjamin kepada semua pekerja, kontraktor, pelawat dan pelanggan. Komitmen terhadap pelaksanaan Polisi Keselamatan dan Kesihatan yang efektif akan digabungkan ke dalam aktiviti harian kami. SME Bank akan memenuhi komitmennya terhadap keselamatan dan kesihatan dengan:

Memperkuh Budaya Keselamatan Yang Mantap

Usaha kami adalah berpandukan piawaian antarabangsa OHSAS 18001, di mana kami telah mewujudkan sistem OHS tersendiri untuk memantau secara teliti kejadian berkaitan kesihatan dan keselamatan pekerjaan. Sistem OHS ini dilaksanakan di seluruh rangkaian pejabat kami.

Budaya keselamatan kami yang mantap bergantung kepada komunikasi dan pengukuhan yang mantap menerusi pelbagai saluran, melibatkan semua pekerja dalam memahami dan mematuhi program dan polisi keselamatan. Untuk mencapai matlamat ini, kami telah mewujudkan Jawatankuasa Keselamatan dan Kesihatan, yang juga mematuhi keperluan Akta Keselamatan dan Kesihatan Pekerjaan (AKKP) serta Jabatan Keselamatan dan Kesihatan Pekerjaan (JKKP).

Jawatankuasa Keselamatan dan Kesihatan ini mewakili 0.9% daripada tenaga kerja kami, ditugaskan untuk:

- membantu membentuk peraturan keselamatan dan kesihatan serta sistem keselamatan pekerjaan;
- mengkaji keberkesanan program keselamatan dan kesihatan sedia ada;
- mengkaji trend kemalangan, kejadian nyaris, kejadian berbahaya dan keracunan di tempat kerja atau penyakit yang berpunca di tempat kerja;
- melaporkan sebarang keadaan tidak selamat atau tidak sihat atau amalan di tempat kerja bersama dengan saranan untuk tindakan pembedulan kepada majikan; dan
- mengkaji polisi keselamatan dan kesihatan tempat kerja dan menyaran apa-apa semakan kepada majikan.

Aktiviti KKP – Laluan tidak langsung ke arah peningkatan kemampuan perniagaan yang ditambah baik

Pelaburan dalam program intervensi berkaitan Keselamatan dan Kesihatan Pekerjaan (OHS) berupaya menghasilkan pengurangan kos yang ketara dan manfaat ekonomi lain kepada syarikat – termasuk kesan positif terhadap produktiviti dan prestasi. Atas pemahaman ini, SME Bank tidak menganggap program dan aktiviti intervensi sebagai perbelanjaan, tetapi, pelaburan yang menguntungkan.

Bank mengadakan mesyuarat jawatankuasa keselamatan dan kesihatan sekurang-kurangnya setiap suku atau seperti yang diperuntukkan dalam Akta Keselamatan dan Kesihatan Pekerjaan, 1994. Mesyuarat ini diminitkan, terutamanya mengenai masalah atau isu berserta tindakan pembedulan 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.

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 regulation 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 regulation.
- 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.

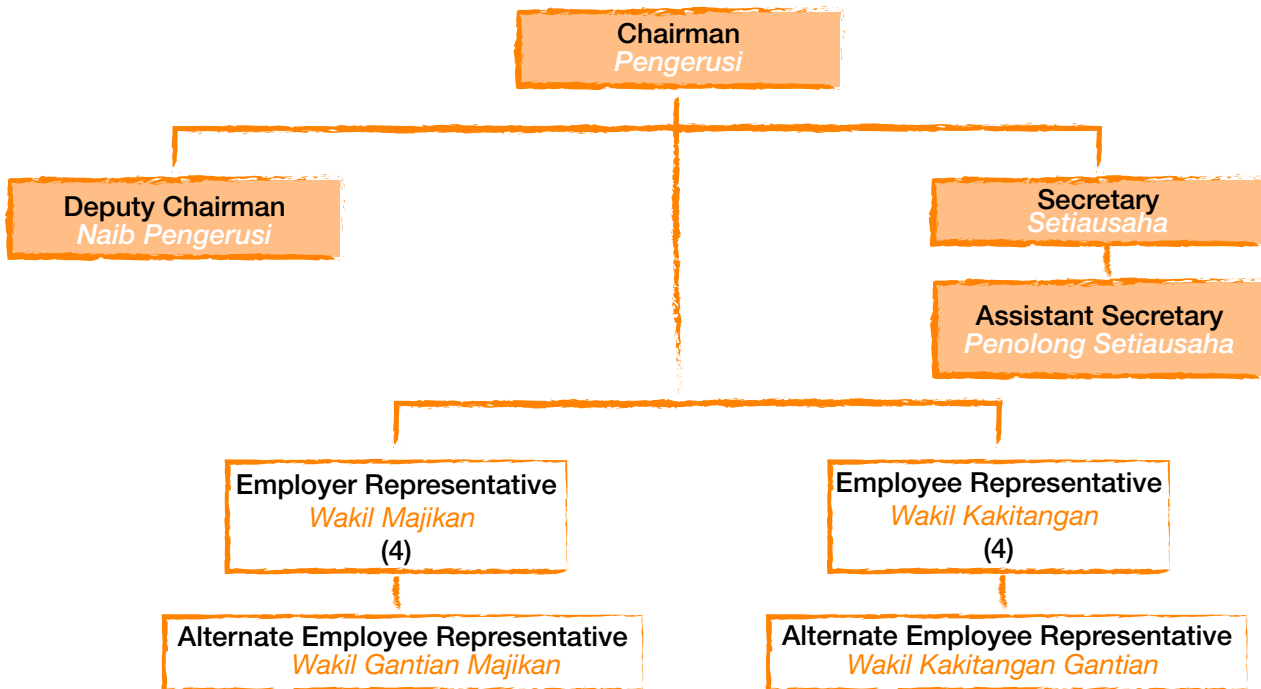


DATO' RAZMAN MOHD NOOR
Chief Operating Officer,
Operations & Group Corporate Management
July 1, 2017



SME BANK HSE COMMITTEE ORGANISATION CHART

CARTA ORGANISASI JAWATANKUASA HSE SME BANK



Periodically, individual departmental safety and health inspections are conducted to:

- identify hazards and unsafe acts that need to be corrected;
- assign corrective responsibility;
- evaluate programme effectiveness; and
- report identified problems and progress to management to improve workplace safety and health.

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.

In 2017, we conducted several HSE activities, which included:

- first aid training for the Emergency Response Team of 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 inspection at Selangor Regional Centre by the Department of Occupational, Safety and Health;
- quarterly workplace inspection at Menara SME Bank and SME Bank network;
- ergonomics risk assessment (ERA) by appointed ergonomist, Prof. Shukor;
- Talk on 'Ergonomics In The Office' by Dr Thomas Samuel (SOCISO); and
- safety briefing to the Board of Directors of SME Bank.

Pemeriksaan keselamatan dan kesihatan jabatan dilaksanakan secara berkala untuk:

- mengenalpasti perbuatan berbahaya dan tidak selamat yang perlu dibetulkan;
- menugaskan tanggungjawab pembetulan;
- menilai keberkesanan program; dan
- melaporkan masalah dan kemajuan yang dikenal pasti kepada pihak pengurusan untuk menambah baik keselamatan dan kesihatan tempat kerja.

Tanggungjawab Jawatankuasa Keselamatan dan Kesihatan adalah berpandukan Akta Keselamatan dan Kesihatan Pekerjaan, 1994, khususnya untuk:

- mengenal pasti potensi bahaya;
- menilai potensi bahaya;
- menyarankan tindakan pembetulan; dan
- membuat susulan terhadap pelaksanaan saranan.

Pada 2017, kami telah melaksanakan beberapa aktiviti KKP, termasuk:

- 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;
- pemeriksaan keselamatan di Pusat Wilayah Selangor oleh Jabatan Keselamatan dan Kesihatan Pekerjaan;
- pemeriksaan suku tahunan tempat kerja di Menara SME Bank dan rangkaian SME Bank;
- penilaian risiko ergonomi (PRE) oleh pakar Ergonomik yang dilantik, Prof. Shukor;
- ceramah 'Ergonomics In The Office' (Ergonomik di Pejabat) oleh Dr Thomas Samuel (PERKESO); dan
- taklimat keselamatan kebakaran kepada Lembaga Pengarah SME Bank.

TRAINING AND EDUCATION

We understand that the necessary training and education is important to ensure that every employee do the best he can for himself and SME Bank. Training is one of the cornerstones of the Bank's professional development drive. In 2017 we invested RM2.7 million in boosting 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 73 in-house training sessions and 100 external training sessions.

How We Build Capability and Capacity

SME Bank's approach to education training involves preliminary and intermediate stages of employment. Among the incentives and programmes are stated below.

a) Internship Programme

In 2017, we continued with the SME Bank Industrial Training & Placement Programme (ITPP) by accepting 10 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.

b) On-boarding Programme

In order to acclimate and welcome new employees into the organisation and prove them with the tools, resources, and knowledge to become successful and productive, SME Bank makes it compulsory for them to undergo the on-boarding programme within the first 30 days of employment.

The programme is our way to successfully engage employees 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.

In their first three (3) 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.

LATIHAN DAN PENDIDIKAN

Kami memahami bahawa latihan dan pendidikan adalah penting untuk memastikan bahawa setiap pekerja membuat yang terbaik untuk dirinya dan juga SME Bank. Latihan adalah antara asas kepada usaha pembangunan profesional Bank. Pada 2017, kami telah melabur RM2.7 juta untuk meningkatkan pengetahuan, kemahiran pekerja dan penajaran 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 telah menjalankan sebanyak 73 sesi latihan dalaman dan 100 sesi latihan luaran.

Bagaimana Kami Membina Kebolehan dan Keupayaan

Pendekatan SME Bank terhadap latihan pendidikan adalah melibatkan peringkat awal dan pertengahan pekerjaan. Antara insentif dan program yang dilaksanakan adalah seperti berikut.

a) Program Latihan Amali

Pada 2017, kami telah meneruskan Program Latihan Perindustrian & Penempatan SME Bank (ITPP) dengan menerima 10 pelajar tempatan daripada institusi pengajian tinggi yang diiktiraf. Pelatih berpeluang menjalankan latihan perindustrian di bahagian atau jabatan berkaitan di dalam Bank.

b) Program 'On-boarding'

Untuk menyesuaikan diri dan meraikan pekerja baharu ke dalam organisasi ini dan memperkenalkan kepada mereka kelengkapan, sumber, dan pengetahuan untuk berjaya dan produktif, SME Bank mewajibkan mereka menjalani program penyesuaian dalam tempoh 30 hari pertama pekerjaan.

Program ini adalah cara kami untuk memberi kefahaman secara berkesan kepada pekerja 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 melibatkan penyertaan aktif secara menyeluruh kepada keperluan organisasi dan etika perbankan.

Dalam tempoh tiga (3) tahun pertama, pekerja baharu menjalani program lima (5) peringkat untuk menerapkan sifat kekitaan dengan haluan pembangunan kerjaya yang berstruktur. Program ini menekankan kepada semua pekerja tentang nilai-nilai SME Bank yang kian berkembang dan membolehkan mereka melihat bagaimana hasil kerja mereka telah menyumbang ke arah kejayaan keseluruhan diri mereka dan juga Bank.

c) Strategic Account Management Development Related Programme

In 2017, a total of 110 SME Bank employees underwent the Strategic Account Management Bootcamp. The programme complements the Banks's strategy to improve its account management processes, with objectives as follows:-

- to enhance the readiness of customer-facing staff to support the Bank's Business Model and ensure its success;
- to place greater emphasis on credit papers that will reduce re-work, improve productivity and most importantly improve delivery to customers; and
- to create a clear understanding and greater cooperation between the branches and Head Office when handling back office functions.

d) Employee Education Assistance Programme

The Employee Education Assistance Programme (EEAP) provides the opportunity for us to enhance talent development and capacity building within SME Bank.

Under the programme, the Bank agrees to provide fully-paid study leave to qualified employees who are pursuing their education. The opportunity for us to help develop our talents, via education, is in line with the Bank's aspiration of catalysing an inclusive growth for sustainability.

COMPETITIVE REMUNERATION

SME Bank believes that employees must be fairly compensated in order to attract and retain them. Our workforce consists of individuals from various qualifications and experience, ranging from school leavers to graduate and post-graduate degree holders. All of them possess different skill sets that complement each other and make our overall business operation wholesome.

Our remuneration policy aligns with local market practices and we regularly benchmark our remuneration plans and benefits with peers to ensure competitiveness.

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.

SME Bank was awarded Silver Medal for the 2015 MIHRM Employer of Choice Award. This is a testimony of the quality of remuneration system and package offered by SME Bank.

c) Program Berkaitan Pembangunan Pengurusan Akaun Strategik

Pada 2017, sejumlah 110 pekerja SME Bank telah menjalani Program Berkaitan Pembangunan Pengurusan Akaun Strategik. Program tersebut melengkapkan strategi Bank untuk menambahbaik proses pengurusan akaunnya, dengan matlamat seperti berikut:-

- Untuk meningkatkan kesediaan pekerja yang berurusan pelanggan untuk menyokong Model Perniagaan Bank dan memastikan kejayaannya;
- Untuk memberi lebih penekanan kepada kertas kredit yang akan mengurangkan kerja semula, meningkatkan produktiviti dan yang paling penting menambahbaik penzahiran perkhidmatan pelanggan; dan
- Untuk mewujudkan pemahaman yang jelas dan kerjasama yang lebih mantap antara cawangan dan Ibu Pejabat apabila mengendalikan fungsi sokongan pentadbiran.

d) Program Bantuan Pendidikan Pekerja

Program Bantuan Pendidikan Pekerja (EEAP) membuka peluang untuk kami menambahbaik pembangunan dan pembinaan keupayaan bakat dalam SME Bank.

Di bawah program ini, pihak Bank bersetuju untuk memberi cuti belajar dengan gaji penuh kepada pekerja berkelayakan yang menyambung pelajaran. Peluang untuk kami membantu membangunkan bakat, menerusi pendidikan, adalah selaras dengan aspirasi Bank untuk memangkin pertumbuhan terangkum demi kemampanan.

IMBUHAN YANG KOMPETITIF

SME Bank percaya bahawa untuk menarik dan mengekalkan bakat, pekerja harus diberi pampasan yang adil. Tenaga kerja kami terdiri daripada individu yang mempunyai pelbagai kelayakan dan pengalaman, daripada lepasan sekolah sehingga graduan dan pemegang ijazah pasca siswazah. Kesemua mereka memiliki kemahiran berbeza, saling melengkapi antara satu sama lain dan menjadikan operasi keseluruhan perniagaan kami bermanfaat.

Polisi imbuhan kami selari dengan amalan pasaran tempatan dan kami sering menanda aras pelan imbuhan dan manfaat kami dengan rakan niaga untuk mengekalkan daya saing.

Imbuhan diselaraskan di seluruh organisasi ini antara kaum lelaki dan wanita yang berkerja sepenuh masa, dalam gred yang sama, dan peranan yang sama. Begitu juga, imbuhan tidak berpandukan umur mahupun bangsa. Semua pekerja melalui penilaian prestasi tahunan yang merupakan pengukur untuk menentukan peluang mereka antara lain untuk kenaikan gaji atau kenaikan pangkat.

Selain ganjaran kewangan, SME Bank juga menawarkan manfaat yang lain 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.

SME Bank telah dianugerahkan Pingat Perak untuk Anugerah Majikan Pilihan MIHRM 2015. Ini merupakan bukti kualiti sistem imbuhan dan pakej yang ditawarkan oleh SME Bank.



TALENT DIVERSITY

SME Bank is continually developing a workplace that promotes diversity and fosters a culture that recognises and celebrates the success of our team. We recruit from among the best talents available. We create an inclusive and interesting workplace where we invest in our team and celebrate their achievements.

We have a formal strategy in place that specifically supports gender equality and diversity. SME Bank recognises the skills, values and experiences that a diversified group of people with different backgrounds can offer and is proud of its strong and diverse workforce.

What we mean by Diversity and Inclusion

On principle, we fill our job vacancies exclusively according to ability, potential, and performance. We do not tolerate discriminatory behaviour either when we hire new employees or in our daily interaction with each other. We aim to develop the full potential of our employees, regardless of external circumstances. To do so, we want to identify and remove barriers in our thinking and in our processes.

We are convinced that a diversified workforce and an open and appreciative corporate culture are important success factors in a globalised world. We aspire to further strengthen diversity and appreciative behaviour at SME Bank. We want to create an inclusive working environment that fosters all dimensions of diversity. We pursue a holistic approach, which includes individual personal characteristics as well as experience, knowledge, and skills.

KEPELBAGAIAN BAKAT

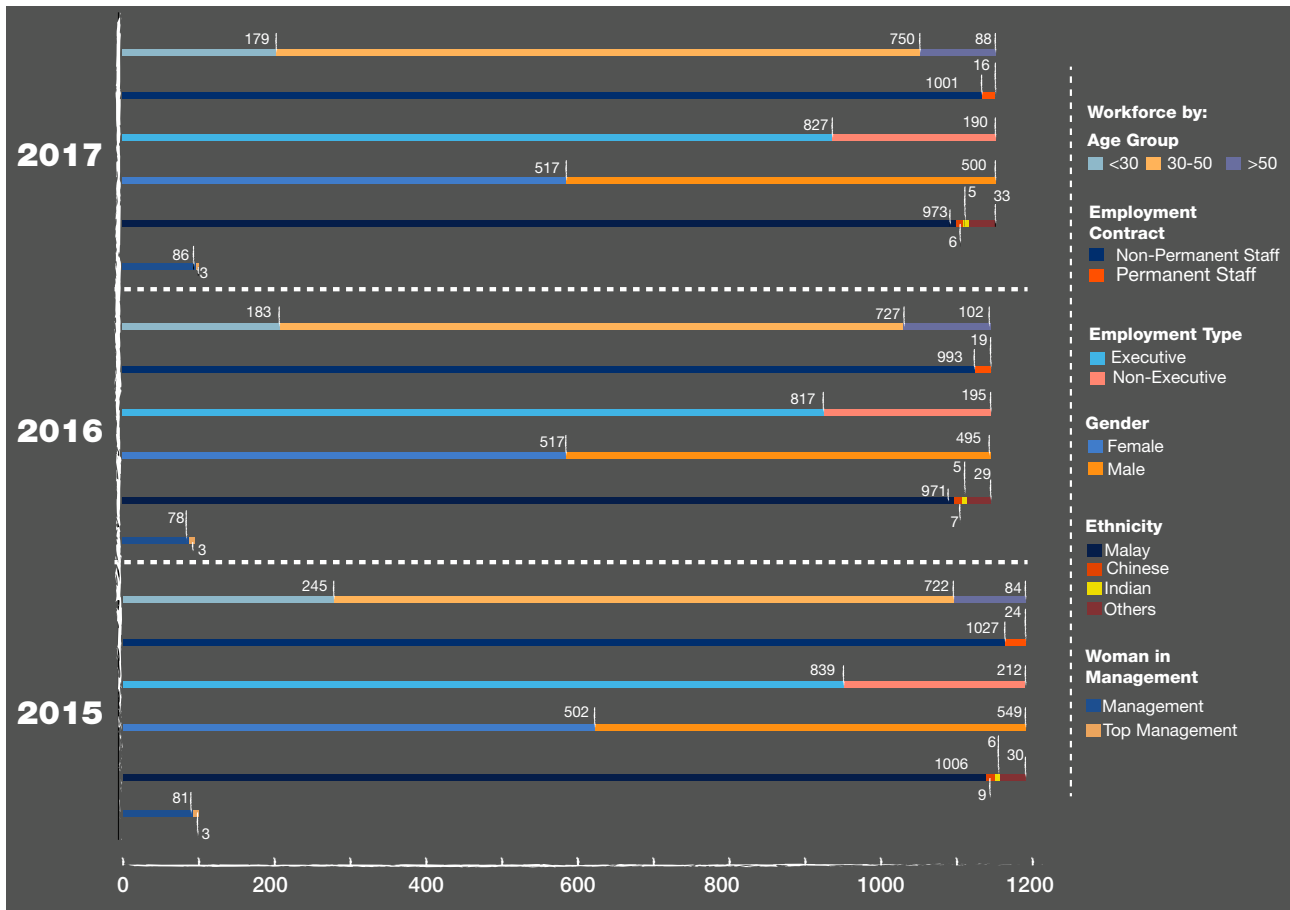
SME Bank terus membangunkan tempat kerja yang menggalakkan kepelbagaian dan menerapkan budaya yang mengiktiraf dan meraikan kejayaan pasukan. Kami mengambil pekerja dalam kalangan bakat terbaik. Kami mewujudkan tempat kerja yang terangkum dan menarik, di mana kami melabur dalam pasukan kami dan meraikan pencapaian mereka.

Kami mempunyai strategi formal yang khususnya menyokong kesamaan dan kepelbagaian jantina. SME Bank mengiktiraf kemahiran, nilai dan pengalaman yang ditawarkan oleh pelbagai kumpulan pekerja dari pelbagai latar belakang, dan berbangga dengan tenaga kerjanya yang kukuh dan pelbagai.

Apa yang dimaksudkan dengan Kepelbagaian dan Keterangkuman

Secara prinsipnya, kami memenuhi kekosongan jawatan secara eksklusif mengikut keupayaan, potensi, dan prestasi. Kami tidak bertolak-ansur dengan kelakuan diskriminasi; sama ada ketika pengambilan pekerja baharu ataupun dalam urusan harian sesama sendiri. Kami berhasrat untuk membangunkan potensi penuh pekerja, tanpa mengira keadaan luaran. Untuk melakukan demikian, kami perlu mengenal pasti dan menghapuskan halangan dalam cara pemikiran dan juga proses kami.

Kami yakin bahawa tenaga kerja yang pelbagai serta budaya korporat yang terbuka dan menghargai adalah faktor kejayaan penting dalam dunia global. Kami bercita-cita untuk memperkukuhkan lagi kepelbagaian dan sikap menghargai di SME Bank. Kami ingin mewujudkan persekitaran kerja terangkum yang menerapkan semua sudut kepelbagaian. Kami meneruskan pendekatan holistik, melibatkan ciri-ciri peribadi individu serta pengalaman, pengetahuan, dan kemahiran.



NON-DISCRIMINATION

With an open attitude to diversity, SME Bank's 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.

COMMUNITY INITIATIVES

SME Bank believes in the philosophy of giving back to the community. Today, corporate citizenship has been an integral part of our corporate culture. Our lasting and long-term commitment to social involvement that goes beyond direct business interests involve several community initiatives which include corporate volunteering, entrepreneurship and philanthropic activities.

VOLUNTEERING

SME Bank provides the opportunity for its employees to unlock their innate desire to do good through volunteering involvements. This also helps to motivate employees to contribute their time and skills towards social causes in the areas of community welfare.

TIADA DISKRIMINASI

Dengan sikap terbuka terhadap kepelbagaian, matlamat SME Bank adalah untuk mengelak sebarang kejadian diskriminasi disebabkan orientasi jantina, bangsa, agama, kewarganegaraan, status awam atau kedudukan sosial. Kami meletakkan polisi yang khusus untuk menghormati hak pekerja dan berusaha membuat penambahbaikan berdasarkan isu terpenting di bahagian masing-masing.

Kami menerapkan peluang sama rata di dalam Bank tanpa diskriminasi sama ada dari segi bangsa, kumpulan etnik, kewarganegaraan, agama, latar belakang sosial, tanggungjawab keluarga (termasuk kehamilan), atau kecacatan.

INISIATIF KOMUNITI

SME Bank percaya kepada falsafah memberi kembali kepada masyarakat. Kini, warga korporat adalah sebahagian budaya yang terpenting bagi kami. Komitmen jangka panjang dan berterusan kami terhadap penglibatan sosial melebihi kepentingan kebiasaan perniagaan melibatkan beberapa inisiatif komuniti termasuk kerja sukarela korporat, keusahawanan dan aktiviti amal.

KERJA SUKARELA

SME Bank membuka peluang kepada pekerjaannya untuk merealisasikan impian mereka untuk berbakti melalui penglibatan secara sukarela. Ini juga membantu memberi motivasi kepada pekerja untuk meluangkan masa dan kemahiran mereka untuk tujuan sosial melibatkan kebajikan masyarakat.

Back to Nature at Zoo Negara

This is SME Bank's Green CSR programme where 20 volunteers who are the Bank's employees built food containers for three (3) types of monkeys namely the Marmoset, Siamang and Gibbon. Voluntary work in helping to preserve the wildlife indirectly benefits the staff in appreciating that social involvement results in sustainable development.

Tree Planting at Kuala Selangor Nature Park

This programme seeks to contribute to the reforestation efforts on this planet. 40 employees and their family members made an amazing contribution to help with this effort by planting trees at Kuala Selangor Nature Park. The saplings that were planted would grow and in time, benefit the community at large.

Blood Donation at Menara SME Bank

The Bank held a voluntary blood donation drive at its headquarter Menara SME Bank to support hospitals and healthcare centres in maintaining blood bank stock, and contribute to the health of thousands of people in the country. 73 staff supported this initiative and voluntarily donated their blood for this noble cause.

ENTREPRENEURSHIP

SME Bank also promotes entrepreneurship through initiatives and programmes that support the community.

SME Bank 90-Days Biz Challenge

SME Bank continued with its signature corporate responsibility programme, the SME Bank 90-Days Biz Challenge in 2017. We jointly organised this programme with the Department of Community College Education, Ministry of Higher Education to develop young entrepreneurs who will be able to manage their business well and earn lucrative incomes.

The SME Bank 90-Days Biz Challenge is held once every two years, alternately with our other signature programme, the SME Bank Y-Biz Challenge. While the former is mainly aimed at creating more entrepreneurs amongst the youths, the latter is targeted to secondary school students to raise their interests in entrepreneurship. Both these programme attest our commitment in fulfilling the Government mandate in encouraging and producing a higher number of in the country, especially from the new generation.

In 2017, the SME Bank 90-Days Biz Challenge recorded a participation of 87 community colleges, involving 348 students. As part of the 90-Days Biz Challenge, students were required to manage their businesses until it became profitable.

Kembali kepada Alam Semula Jadi di Zoo Negara

Ini merupakan program CSR Hijau SME Bank di mana 20 sukarelawan yang merupakan pekerja bank telah membina kontena makanan untuk tiga (3) jenis monyet iaitu Marmoset, Siamang dan Ungka. Kerja sukarela untuk membantu memelihara hidupan liar ini secara tidak langsung memanfaatkan pekerja dalam menghargai sumbangan penglibatan sosial kepada pembangunan mampan.

Menanam Pokok di Taman Alam Kuala Selangor

Program ini bertujuan untuk menyumbang ke arah usaha penanaman semula hutan di bumi ini. 40 pekerja dan ahli keluarga mereka telah menyumbang tenaga dengan penuh bersemangat untuk membantu, dengan menanam pokok di Taman Alam Kuala Selangor. Anak pokok yang ditanam akan tumbuh dan memanfaatkan komuniti secara keseluruhannya.

