



**MBSB
BANK**
Part Of Your Journey

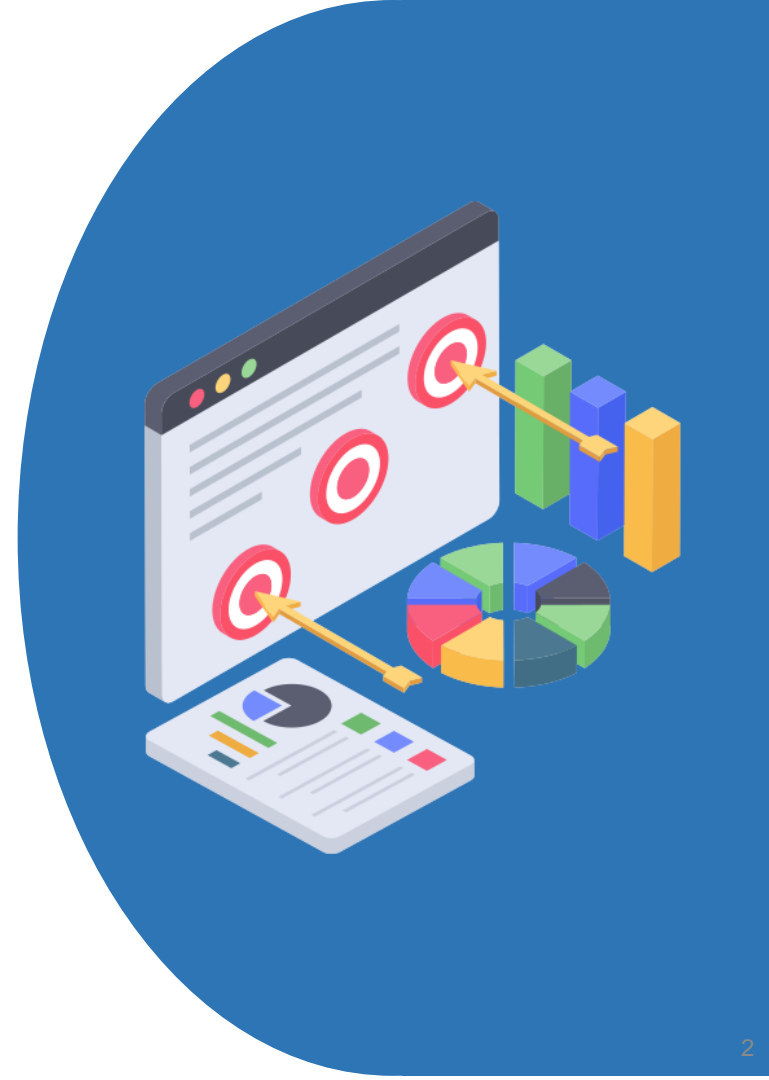
2Q22 ANALYST BRIEFING

26 AUG 2022



AGENDA

- **SNAPSHOT OF 2Q22 PERFORMANCE**
– Datuk Nor Azam M. Taib (GCEO)
- **2Q22 FINANCIAL PERFORMANCE**
– Ramanathan Rajoo (CFO)
- **MOVING FORWARD**
– Datuk Nor Azam M Taib (GCEO)



SNAPSHOT OF 2Q22 PERFORMANCE

Profitability

- Registered a profit before tax (“PBT”) of RM206mil during the quarter, higher than the previous quarter of RM79.2mil mainly due to lower impairment allowances. PBT for 1H22 of RM285mil is lower compared to RM644mil in 1H21
- Net profit margin at 3.20% versus 3.27% in 1Q22 mainly contributed by OPR hike
- CASA still low as % of total deposits, but on uptrend due to various campaigns undertaken

Financing

- Gross loans and financing increased marginally to RM36.8bil from RM36.2bil (4Q21) mainly contributed by retail portfolios especially housing financing
- Shifting our focus, which is predominantly retail and construction sector. This shift is showing results especially in corporate financing

