



PROVIDING A LIFELINE FOR BUSINESS CONTINUITY

The disruption on global socioeconomic systems rendered 2020 an infamous year for business. The pandemic outbreak curtailed international trade as borders were closed and economic activities restricted to curb the spread of the COVID-19 virus. The unprecedented situation led to a sharp global GDP contraction comparable to the 1930's Great Depression.

Malaysia's situation was no different with our economy contracting by a record 5.6% in 2020. The Movement Control Order (MCO) in March 2020, followed by renewed restrictions between October and December last year contributed largely to the dismal performance. The three biggest decliners were the construction, mining and services sectors – contracting by -19.4%, -10% and -5.5% respectively. Numerous fiscal and non-fiscal stimulus measures were introduced by the Government to help businesses survive. These included the PRIHATIN package of RM250 billion in March 2020, the PRIHATIN SME+ package of RM10 billion in April 2020, the PENJANA package of RM35 billion in June 2020, as well as the KITA PRIHATIN package of RM10 billion. On 6 November, a National Supply Chain Finance Platform, dubbed 'JanaNiaga', was announced for small and medium enterprises (SMEs) that supply to the government or government-linked companies (GLCs).

Export-Import Bank of Malaysia (EXIM Bank) was mandated to spearhead the JanaNiaga platform, and this we are steering ably towards assisting SMEs with cash flow issues and facilitating their loans from financial institutions. Through JanaNiaga, the Bank aims to play its role in mitigating the economic impact of the pandemic by helping SMEs build resilience, provide employment and sustain ongoing operations through this challenging period.

MESSAGE FROM THE PRESIDENT / CHIEF EXECUTIVE OFFICER

2020 IN FOCUS

With clients from various sectors and industries, EXIM Bank offers trade financing, credit insurance and advisory services to many cross-border businesses in the country. However, the defensive closure of borders for the most of 2020 meant that the Bank's cross-border financing operations were affected. Collaborations secured early in the year, such as the Memorandum of Understanding (MoU) between Thai and Malaysian institutions to promote SMEs on both sides of the border could not take off as planned during the year.

Despite the challenging economic environment, we continue to engage with business communities to generate loan applications and successfully generated RM23.5 million in recovery income and reduced our impaired loan amount by RM261.14 million.

These turnaround efforts from the Bank ensured sustainable operating revenue, which together with reduction in interest expense and allowances, helped EXIM Bank buoy back to profitability. Even though EXIM Bank's total assets and gross loans and financing dropped by 9% and 18% respectively, and operating revenue for the year reduced to RM181.49 million from RM381.13 million in FY2019; operating profit was RM150.83 million compared to FY2019's RM142.5 million, bringing profit before tax and zakat to RM51.15 million after FY2019's loss before tax and zakat of RM478.25 million. Contribution from our Islamic Banking business also continued to grow and represented 48.6% of operating revenue this year.

At the same time, the Bank intensified efforts to minimise impairment by providing options for moratorium for eligible borrowers and negotiations to regain payment on asset recovery. This is a continuous commitment as the current challenging operating landscape may put further pressure on the Bank's asset quality.

RAM Ratings (RAM) and Moody continue to reaffirm the Bank's AAA/Stable/P1 and A3/Stable rating respectively. For RAM, the reaffirmation is underpinned by the Malaysia government's support and mandate given to the Bank to advance the country's trade agenda and support the outward investments of domestic firms.

BOLSTERING SUPPORT

The widespread implications of the COVID-19 outbreak mean exporters and importers face disruptions to their businesses – from ships being trapped at ports, workers quarantined, to travel restrictions; all of which pose financial challenges to the Bank's clients. As the Development Financial Institution (DFI) of the country mandated to promote cross-border trade, EXIM Bank is committed to bolster support and drive resilience among our clients by offering assistance to those financially impacted by the pandemic. During the year, along with loan moratoriums, the Bank's relationship managers worked hard to explore ways to ease affected clients' financial obligations with the Bank on a case-to-case basis.

