



CREDIT
GUARANTEE
CORPORATION
MALAYSIA
BERHAD

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IN CONVERSATION WITH PRESIDENT/ CEO

Dear Shareholders,

As I was penning my thoughts for this annual report, many countries had begun loosening COVID-19 restrictions and reopening their borders. Malaysia itself was preparing to enter the endemic phase and businesses were gradually resuming full operations. Since the beginning of the pandemic, CGC has been supporting our Malaysian MSMEs and up to 31 December 2021, we had committed over RM11 billion to them in the form of guarantee and financing.

**DATUK MOHD ZAMREE
MOHD ISHAK**

President/Chief
Executive Officer



INTRODUCTION

Growth prospects look optimistic, despite the protracted pandemic uncertainties, as most recent data show a growing global economy, albeit at a restrained pace. In 2021, global economic growth rebounded to 5.5%, and the Malaysian economy to 3.1%. Also, World Bank's Doing Business 2020 report ranked Malaysia 12th among 190 economies, and second in South East Asia. The Malaysian economy is expected to improve between 5.3% and 6.3% growth in 2022.

In CGC 2020 Annual Report, I mentioned that 2020 was a year like no other. As we entered 2021, much hope was placed for a better year as vaccine rollout commenced. Nevertheless, that hope was dampened due to uneven vaccine roll out which saw richer nations getting theirs earlier which in turn resulted in uneven economic recovery throughout the world.

We were still addressing many issues originally addressed in 2020, but the 2021 prescription was different. Since the beginning of the health crisis, we realigned our strategies supporting our MSMEs by expediting our operational readiness to align with the Government's 6R National Economic Recovery Strategy (Resolve, Resilient, Restart, Recovery, Revitalise and Reform).

In 2020, we assisted our MSMEs with BNM's Special Relief Fund (SRF), BizJamin and BizJamin-i SRF schemes. The 6-month moratorium, with rescheduled and restructured loan commitments, also helped alleviate short-term cash-flow impediments. We then pivoted toward Recovery, rehabilitating businesses with the Short-Term Economic Recovery Plan (PENJANA).

The focus in 2021, was more on the last two stages, Revitalise and Reform, by participating in the National Immunisation Programme (NIP) and BNM initiatives such as Targeted Relief and Recovery Facility (TRRF), High Tech Facility - National Investment Aspirations (HTF-NIA) and Micro Enterprise Facility (MEF).

2021 PERFORMANCE

Q1

How would you describe CGC's FY2021 performance? What were the most notable achievements?

Our stakeholders were appreciative, commending CGC for our unstinting efforts since the pandemic began and throughout 2021. We will continue with our efforts to build stronger, more resilient MSMEs in Malaysia.

We hoped for a better year in 2021 and, despite the pandemic's still-lingering aftermath, CGC performed well in FY2021. We recorded more than 90% achievement for all our Headline Targets. Our total outreach for FY2021 also increased to RM6.1 billion, with over 20,000 approvals. Another notable achievement I wish to highlight is our CGC 5-Year Strategic Plan 2021-2025. We have progressed significantly in strengthening our digital foundation for the Strategic Plan. Four prerequisites were completed in 2021 while two Strategic Initiatives and two Digital Initiatives began.

FY2021	Target 2021	Actual 2021	Achievement
Guarantee & Financing Base (RM billion)	16.4	15.0	91%
Number of MSMEs Assisted	46,000	49,000	107%
Guarantee Reserve Ratio (times)	1.7	1.7	100%
Digitally Active Customers (%)	50	48	96%

Q2

How did CGC respond in terms of financial assistance to businesses and relief aid to those affected by the extensive December 2021 floods?

Most MSMEs were just beginning their recovery after the numerous, extended COVID-19 lockdowns when the December 2021 floods caused further business disruption to around 18,000 MSMEs. The Department of Statistics Malaysia reported the overall losses due to the floods at RM6.1 billion.

However, the COVID-19 crisis prepared us for unforeseen events, and CGC was swift in aiding flood-affected MSMEs. Our direct financing scheme, BizBina-i financing, became available to existing CGC customers whose business operations had been affected by floods. To alleviate the financial burden and assist MSMEs to resume operations following this disaster, a 1.5% per annum profit rate reduction and an extended tenure to 5.5 years with six months' moratorium were provided. Additionally, through BNM's Disaster Relief Facility (DRF), CGC provided up to RM500 million worth of guarantees. Here, affected MSMEs directly applied to participating partner financial institutions.



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Q3

CGC is committed to the UN Sustainable Development Goals (SDGs). What were some key initiatives implemented in line with this pledge?