Asset Quality

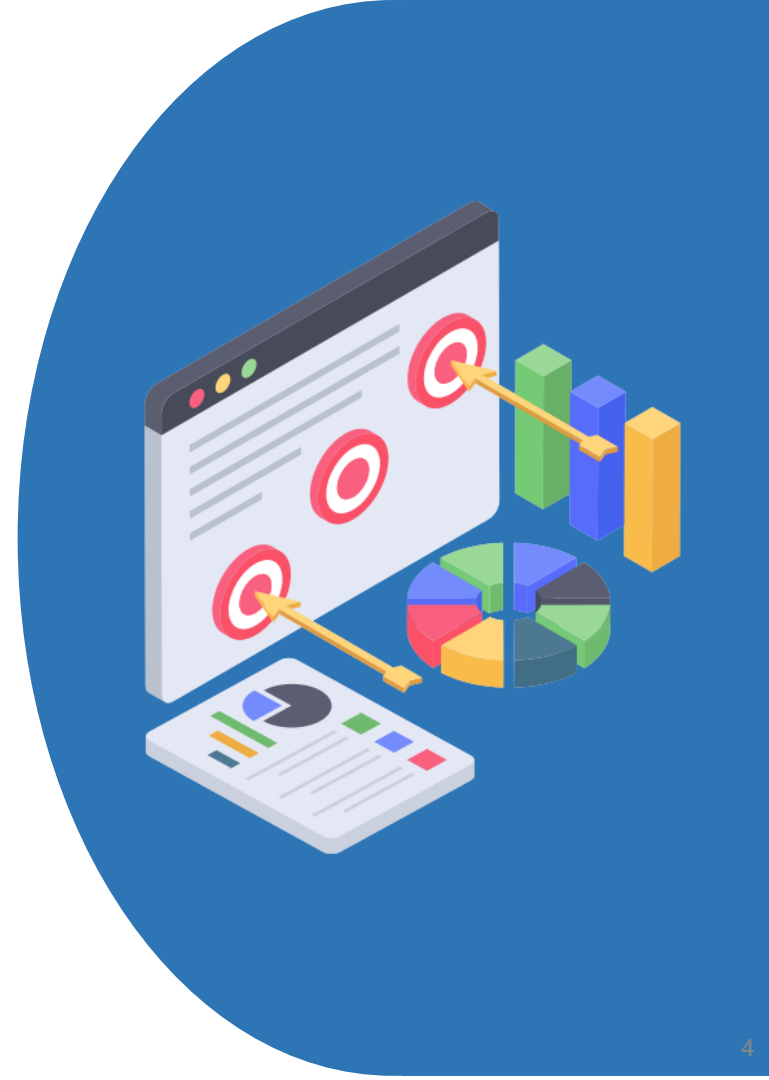
- GIR of 6.85% compared to 5.89% in 1Q22 due to deterioration in corporate
- Exposure to construction sector which was badly affected during pandemic of 2020-2021. This has impacted our overall GIR, although retail financing GIR remains low
- As MBSB evolves, financing portfolio will be realigned

Capital & Liquidity

- Capital and liquidity position remained stable with CET1/Tier 1 Capital at 20.31%
- Total Capital ratio at 24.79%

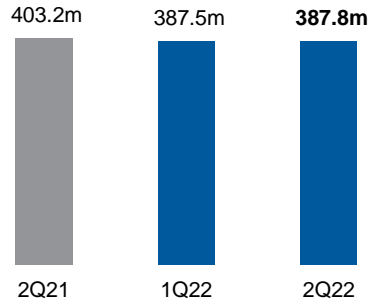
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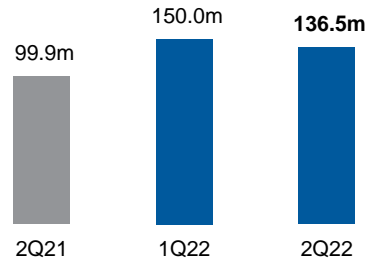
GROUP KEY FINANCIAL HIGHLIGHTS

Net Income



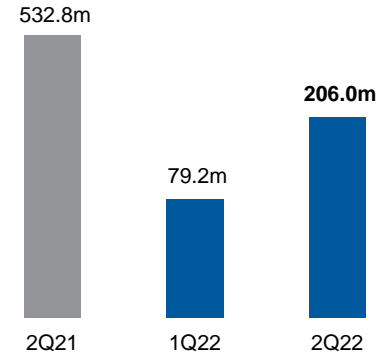
Net income (before impairment) in 2Q22 improved slightly as there is no modification loss following the expiry of repayment assistance program. The modification loss for 1Q22 amounts to RM9mil.

