

MEMBERS OF CORPORATION

SIGNIFICANT EVENTS

- Dato' Khoo Cheo Ping @ John Khoo**
(Chairman)
- Mr. George Taitim Tulas**
(Secretary)
- Datuk Bahari Bin Hj. Hassan**
(Ex-Officio Member)
- Datuk Hj. Safar Bin Untong**
(Ex-Officio Member)
- Datuk Idrus Shafie**
(Ex-Officio Member)
- Mr. Marzuki Hj. Spawi, JP**
(Member)
- Mr. Zamani Hj. Basri**
(Member)
- Tuan Hj. Baharuddin @ Abidin Bin Ab Wahid**
(Member)

1 February

Outsourcing debt collection agency to recover accounts with exhausted actions

12 April

RAM Ratings surveillance audit

13 April

Handover of RM8 million interim dividend to YAB CM

17-20 July

Sukuk Roadshow at KL

26 July

Management visit and meeting at CM office

1 October

Launching of SCC's i-Executive, new personal financing product for private sectors

19 December

Formation of Yayasan Perbadanan Pinjaman Sabah (YPPS)

17 December

EGM with shareholders

24 November

Disaster Recovery Centre rehearsal at UTC

19 November

BOD meeting with newly appointed Chairman

Report Card 2018

PERBADANAN PINJAMAN SABAH
(SABAH CREDIT CORPORATION)

A Statutory Body Wholly Owned By The State Government



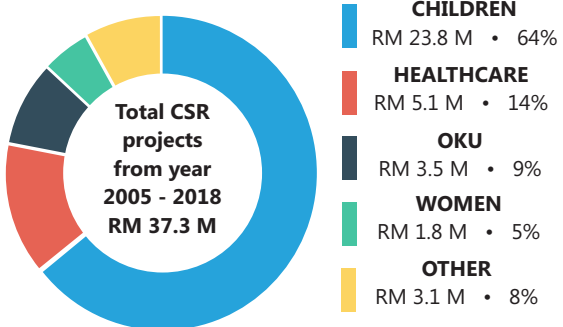
MANAGEMENT TEAM

- Mr. George Taitim Tulas**
(Chief Executive Officer)
- Mr. Victor Monsibol**
(Deputy Chief Executive Officer)
- Ms. Patricia Chow**
(Chief Financial Officer)
- Mr. Charles Peter Mojuntin**
(Chief Audit Officer)
- Mr. Nelson Chan**
(Chief Information Officer)
- Mr. Richard Chiew**
(Head of Corporate Services Department)
- Mr. Chang Kok Kien**
(Head of Credit Department)
- Mr. Arius Jipiu**
(Head of Credit Control Department)
- Mrs. Fatimah Kahar**
(Head of Human Resource Department)
- Mr. Ismail Benjamin**
(Head of Admin & Property Department)
- Mr. Zahir Ridwan Bin Zainal**
(Head of UTC Management Office)

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In December 2018, the incorporation of Yayasan Perbadanan Pinjaman Sabah was made official to streamline the management of its CSR projects through the utilisation of the Corporation's 10% annual profit before tax.

Most of the projects concentrate around the construction of rural hostels; school multipurpose halls; as well as centres for single mothers. SCC is also the biggest donor of dialysis machines to hospitals in the State.



Dialysis Machines - Hospital Kota Marudu



Pre School Building - SJK (C) Yun Shin, Tenom



Multipurpose Building - Persatuan Ibu Tunggal Kota Marudu



Community Hall - Kg. Bangkahak, Kota Belud



Rural Hostel - SK Kebulu, Keningau



Rural Hostel - SMK Tulid, Sook

CHAIRMAN’S MESSAGE



Dear valued shareholders,

I am delighted to present my first message for Sabah Credit Corporation, having assumed the role of Chairman on 1 October 2018.

Sabah Credit Corporation (SCC) has shown its ability to progress as a sustainable organisation over the years, backed by an energising and purpose-driven vision and mission. We have managed to deliver promising results in year 2018 and are constantly working on taking the Corporation to the next level on its journey of ensuring sustained growth and performance. The Members of the Corporation remain confident on its strategies to generate steady returns for the shareholders and investors.

Despite the ever-present challenges to the economic environment globally and domestically, the Management team of Sabah Credit Corporation performed commendably to demonstrate its ability to deliver long-term financial performance while ensuring compliance with regulatory requirements. The Corporation continues to create and deliver shareholder value with a total dividend pay-out of FY2018 at RM15 million, resulting in a total payment of RM265.6 million since year 2002. The Members of the Corporation remain focused on enhancing the Corporation's position in creating value for our shareholders.

Our achievements over the past year have proven that SCC remained innovative and flexible despite an increasingly competitive landscape. The core business of the Corporation continues to improve with its Shariah-compliant product: the *i-Cash*; as well as the introduction of our most recent product for employees of private sectors: the *i-Executive*. The initiatives implemented over the year have definitely contributed to SCC's growth and resilience, where at the closing of FY2018, the Corporation's total assets stood at RM2.93 billion, and profit before tax recorded were RM81.28 million. These financial results indicate that SCC possesses the capability and knowledge of facing the challenges posed by the market, and will continuously develop our capabilities to expand our value proposition to clients by building on our strengths.

