



**MBSB**  
**BANK**  
Part Of Your Journey

# 4Q21 ANALYST BRIEFING

24 FEBRUARY 2022

**By Datuk Nor Azam M Taib**  
Acting Chief Executive Officer





## 4Q21 FINANCIAL PERFORMANCE



MOVING  
FORWARD

# 4Q21 FINANCIAL PERFORMANCE

## Profitability

**4Q21:** Recorded Profit Before Tax (“PBT”) of RM164.4 mil (3Q21: Loss Before Tax of RM94.3 mil). The profit is mainly due to writeback on provision made on financing due to improvement in staging of customers.

**Year 2021:** Recorded PBT of RM714.1 mil (2020: PBT of RM427.6 mil). The higher profit is mainly due to lower modification loss and provision made on loans, financing and advances due to improvement in staging of customers during the year.

## Financing

Gross loans, financing and advances remain at RM36.2 bil as at 31 December 2021 and 30 September 2021. Year-on-year growth is 1.27% or RM452.4 mil from RM35.7 bil predominantly in the retail segment.

## Asset Quality

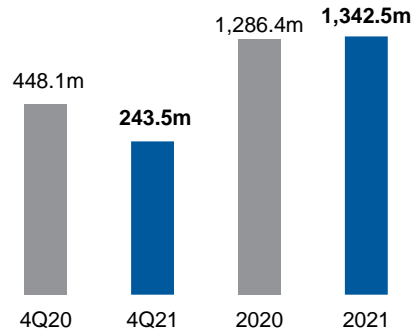
Gross impaired loans and financing ratio improved to 4.60% from 5.58% recorded as at 30 September 2021. Year-on-year ratio improved from 5.30% as at 31 December 2020.

## Capital & Liquidity

Total capital ratio remains strong at 25.98% (30 September 2021: 25.58%) and provide plenty of room for future growth. On liquidity, the Liquidity Coverage Ratio stands at a healthy 235%.

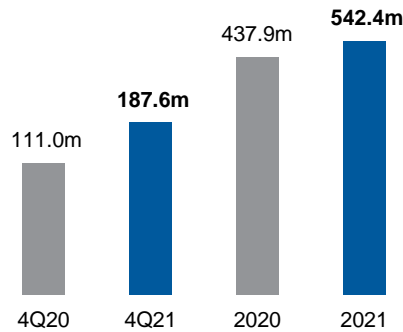
# GROUP KEY FINANCIAL HIGHLIGHTS

## Net Income



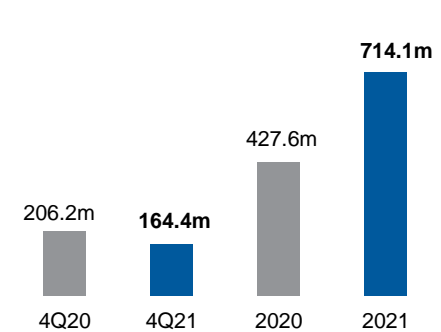
Net income (before impairment) in 2021 improved mainly due to lower modification loss despite a decrease in the overall net profit margin by 5 bps and non funded income amounting to RM125.0 mil

## Operating Expenses



Higher OPEX in 2021 with the significant investments in technology and HR to improve operational efficiency and enable new business capabilities.

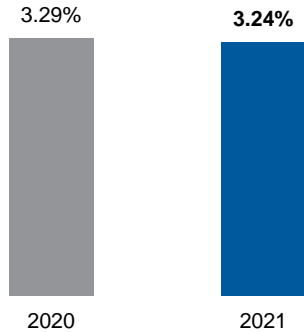
## Profit Before Tax



Improved PBT in 2021 mainly due to lower impairment and lower modification loss.