Derma Darah di Menara SME Bank

Pihak Bank telah mengadakan kempen derma darah secara sukarela di ibu pejabatnya di Menara SME Bank untuk menyokong hospital dan pusat penjagaan kesihatan dalam usaha mengekalkan stok bank darah, dan menyumbang ke arah kesihatan ribuan rakyat negara ini. Seramai 73 penderma termasuk kakitangan SME Bank menyokong inisiatif ini dan menderma darah secara sukarela untuk tujuan yang mulia ini.

KEUSAHAWANAN

SME Bank juga menggalakkan keusahawanan melalui inisiatif dan program yang menyokong komuniti.

SME Bank 90-Days Biz Challenge

SME Bank meneruskan program tanggungjawab korporatnya yang unggul, SME Bank 90-Days Biz Challenge pada tahun 2017. Kami menganjurkan program ini bersama-sama dengan Jabatan Pendidikan Kolej Komuniti, Kementerian Pendidikan Tinggi untuk membangunkan usahawan muda yang akan boleh mengurus perniagaan mereka dengan baik dan meraih pendapatan lumayan.

SME Bank 90-Days Biz Challenge diadakan setiap dua tahun, dengan satu lagi program ulung kami iaitu SME Bank Y-Biz Challenge. SME Bank 90-Days Biz Challenge bertujuan mewujudkan lebih ramai usahawan di kalangan belia, manakala SME Bank Y-Biz Challenge disasarkan kepada pelajar sekolah menengah untuk meningkatkan kesedaran mereka terhadap keusahawanan. Kedua-dua program ini membuktikan komitmen kami dalam memenuhi mandat Kerajaan untuk menggalak dan menghasilkan lebih ramai usahawan di dalam negara, terutamanya daripada generasi baharu.

Pada 2017, SME Bank 90-Days Biz Challenge mencatat penyertaan sebanyak 87 kolej komuniti, melibatkan 348 pelajar. Sebagai sebahagian daripada SME Bank 90-Days Biz Challenge, pelajar diperlukan untuk mengurus perniagaan mereka sehinggalah ia menghasilkan keuntungan.

Winners received cash and special consideration for SME Bank's funding if they opt to run their own businesses upon completion of their studies. To ensure that we are able to keep track of all the 90-Days Biz Challenge participants' progress, they will be automatically registered as 90-Days Biz Challenge Alumni where they will have the opportunity to join entrepreneurship programmes and participate in various activities that SME Bank organises or takes part.

All the semi-finalist received seed capital of RM500 each to produce the prototype of 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 prototypes, the panel of judges comprising representatives from Department of Community College Education and SME Corp selected 20 colleges to compete in the final round. All the finalists presented the progress update on their respective businesses following which the top three (3) winners were announced.

Pemenang menerima hadiah wang tunai dan pertimbangan khusus untuk mendapat pembiayaan SME Bank jika mereka memilih untuk menjalankan perniagaan mereka sendiri, setelah tamat belajar. Bagi memastikan bahawa kami boleh menjejak kemajuan peserta, mereka secara automatik didaftarkan sebagai ahli 90-Days Biz Challenge Alumni di mana mereka akan mendapat peluang untuk menyertai program keusahawanan dan mengambil bahagian dalam pelbagai aktiviti yang SME Bank anjurkan dan sertai.

Kesemua pemenang peringkat separuh akhir menerima modal kerja berjumlah RM500 setiap seorang untuk menghasilkan prototaip produk dan perkhidmatan mereka. Setiap pasukan didedahkan kepada topik tentang keusahawanan, kemahiran kepemimpinan, dan rekabentuk produk. Mereka juga telah mengambil bahagian dalam ceramah motivasi dan pelbagai aktiviti berkumpulan yang dikendalikan oleh penceramah jemputan dan perunding latihan yang dilantik.

Berikutan pembentangan cadangan projek dan prototaip produk mereka, panel hakim yang terdiri daripada wakil Jabatan Pendidikan Kolej Komuniti dan SME Corp telah memilih 20 kolej untuk bertanding dalam pusingan akhir. Kesemua pemenang peringkat akhir membentangkan laporan terkini kemajuan perniagaan masing-masing, dan kemudiannya diumumkan tiga (3) pemenang.

Winner <i>Pemenang</i>	College <i>Kolej</i>	Company <i>Syarikat</i>
Champion <i>Juara</i>	Tawau Comunity College, Sabah	Syarikat Annisaa Enterprise
First Runner <i>Naib Johan</i>	Kuching Community College, Sarawak	Syarikat Huahana Services
Second Runner <i>Pemenang Ketiga</i>	Sik Comunity College, Kedah	KIS Sate Cafe



WELFARE

The Bank ran numerous community support initiatives to enhance people's quality of life and meet their needs. Many of these initiatives are conducted with the involvement of our employees.

Our main focus is to tackle social exclusion by backing programmes that deal with poverty, vulnerability and the marginalisation of people in the various locations in Malaysia. In 2017 we helped over more than 7,500 people through these projects.

KEBAJIKAN

Bank telah melaksanakan pelbagai inisiatif sokongan masyarakat untuk menambahkan kualiti hidup rakyat dan memenuhi keperluan mereka. Beberapa inisiatif sokongan masyarakat ini dilaksanakan dengan melibatkan kakitangan kami.

Fokus utama kami adalah untuk menangani pengecualian sosial dengan mengadakan program sandaran yang melibatkan isu kemiskinan, mereka yang terdedah pengaruh bahaya sosial dan peminggiran rakyat di pelbagai kawasan di Malaysia. Pada 2017, kami telah menghulurkan bantuan kepada lebih daripada 7,500 orang menerusi projek sebegini.

Cash Contribution to Media Prima-NSTP Humanitarian Fund

In support of community welfare and in line with our sustainable social commitment, SME Bank made a significant contribution to the Media Prima-NSTP Humanitarian Fund. The total contribution from which will be channelled into the NSTP-Media Prima Disaster Relief Fund and the Media Prima Rohingya Humanitarian Fund.

Back to School

The Bank's Back to School programme reached out to 14 locations throughout the country, benefitting 1,456 students. 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.



Helping the Disabled

We understand that sustainability incorporates social dimensions such as social inclusion, equal opportunities and anti-discrimination. We believe that people with disabilities have the potential to be an important source of talent, creativity and innovation in the community. As part of our social involvements with the community, the Bank has made a cash contribution to Sekolah Kanak-Kanak Cacat Port Dickson because we see them as part of our stakeholders in sustainability.

Loving the Orphans

This cash contribution to Yayasan Anak-Anak Yatim Piatu Islam Daerah Port Dickson is our commitment in giving to the community that from the money we have made. The visitation and donation to these children gave us the opportunity to celebrate the special place they grow up and live in while at the same time making them feel celebrated and loved.

Corporate Giving in Ramadan

True to its name 'Ramadan Kareem' which means 'generous Ramadan', we are encouraged to be charitable to those less fortunate within our communities. Reflecting on the importance of corporate philanthropy, we successfully made contribution in the form of food packs for Iftar that benefit some 5,500 people. This includes the contribution for Syrians in Homs, in collaboration with the Syria Care where we gave out 1,500 food packs once a week during the month of Ramadan.

Sumbangan Wang Tunai kepada Dana Kemanusiaan Media Prima-NSTP

Sebagai menyokong usaha kebajikan masyarakat dan selaras dengan komitmen sosial mampan kami, SME Bank telah menghulurkan sumbangan yang besar kepada Dana Kemanusiaan Media Prima-NSTP. Sumbangan ini akan disalurkan kepada Tabung Bantuan Bencana NSTP-Media Prima dan Dana Kemanusiaan Rohingya Media Prima.

Kembali ke Sekolah

Program Kembali Ke Sekolah Bank ini telah menjangkau ke 14 lokasi di seluruh negara, memberi manfaat kepada 1,456 orang pelajar. 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.



Membantu Orang Kurang Upaya

Kami memahami bahawa kemampuan menggabungkan dimensi sosial seperti kerangkuman sosial, peluang sama rata dan anti diskriminasi. Kami percaya bahawa orang kurang upaya berpotensi menjadi modal insan yang kaya kemahiran, kreativiti dan inovasi dalam masyarakat. Sebagai sebahagian daripada penglibatan sosial kami dengan masyarakat, pihak Bank telah menyumbangkan wang tunai kepada Sekolah Kanak-Kanak Cacat Port Dickson, kerana kami berpendapat bahawa mereka adalah sebahagian daripada pihak yang berkepentingan kepada kemampuan kita semua.

Mengasihi Anak Yatim

Sumbangan wang tunai kepada Yayasan Anak-Anak Yatim Piatu Islam Daerah Port Dickson merupakan komitmen kami untuk memanfaatkan masyarakat melalui hasil perolehan Bank. Lawatan dan sumbangan kepada anak-anak ini telah membuka peluang untuk kami meraikan mereka di tempat istimewa di mana mereka tinggal dan dibesarkan, di samping membuat mereka rasa dihargai dan disayangi.

Pemberian Korporat pada bulan Ramadan

Selaras dengan gelarannya 'Ramadan Kareem' yang membawa maksud 'Ramadan yang pemurah', kita digalakkan membuat amal kepada golongan yang kurang bernasib baik dalam masyarakat kita. Bagi mencerminkan kepentingan sikap amal korporat, kami telah berjaya melaksanakan sumbangan berbentuk bungkusan makanan berbuka puasa untuk kira-kira 5,500 orang. Ini termasuk sumbangan untuk rakyat Syria di Homs, dengan kerjasama Syria Care, di mana kami menghulurkan 1,500 bungkusan makanan seminggu sekali sepanjang bulan Ramadan.

Governance & Compliance

Tadbir Urus & Pematuhan

ETHICS AND COMPLIANCE

To be a sustainable company, SME Bank must display a high level of ethics and transparency, as well as a strong foundation for the organisation. It is also expected that the company will actively disclose its initiatives to this end. We have numerous stakeholders and therefore it is important that we continue to earn their trust while ensuring the high ethical standards and compliance of all employees.

EFFECTIVE RISK MANAGEMENT FOR SUSTAINABILITY

SME Bank has established a corporate governance system that maintains business transparency, as stated in the earlier section of this report. The system allows us to implement various monitoring systems, as well as assess and effectively manage risks that have the potential of preventing the company from achieving its business goals. We understand that the ability to identify the risks and to properly evaluate, communicate, and address them is crucial to a sustainable business.

We treat risk management as a compliance issue that can be solved by drawing up lots of rules and making sure that all employees follow them. The Bank's Credit Operation Guide stipulates control measures such as the listing of non-qualified business activities for financing and effective credit risk management at the macro level.

Negative and Selective Lists

SME Bank has 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 unfavorable 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' shall be reviewed on an annual basis or when there are signs of significant adverse changes in the sectoral outlook and/or general market conditions.

ETIKA DAN PEMATUHAN

Untuk menjadi sebuah bank mampan, SME Bank perlu menunjukkan tahap etika dan ketelusan yang tinggi, serta asas yang kukuh sebagai sebuah organisasi. Pihak Bank juga seharusnya membuat pendedahan tentang usaha-usaha ini secara aktif. Kami mempunyai banyak pihak berkepentingan dan oleh itu, adalah penting bagi kami untuk terus meraih kepercayaan mereka sementara memastikan piawaian etika dan pematuhan yang tinggi dikalangan semua kakitangan kami.

PENGURUSAN RISIKO BERKESAN UNTUK KEMAMPANAN

SME Bank mewujudkan sistem tadbir urus korporat yang mengekalkan ketelusan perniagaan, sebagaimana dinyatakan dalam bahagian terdahulu laporan ini. 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.

Kami melihat pengurusan risiko sebagai isu pematuhan yang boleh diselesaikan dengan merangka banyak peraturan dan memastikan bahawa semua kakitangan mengikut peraturan itu. Panduan Operasi Kredit Bank menetapkan langkah-langkah kawalan seperti menyenaraikan aktiviti perniagaan tidak layak untuk pembiayaan dan pengurusan berkesan risiko kredit pada peringkat makro.

Senarai Negatif dan Terpilih

SME Bank telah meluaskan takrifan dalaman bagi aktiviti perniagaan yang tidak layak untuk menerima pembiayaan di bawah skim produk dan perkhidmatan bagi memasukkan sektor yang tiada layak 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.

Sectoral Concentration Limits

In an effort to prevent concentration towards a particular economic sector, SME Bank has established internal thresholds for all its financing exposures. These limits have been 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 Key Economic Areas (NKEA). Trigger limits are also in place allowing for ample timing to implement policy response, if required.

Industry Risk Scanning

The Bank, via its Group Risk Management Department, conducted periodic industry studies to provide assessment on current issues surrounding selected sectors. Topics that we have covered include oil and gas, wholesale and retail, education, medical, transportation, and China economic slowdown. 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 shall be revised on annual basis. Any deviation to the statement metrics shall be escalated to the Senior Management, together with feasible recommendations for addressing issues.

TACKLING CORRUPTION FOR SUSTAINABLE DEVELOPMENT

SME Bank supports the United Nation’s Sustainable Development Goals (SDGs) to transform our world by ending poverty, protecting the planet and ensuring prosperity. One of SDG’s seventeen goals - Goal 16 – is dedicated to the promotion of peaceful and inclusive societies for sustainable development, the provision of access to justice for all, and building effective, accountable institutions at all levels. Focusing on this specific goal, we identify specific measures for anti-corruption action. We commit to comply with the highest ethical standards and all applicable anti-corruption laws, which is also in line with our core values, business principles and various internal policies that advocate ethical behaviour and integrity as an integral component of our business operations. The internal policies we have in place to achieve this include:-

Had Penumpuan Sektor

Dalam usaha menghalang penumpuan terhadap satu sektor ekonomi tertentu, SME Bank telah menetapkan batasan dalaman untuk semua pendedahan pembiayaannya. Had-had ini ditetapkan dan disemak setiap tahun bersesuaian dengan prestasi semasa dan tinjauan hadapan sektor tersebut, tanpa mengabaikan sektor sasaran seperti dinyatakan di bawah Bidang Ekonomi Utama Negara (NKEA). Had amaran juga ditetapkan yang membolehkan masa mencukupi untuk sebarang pelaksanaan dasar, jika perlu.

Pengimbasan Risiko Industri

Pihak Bank, melalui Jabatan Pengurusan Risiko Kumpulan, melaksanakan kajian industri secara berkala untuk menyediakan penilaian bagi isu-isu semasa yang menyelubungi sektor-sektor terpilih. Topik yang kami kaji termasuk sektor pemborongan dan peruncitan, pukal dan runcit, pendidikan, perubatan, pengangkutan, dan kelembapan ekonomi China. Kajian ini dikongsi dengan pekerja/staff Bank untuk menyediakan panduan umum bagi tujuan penilaian permohonan pembiayaan, berhubung risiko yang wujud serta faktor sisihan yang berkaitan dengan risiko tersebut.

Penyata Tahap Risiko

Pihak Bank telah secara proaktif memperkenalkan penyata tahap 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-kepercayaan, 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 perlu dimaklumkan kepada Pengurusan Kanan, beserta cadangan munasabah bagi menangani isu tersebut.

MENANGANI RASUAH BAGI TUJUAN PEMBANGUNAN MAMPAN

SME Bank menyokong Matlamat Pembangunan Mampan Pertubuhan Bangsa-Bangsa Bersatu (SDG) untuk mengubah dunia kita dengan menghapuskan kemiskinan, melindungi planet dan memastikan kemakmuran. Salah satu daripada tujuh belas matlamat SDG – Matlamat 16 – dikhususkan kepada penggalakan masyarakat aman dan terangkum demi pembangunan mampan, peruntukan bagi mendapat keadilan untuk semua, serta membina institusi berkesan dan bertanggungjawab di semua peringkat. Menumpukan kepada matlamat khusus ini, kami mengenal pasti langkah-langkah tertentu bagi tindakan anti rasuah. Kami komited untuk mematuhi piawaian etika tertinggi dan semua undang-undang anti rasuah yang berkenaan, yang juga sejajar dengan nilai-nilai teras, prinsip perniagaan dan pelbagai dasar dalaman yang menyokong tata laku beretika dan integriti sebagai satu bahagian penting operasi perniagaan kami. Dasar-dasar dalaman yang ada untuk mencapai matlamat ini termasuk:-

Code of Conduct

The Bank's Code of Conduct which was revised on 25 June 2015 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 & Risk Management Division remains important for implementing the necessary and relevant programmes as we continue to instill 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 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.

SUSTAINABLE PROCUREMENT

SME Bank views sustainable procurement as an important scope for achieving an overall sustainable development. We therefore 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.

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.

Kod Tata Laku

Kod Tata Laku Bank yang disemak dan diubah pada 25 Jun 2015 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 mendokong ikrar integriti korporat yang dibuat pada 2016 di mana Bank bersetuju untuk mewujudkan persekitaran perniagaan yang bebas daripada amalan rasuah dan tidak beretika. Fungsi Unit Integriti Korporat dalam Bahagian Pematuhan & Pengurusan Risiko 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 kakitangan berhubung apa yang sesuai dan tidak sesuai untuk diterima sebagai hadiah, penawaran, pengiklanan, anugerah, atau cenderahati penghargaan daripada pelanggan dan bakal pelanggan, penjual atau pembekal. Di samping menjelaskan hadiah dan keraian yang dibenarkan dan dihalaang, ia juga menyatakan tindakan yang boleh diambil jika berlaku pelanggaran dasar tersebut.

PEROLEHAN MAMPAN

SME Bank melihat perolehan mampan adalah skop yang penting untuk mencapai pembangunan mampan yang menyeluruh. Oleh itu kami mengambil kira faktor sosial dan alam sekitar serta faktor kewangan dalam membuat keputusan perolehan.

Kami bukan sekadar mempertimbangkan daripada sudut ekonomi tetapi membuat keputusan berdasarkan keseluruhan kos hayat, risiko-risiko berkaitan, ukuran kejayaan dan kesan terhadap masyarakat dan alam sekitar. Maka kami menetapkan perolehan dalam konteks strategik yang lebih meluas termasuk nilai kepada wang, pengurusan prestasi, kepentingan korporat dan 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.

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

Customers, employees and all related stakeholders care about the privacy and security of their data, and we take our responsibility seriously. The protection of our stakeholders' personal data and proprietary information has always been our utmost priority.

We have established company-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.

Tender adalah jemputan bertulis yang dihantar kepada penender, pembida, pembekal atau penjual. Ia mengandungi keperluan terperinci dan spesifikasi barangan atau perkhidmatan untuk dibekalkan. 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.

DATA SULIT DAN KESELAMATAN

Pelanggan, kakitangan dan semua pihak berkepentingan berkaitan mengambil berat tentang kerahsiaan dan keselamatan data mereka, dan kami memikul tanggungjawab ini dengan serius. Perlindungan data dan maklumat peribadi pihak berkepentingan kami sememangnya menjadi keutamaan 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 peribadi 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.



2017

Roundup

Rumusan 2017

Calendar of Events *Kalendar Peristiwa*

Corporate Visits *Lawatan Korporat*





Calendar of Events *Kalendar Peristiwa*

January



- 12 January**
Back to School Programmes at:
- SK Sabur, Pulau Banggi, Sabah
 - SK Tmn Bukit Subang, Selangor
 - SK Padang Jawa, Selangor
 - SK Tmn Tun Dr. Ismail Jaya, Selangor



19 January
Mini XCESS programme for the Selangor Region



25 January
SME Bank's acceptance as member of The Montreal Group (TMG)

February



2 February
Southern Region – Batu Pahat



28 February
Pan Borneo Highway Outreach Programme in Sabah

21 February
East Coast Region – Kota Bharu



15 February
Launch of 'Book Your Banker'



24 February
Launch of i-SMART Programme

7 February
Networking session between SME Bank's Sarawak Regional Centre and contractors of Pan Borneo Highway

March



11 March
Corporate Responsibility Programme:
Contribution to Sekolah Kanak-Kanak Cacat Port Dickson



14 March
CEDAR MindLab Series:
Women Entrepreneurs



Mini XCESS Programmes

23 March
Northern Region - Ipoh

31 March
Sabah Region - Kota Kinabalu



29 March
SME Bank XCESS 2017

April



Corporate Responsibility

4 April
Humanitarian Fund for Syrian

8 April
Yayasan Chow Kit Charity Run 2017

11 April
Blood Donation Campaign

23 April
Charity Run: Rainbow 5km Fun Run



Mini XCESS Programmes

11 April
Sarawak Region - Bintulu

27 April
2nd round for Selangor Region - Seremban

May



20 May
Corporate Responsibility Programme:
Voluntary Work at Zoo Negara

24 May
Launch of BID-it Programme

31 May
Distribution of Bubur Lambuk to Rumah Kasih Nurul Hasanah, Ampang; Surau Al-Mukmin, Ampang & Pusat Tahfiz Surau Al-Aziziah, Taman Keramat.



10-12 May
SME Bank receiving three (3) Awards at the 40th ADFIAP Annual Meeting in Macao, China

Calendar of Events

Events *Kalendar Peristiwa*

June



- 1 June** • Contribution for Ramadhan 'Al-Khair Campaign' for Syria in collaboration with the Syria Care
- 1 June** • Distribution of *Bubur Lambuk* at Surau Ar-Raihan & Surau At-Taqwa, Pandan Indah
- 2 June** • Distribution of Pack Foods IFTAR at Pusat Transit Gelandangan Medan Tuanku in collaboration with the PERTIWI Soup Kitchen
- 5 June** • Distribution of Pack Foods IFTAR at Jalan Pahang
- 7 June** • Distribution of *Bubur Lambuk* at Masjid Al-Azim Pandan Indah
- 8 June** • Distribution of *Bubur Lambuk* at Masjid Ar Rahimah, Kg Pandan
- 14 June** • Distribution of *Bubur Lambuk* at Maahad Tahfiz Al-Quran, Anak Yatim Al-Sagaff, Selayang, Surau Al-Falah, Pandan Jaya & Surau Al-Ikhwan, Pantai Dalam
- 15 June** • Distribution of *Bubur Lambuk* at Jakel & Masjid Jamek
- 19 June** • Ramadhan camp for Rohingya RISE students Programme in collaboration with the IRM



7 June
90-Days Biz Challenge prize giving ceremony

August



8 August
CEDAR MindLab Series: Digital Marketing



22 August
SME Bank's 60th National Day Celebration

September



5 September
Seberang Jaya, Pulau Pinang

15 September
Kuala Lumpur, Wilayah Persekutuan

21 September
Kuantan, Pahang



27 September
The 1st SUKSES TV programme on Astro Awani

October ●

Engagement Programmes



3 October
Johor Bahru, Johor



11 October
Miri, Sarawak



5 October
Subang, Selangor



12 October
Kota Kinabalu, Sabah



25 October
International CEO Forum 2017



25 October
MOU CEDAR & CEDA
Botswana



26 October
CEDAR MindLab Series:
Petrol Station Business

November ●



17 November
Industrial Visit to
Foresight Industries
Sdn. Bhd.



30 November
Corporate Responsibility
Programme:
Donation to Media
Prima-NSTP Disaster
Fund

December ●



6 December
CEDAR MindLab
Series:
E-Commerce



9 December
Corporate Responsibility
Programme:
Tree Planting in Kuala
Selangor Nature Park

Corporate Visits

Lawatan Korporat



January

IO 5

Visit by the Deputy Finance Minister I, YB Dato' Wira Othman Haji Aziz

February

IO 27

Visit by the Saudi SME Council



February

IO 21

Visit by H.E. Dr. Khamlien Pholsena, Vice Minister of Planning and Investment, Lao People's Democratic Republic (Laos)



February-March

IO 27/2-3/3

Visit by the Citizen Entrepreneurial Development Agency (CEDA) House, Botswana



April

IO 5

Visit by the Embassy of Denmark & Danish Companies



April
IO 12 Visit by the Small and Medium Enterprise Authority (SMEA), Saudi Arabia



April
IO 17 Visit by the Republic of Maldives led by Minister of State, Mr. Mohamed Anees



April
IO 19 Visit by the South African Parliament Committee (SAPC)

July

IO 11 Institutional Visit by ADFIAP for the Familiarization Tour Programme

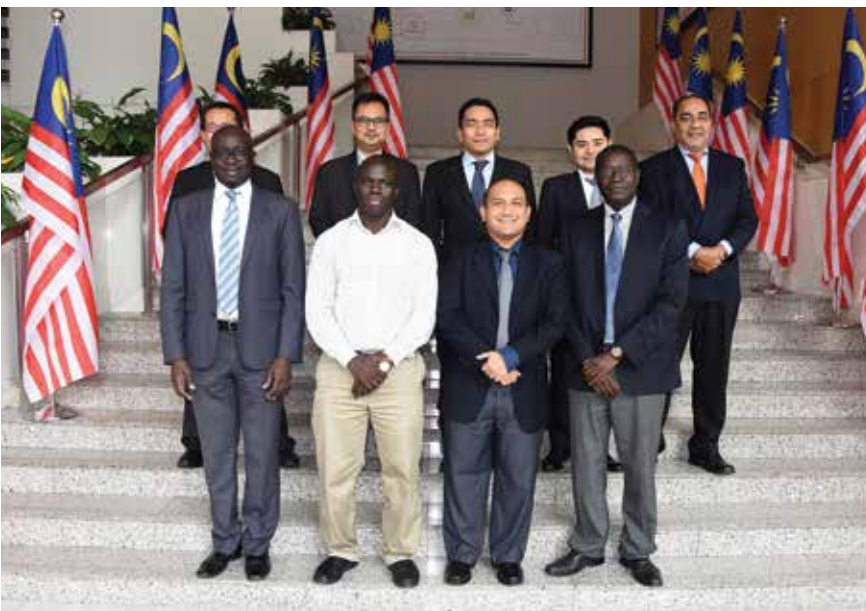


August

IO 7-8/8 Visit by Citizen Entrepreneurial Development Agency (CEDA), Botswana

July

IO 20 Study visit by Sudanese delegation



September

IO 18 Visit by the Uganda Development Bank Limited (UDBL) delegate

Financial Statements

Penyata Kewangan

Directors' Report	<i>Laporan Pengarah</i>
Statement by Directors	<i>Penyata oleh Pengarah</i>
Statutory Declaration	<i>Akuan Berkanun</i>
Shariah Committee's Report	<i>Laporan Jawatankuasa Syariah</i>
Independent Auditors' Report	<i>Laporan Juruaudit Bebas</i>
Statements of Financial Position	<i>Penyata Kedudukan Kewangan</i>
Statements of Comprehensive Income	<i>Penyata Pendapatan Komprehensif</i>
Statements of Changes In Equity	<i>Penyata Perubahan dalam Ekuiti</i>
Statements of Cash Flows	<i>Penyata Aliran Tunai</i>
Notes to the Financial Statements	<i>Nota-nota Penyata Kewangan</i>





DIRECTORS' REPORT

DIRECTORS' REPORT

The directors of Small Medium Enterprise Development Bank Malaysia Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are those of development banking, both Islamic and conventional and related financial services.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the Bank in each subsidiary and associate is as disclosed in Note 11 and Note 12 to the financial statements respectively.