Operating Expenses



Lower OPEX in 2Q22 as compared to previous quarter mainly contributed by reversal of provision on expenses which is no longer required.

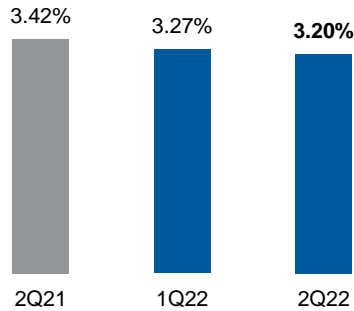
Profit Before Tax



Recorded higher PBT in 2Q22 due to lower impairment allowances in current quarter.

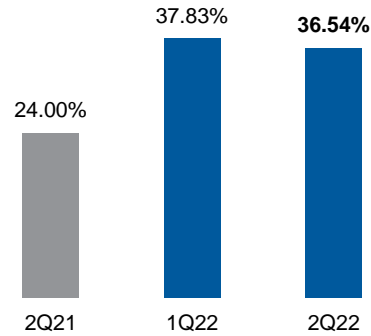
GROUP KEY FINANCIAL HIGHLIGHTS (CONT'D)

Net Profit Margin *



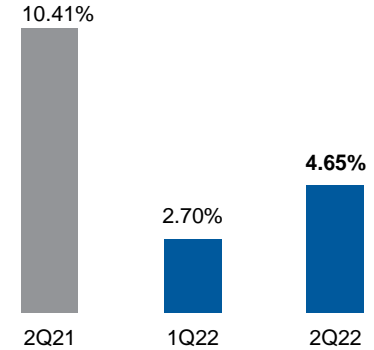
Net profit margin reduced to 3.20% from 3.27% as a result of higher funding cost from Cagamas and Sukuk as well as OPR hike.

Cost to Income Ratio



Cost to income ratio improved marginally in 2Q22 due to lower operating expenses.

Net Return on Equity *



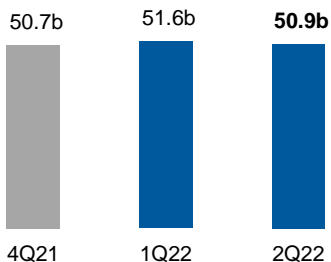
Annualized return on equity improved to 4.65% from 2.70% (1Q22) due to higher profit.

* annualized

GROUP KEY FINANCIAL HIGHLIGHTS (CONT'D)