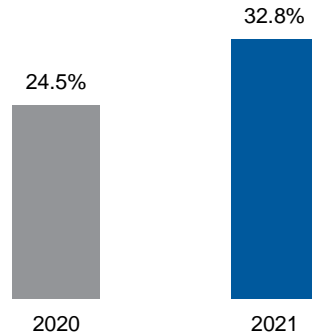
# GROUP KEY FINANCIAL HIGHLIGHTS (CONT'D)

## Net Profit Margin



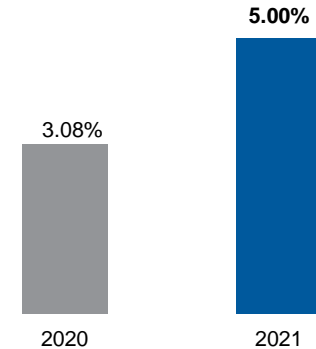
Net profit margin regressed to 3.24% mainly due to lower average financing yields.

## Cost to Income Ratio



Higher cost to income ratio due to the increase in opex from the investments in technology and HR.

## Net Return on Equity

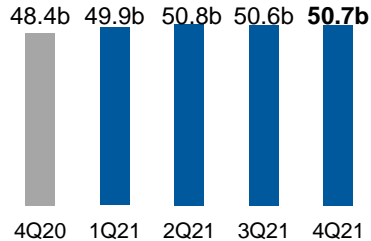


Higher net return on equity as a result of higher profit after tax.