FINANCIAL RESULTS

The results of the Group and of the Bank for the financial year are as follows:

	Group	Bank
	RM'000	RM'000
Profit before tax expense and zakat:	104,616	114,192
Tax expense	(36,149)	(35,470)
Zakat	(4,694)	(4,694)
Net profit for the year	<u>63,773</u>	<u>74,028</u>
Profit attributable to:		
Owner of the Bank	63,773	74,028
Non-controlling interest	-	-
	<u>63,773</u>	<u>74,028</u>

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 except for profit expense waived during the year amounting to RM33,777,000 and prior year adjustments resulting from a change in accounting policy as disclosed in Note 39 (n) and Note 41 respectively, to the financial statements.

DIVIDENDS

The amount of dividend paid by the Bank since December 2016 was as follows:

In respect of the financial year ended 31 December 2016, a final dividend of 1.20 sen per share, amounting to RM16,200,000 was proposed, approved and declared at the Annual General Meeting held on 21 June 2017. The dividend was dealt with in the previous directors' report and paid on 30 June 2017.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2017 of 1.80 sen per share on 1,850,000,000 ordinary shares, amounting to a dividend payable of RM33,300,000 will be proposed for the shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

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

During the financial year, the issued and the paid-up share capital of the Bank was increased from RM1,350,000,000 to RM1,850,000,000, by way of principal conversion of long term borrowing granted by the Government of Malaysia amounting to RM500,000,000. The issued share capital ranks pari passu with the then existing shares of the Bank.

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. Tan Sri Faizah binti Mohd Tahir (Chairman)

Y.Bhg. Dato' Asri bin Hamidin @ Hamidon

Y.Bhg. Dato' Mohd Shukri bin Hussin

Y.Bhg. Dato' Jamelah binti Jamaluddin

Y.Bhg. Prof. Dr. Abdul Basir bin Mohamad

En. Ishak bin Ismail (tenure ended on 1 February 2018)

En. Khairuzzaman Muhammad

En. Muthafa bin Yusof (appointed on 1 May 2017) (tenure ended on 10 March 2018)

Y.Bhg. Datuk Mohd Radzif bin Mohd Yunus (tenure ended on 1 July 2017)

(cont'd.)

DIRECTORS' REPORT

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 29 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.

OTHER STATUTORY INFORMATION (CONT'D.)

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 INSURANCE FOR DIRECTORS AND OFFICERS

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 insurance premium paid during the year amounted to RM78,000.

HOLDING COMPANY

The directors regard Ministry of Finance Incorporated, a company incorporated in Malaysia as the Bank's immediate and ultimate holding company.

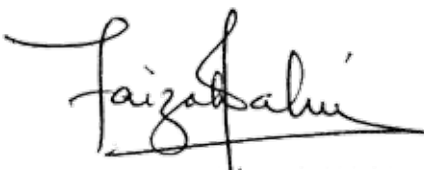
AUDITORS

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 2017 is as disclosed in Note 28 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 March 2018.



Tan Sri Faizah binti Mohd Tahir



Dato' Mohd Shukri bin Hussin

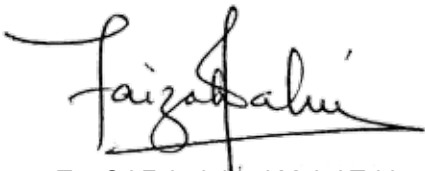
Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

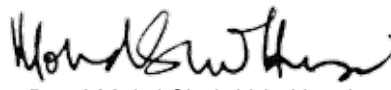
Pursuant to Section 251(2) of the Companies Act, 2016

The directors of Small Medium Enterprise Development Bank Malaysia Berhad state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2017 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 March 2018.



Tan Sri Faizah binti Mohd Tahir



Dato' Mohd Shukri bin Hussin

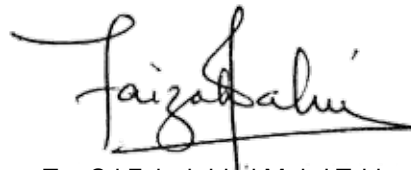
Kuala Lumpur, Malaysia

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act, 2016

We, Tan Sri Faizah binti Mohd Tahir and Dato' Rezemem@Razman Mohd Noor, being the Chairman and Chief Operating Officer respectively, primarily responsible for the financial management of Small Medium Enterprise Development 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 27 March 2018.

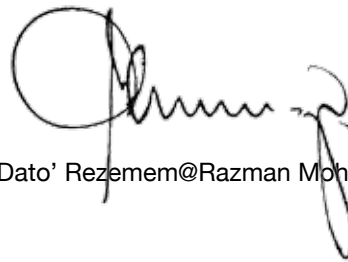


Tan Sri Faizah binti Mohd Tahir

Before me,



G1-1-2 Ground Floor, Menara 1 Dutamas,
Solaris Dutamas, No. 1 Jalan Dutamas 1,
50480 KUALA LUMPUR, MALAYSIA.



Dato' Rezemem@Razman Mohd Noor

SHARIAH COMMITTEE'S REPORT

Pursuant to Section 251(2) of the Companies Act, 2016

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 2017. 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 ("BNM"), 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.

Throughout the year of 2017, we confirm two (2) incidents of Shariah Non-Compliance events as follows :

- i) Improper sequence of aqad execution for BBA.
- ii) Calculation of Ibra' is a non-compliance with BNM Ibra' (Rebate) Guideline.

We have also advised the Management to undertake the necessary measures to rectify the incidences and control mechanisms to avoid recurrence. Notwithstanding, we also recommend additional training sessions, courses and briefing sessions for better and deeper understanding and awareness to the Bank's employee on Shariah application in the financial activities undertaken by the Bank as well as to infuse the right culture of Shariah compliance amongst them.

We had nine (9) meetings during the financial year, in which we reviewed, *inter alia*, products, transactions, services, processes and documents of the Bank. 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 evidence to give reasonable assurance that the Bank has complied with the Shariah rules and principles. We have assessed the Shariah review and Shariah audit report based on the approved 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 Shariah Advisory Council of BNM.

In our opinion:

- i) The contracts, transactions and dealings of Islamic Banking products entered into by the Bank during the financial year ended 31 December 2017 that we have reviewed are in compliance with the Shariah principles; and
- ii) All earnings that have been realized from sources or by means prohibited with the Shariah principles have been considered for disposal to charitable causes.; and
- iii) The calculation and distribution of zakat is in compliance with Shariah principles.

(cont'd.)

SHARIAH COMMITTEE'S REPORT

Pursuant to Section 251(2) of the Companies Act, 2016

We, Prof Dr. Abdul Basir bin Mohamad and Dr. Asmak bt 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 2017 have 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



Dr. Asmak bt Ab Rahman
Member of the Committee

Kuala Lumpur, Malaysia
27 March 2018

INDEPENDENT AUDITORS' REPORT

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 2017, and the statements of profit or loss and other 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, as set out on pages 14 to 185.

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 2017, 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 ("IESBACode"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

(cont'd.)

INDEPENDENT AUDITORS' REPORT

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.

(cont'd.)

INDEPENDENT AUDITORS' REPORT

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.

(cont'd.)

INDEPENDENT AUDITORS' REPORT

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 OSMAN
Partner - 03061/04/2019 (J)
Chartered Accountant

27 March 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Group			
		As at 31 December 2017	As at 31 December 2016	As at 1 January 2016	
		RM'000	RM'000	RM'000	
Note			Restated	Restated	
ASSETS					
	Cash and short term funds	4	423,032	841,897	1,255,803
	Deposits and placements with banks and other financial institutions	5	182,013	228,005	180,952
	Available-for-sale financial assets	6	2,108,422	1,914,922	1,926,395
	Held-to-maturity financial assets	7	568,585	616,832	639,798
	Loans, advances and financing	8	6,583,790	6,199,407	5,621,286
	Other assets	9	27,614	40,402	34,975
	Derivative financial assets		-	-	1,442
	Investment in associate	12	3,416	4,170	4,523
	Property, plant and equipment	13	148,695	151,728	150,954
	Investment properties	14	372,910	358,170	324,614
	Intangible assets	15	11,830	8,021	11,917
	Tax recoverable		27,136	23,933	21,040
	Deferred tax assets	16	121,723	161,835	163,580
	TOTAL ASSETS		10,579,166	10,549,322	10,337,279
LIABILITIES					
	Deposits from customers	17	3,261,929	3,548,257	3,024,907
	Deposits from banks and other financial institutions	18	100,172	200,302	345,396
	Derivative financial liabilities	10	696	1,117	-
	Obligations on securities sold under repurchase agreements		-	-	254,300
	Medium-term notes	19	1,821,452	1,519,795	1,519,789
	Borrowings	20	2,036,006	2,683,818	2,775,523
	Other liabilities	21	1,088,286	869,399	775,061
	Government funds	22	285,049	305,044	284,841
	TOTAL LIABILITIES		8,593,590	9,127,732	8,979,817

The accompanying notes form an integral part of the financial statements.

(cont'd.)

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Group		
		As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Note	RM'000	RM'000	Restated	Restated
EQUITY				
	Share capital	23	1,850,000	1,350,000
	Retained earnings		145,727	98,154
	Other reserves	24	(10,151)	(26,564)
	TOTAL EQUITY		1,985,576	1,421,590
	TOTAL LIABILITIES AND EQUITY		10,579,166	10,549,322
	COMMITMENTS AND CONTINGENCIES	33	1,393,634	1,446,898
			1,450,502	

The accompanying notes form an integral part of the financial statements.

(cont'd.)

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Bank			
		As at 31	As at 31	As at 1	
		December	December	January	
		2017	2016	2016	
		RM'000	RM'000	RM'000	
Note			Restated	Restated	
ASSETS					
	Cash and short term funds	4	418,981	827,988	1,249,356
	Deposits and placements with banks and other financial institutions	5	182,013	228,005	180,952
	Available-for-sale financial assets	6	2,108,422	1,914,922	1,926,395
	Held-to-maturity financial assets	7	568,585	616,832	639,798
	Loans, advances and financing	8	6,159,840	5,750,903	5,137,923
	Other assets	9	526,956	583,531	572,131
	Derivative assets		-	-	1,442
	Investment in subsidiaries	11	3,582	3,582	3,582
	Investment in associate	12	-	-	-
	Property, plant and equipment	13	148,651	151,653	150,879
	Investment properties	14	372,910	358,170	324,614
	Intangible assets	15	11,733	7,806	11,487
	Tax recoverable		26,034	24,208	20,972
	Deferred tax assets	16	121,723	161,835	163,580
	TOTAL ASSETS		10,649,430	10,629,435	10,383,111
LIABILITIES					
	Deposits from customers	17	3,321,145	3,624,860	3,049,913
	Deposits from banks and other financial institutions	18	100,172	200,302	345,396
	Derivative financial liabilities	10	696	1,117	-
	Obligations on securities sold under repurchase agreements		-	-	254,300
	Medium-term notes	19	1,821,452	1,519,795	1,519,789
	Borrowings	20	2,036,006	2,683,818	2,775,523
	Other liabilities	21	1,099,933	883,763	805,701
	Government funds	22	285,049	305,044	284,841
	TOTAL LIABILITIES		8,664,453	9,218,699	9,035,463

The accompanying notes form an integral part of the financial statements.

(cont'd.)

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Bank		
		As at 31	As at 31	As at 1
		December	December	January
		2017	2016	2016
Note		RM'000	RM'000	RM'000
			Restated	Restated
EQUITY				
	Share capital	23	1,850,000	1,350,000
	Retained earnings		145,128	87,300
	Other reserves	24	(10,151)	(26,564)
	TOTAL EQUITY		1,984,977	1,410,736
	TOTAL LIABILITIES AND EQUITY		10,649,430	10,629,435
	COMMITMENTS AND CONTINGENCIES	33	1,393,634	1,446,898
			1,450,502	1,347,648

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	Group		Bank	
		2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
Interest income	25	45,543	44,877	31,871	32,551
Interest expense	26	(57,617)	(67,915)	(57,617)	(67,915)
Net interest expense		(12,074)	(23,038)	(25,746)	(35,364)
Gross income from Islamic banking business	39	389,986	323,931	399,307	335,899
Other operating income	27	15,824	17,166	15,824	12,998
Net income		393,736	318,059	389,385	313,533
Other operating expenses	28	(207,335)	(201,001)	(203,862)	(203,376)
Operating profit		186,401	117,058	185,523	110,157
Allowance for impairment loss loans, advances and financing	30	(81,031)	(56,276)	(71,331)	(54,259)
		105,370	60,782	114,192	55,898
Share of loss after tax of an associate	12	(754)	(353)	-	-
Profit before tax expense and zakat		104,616	60,429	114,192	55,898
Tax (expense)/credit	31	(36,149)	272	(35,470)	3,763
Zakat	31	(4,694)	(5,793)	(4,694)	(5,793)
Profit for the year		63,773	54,908	74,028	53,868
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Unrealised gain on revaluation of available-for-sale financial investments		21,102	21,507	21,102	21,507
Income tax relating to components of other comprehensive income	16	(4,689)	(5,537)	(4,689)	(5,537)
Other comprehensive income for the year, net of tax		16,413	15,970	16,413	15,970
Total comprehensive income for the year, net of tax		80,186	70,878	90,441	69,838

The accompanying notes form an integral part of the financial statements.

(cont'd.)

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Group		Bank		
	2017	2016	2017	2016	
	Note	RM'000	RM'000	RM'000	
		Restated		Restated	
Profit for the year attributable to the owner of the Bank		63,773	54,908	74,028	53,868
Total comprehensive income attributable to the owner of the Bank		80,186	70,878	90,441	69,838
Profit per share attributable to the owner of the Bank (sen)					
- Basic	32	3.65	4.07	4.23	3.99

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Group	<===Attributable to the Owner of the Bank===>				
	Share capital RM'000	Non-distributable available-for-sale reserve RM'000	Distributable General reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2017, as previously stated	1,350,000	(36,678)	10,114	119,526	1,442,962
Prior year adjustments (Note 41)	-	-	-	(21,372)	(21,372)
At 1 January 2017	1,350,000	(36,678)	10,114	98,154	1,421,590
Conversion of borrowing (Note 23)	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 38)	-	-	-	(16,200)	(16,200)
At 31 December 2017	1,850,000	(20,265)	10,114	145,727	1,985,576

The accompanying notes form an integral part of the financial statements.

(cont'd.)

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Group	<===Attributable to the Owner of the Bank===>				
	Share capital RM'000	Non- distributable available-for- sale reserve RM'000	Distributable General reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2016	1,350,000	(52,648)	10,114	62,984	1,370,450
Prior year adjustments (Note 41)	-	-	-	(12,988)	(12,988)
At 1 January 2016, as restated	1,350,000	(52,648)	10,114	49,996	1,357,462
Unrealised gain on revaluation of available-for-sale financial investments	-	21,507	-	-	21,507
Income tax relating to components of other comprehensive income	-	(5,537)	-	-	(5,537)
Profit for the year:					
As previously stated	-	-	-	63,292	63,292
Prior year adjustments (Note 41)	-	-	-	(8,384)	(8,384)
As restated	-	-	-	54,908	54,908
Total comprehensive income for the year	-	15,970	-	54,908	70,878
Transaction with owner:					
Dividends (Note 38)	-	-	-	(6,750)	(6,750)
At 31 December 2016	1,350,000	(36,678)	10,114	98,154	1,421,590

The accompanying notes form an integral part of the financial statements.

(cont'd.)

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Bank	<===Attributable to the Owner of the Bank===>				
	Share capital RM'000	Non-distributable available-for-sale reserve RM'000	General reserve RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 January 2017, as previously stated	1,350,000	(36,678)	10,114	108,672	1,432,108
Prior year adjustments (Note 41)	-	-	-	(21,372)	(21,372)
At 1 January 2017	1,350,000	(36,678)	10,114	87,300	1,410,736
Conversion of borrowing (Note 23)	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 38)	-	-	-	(16,200)	(16,200)
At 31 December 2016	1,850,000	(20,265)	10,114	145,128	1,984,977

The accompanying notes form an integral part of the financial statements.

(cont'd.)

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

<====Attributable to the Owner of the Bank====>

Bank	Share capital RM'000	Non- distributable available-for- sale reserve RM'000	Distributable General reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2016	1,350,000	(52,648)	10,114	53,170	1,360,636
Prior year adjustments (Note 41)	-	-	-	(12,988)	(12,988)
At 1 January 2016, as restated	1,350,000	(52,648)	10,114	40,182	1,347,648
Unrealised gain on revaluation of available-for-sale financial investments	-	21,507	-	-	21,507
Income tax relating to components other comprehensive income	-	(5,537)	-	-	(5,537)
Profit for the year:					
As previously stated	-	-	-	62,252	62,252
Prior year adjustments (Note 41)	-	-	-	(8,384)	(8,384)
As restated	-	-	-	53,868	53,868
Total comprehensive income for the year	-	15,970	-	53,868	69,838
Transaction with owner:					
Dividends (Note 38)	-	-	-	(6,750)	(6,750)
At 31 December 2016	1,350,000	(36,678)	10,114	87,300	1,410,736

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

	Notes	Group		Bank	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
		Restated		Restated	
Cash flows from/(used in) operating activities					
Profit before tax expense and zakat		104,616	60,429	114,192	55,898
Adjustments for:					
Allowance for impairment loss on loans, advances and financing	30	132,278	88,118	122,577	86,100
Loans, advances and financing waived	30	715	1,186	715	1,186
Loans, advances and financing written-off	30	10,911	-	10,911	-
Depreciation of property, plant and equipment	28(ii)	12,134	10,097	12,103	10,064
Amortisation of intangible assets	28(ii)	3,858	4,283	3,680	4,068
Fair value adjustment on investment properties	39(n)	(14,740)	(33,367)	(14,740)	(33,367)
Property, plant and equipment written off	28(ii)	-	862	-	862
Gain on disposal of property, plant and equipment	27	-	(225)	-	(225)
Allowance for impairment loss on amount due from subsidiaries	28	-	-	-	906
Dividend income from associate and unquoted shares	27	(655)	(906)	(655)	(906)
Unrealised gains/(losses) from derivatives		(421)	2,559	(421)	2,559
Government funds (writeback)/released, net	27&39(n)	(11,777)	1,433	(11,777)	1,433
Share of loss of an associate	12	754	353	-	-
Income from available-for-sale financial assets	25&39(m)	(79,972)	(83,258)	(79,972)	(83,258)
Income from held-to-maturity financial assets	25&39(m)	(26,448)	(28,101)	(26,448)	(28,101)

(cont'd.)

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

	Notes	Group		Bank	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Profit expense on medium-term notes	39(o)	65,316	56,820	65,316	56,820
Interest expense on borrowings	26	61,375	65,249	61,375	65,249
Profit expense waived	39(n)	(33,777)	-	(33,777)	-
Operating profit before working capital changes		224,167	145,532	223,079	139,288
Changes in working capital:					
Other assets		12,788	(5,427)	56,575	(12,306)
Loans, advances and financing		(528,287)	(667,425)	(543,140)	(700,266)
Deposits and placements with banks and other financial institutions		45,992	(47,053)	45,992	(47,053)
Deposits from customers		(286,328)	523,350	(303,715)	574,947
Deposits from banks and other financial institutions		(100,130)	(145,094)	(100,130)	(145,094)
Obligations on securities sold under repurchase agreements		-	(254,300)	-	(254,300)
Other liabilities		170,520	91,518	167,572	75,242
Cash used in operating activities		(461,278)	(358,899)	(453,767)	(369,542)

The accompanying notes form an integral part of the financial statements.

(cont'd.)

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

	Notes	Group		Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from/(used in) operating activities (cont'd.)					
Interest and profit paid		(140,378)	(126,929)	(140,378)	(126,929)
Interest and profit received		114,821	114,661	114,821	114,661
Tax paid		(4,136)	(6,413)	(1,849)	(3,265)
Zakat paid		(4,338)	(4,203)	(4,338)	(4,203)
Net cash used in operating activities		(495,309)	(381,783)	(485,511)	(389,278)
Cash flows from/(used in) investing activities					
Purchase of private debt securities		(165,969)	(240,314)	(165,969)	(240,314)
Purchase of Islamic commercial papers		(594,000)	(103,000)	(594,000)	(103,000)
Proceeds from redemption of Islamic commercial papers		475,868	33,935	475,868	33,935
Proceeds from sale of private debt securities		40,132	-	40,132	-
Proceeds from redemption of bonds		111,417	362,023	111,417	362,023
Purchase of property, plant and equipment	13	(9,101)	(11,734)	(9,101)	(11,701)
Proceeds from disposal of property, plant and equipment		-	226	-	226
Addition to investment properties	14	-	(189)	-	(189)
Purchase of intangible assets	15	(7,667)	(387)	(7,607)	(387)
Dividend received from associate and unquoted securities		655	906	655	906
Net cash (used in)/from investing activities		(148,665)	41,466	(148,605)	41,499

(cont'd.)

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

	Notes	Group		Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from/(used in) financing activities					
Dividends paid	38	(16,200)	(6,750)	(16,200)	(6,750)
Drawdown of borrowings		34,433	94,670	34,433	94,670
Drawdown of medium-term notes		900,000	-	900,000	-
Repayment of borrowings		(133,124)	(181,509)	(133,124)	(181,509)
Repayment of medium-term notes		(600,000)	-	(600,000)	-
Proceeds from government funds	22(b)	40,000	20,000	40,000	20,000
Net cash from/(used in) financing activities		225,109	(73,589)	225,109	(73,589)
Net decrease in cash and cash equivalents		(418,865)	(413,906)	(409,007)	(421,368)
Cash and cash equivalents at beginning of year		841,897	1,255,803	827,988	1,249,356
Cash and cash equivalents at end of year		423,032	841,897	418,981	827,988
Cash and cash equivalents comprise of:					
- Cash and short term funds	4	423,032	841,897	418,981	827,988

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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 Ministry of Finance Incorporated.

The Bank is principally engaged in development banking, both Islamic and conventional and related financial services.

There have been no significant changes in the nature of the principal activities during the financial year.

The principal activities of the subsidiaries and associate are described in Note 11 and Note 12, respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 March 2018.

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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies

Adoption of Amendments to MFRSs

In the current financial year, the Group and the Bank have adopted a number of Amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for accounting period that begins on or after 1 January 2017.

Amendments to

MFRS 107	Disclosure Initiative
MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle

The application of the Amendments has had no impact on the disclosures or amounts recognised in the Group's and the Bank's financial statements.

2.3 New and Revised Standards, Amendments and Issues Committee Interpretations ("IC Interpretations") In Issue But Not Effective

At the date of authorisation for issue of these financial statements, the new and revised Standards, Amendments and IC Interpretations relevant to the operations of the Group and the Bank which were in issue but not yet effective and not early adopted by the Bank are as listed below:

MFRS 9	Financial Instruments ¹
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications) ¹
MFRS 16	Leases ²
Amendments to	
MFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
MFRS 10 and MFRS 128	Sale or Contribution of Asset between an Investor and its Associate and Joint Venture ³
MFRS 140	Transfer of Investment Properties ¹
MFRS 9	Prepayment Features with Negative Compensation ²
MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle ¹
IC Interpretation 23	Uncertainty over Income Tax Payments ²

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

³ Effective for annual periods beginning on or after a date to be announced by MASB

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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 (cont'd.)

The directors anticipate that the above mentioned 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, except for as discussed below:

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments that replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group and the Bank expect an increase in the loss allowances resulting in a negative impact on equity as discussed

(i) Classification and measurement

The Group and the Bank do not expect a significant impact on their statements of financial position or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets held at fair value. Debt securities are expected to be measured at fair value through OCI under MFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. The AFS reserve of RM20,265,000 related to these securities, which is currently presented as OCI, will remain as other reserves in equity.

The unquoted shares are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group and the Bank will apply the option to present fair value changes in OCI, and, therefore, the application of MFRS 9 will not have a significant impact.

Financing as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and profit. The Group and the Bank analyse the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore reclassification for these instruments is not required.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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 (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

(ii) Impairment

The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income and certain financing commitments as well as financial guarantee contracts. At initial recognition, allowance for impairment is required for expected credit losses ("ECL"). In the event of a significant increase in credit risk, allowances for impairment is required for ECL resulting from all possible default events over the expected life of the financial instruments. The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecast of future events and economic conditions at the end of the reporting period. In addition the estimation of ECL should also be taken into account the time value of money.

MFRS 16 Leases

MFRS 16 specifies how an MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The directors anticipate that the application of MFRS 16 in the future may have an impact on the amounts reported and disclosures made in the Group's and the Bank's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group and the Bank perform a detailed review.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Subsidiaries (cont'd.)

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 139, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Investment in subsidiaries which are eliminated on consolidation, are stated at cost less accumulated impairment losses, if any, in the Bank's separate financial statements.

On disposal of such investments, the difference between net disposal proceeds and their carrying amount is included in profit or loss.

2.7 Associates

An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale. Under the equity method, an investment in an associate is initially recognised in the statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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 unlimited 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 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 18 to 907 years (2016 : 19 to 908 years).

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gains and losses arising on disposals are determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 Group'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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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).

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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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 assets

Financial assets are classified into the following specific categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial assets (cont'd.)

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

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 and receivables

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's and the Bank's management have 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

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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial assets (cont'd.)

(d) Available-for-sale financial assets (cont'd.)

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 Group's and the Bank's right to receive the dividend is established.

(e) Derecognition

The Group and the Bank derecognise a financial asset when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and the Bank recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Bank retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Bank continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit and loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group and the Bank retain an option to repurchase part of a transferred asset), the Group and the Bank allocate the previous carrying amount of the financial asset between the part 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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.13 Impairment of financial assets

The Group and the Bank assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(a) Loans and receivables

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Bank consider 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 Group's and 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.

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.

(b) Unquoted equity securities carried at cost

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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.13 Impairment of financial assets (cont'd.)

(c) Available-for-sale financial assets

The Group and the Bank assess 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 Group and the Bank do 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 Group and the Bank do not have any financial liabilities held for trading or financial liabilities designated upon initial recognition as at fair value through profit or loss as at the end of the reporting period.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial liabilities (cont'd.)

(b) Other financial liabilities

The Group's and the Bank's other financial liabilities include deposits from customers, deposits from other financial institutions, medium term notes, borrowings and other liabilities.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest/ profit method.

(c) Derecognition

The Group and the Bank derecognise financial liabilities when, and only when, the Group's and the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

2.15 Derivative financial instruments

The Group and the Bank enter 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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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).

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").

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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.

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.

(a) Interest/ profit income from loans, advances and financing

Interest/ profit income is recognised in the profit or loss for all interest/ profit bearing assets on an accrual basis using the effective interest/ profit method.

When an account becomes impaired, interest/ profit shall be recognised only to the extent that they are recoverable.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 Revenue (cont'd.)

(b) Islamic income recognition

Income from financing and receivables is recognised in the profit or loss using the effective profit method. The effective profit rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The calculation of the effective profit rate includes all contractual terms of the financial instruments and includes any fees and incremental costs that are directly attributable to the instruments and are an integral parts of the effective profit rate.

(i) Bai' contracts

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 in 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 or a contract where a party, as principal (muwakkil) authorizes another party as his agent (wakil) to perform a particular task on matters that may be delegated, with or without imposition of a fee.