By embracing the PENJANA programme and its theme of "Resilient As One, Together We Triumph", EXIM Bank's operations were re-strategised to support and assist SME players through "JanaNiaga". The RM300 million JanaNiaga initiative is led by EXIM Bank, with the involvement of several financial institutions. The programme allows vendors of government and government-linked entities to obtain inclusive financing at an attractive rate to support them to continue operations, with an uninterrupted ability to supply to their customers. Thus far, we have laid the groundwork for the JanaNiaga platform and are moving ahead with all the parties involved to make this a reality.

Operating revenue for
FY2020 amounted to

RM181.49
MILLION

Recovery income
for the year was

RM23.48
MILLION

Interest expense
reduced approximately
to 19% derived at

RM115.47
MILLION

Profit before tax and
zakat improved 111% to

RM51.15
MILLION



More details on the Bank's financial performance is available on page 79.

MESSAGE FROM THE PRESIDENT/CHIEF EXECUTIVE OFFICER

The Bank also participated in ensuring that national economic stimulus initiatives worth RM250 billion, as announced under the PRIHATIN programme, were well implemented. We contributed expertise and manpower to the Economic Stimulus Implementation & Coordination Unit Between National Agencies (LAKSANA), which was established on 16 March under the Ministry of Finance to monitor the implementation of the Economic Stimulus Package 2020 (PRE2020), comprising Prihatin Rakyat Economic Stimulus Package (PRIHATIN) and National Economic Recovery Plan (PENJANA). Several officers from the Bank, including myself, were seconded as part of our national duty to serve at LAKSANA during this year.

On the operations front, in response to the COVID-19 pandemic, the key focus was the health and safety of our employees. A Staff First policy was initiated as the Bank implemented measures to ensure smooth business continuity. The Bank's IT infrastructure and facilities were upgraded; Work from Home (WFH) set-ups were unleashed to minimise the number of employees in the office; standard operating procedures (SOPs) of new business norms were rolled out at all EXIM Bank premises; swab tests were facilitated where necessary; and regular sanitisation of work premises carried out.

Doing our part to combat COVID-19, EXIM Bank made a RM1 million donation to the Malaysian Red Crescent Society (MRCS) #responsMALAYSIA (Malaysia's Response) initiative. This was a platform for individuals and corporate entities to contribute towards the procurement of essential items required by frontliners, as well as drive MRCS's community engagement efforts.

Though community engagements were reduced to mitigate health and safety risks, the Bank's commitment to communities was steadfast through the year too, as we continued to support long-term corporate social responsibility (CSR) programmes and reaffirm our obligation to the UN Sustainable Development Goals (UN SDGs). For one, we continue to bring festive joy to the less fortunate during the holy month of Ramadan and aid charities, homes and the needy whenever possible. Besides caring for the less fortunate in our society, the environment has always been a close cause to our heart. Thus, the Macaw Birds in Zoo Negara and Elly, our disabled rescue elephant at the National Elephant Conservation Centre (NECC) in Kuala Gandah, still have our loyal patronage. We have also included animal rescue and shelter homes in assisting them operationally during this pressing pandemic period.

In our drive towards encouraging more sustainable living and working with NGOs to realise our UN SDGs, we initiated a Fabric Care Movement at our office premise that was met with a resounding success. Employees embraced this cause wholeheartedly and took the opportunity to recycle unused and unwanted fabric from their homes, which saw the first fabric collection amounting to 427 kg within two months of the bin being up. We have extended this movement beyond the organisation to include the campuses of tertiary institutions that we are engaged with on educational initiatives. This sustainable living initiative follows an e-Waste programme launched the year before and continues to be supported till this day.

DRIVING RESILIENCE

Within the first year of our Gear Up 21 transformation journey, we have established good governance practices, laid the groundwork towards digitalisation and are embedding cultural change. In the years to come, we will continue strengthening our foundation and improving our efficiency by leveraging on technology to streamline and automate core activities, as well as putting in place the right human capital practices to develop and transform our people into a world-class digitally savvy and high performance workforce.

