

PRESIDENT/CHIEF EXECUTIVE OFFICER'S REVIEW

Fulfilling Our Purpose

2022 was a time for EXIM Bank to fully pivot back towards our mandate within a new post-pandemic environment. This comes after two years of disruption and our transient shift towards helping the government ensure businesses survive through pandemic challenges. Coming on board in August 2022, my focus for the Bank has been to review and refresh our strategies, reconnect with our stakeholders and revitalise our workforce in readiness to make our mark as the nation's preferred financier and advisor for global business.

FY2022 FINANCIAL REVIEW

Domestic recovery was steadfast in 2022, recording the highest annual growth rate since 2000 with GDP growth of 8.7%. However, the pace of global growth slackened due to a combination of various factors including higher-than-usual inflation resulting in tightening of financial conditions in most regions, the Russia-Ukraine conflict, supply chain disruptions, as well as prolonged COVID-19 pandemic, which continued to sporadically weigh on the wellbeing of both people and economy. Given the uncertainties within global markets, it was definitely a challenging year for EXIM Bank to rise again as the "Preferred Cross-Border Financier".

We had to change our focus during the pandemic and it is now time to get back on track. As the only Development Financial Institution (DFI) mandated by the Malaysian government to promote the development of cross-border ventures, the Bank's role remains vital to facilitate the competitiveness of Malaysian businesses. Therefore, the main task of the Bank in FY2022 was to re-establish our commitment to our mandate. By analysing and reviewing gaps in our mandate delivery performance, we have realigned our focus and are now set on course to aggressively grow our portfolio and contribute to nation building.

EXIM's financial performance for the year was impacted by prolonged contraction of our gross loans and financing portfolio and two significant impairments. We recorded revenue for RM228.1 million in FY2022 from RM174.7 million in FY2021, and a loss of RM66.5 million compared to profitability at RM51.1 million in FY2021.

Net impaired loans reduced to 11.7% from 12.2% previously, and structured recovery action against defaulters continues, as the Bank takes steps to safeguard asset quality, through more prudent allocation of resources.

 More details on our Strategy can be found on pages 42 to 44.

RECONNECTING WITH STAKEHOLDERS

The first vital move towards growing our portfolio requires bridging business relations with existing and potential customers, and the local and international government agencies. EXIM Bank positively initiated this transformation through personal meetings and visits with local agencies, by actively participating in various trade events, talks and exhibitions. This "inside-out" strategy is to increase the awareness of EXIM Bank's existence and our products offerings to the public. The approach helped to create relationships, strengthen ties and generate trust with the Bank's existing and potential customers.

Therefore, FY2022 was distinguished by EXIM Bank's active market outreach strategy within Malaysia and across several international borders (see Box Story). Having taken the step to rebuild relationships within our business ecosystem, EXIM Bank is confident of creating and delivering sustainable value creation for our stakeholders once the clouds have cleared on cross-border opportunities in the near future.

**STRATEGIC ENGAGEMENTS IN
FY2022****Malaysia**

The Bank participated in various government and agency events across Malaysia, such as TERAJU Outreach Programme, MICCI Exporters Engagement & Reception, MITI Day, and "Jelajah Aspirasi Keluarga Malaysia", to name a few. We were also involved in trade fairs such as SEMICON SEA 2022, Asia Port & Shipping Exhibition and many more. In East Malaysia, EXIM Bank engaged with the Sabah Development Bank in discussing future collaborations in financing, trade services, trade credit takaful and other relevant areas for Sabahan exporters. We also held sessions with Sabahan business traders dealing with export and import, with assistance from MATRADE.

Indonesia

Business meetings with our neighbour nation were organised as part of our mission to visit existing clients, meet new prospects interested in our facilities, as well as exploring potential collaborations with Indonesian government entities.

Turkiye

EXIM Bank undertook a business visit to Istanbul and Ankara, Turkiye, to explore collaboration opportunities with the Turk EXIM Bank, as well as meet with potential Turkiye companies, undertake market outreach and conduct stakeholder engagements for companies and government agencies based in Turkiye. A total of 19 Turkiye companies involved in export and import trade were present at these meetings.