# GROUP KEY FINANCIAL HIGHLIGHTS (CONT'D)

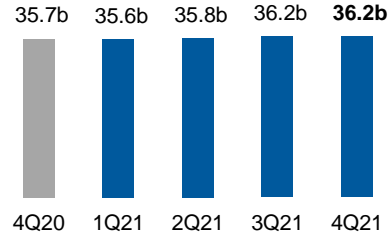
## Total Assets

+4.6% YTD



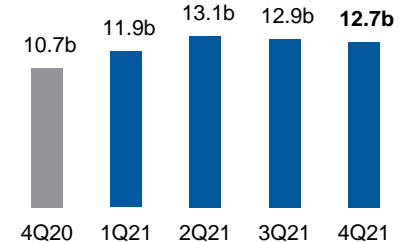
## Gross Financing

+1.3% YTD



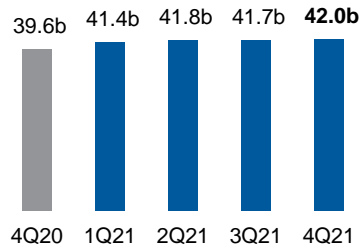
## Financial Investments

+18.7% YTD



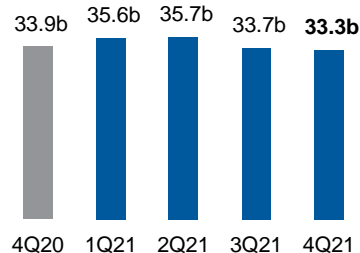
## Total Liabilities

+6.1% YTD



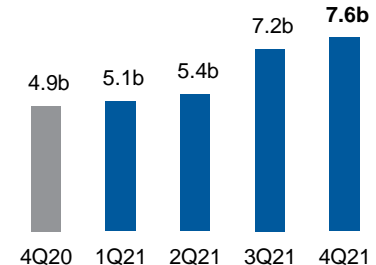
## Total Deposits

-1.9% YTD



## Total Sukuk, Investment Account and Cagamas

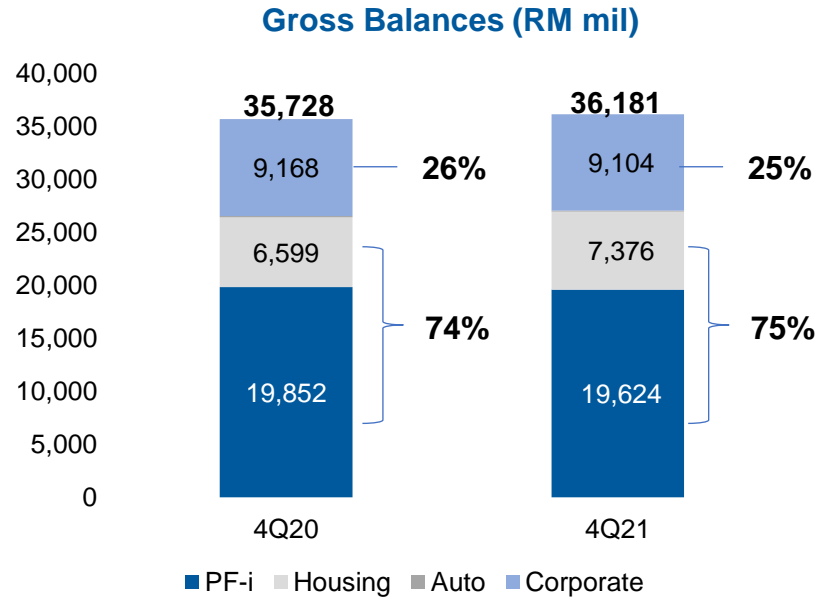
+54.5% YTD



# GROSS LOANS AND FINANCING INCREASED MARGINALLY BY 1.27% TO RM36.2bil (4Q20 : RM35.7 bil)



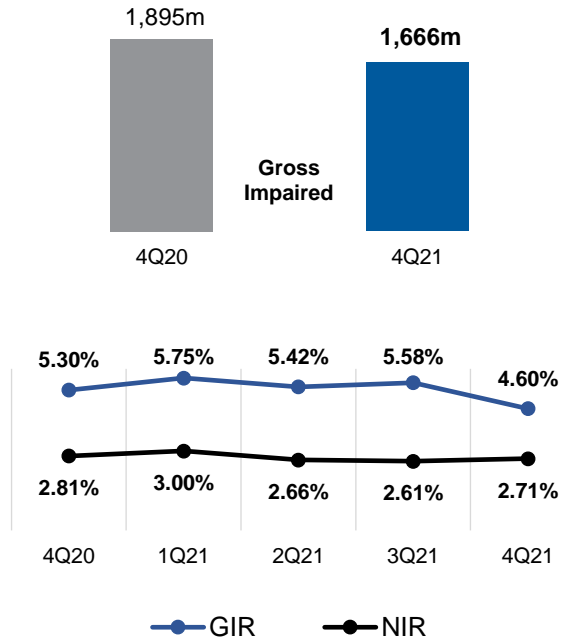
Corporate : Retail composition currently at 25 : 75  
Projected financing growth for 2022: 10 – 11%



