

MEDIA RELEASE

CGC AND OCBC AL-AMIN INK COUNTRY'S FIRST SME WHOLESALE GUARANTEE

Guarantee will help to mitigate risks, improve lending capacity and augur well for the development of the unsecured SME financing business

Kuala Lumpur, 10 April 2014 – Credit Guarantee Corporation Malaysia Berhad (CGC) and OCBC Al-Amin Bank Berhad (OCBC Al-Amin) today inked the country's first SME wholesale guarantee, marking a milestone in the development of Malaysia's unsecured business financing efforts.

The *Wholesale Guarantee-i (WG-i)*, involving an initial tranche of RM250 million of OCBC Al-Amin's existing unsecured SME portfolio, sees the ratio of risk involved in the financing of businesses being shared equally between CGC and OCBC Al-Amin for a guarantee period of 5 years. Previously, the entire risk centred on the Bank.

Commenting on the scheme, CGC's President and CEO, Datuk Wan Azhar Wan Ahmad said CGC is confident the first-of-its-kind wholesale guarantee would augur well for the development of the unsecured SME financing business in Malaysia.

"CGC recognises the pertinent need to develop more innovative products to drive continual access to financing in line with its mandate to support SME



(L-R) Datuk Wan Azhar Wan Ahmad, President & CEO, Credit Guarantee Corporation; Encik Bakaruddin Ishak, Assistant Governor, Bank Negara Malaysia and Syed Abdull Aziz Syed Kechik, Director & CEO, OCBC Al-Amin Bank Berhad at the signing ceremony of Malaysia's first SME wholesale guarantee

development and creating outreach in a sustainable manner. We are confident that more banks will venture into unsecured financing as it provides a new edge for the banking industry by reducing risk on the books of financial institutions and freeing up capital to allow increased capacity for more SME financing.

“Unlike the existing guarantee schemes offered by CGC whereby the financial institutions decide on the need for the guarantee upfront, here the financial institution would have already underwritten loans based on its own criteria and programme under the WG. The fee charged on WG is relatively low compared to the other schemes offered by CGC and may be easily absorbed by the financial institution,” he said.

He stressed that to enhance the ability to continually provide access to financing, the financial institution can choose to subsequently place such loans into a WG, leveraging on the BASEL benefit accorded to any loans guaranteed by CGC whereby the risk weightage is only 20%.

“This would enable the financial institution to ‘free up’ capital whilst at the same time mitigate any unexpected risk. By balancing between the risks and the potential rewards to the provider, we are looking to help this positive trend in the industry to thrive,” Datuk Wan Azhar added.

He said more banks should consider providing innovative financing options as it ensures the ability of the banks to continually lend to SMEs with the benefit of a CGC guarantee.

OCBC Al-Amin became a prime mover of the initiative to make unsecured financing available two years ago when it introduced *OCBC Al-Amin Business Cash-i (BC-i)* in response to the alarming results of a Department of Statistics study where 55% of respondent SMEs cited lack of collateral as the biggest constraint to obtaining financing.

BC-i, which was introduced in 2012 and has since served over 5,000 customers, is the corporate equivalent of unsecured personal financing and is targeted at SME customers. It allows small and medium size businesses to take up unsecured term financing from as low as RM50,000 to a maximum of RM400,000 and is available at tenures of three to five years with rates as low as 5% per annum.

According to OCBC Al-Amin Director & CEO Syed Abdull Aziz Syed Kechik, *BC-i*, and thus *WG-i*, was developed in line with the increasing appetite from SMEs for unsecured term financing to fulfil their short to medium term business financing

needs. *BC-i* signals a marked innovation in Islamic banking as there is currently no conventional banking equivalent.

“Unsecured term financing was pretty much unthinkable in the past. Today we are recognising unsecured financing as a necessity and are pleased to accord this facility to businesses with established track records that can leverage on their sound financial statements. The facility is best suited for capital improvements, capital investments such as machinery and raw materials, and to support business growth where additional working capital is required.