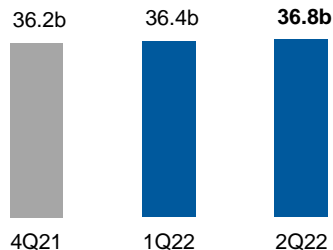
Total Assets

+0.4% YTD



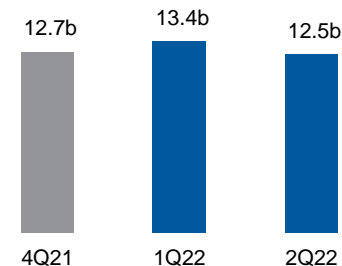
Gross Financing

+1.7% YTD



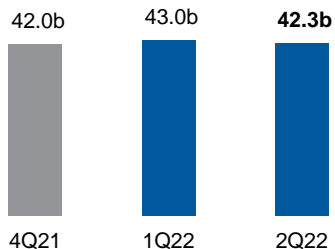
Financial Investments

-1.6% YTD



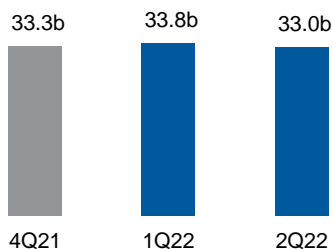
Total Liabilities

+0.7% YTD



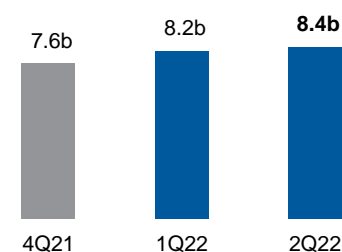
Total Deposits

-0.9% YTD



Total Sukuk, Investment Account and Cagamas

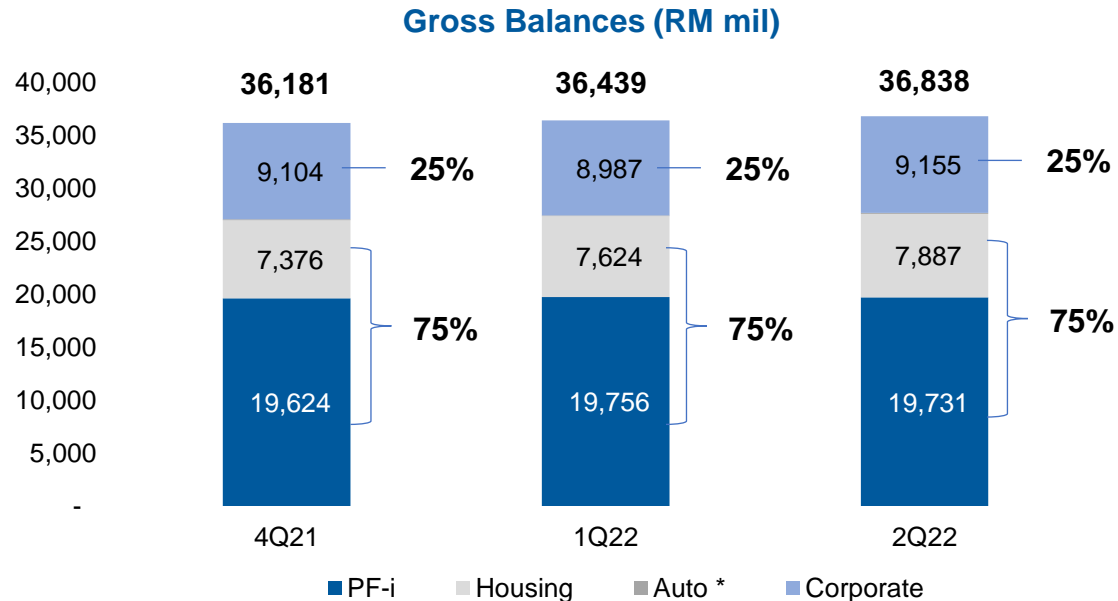
+10.5% YTD



GROSS LOANS AND FINANCING IMPROVED MARGINALLY BY 1.7% TO RM36.8bil (4Q21 : RM36.2 bil)