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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 Revenue (cont'd.)

(b) Islamic income recognition (cont'd.)

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.

Tawarruq

Arrangement that involves a purchase of an asset/commodity based on musawamah or murabahah contract on deferred term and a subsequent sale of the same asset to a third party in order to obtain cash. Income is recognised on effective profit rate basis over the expected life of the contract based on the principal amounts outstanding.

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.

(c) **Dividend income**

Dividend income is recognised when the Group's and the Bank's right to receive payment are established.

(d) **Fee income**

Fee income from bank guarantee arrangements and letters of credit is recognised on an accrual basis.

(e) **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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.22 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

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 good will on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax entity and the same tax authority.

2.23 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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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.

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.

3.1 Judgement made in applying accounting policies

In the process of applying the Group's and the Bank's accounting policies, the management have made the following judgements which has the most significant effect on the amounts recognised in the financial statements.

Allowance for losses on loans, advances and financing

The Group and the Bank review the doubtful loans, advances and financing at the end of each reporting period to assess whether allowances for impairment should be recorded in the financial statements. In particular, judgement is required in the identification of impaired loans. The considerations applied by the Bank in order to determine the classification of impaired loans are disclosed in Note 37((e)(a)(ix)).

The Bank assesses at the end of each reporting period whether there is objective evidence that a loan is impaired under the requirements of MFRS 139. Loans, advances and financing that are individually significant are assessed individually. Those not individually significant are grouped together based on similar credit risks and assessed as a portfolio.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONT'D.)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

(a) Impairment assessment of available-for-sale financial assets

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.

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.

(b) Impairment assessment of held-to-maturity financial assets

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.

(c) 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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONT'D.)

3.2 Key sources of estimation uncertainty (cont'd.)

(d) Allowance for losses on loans, advances and financing

Under MFRS 139, loans, advances and financing are first assessed as to whether objective evidence of impairment exists individually. An internal credit grading system is used to consider all credit exposures, not only those of low credit quality. 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.

4. CASH AND SHORT TERM FUNDS

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	39,609	41,757	35,558	27,848
Short term deposits and maturing within three months:				
- Licensed banks	383,423	181,795	383,423	181,795
- Other financial institutions	-	618,345	-	618,345
	423,032	841,897	418,981	827,988

Cash at banks is placed in non-interest 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 interest at the respective short-term deposit rates. The weighted average effective interest rate and weighted average remaining maturity as at 31 December 2017 for the Group and the Bank was 3.36% per annum and 10 days (2016: 3.79% per annum and 31 days) respectively.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2017	2016
	RM'000	RM'000
Licensed banks	182,013	228,005

The maturity structure of deposits and placements are as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Three months to six months	-	66,623
More than six months	182,013	161,382
	182,013	228,005

The weighted average effective interest rate for deposits and placements with banks and other financial institutions is 5.10% (2016: 3.30%) per annum.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Bank	
	2017	2016
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	672,074	547,854
Malaysian Government Securities	177,021	169,908
Commercial papers	171,723	95,341
	1,020,818	813,103
Private debt securities	1,084,481	1,098,696
	2,105,299	1,911,799
At cost		
<u>Unquoted securities</u>		
Shares	3,123	3,123
Total at cost	3,123	3,123
Total available-for-sale financial assets	2,108,422	1,914,922

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT'D.)

The maturity structure of available-for-sale money market instruments and private debt securities are as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Within one year	272,295	141,080
More than one year to three years	422,801	154,065
More than three years to five years	543,734	380,902
More than five years	866,469	1,235,752
	2,105,299	1,911,799

7. HELD-TO-MATURITY FINANCIAL ASSETS

	Group and Bank	
	2017	2016
	RM'000	RM'000
<u>Money market instruments</u>		
Malaysian Government Investment Issues	111,705	73,660
Malaysian Government Securities	-	50,690
	111,705	124,350
<u>Unquoted securities</u>		
Private debt securities	456,880	492,482
Total held-to-maturity financial assets	568,585	616,832

The maturity structure of held-to-maturity money market instruments and private debt securities are as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Within one year	25,110	50,690
More than one year to three years	217,646	226,669
More than three years to five years	260,161	94,026
More than five years	65,668	245,447
	568,585	616,832

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

7. HELD-TO-MATURITY FINANCIAL ASSETS (CONT'D.)

The indicative market values of held-to-maturity money market instruments and private debt securities are as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Malaysian Government Investment Issues	110,560	60,606
Malaysian Government Securities	-	51,257
Private debt securities	450,367	504,962
	560,927	616,825

8. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Term loans				
- Hire purchase	396,404	241,341	338,429	199,298
- Leasing	48,205	307,873	47,702	280,398
- Other term loans	5,635,464	5,297,290	5,156,936	4,827,603
Revolving credits	953,637	736,106	948,435	718,250
Staff loan/financing	18,312	21,757	18,312	21,757
Gross loans, advances and financing	7,052,022	6,604,367	6,509,814	6,047,306
Less: Allowance for impairment on loans, advances and financing				
- Individual assessment allowance (Note8(ix))	(312,485)	(261,699)	(233,626)	(189,973)
- Collective assessment allowance (Note8(ix))	(155,747)	(143,261)	(116,348)	(106,430)
Net loans, advances and financing	6,583,790	6,199,407	6,159,840	5,750,903
Gross impaired loans, advances and financing (Note8(vi))	1,370,947	1,318,504	828,739	761,443
Net impaired loans, advances and financing	1,058,462	1,056,805	595,113	571,470

Included in loans, advances and financing for the Group and the Bank are gross loans, advances and financing of RM43,757,000 (2016: RM88,122,000) financed by Government funds. The treatment of credit losses incurred for these loans, advances and financing is as disclosed in Note 2.18 (ii).

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Within one year	1,005,104	912,930	691,665	588,808
More than one year to three years	723,073	677,214	694,299	634,582
More than three years to five years	1,308,847	1,255,412	1,247,580	1,215,416
More than five years	4,014,998	3,758,811	3,876,270	3,608,500
	7,052,022	6,604,367	6,509,814	6,047,306

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprise	7,033,710	6,582,610	6,491,502	6,025,549
Individual	18,312	21,757	18,312	21,757
	7,052,022	6,604,367	6,509,814	6,047,306

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Construction	959,307	916,709	956,435	913,977
Education, health and others	1,156,537	1,066,869	1,103,915	1,033,730
Electricity, gas and water supply	36,396	21,326	36,396	20,250
Financial, insurance, real estate and business services	860,355	701,976	856,274	688,815
Manufacturing	1,234,191	1,139,321	1,121,292	990,388
Mining and quarrying	29,856	30,498	27,860	30,498
Primary agriculture	4,270	3,816	4,030	3,503
Transportation, storage and communication	799,913	929,630	736,442	847,950
Wholesale, retail trade, restaurants and hotels	1,952,885	1,772,465	1,648,858	1,496,438
Others	18,312	21,757	18,312	21,757
	7,052,022	6,604,367	6,509,814	6,047,306

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iv) Gross loans, advances and financing analysed by location and sector are as follows:

Group	Central Region	Northern Region	Southern Region	East			Total
				Coast Region	Sabah Region	Sarawak Region	
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iv) Gross loans, advances and financing analysed by location and sector are as follows: (cont'd.)

Group 2016	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	417,767	106,294	176,762	73,507	54,308	88,071	916,709
Education, health and others	526,145	83,480	173,976	189,610	30,544	63,114	1,066,869
Electricity, gas and water supply	14,396	1,101	1,535	2,085	1,082	1,127	21,326
Financial, insurance, real estate and business services	491,839	20,305	102,478	37,814	42,228	7,312	701,976
Manufacturing	495,734	158,684	258,790	114,955	44,914	66,244	1,139,321
Mining and quarrying	16,892	-	-	9,873	555	3,178	30,498
Primary agriculture	806	-	166	203	2,641	-	3,816
Transportation, storage and communication	354,520	163,767	101,199	136,580	88,660	84,904	929,630
Wholesale, retail trade, restaurants and hotels	670,339	331,384	130,203	267,726	328,468	44,345	1,772,465
Others	21,757	-	-	-	-	-	21,757
	3,010,195	865,015	945,109	832,353	593,400	358,295	6,604,367

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iv) Gross loans, advances and financing analysed by location and sector are as follows: (cont'd.)

Bank	Central Region	Northern Region	Southern Region	East			Total
				Coast Region	Sabah Region	Sarawak Region	
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iv) Gross loans, advances and financing analysed by location and sector are as follows: (cont'd.)

Bank	East						Total
	Central Region	Northern Region	Southern Region	Coast Region	Sabah Region	Sarawak Region	
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Construction	416,169	106,211	175,788	73,429	54,308	88,072	913,977
Education, health and others	509,540	79,586	165,723	189,293	29,902	59,686	1,033,730
Electricity, gas and water supply	13,953	1,101	1,534	2,085	450	1,127	20,250
Financial, insurance, real estate and business services	489,325	18,198	99,464	32,417	42,140	7,271	688,815
Manufacturing	439,394	112,631	252,010	106,202	34,311	45,840	990,388
Mining and quarrying	16,892	-	-	9,873	555	3,178	30,498
Primary agriculture	493	-	166	203	2,641	-	3,503
Transportation, storage and communication	336,343	138,783	98,631	118,087	71,680	84,426	847,950
Wholesale, retail trade, restaurants and hotels	534,917	239,528	125,181	240,710	320,017	36,085	1,496,438
Others	21,757	-	-	-	-	-	21,757
	2,778,783	696,038	918,497	772,299	556,004	325,685	6,047,306

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(v) Gross loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Staff loan/financing	18,312	21,757	18,312	21,757
- Hire purchase receivables	328,527	213,278	270,552	171,242
- Leasing receivables	45,025	284,564	44,522	257,089
- Revolving credits	262,086	337,092	256,938	319,239
- Other term loans/financing	2,183,760	2,354,612	1,789,863	1,950,225
Variable rate				
- Hire purchase receivables	67,877	28,063	67,877	28,056
- Leasing receivables	3,180	23,309	3,180	23,309
- Revolving credits	691,551	399,014	691,497	399,011
- Other term loans/financing	3,451,704	2,942,678	3,367,073	2,877,378
	7,052,022	6,604,367	6,509,814	6,047,306

(vi) Impaired loans, advances and financing analysed by industry are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Construction	58,688	108,442	55,816	105,710
Education, health and others	193,317	150,366	140,695	117,227
Electricity, gas and water supply	54	1,125	54	49
Financial, insurance, real estate and business services	40,030	39,529	35,949	26,368
Manufacturing	311,067	316,728	198,168	167,793
Mining and quarrying	2,373	689	377	689
Primary agriculture	537	635	296	322
Transportation, storage and communication	207,387	190,172	143,917	108,451
Wholesale, retail trade, restaurants and hotels	557,494	510,818	253,467	234,834
	1,370,947	1,318,504	828,739	761,443

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vii) Impaired loans, advances and financing analysed by location and sector are as follows:

Group	East						Total
	Central Region	Northern Region	Southern Region	Coast Region	Sabah Region	Sarawak Region	
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vii) Impaired loans, advances and financing analysed by location and sector are as follows: (cont'd.)

Group 2016 Restated	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	30,090	1,755	72,871	956	1,964	806	108,442
Education, health and others	102,894	6,681	2,576	36,284	1,047	884	150,366
Electricity, gas and water supply	1,125	-	-	-	-	-	1,125
Financial, insurance, real estate and business services	32,723	885	3,922	1,861	-	138	39,529
Manufacturing	218,280	30,290	50,228	14,291	1,072	2,567	316,728
Mining and quarrying	280	-	-	409	-	-	689
Primary agriculture	313	-	90	101	131	-	635
Transportation, storage and communication	101,769	8,932	9,298	46,417	1,175	22,581	190,172
Wholesale, retail trade, restaurants and hotels	390,829	16,994	24,845	25,190	50,939	2,021	510,818
	878,303	65,537	163,830	125,509	56,328	28,997	1,318,504

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vii) Impaired loans, advances and financing analysed by location and sector are as follows: (cont'd.)

Bank 2017	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	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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vii) Impaired loans, advances and financing analysed by location and sector are as follows: (cont'd.)

Bank 2016 Restated	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East			Total RM'000
				Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	
Construction	27,358	1,755	72,871	956	1,964	806	105,710
Education, health and others	69,755	6,681	2,576	36,284	1,047	884	117,227
Electricity, gas and water supply	49	-	-	-	-	-	49
Financial, insurance, real estate and business services	19,562	885	3,922	1,861	-	138	26,368
Manufacturing	69,345	30,290	50,228	14,291	1,072	2,567	167,793
Mining and quarrying	280	-	-	409	-	-	689
Primary agriculture	-	-	90	101	131	-	322
Transportation, storage and communication	20,048	8,932	9,298	46,417	1,175	22,581	108,451
Wholesale, retail trade, restaurants and hotels	114,845	16,994	24,845	25,190	50,939	2,021	234,834
	321,242	65,537	163,830	125,509	56,328	28,997	761,443

(viii) Movements in impaired loans, advances and financing ("impaired loans") are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
	Restated		Restated	
At 1 January	1,318,504	1,140,580	761,443	554,267
Impaired during the year	307,804	346,716	307,804	346,716
Reclassified as non-impaired	(77,602)	(18,354)	(77,602)	(18,354)
Offsetted against other payables*	(8,808)	-	(8,808)	-
Amount recovered	(89,034)	(117,893)	(74,181)	(88,641)
Amount written-off ^	(79,917)	(32,545)	(79,917)	(32,545)
At 31 December	1,370,947	1,318,504	828,739	761,443

^ Included in amount written-off is profit on loan, advances and financing of RM281,000 (2016: RMNil financed by Government Funds).

* 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 21.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(viii) Movements in impaired loans, advances and financing ("impaired loans") are as follows: (cont'd.)

Net impaired loans, advances and financing as a percentage of net loans, advances and financing (excluding staff loan/financing and collective assessment allowance) are as follows:

	Group		Bank	
	2017	2016	2017	2016
	Restated		Restated	
Net impaired loans, advances and financing as a percentage	15.75%	16.72%	9.51%	9.79%

(ix) Movements in the allowance for impaired loans, advances and financing are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
	Restated		Restated	
Individual assessment allowance				
At 1 January	261,699	230,051	189,973	166,051
Transfer from collective assessment allowance	12,163	7,027	12,163	7,027
Allowance made during the year (Note 30)	204,767	119,970	192,666	108,345
Writeback made during the year (Note 30)	(97,138)	(62,804)	(92,170)	(58,905)
Amount written-off ^	(69,006)	(32,545)	(69,006)	(32,545)
At 31 December	312,485	261,699	233,626	189,973

^ Included in amount written-off is profit on loan, advances and financing of RM281,000 (2016: RMNil) financed by Government Funds.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(ix) Movements in the allowance for impaired loans, advances and financing are as follows: (cont'd.)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
		Restated		Restated
Collective assessment allowance				
At 1 January	143,261	119,336	106,430	76,797
Transfer to individual allowance	(12,163)	(7,027)	(12,163)	(7,027)
Allowance made during the year (Note 30)	111,785	148,883	105,130	141,687
Writeback made during the year (Note 30)	(87,136)	(117,931)	(83,049)	(105,027)
At 31 December	155,747	143,261	116,348	106,430
The total collective assessment allowance as a percentage of net loans, advances and financing (excluding staff loan/financing and collective assessment allowance) are as follows:				
Collective assessment allowance as a percentage	2.32%	2.27%	1.86%	1.82%

9. OTHER ASSETS

	Note	Group	
		2017 RM'000	2016 RM'000
Fair value of financial guarantees receivable from the Government of Malaysia	(i)	-	3,873
Other receivables		21,624	31,826
Prepayments		5,990	4,703
		27,614	40,402
		Bank	
	Note	2017 RM'000	2016 RM'000
Amount due from subsidiaries	(ii)	507,040	562,899
Less: Allowance for impairment loss	(iii)	-	(2,849)
		507,040	560,050
Fair value of financial guarantees receivable from the Government of Malaysia	(i)	-	3,873
Other receivables		16,200	16,202
Prepayments		3,716	3,406
		526,956	583,531

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

9. OTHER ASSETS (CONT'D.)

- (i) The amount relates to fair value of financial guarantee receivables from the Government of Malaysia on the foreign exchange loss suffered by the Bank on retranslation of Japanese Yen term loans that the Bank received from Japan International Cooperation Agency. The borrowings were fully repaid by the Bank on 20 May 2017.
- (ii) The amount due from subsidiaries is unsecured, interest free and repayable on demand except for unsecured Bai' Inah facility of RM446,250,000 (2016: RM510,000,000) granted to SMEB Asset Management Sdn. Bhd. ("SAM") to finance the purchase of a portfolio of impaired loans and financing from the Bank in 2014. This facility bears profit at 3.50% (2016: 3.50%) per annum and is repayable over 8 annual instalments commencing 15 December 2017, after a grace period of 2 years. The facility will mature on 15 December 2024.
- (iii) Movement in allowance for impairment loss is as follows:

	Bank	
	2017	2016
	RM'000	RM'000
At 1 January	(2,849)	(1,943)
Impairment loss recognised (Note 28 (iv))	-	(906)
Written-off	2,849	-
At 31 December	-	(2,849)

10. DERIVATIVE FINANCIAL LIABILITIES

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 2017		
	Notional	Fair Value	
RM'000		Assets	Liabilities
	RM'000	RM'000	RM'000
Derivatives held for trading at fair value through profit or loss			
Profit rate related contract:			
- Islamic profit rate swaps	350,000	-	696

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

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10. DERIVATIVE FINANCIAL LIABILITIES (CONT'D.)

	Group and Bank 2016		
	Notional	Fair Value	
	RM'000	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	250,000	-	1,117

11. INVESTMENT IN SUBSIDIARIES

	Bank	
	2017 RM'000	2016 RM'000
Unquoted shares		
At cost	3,582	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(%)	
		2017	2016
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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of companies	Principal activities	Proportion of Ownership Interest and Voting Power Held by the Group(%)	
		2017	2016
BI Nelayan Malaysia Berhad^	Dormant	100	100
BI Walden Ventures Kelima Sdn. Bhd.^	Dormant	100	100
Guardmont Industries Sdn. Bhd.^	Dormant	100	100
Malaysian Technology Investments (L) Bhd.*	Dormant	100	100
Metro Maple Sdn. Bhd.^	Dormant	100	100
Metro Prominent Sdn. Bhd.^	Dormant	100	100

* Audited by a firm other than Deloitte PLT.

^ Application to strike off was submitted to Companies Commission of Malaysia on 14 December 2017.

12. INVESTMENT IN ASSOCIATE

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost:				
Unquoted shares in Malaysia	6,826	6,826	6,826	6,826
Share of post-acquisition reserves	3,416	4,170	-	-
	10,242	10,996	6,826	6,826
Less: Accumulated impairment losses of unquoted shares	(6,826)	(6,826)	(6,826)	(6,826)
	3,416	4,170	-	-

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

12. 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	Principal activity	Proportion of Ownership Interest and Voting Power Held by the Group(%)		Accounting model applied
		2017	2016	
Held by the Bank:				
Capatronics (M) Sdn. Bhd.	Manufacturing of ceramic	30	30	Equity method

(i) Summarised statement of financial position

	Capatronics (M) Sdn.Bhd.	
	2017 RM'000	2016 RM'000
Non-current assets	22,900	22,941
Current assets	-	289
Total assets	22,900	23,230
Current liabilities	11,514	9,330
Total liabilities	11,514	9,330
Net assets as at 31December	11,386	13,900

(ii) Summarised statement of comprehensive income

	Capatronics (M) Sdn.Bhd.	
	2017 RM'000	2016 RM'000
Revenue	1,808	1,380
Loss before tax	(2,514)	(1,177)
Loss for the year	(2,514)	(1,177)
Total comprehensive loss for the year	(2,514)	(1,177)
Interest in associate	30%	30%
Share of loss after tax of an associate	(754)	(353)

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

12. INVESTMENTS IN ASSOCIATE (CONT'D.)

- (iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate

	Capatronics (M) Sdn. Bhd.	
	2017	2016
	RM'000	RM'000
Net assets as at 1 January	13,900	15,077
Total comprehensive loss for the year	(2,514)	(1,177)
Net assets as at 31 December	11,386	13,900
Interest in associate	30%	30%
Carrying value of Group's interest in associate	3,416	4,170

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

13. 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 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 28(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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group	Free- hold land RM'000	Long term leasehold land RM'000	Building RM'000	Furniture and equip- ment 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 2016	4,017	34,752	84,976	30,690	41,303	2,748	7,135	4,937	210,558
Additions	66	-	53	3,991	6,712	-	-	912	11,734
Disposal	-	-	-	-	-	(1,244)	-	-	(1,244)
Written off	-	-	-	-	-	-	-	(862)	(862)
At 31 December 2016	4,083	34,752	85,029	34,681	48,015	1,504	7,135	4,987	220,186
Accumulated depreciation									
At 1 January 2016	-	5,111	13,507	22,640	8,969	2,707	6,670	-	59,604
Charge for the year (Note 28(ii))	-	23	2,442	2,833	4,473	40	286	-	10,097
Disposal	-	-	-	-	-	(1,243)	-	-	(1,243)
At 31 December 2016	-	5,134	15,949	25,473	13,442	1,504	6,956	-	68,458
Net carrying amount									
At 31 December 2016	4,083	29,618	69,080	9,208	34,573	-	179	4,987	151,728

Included in property, plant and equipment of the Group are fully depreciated property, plant and equipment at a total cost of RM47,958,000 (2016: RM47,735,000), which are still in use by the Group.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

13. 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 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 28(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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

13. 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 2016	4,017	34,752	84,976	30,586	41,303	2,748	7,135	4,937	210,454
Additions	66	-	53	3,958	6,712	-	-	912	11,701
Disposal	-	-	-	-	-	(1,244)	-	-	(1,244)
Written off	-	-	-	-	-	-	-	(862)	(862)
At 31 December 2016	4,083	34,752	85,029	34,544	48,015	1,504	7,135	4,987	220,049
Accumulated depreciation									
At 1 January 2016	-	5,111	13,507	22,611	8,969	2,707	6,670	-	59,575
Charge for the year (Note 28(ii))	-	23	2,442	2,800	4,473	40	286	-	10,064
Disposal	-	-	-	-	-	(1,243)	-	-	(1,243)
At 31 December 2016	-	5,134	15,949	25,411	13,442	1,504	6,956	-	68,396
Net carrying amount									
At 31 December 2016	4,083	29,618	69,080	9,133	34,573	-	179	4,987	151,653

Included in property, plant and equipment of the Bank are fully depreciated property, plant and equipment at a total cost of RM47,923,000 (2016: RM47,313,000), which are still in use by the Bank.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

14. INVESTMENT PROPERTIES

	Group and Bank	
	2017	2016
	RM'000	RM'000
At fair value		
At 1 January	358,170	324,614
Additional	-	189
Fair value adjustment (Note 39(n))	14,740	33,367
At 31 December	372,910	358,170

The following investment properties are held under leasehold:

	Group and Bank	
	2017	2016
	RM'000	RM'000
At fair value		
Building	208,706	198,072
Land	148,104	143,952
	356,810	342,024

The investment properties comprise of land and building. The fair value of the Group's and the Bank's investment properties as of 31 December 2017 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 RM17,757,300 (2016: RM33,943,000) 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 RM10,111,000 (2016: RM9,998,000). Direct operating expenses arising from the investment properties during the year amounting to RM3,080,000 (2016: RM2,488,000).

	Group and Bank	
	2017	2016
	RM'000	RM'000
	Level 2	Level 2
Fair value hierarchy	372,910	358,170

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

15. INTANGIBLE ASSETS

	Software			
	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At cost				
At 1 January	35,627	35,240	34,975	34,588
Additions	7,667	387	7,607	387
At 31 December	43,294	35,627	42,582	34,975
Accumulated amortisation				
At 1 January	27,606	23,323	27,169	23,101
Charge for the year (Note 28(ii))	3,858	4,283	3,680	4,068
At 31 December	31,464	27,606	30,849	27,169
Carrying amount				
At 31 December	11,830	8,021	11,733	7,806

16. DEFERRED TAX ASSETS

	Group and Bank	
	2017	2016
	RM'000	RM'000
		Restated
At 1 January	161,835	163,580
Recognised in profit or loss (Note 31)	(35,423)	3,792
Recognised in other comprehensive income	(4,689)	(5,537)
At 31 December	121,723	161,835
Presented before appropriate offsetting as follows:		
Deferred tax assets	137,154	176,252
Deferred tax liabilities	(15,431)	(14,417)
	121,723	161,835

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

16. DEFERRED TAX (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	Unabsorbed business losses and capital allowance	Provisions	MTM revaluation on available-for-sale financial assets	Total
	RM'000	RM'000	RM'000	RM'000
	Restated			Restated
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
At 1 January 2016	151,919	3,911	16,626	172,456
Recognised in profit or loss	8,779	554	-	9,333
Recognised in other comprehensive income	-	-	(5,537)	(5,537)
At 31 December 2016	160,698	4,465	11,089	176,252

Deferred tax liabilities of the Group and of the Bank:

	Investment property	Property plant and equipment	Total
	RM'000	RM'000	RM'000
At 1 January 2017	(7,251)	(7,166)	(14,417)
Recognised in profit or loss	(736)	(278)	(1,014)
At 31 December 2017	(7,987)	(7,444)	(15,431)
At 1 January 2016	-	(8,876)	(8,876)
Recognised in profit or loss	(7,251)	1,710	(5,541)
At 31 December 2016	(7,251)	(7,166)	(14,417)

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

17. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Term deposit:				
- Commodity murabahah/Tawarruq	3,261,929	3,548,257	3,321,145	3,624,860

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies (Note 35(c))	2,051,954	2,545,699	2,051,954	2,545,699
Business enterprise	501,839	1,002,558	561,055	1,079,161
Others	708,136	-	708,136	-
	3,261,929	3,548,257	3,321,145	3,624,860

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Less than three months	2,453,571	2,915,591	2,511,711	2,914,721
Three months to six months	736,520	569,266	737,596	646,739
Six months to one year	71,838	63,400	71,838	63,400
	3,261,929	3,548,257	3,321,145	3,624,860

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

18. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2017	2016
	RM'000	RM'000
Licensed banks and other financial institutions	100,172	200,302

The deposits maturity structure are as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Less than three months	100,172	200,302

The deposits from banks and other financial institutions carry a profit rate of 3.22% (2016: 3.20% - 3.60%) per annum.