“In general, term financing requires some form of collateral and a relatively rigorous approval process. *BC-i* is designed to remove these requirements so that worthy businesses have better access to short to medium term financing,” he said.

Elaborating on the merits of *BC-i*, Syed Abdull Aziz said SME owners, especially, often find themselves in need of additional funding to support continued business growth.

“Now they are able to fulfil this need through a facility that is collateral-free, simple to apply for, fast in terms of turnaround time and convenient,” he said.

Those applying for *BC-i* can expect approval within a week. Processing fees, CGC guarantees, financial statements, bank statements or statutory documents are not required when applying. In addition, there are no prepayment penalties or lock-in terms.

“We would like to play our part in the government’s plan for SMEs as a significant contributor to the country’s economic growth. The shared risk with CGC certainly aids in our quest to continue to be a long-term player in this space,” Syed Abdull Aziz added.

Those interested to find out more about or *BC-i* may call 1300 88 7000 or 1300 88 0255.

About CGC

Credit Guarantee Corporation Malaysia Berhad (CGC) was established on July 5, 1972. Current shareholders are Bank Negara Malaysia (major shareholder) and commercial banks. The core business focus of CGC is to assist SMEs, especially those without or with inadequate collateral and track record to obtain credit facilities from financial institutions by providing guarantee cover on such

facilities. CGC has cumulatively guaranteed more than 420,000 loans valued at close to RM52 billion since its establishment.

Today, CGC is well on track to achieve its financial sustainability agenda as envisaged under its business transformation plan. CGC has registered an increase in its net profits ranging from RM15.6 million in 2010 to RM160.8 million in 2012.

CGC, known as the 'credit firm for the small man' in its early years, focused on helping small enterprises in the agricultural, commercial and industrial sectors. As the Malaysian economy expanded over the years, the demand for CGC's guarantee services also grew in tandem. The range of products and services were also expanded to cater to larger credit facilities required by medium-sized SMEs. CGC's support for SMEs is not only confined to the provision of loan guarantees and financing facilities, but also credit information and credit rating services through its subsidiary Credit Bureau Malaysia. Through the Bureau, CGC assists SMEs to build a credit history and track record to enhance their credibility and bankability to secure financing on their own merit and at reasonable cost.

Other funds currently managed by CGC include the Green Technology Financing Scheme (GTFS) and the Bumiputera Entrepreneur Project Fund (TPUB-i) with a total allocation of RM3.5 billion and RM300 million respectively. CGC had managed a total of 42 guarantee schemes including 16 government-funded schemes. To date, 15 Islamic banks, 17 commercial banks and seven (7) development financial institutions (DFIs) are participating in CGC's guarantee schemes, providing customers with a wide network of more than 2000 branches nationwide to avail financing.

SMEs wishing to obtain more information on CGC may call its Client Service Centre at 03-78800088 or visit www.cgc.com.my.

About OCBC Bank

OCBC Bank is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. It was ranked by Bloomberg Markets as the world's strongest bank in 2011 and 2012.

OCBC Bank and its subsidiaries offer a broad array of specialist financial and wealth management services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking services.

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has a network of over 450 branches and representative offices in 17 countries and territories, including more than 330 branches and offices in Indonesia that are operated by its subsidiary, Bank OCBC NISP.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the largest insurance group in Singapore and Malaysia by assets. Its asset management subsidiary, Lion Global Investors, is one of the largest private sector asset management companies in Southeast Asia. Private banking services are provided by subsidiary Bank of Singapore, which continued to gain industry recognition in 2011 including being voted "Outstanding Private Bank in Asia Pacific" in 2013 by Private Banker International.

OCBC Bank offers Islamic banking products and services in Malaysia through its wholly-owned subsidiary, OCBC Al-Amin Bank Berhad.

For more information, please visit www.ocbc.com.my