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STRATEGIC ENGAGEMENTS IN FY2022

Egypt & IsDB Member Nations

The Islamic Development Bank (IsDB) had organised the Private Sector Forum in Egypt for its members, which provided a good opportunity for EXIM Bank to promote our "Islamic First" financing. The four-day forum provided a unique platform for the Bank to network and establish business relations and partnerships with other leading representatives and stakeholders from the business community by sharing related experiences, success stories and best practices, while jointly exploring investment and trade opportunities offered by member countries.

Asia

The highlight for the year was EXIM Bank being given the honour to organise the 27th Annual Meeting of Asian EXIM Banks Forum (AEBF), hosting 40 delegates from 11 member countries representing our peer banks and international trade organisations in Asia. The three-day event themed **"EXIM Banks' Role in Facilitating Sustainable & Resilient Business Growth and Partnerships Post Pandemic"** convened the delegates to undertake a collaborative effort in mitigating the challenges of the post-pandemic economy. It proved to be a pertinent and crucial forum for members of the EXIM community to deliberate and evolve to new possibilities in facilitating sustainable and resilient business growth via collaborations. These partnerships and collaborations can continue to grow in increasing our cooperation post-pandemic and play a much more crucial role in tackling global issues such as climate change and addressing the funding gap.

DRIVING GROWTH PRUDENTLY

Moving forward, we have a single-minded focus on portfolio growth and mix. This approach is underscored by mindfulness that we have limited resources and these must be optimised by channelling them to the right beneficiaries. We are making prudent moves on this front through enhanced processes to select the most deserving companies and entrepreneurs. Supporting those who possess better potential for success is in line with our aspiration to grow global and regional champions.

Our targeted financing portfolio is aligned strategically to five key sectors identified under the National Investment Aspirations (NIA) initiative. The sectors are electrical and electronics, pharmaceutical, digital economy, aerospace and chemicals – high impact industries that can cascade holistic benefits, from attracting more foreign investments to creating quality and high-skilled employment opportunities for locals, and strengthening the country's competitiveness.

In the context of Islamic finance, we have clarified our stance of staying true to our mandate and established an Islamic-first policy, whereby Shariah compliant suite of solutions will be offered first to help our customers execute projects.

A fresh commitment is also being made to our takaful and insurance business to complete our service offerings, as per our mandated role. Last but not least, we are tracking the performance of our regional offices in Penang, Kuching and Johor and encouraging further outreach to their local business communities. Targets have been imposed for every initiative outlined for greater clarity and impetus.

ACCELERATING DIGITAL CAPABILITIES

The post pandemic phase has changed lifestyle expectations and demands, and realised a new norm of business operations. Digitalisation is the new way of life as 90% of transactions are now online-based. FY2023 sets a new stage for the Bank to re-strategise and rebuild our business by adopting digitalisation to create new platforms for financing. We recognise that to date, we have lagged on this front and thus, accelerating our digital journey is of utmost priority.

A year-long strategic plan was launched to assess current gaps and put in place clear targets to ramp up digital readiness. The implementation of a core banking system that can deliver well within today's rapidly escalating digital landscape is a critical step forward. We have identified the specifications and capabilities we want and are set to fortify our infrastructure with the appointment of the right vendor in 2023.

ADVANCING SUSTAINABLE STRENGTHS

Globally, the sustainability of business products and services and their Environmental, Social and Governance (ESG) impacts are now of key significance. Exporters must invest in developing strategies that promote and adopt ESG principles in their production process and global supply chains to meet changing market requirements.

EXIM Bank has initiated a step to develop an ESG framework in order to evaluate all financing proposals in the light of ESG. This framework will be our anchor to measure the impacts of our financing projects.

It is imperative that the Bank internalises the measurement of ESG impacts in all we do. Steps taken in this regard include everything from evaluating our proposals, business governance and operations, including investments in corporate social responsibility (CSR).



More details on our CSR can be found on page 46.

REVITALISING OUR WORKFORCE

The development of our human capital is equally vital at this juncture to ramp up the Bank's competitive performance and accelerate progress. A strong, motivated, capable and empowered workforce is the key driver of our set strategies.