We have continued our mandated objective in providing easier access to financial facilities and improving the socio-economic status of our community through the incorporation of Yayasan Perbadanan Pinjaman Sabah (YPPS) to administer our Corporate Social Responsibility programmes, which are financed by 10% of our annual aggregate taxable income.

On behalf of the Members of the Corporation, I take this opportunity to express my gratitude for the constant support, assistance, and guidance from the Ministry of Finance, government agencies, stakeholders, industry collaborators and partners, as well as all the relevant authorities.

Most importantly, I extend a heartfelt thank you to the big family of SCC itself – the Management for their efforts in delivering yet another strong performance, and the energetic Warga SCC for their dedication, excellence and inspired work over the past year. I am very privileged to be surrounded by Members of high calibre, including my predecessor, YB Datuk Linda Tsen Thau Lin, who has guided the Corporation with exemplary leadership. Finally, I thank our valued clients for their continuous support and loyalty.

Thank you.

DATO’ KHOO CHEO PING @ JOHN KHOO
Chairman

CEO’S MESSAGE



2018 was such an eventful year for Sabah Credit Corporation (SCC), and we have experienced a roller coaster of happenings. In spite of the State's political transition in the past year, SCC managed to nevertheless strive forward through it all. We are extremely appreciative of the continuous support shown by the new State government in helping us to achieve our goals as a Corporation. Rest assured that we have continued our focus and commitment on delivering the best performance possible to drive the value of the Corporation to greater heights.

SCC had adopted the Malaysian Financial Reporting Standard 9 (MFRS 9) on 1 January 2018, replacing the previously embraced MFRS 139. Although the adoption anticipated higher provision requirement for our financial assets, we were able to mitigate the impact of MFRS 9 with the financial performance of the organization – and I am pleased to report that SCC's numbers remain healthy and competitive.

At the year end, SCC delivered well beyond expectations and achieved a surplus before tax of RM81.28 million, an increase of 18.37% from the previous financial year. Our marketing initiatives proved to be very successful as evident from the addition of 2,613 new clients contributing to a RM83.76 million surge in portfolio balance, resulting to SCC reaching a gross asset base of RM2.93 billion by the end of the year 2018. This achievement was also partly contributed through the introduction of our new product, the *i-Executive*, which caters exclusively for organizations of private sectors.

SCC has also continued to exhibit commendable financial performance, and is verified by being assigned yet again an AA1/P1 rating on its sukuk instruments from RAM Ratings. In addition, SCC also maintained its 5-star ranking on its Accountability Index Rating that was presented by the National Audit Department in 2017. These acknowledgements are fundamental to further increase stakeholder and investor confidence towards the Corporation.

What defines SCC as a strong corporate brand is its strong culture with a social conscience, thus, continuing its mission in “giving back” and further assisting the less fortunate by means of Corporate Social Responsibility (CSR) programs. The programs were designed to assist focused groups mainly Women, Children, and OKU. In year 2018 alone, a total of 55 projects were approved at a cost of RM7.59 million with an emphasis on projects involving infrastructure of rural hostels and facilities to schools around the State.

In accordance with the rapid advancements of technology in this age of digitalisation, SCC continues to develop progressive initiatives in its operations that resonate with its current strategic plan: the Journey Across the Digital Divide. We remain alert on further enhancing our digital capabilities, creating innovative payment capabilities as well as service and delivery enhancements to expand our value proposition to the clients. This is an exciting time ahead – some initiatives have been identified, studied and are considered for implementation through collaboration with other parties in the financial industry.

My most profound and heartfelt appreciation goes to our former CEO, Datuk Vincent Pung, for his many contributions to SCC during his tenure. Without his dedication and stewardship, the Corporation would not be able to succeed to what it is today. My sincere gratitude goes to the Members of the Corporation – the achievements of SCC today could not be made possible without their immense contributions and the benefit of their wisdom. Deep appreciation also goes to the Ministry of Finance for their continuous support to the Corporation. Moving forward, I call upon my Warga SCC to continue doing our best to grow and deliver positive results to strengthen our position; and as we step forward on achieving our goals, I call upon all our stakeholders to continue lending us your support. Thank you.