19. MEDIUM-TERM NOTES

	Group and Bank	
	2017	2016
	RM'000	RM'000
Islamic medium-term notes ("IMTNs")	1,821,452	1,519,795

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	
	2017	2016
	RM'000	RM'000
Within one year	21,452	19,795
More than one year to three years	1,050,000	600,000
More than three years to five years	750,000	650,000
More than five years	-	250,000
	1,821,452	1,519,795

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

20. BORROWINGS

	Group and Bank	
	2017	2016
	RM'000	RM'000
Unsecured borrowings	2,036,006	2,683,818

The maturity structure of the borrowings is as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Within one year	219,727	292,051
More than five years	1,816,279	2,391,767
	2,036,006	2,683,818

The unsecured borrowings denominated in RM are sourced from the following:

	Note	Group and Bank	
		2017	2016
		RM'000	RM'000
Government of Malaysia (Note 35(c))	(i)	1,057,979	1,613,244
Other institutions	(ii)	978,027	1,070,574
		2,036,006	2,683,818

(i) Borrowings from Government of Malaysia

The borrowings from the Government of Malaysia are repayable as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Maturity structure:		
Within one year	174,398	210,157
More than five years	883,581	1,403,087
	1,057,979	1,613,244

The interest rates on the borrowings from the Government of Malaysia range from 0% to 4% (2016: 0% to 4%) per annum.

During the year, borrowings from Government of Malaysia amounting to RM500 million was converted into the share capital of the Bank as mentioned in Note 23.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

20. BORROWINGS (CONT'D.)

(ii) Borrowings from other institutions

	Group and Bank	
	2017	2016
	RM'000	RM'000
Bank Negara Malaysia	171,903	254,569
Employee Provident Fund	806,124	806,302
Japan International Cooperation Agency	-	9,703
	978,027	1,070,574

The borrowings from other institutions are repayable as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Maturity structure:		
Within one year	45,329	81,894
More than five years	932,698	988,680
	978,027	1,070,574

The interest rates on the borrowings from other institutions range from 1.50% to 5.23% (2016: 1.50% to 5.23%) per annum.

The unsecured borrowing from Japan International Cooperation Agency ("JICA") was denominated in Japanese Yen which have been retranslated into RM based on the exchange rate at the end of the reporting period. Details of the loans are as follows:

- (i) Initial borrowing of ¥9,320,000,000 (approximately RM331,600,000) principal repayable over a period of 18 years commencing 20 May 2002, after a grace period of 7 years. The borrowing was fully paid on 20 May 2017.
- (ii) Borrowings received for Small and Medium Industry Promotion Program ("SMIPP") were repayable in semi-annual instalments of Ringgit Malaysia equivalent of ¥125,945,000 each commencing from May 1999 respectively. The borrowing was fully paid on 20 May 2017.

The interest rates on borrowing from JICA ranged from 3.0% to 3.5% per annum in 2016.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

21. OTHER LIABILITIES

	Group	
	2017	2016
	RM'000	RM'000
Other payables and accruals (Note a)	341,174	236,868
Islamic Margin account (Note b)	531,710	494,078
Guarantee payable (Note c)	150,522	83,324
Sinking Fund	9,134	10,035
Rental and security deposits	5,835	5,619
Charity fund	646	761
Provision for taxation	-	3,494
Provision for zakat	4,660	3,985
Other provisions	44,605	31,235
	1,088,286	869,399
	Bank	
	2017	2016
	RM'000	RM'000
Other payables and accruals (Note a)	334,048	237,299
Margin account (Note b)	531,546	494,078
Guarantee payable (Note c)	150,522	83,324
Amount due to subsidiaries (Note d)	20,343	19,428
Sinking Fund	9,134	10,035
Rental and security deposits	5,835	5,619
Charity fund	646	761
Provision for zakat	4,660	3,985
Other provisions	43,199	29,234
	1,099,933	883,763

Note a

Included in other payables and accruals are undisbursed funds amounting to RM55.03 million (2016: RM35.89 million) 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 channeled 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 RM48.2 million 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 during the year.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

21. OTHER LIABILITIES (CONT'D.)

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.

22. GOVERNMENT FUNDS

	Note	Group and Bank	
		2017 RM'000	2016 RM'000
To finance:			
Purchase of investment properties	(a)	122,487	126,015
Loans, advances and financing	(b)	162,562	179,029
		285,049	305,044

(a) To finance the purchase of investment properties:

Group and Bank	Kompleks Kilang Bimbingan			
	Nursery Factory Scheme (RMK7) RM'000	Nursery Factory Scheme (RMK8) RM'000	Nursery Factory Scheme (RMK9) RM'000	Total RM'000
At 1 January 2017	66,307	24,979	34,729	126,015
Government fund release	(236)	(2,912)	(380)	(3,528)
At 31 December 2017	66,071	22,067	34,349	122,487
At 1 January 2016	66,543	27,891	35,109	129,543
Government fund release	(236)	(2,912)	(380)	(3,528)
At 31 December 2016	66,307	24,979	34,729	126,015

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

22. GOVERNMENT FUNDS (CONT'D.)

(b) To finance loans, advances and financing:

Group and Bank	Tabung			Dana Program			Balance c/f RM'000
	Tabung	Inkubator		Tabung	Usahawan	Program	
	Soft Loan	Usahawan	Pertanian	Usahawan	Negeri	dan Skim	
	Scheme	Pahang	Kelantan	Siswazah	Terengganu	Batik	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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 loans written-off	46	-	-	686	175	21	928
Reclassification	-	-	-	-	-	-	-
At 31 December 2017	36,406	288	2,669	17,821	4,516	4,168	65,868

Group and Bank	Basis		Skim		Program		Total RM'000
	Balance	Capital	Pem- angunan	Skim	Program	Skim	
	b/f	Scheme	Ekonomi	Perusahaan	dan Skim	Anjakan	
	RM'000	(SMA)	Desa	Kapal	Usahawan	Usahawan	
	RM'000	RM'000	Tradisional	Kraf	RM'000	RM'000	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 loans written-off	928	2,576	24	-	1	-	3,529
Utilised to offset expenses	-	-	-	-	-	(756)	(756)
Reclassification (Note 21(a))	-	-	(48,218)	-	-	-	(48,218)
At 31 December 2017	65,868	30,090	-	3,000	4,756	58,848	162,562

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

22. GOVERNMENT FUNDS (CONT'D.)

(b) To finance loans, advances and financing: (cont'd.)

Group and Bank	Tabung	Tabung	Tabung	Tabung	Dana	Program	Balance c/f RM'000
	Soft Loan	Inkubator	Pertanian	Usahawan	Usahawan	dan Skim	
	Scheme	Usahawan	Kelantan	Siswazah	Negeri	Usahawan	
	RM'000	Pahang	RM'000	RM'000	Terengganu	Batik	
At 1 January 2016	36,754	288	2,669	22,393	5,612	4,147	71,863
Recoveries from loans written-off	42	-	-	348	365	-	755
Muqasah	-	-	-	-	(535)	-	(535)
At 31 December 2016	36,796	288	2,669	22,741	5,442	4,147	72,083

Group and Bank	Balance	Basis	Skim Pem-	Skim	Program	Skim	Total RM'000
	b/f	Capital	angunan	Perusahaan	dan Skim	Anjakan	
	RM'000	Scheme	Ekonomi	Kapal	Usahawan	Usahawan	
	RM'000	(SMA)	Desa	Tradisional	Kraf	RM'000	
At 1 January 2016	71,863	27,932	47,758	3,000	4,745	-	155,298
Proceeds	-	-	-	-	-	20,000	20,000
Recoveries from loans written-off	755	3,461	754	-	10	-	4,980
Utilised to offset expenses	-	-	-	-	-	(396)	(396)
Muqasah	(535)	-	(318)	-	-	-	(853)
At 31 December 2016	72,083	31,393	48,194	3,000	4,755	19,604	179,029

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

22. 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 to Bumiputera entrepreneurs	Ministry of International Trade and Industry (MITI)	34,400
(b) Tabung Usahawan Pahang	To provide loans for furniture industry in Temerloh, Pahang	Pahang State Government	1,000
(c) Tabung Inkubator Pertanian Kelantan	To support the business expansion of livestock business	Ministry of International Trade and Industry (MITI)	2,992
(d) Tabung Usahawan Siswazah	To encourage graduates into entrepreneurship	Ministry of International Trade and Industry (MITI)	62,000
(e) Dana Usahawan Negeri Terengganu	To promote Bumiputera entrepreneurs in Terengganu	Ministry of International Trade and Industry (MITI)	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 entrepreneurs	Ministry of International Trade and Industry (MITI)	60,000
(l) Skim Pembangunan Ekonomi Desa - Islamic	To promote Bumiputera entrepreneurs in the rural area	Ministry of Rural and Regional Development (MRRD)	124,227

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

22. 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

31 December 2017

Types of funds	Outstanding loans, advances and financing RM'000	No. of borrower assisted
(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	156,333	-
(k) Skim Anjakan Usahawan	10,625	212

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

22. GOVERNMENT FUNDS (CONT'D.)

Summary of the performance of the government funds (cont'd.)

31 December 2016

Types of funds	Outstanding loans, advances and financing RM'000	No. of borrower assisted
(a) Soft Loan Scheme	8,640	98
(b) Tabung Usahawan Pahang	-	-
(c) Tabung Inkubator Pertanian Kelantan	-	-
(d) Tabung Usahawan Siswazah	14,238	327
(e) Dana Usahawan Negeri Terengganu	7,151	92
(f) Program dan Skim Usahawan Batik	-	-
(g) Basic Capital Scheme	23,068	133
(h) Skim Perusahaan Kapal Tradisional	-	-
(i) Program dan Skim Usahawan Kraf	88	1
(j) Kompleks Kilang Bimbingan	156,333	-
(k) Skim Anjakan Usahawan	12,304	209
(l) Skim Pembangunan Ekonomi Desa	22,256	736

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

23. SHARE CAPITAL

Group and Bank	Number of ordinary shares*		Amount	
	2017	2016	2017	2016
	Unit '000	Unit '000	RM'000	RM'000
Issued and fully paid:				
At 1 January	1,350,000	1,350,000	1,350,000	1,350,000
Principal conversion of long term borrowing from the Government of Malaysia (Note 40)**	500,000	-	500,000	-
At 31 December	1,850,000	1,350,000	1,850,000	1,350,000

* The Bank's issued and fully paid-up share capital comprise ordinary shares with a par value of RM1 each. The new Companies Act, 2016, which came into operation on 31 January 2017, introduce the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

** Ministry of Finance ("MOF") vide its letter dated 7 September 2016, 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 2016 and the conversion was completed on 16 March 2017.

24. OTHER RESERVES

Group and Bank	Non-distributable available-for-sale reserve	Distributable general reserve	Total
	RM'000	RM'000	RM'000
At 1 January 2017	(36,678)	10,114	(26,564)
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)
At 31 December 2017	(20,265)	10,114	(10,151)
At 1 January 2016	(52,648)	10,114	(42,534)
Unrealised gain on revaluation of available-for-sale financial investments	21,507	-	21,507
Income tax relating to components of other comprehensive income	(5,537)	-	(5,537)
At 31 December 2016	(36,678)	10,114	(26,564)

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

24. OTHER RESERVES (CONT'D.)

(a) Distributable general reserve

Distributable general reserve arose from the merger between Bank Pembangunan Malaysia Berhad and Bank Industry Berhad in 2005.

(b) Non-distributable available-for-sale reserve

Non-distributable available-for-sale reserve represents the cumulative fair value changes, net of tax, of available-for-sale securities until they are disposed of or impaired.

25. INTEREST INCOME

	Group	
	2017	2016
	RM'000	RM'000
Interest income from loans, advances and financing	36,776	32,983
Deposits and placements with banks and other financial institutions	-	1,775
Available-for-sale financial investments	7,699	8,162
Held-to-maturity financial investments	302	1,868
Others	766	89
	45,543	44,877

	Bank	
	2017	2016
	RM'000	RM'000
Interest income from loans, advances and financing	23,104	20,657
Deposits and placements with banks and other financial institutions	-	1,775
Available-for-sale financial investments	7,699	8,162
Held-to-maturity financial investments	302	1,868
Others	766	89
	31,871	32,551

Included in interest income from loans, advances and financing is interest on impaired loans amounting to RM379,340 (2016: RM1,481,215).

26. INTEREST EXPENSE

	Group and Bank	
	2017	2016
	RM'000	RM'000
Deposits from other financial institutions	-	4,864
Securities sold under repurchase agreements	-	1,262
Term loans	57,617	61,789
	57,617	67,915

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

27. OTHER OPERATING INCOME

	Group	
	2017	2016
	RM'000	RM'000
Fee income	579	4,828
Investment in associate:		
- gross dividend income	-	32
Investment in unquoted shares:		
- gross dividend income	655	874
Other income:		
Gain on disposal of property, plant and equipment	-	225
Government funds released (Note 22(a))	3,528	3,528
Government compensation	3,847	5,192
Others	7,215	2,487
	14,590	11,432
Total other operating income	15,824	17,166

	Bank	
	2017	2016
	RM'000	RM'000
Fee income	579	674
Investment in associates:		
- gross dividend income	-	32
Investment in unquoted shares:		
- gross dividend income	655	874
Other income:		
Gain on disposal of property, plant and equipment	-	225
Government funds released (Note 22(a))	3,528	3,528
Government compensation	3,847	5,192
Others	7,215	2,473
	14,590	11,418
Total other operating income	15,824	12,998

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

28. OTHER OPERATING EXPENSES

	Note	Group	
		2017 RM'000	2016 RM'000
Personnel expenses	(i)	142,960	121,772
Establishment related expenses	(ii)	35,847	33,227
Promotion and marketing expenses	(iii)	4,476	4,045
Administration and general expenses	(iv)	24,052	41,957
		207,335	201,001
(i) Personnel expenses			
Salaries, allowances and bonuses		121,203	96,930
Non-executive Directors fees and Remuneration (Note 29)		2,654	2,836
Social security cost		771	702
Contribution to Employee Provident Fund		12,796	12,208
Other staff related expenses		5,536	9,096
		142,960	121,772
(ii) Establishment related expenses			
Depreciation of property, plant and equipment (Note 13)		12,134	10,097
Amortisation of intangible assets (Note 15)		3,858	4,283
Property, plant and equipment written off (Note 13)		-	862
Rental of premises		4,062	4,050
Repairs and maintenance of property, plant and equipment		15,793	13,935
		35,847	33,227
(iii) Promotion and marketing expenses			
Advertisement and publicity		4,476	4,045
(iv) Administration and general expenses			
Administrative expenses		6,820	7,352
Auditors' remuneration			
- Statutory audit		579	429
- Regulatory related services		31	11
- Other assurance services		10	9
General expenses		16,612	34,156
		24,052	41,957

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

28. OTHER OPERATING EXPENSES (CONT'D.)

		Bank	
		2017	2016
	Note	RM'000	RM'000
Personnel expenses	(i)	138,110	115,065
Establishment related expenses	(ii)	35,614	32,914
Promotion and marketing expenses	(iii)	4,733	3,933
Administration and general expenses	(iv)	25,405	51,464
		203,862	203,376
(i) Personnel expenses			
Salaries, allowances and bonuses		117,376	91,338
Non-executive Directors fees and Remuneration (Note 29)		2,394	2,714
Social security cost		746	667
Contribution to Employee Provident Fund		12,321	11,553
Other staff related expenses		5,273	8,793
		138,110	115,065
(ii) Establishment related expense			
Depreciation of property, plant and equipment (Note 13)		12,103	10,064
Amortisation of intangible assets (Note 15)		3,680	4,068
Property, plant and equipment written off (Note 13)		-	862
Rental of premises		4,062	4,050
Repairs and maintenance of property, plant and equipment		15,769	13,870
		35,614	32,914
(iii) Promotion and marketing expenses			
Advertisement and publicity		4,733	3,933
(iv) Administration and general expenses			
Administrative expenses		6,813	7,294
Auditors' remuneration			
- Statutory audit		529	380
- Regulatory related services		31	11
- Other assurance services		10	9
Recovery expenses charged by a subsidiary company (Note 35)		2,241	13,211
General expenses		15,781	29,653
Allowance for impairment loss on amount due from subsidiaries (Note 9)		-	906
		25,405	51,464

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

29. DIRECTORS FEES AND REMUNERATION

2017	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Bank Total RM'000	Fees RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Group Total RM'000	
												RM'000
Executive Director:												
Y.Bhg. Datuk Mohd Radzif bin Mohd Yunus	652	-	276	120	-	-	1,048	-	9	-	1,057	
Non-Executive Directors:												
Y.Bhg. Tan Sri Faizah binti Mohd Tahir	-	180	-	-	60	-	240	60	9	-	309	
Tan Sri Mohamed Khatib Abdul Hamid	-	-	-	-	-	-	-	60	9	-	69	
Dato' Hazimah Zainuddin	-	-	-	-	-	-	-	18	5	-	23	
En. Ishak bin Ismail	-	60	-	-	136	-	196	18	6	-	220	
En. Khairuzzaman Muhammad	-	60	-	-	102	-	162	-	-	-	162	
Y.Bhg. Dato' Asri bin Hamidin @ Hamidon	-	60	-	-	100	-	160	18	3	-	181	
Y.Bhg. Dato' Jamehah binti Jamaludin	-	60	-	-	131	-	191	-	-	-	191	
Y.Bhg. Prof. Dr. Abdul Basir bin Mohamad	-	60	-	-	82	-	142	-	-	-	142	
Y.Bhg. Dato' Mohd Shukri bin Hussin	-	60	-	-	94	-	154	-	-	-	154	
En. Muthafa bin Yusof	-	40	-	-	61	-	101	-	-	-	101	
Edlin Ghazaly	-	-	-	-	-	-	-	18	5	-	23	
Ishak Hashim	-	-	-	-	-	-	-	18	4	-	22	
	-	580	-	-	766	-	1,346	210	41	-	1,597	
	652	580	276	120	766	-	2,394	210	50	-	2,654	

(cont'd.)
**NOTES TO THE
 FINANCIAL STATEMENTS**
 31 December 2017

29. DIRECTORS FEES AND REMUNERATION (CONT'D.)

2016	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Bank Total RM'000	Fees RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Group Total RM'000	
												RM'000
Executive Director:												
Y.Bhg. Datuk Mohd Radzif bin Mohd Yunus	828	-	311	186	48	-	1,373	-	18	-	1,391	
	828	-	311	186	48	-	1,373	-	18	-	1,391	
Non-Executive Directors:												
Y.Bhg. Tan Sri Faizah binti Mohd Tahir	-	180	-	-	60	-	240	60	9	-	309	
Dato' Adzmy bin Abdullah	-	15	-	-	-	-	15	-	-	-	15	
En. Ishak bin Ismail	-	60	-	-	131	-	191	9	3	-	203	
En. Khairuzzaman Muhammad	-	60	-	-	117	-	177	-	-	-	177	
Y.Bhg. Dato' Asri bin Hamidin @ Hamidon	-	60	-	-	89	-	149	18	5	-	172	
Y.Bhg. Dato' Jamelah binti Jamaludin	-	60	-	-	127	-	187	-	-	-	187	
Dato' Abd Majid Kutiran	-	55	-	-	79	-	134	-	-	-	134	
Y.Bhg. Prof. Dr. Abdul Basir bin Mohamad	-	60	-	-	97	-	157	-	-	-	157	
Y.Bhg. Dato' Mohd Shukri bin Hussin	-	40	-	-	51	-	91	-	-	-	91	
	-	590	-	-	751	-	1,341	87	17	-	1,445	
	828	590	311	186	799	-	2,714	87	35	-	2,836	

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

29. DIRECTORS FEES AND REMUNERATION (CONT'D.)

The number of directors of the Group and the Bank whose total remuneration fell within the following bands are analysed below:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Number of executive director:		
RM1,000,000 to RM1,500,000	1	1
Number of non-executive directors:		
RM200,001 to RM350,000	2	2
RM100,001 to RM200,000	6	5
RM1 to RM100,000	4	2
	12	9

30. ALLOWANCE FOR IMPAIRMENT LOSS ON LOANS, ADVANCES AND FINANCING

	Group	
	2017	2016
	RM'000	RM'000
		Restated
Allowance for impaired loans, advances and financing made during the year		
- Individual assessment allowance (Note 8(ix))	204,767	119,970
- Collective assessment allowance (Note 8(ix))	111,785	148,883
	316,552	268,853
Writeback/recoveries of allowance for impaired loans, advances and financing made during the year		
- Individual assessment allowance (Note 8(ix))	(97,138)	(62,804)
- Collective assessment allowance (Note 8(ix))	(87,136)	(117,931)
	(184,274)	(180,735)
Loans, advances and financing waived	715	1,186
Loans, advances and financing written-off	10,911	-
Recoveries from bad loans, advances and financing written-off	(62,873)	(33,028)
Total allowance for impairment loss on loans, advances and financing	81,031	56,276

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

30. ALLOWANCE FOR IMPAIRMENT LOSS ON LOANS, ADVANCES AND FINANCING (CONT'D.)

	Bank	
	2017 RM'000	2016 RM'000 Restated
Allowance for impaired loans, advances and financing made during the year		
- Individual assessment allowance (Note 8(ix))	192,666	108,345
- Collective assessment allowance (Note 8(ix))	105,130	141,687
	297,796	250,032
Writeback/recoveries of allowance for impaired loans, advances and financing made during the year		
- Individual assessment allowance (Note 8(ix))	(92,170)	(58,905)
- Collective assessment allowance (Note 8(ix))	(83,049)	(105,027)
	(175,219)	(163,932)
Loans, advances and financing waived	715	1,186
Loans, advances and financing written-off	10,911	-
Recoveries from bad loans, advances and financing written-off	(62,872)	(33,027)
Total allowance for impairment loss on loans, advances and financing	71,331	54,259

31. TAX EXPENSE/(CREDIT) AND ZAKAT

	Group		Bank	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
Current tax:				
Tax expense for the year	729	1,680	50	29
(Over)/Under provision in prior years	(3)	1,840	(3)	-
	726	3,520	47	29
Deferred tax (Note 16):				
Origination or reversal of temporary differences	17,610	3,176	17,610	3,176
Under/(Over) provision of deferred tax expense in prior years	17,813	(6,968)	17,813	(6,968)
	35,423	(3,792)	35,423	(3,792)
Total tax expense/(credit) for the year	36,149	(272)	35,470	(3,763)

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

31. TAX EXPENSE/(CREDIT) AND ZAKAT (CONT'D.)

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Zakat:				
Zakat for the year	4,694	4,000	4,694	4,000
Under provision of zakat in prior year	-	1,793	-	1,793
Total zakat for the year	4,694	5,793	4,694	5,793

The reconciliation between tax expense/(credit) and accounting profit of the Group and of the Bank multiplied by the applicable corporate tax rate is as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Profit before tax and zakat	104,616	60,429	114,192	55,898
Tax at Malaysian tax rate of 24% (2016: 24%)	25,108	14,503	27,406	13,416
Tax effects of:				
Non-deductible expenses	6,614	4,000	3,818	3,682
Non-taxable income	(10,763)	(7,392)	(10,763)	(7,553)
Effects of differences in tax rate	(2,801)	(6,340)	(2,801)	(6,340)
Effects of share of associate's post-tax loss included in Group's profit before taxation	181	85	-	-
(Over)/Under provision of current tax in prior years	(3)	1,840	(3)	-
Under/(Over) provision of deferred tax in prior years	17,813	(6,968)	17,813	(6,968)
Total tax expense/(credit) for the year	36,149	(272)	35,470	(3,763)

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

32. EARNINGS PER SHARE

The basic earnings per share amount is calculated by dividing profit for the year net of tax, attributable to the owner of the Bank by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the profit and share data used in the computation of basic earnings per share for the year ended 31 December:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
	Restated		Restated	
Profit for the year attributable to owner of the Bank	63,773	54,908	74,028	53,868
Earnings per share attributable to the owner of the Bank (sen)				
- Basic	3.65	4.07	4.23	3.99

	Group and Bank	
	2017 RM'000	2016 RM'000
Weighted average number of ordinary shares for basic profit per share computation	1,748,630	1,350,000

33. 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	
	2017 RM'000	2016 RM'000
Direct credit substitutes	183,276	150,933
Transaction-related-contingent items	171,364	229,877
Irrevocable commitments to extend credit:		
- maturity exceeding one year	136,812	61,698
- maturity not exceeding one year	539,028	736,864
Profit rate related contract	350,000	250,000
	1,380,480	1,429,372

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

33. COMMITMENT AND CONTINGENCIES (CONT'D.)

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

	Group and Bank	
	2017 RM'000	2016 RM'000
Approved and contracted for:		
Property, plant and equipment	4,563	12,490
Information technology system	8,553	4,998
Kompleks Kilang Bimbingan construction	38	38
	13,154	17,526
Total commitments and contingencies	1,393,634	1,446,898

34. 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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

34. CAPITAL ADEQUACY (CONT'D.)

Capital management (cont'd.)

The following table set forth capital resources and capital adequacy for the Group and the Bank's as at end of the reporting period:

	Group		Bank	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
<u>Tier I Capital</u>				
Paid-up share capital	1,850,000	1,350,000	1,850,000	1,350,000
Retained earnings	145,727	98,154	145,128	87,300
General reserves	10,114	10,114	10,114	10,114
Less: Deferred tax assets	(121,723)	(161,835)	(121,723)	(161,835)
Less: Property revaluation reserve	(212,229)	(197,489)	(212,229)	(197,489)
Total Tier I capital	1,671,889	1,098,944	1,671,290	1,088,090
<u>Tier II Capital</u>				
Collective allowance for loans, advances and financing*	70,207	76,354	70,207	76,354
Property revaluation reserve^	106,115	98,744	106,115	98,744
Government funds	285,049	305,044	285,049	305,044
Total Tier II capital	461,371	480,142	461,371	480,142
Total capital	2,133,260	1,579,086	2,132,661	1,568,232
Less: Investment in subsidiaries	-	-	(3,582)	(3,582)
Total capital base	2,133,260	1,579,086	2,129,079	1,564,650

* The eligible amount for Tier II Capital is only limited to the excess of total collective allowances over the identifiable incurred losses in the collective allowance pool.

^ The eligible amount for Tier II Capital is only limited to 50% of property revaluation reserves.

Breakdown of risk-weighted assets in the various categories of risk-weights:

	Group		Bank	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
20%	114,197	206,787	114,197	206,787
50%	42,884	25,690	42,884	25,690
100%	8,713,115	8,252,739	8,783,849	8,343,179
	8,870,196	8,485,216	8,940,930	8,575,656

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

34. CAPITAL ADEQUACY (CONT'D.)

Capital management (cont'd.)

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Before deducting proposed dividends:				
Core capital ratio	18.85%	12.95%	18.69%	12.69%
Risk-weighted capital ratio	24.05%	18.61%	23.81%	18.25%
After deducting proposed dividends:				
Core capital ratio	18.47%	12.76%	18.32%	12.50%
Risk-weighted capital ratio	23.67%	18.42%	23.44%	18.06%

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.