Corporate : Retail composition currently at 25 : 75

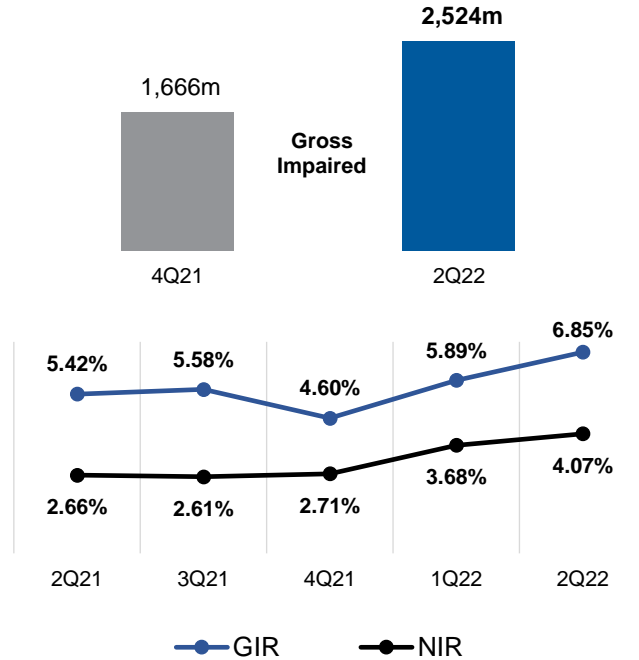


* Gross financing less than RM100mil

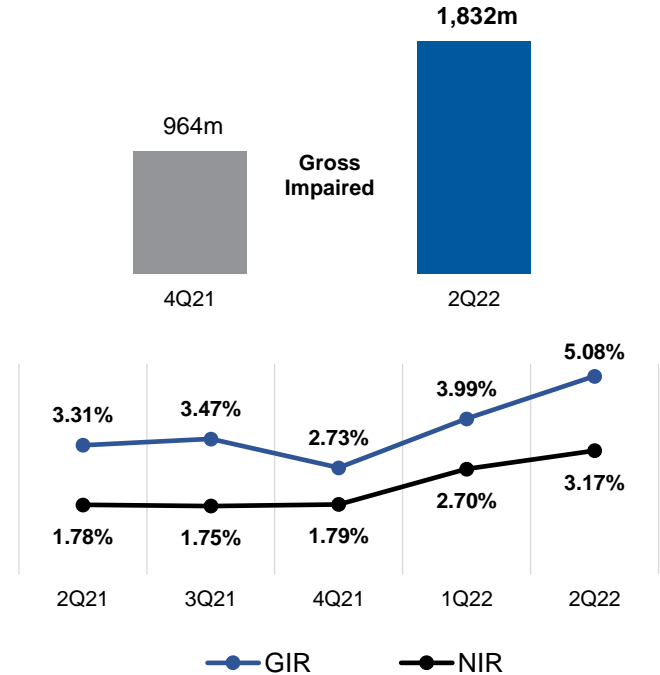
GROSS IMPAIRED RATIO (GIR) DETERIORATED CONTRIBUTED BY BOTH RETAIL AND CORPORATE PORTFOLIO