An open communication culture is being cultivated on the ground to encourage direct feedback to top management. Quarterly townhall sessions have resumed, wherein the Bank's strategic direction and goals are being communicated. This is accompanied by intensified investment in human capital development, through training and certified upskilling programmes. At the same time, we seek to strengthen the Bank's culture of integrity at all levels and adherence to core values, through ongoing series of awareness and internalisation initiatives. Towards this end, in October 2022, the Bank implemented an Anti-Bribery Management System to uphold a zero-tolerance approach to all forms of bribery and corruption, in compliance with ISO 37001:2016 certification.

OUTLOOK FOR FY2023

Looking back, the year 2022 was truly an outstanding milestone for Malaysia's trade. Ranking among the world's top-25 (Source: Matrade Dec 2022 Making Malaysia Great in Trade) trading nations and in the top-5 for ASEAN countries, Malaysia recorded the fastest annual growth rate in Southeast Asia, surpassing IMF's and World Bank's projections of 5.4% and 7.8% respectively. Domestic exports grew 25% year-on-year to a record high of RM1.6 trillion in 2022 (2021: RM1.2 trillion), where trade surplus reached an all-time high at RM255.1 billion, 0.6% higher than the preceding year. This is the 25th consecutive year of trade surplus since 1998.

The export expansion was underpinned by strong exports of electrical and electronic (E&E) products, liquefied natural gas (LNG), petroleum products, as well as crude petroleum. Meanwhile, exports to major trading partners notably ASEAN, the United States (US), the European Union (EU) and Japan recorded strong double-digit expansion. Singapore, Thailand and Indonesia were the top three export destinations in ASEAN for 2022, accounting for 78.3% of Malaysia's total exports to ASEAN. Significant export expansion was also registered to emerging markets, such as Costa Rica, Kenya, Egypt, Nigeria, Ghana and Iraq. Further, exports to Free Trade Agreement (FTA) partners showed an upward trajectory with a new high value after two consecutive years of contraction. (Source: Malaysia External Trade Development Corporation).

As Malaysia continues to pursue greater international trade, there are many opportunities that can be leveraged over the next three to five years. Opportunities brought about by greater globalisation and regional economic integration through Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will further solidify Malaysia's position as a strong and reliable trading nation.

The national impetus is for MSMEs to contribute 25% (11.7% as of 2021) to the nation's export by 2025 as set under the 12th Malaysia Plan and the National Entrepreneurship Policy (DKN). We look forward to financing growth opportunities that will come from Budget 2023's announcement of several financing schemes for small and medium enterprises (SMEs) worth RM3.5 billion, which will be disbursed by various agencies, including EXIM Bank.

EXIM Bank is poised to provide financial support and help develop the business acumen of local entrepreneurs or exporters to international levels. The Bank has allocated RM1.0 billion for the Exporters' Development Incentive Scheme, or "Skim Insentif Pemampanan Pengeksport" (SIP2) to facilitate SME export aspirations. The attractive financing offers up to RM10 million in funding, at subsidised financing rates for up to seven years. This affordable funding rate would encourage exporters to find new markets for their products and further increase the capability of SMEs as exporting companies in the long term.

We are cautious though of impending risks in the global environment, such as recession in major economies, escalating interest rates, disruptions to supply chain which will impact local businesses as well as continued and new geopolitical tensions. Thus, the Bank will continue to evaluate and assess the risks within targeted markets to facilitate the entry of Malaysian exporters.

GRATITUDE & APPRECIATION

The Ministry of Finance (MOF), Ministry of Investment, Trade and Industry (MITI) as well as Bank Negara Malaysia (BNM) play vital roles in ensuring the Bank delivers its mandate, and the Bank thanks them for their continued commitment and collaborative efforts. Our appreciation also extends to our stakeholders, customers, associates and partners, with whom we have forged a resilient ecosystem through mutual gains.

Finally, my deep acknowledgement and appreciation goes out to the members of the Board for their invaluable support and counsel, as well as to the stalwart EXCO, management and staff of EXIM Bank, particularly our frontliners, who continued to serve our customers throughout these extraordinary times.

I am grateful for the opportunity to steer EXIM Bank to greater heights and look forward to further enhancing its role as a leading Development Financial Institution for cross-border financing and insurance for the country.

Thank you.

ARSHAD MOHAMED ISMAIL
President/Chief Executive Officer
EXIM Bank Malaysia