35. RELATED PARTY TRANSACTIONS

(a) Parent entity

The Bank is a Government Linked Corporation, with all shares held by the Ministry of Finance 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 29 is as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Salaries and other emoluments	11,285	9,270	11,285	9,270
Defined contribution plan	1,666	1,393	1,666	1,393
	12,951	10,663	12,951	10,663

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

35. 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	
	2017 RM'000	2016 RM'000
Long term loans from Ministry of Finance (Note 20)	1,043,441	1,561,179
Interest payable to Ministry of Finance (Note 20)	14,538	52,065
Deposit acceptance from government agencies (Note 17(i))	2,027,964	2,530,826
Interest payable to government agencies (Note 17(ii))	23,990	14,873
Government fund from MITI (Note 22a & 22b))	284,761	256,562
Government fund from MRRD	31,452	48,194
Forex exchange receivable from government agencies (Note 9 (i))	-	3,873
	3,426,146	4,467,572

The significant related parties credits/(charges) within the Group, which were determined based on terms agreed between the parties are as follows:

	Bank	
	2017 RM'000	2016 RM'000
Profit income on amount owing by subsidiary companies (Note 39 (n))	17,752	17,850
Recovery expenses charged by a subsidiary company (Note 28)	(2,241)	(13,211)
Profit expense on Commodity murabahah to subsidiary companies (Note 39 (o))	(4,119)	(2,272)
	11,392	2,367

(d) Connected parties

	Group and Bank			
	Total outstanding RM'000	Total number of connected party account/ counterparty 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)	447,401	4	453,408	-
Off-balance sheet exposure	9,247	1	9,247	-
Equities and private debt securities held	303,191	8	303,191	-
	759,839	13	765,846	-
Total exposure to connected parties as % of total capital	-	-	36.0%	-
Total exposure to connected parties as % of total outstanding exposure	-	-	8.6%	-

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

36. 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 2017				
Financial assets:				
Held-to-maturity, at amortised cost (Note 7)	568,585	560,927	568,585	560,927
Loans, advances and financing (Note 8)	6,583,790	5,592,112	6,159,840	5,198,952
Financial liabilities:				
Derivatives	696	696	696	696
Medium-term notes (Note 19)	1,821,452	1,749,553	1,821,452	1,749,553
Borrowings (Note 20)	2,036,006	1,995,962	2,036,006	1,995,962

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

31 December 2016

	Group		Bank	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets:				
Held-to-maturity, at amortised cost (Note 7)	616,832	616,825	616,832	616,825
Loans, advances and financing (Note 8)	6,199,407	5,709,001	5,750,903	5,139,191
Financial liabilities:				
Derivatives	1,117	1,117	1,117	1,117
Medium-term notes (Note 19)	1,519,795	1,427,835	1,519,795	1,427,835
Borrowings (Note 20)	2,683,818	2,187,444	2,683,818	2,187,444

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) Available-for-sale money market instruments and private debt securities, held-to-maturity money market instruments

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

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 with similar maturities, where applicable.

(e) Derivatives

The fair values of Islamic profit rate swaps are estimated based on expected future cash flows of the swap arrangement and discounted at prevailing rate at the end of the reporting period.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

(f) Available-for-sale unquoted shares

Available-for-sale unquoted shares are stated at their carrying amounts as their fair value cannot be reliably measured as they do not have a quoted price in an active market, the range of reasonable fair value estimates is significant and the probabilities of various estimates cannot be reliably measured.

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 and unquoted shares.

	Group			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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)				
- 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				
Derivatives	-	-	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	-	-	5,592,112	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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

	Group			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2016				
<u>Financial assets and financial liabilities</u>				
<u>measured at fair value:</u>				
Financial assets:				
Available-for-sale financial assets (Note 6)				
- Private debt securities	-	1,098,696	-	1,098,696
- Malaysian Government Investment Issues	-	547,854	-	547,854
- Malaysian Government Securities	-	169,908	-	169,908
- Commercial papers	-	95,341	-	95,341
Financial liabilities:				
Derivatives	-	-	1,117	1,117
<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	-	-	5,709,001	5,709,001
Held-to-maturity financial assets	-	616,825	-	616,825
Financial liabilities:				
Medium-term notes	-	-	1,427,835	1,427,835
Borrowings	-	-	2,187,444	2,187,444

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

	Bank			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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)				
- 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:				
Derivatives	-	-	1,117	1,117
<u>Financial assets and financial liabilities</u>				
<u>not measured at fair value for</u>				
<u>which fair values are disclosed</u>				
Financial assets:				
Held-to-maturity financial assets	-	560,927	-	560,927
Loans, advances and financing	-	-	5,198,952	5,198,952
Financial liabilities:				
Medium-term notes	-	-	1,749,553	1,749,553
Borrowings	-	-	1,995,962	1,995,962

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

	Bank			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2016				
<u>Financial assets and financial liabilities</u>				
<u>measured at fair value:</u>				
Financial assets:				
Available-for-sale				
- Private debt securities	-	1,098,696	-	1,098,696
- Malaysian Government Investment Issues	-	547,854	-	547,854
- Malaysian Government Securities	-	169,908	-	169,908
- Commercial papers	-	95,341	-	95,341
<u>Financial assets and financial liabilities</u>				
<u>not measured at fair value for</u>				
<u>which fair values are disclosed</u>				
Financial assets:				
Held-to-maturity financial assets	-	616,825	-	616,825
Loans, advances and financing	-	-	5,139,191	5,139,191
Financial liabilities:				
Medium-term notes	-	-	1,427,835	1,427,835
Borrowings	-	-	2,187,444	2,187,444

There were no transfers between Level 1, Level 2 and Level 3 during the current and previous financial years.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. 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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(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.

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 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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

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.

(i) Credit exposure

The credit risk exposure of the Group and the Bank at the end of the reporting period are as follows:

	Group	
	2017 RM'000	2016 RM'000 Restated
On balance sheet:		
Cash and short term funds	423,032	841,897
Deposits and placements with bank and other financial institutions	182,013	228,005
Available-for-sale financial assets	2,108,422	1,914,922
Held-to-maturity financial assets	568,585	616,832
Loans, advances and financing	6,583,790	6,199,407
Other receivables (Note 9)	21,624	31,826
	9,887,466	9,832,889
Off balance sheet:		
Commitments and contingency (Note 33)	1,393,634	1,446,898
	11,281,100	11,279,787
	Bank	
	2017 RM'000	2016 RM'000
On balance sheet:		
Cash and short term funds	418,981	827,988
Deposits and placements with banks and other financial institutions	182,013	228,005
Available-for-sale financial assets	2,108,422	1,914,922
Held-to-maturity financial assets	568,585	616,832
Loans, advances and financing	6,159,840	5,750,903
Other receivables (Note 9)	523,240	580,125
	9,437,841	9,338,650
Off balance sheet:		
Commitments and contingency (Note 33)	1,393,634	1,446,898
	10,831,475	10,785,548

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. 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 are rated based on internal rating by the Bank:

Group	Neither	Past due	Total
	past due	but not	
31 December 2017	nor impaired	impaired	
	RM'000	RM'000	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
	5,432,074	249,001	5,681,075

Group	Neither	Past due	Total
	past due	but not	
31 December 2016	nor impaired	impaired	
	RM'000	RM'000	RM'000
	Restated	Restated	Restated
Risk rating category			
Highest safety*	1,289,065	62,074	1,351,139
Moderate safety**	3,647,277	154,362	3,801,639
High risk***	91,896	3,566	95,462
Non-rated	14,730	22,893	37,623
	5,042,968	242,895	5,285,863

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. 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 are rated based on internal rating by the Bank:

	Neither past due nor impaired	Past due but not impaired	Total
	RM'000	RM'000	RM'000
Bank			
31 December 2017			
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
	5,432,074	249,001	5,681,075
	Neither past due nor impaired	Past due but not impaired	Total
	RM'000	RM'000	RM'000
Bank			
31 December 2016			
	Restated	Restated	Restated
Risk rating category			
Highest safety*	1,289,065	62,074	1,351,139
Moderate safety**	3,647,277	154,362	3,801,639
High risk***	91,896	3,566	95,462
Non-rated	14,730	22,893	37,623
	5,042,968	242,895	5,285,863

* 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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. 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	Available-for-sale financial assets	Held-to-maturity financial assets	Loans, advances and financing	Other assets	Total	Commitments
31 December 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	1,259,327	456,880	860,355	-	3,181,607	-
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	1,393,634
Gross total	605,045	2,108,422	568,585	7,052,022	21,624	10,355,698	1,393,634
Less: Allowances for impairment	-	-	-	(468,232)	-	(468,232)	-
	605,045	2,108,422	568,585	6,583,790	21,624	9,887,466	1,393,634

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(iii) The following table sets out the credit risk concentration by industry sector (gross balances): (cont'd.)

Group 31 December 2016 Restated	Short-term funds and placements with financial institutions RM'000	Available- for-sale financial assets RM'000	Held-to- maturity financial assets RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commit- ments RM'000
Government	-	717,762	124,350	-	3,873	845,985	-
Construction	-	-	-	916,709	-	916,709	-
Education, health and others	-	-	-	1,066,869	-	1,066,869	-
Electricity, gas and water supply	-	-	-	21,326	-	21,326	-
Financial, insurance, real estate and business services	1,069,902	1,197,160	492,482	701,976	-	3,461,520	-
Manufacturing	-	-	-	1,139,321	-	1,139,321	-
Mining and quarrying	-	-	-	30,498	-	30,498	-
Primary agriculture	-	-	-	3,816	-	3,816	-
Transportation, storage and communication	-	-	-	929,630	-	929,630	-
Wholesale, retail trade, restaurants and hotels	-	-	-	1,772,465	-	1,772,465	-
Others	-	-	-	21,757	27,953	49,710	1,446,898
Gross total	1,069,902	1,914,922	616,832	6,604,367	31,826	10,237,849	1,446,898
Less: Allowances for impairment	-	-	-	(404,960)	-	(404,960)	-
	1,069,902	1,914,922	616,832	6,199,407	31,826	9,832,889	1,446,898

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. 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 31 December 2017	Short-term funds and placements with financial institutions	Available- for-sale financial assets	Held-to- maturity financial assets	Loans, advances and financing	Other assets	Total	Commit- ments
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	1,259,327	456,880	856,274	507,040	3,680,515	-
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	1,393,634
Gross total	600,994	2,108,422	568,585	6,509,814	523,240	10,311,055	1,393,634
Less: Allowances for impairment	-	-	-	(349,974)	-	(349,974)	-
	600,994	2,108,422	568,585	6,159,840	523,240	9,961,081	1,393,634

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. 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 31 December 2016 Restated	Short-term funds and placements with financial institutions RM'000	Available- for-sale financial assets RM'000	Held-to- maturity financial assets RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments RM'000
Government	-	717,762	124,350	-	3,873	845,985	-
Construction	-	-	-	913,977	-	913,977	-
Education, health and others	-	-	-	1,033,730	-	1,033,730	-
Electricity, gas and water supply	-	-	-	20,250	-	20,250	-
Financial, insurance, real estate and business services	1,055,993	1,197,160	492,482	688,815	560,050	3,994,500	-
Manufacturing	-	-	-	990,388	-	990,388	-
Mining and quarrying	-	-	-	30,498	-	30,498	-
Primary agriculture	-	-	-	3,503	-	3,503	-
Transportation, storage and communication	-	-	-	847,950	-	847,950	-
Wholesale, retail trade, restaurants and hotels	-	-	-	1,496,438	-	1,496,438	-
Others	-	-	-	21,757	16,202	37,959	1,446,898
Gross total	1,055,993	1,914,922	616,832	6,047,306	580,125	10,215,178	1,446,898
Less: Allowances for impairment	-	-	-	(296,403)	-	(296,403)	-
	1,055,993	1,914,922	616,832	5,750,903	580,125	9,918,775	1,446,898

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(iv) Analysis of gross loans, advances and financing that are past due but not impaired and past due and impaired of the Group and of the Bank is as follows:

Group	Past due but not impaired			Past due and impaired	Total
	Current	1 month	2 months		
31 December 2017	RM'000	RM'000	RM'000	RM'000	RM'000
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
	5,432,074	95,574	153,427	1,370,947	7,052,022
31 December 2016					
Restated					
Term loans					
- Hire purchase	163,411	2,256	3,385	72,289	241,341
- Leasing	247,616	3,831	2,655	53,771	307,873
- Other term loans	3,971,336	74,752	127,506	1,123,696	5,297,290
Revolving credits	660,605	1,257	5,496	68,748	736,106
Staff loan/financing	-	-	21,757	-	21,757
	5,042,968	82,096	160,799	1,318,504	6,604,367

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(iv) Analysis of gross loans, advances and financing that are past due but not impaired and past due and impaired of the Group and the Bank is as follows: (cont'd.)

Bank	Past due but not impaired			Past due and	Total
	Current	1 month	2 months	impaired	
31 December 2017	RM'000	RM'000	RM'000	RM'000	RM'000
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
	5,432,074	95,574	153,427	828,739	6,509,814
31 December 2016					
Restated					
Term loans					
- Hire purchase	163,411	2,256	3,385	30,246	199,298
- Leasing	247,616	3,831	2,655	26,296	280,398
- Other term loans	3,971,336	74,752	127,506	654,009	4,827,603
Revolving credits	660,605	1,257	5,496	50,892	718,250
Staff loan/financing	-	-	21,757	-	21,757
	5,042,968	82,096	160,799	761,443	6,047,306

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. 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, inventory, trade receivables, 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 held by the Group and the Bank for respective industry sector are as follows:

	Gross loans RM'000	Estimated fair value of collateral (%)
31 December 2017		
Group		
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	

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(vi) Collateral and credit enhancement for loans, advances and financing (cont'd.)

31 December 2016	Gross	Estimated
	loans	fair value
Group	RM'000	of collateral (%)
Construction	916,709	49.8
Education, health and others	1,066,869	61.2
Electricity, gas and water supply	21,326	71.7
Financial, insurance, real estate and business services	701,976	60.5
Manufacturing	1,139,321	57.2
Mining and quarrying	30,498	63.8
Primary agriculture	3,816	40.9
Transportation, storage and communication	929,630	75.1
Wholesale, retail trade, restaurants and hotels	1,772,465	72.8
Others	21,757	-
	6,604,367	

31 December 2017	Gross	Estimated
	loans	fair value
Bank	RM'000	of collateral (%)
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	

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(vi) Collateral and credit enhancement for loans, advances and financing (cont'd.)

31 December 2016	Gross loans	Estimated fair value of collateral
Bank	RM'000	(%)
Construction	913,977	49.7
Education, health and others	1,033,730	61.5
Electricity, gas and water supply	20,250	71.7
Financial, insurance, real estate and business services	688,815	60.6
Manufacturing	990,388	59.7
Mining and quarrying	30,498	63.8
Primary agriculture	3,503	40.9
Transportation, storage and communication	847,950	75.0
Wholesale, retail trade, restaurants and hotels	1,496,438	76.5
Others	21,757	-
	<u>6,047,306</u>	

(vii) Restructured loans/financing

Restructured loans/financing refer to the financial assets that would otherwise be past due or impaired where there is fundamental revision in the principal terms and conditions of the facility. Restructuring is considered when the customer's business is still viable and is expected to remain viable after the restructuring. The gross of restructured loans/financing held by the Group and the Bank at the end of the reporting period stood at RM675 million (2016: RM562 million).

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(viii) Credit quality for treasury credit risk exposures

The table below shows treasury credit risk exposures by the current counterparty's rating:

Group and Bank

Financial investments:

	Rating agency	Credit rating	Nominal value 2017 RM'000	Nominal value 2016 RM'000
Corporate bonds	RAM	AAA	245,000	240,000
Corporate bonds	MARC	AAA	110,000	105,000
Corporate bonds	RAM	AA1	140,000	130,000
Corporate bonds	RAM	AA2	175,000	115,000
Corporate bonds	RAM	AA3	185,000	155,000
Corporate bonds	MARC	AA+	-	10,000
Corporate bonds	MARC	AA-	10,000	10,000
Malaysian Government bonds	N/A	Exempted	965,000	1,015,000
Government Guarantee bonds	N/A	Exempted	435,000	435,000
Non-rated			230,000	230,000
Total			2,495,000	2,445,000

Deposits and placements with banks and other financial institutions:

Rating for counterparty	Total principal outstanding 2017 RM'000	Total principal outstanding 2016 RM'000
AAA	187,780	130,000
AA	325,000	495,950
A	-	350,000
Non-rated	50,000	45,000
Total	562,780	1,020,950

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(ix) Impairment assessment

For accounting purposes, the Group and the Bank use an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed.

The main considerations for the loan impairment assessment include:

- (a) whether any payment of principal or interest/profit is overdue by more than 90 days; or
- (b) whether there are any known difficulties in the cash flows of counterparties; or
- (c) when there has been request for a rescheduling or restructuring of loan/ financing by the counterparty; or
- (d) when there has been an infringement of the original terms of the contract.

The Group and the Bank address impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Group and the Bank determine the allowances appropriate for each individually significant loan, advances and financing to a counterparty on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans, advances and financing and for held-to-maturity debt investments that are not individually significant and for individually significant loans and advances that have been assessed individual and found not to be impaired. Allowances are evaluated separately.

In particular, for loans, advances and financing classified as impaired but which are not individually assessed for impairment, the Group and the Bank undertake an assessment on the adequacy of provisions for such loans, advances and financing. The Group and the Bank provide additional collective impairment provisions for these loans, advances and financing.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. 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 Group and the Bank enter 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 Group and 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 Group and 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	
	2017	2016
	RM'000	RM'000
Financial guarantees, Corporate Guarantee		
Schemes, Letters of Credit and others	183,276	150,933
Performance guarantees	171,364	229,877
Undisbursed commitments	675,840	798,562
Profit rate related contract	350,000	250,000
	1,380,480	1,429,372

(b) Market risk

Asset and Liability Management Framework has been established in line with the best practices.

(i) Foreign exchange risk

The Group and the Bank are not subject to foreign exchange gain or loss on any fluctuation of Japanese Yen ("JPY") exchange rate due to the foreign exchange gain or loss on settlement of the JPY term loans as this is compensated by the Government of Malaysia.

The financial liabilities of the Group and the Bank that are not denominated in its functional currency and guaranteed by the Government of Malaysia relates to the term loans from the Japan International Cooperation Agency as disclosed in Note 20.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(i) Foreign exchange risk (cont'd.)

Functional currency of the Bank	Financial liabilities held in non-functional currencies	
	2017	2016
	RM'000	RM'000
Term loans - Japanese Yen ("JPY")	-	3,873

(ii) 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 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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Impact on variable rate loans, advances and financing				
+ 50 basis points	21,072	16,965	20,648	16,639
- 50 basis points	(21,072)	(16,965)	(20,648)	(16,639)

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest/ profit rate risk (cont'd.)

Group	<=====Non-trading book=====>						Non- interest sensitive	Total	Weighted average effective interest/ profit rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	RM'000			
31 December 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Financial Assets									
Cash and short term funds	423,032	-	-	-	-	-	423,032	3.36	
Deposits and placements with bank and other financial institutions	-	-	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 9)	-	-	-	-	-	21,624	21,624	-	
Total financial assets	510,044	243,105	711,411	3,104,981	4,390,463	927,462	9,887,466		

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest/ profit rate risk (cont'd.)

Group	<=====Non-trading book=====>						Non- interest sensitive	Total	Weighted average effective interest/ profit rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	RM'000			
31 December 2017 (cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
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	-	1,976,671	-	2,036,006	2.89	
Other liabilities (Note 21)	-	-	-	-	-	1,039,021	1,039,021	-	
Total financial liabilities	1,144,326	1,431,048	868,210	1,800,000	1,976,671	1,039,021	8,259,276		
On-balance sheet interest sensitivity gap	(634,282)	(1,187,943)	(156,799)	1,304,981	2,413,792	(111,559)			
Off-balance sheet interest sensitivity gap	-	-	-	-	-	1,393,634			
Total interest sensitivity gap	(634,282)	(1,187,943)	(156,799)	1,304,981	2,413,792	1,282,075			

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest/ profit rate risk (cont'd.)

Group 31 December 2016	<=====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	41,757	800,140	-	-	-	-	841,897	3.79	
Deposits and placements with bank and other financial institutions	-	-	228,005	-	-	-	228,005	3.30	
Available-for-sale financial assets	-	-	141,080	534,967	1,235,752	3,123	1,914,922	4.44	
Held-to-maturity financial assets	-	-	50,690	320,695	245,447	-	616,832	4.40	
Loans, advances and financing	86,351	182,262	216,413	1,566,663	3,234,174	913,544	6,199,407	5.79	
Other assets (Note 9)	-	-	-	-	-	35,699	35,699	-	
Total financial assets	128,108	982,402	636,188	2,422,325	4,715,373	952,366	9,836,762		

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest/profit rate risk (cont'd.)

Group 31 December 2016 (cont'd.)	<=====Non-trading book=====>						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	Non- interest sensitive RM'000		
Financial liabilities								
Deposits from customers	1,823,035	1,091,686	633,536	-	-	-	3,548,257	3.91
Deposits from banks and other financial institutions	200,302	-	-	-	-	-	200,302	3.44
Derivative financial liabilities	1,117	-	-	-	-	-	1,117	3.39
Medium-term notes	-	-	19,795	1,250,000	250,000	-	1,519,795	3.76
Borrowings	4,504	198,683	88,864	-	2,391,767	-	2,683,818	2.65
Other liabilities (Note 21)	-	-	-	-	-	830,685	830,685	-
Total financial liabilities	2,028,958	1,290,369	742,195	1,250,000	2,641,767	830,685	8,783,974	
On-balance sheet interest sensitivity gap	(1,900,850)	(307,967)	(106,007)	1,172,325	2,073,606	121,681		
Off-balance sheet interest sensitivity gap	-	-	-	-	-	1,446,898		
Total interest sensitivity gap	(1,900,850)	(307,967)	(106,007)	1,172,325	2,073,606	1,568,579		

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) 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 and other financial institutions	-	-	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 9)	-	-	-	-	-	523,240	523,240	-	
	505,993	243,105	711,411	3,104,981	4,390,463	1,005,128	9,961,081		

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest/profit rate risk (cont'd.)

Bank 31 December 2017 (cont'd.)	<=====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 liabilities									
Deposits from customers	1,051,122	1,460,590	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	-	1,976,671	-	2,036,006	2.89	
Other liabilities (Note 21)	-	-	-	-	-	1,052,074	1,052,074	-	
Total financial liabilities	1,153,257	1,480,258	869,285	1,800,000	1,976,671	1,052,074	8,331,545		
On-balance sheet interest sensitivity gap	(647,264)	(1,237,153)	(157,874)	1,304,981	2,413,792	(46,946)			
Off-balance sheet interest sensitivity gap	-	-	-	-	-	1,393,634			
Total interest sensitivity gap	(647,264)	(1,237,153)	(157,874)	1,304,981	2,413,792	1,346,688			

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest/profit rate risk (cont'd.)

<=====Non-trading book=====>								Weighted average effective interest/ profit rate
Bank	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- interest sensitive	Total	%
31 December 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Financial assets								
Cash and short								
term funds	27,848	800,140	-	-	-	-	827,988	3.79
Deposits and								
placements with								
bank and other								
financial								
institutions	-	-	228,005	-	-	-	228,005	3.30
Available-for-sale								
financial assets	-	-	141,080	534,967	1,235,752	3,123	1,914,922	4.44
Held-to-maturity								
financial assets	-	-	50,690	320,695	245,447	-	616,832	4.40
Loans, advances								
and financing	86,351	182,262	216,413	1,566,662	3,234,175	465,040	5,750,903	5.79
Other assets								
(Note 9)	-	-	-	-	-	580,125	580,125	-
Total financial								
assets	114,199	982,402	636,188	2,422,324	4,715,374	1,048,288	9,918,775	

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest/profit rate risk (cont'd.)

Bank 31 December 2016 (cont'd.)	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 liabilities									
Deposits from customers	1,823,035	1,091,686	710,139	-	-	-	3,624,860	3.91	
Deposits from banks and other financial institutions	200,302	-	-	-	-	-	200,302	3.44	
Derivative financial liabilities	1,117	-	-	-	-	-	1,117	3.39	
Medium-term notes	-	-	19,795	1,250,000	250,000	-	1,519,795	3.76	
Borrowings	4,504	198,683	88,864	-	2,391,767	-	2,683,818	2.65	
Other liabilities (Note 21)	-	-	-	-	-	850,544	850,544	-	
Total financial liabilities	2,028,958	1,290,369	818,798	1,250,000	2,641,767	850,544	8,880,436		
On-balance sheet interest sensitivity gap	(1,914,759)	(307,967)	(182,610)	1,172,324	2,073,607	197,744			
Off-balance sheet interest sensitivity gap	-	-	-	-	-	1,446,898			
Total interest sensitivity gap	(1,914,759)	(307,967)	(182,610)	1,172,324	2,073,607	1,644,642			

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. 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 the illiquidity 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 2017	<=====Non-trading book=====>						Non- specific maturity RM'000	Total RM'000	Carrying amount RM'000
	Up to 1 months 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 and other financial institutions	-	-	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 9)	-	-	-	-	-	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	

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(c) Liquidity risk (cont'd.)

Group	<=====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				
31 December 2017 (cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
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 21)	-	-	-	-	-	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)			

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(c) Liquidity risk (cont'd.)

Group 31 December 2016	<=====Non-trading book=====>						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	Non- specific maturity RM'000		
Financial assets								
Cash and short term funds	41,757	801,092	-	-	-	-	842,849	841,897
Deposits and placements with banks and other financial institutions	-	-	228,985	-	-	-	228,985	228,005
Available-for-sale financial assets	-	-	141,080	631,287	1,758,265	3,123	2,533,755	1,914,922
Held-to-maturity financial assets	-	-	50,690	391,902	407,008	-	849,600	616,832
Loans, advances and financing	86,129	113,977	404,796	2,131,175	5,216,694	786,854	8,739,625	6,199,407
Other assets (Note 9)	-	-	-	-	-	35,699	35,699	35,699
Total financial assets	127,886	915,069	825,551	3,154,364	7,381,967	825,676	13,230,513	9,836,762
Financial liabilities								
Deposits from customers	1,986,761	1,124,264	439,164	-	-	-	3,550,189	3,548,257
Deposits from banks and other financial institutions	200,619	-	-	-	-	-	200,619	200,302
Derivative financial liabilities	1,117	-	-	-	-	-	1,117	1,117
Medium-term notes	-	-	125,438	1,250,000	250,000	-	1,625,438	1,519,795
Borrowings	4,504	214,511	135,198	82,717	2,815,098	-	3,252,028	2,683,818
Other liabilities (Note 21)	-	-	-	-	-	830,685	830,685	830,685
Total financial liabilities	2,193,001	1,338,775	699,800	1,332,717	3,065,098	830,685	9,460,076	8,783,974
Net maturity mismatches	(2,065,115)	(423,706)	125,751	1,821,647	4,316,869	(5,009)		

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(c) Liquidity risk (cont'd.)

The following table shows the maturity analysis of the Bank's financial assets and financial liabilities based on its contractual maturity:

Bank 31 December 2017	<=====Non-trading book=====>						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	Non- specific maturity RM'000		
Financial assets								
Cash and short term funds	419,220	-	-	-	-	-	419,220	418,981
Deposits and placements with banks and other financial institutions	-	-	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	-	-	-	-	-	523,240	523,240	523,240
Total financial assets	508,200	250,655	733,818	3,610,643	7,286,652	1,005,128	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	-	-	-	-	-	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)	(379,666)	1,810,643	4,941,995	(46,946)		

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems (cont'd.)

(c) Liquidity risk (cont'd.)