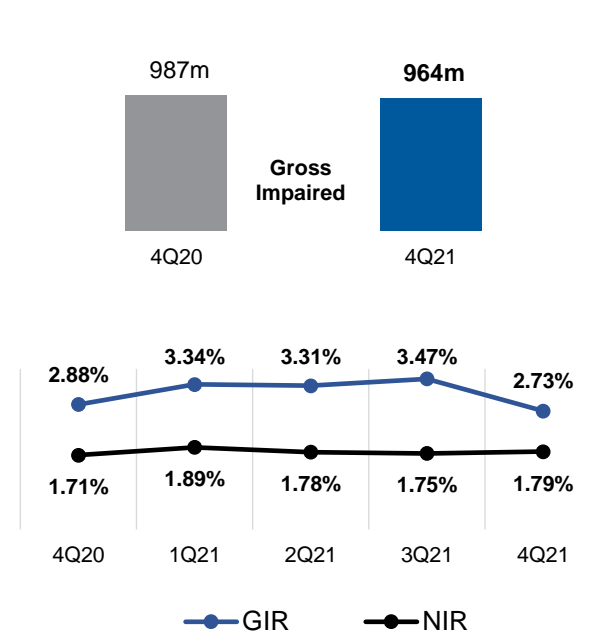
# GROSS IMPAIRED RATIO (GIR) IMPROVED CONTRIBUTED FROM IMPROVEMENT IN STAGING



MBSB Group



MBSB Bank

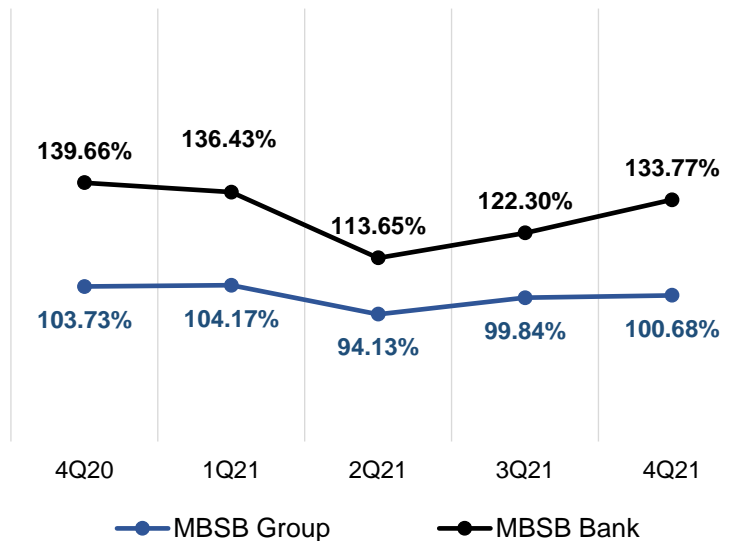




# LOANS AND FINANCING LOSS COVERAGE ABOVE 100%

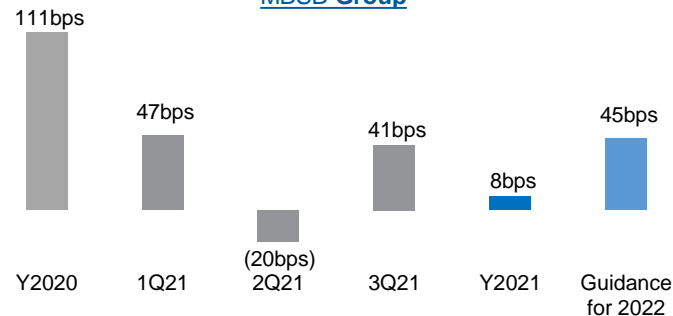


