

# IN CONVERSATION WITH PRESIDENT & CHIEF EXECUTIVE OFFICER



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## DEAR SHAREHOLDERS,

The year 2022 was a special one for CGC as we celebrated our 50<sup>th</sup> Anniversary, half a century of consistently striving to fulfil our mandate to serve the unserved and underserved MSMEs. In his message, Dato' Mohammed Hussein, CGC Chairman mentioned the Corporation's contribution to the MSME ecosystem, and I wish to reaffirm CGC's commitment to continuing to deliver our mandate by providing both financial and non-financial assistance. By realising this intention, we play a pivotal role in our nation's economic growth and development, job creation and poverty reduction. In penning my thoughts for this annual report, I would like to first express, on behalf of everyone at CGC, our utmost appreciation to all well-wishers, especially Malaysian MSMEs - our *raison d'être*.

**DATUK MOHD ZAMREE MOHD ISHAK**  
President & Chief Executive Officer

ANNUAL  
REPORT  
2022

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## INTRODUCTION

Malaysia's economy in 2022 surged by 8.7% as a result of elevated expenditure, in both the private and public sector, buoyed by the resumption of economic activities, despite a slower pace of global economic expansion. This remarkable growth attests to the resilience of Malaysia's economy, which weathered the challenges posed by the pandemic. It also underscores the effectiveness of the measures taken to revive the economy. The robust performance of the private and public sectors is testament to investor, consumer and business confidence in the economy. In addition, it demonstrates the government's commitment to fostering a conducive environment for sustainable economic growth.

In its 2023 Business Outlook, a Malaysian bank reported that a significant proportion of MSMEs in Malaysia witnessed a surge in their revenues in 2022. The report highlights that 71.6% of MSMEs in the country experienced a year-on-year increase in their revenues, with nearly half of the businesses (46%) reporting that their revenues had either returned to pre-pandemic levels or even surpassed expectations. The report's positive outlook shows Malaysian MSME resilience, adapting to the changing business landscape and taking advantage of new opportunities to bolster their revenues. Some of our MSME stories featured in this Annual Report 2022 reveal similar traits, as their businesses have improved and expanded with new ideas, channels, customers and markets, post-pandemic.

Nevertheless, I must acknowledge that 2022 was full of challenges. The global economic slowdown, the persistent pandemic and inflationary pressures have significantly impacted our business and the broader economy. While the recovery and ongoing development of the MSME sector in the country are promising, it is a pressing need to adopt strategies to enhance its resilience and prepare it for future uncertainties to ensure sustainable growth.

## PERFORMANCE 2022

**Q1: How would you describe the challenges and achievements of CGC's 2022 performance?**



**As a team, we tackled the numerous challenges head-on, demonstrating our resilience, empathy and creativity. By collaborating closely with our strategic partners, we provided Malaysian MSMEs with the necessary support and guidance to navigate these uncertain and turbulent times. I am proud of how our team has stepped up to meet the demands of the circumstances.**



Our dedication to our mission of supporting MSMEs is reflected in the growth of our guarantee portfolio. The guarantee and financing base (including Government-Backed Schemes) grew from RM20.9 billion in 2021 to RM21.9 billion in 2022. This represents a 92% achievement compared to the RM23.9 billion target set for the year, as seen in the table below. In 2022, we produced a commendable performance of over 90% for the four key areas.

### Guarantee & Financing Base (RM billion)

TARGET 2022	ACTUAL 2022	ACHIEVEMENT
<b>23.9</b>	<b>21.9</b>	<b>92%</b>

### Guarantee & Financing Base (Number of Accounts)

TARGET 2022	ACTUAL 2022	ACHIEVEMENT
<b>67,543</b>	<b>65,056</b>	<b>96%</b>

### Number of MSMEs Participating in Targeted Developmental Support

TARGET 2022	ACTUAL 2022	ACHIEVEMENT
<b>1,040</b>	<b>1,342</b>	<b>129%</b>

### Guarantee Reserve Ratio

TARGET 2022	ACTUAL 2022	ACHIEVEMENT
<b>1.7</b>	<b>1.7</b>	<b>100%</b>

The above achievements demonstrate the effectiveness of our outreach efforts, enabling more businesses to access credit and to expand operations. To better reach and serve targeted MSME segments, we made a significant decision in 2022 to change the approach of "HOW" we serve segments like micro-entrepreneurs, women entrepreneurs and start-up businesses. Instead of directly financing them through our BizMikro-i, BizWanita-i, and BizMula-i schemes, we will focus on guaranteeing the financing provided by our partner FIs and DFIs to these segments.

We are pleased to report that our 2022 performance was in line with our expectations, with sufficient provisions for expected credit losses. This assures us that we have resources to cover potential losses and to continue providing guarantees to MSMEs in need.