Bank 31 December 2016	<=====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	27,848	801,092	-	-	-	-	828,940	827,988	
Deposits and placements with banks and other financial institutions	-	-	228,985	-	-	-	228,985	228,005	
Available-for-sale financial assets	-	-	141,080	631,287	1,758,265	3,123	2,533,755	1,914,922	
Held-to-maturity financial assets	-	-	50,690	391,902	407,008	-	849,600	616,832	
Loans, advances and financing	86,129	113,977	404,796	2,131,175	5,209,183	345,861	8,291,121	5,750,903	
Other assets	-	-	-	-	-	580,125	580,125	580,125	
Total financial assets	113,977	915,069	825,551	3,154,364	7,374,456	929,109	13,312,526	9,918,775	
Financial liabilities									
Deposits from customers	1,986,761	622,275	1,017,756	-	-	-	3,626,792	3,624,860	
Deposits from banks and other financial institutions	200,619	-	-	-	-	-	200,619	200,302	
Derivative financial liabilities	1,117	-	-	-	-	-	1,117	1,117	
Medium-term notes	-	-	125,438	1,250,000	250,000	-	1,625,438	1,519,795	
Borrowings	4,504	214,511	135,198	82,717	2,815,098	-	3,252,028	2,683,818	
Other liabilities	-	-	-	-	-	850,544	850,544	850,544	
Total financial liabilities	2,193,001	836,786	1,278,392	1,332,717	3,065,098	850,544	9,556,538	8,880,436	
Net maturity mismatches	(2,079,024)	78,283	(452,841)	1,821,647	4,309,358	78,565			

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

37. Financial risk management objectives and policies (cont'd.)

(e) Risk measurement and reporting systems(cont'd.)

(c) Liquidity risk (cont'd.)

The Group and the Bank are subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Note 35. These have been incorporated in the net off-balance sheet position for year ended 31 December 2017. 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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

38. Dividends

	Group	Bank
	2017	2016
	RM'000	RM'000
Dividends on ordinary shares:		
Final tax exempt (single-tier) dividend for 2015: 0.5 sen per share	-	6,750
Dividends on ordinary shares:		
Final tax exempt (single-tier) dividend for 2016: 1.2 sen per share	16,200	-
	16,200	6,750

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2017 of 1.80 sen per share on 1,850,000,000 ordinary shares, amounting to a dividend payable of RM33,300,000 will be proposed for the shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for inequity as an appropriation of retained earnings in the financial year ending 31 December 2018.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 December 2017 and results for the financial year then ended under the Islamic Banking business of the Bank and included in the Group's and the Bank's financial statements are summarised as follows:

Statements of financial position

As at 31 December 2017

		Group		
		As at 31	As at 31	As at 1
		December	December	January
		2017	2016	2016
Note		RM'000	RM'000	RM'000
			Restated	Restated
Assets				
	Cash and short-term funds	(a) 421,706	835,509	1,083,675
	Deposits and placements with financial institutions	(b) 182,013	228,005	180,952
	Available-for-sale financial assets	(c) 1,913,133	1,726,886	1,710,508
	Held-to-maturity financial assets	(d) 568,585	566,142	588,970
	Advances and financing	(e) 5,854,132	5,349,567	4,652,354
	Other assets	(f) 5,612	4,347	7,195
	Derivative financial assets	-	-	1,442
	Property, plant and equipment	75,965	80,066	83,121
	Investment properties	14 372,910	358,170	324,614
	Deferred tax assets	(l) 118,066	137,012	139,804
	Total assets	9,512,122	9,285,704	8,772,635
Liabilities				
	Deposits from customers	(g) 3,261,929	3,548,256	3,049,913
	Deposits from banks and other financial institutions	(h) 100,172	200,302	100,243
	Derivative financial liabilities	10 696	1,117	-
	Medium-term notes	19 1,821,452	1,519,795	1,519,789
	Term financing	(i) 326,489	937,608	1,003,164
	Other liabilities	(j) 1,018,536	780,987	655,793
	Amount due to conventional operations	1,331,084	1,198,780	1,441,628
	Government funds	(k) 152,164	168,631	144,900
	Total liabilities	8,012,522	8,355,476	7,915,430
	Islamic general fund	1,499,600	930,228	857,205
	Total liabilities and Islamic banking funds	9,512,122	9,285,704	8,772,635
	Commitments	(t) 1,379,323	1,427,672	1,436,756

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Statements of financial position

As at 31 December 2017 (cont'd.)

	Note	Bank		
		As at 31	As at 31	As at 1
		December	December	January
		2017	2016	2016
		Restated	Restated	
		RM'000	RM'000	RM'000
Assets				
Cash and short-term funds	(a)	417,655	821,286	1,083,675
Deposits and placements with financial institutions	(b)	182,013	228,005	180,952
Available-for-sale financial assets	(c)	1,913,133	1,726,886	1,710,508
Held-to-maturity financial assets	(d)	568,585	566,142	588,970
Advances and financing	(e)	5,785,507	5,272,128	4,558,872
Other assets	(f)	510,945	564,102	544,888
Derivative financial assets		-	-	1,442
Investment in subsidiaries		3,582	3,582	3,582
Property, plant and equipment		75,921	78,739	83,121
Investment properties	14	372,910	358,170	324,614
Deferred tax assets	(l)	118,066	137,012	139,804
Total assets		9,948,317	9,756,052	9,220,428
Liabilities				
Deposits from customers	(g)	3,321,145	3,624,860	3,049,913
Deposits from banks and other financial institutions	(h)	100,172	200,302	100,243
Derivative financial liabilities	10	696	1,117	-
Medium-term notes	19	1,821,452	1,519,795	1,519,789
Term financing	(i)	326,489	937,608	1,003,164
Other liabilities	(j)	1,009,833	795,350	686,433
Amount due to conventional operations		1,674,712	1,554,363	1,843,861
Government funds	(k)	152,164	168,631	144,900
Total liabilities		8,406,663	8,802,026	8,348,303
Islamic general fund		1,541,654	954,026	872,125
Total liabilities and Islamic banking funds		9,948,317	9,756,052	9,220,428
Commitments	(t)	1,379,323	1,427,672	1,436,756

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Statements of comprehensive income

For the financial year ended 31 December 2017

	Note	Group		Bank	
		2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
Income from Islamic banking business	(m)	622,358	514,870	635,798	529,110
Profit expense attributable to Islamic banking business	(o)	(232,372)	(190,939)	(236,491)	(193,211)
Gross income from Islamic banking business		389,986	323,931	399,307	335,899
Other operating expenses	(p)	(189,158)	(170,932)	(186,404)	(182,905)
Operating profit		200,828	152,999	212,903	152,994
Allowance for impairment on advances and financing	(q)	(121,206)	(90,235)	(115,704)	(81,352)
Profit before taxation and zakat		79,622	62,764	97,199	71,642
Tax (expense)/credit	(r)	(16,658)	2,106	(15,979)	2,106
Zakat	(s)	(4,694)	(5,793)	(4,694)	(5,793)
Profit for the year		58,270	59,077	76,526	67,955
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Unrealised gain on revaluation of available-for-sale financial assets		14,114	18,844	14,114	18,844
Income tax relating to components of other comprehensive income		(3,012)	(4,898)	(3,012)	(4,898)
Other comprehensive income for the year, net of tax		11,102	13,946	11,102	13,946
Total comprehensive income for the year		69,372	73,023	87,628	81,901

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Statements of changes in Islamic General Funds

For the financial year ended 31 December 2017

Group	Capital RM'000	Non- distributable available- for-sale reserve RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2017, as previously stated	550,564	(28,790)	429,247	951,021
Prior year adjustments (Note 41)	-	-	(20,793)	(20,793)
At 1 January 2017	550,564	(28,790)	408,454	930,228
Conversion of term financing (Note 39 (i))	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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Statements of changes in Islamic General Funds

For the financial year ended 31 December 2017 (cont'd.)

Group	Capital	Non- distributable available- for-sale reserve	Distributable retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	550,564	(42,736)	364,356	872,184
Prior year adjustments (Note 41)	-	-	(14,979)	(14,979)
At 1 January 2016, as restated	550,564	(42,736)	349,377	857,205
Profit for the year				
As previously stated	-	-	64,891	64,891
Prior year adjustments (Note 41)	-	-	(5,814)	(5,814)
As restated	-	-	59,077	59,077
Unrealised gain on revaluation of available- for-sale financial investments	-	18,844	-	18,844
Income tax relating to components of other comprehensive income	-	(4,898)	-	(4,898)
	-	13,946	-	13,946
Total comprehensive income for the year	-	13,946	59,077	73,023
At 31 December 2016	550,564	(28,790)	408,454	930,228

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Statements of changes in Islamic General Funds

For the financial year ended 31 December 2017 (cont'd.)

	Capital RM'000	Non- distributable available- for-sale reserve RM'000	Distributable retained earnings RM'000	Total RM'000
Bank				
At 1 January 2017, as previously stated	550,564	(28,790)	453,045	974,819
Prior year adjustments (Note 41)	-	-	(20,793)	(20,793)
At 1 January 2017	550,564	(28,790)	432,252	954,026
Conversion of term financing (Note 39 (i))	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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Statements of changes in Islamic General Funds

For the financial year ended 31 December 2017 (cont'd.)

	Capital RM'000	Non- distributable available- for-sale reserve RM'000	Distributable retained earnings RM'000	Total RM'000
Bank				
At 1 January 2016	550,564	(42,736)	379,276	887,104
Prior year adjustments (Note 41)	-	-	(14,979)	(14,979)
At 1 January 2016, as restated	550,564	(42,736)	364,297	872,125
Unrealised gain on revaluation of available- for-sale financial investments	-	18,844	-	18,844
Income tax relating to components of other comprehensive income	-	(4,898)	-	(4,898)
	-	13,946	-	13,946
Profit for the year				
As previously stated	-	-	73,769	73,769
Prior year adjustments (Note 41)	-	-	(5,814)	(5,814)
As restated	-	-	67,955	67,955
Total comprehensive income for the year	-	13,946	67,955	81,901
At 31 December 2016	550,564	(28,790)	432,252	954,026

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Statements of cash flows

For the financial year ended 31 December 2017

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Cash flows from/(used in) operating activities				
Profit before taxation and zakat	79,622	62,764	97,199	71,642
Adjustments for:				
Allowance for impairment loss of advances and financing	123,430	101,278	117,928	92,393
Advances and financing waived	729	-	729	-
Advances and financing written-off	10,896	-	10,896	-
Depreciation of property, plant and equipment	12,523	3,829	11,240	5,156
Income from available-for-sale financial assets	(72,273)	(75,095)	(72,273)	(75,096)
Income from held-to-maturity financial assets	(26,146)	(26,233)	(26,146)	(26,233)
Profit expense on medium-term notes	65,316	56,820	65,316	56,820
Profit expense on term financing	3,758	3,460	3,758	3,460
Fair value adjustment on investment properties	(14,740)	(33,367)	(14,740)	(33,367)
Profit expense waived	(33,777)	-	(33,777)	-
Unrealised gains/(losses) from derivatives	(421)	995	(421)	995
Government funds released/(writeback), net	(8,249)	4,961	(8,249)	4,961
Operating profit before working capital changes	140,668	99,412	151,460	100,731
Changes in working capital:				
Other assets	(1,265)	103,830	53,157	85,350
Advances and financing	(639,620)	(789,793)	(642,932)	(796,952)
Deposits and placements with banks and other financial institutions	45,992	(47,053)	45,992	(47,053)
Deposits from customers	(286,327)	498,343	(303,715)	574,947
Deposits from banks and other financial institutions	(100,130)	100,059	(100,130)	100,059
Other liabilities	188,975	125,848	165,909	105,991
Amount due to conventional operations	132,304	(242,848)	120,349	(289,498)
Cash used in operating activities	(519,403)	(152,202)	(509,910)	(166,425)

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)**Statements of cash flows (cont'd.)**

For the financial year ended 31 December 2017

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Profit received	102,812	101,060	102,812	101,060
Profit paid	(67,279)	(68,596)	(67,279)	(68,596)
Tax paid	(724)	-	(45)	-
Zakat paid	(4,338)	(4,203)	(4,338)	(4,203)
Net cash used in operating activities	(488,932)	(123,941)	(478,760)	(138,164)
Cash flows from/(used in) investing activities				
Purchase of private debt securities	(165,969)	(240,314)	(165,969)	(240,314)
Purchase of Islamic commercial papers	(594,000)	(103,000)	(594,000)	(103,000)
Proceeds from redemption of Islamic commercial papers	475,868	33,935	475,868	33,935
Proceeds from sale of private debt securities	40,132	-	40,132	-
Proceed from redemption of private debt securities	65,000	231,673	65,000	231,673
Purchase of property, plant and equipment	(8,422)	(774)	(8,422)	(774)
Purchase of investment properties	-	(189)	-	(189)
Net cash used in investing activities	(187,391)	(78,669)	(187,391)	(78,669)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Statements of cash flows

For the financial year ended 31 December 2017 (cont'd.)

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Cash flows from/(used in) financing activities				
Drawdown from term financing	34,433	33,134	34,433	33,134
Repayment from term financing	(111,913)	(98,690)	(111,913)	(98,690)
Drawdown from medium-term notes	900,000	-	900,000	-
Repayments from medium-term notes	(600,000)	-	(600,000)	-
Proceeds from government funds	40,000	20,000	40,000	20,000
Net cash from/(used in) financing activities	262,520	(45,556)	262,520	(45,556)
Net decrease in cash and cash equivalents	(413,803)	(248,166)	(403,631)	(262,389)
Cash and cash equivalents at beginning of year	835,509	1,083,675	821,286	1,083,675
Cash and cash equivalents at end of year	421,706	835,509	417,655	821,286

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent the following items in the statements of financial position:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	421,706	835,509	417,655	821,286

Notes to the financial statements

For the financial year ended 31 December 2017

(a) Cash and short-term funds

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	38,283	35,056	34,232	21,147
Money at call and deposit placements maturing within three months	383,423	800,453	383,423	800,139
	421,706	835,509	417,655	821,286

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(b) Deposits and placements with banks and other financial institutions

	Group and Bank	
	2017	2016
	RM'000	RM'000
Licensed banks and other financial institutions	182,013	228,005

The maturity structure of deposits and placements are as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Three months to six months	-	66,623
More than six months	182,013	161,382
	182,013	228,005

(c) Available-for-sale financial assets

	Group and Bank	
	2017	2016
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	672,074	547,854
Islamic commercial papers	171,723	95,341
	843,797	643,195
Private debt securities	1,069,336	1,083,691
Total available-for-sale financial investments	1,913,133	1,726,886

The maturity structure of available-for-sale financial assets are as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Within one year	257,150	141,080
More than one year to three years	422,801	139,060
More than three years to five years	543,734	380,902
More than five years	689,448	1,065,844
	1,913,133	1,726,886

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(d) Held-to-maturity financial assets

	Group and Bank	
	2017	2016
	RM'000	RM'000
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	111,705	73,659
	111,705	73,659
<u>Unquoted securities</u>		
Private debt securities	456,880	492,483
	568,585	566,142

The maturity structure of held-to-maturity financial assets are as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Within one year	25,110	-
More than one year to three years	217,646	94,026
More than three years to five years	260,161	226,669
More than five years	65,668	245,447
	568,585	566,142

The indicative market values of held-to-maturity financial assets are as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Malaysian Government Investment Issues	110,560	60,606
Private debt securities	450,367	504,962
	560,927	565,568

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Bai' Bithaman Ajjil	1,839,631	2,461,224	1,771,725	2,395,677
Bai' Murabahah	953,699	1,188,195	947,512	1,178,817
Bai' Istisna	692,226	898,055	684,699	889,130
Ijarah	488,660	580,189	476,851	551,103
Ijarah Thumma Al-Bai	424,991	268,281	367,861	230,095
Bai' Dayn	63,930	164,885	63,930	164,491
Tawwaruq	1,402,269	119,279	1,402,269	119,279
Bai' Inah	33,655	21,322	33,488	11,935
Wakalah	364,254	-	363,276	-
Murabahah Dayn	-	2,896	-	8,783
Gross advances and financing	6,263,315	5,704,326	6,111,611	5,549,310
Less: Allowance for impairment on advances and financing				
- Individual assessment allowance (Note 39(e)(ix))	(271,193)	(233,283)	(214,997)	(178,752)
- Collective assessment allowance (Note 39(e)(ix))	(137,990)	(121,476)	(111,107)	(98,430)
Net advances and financing	5,854,132	5,349,567	5,785,507	5,272,128
Gross impaired advances and financing (Note 39(e)(vi))	877,541	757,978	725,837	602,962
Net impaired advances and financing	606,348	524,695	510,840	424,210

Included in advances and financing are gross advances and financing amounting to RM43,757,000 (2016: RM88,106,000) 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).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(i) The maturity profile of the gross advances and financing are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	775,519	659,559	664,940	564,580
More than one year to three years	691,632	645,819	678,259	615,614
More than three years to five years	1,229,309	1,158,768	1,212,012	1,143,333
More than five years	3,566,855	3,240,180	3,556,400	3,225,783
	6,263,315	5,704,326	6,111,611	5,549,310

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprise	6,247,745	5,685,736	6,096,041	5,530,720
Individual	15,570	18,590	15,570	18,590
	6,263,315	5,704,326	6,111,611	5,549,310

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Construction	950,129	875,944	948,164	874,401
Education, health and others	1,097,575	1,006,690	1,061,327	986,028
Electricity, gas and water supply	36,396	20,694	36,396	20,250
Financial, insurance, real estate and business services	857,930	690,238	854,469	686,809
Manufacturing	1,172,496	1,062,166	1,110,201	975,081
Mining and quarrying	27,860	30,498	27,860	30,498
Primary agriculture	4,030	3,816	4,030	3,503
Transportation, storage and communication	722,535	833,977	689,936	800,094
Wholesale, retail trade, restaurants and hotels	1,378,794	1,161,713	1,363,658	1,154,056
Others	15,570	18,590	15,570	18,590
	6,263,315	5,704,326	6,111,611	5,549,310

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(iv) Gross advances and financing analysed by location and sector are as follows:

Group 2017	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	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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(iv) Gross advances and financing analysed by location and sector are as follows: (cont'd.)

Group	Central	Northern	Southern	East	Sabah	Sarawak	Total
	Region	Region	Region	Coast	Region	Region	
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Construction	417,510	106,267	136,281	73,507	54,307	88,072	875,944
Education, health and others	492,644	82,266	149,671	189,217	29,843	63,049	1,006,690
Electricity, gas and water supply	14,398	1,101	1,534	2,085	450	1,126	20,694
Financial, insurance, real estate and business services	491,489	16,957	99,631	32,665	42,185	7,311	690,238
Manufacturing	452,474	156,959	252,611	112,208	41,910	46,004	1,062,166
Mining and quarrying	16,892	-	-	9,873	555	3,178	30,498
Primary agriculture	806	-	166	203	2,641	-	3,816
Transportation, storage and communication	310,871	137,479	100,391	111,692	88,640	84,904	833,977
Wholesale, retail trade, restaurants and hotels	442,197	184,436	92,544	167,471	240,159	34,906	1,161,713
Others	18,590	-	-	-	-	-	18,590
	2,657,871	685,465	832,829	698,921	500,690	328,550	5,704,326

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(iv) Gross advances and financing analysed by location and sector are as follows: (cont'd.)

Bank 2017	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	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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(iv) Gross advances and financing analysed by location and sector are as follows: (cont'd.)

Bank 2016	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	416,167	106,185	136,241	73,429	54,307	88,072	874,401
Education, health and others	484,993	78,372	144,530	189,029	29,418	59,686	986,028
Electricity, gas and water supply	13,954	1,101	1,535	2,085	450	1,125	20,250
Financial, insurance, real estate and business services	489,246	16,270	99,465	32,417	42,140	7,271	686,809
Manufacturing	429,154	111,966	250,537	103,753	33,852	45,819	975,081
Mining and quarrying	16,892	-	-	9,873	555	3,178	30,498
Primary agriculture	493	-	166	203	2,641	-	3,503
Transportation, storage and communication	306,351	128,734	98,459	110,447	71,677	84,426	800,094
Wholesale, retail trade, restaurants and hotels	440,396	181,976	91,766	166,214	238,871	34,833	1,154,056
Others	18,590	-	-	-	-	-	18,590
	2,616,236	624,604	822,699	687,450	473,911	324,410	5,549,310

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(v) Gross advances and financing analysed by profit rate sensitivity are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Staff financing	15,570	18,590	15,570	18,590
- Hire purchase receivables	327,678	212,105	270,548	171,215
- Leasing	44,535	283,454	44,451	256,965
- Revolving credits	248,508	311,602	245,425	307,717
- Other term financing	1,561,855	1,654,504	1,471,401	1,569,550
Variable rate				
- Hire purchase receivables	67,878	28,056	67,878	28,056
- Leasing	3,180	23,309	3,180	23,309
- Revolving credits	682,773	391,001	682,773	391,004
- Other term financing	3,311,338	2,781,705	3,310,385	2,782,904
	6,263,315	5,704,326	6,111,611	5,549,310

(vi) Impaired advances and financing analysed by industry are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Construction	57,781	77,571	55,816	76,028
Education, health and others	168,956	128,905	132,708	108,243
Electricity, gas and water supply	54	493	54	49
Financial, insurance, real estate and business services	39,410	28,334	35,949	26,369
Manufacturing	258,322	252,200	196,026	165,115
Mining and quarrying	377	689	377	689
Primary agriculture	296	635	296	322
Transportation, storage and communication	168,277	134,225	135,678	100,341
Wholesale, retail trade, restaurants and hotels	184,068	134,926	168,933	125,806
	877,541	757,978	725,837	602,962

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(vii) Impaired advances and financing analysed by location and sector are as follows:

Group	East						Total
	Central Region	Northern Region	Southern Region	Coast Region	Sabah Region	Sarawak Region	
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(vii) Impaired advances and financing analysed by location and sector are as follows: (cont'd.)

Group	East						Total
	Central Region	Northern Region	Southern Region	Coast Region	Sabah Region	Sarawak Region	
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated							
Construction	28,699	1,837	43,230	1,035	1,964	806	77,571
Education, health and others	69,328	9,688	7,716	36,471	1,455	4,247	128,905
Electricity, gas and water supply	493	-	-	-	-	-	493
Financial, insurance, real estate and business services	20,342	1,571	4,090	2,109	44	178	28,334
Manufacturing	90,848	74,699	52,045	22,747	9,130	2,731	252,200
Mining and quarrying	280	-	-	409	-	-	689
Primary agriculture	313	-	90	101	131	-	635
Transportation, storage and communication	24,104	17,678	11,229	40,022	18,134	23,058	134,225
Wholesale, retail trade, restaurants and hotels	66,621	10,267	8,841	21,231	25,871	2,095	134,926
	301,028	115,740	127,241	124,125	56,729	33,115	757,978

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(vii) Impaired advances and financing analysed by location and sector are as follows: (cont'd.)

Bank	East						Total
	Central Region	Northern Region	Southern Region	Coast Region	Sabah Region	Sarawak Region	
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(vii) Impaired advances and financing analysed by location and sector are as follows: (cont'd.)

Group	East						Total
	Central Region	Northern Region	Southern Region	Coast Region	Sabah Region	Sarawak Region	
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated							
Construction	27,358	1,755	43,189	956	1,964	806	76,028
Education, health and others	61,675	5,794	2,576	36,284	1,030	884	108,243
Electricity, gas and water supply	49	-	-	-	-	-	49
Financial, insurance, real estate and business services	19,563	885	3,922	1,861	-	138	26,369
Manufacturing	67,529	29,706	49,970	14,291	1,072	2,547	165,115
Mining and quarrying	280	-	-	409	-	-	689
Primary agriculture	-	-	90	101	131	-	322
Transportation, storage and communication	19,581	8,932	9,298	38,777	1,172	22,581	100,341
Wholesale, retail trade, restaurants and hotels	63,356	7,807	8,065	19,974	24,583	2,021	125,806
	259,391	54,879	117,110	112,653	29,952	28,977	602,962

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(viii) Movements in impaired advances and financing ("impaired financing") are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
At 1 January	757,978	557,653	602,962	395,479
Impaired during the year	303,025	287,905	303,025	287,905
Reclassified as non-impaired	(39,148)	(11,824)	(39,148)	(11,824)
Offsetted with other payables*	(8,808)	-	(8,808)	-
Amount recovered	(55,604)	(43,728)	(52,292)	(36,570)
Amount written-off	(79,902)	(32,028)	(79,902)	(32,028)
At 31 December	877,541	757,978	725,837	602,962

* 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 21.

Net impaired advances and financing as % of net loans, advances and financing (excluding staff financing and collective assessment allowance) are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Net impaired advances and financing as %	10.15%	9.62%	8.69%	7.93%

39. ISLAMIC BANKING BUSINESS (CONT'D.)

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(ix) Movements in the allowance for financing are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
Individual assessment allowance				
At 1 January	233,283	192,290	178,752	146,848
Transfer from collective allowance	12,105	2,337	12,105	2,337
Allowance made during the year (Note 39(q))	184,820	112,024	180,476	102,935
Writeback made during the year (Note 39(q))	(90,009)	(41,340)	(87,330)	(41,340)
Amount written-off	(69,006)	(32,028)	(69,006)	(32,028)
At 31 December	271,193	233,283	214,997	178,752
Collective assessment allowance				
At 1 January	121,476	93,219	98,430	69,969
Transfer to individual allowance	(12,105)	(2,337)	(12,105)	(2,337)
Allowance made during the year (Note 39(q))	106,802	110,477	101,990	110,681
Writeback made during the year (Note 39(q))	(78,183)	(79,883)	(77,208)	(79,883)
At 31 December	137,990	121,476	111,107	98,430

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) 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	Revolving credit	Staff financing	Total
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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
Tawwaruq	-	-	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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(x) Gross advances and financing by types and Shariah contracts are as follows: (cont'd.)

Group	Hire purchase	Leasing receivables	Other term loans	Revolving credit	Staff financing	Total
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bai' Bithaman Ajil	1,753	261,759	2,171,935	7,187	18,590	2,461,224
Bai' Murabahah	-	-	696,950	491,245	-	1,188,195
Bai' Istisna	-	30	894,185	3,840	-	898,055
Ijarah	2,597	43,511	534,081	-	-	580,189
Ijarah Thumma Al-Bai	235,703	-	603	31,975	-	268,281
Bai' Dayn	-	-	475	164,410	-	164,885
Tawwaruq	-	-	119,279	-	-	119,279
Bai' Inah	107	-	20,165	1,050	-	21,322
Murabahah Dayn	-	-	-	2,896	-	2,896
	240,160	305,300	4,437,673	702,603	18,590	5,704,326

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(x) Gross advances and financing by types and Shariah contracts are as follows: (cont'd.)

Bank	Hire purchase	Leasing receivables	Other term loans	Revolving credit	Staff financing	Total
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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
Tawwaruq	-	-	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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(e) Advances and financing (cont'd.)

(x) Gross advances and financing by types and Shariah contracts are as follows: (cont'd.)