## Loss Coverage Ratio

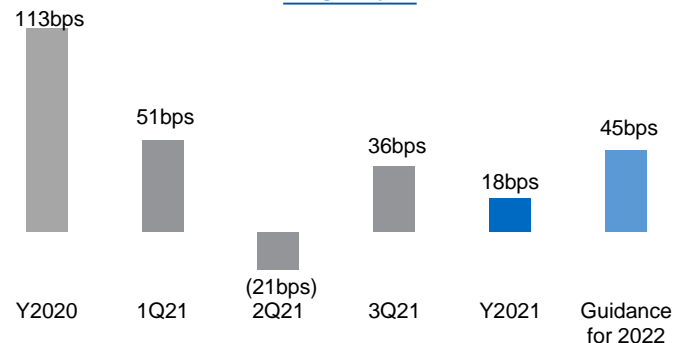


## YTD Net Credit Cost

### MBSB Group

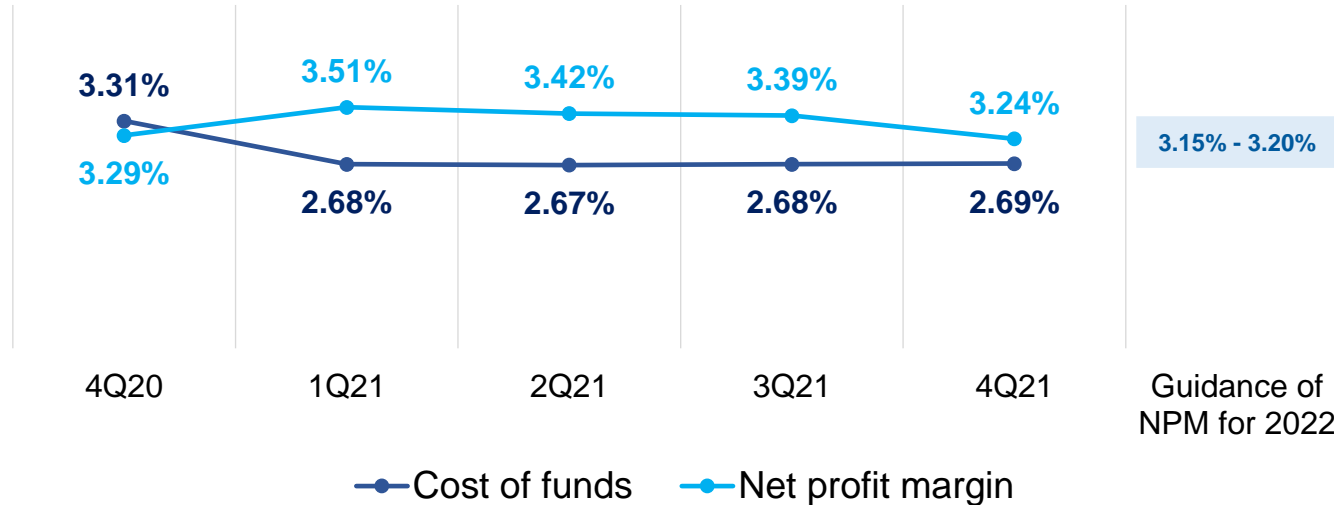


### MBSB Bank

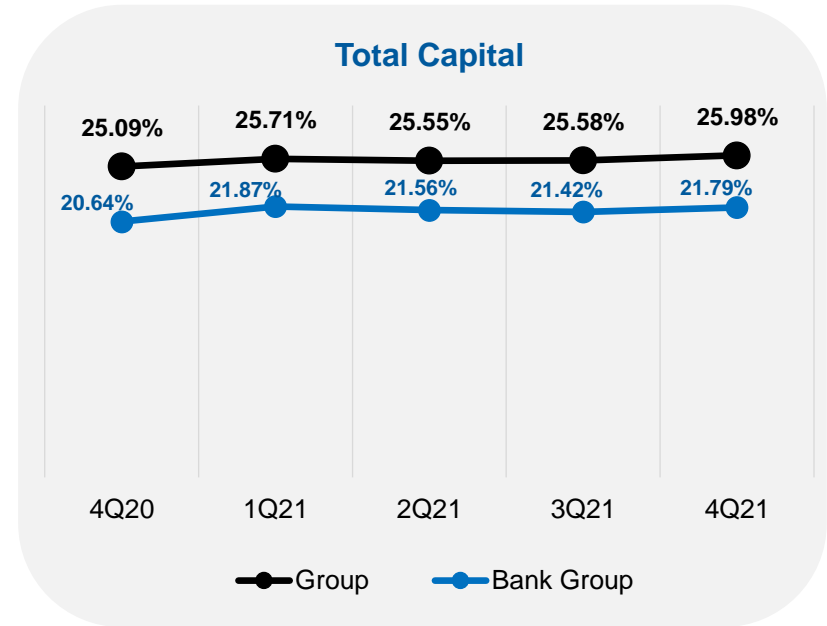
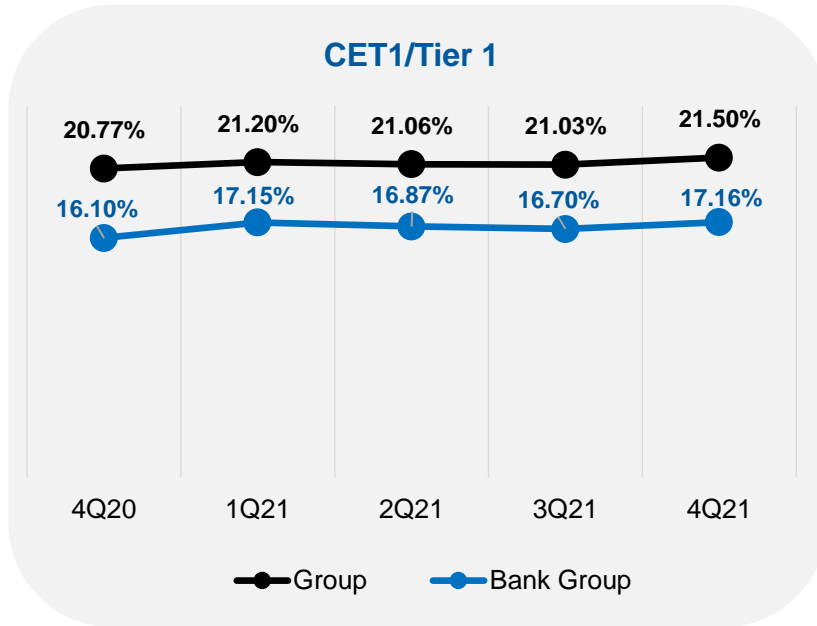