We tirelessly support all 17 UN SDGs, with a special focus on the 11 directly aligned with CGC's purpose and aim. Our Corporate Social Responsibility (CSR) initiatives, with selected NGOs, align with these goals to assist and offer relief to deserving underprivileged communities.

Other than our CSR activities, we promote the Green Technology Financing Scheme (GTFS), a special scheme that the Government introduced to support Malaysia's green technology development. We offered guarantees worth RM292 million in approvals. In support of SDG 10, Reducing Inequalities, we provided RM17 million under BizWanita-i to 297 women-owned MSMEs. Along with RM1.7 million worth of BizMikro-i financing to 304 micro-enterprises.

CONGRUENCE.

Meeting MSMEs' Needs, Enhancing Internal Capabilities

Q4

What were the most difficult business and leadership lessons learned in 2021 in taking steps to overcome COVID-19's prolonged challenges?

In the current situation that leaders and businesses face, I strongly believe that once leaders decide, they must execute their decision with full conviction. Without vacillating, going back and forth, wracked with doubt and changing their minds when a problem surfaces.

With uncertainty a constant, when we discover a solution, I am convinced of the best course of action. To address all the areas affected by our decision, the 5W1H principle always guides my team and me: Who, What, Where, When, Why and How. We always return to the basics, too - the four management principles of planning, organising, leading and controlling.

In terms of overcoming the prolonged COVID-19 challenges, we kept our staff informed and engaged, and prioritised their health and safety. We also scaled up our human resource capabilities by enhancing skills with training, reskilling, and increasing proficiency levels.

When critical situations arise, such as staff members and their families contracting the virus or being a close contact, we have a high preparedness level in place to deal with the situation immediately.

Q5

With the financial inclusion agenda remaining a top priority, how did CGC further help viable MSMEs to access financing?

BNM's Financial Sector Blueprint 2022-2026, complementing the Twelfth Malaysia Plan, was launched at MyFintech Week 2022. The Blueprint's strategies set the vision for the nation's financial sector development as a catalyst for reform, drive sustainability and contribute to our collective aspiration toward a 'Prosperous, Inclusive and Sustainable Malaysia.'

New technological applications, broader shifts to digital channels and the emergence of new business models have opened up exciting possibilities for better financial services. One of the Blueprint's five strategic thrusts is to advance financial sector digitalisation. Our imSME, Malaysia's first SME financing referral platform, has grown in purpose and reach since its launch. The one-stop centre, digitally tailored for MSMEs, by 31 March 2022 had attracted over two million visitors, with 55,250 registered MSMEs. We recorded 4,955 under total approved financing, amounting to RM510 million. Since Malaysia's first Movement Control Order (MCO) in 2020, we saw average daily visitors increase by up to 2,100.



Q6

What were the key touchpoints of 2020 and 2021 that you think will lead to better years ahead?

The pandemic has, unexpectedly, taught us to play our individual roles in a concerned collective. Almost everyone plays their part by following SOPs, by being disciplined and unselfish. You protect yourself and you protect others.

The national vaccination effort has been a key touchpoint in the last two years. By early November 2021, Malaysia ranked 10th in the world, with 77% of the total population fully vaccinated. As for us, 99% of our staff have been vaccinated and every Friday I receive a status report on staff infection and recovery rates.

Along with our Revitalising efforts, two new BNM Fund for SMEs facilities funds were released on 3 February 2022. The Business Recapitalisation Facility (BRF) aims to support MSMEs' recovery with innovative financing solutions via improvements in their MSME capital structure. We are also participating in BNM's Low Carbon Transition Facility (LCTF), established to support MSMEs adopting sustainable, low-carbon practices.

COUNTERCYCLICAL INITIATIVES: THREE-PRONGED APPROACH

Q7

Why was it imperative for CGC to promote countercyclical initiatives for MSMEs?

After an unprecedented year like 2020, we assisted our MSMEs rebuild and reinvent their businesses with various available schemes such as BNM's Targeted Relief and Recovery Facility (TRRF) for working capital. CGC assistance to 9,031 MSMEs was valued at RM2.9 billion. Other schemes in which we participated include High Tech Facility – National Investment Aspirations (HTF-NIA) financing to affected high tech and innovation-driven MSMEs, and the Disaster Relief Facility (DRF) to alleviate flood-affected MSMEs' financial burden and enable them to resume their business operations.

Our countercyclical measures helped offset the effects of the prevailing economic cycle. We closely monitored our 3-pronged strategies created to enhance access to financing and immediate support for MSMEs. For our guarantee schemes we offered both subsidised schemes and higher guarantee cover. For our direct financing schemes we lowered profit rates and offered a higher financing margin, especially for our BizBina-i and BizMikro-i schemes.