Bank	Hire purchase	Leasing receivables	Other term loans	Revolving credit	Staff financing	Total
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bai' Bithaman Ajil	1,753	263,223	2,104,923	7,188	18,590	2,395,677
Bai' Murabahah	-	-	688,167	490,650	-	1,178,817
Bai' Istisna	-	30	885,259	3,841	-	889,130
Ijarah	-	17,022	534,081	-	-	551,103
Ijarah Thumma Al-Bai	197,518	-	603	31,974	-	230,095
Bai' Dayn	-	-	475	164,016	-	164,491
Tawwaruq	-	-	119,279	-	-	119,279
Bai' Inah	-	-	10,884	1,051	-	11,935
Murabahah Dayn	-	-	8,783	-	-	8,783
	199,271	280,275	4,352,454	698,720	18,590	5,549,310

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(f) Other assets

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amount due from subsidiaries	-	-	507,040	560,050
Other receivables and prepayments	5,612	4,347	3,905	4,052
	5,612	4,347	510,945	564,102

The amount due from subsidiaries is unsecured, interest free and repayable on demand except for unsecured Bai' Inah facility of RM446,250,000 (2016: RM510,000,000) granted to SMEB Asset Management Sdn. Bhd. ("SAM") to finance the purchase of a portfolio of impaired loans and financing from the Bank in 2014. This facility bears profit at 3.50% (2016: 3.50%) per annum and is repayable over 8 annual instalments commencing 15 December 2017, after a grace period of 2 years. The facility will mature on 15 December 2024.

(g) Deposits from customers

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Term deposit:				
- Commodity Murabahah / Tawarruq	3,261,929	3,548,256	3,321,145	3,624,860

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Government and statutory bodies	2,051,954	2,545,699	2,051,954	2,545,699
Business enterprises	501,839	1,002,557	561,055	1,079,161
Others	708,136	-	708,136	-
	3,261,929	3,548,256	3,321,145	3,624,860

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(g) Deposits from customers (cont'd.)

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Less than three months	2,453,571	3,111,025	2,511,711	2,914,721
Three months to six months	736,520	235,928	737,596	646,739
Six months to one year	71,838	201,303	71,838	63,400
	3,261,929	3,548,256	3,321,145	3,624,860

(h) Deposits from banks and other financial institutions

	Group and Bank	
	2017 RM'000	2016 RM'000
Licensed banks and other financial institutions	100,172	200,302
The maturity structure of the deposits is as follows:		
Less than three months	100,172	200,302

(i) Term financing

	Group and Bank	
	2017 RM'000	2016 RM'000
Unsecured term financing	326,489	937,608

The maturity structure of the term financing is as follows:

	Group and Bank	
	2017 RM'000	2016 RM'000
Within one year	37,909	104,572
More than five years	288,580	833,036
	326,489	937,608

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(i) Term financing (cont'd.)

The unsecured term financing denominated in RM is sourced from the following:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Loans from:	155,882	915,408
- Government of Malaysia	170,607	22,200
- Bank Negara Malaysia ("BNM")	326,489	937,608

The profit rates on the financing from the Government of Malaysia is 1.50% (2016: 1.00% - 2.75%) per annum. The rate for BNM ranges from 4% - 5.23% (2016: 4% - 5.23%) per annum.

During the year, term financing from Government of Malaysia amounting to RM500 million was converted into the share capital of the Bank as mentioned in Note 23.

(j) Other liabilities

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
	Restated		Restated	
Other payables and accruals	331,644	199,599	323,105	213,963
Islamic margin account	531,710	494,079	531,546	494,078
Guarantee payable	150,522	83,324	150,522	83,324
Provision for zakat	4,660	3,985	4,660	3,985
	1,018,536	780,987	1,009,833	795,350

(k) Government funds

	Group and Bank	
	2017	2016
	RM'000	RM'000
To finance:	152,164	168,631
Advances and financing	152,164	168,631

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(k) Government funds (cont'd.)

(a) To finance advances and financing:

Group and Bank	Soft Loan Scheme	Program dan Skim Usaha- wan Batik	Basic Capital Scheme (SMA)	Tabung Usaha- wan Siswa- zah (TUS)	Dana Usaha- wan Negeri Tereng- ganu	Skim Pem- angunan Ekonomi Desa- Islamic	Program dan Skim Usaha- wan Kraf	Skim Anjakan Usaha- wan	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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									
loans written-off	46	21	2,576	686	175	24	1	-	3,529
Utilised to offset									
expenses	-	-	-	-	-	-	-	(756)	(756)
Reclassification									
(Note 21(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
At 1 January									
2016	36,754	4,147	27,932	17,952	5,612	47,758	4,745	-	144,900
Proceeds	-	-	-	-	-	-	-	20,000	20,000
Loan written-off									
recoverable	42	-	3,461	348	365	754	10	-	4,980
Utilised to offset									
expenses	-	-	-	-	-	-	-	(396)	(396)
Muqasah	-	-	-	-	(535)	(318)	-	-	(853)
At 31 December									
2016	36,796	4,147	31,393	18,300	5,442	48,194	4,755	19,604	168,631

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(l) Deferred tax assets

	Group and Bank	
	2017	2016
	RM'000	RM'000
		Restated
At 1 January	137,012	139,804
Recognised in profit or loss (Note 39(r))	(15,934)	2,106
Recognised in other comprehensive income	(3,012)	(4,898)
At 31 December	118,066	137,012
Presented before appropriate offsetting as follows:		
Deferred tax assets	129,193	150,056
Deferred tax liabilities	(11,127)	(13,044)
	118,066	137,012

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:

	Un- absorbed business losses and capital allowance	Provision	MTM revaluation on bonds	Total
Group and Bank	RM'000	RM'000	RM'000	RM'000
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

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(l) Deferred tax (cont'd.)

Deferred tax assets of the Group and of the Bank (cont'd.):

	Un- absorbed business losses and capital allowance RM'000	Provision RM'000	MTM revaluation on bonds RM'000	Total RM'000
Group and Bank	Restated			Restated
At 1 January 2016	130,368	3,303	13,495	147,166
Recognised in profit or loss	7,280	508	-	7,788
Recognised in other comprehensive income	-	-	(4,898)	(4,898)
At 31 December 2016	137,648	3,811	8,597	150,056

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 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)
At 1 January 2016	-	(7,362)	(7,362)
Recognised in profit or loss	(7,251)	1,569	(5,682)
At 31 December 2016	(7,251)	(5,793)	(13,044)

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(m) Income from Islamic banking business

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income from advances and financing				
- Bai Bithaman Ajil	112,058	136,044	110,707	134,684
- Bai' Murabahah	59,329	66,467	59,206	66,272
- Bai' Istisna	42,933	50,171	42,784	49,986
- Ijarah	30,031	31,587	29,796	30,983
- Ijarah Thuma Al-Bai	24,122	13,728	22,986	12,936
- Bai' Dayn	3,995	9,256	3,995	9,248
- Tawwaruq	87,621	6,707	87,621	6,707
- Bai' Inah	2,096	867	2,093	672
- Wakalah	22,719	-	22,699	-
- Murabahah Dayn	-	368	-	490
Total income from advances and financing	384,904	315,195	381,887	311,978
Mudharabah deposit acceptance	56,579	46,110	56,579	46,102
Derivative financial asset	2,285	4,386	2,285	4,386
Available-for-sale financial investments	72,273	75,095	72,273	75,096
Held-to-maturity financial investments	26,146	26,233	26,146	26,233
Other income (Note 39(n))	80,171	47,851	96,628	65,315
	622,358	514,870	635,798	529,110

Included in income from advances and financing is profit on impaired advances and financing amounting to RM17,682,000 (2016: RM11,126,000).

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(n) Other income

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fee income	11,682	7,441	9,980	7,441
Rental income	10,111	9,998	10,111	9,998
Government funds release/ (writeback), net	8,249	(4,961)	8,249	(4,961)
Management fee	-	-	419	419
Fair value adjustment (Note 14)	14,740	33,367	14,740	33,367
Profit expense waived	33,777	-	33,777	-
Profit income on amount owing by subsidiary companies (Note 35)	-	-	17,752	17,850
Others	1,612	2,006	1,600	1,201
	80,171	47,851	96,628	65,315

Profit expense waived relates to a profit waiver obtained resulting from the conversion of term financing to share capital as mentioned in Note 23. The profit of RM33,777,000 relates to profit accrued on the said borrowings since inception and remained unpaid till conversion of the borrowings.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(o) Profit expense attributable to Islamic banking business

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Commodity murabahah	150,056	126,559	154,175	128,831
Medium-term notes	65,316	56,820	65,316	56,820
Long term financing	3,758	3,460	3,758	3,460
Deposits from banks and other financial institutions	5,809	3,040	5,809	3,040
Others	7,433	1,060	7,433	1,060
	232,372	190,939	236,491	193,211

(p) Other operating expenses

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	133,682	103,980	128,832	103,980
Establishment related expenses	29,799	29,626	29,743	25,134
Promotion and marketing expenses	4,148	4,272	4,405	4,272
Administration and general expenses	21,529	33,054	23,424	49,519
	189,158	170,932	186,404	182,905

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(q) Allowance/(writeback) for impairment on advances and financing

	Group		Bank	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
Allowance for advances and financing during the year				
- Individual assessment allowance (Note 39(e)(ix))	184,820	112,024	180,476	102,935
- Collective assessment allowance (Note 39(e)(ix))	106,802	110,477	101,990	110,681
	291,622	222,501	282,466	213,616
Writeback/recoveries for advances and financing during the year				
- Individual assessment allowance (Note 39(e)(x))	(90,009)	(41,340)	(87,330)	(41,340)
- Collective assessment allowance (Note 39(e)(x))	(78,183)	(79,883)	(77,208)	(79,883)
	(168,192)	(121,223)	(164,538)	(121,223)
Loans, advances and financing waived	729	-	729	-
Loans, advances and financing written-off	10,896	-	10,896	-
Recoveries from advances and financing written-off	(13,849)	(11,043)	(13,849)	(11,041)
Total allowance for impairment loss on advances and financing	121,206	90,235	115,704	81,352

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(r) Tax expense/(credit)

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Current tax:				
Income tax expense for the year	726	-	47	-
Over provision in prior years	(2)	-	(2)	-
	724	-	45	-
Deferred tax (Note 39(I)):				
Origination or reversal of temporary differences	12,520	9,684	12,520	9,684
Under/(over) provision in prior years	3,414	(11,790)	3,414	(11,790)
	16,658	(2,106)	15,979	(2,106)

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(r) Tax expense/(credit) (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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
		Restated		Restated
Profit before taxation and zakat	79,622	62,764	97,199	71,642
Tax at Malaysian tax rate of 24% (2016: 24%)	19,109	15,063	23,328	17,194
Tax effects on:				
Non-deductible expenses	6,276	3,611	1,354	1,480
Non-taxable income	(9,338)	(2,650)	(9,314)	(2,650)
Effects of differences in tax rate	(2,801)	(6,340)	(2,801)	(6,340)
Over provision of current tax in prior year	(2)	-	(2)	-
Under/(over) provision of deferred tax in prior year	3,414	(11,790)	3,414	(11,790)
Tax expense/(credit) for the year	16,658	(2,106)	15,979	(2,106)

(s) Zakat

	Group and Bank	
	2017 RM'000	2016 RM'000
Zakat for the year	4,694	4,000
Under provision of zakat expenses in prior year	-	1,793
	4,694	5,793

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(t) Commitments

	Group and Bank	
	2017	2016
	RM'000	RM'000
Direct credit substitutes	182,276	149,693
Transaction-related-contingent items	171,207	229,417
Irrevocable commitments to extend credit:		
- maturity exceeding one year	136,812	61,698
- maturity not exceeding one year	539,028	736,864
Profit rate related contract	350,000	250,000
	1,379,323	1,427,672

(u) Capital adequacy

Capital management

The following table set forth capital resources and capital adequacy for the Bank's Islamic banking business as at the end of the reporting period:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
<u>Tier I Capital</u>				
Capital funds	1,050,564	550,564	1,050,564	550,564
Retained earnings	466,724	408,454	508,778	432,252
Less: Deferred tax assets	(118,066)	(137,012)	(118,066)	(137,012)
Less: Property revaluation reserve	(212,229)	(197,489)	(212,229)	(197,489)
Total Tier I capital	1,186,993	624,517	1,229,047	648,315

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(u) Capital adequacy (cont'd.)

Capital management (cont'd.)

The following table set forth capital resources and capital adequacy for the Bank's Islamic banking business at the end of the reporting period:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
		Restated		Restated
<u>Tier II Capital</u>				
Collective allowance for advances and financing*	67,508	72,839	67,508	72,839
Property revaluation reserve	106,115	98,744	106,115	98,744
Government funds	152,164	168,631	152,164	168,631
Total Tier II capital	325,787	340,214	325,787	340,214
Total capital	1,512,780	964,731	1,554,834	988,529
Less: Investment in subsidiaries	-	-	(3,582)	(3,582)
Total capital base	1,512,780	964,731	1,551,252	984,947

* The eligible amounts for Tier II Capital is only limited to the excess of total collective allowances over the identifiable incurred losses in the collective allowance pool.

Breakdown of risk-weighted assets in the various categories of risk-weights:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
		Restated		Restated
20%	114,037	206,579	114,037	206,579
50%	41,590	24,163	41,590	24,163
100%	7,830,736	7,249,523	8,267,405	7,730,198
	7,986,363	7,480,265	8,423,032	7,960,940

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

39. ISLAMIC BANKING BUSINESS (CONT'D.)

Notes to the financial statements

For the financial year ended 31 December 2017 (cont'd.)

(u) Capital adequacy (cont'd.)

Capital management (cont'd.)

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
	Restated		Restated	
Before deducting proposed dividends:				
Core capital ratio	14.86%	8.35%	14.59%	8.14%
Risk-weighted capital ratio	18.94%	12.90%	18.42%	12.37%
After deducting proposed dividends:				
Core capital ratio	14.86%	8.35%	14.59%	8.14%
Risk-weighted capital ratio	18.94%	12.90%	18.42%	12.37%

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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

40. 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.

		<=====Non-cash changes=====>							
Group and Bank	Note	1 January 2017	Financing cash flows (i)	Conversion of borrowings (Note 23)	Interest/profit accrual (Note 26 & 39 (o))	Profit expense waived (Note 39 (n))	Re-classification to other liabilities (Note 21(a))	Amortisation to profit or loss (Note 27&39(n))	31 December 2017
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Borrowings	20	2,683,818	(175,410)	(500,000)	61,375	(33,777)	-	-	2,036,006
Medium term notes	19	1,519,795	236,341	-	65,316	-	-	-	1,821,452
Government funds	22	305,044	40,000	-	-	-	(48,218)	(11,777)	285,049
		4,508,657	100,931	(500,000)	126,691	(33,777)	(48,218)	(11,777)	4,142,507

- (i) The cash flows from borrowings, medium-term notes, and government funds make up the net amount of 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.

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

41. PRIOR YEAR ADJUSTMENTS

During the financial year, the Group and the Bank changed their accounting policy in measuring the impairment of financial assets. The Group and the Bank have revised the definition of impaired financing from 6 months-in-arrears to 3 months-in-arrears.

This is consistent with the industry's best practices and will result in more reliable and relevant information about the financial of the Group and of the Bank. This change in accounting policy has been adjusted retrospectively in the financial statements of the Group and of the Bank.

Statements of financial position

	Group		
	As at 31 December 2016		
	As previously stated	Prior year adjustments	As restated
	RM'000	RM'000	RM'000
ASSETS			
Loans, advances and financing	6,227,528	(28,121)	6,199,407
Deferred tax assets	155,086	6,749	161,835
EQUITY			
Retained earnings	119,526	(21,372)	98,154

	Bank		
	As at 31 December 2016		
	As previously stated	Prior year adjustments	As restated
	RM'000	RM'000	RM'000
ASSETS			
Loans, advances and financing	5,779,024	(28,121)	5,750,903
Deferred tax assets	155,086	6,749	161,835
EQUITY			
Retained earnings	108,672	(21,372)	87,300

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

41. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS (CONT'D.)

Islamic banking business (cont'd.)

Statements of comprehensive income

Group			
For the financial year ended 31 December 2016			
As previously stated	Prior year	adjustments	As restated
RM'000	RM'000	RM'000	RM'000
Allowance for impairment loss:			
- loans, advances and financing	(45,244)	(11,032)	(56,276)
Tax (expense)/credit	(2,376)	2,648	272
Profit for the year	63,292	(8,384)	54,908

Bank			
For the financial year ended 31 December 2016			
As previously stated	Prior year	adjustments	As restated
RM'000	RM'000	RM'000	RM'000
Allowance for impairment loss:			
- loans, advances and financing	(43,227)	(11,032)	(54,259)
Tax credit	1,115	2,648	3,763
Profit for the year	62,252	(8,384)	53,868

Statements of financial position

Group			
As at 1 January 2016			
As previously stated	Prior year	adjustments	As restated
RM'000	RM'000	RM'000	RM'000
ASSETS			
Loans, advances and financing	5,638,375	(17,089)	5,621,286
Deferred tax assets	159,479	4,101	163,580
EQUITY			
Retained earnings	62,984	(12,988)	49,996

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

41. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS (CONT'D.)

Islamic banking business (cont'd.)

Statements of financial position(cont'd.)

	Bank		
	As at 1 January 2016		
	As previously stated	Prior year adjustments	As restated
	RM'000	RM'000	RM'000
ASSETS			
Loans, advances and financing	5,155,012	(17,089)	5,137,923
Deferred tax assets	159,479	4,101	163,580
EQUITY			
Retained earnings	53,170	(12,988)	40,182

	Group		
	As at 31 December 2016		
	As previously stated	Prior year adjustments	As restated
	RM'000	RM'000	RM'000
ASSETS			
Advances and financing	5,376,926	(27,359)	5,349,567
Deferred tax assets	130,446	6,566	137,012
EQUITY			
Islamic general fund	951,021	(20,793)	930,228

	Bank		
	As at 31 December 2016		
	As previously stated	Prior year adjustments	As restated
	RM'000	RM'000	RM'000
ASSETS			
Advances and financing	5,299,487	(27,359)	5,272,128
Deferred tax assets	130,446	6,566	137,012
EQUITY			
Islamic general fund	974,819	(20,793)	954,026

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

41. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS (CONT'D.)

Islamic banking business (cont'd.)

Statements of comprehensive income

Group			
For the financial year ended 31 December 2016			
	As previously stated	Prior year adjustments	As restated
	RM'000	RM'000	RM'000
Allowance for impairment loss:			
- advances and financing	(82,585)	(7,650)	(90,235)
Tax credit	270	1,836	2,106
Profit for the year	64,891	(5,814)	59,077
Bank			
For the financial year ended 31 December 2016			
	As previously stated	Prior year adjustments	As restated
	RM'000	RM'000	RM'000
Allowance for impairment loss:			
- advances and financing	(73,702)	(7,650)	(81,352)
Tax credit	270	1,836	2,106
Profit for the year	64,891	(5,814)	59,077

(cont'd.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

41. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS (CONT'D.)

Islamic banking business (cont'd.)

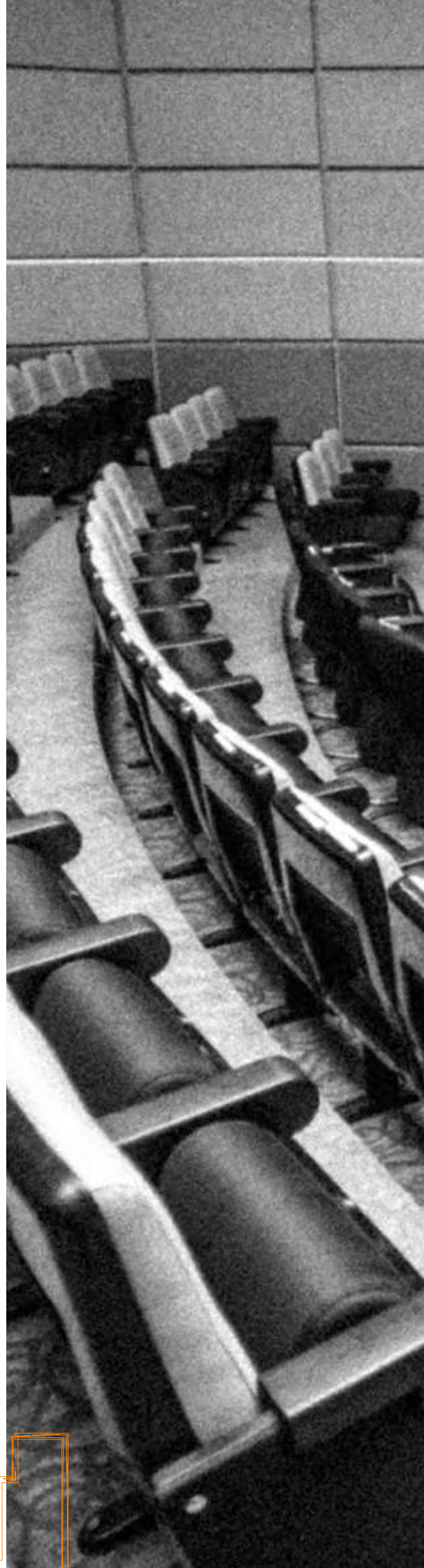
Statements of financial position

	Group		
	As at 1 January 2016		
	As previously stated	Prior year adjustments	As restated
	RM'000	RM'000	RM'000
ASSETS			
Advances and financing	4,672,063	(19,709)	4,652,354
Deferred tax assets	135,074	4,730	139,804
EQUITY			
Islamic general fund	872,184	(14,979)	857,205
	Bank		
	As at 1 January 2016		
	As previously stated	Prior year adjustments	As restated
	RM'000	RM'000	RM'000
ASSETS			
Advances and financing	4,578,581	(19,709)	4,558,872
Deferred tax assets	135,074	4,730	139,804
EQUITY			
Islamic general fund	887,104	(14,979)	872,125

Group Directory

Direktori Kumpulan

- 7 Regional Centres *Pusat Wilayah*
- 19 Enterprise Centres *Pusat Enterpris*
- 4 Business Centres *Pusat Perniagaan*





Group Directory *Direktori Kumpulan*



SME BANK HEAD OFFICE


Menara SME Bank
Jalan Sultan Ismail
50250 Kuala Lumpur
Wilayah Persekutuan


Tel : 03-26152020
Fax : 03-26981748

KUALA LUMPUR REGIONAL CENTRE

KUALA LUMPUR


Level 8, Menara SME Bank,
Jalan Sultan Ismail,
50250 Kuala Lumpur, Wilayah Persekutuan.


 Tel : 03-26152022

 Fax : 03-26936791

KUALA LUMPUR ENTERPRISE CENTRE


Level 1, Menara SME Bank,
Jalan Sultan Ismail,
50250 Kuala Lumpur, Wilayah Persekutuan.


 Tel : 03-26152020

 Fax : 03-26988077

SENTRAL ENTERPRISE CENTRE

3A-G, Ground Floor, Block 3A, Plaza Sentral,
Jalan Stesen Sentral 5,
50470 Kuala Lumpur, Wilayah Persekutuan.


 Tel : 03-22601643 / 03-22721191 / 03-22721204


 Fax : 03-22601644

SELANGOR REGIONAL CENTRE

SELANGOR


No. 1 & 3, Block A,
Jalan Keluli 7/110, Bukit Raja Business Park, Section 7,
40000 Shah Alam, Selangor.


 Tel : 03-33593473

 Fax : 03-33580471

SHAH ALAM ENTERPRISE CENTRE


No. 1 & 3, Block A,
Jalan Keluli 7/110, Bukit Raja Business Park, Section 7,
40000 Shah Alam, Selangor.


 Tel : 03-33581471 / 03-33588419 /
03-33587491 / 03-33589943

 Fax : 03-33593701

RAWANG BUSINESS CENTRE


No. A21-G, Jalan Reef 1/1,
Pusat Perniagaan Reef,
48000 Rawang, Selangor.


 Tel : 03-60914079 / 03-60914084 / 03-60914085

 Fax : 03-60914112

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

SOUTHERN REGIONAL CENTRE

JOHOR

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, 5A, 5B, 6, 6A & 6B,
Jalan Setia Jaya, Taman Setia Jaya,
83000 Batu Pahat, Johor.

Tel : 07-4328903 / 07-4328584

Fax : 07-4328597

PASIR GUDANG BUSINESS CENTRE

No. 22 & 22 A, Jalan Serungkal 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

EAST COAST REGIONAL CENTRE

PAHANG

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

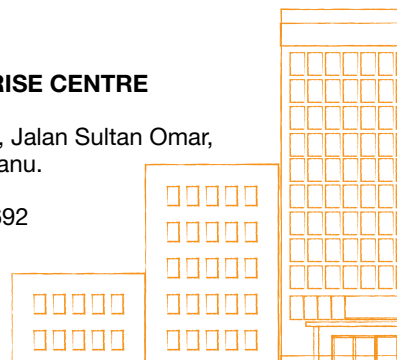
TERENGGANU

KUALA TERENGGANU ENTERPRISE CENTRE

Ground Floor, Lot G10 & Mezzanine,
Menara Yayasan Islam Terengganu, Jalan Sultan Omar,
20300 Kuala Terengganu, Terengganu.

Tel : 09-6223588 / 09-6223692

Fax : 09-6222129



KELANTAN**KOTA BAHRU ENTERPRISE CENTRE**

Lot 35, Seksyen 8,
Jalan Kebun Sultan,
15000 Kota Bharu, Kelantan.



Tel : 09-7442603



Fax : 09-7448361

NORTHERN REGIONAL CENTRE**PULAU PINANG**

No. 12A, Jalan Todak 3,
Pusat Bandar Seberang Jaya, Bandar Sunway,
13700 Perai, Pulau Pinang.



Tel : 04-3906477 / 04-3906391



Fax : 04-3905934

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

PERLIS**KANGAR ENTERPRISE CENTRE**

No. 6-7, PT 1489, Seriab Business Complex,
Jalan Kangar, Alor Setar,
01000, Kangar Perlis.



Tel : 04-9775466 / 04-9777466



Fax : 04-9770466

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 REGIONAL CENTRE

SABAH


Lot 24 & 25, Block D,
Kepayan Perdana, Jalan Lintas,
88865 Kota Kinabalu, Sabah.


 Tel : 088-413586 / 088-413587 /
088-413588

 Fax : 088-413279

KOTA KINABALU ENTERPRISE CENTRE


Lot 24 & 25, Block D,
Kepayan Perdana, Jalan Lintas,
88865 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 : 089-76332

SARAWAK REGIONAL CENTRE

SARAWAK


Lot 514 & 515, Seksyen 6,
Jalan Kulas,
93400 Kuching, Sarawak.


 Tel : 082-259955 / 082-259994

 Fax : 082-243181

KUCHING ENTERPRISE CENTRE


Lot 514 & 515, Seksyen 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

 Fax : 085-415488

BINTULU BUSINESS CENTRE

No. 259, Jalan Sultan Iskandar,
Assyakirin Commerce Square,
97000 Bintulu, Sarawak.


 Tel : 086-339336 / 086-339586 / 086-339587


 Fax : 086-339597




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