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CHAIRMAN'S MESSAGE

**Dear
Shareholders,**

On behalf of the Board of Directors, I am pleased to present to you the 2021 Annual Report of Credit Guarantee Corporation Malaysia Berhad (CGC).

**DATO'
MOHAMMED
HUSSEIN**

Chairman

INTRODUCTION

Malaysia's transition to the COVID-19 endemic phase on 1 April 2022 allows us to return to a sense of normalcy after two years of disruption.

The global health crisis critically impacted the backbone of our nation's economy, 1.15 million micro, small and medium enterprises (MSMEs). They make up 97.2% of total business establishments and employ 70% of the country's workforce. Historically, MSMEs' gross domestic production (GDP) growth has always been higher than Malaysia's GDP growth. In 2020, according to the Department of Statistics Malaysia, for the first time in 17 years, MSMEs' GDP growth registered a negative 7.3%, lower than Malaysia's GDP of negative 5.6%. Our MSMEs only contributed 38.2%, or RM512.8 billion, to GDP.

Thus, for CONGRUENCE. Meeting MSMEs' Needs, Enhancing Internal Capabilities, CGC's 2021 theme, we needed to strengthen our focus and efforts, ensuring that we partner our MSMEs through their rebuilding and reinventing stages. We must enhance our internal capabilities and create alignment and congruence with the needs of our stakeholders.

CREATING CONGRUENCE

CGC has always been consistent in setting our priorities and strategies i.e. to fulfil our mandate to develop and empower MSMEs. Whilst that objective remains, MSMEs' changing requirements challenge us to upgrade our own internal capabilities to match their needs.

Therefore, in 2021 most of our efforts focused on facilitating business rehabilitation and recovery, through constant engagement and providing access to the Bank Negara Malaysia (BNM) Targeted Relief and Recovery Facility (TRRF) and Targeted Repayment Assistance (TRA) programmes, including the 6-month moratorium and rescheduling and restructuring of loan obligations. We strongly supported guarantee schemes, especially the nine BNM initiatives. These included their Fund for Small-Medium Enterprises, the Business Recapitalisation Facility (BRF) and the Low Carbon Transition Facility (LCTF).





Whilst that objective remains, MSMEs' changing requirements challenge us to upgrade our own internal capabilities which are aligned to their new needs. This will ensure that CGC will be in a state of organisational readiness to continue our role as a catalyst in the MSMEs' focus on rebuilding and reinventing their businesses. Hence the theme Congruence. Meeting MSMEs' Needs, Enhancing Internal Capabilities.



MEETING MSMEs' NEEDS

Many MSMEs were caught off guard by the COVID-19 pandemic, leaving them unable to sustain their businesses through the prolonged health and economic crisis. Yet the crisis made it imperative for businesses to reconfigure their operations. As you will see in our MSME stories highlighted in this Annual Report, opportunities also arose for MSMEs at this time to transform their businesses. While they had to stretch themselves to adapt swiftly to changing market conditions, learning to be flexible, we at CGC were right with them.

We, too, adapted to meet their evolving requirements, taking our cue from their new needs. Indeed, we had to reshape processes, give leeway on repayment schedules, and adopt even more inventive, innovative measures. All to ensure that MSMEs became not only more resilient, but also more competent and progressive in their outlook.

ENHANCING INTERNAL CAPABILITIES

The onus on CGC is to now re-examine our understanding of MSMEs' revised needs and come up with the right approach to meet them. This right approach has to be comprehensive i.e. how we evaluate their business proposals and come up with the right business solutions, and how we monitor their progress. To do this, our current tools and approach may not be applicable. We have to come up with new tools. And new tools require new skills on our part. This requires proper training to change the way our staff think, develop more empathy and understanding, and how to apply the new tools properly. It is therefore imperative that we do all this so that we can achieve better organisational readiness, and achieve congruence with our customers' varied needs, including those in the gig economy - predicted to be a major growth sector.

A MORE INCLUSIVE APPROACH TO DEVELOPING THE BUMIPUTERA BUSINESSES

We remain committed to our Bumiputera agenda, with a focus on building their competencies. We believe that to achieve resilience and sustainability, the Bumiputera businesses must be backed by competency. Our strategy for developing Bumiputera businesses is therefore two-pronged, to focus on competency-



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backed Bumiputera businesses and to encourage partnerships with other Malaysians, in the spirit of Keluarga Malaysia. But these must be substantive partnerships i.e. where all partners, including the Bumiputera partners, are actively involved, because competency can only be acquired by way of experience through active participation. We will focus on joint ventures between different ethnicities, to capitalise on each other's strengths. We believe Bumiputera economic participation solely based on sharing equity, even with majority ownership, is not sustainable in the long term unless backed by competency.

In November 2021, we introduced nine special Merdeka Awards at our virtual 26th Financial Institution/Development Financial Institution (FI/DFI) & SME Awards 2020. The awards recognised our MSMEs with multi-racial partners, reflecting Malaysia's potential for diversity in unity.

