

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS



Money Lending and Financing

The Structured Lending and Trade Financing division doubled its PBT to RM1.86 million in 2020, vis-à-vis a PBT of RM0.83 million in FYE2019. The division increased its market share in equity financing as public listed companies sought to raise funds in response to the economic slowdown in the wake of the pandemic.

A significant development in 2020 was the partnership with CapBay, as mentioned earlier, which represents an important step forward in our efforts to digitalise our businesses. The partnership will provide Malaysian entrepreneurs seamless access to a completely digital supply chain financing solution, which will change the way capital is accessed in Malaysia.

RISK MANAGEMENT >

Amid the turbulent economic conditions and unprecedented market volatilities during the year, the Group continued to exercise prudence and diligence in managing its key risks in the context of credit risk and market risk portfolio exposure, especially in view of the increase in Bursa trading volumes and demand for the Group's digital services.

We maintained meticulous risk management oversight and management processes that emphasised the enforcement of established policies and procedures. Throughout the year, we conducted thorough and comprehensive risk assessments and performed rigorous adaptations of appropriate facility and trading strategies in regards to their respective exposures. This proved effective and resulted in well contained and managed credit and market risk portfolios.

The Group remains fully committed to strengthening risk resilience, as well as, enhancing of our risk management approaches, methodologies and skill-sets. We have put in place risk management processes involving identifying, assessing, monitoring and reporting risks, complemented by a robust governance structure, implementation of policies and procedures, established methodologies, as well as, risk processes that are constantly reviewed and enhanced.

In view of heightened operational risks during the year, we made continuous effort to fortify the governance and robustness of our operational risk management at enterprise-wide level through

Group Operational Risk Management training. In this respect, we have significantly improved performance over previous years with fewer operational risk events recorded, and the challenge going forward is to reduce operational risk events further, in particular, within our evolving cyber environment.

Cybersecurity threats remain one of the top operational risks to the Group. For this reason, we will continue to apply the Group's Technology Risk Management Framework and Cyber Resilience Framework, which incorporate industry best practises in managing various technology related risks including those arising from new digital innovation businesses, as well as, new operating norms such as working from home. The Group stands guided by the Policy Document on Risk Management in Technology established by Bank Negara Malaysia on 19 June 2020.

In light of the persistence of COVID-19 in the coming year, the Group will remain vigilant and maintain responsive business continuity plans. The Business Continuity Management Team stands ready to take all appropriate measures to mitigate risks of exposure to the contagion, including precautionary measures involving split-team operations and working-from-home arrangements, as well as, disaster recovery and contingency drills. We will continue to hold regular Management briefings and updates on business continuity to address emerging risks, as well as, to conduct periodic pandemic risk assessment and to heighten monitoring of possible exposure to all affected domains.

More information on risk management and internal controls can be found on pages 70 of this report.

2021 OUTLOOK >

At the writing of this statement, it has been more than a year since the COVID-19 pandemic began disrupting economic activities around the world. The pace of spread did not slow during the year, with the number of new cases in major economies such as the US and Europe charting record highs daily. In view of the rising rate of infection, the recent success announced by major vaccine developers marks a major breakthrough that should eventually help contain the spread of the virus. In this light, we anticipate a gradual resumption of normality when distribution and vaccination of the general population starts taking place globally by the second half of 2021.

The lockdown measures implemented in many countries globally have resulted in an estimated global GDP contraction of 3.3% in 2020. In Malaysia, 2020 GDP contracted by 5.6%, but with the improved global backdrop in 2021, the rollout of the COVID-19