In our digital journey, we are strengthening the security of our data through the establishment of the Security Operations Centre and Information Security functions. Through these functions, we have developed several technology governance frameworks to safeguard ourselves from potential cyberattacks and unauthorised access. These address core security issues as the Bank embarks on a paradigm shift towards becoming a digital bank with online operations, accessible anywhere without compromising on security.

On the governance front, an internal committee was established to oversee the Bank's governance framework to fulfill our regulatory requirements and to remove redundancies as well as contradicting governance documents. In our continuing efforts to practice good governance, we are benchmarking the governance framework against industry standards and embedding it into our daily activities.

In conjunction with the Bank's 25th anniversary, we launched new Corporate Values of Teamwork, Efficiency, Accountability, Integrity and Openness. This was done to transform the Bank's culture as part of the Human Capital Framework focus of Gear Up 21.



Achievements and Priorities of each Gear Up 21 Workstream are detailed on page 37.



AS PART OF GEAR UP 21, THE FOCUS FOR 2021 WILL CENTRE AROUND NURTURING A STRONGER TALENT POOL, CREATING SIMPLER, MORE SEAMLESS “END-TO-END” PROCESSES WITH TECHNOLOGY AND FORTIFYING THE BANK’S RISK AND COMPLIANCE CULTURE.

OUTLOOK AND PROSPECTS

Malaysia’s external trade performed fairly well with exports rebounding in the second half of 2020 as compared to the negative growth recorded in the first half of the year. This could be attributed to the progressive opening of the economy and gradual recovery of external demand. Exports to China recorded a new high in 2020 and similar momentum was reported for the United States, which posted the largest value in the last decade. There was significant export growth to emerging markets notably Costa Rica, Kazakhstan, Kenya, Nigeria, Ghana and Cote d’Ivoire. Rubber products, electrical and electronics (E&E) products, as well as palm oil and palm oil-based agriculture products registered strong export expansion. Meanwhile, the trade surplus was the highest ever recorded, thus maintaining a sustained surplus trend for 23 consecutive years since 1998.

Going forward, investor confidence has been bolstered by Moody’s latest affirmation of Malaysia’s local and foreign currency long-term issuer ratings at A3, with a stable outlook.

This is a testament to the Government’s strong fiscal discipline and robust medium-term growth prospects and demonstrates Moody’s confidence in Malaysia as having a strong credit standing. In these challenging times, the 12th Malaysian Plan lays the path to sustainable growth with its sound economic fundamentals and decisive policy measures. This bodes well for more robust trade performance.

However when it comes to cross-border ventures, recovery is yet uncertain. While waiting for economic forces to find a new balance, EXIM Bank will continue to make more inroads towards our internal transformation aspirations via optimising our balance sheet, implementing alternative funding strategies and proactively capturing growth while preserving capital.

As part of Gear Up 21, the focus for 2021 will centre around nurturing a stronger talent pool, creating simpler, more seamless “end-to-end” processes with technology and fortifying the Bank’s risk and compliance culture. These will boost our operations as we work to ensure sustainability in earnings, while not losing focus on our mandate.

ACKNOWLEDGEMENTS

On behalf of the Bank, our heartfelt gratitude is extended to the Ministry of Finance and the Ministry of International Trade and Industry, and their agencies, for their invaluable support in paving the way forward to better days ahead. We are grateful to be part of the LAKSANA initiative and to spearhead the access to financing initiative, through the JanaNiaga Platform.

We also appreciate our customers, associates and partners who journey with us towards shared goals and make what we do so fulfilling.

I take this opportunity to thank Chairman Dato’ Dr. Feizal Mustapha, who just ended his term in March 2021, for his exemplary leadership and guidance to the Board, EXCO, Management and employees throughout the COVID-19 period.

Finally, to the stalwart EXCO, management and staff of EXIM Bank, I thank you for your enthusiasm, passion and willingness to go beyond the call of duty in serving all stakeholders. It’s been a privilege to work alongside this dynamic team.

What we cannot deliver as individuals, we shall achieve as a team.

Thank you.

Dato’ Shahrul Nazri Abdul Rahim
President/Chief Executive Officer