To ease MSMEs' financial responsibilities, our loan moratoriums, targeted repayment assistance and rescheduling and restructuring (R&R) facility offered a reprieve. More than 90% of our MSMEs benefitted from this breathing space to rebuild their cash reserves. We also nurtured our MSMEs with targeted government support in building capacity and capability. This we did by increasing their resilience and building their digital presence through our targeted CGC Developmental Programme™, mentoring workshops and market access initiatives.



All initiatives are in line with our 5-Year Strategic Plan 2021-2025 and the third Financial Sector Blueprint 2022-2026 Thrust 1 to fund Malaysia's economic transformation. It is imperative for CGC to promote countercyclical initiatives as an active contributor in a supportive credit guarantee ecosystem.



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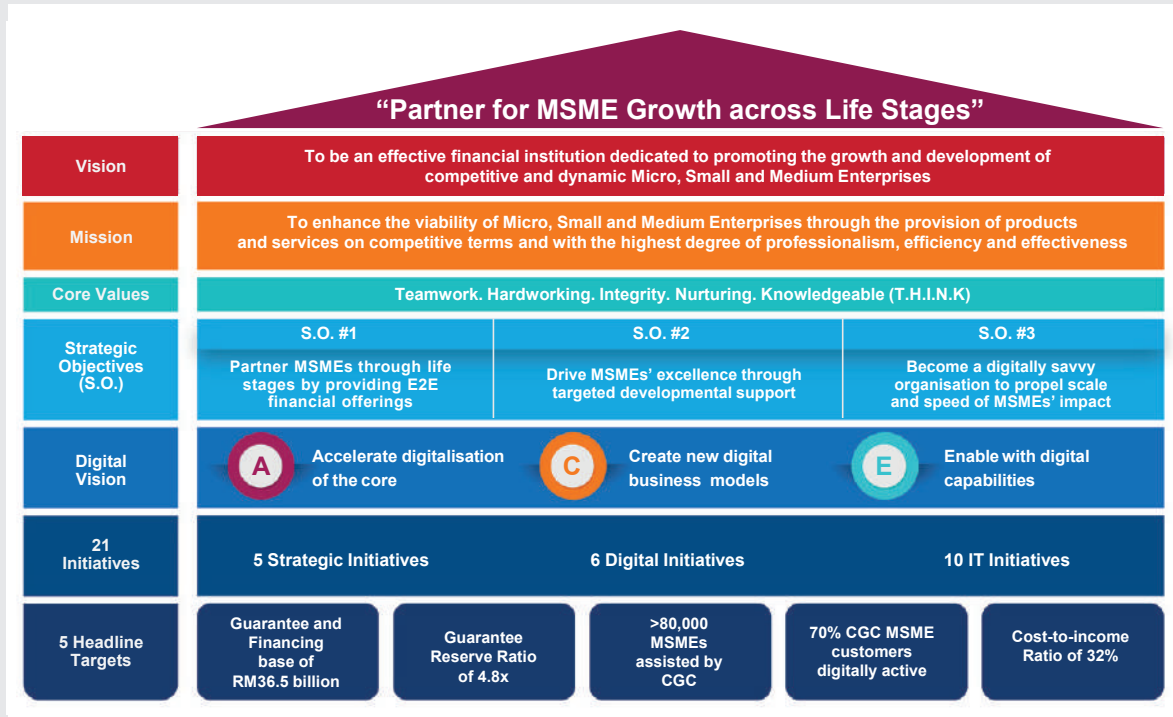
CGC's 5-YEAR STRATEGIC PLAN 2021-2025

Q8

What is the key focus of CGC's 5-Year Strategic Plan 2021-2025? How do you plan to catalyse CGC's internal capabilities, as well as MSME growth across their different business life stages?

We performed well in our previous 5-Year Strategic Plan 2016-2020, as we brought that plan to a close in 2020 by achieving a number of its Headline Targets, while exceeding others. Among our most notable accomplishments were doubling our outreach, in terms of MSMEs served, from 2015 to 2020. As we did with our outstanding Guarantee and Financing base, both in terms of value and raising the total number of accounts to 42,000 in 2020. Our brand awareness also increased by 31% from the previous year and our Beyond Guarantee initiatives, consisting of CGC Developmental Programme™, imSME and myKNP, grew considerably.

In our 5-Year Strategic Plan 2021-2025, we want to be even bolder and more ambitious, acting as a catalyst and leveraging our previous Plan's foundation.



CGC's 5-Year Strategic Plan 2021-2025 was developed with the aspiration to be the 'Partner for MSME Growth across Life Stages', after becoming 'the Household Name for SMEs by 2020'. This aspiration is supported by our vision and mission, dedicated to promoting MSME growth and development. In enhancing MSMEs' viability, we provide them with competitive terms, products and services.