MBSB Group



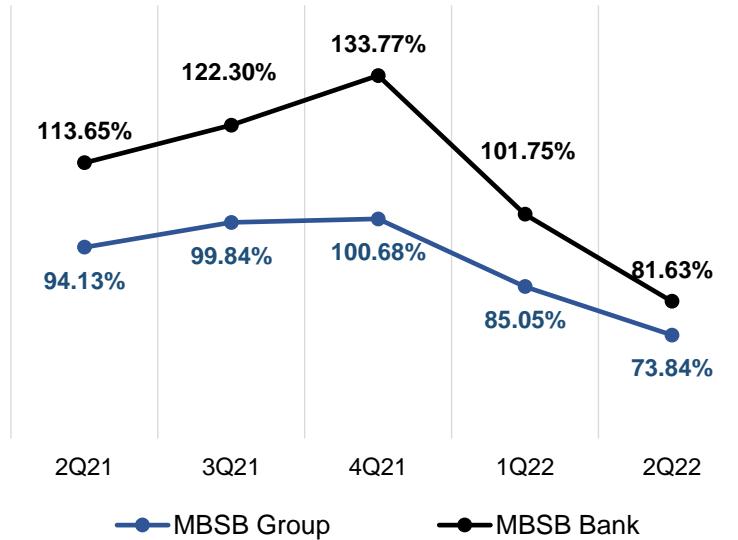
MBSB Bank



LOANS AND FINANCING LOSS COVERAGE

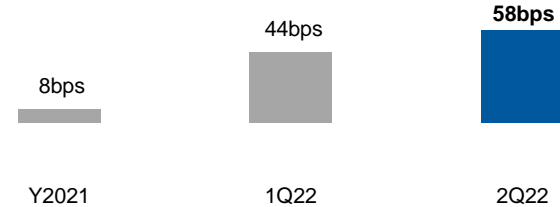


Loss Coverage Ratio

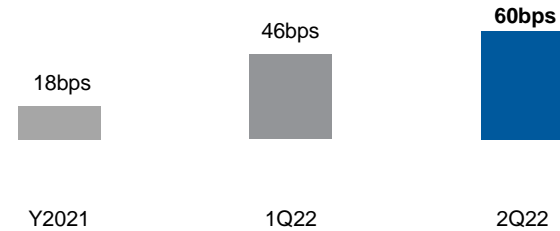


YTD Net Credit Cost

MBSB Group



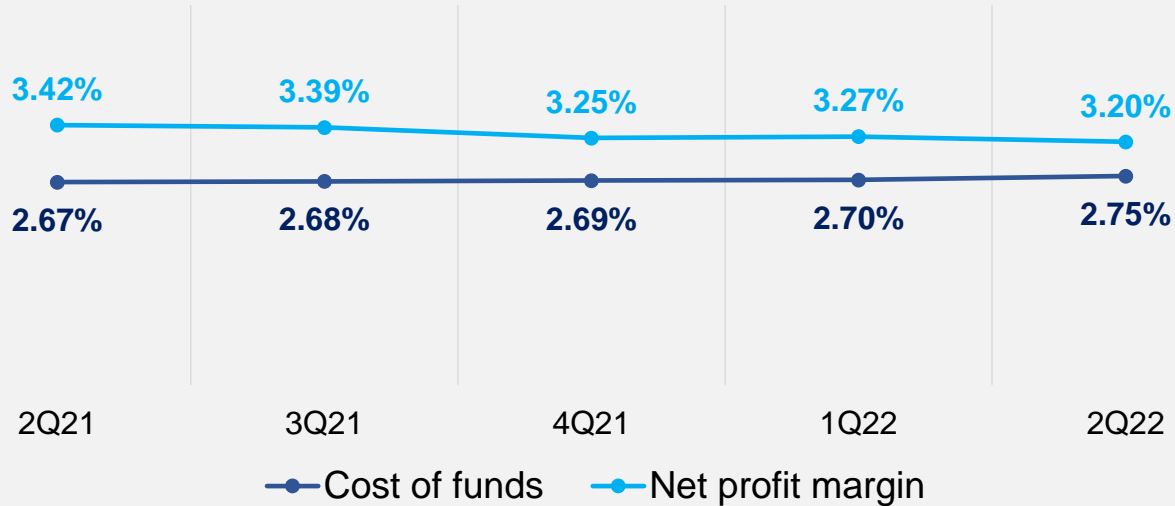
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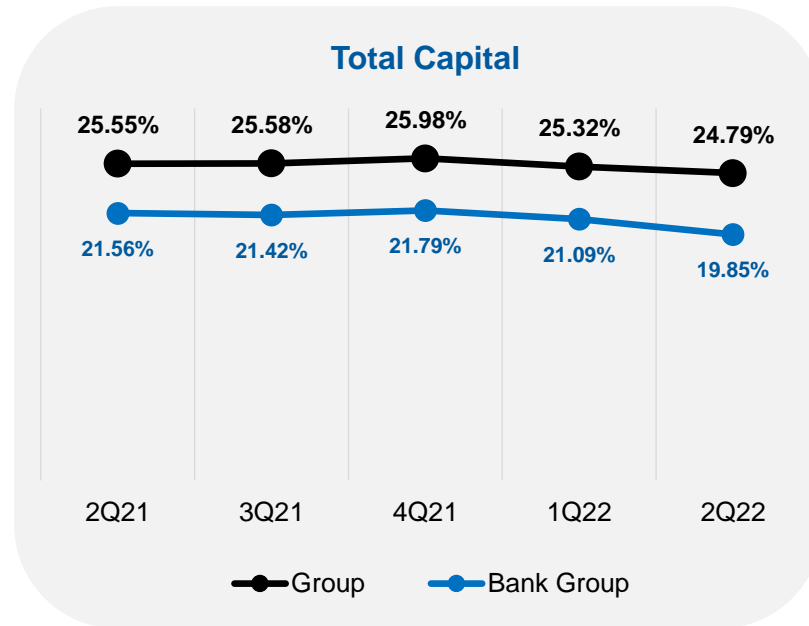
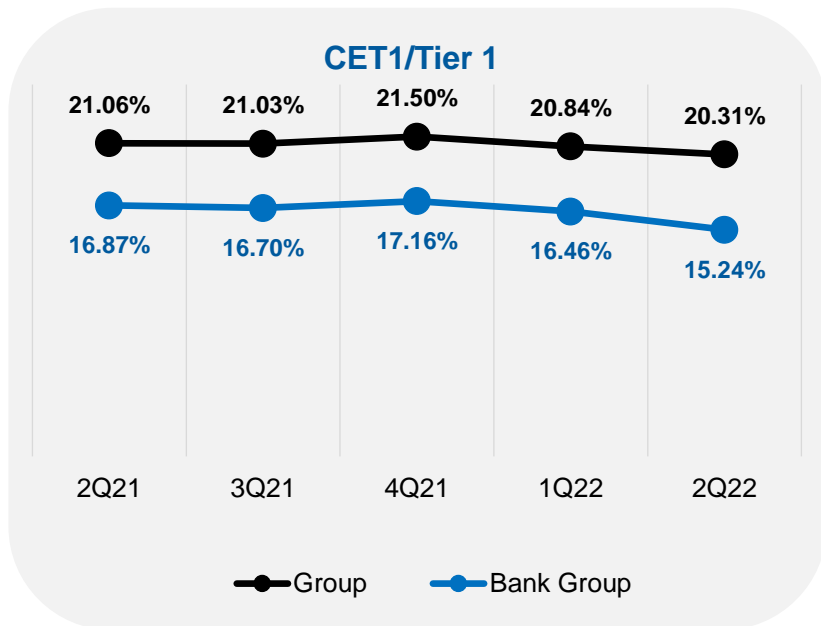
Decline is mainly due to most of the new impaired financing are fully-collateralized