# NET PROFIT MARGIN REGRESSED TO 3.24% MAINLY DUE TO LOWER AVERAGE FINANCING YIELDS

## MBSB Group



# CAPITAL REMAINS HEALTHY AND WELL ABOVE MINIMUM REGULATORY REQUIREMENTS



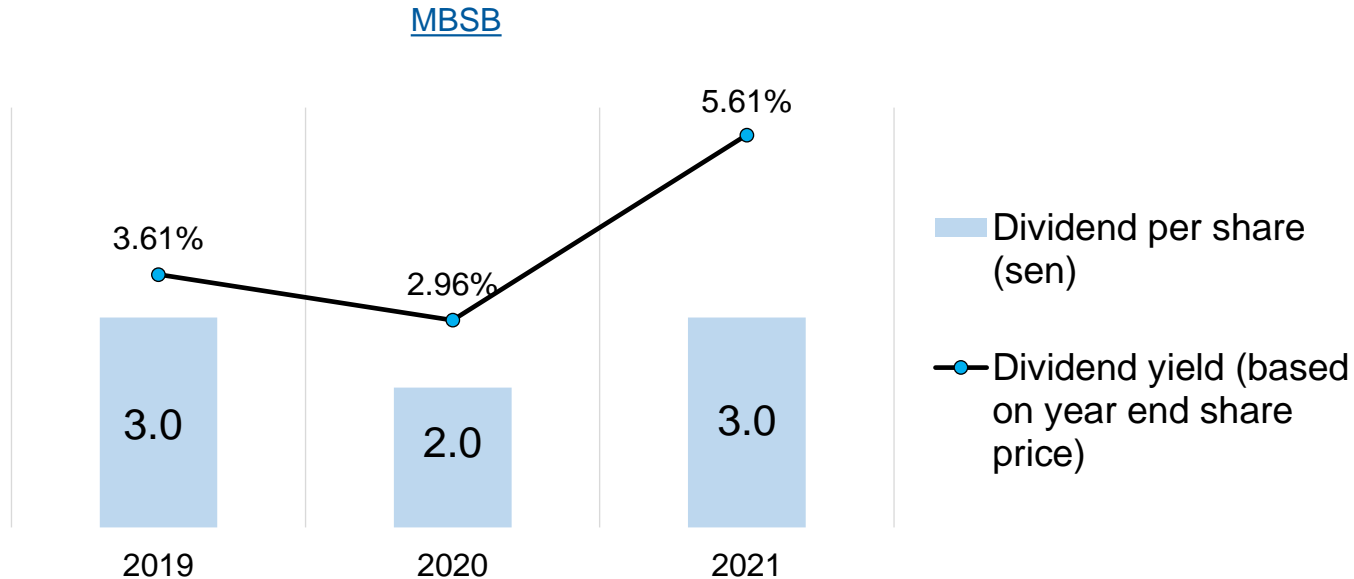
#### Regulatory requirements

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

# DECLARED INTERIM DIVIDEND OF 3.0 SEN PER SHARE, HIGHER AGAINST 2.0 SEN PER SHARE FOR YEAR 2020



Interim dividend for the year 2021 of RM215.1 mil represents 80% of MBSB PAT (2020: 93%), higher than the minimum pay-out ratio of 30% as per the dividend policy.