## BUILDING RESILIENCE, ENHANCING SUSTAINABILITY

**Q2: How did CGC extend the resilience of its core businesses to achieve long-term, sustainable growth, while assisting MSMEs to build their own resilience?**



Our strategic objectives have been the cornerstone of our success, guiding us to expand our financial offerings and improve our developmental support programmes to better serve Malaysian MSMEs. To become a more digitally adept organisation and increase our efficiency, we invested significantly in technology throughout the year. On 5 July 2022, CGC's anniversary, we established CGC Digital Sdn Bhd, driving our digital transformation to expedite delivery of our digital initiatives.



To achieve our goals, we continue to strengthen our financial position and fulfil our responsibilities as a developmental financial institution. Our Guarantee Reserve Ratio (GRR) and Capital Adequacy Ratio (CAR) remain strong, an indication of our ability to meet our obligations while upholding financial stability.

As part of our financial inclusion initiatives, we continue to offer the CGC Developmental Programme®. This focuses on Financial and Non-Financial Advisories, in collaboration with strategic partners such as Agensi Kaunseling dan Pengurusan Kredit (AKPK) and Financial Education Network (FEN). The objective of the programme goes beyond financial access by targeting education and financial literacy for MSMEs, enabling them to stay up-to-date with industry trends and increase their resilience in the current challenging market conditions.

**Q3: How do sustainability strategies benefit stakeholders and Malaysian MSMEs, and how does CGC promote ESG principles to MSMEs?**

CGC recognises its vital role in creating a better future for all, in alignment with the Financial Sector Blueprint 2022-2026. To remain resilient in meeting economic, environmental, social, and governance challenges, we have established our own Sustainability Framework.

CGC fully supports the 12<sup>th</sup> Malaysia Plan's target of a 45% reduction in emissions intensity by 2030. Furthermore, we prioritise sustainability in our strategic plans, practices and aspects of our business to inform our employees and stakeholders about its importance. We are dedicated to reducing our carbon footprint, promoting sustainable products, and offering financial services that encourage

eco-friendly business practices and responsible consumption. Our support for Bank Negara Malaysia's Low Carbon Transition Facility (LCTF), and other sustainability-focused programmes aimed at benefiting MSMEs, demonstrates our commitment to this cause.

Due to increasing demand for green financing and ESG compliance to trade internationally, CGC recognises the importance of reinforcing our support in this domain. We believe that fostering meaningful partnerships is critical in achieving our sustainability goals. By collaborating further with our strategic partners in the MSME ecosystem, we can create more sustainable Malaysian MSMEs.

## ADVANCING BEYOND GUARANTEE

**Q4: What are CGC's focus areas for the next three years of your 5-Year Strategic Plan 2021-2025?**

As we begin the third year of our 5-Year Strategic Plan 2021-2025, it is crucial for us to improve our capacity to execute our top-priority initiatives. Our aim is to remain dedicated to being the "Partner for MSME Growth across Life Stages," and we will concentrate on enhancing our performance, preparedness, and adaptability to meet the changing needs of MSMEs. Our focus is on advancing our Transformation Journey by improving our organisational efficiency, engaging our employees, and customising our products and services.

As part of our 5SP, we aim to strengthen and innovate our guarantee schemes, as well as expanding partnerships with FIs, DFIs, Digital Banks, P2P players, ECF and alternative financiers. Our goal is to enhance developmental support to MSMEs through imSME, the CGC Developmental Programme® and MyKNP to help them access financing and improve their capabilities for business sustainability. We fully support the Financial Sector Blueprint 2022-2026 and our role as a DFI in empowering MSMEs to achieve the nation's aspirations.

**Q5: What are CGC Digital's aims to advance financial sector digitalisation, in line with one of the five strategic thrusts of BNM's Financial Sector Blueprint 2022-2026?**

In 2022, we placed strong emphasis on accelerating our digital transformation. Our aim with CGC Digital is to serve as a centre of digital innovation. Here we can develop a comprehensive strategy that puts MSME needs at the forefront of all our initiatives. Our goal is to add value into the MSME ecosystem that benefits all stakeholders. As a data and technology company, CGC Digital will create digital platforms and solutions to empower MSMEs to grow and reach their full potential.



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## AMPLIFYING CAPABILITIES

### Q6: What initiatives did CGC implement in 2022 to continue building internal capacity to focus on strengthening operational readiness?

In order to enhance operational readiness and build the necessary capacity and capability, at CGC we are taking a variety of deliberate steps. Given the rapidly changing business landscape, it is crucial for our staff to possess appropriate skills that complement new tools and better serve MSMEs. We have tripled the number of learning modules offered and invested a higher allocation for organisational learning programmes compared to 2021.

We have made selected e-learning modules compulsory, covering operational excellence, capitalising on opportunities, and nurturing talent. Our employees are continuously supported in enhancing their technical and soft skill capabilities through various learning modes, including face-to-face, online, e-learning, and hybrid.

Moving forward in 2023, we will continue to place greater focus on leadership, digitalisation, sustainability, and competency-based structured development programmes, especially for advisory and credit family training.