NET PROFIT MARGIN AT 3.20% RESULTED FROM HIGHER FUNDING COST AND OPR HIKE

MBSB Group



CAPITAL REMAINS STABLE AND WELL ABOVE MINIMUM REGULATORY REQUIREMENTS



Regulatory requirements

CET1	: 7.0%
Tier 1	: 8.5%
Total Capital	: 10.5%

GROUP KEY RATIOS



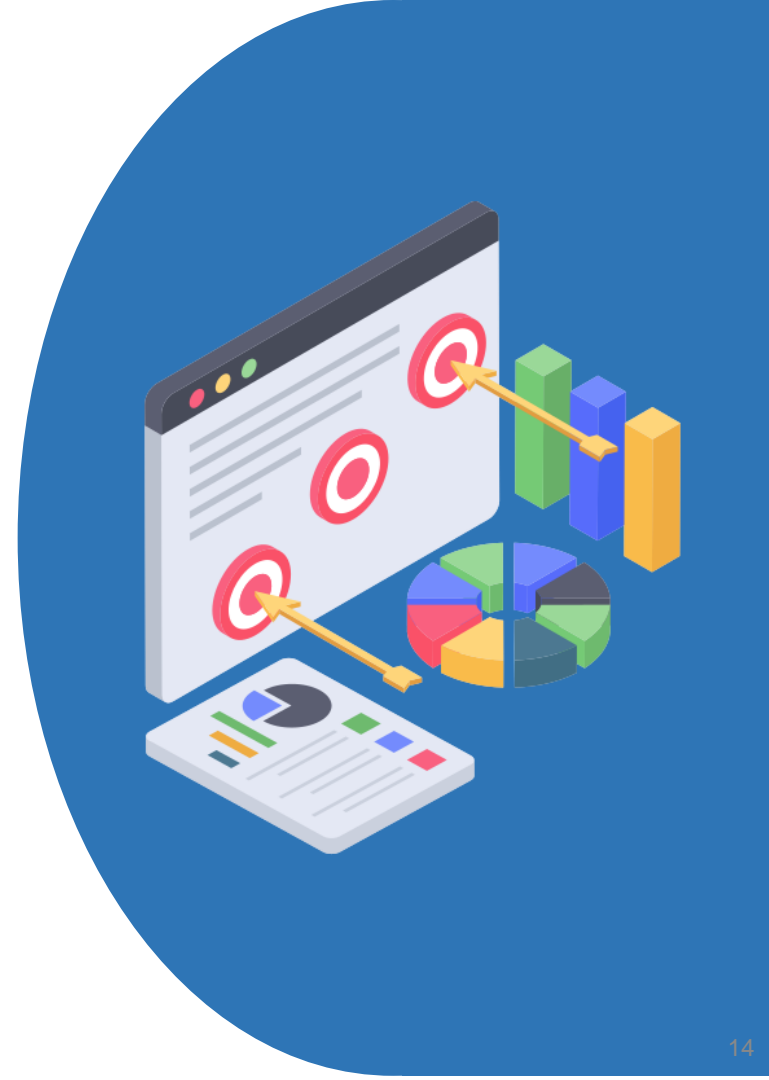
KEY RATIOS		4Q21 (%)	1Q22 (%)	2Q22 (%)
PROFITABILITY	Return on Equity	5.00	2.70	4.65%
	Return on Asset	0.89	0.46	0.79%
	Net Profit Margin	3.25	3.27	3.20%
	Cost to Income Ratio	32.79	37.83	36.54%
ASSET QUALITY	Gross Impaired Ratio	4.60	5.89	6.85%
	Net Impaired Ratio	2.71	3.68	4.07%
	Loans and financing Loss Coverage Ratio	100.68	85.05	73.84%
CAPITAL	CET1 and Tier 1	21.50	20.84	20.31%
	Total Capital	25.98	25.32	24.79%
LIQUIDITY	Cost of Funds	2.69	2.70	2.75%
	Liquidity Coverage Ratio	234.68	345.52	255.14%
	Net Stable Funding Ratio (for MBSB Bank Group)	103.10	108.01	105.30%