GEORGE TAITIM TULAS
Chief Executive Officer

FINANCIAL PERFORMANCE HIGHLIGHTS

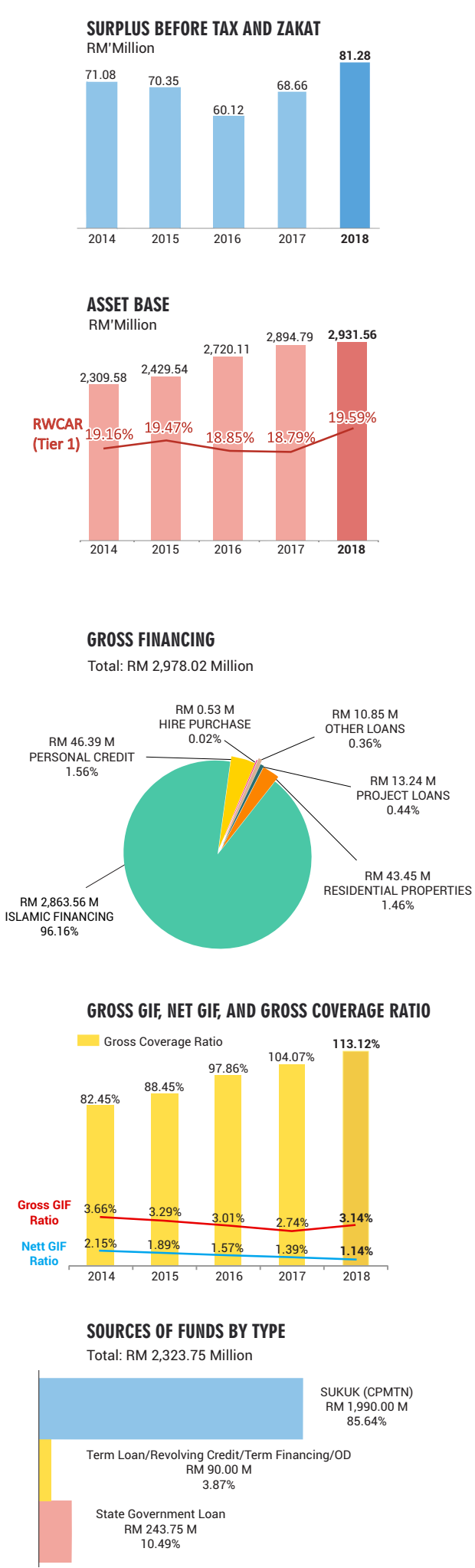
Statements of Financial Position as at 31 December 2018

Group		Corporation	
31.12.2018 RM	31.12.2017 RM	31.12.2018 RM	31.12.2017 RM
ASSETS			
Non-current assets			
Property and equipment	36,848,073	36,026,522	36,848,073
Investment in jointly controlled entity	5,543,316	4,123,199	4,123,199
41,521,061	42,391,389	40,149,721	40,971,272
Current assets			
Cash and bank balances	10,545,293	11,014,142	10,545,293
Deposits and placements with financial institutions	9,384,360	10,676,407	9,384,360
Financial assets at fair value through profit or loss	1,281,955	1,096,467	1,281,955
Tax recoverable	2,338,021	1,169,154	2,338,021
Other receivables, deposits and prepayment	11,582,416	8,863,369	11,582,416
Loans, advances and financing	2,817,272,197	2,857,223,484	2,817,272,197
2,890,043,023	2,852,404,242	2,890,043,023	2,852,404,242
2,931,564,084	2,894,795,631	2,930,192,744	2,893,375,514
TOTAL ASSETS			
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-current liabilities			
Borrowings	7,510,968	6,910,536	7,510,968
Debt securities issued	1,080,000,000	1,110,000,000	1,080,000,000
1,116,910,536	1,087,510,968	1,116,910,536	1,087,510,968
Current liabilities			
Borrowings	372,029,429	328,554,575	372,029,429
Debt securities issued	860,000,000	880,000,000	860,000,000
Other payables, provision and accrual	38,222,154	37,218,284	38,222,154
Overdraft	119,791	194,760	119,791
Tax payable	-	-	-
1,245,967,619	1,270,371,374	1,245,967,619	1,270,371,374
2,362,878,155	2,357,882,342	2,362,878,155	2,357,882,342
Total Liabilities			
Share capital	200,000,000	200,000,000	200,000,000
Retained earnings	336,913,289	367,314,589	335,493,172
568,685,929	536,913,289	567,314,589	535,493,172
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
2,931,564,084	2,894,795,631	2,930,192,744	2,893,375,514

Statements of Comprehensive Income for the financial year ended 31 December 2018

Group		Corporation	
31.12.2018 RM	31.12.2017 RM	31.12.2018 RM	31.12.2017 RM
Interest income			
Interest expense	219,040,463	228,492,186	219,040,463
Net interest income	(92,327,135)	(97,145,949)	(92,327,135)
Non-interest income	126,713,328	131,346,237	126,713,328
154,767,070	136,326,571	154,767,070	136,326,571
Operating expenses	(41,079,986)	(46,331,248)	(41,079,986)
Other gain/(loss)	68,886	(185,488)	68,886
Share of profits of jointly controlled entity	(48,047)	-	-
Depreciation	(2,789,618)	(2,873,985)	(2,789,618)
Impairment on loan and advances	(23,812,108)	(24,048,017)	(23,812,108)
Profit before taxation and zakat	68,665,698	81,328,332	68,713,745
Taxation	-	-	-
- Corporation	(21,728,933)	(21,994,254)	(21,728,933)
Zakat	(113,608)	(100,001)	(113,608)
Profit after taxation/total comprehensive income	46,823,157	59,234,077	46,871,204

5-YEAR FINANCIAL SUMMARY



“Accountability Index Rating ★★★★★ ”

“RAM Ratings: AA1/P1 With Stable Outlook”