Last year's Ernst & Young study on what the world's MSMEs want to be revealed the significance of digital and financial savviness for future businesses. Its findings show that, while Malaysia scores way below Indonesia and Vietnam at 15% against the 26% global average in digital savviness, we score higher at 53%, bettering global (41%), Indonesian (37%) and Vietnamese (41%) financial savviness.

Needing to expand our range of competencies, CGC's vision is to build a digitally savvy organisation. The pandemic requires that we accelerate the pace of our digital transformation. This will be another major focus in the current year.

INTEGRATED ECOSYSTEM

Our national recovery agenda encompassed in the Twelfth Malaysia Plan 2021-2025 aims to restore economic stability, as well as holistically regenerate and reinvigorate national economic growth. With the objective of building a prosperous, inclusive, sustainable Malaysia, Theme 1 of the Plan is Resetting the Economy, where Game Changer III focuses on transforming MSMEs into new growth drivers.

Prioritising MSME digitalisation in the national agenda enables MSMEs, including Bumiputera entrepreneurs, to transform, compete and penetrate global markets. With imSME, to broaden CGC's positioning in the MSME ecosystem, our Guarantees with Partner Ecosystems Initiative began

in 2021, introducing new Portfolio Guarantee schemes with alternative financiers (fintech players).

To navigate the aftermath of pandemic uncertainties, an integrated MSME ecosystem is essential, creating value and collaboration, each ecosystem partner leveraging on each other's strengths.

DISPOSAL OF DANAJAMIN NASIONAL BERHAD

In November 2021, CGC disposed of our 50% interest in Danajamin Nasional Bhd to Bank Pembangunan Malaysia Berhad as part of a DFI-rationalisation process. The 50% interest in Danajamin, amounting to RM500 million, was CGC's initial and final subscription when Danajamin was incorporated in May 2009. The sales consideration amounted to RM940 million. The net surplus amounting to RM440 million has been channelled into our Special Reserve Fund to fund our growth and various programmes.

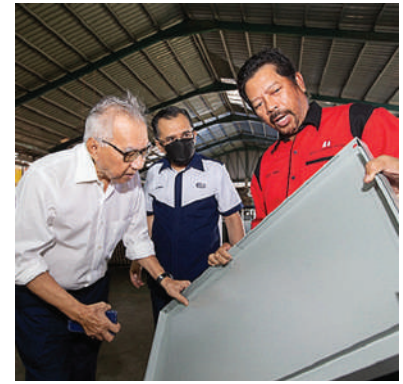
We thank the past and present Danajamin Berhad Board and Management for their astute management and enhancement of Danajamin's value leading to a substantial gain for CGC. We also wish the Board, Management and staff of Danajamin all the very best in its new, expanded role in the DFI-rationalisation process and as part of the Bank Pembangunan Malaysia Group.

ACKNOWLEDGEMENTS

I wish to thank the Ministry of Finance and Bank Negara Malaysia for their continuing strong support for CGC in carrying out our mandate. Our 2021 achievements with our stakeholders and strategic financial industry partners in the MSME ecosystem reflect the close cooperation we enjoy with our partners and stakeholders.

On behalf of the Board, we express our sincere appreciation to the Management team led by Datuk Mohd Zamree Mohd Ishak, President/CEO of CGC, for steering CGC through these difficult and challenging times.

I would also like to extend our gratitude and appreciation, on the Board's behalf, to Datuk David Chua Kok Tee, who retired from the Board in February 2022. In his 9-year tenure as an Independent Non-Executive Director, he served on many Board committees and contributed immensely to CGC in carrying out our mandate.



CGC also bid farewell to Adnan Zaylani Mohamad Zahid, our Board's Non-Independent Non-Executive Director for the last three years, who resigned on 19 April 2022. He brought his 28 years of stellar experience in investment operations and financial markets at Bank Negara Malaysia to the betterment of our work.

I would like to take this opportunity to welcome Anthony Lim Choon Eng as CGC's new Independent Non-Executive Director, effective 1 April 2022. With stellar academic qualifications, he comes on board with over 35 years of experience in the banking and finance industry, guided by invaluable service in key management positions in treasury and business banking, along with investment banking and risk management.

Please also welcome Suhaimi Ali, recently appointed as Bank Negara Malaysia's Assistant Governor on 1 April 2022, as our new Non-Independent Non-Executive Director. He comes on board with 24 years of experience comprising financial sector development, regulation and supervision, strategic planning, market conduct, international negotiations and IT services, as well as in the Bank Negara Malaysia Governor's Office. We look forward to his significant contribution to our Board, effective 28 April 2022.

Lastly, I extend my utmost appreciation to my fellow Board Members, Management and CGC employees for their continued dedication.

With our various planned initiatives for 2022 to further align ourselves to the needs of the MSMEs, we are confident that we can further fulfil our role in the ecosystem to develop and empower MSMEs.

Dato' Mohammed Hussein
Chairman