# GROUP KEY RATIOS

KEY RATIOS		4Q20 (%)	4Q21 (%)
PROFITABILITY	Return on Equity	3.08	<b>5.00</b>
	Return on Asset	0.54	<b>0.89</b>
	Net Profit Margin	3.29	<b>3.24</b>
	Cost to Income Ratio	24.45	<b>32.79</b>
ASSET QUALITY	Gross Impaired Ratio	5.30	<b>4.60</b>
	Net Impaired Ratio	2.81	<b>2.71</b>
	Loans and financing Loss Coverage Ratio	103.73	<b>100.68</b>
CAPITAL	CET1 and Tier 1	20.77	<b>21.50</b>
	Total Capital	25.09	<b>25.98</b>
LIQUIDITY	Cost of Funds	3.31	<b>2.69</b>
	Liquidity Coverage Ratio	203.09	<b>234.68</b>
	Net Stable Funding Ratio (for MBSB Bank Group)	100.46	<b>103.10</b>

## Regulatory requirements

CET1 : 7.0%

Tier 1 : 8.5%

Total Capital : 10.5%

# AGENDA



4Q21 FINANCIAL  
PERFORMANCE



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# CHANGING THE GAME PLAN

2022 - 2023 Strategic Roadmap



# Our Challenges

We need to address our over-reliance on PF-i, basic digital capabilities, operations-oriented branch model, low market visibility, gaps in talent quality and competency, and customer onboarding turnaround time



## 1. Over-reliance on limited products and services

Limited products and services, with an unsustainable heavy reliance on PF-I (57% of total financing portfolio), with limited expansion potential for the government servants' salary deduction segment. While PF-i generates the highest yield and is relatively low risk, we need to explore new areas where we have a niche and generate new revenue streams.



## 2. Basic digital capabilities

Our digital product capabilities are still below market expectations. For example, our digital platforms do not yet allow users to make real-time payment for online purchases.



## 3. Operations-oriented branch model

We have 3 branch models that are operations oriented and not focused on sales, with lack of resources and facilities at branches. Currently, 70% of our branch staff are focused on operations while 30% are focused on sales.



## 4. Lacks brand visibility and market presence

We are known as a building society and relatively unknown as a bank. The latest brand audit in 2020 (based on a sample size of 600 respondents) shows that only 48% of Malaysians are aware of MBSB Bank.  
Brand Audit results 2018 :16%, 2019 : 26%, 2020 : 48%



## 5. Gaps in talent quality and competency

There are skill set gaps in our workforce to generate greater value in productivity, cost-to-income and returns. We will need to upskill as well as hire more skilled talents to drive our businesses and close the gaps in our workforce.



## 6. Turnaround Time (TAT) needs improvement

There are process and operational gaps that we must address to improve efficiency, effectiveness and elevate customer experience especially during onboarding. Business processes will need further simplification, automation and digitalization.



# Targeted Business Sectors

This 2022 - 2023 Strategic Roadmap focuses on business sectors with high growth potential and less vulnerable to risks arising from the pandemic



## 1. e-Commerce (SME retailers)

2021 has seen a tremendous increase in e-Commerce spending activity and the trend is expected to continue in 2022 as consumer behaviour has also changed.

Source : NST , The STAR , Focus Malaysia



## 2. Halal Trade

The Halal economy is one of the emerging new markets with increasing global demands. The global Halal market is projected to hit RM10 trillion (US\$2.4 trillion) by 2024. The Halal Development Corporation (HDC) is developing a framework in order to boost Malaysia's participation in the market with possible capital injection and tax incentives.