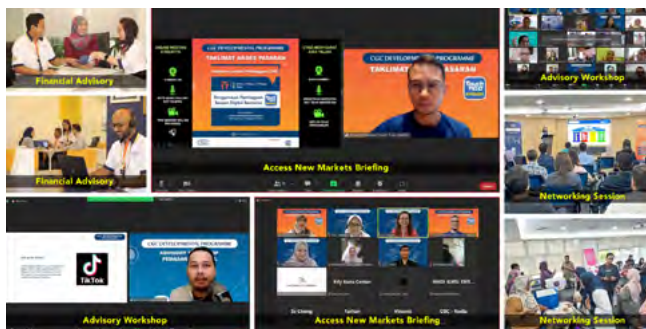
### Q7: How can CGC further promote the growth and development of MSMEs?

Our CGC Developmental Programme® is a key initiative in our efforts to promote MSME development, with a focus on three main pillars: Financial Advisory, Advisory Workshop, and Access New Markets. These programmes not only help MSMEs build their resilience, but also expose them to a range of topics, including digital marketing, business expansion, and practical knowledge of gaining access to new markets through e-commerce platforms and online marketplaces. Last year, over 19,000 MSMEs benefitted from our Financial Advisory programme, while more than 1,300 MSMEs participated in our Advisory Workshops and Access New Markets Programme.

Our efforts to assist MSMEs by creating value will further intensify through the introduction of Networking Sessions as the fourth pillar of our CGC Developmental Programme®. This programme aims to harness the power of networking for MSMEs to excel and upscale their businesses. During the Networking Sessions, we bring together MSMEs from different segments with key players in the MSME ecosystem. Through such exposure, MSMEs can cultivate essential networking skills that are crucial for their businesses, as well as gain opportunities to introduce their products and services. We believe that these Networking Sessions will provide significant value to MSMEs, enabling them to expand their networks, build new partnerships, and grow their businesses sustainably.

In addition to our existing programmes, we have extended our outreach by offering advisory services at our branches nationwide, another avenue for CGC to connect with MSMEs and provide them with face-to-face and personalised interactions. By offering advisory services at our branches, we aim to be even closer to MSMEs and provide them with tailored solutions to their business needs. We believe that this initiative will further strengthen our relationship with MSMEs, enabling us to better understand their challenges and support them in their business growth.

To foster the competencies of aspiring young entrepreneurs within the B40 community, we launched CGC100, an inaugural programme that provides entrepreneurship knowledge to help them develop viable businesses. Our aim is to instil core values such as trustworthiness, perseverance, accountability, a collaborative mindset, sustainability, and community focus in participants. By equipping them with the right attitude and skills, we hope to support their future business endeavours. The CGC100 Youth Entrepreneurship Programme is designed to offer opportunities for the B40 community to enhance their competence in managing businesses. Through this programme, we are committed to empowering and uplifting aspiring entrepreneurs and supporting the development of MSMEs in Malaysia.



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## FUTURE OUTLOOK

### Q8: What are CGC's outlook and key focus areas for 2023?

In 2023, the Malaysian economy is expected to moderate with a growth rate between 4% and 5%. Despite external challenges, the domestic demand is anticipated to remain firm. Factors such as resilient household spending, strengthened labour market, increasing tourism-related activities and continued implementation of infrastructure

projects will serve as driving forces for economic expansion. Although inflation remains a concern, it is worth noting that Malaysia's inflation levels are expected to moderate throughout 2023, ranging from 2.8% to 3.8%, which is considerably lower than the global percentage that is cooling to 7% in 2023, according to the IMF.

Budget 2023 includes a total of RM40 billion in financing/loan facilities and guarantees for MSMEs. This is to ensure sustained support and assistance for MSMEs, which is crucial to ensure their resilience amid uncertainty. Given that all economic sectors are anticipated to demonstrate positive growth this year, it is likely that MSMEs will experience further recovery and success in 2023.

CGC will continue to support the availability of targeted assistance, including financing for MSMEs in addition to non-financial assistance. Our strategy, initiatives and actions for 2023 are encapsulated in the four key focus areas and underpinned by continuous commitment to promoting the growth and development of competitive, dynamic Malaysian MSMEs.



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## ACKNOWLEDGEMENTS

As we step into 2023, the business landscape remains unpredictable, with subdued growth forecasts and continuing disruptions. Nevertheless, CGC Group remain steadfast in our commitment to promoting the growth and development of competitive and dynamic MSMEs. I would like to extend my sincere gratitude to all stakeholders, namely our valued MSMEs, Federal and State Governments, Bank Negara Malaysia, strategic partners in Malaysia's MSME ecosystem, and our Board of Directors for their wise counsel and invaluable support. I also want to express my heartfelt appreciation to all my colleagues in CGC Group for their unwavering commitment and dedication. Together, we will continue to build a stronger CGC Group and create a meaningful impact on the lives of MSMEs in Malaysia.



In closing, I wish to reiterate that we will intensify our collaborative efforts with our strategic partners to provide MSMEs with every possible assistance as they continue working on building resilience and enhancing the sustainability of their businesses.

**DATUK MOHD ZAMREE MOHD ISHAK**  
President & Chief Executive Officer