Our 'T.H.I.N.K' core values are Teamwork, Hardworking, Integrity, Nurturing and Knowledgeable. These underpin who we are, what we believe in and how we relate to our stakeholders and each other. In realising the Corporation's aspiration, three Strategic Objectives (S.O.) have been identified:

S.O. #1	S.O. #2	S.O. #3
Partner MSMEs through life stages by providing E2E financial offerings	Drive MSMEs' excellence through targeted developmental support	Become a digitally savvy organisation to propel scale and speed of MSMEs' impact

Our Plan is in accord with the five Strategic Thrusts of the Financial Sector Blueprint 2022-2026 and will support the outcomes. The initiatives and plans will contribute directly and indirectly in several aspects identified in the Blueprint. Year 2021 marked the beginning of the journey toward partnering our MSMEs' growth across their life stages.

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Q9

What was the groundwork laid down in 2021 to ensure the execution of the 5-Year Strategic Plan 2021-2025?

One of our key digital initiatives last year was developing imSME Rebuild to further drive efficiency through automation and process changes. CGC is optimistic about achieving its long-term corporate goal of imSME becoming its main digital engagement channel, covering all three Strategic Objectives mentioned above. Further progress is expected in 2022 when E2E Digital Direct Financing will establish a fully digitalised direct financing process and provide a seamless digital customer experience for faster application turnaround.

In addition, our Guarantees with Partner Ecosystems Initiative commenced in 2021, introducing new Portfolio Guarantee (PG) schemes with alternative financiers in the

fintech arena. Expanding partnerships to broader ecosystems will drive business growth, as well as offering financing support and non-financial assistance to MSMEs. This initiative is slated to further expand in 2022, when CGC aims to form new partnerships with more alternative financiers such as P2P, digital banks and other fintech players.

Additionally, E2E Support for Digital Adoption for Advisory & Financial was established in 2021 with engagement with start-up accelerators and potential digital toolkit providers. As their engagement and development progress, the launch of digital training and workshops to MSMEs through partnerships with accelerators is scheduled for end-2022.

Q10

How are you progressing with CGC's digital vision? How does it help in building an inclusive, competitive, transformative digital economy and platform internally, as well as the MSMEs you support?

One of CGC's 5-Year Strategic Plan 2021-2025's key focus was to speed up our digital transformation journey. The Digital & Transformation Office (DTO) was set up to drive the strategic and digital transformation, while embedding the new culture and ways of working. Additionally, CGC established its Agile Procurement Process by revising the Approving Authority Matrix (AAM) for the Strategic Plan 2021-2025 to be more feasible and realistic, implementing faster Agile project execution. All planned training sessions were also completed to improve stakeholders' digital competencies and to familiarise themselves with Agile culture. Finally, Agile toolkits were procured, on top of upgrading CGC's IT infrastructure.

Furthermore, the new Human Resource Management System (HRMS) named SMART People was completed in 2021. This initiative aims to drive a new way of working for CGC to emerge as a stronger organisation building a resilient workplace, supporting our 5-Year Strategic Plan. It also allows seamless virtual monitoring of staff performance, in line with CGC's health and safety measures, and inculcates a performance-driven culture among our employees nationwide. These enhancements aim toward employee development goals to ensure better engagement, increased productivity and a high-performance culture in CGC.

ACKNOWLEDGEMENTS

The pandemic and its repercussions and disruptions are propelling businesses and people out of their comfort zones. The crisis also gave rise to a wave of innovation and a new generation of entrepreneurs, capitalising on digitalisation. Companies, too, have had the opportunity to reconfigure and transform their operations to be more productive. Businesses are building resilience, embracing opportunities to create a business landscape for a more digitalised, entrepreneurial and sustainable future.

With our Strategic Plan 2021-2025 as our foundation, together with our stakeholders, partners and MSMEs, we have created congruence in the MSME ecosystem that effectively assists in meeting MSMEs' needs while enhancing internal capabilities.

With this, I sincerely thank all our stakeholders, valued customers, Federal and State Governments, Bank Negara Malaysia, our strategic partners in Malaysia's MSME ecosystem, and our Board of Directors for their sound counsel. Last but not least, my colleagues for their continued belief and trust in what we do.

With uncertainty still swirling around us, CGC has stayed on course. We are not just bouncing back, but bouncing beyond, with accelerated momentum. At the last two stages - Revitalise and Reform - of the 6R National Economic Recovery Strategy, more than ever we are committed to delivering our mandate. And committed to change.

With full conviction and resolve,

Datuk Mohd Zamree Mohd Ishak
President/Chief Executive Officer