Regulatory requirements

CET1 : 7.0%
 Tier 1 : 8.5%
 Total Capital : 10.5%

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Moving forward – Macro Environment

Economic Outlook

The Malaysian economy grew 8.9% YoY in 2Q22 accelerating sharply from 5.0% growth in 1Q22. Source of growth coming from private consumption, as well as investments. Bank Negara Malaysia (BNM) is projecting full-year growth to be at the upper end of its 5.3%-6.3% forecast.

- We plan to leverage on improving economy and align our financing growth on corporate.
- Emphasising on sectors such as manufacturing and also trade business.
- Realignment will take into factor of headwinds from external environment that may slow growth 2023

Inflation & Monetary Policy

Malaysia inflation for 2Q2022 continues to increase at 3.4% YoY (1Q22: +2.2% YoY) contributed largely by the food and beverages at 6.1% YoY (1Q22: 4.0% YoY) followed by transport at 5.4% YoY (1Q22: 2.6% YoY).

BNM raised OPR in July 22 by 25 bps to 2.25%. On the back of strong domestic and consumer demand, OPR set to see a rise to 2.75 – 3.00% by mid 2023 (Source: Consensus).

- We strive to maintain Net Profit Margin at 3.20% level as achieved in 2Q22 amid higher OPR environment.
- Focusing on existing, quality PF-i customers to encourage taking up additional financing (top-up)

Moving forward – MBSB Outlook

Growth

- Financing growth of approx. 2% is lower than banking sector
- Shifting the focus area is key to increasing financing growth
- Realignment of financing portfolio, from our traditional construction sector to manufacturing and high impact sectors. Financing approvals are increasing
- Strengthening the retail portfolio – PF-i and property “green lane” for new developments

Asset Quality Management

- As highlighted earlier, high construction exposure impacting GIR on corporate portfolio
- The construction sector has been rewarding to MBSB in the past, but pandemic has tilted the risk/reward
- Building a robust portfolio as we learn from past lesson of pandemic

Realigning Strategies

- We are focused on executing and delivering on our commitment to our shareholders as aligned to our J25 initiatives.
 - Achieve ROE of 10% by 2025
 - Realignment of financing in new sectors and new corporates
 - Continuing to improve CASA which is important as source of cheaper funding

Sustainability Initiatives

- Launched sustainability framework with vision, mission, 11 overall goals which leads to 24 initiatives and 72 targets
- Completed financed emissions baseline for FY 2021
- Undertaking climate governance structure and scope 3 financed emission's process
- Working to align with EPF's climate change policy to have a **climate neutral portfolio by 2050**

Q & A

THANK YOU