Source: The Sun , MIDA , HDC



## 3. Energy

Technology advancement, tax incentives and demand led services have driven greater activity in this sector, particularly in green energy, electricity and public transportation.

Source: The Star , MIDA , The EDGE



## 4. Manufacturing

Manufacturing is expected to operate at greater capacity in 2022, especially in the F&B and E&E segments, as restrictions ease and the vaccination program makes progress.

Source: The EDGE , Fitch Ratings



## 5. Construction & Infrastructure

With the government's Pandemic recovery plan in place, the construction sector is expected to make a recovery in 2022, particularly in public transport and roads. The sector players are optimistic to operate at almost full capacity along with the vaccination program.

Source: The STAR , Malaysian Reserve



## 6. Takaful

2021 positive growth in Life Takaful due to an increasing focus and awareness on health arising from the pandemic as well as government support for the B40 group.

Source : Fitch Ratings , The STAR

# Core Strategies

Two-pronged business strategy guided by 3 principles to ensure we achieve continuous growth, meet customers' demands, we are able to scale the business and penetrate niche market segments

## Guiding Principles

### Differentiation

Our product should provide a unique value proposition to differentiate ourselves from other banks and capture the targeted market segment.

### Demand-led

Our products must match the demands of the market by leveraging on data and research. The demands should be sizeable and show good potential of growth in the next 5 years

### Sustainable

Our product must be able to create value for our stakeholders and integrate sustainability elements for us to take advantage of the increasing demands in ESG based products

## Strategy



### New Businesses

Generation of new revenue stream to scale the business and to penetrate niche market segment by providing unique value proposition



### Enhancement of Existing Businesses

Enhance existing business capabilities and processes to drive continuous growth and meet targeted customers' demands

## Initiatives

 Digital  Corporate  Retail  Treasury

1. New Digital Business

2. i-Simpan Financing Scheme

3. i-Rumah Financing Scheme

4. Ecosystem Financing

5. Parallel Musharakah Contract

6. 5G Roll Out (Phase 1) Funding

7. Islamic Treasury Marketplace

8. Derivative Products

1. PF-I 25

2. Civil Servants Topup Financing

3. PTPN Education Financing

4. SJKP Guarantee Financing Scheme

5. M-Gold

6. Skim CAKNA for SME

7. Women M-Powerment Financing

8. East Malaysia Banking

9. MBSB Township at KWASA Damansara

10. Green Financing

11. Islamic Capital Market

# Sustainability High Impact Initiatives



## SUSTAINABILITY SUKUK

- An agreement was signed with Maybank Investment Bank on 22 February 2022 for the establishment of a RM5.0 billion Sustainability Sukuk Wakalah Programme.
- The Sustainability Sukuk is MBSB Bank's first sustainability Sukuk platform and will be the first of its kind in the world to be issued by an Islamic Bank.
- It will have a perpetual programme tenure and has been accorded a preliminary rating of A+IS by Malaysia Rating Corporation Berhad (MARC).



## ESG FRAMEWORK AND SCOPE 3 EMISSIONS BASELINING

- MBSB Bank has commenced with the development of an ESG framework based on Bank Negara Malaysia's Climate Change and Principle-based Taxonomy (CCPT) and Value Based Intermediation Financing and Investment Impact Guidelines (VBIAF).
- The ESG Framework once developed, will provide MBSB Bank with a guided and holistic approach in identifying, measuring, managing and reporting ESG risk and opportunities.
- Development of scope 3 emissions baseline including financed emissions.



## SIGNATORY OF MALAYSIAN CHAPTER OF UNITED NATIONS GLOBAL COMPACT NETWORK MALAYSIA AND BRUNEI (UNGCMYB)

- UNGC is a leadership platform for the development, implementation and disclosure of responsible corporate practices.
- Our participation demonstrates our strong commitment towards responsible investment strategies that are aligned with United Nations Sustainable Development Goals (SDGs) and Bank Negara Malaysia's vision to support climate change mitigation and adaptation.

# Q&A