



MALAYSIA BUILDING SOCIETY BERHAD
52ND ANNUAL GENERAL MEETING
THURSDAY, 9 JUNE 2022

Presentation by
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ACTING CHIEF EXECUTIVE OFFICER



Agenda

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2021 IN REVIEW: KEY FINANCIAL HIGHLIGHTS

Outline:

Profitability

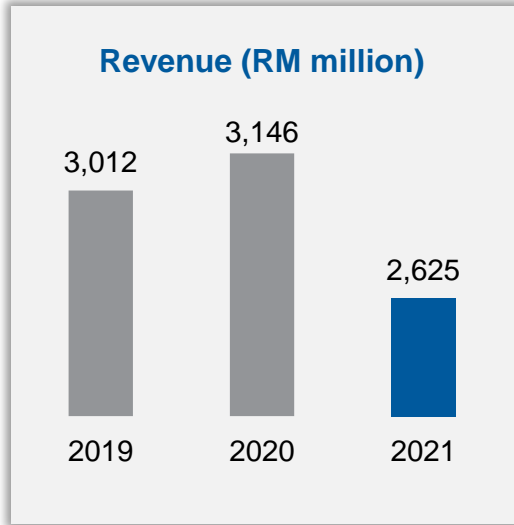
Asset Quality

Capital

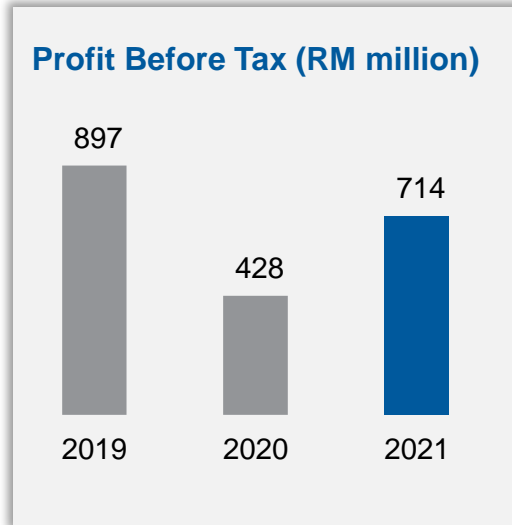
Liquidity

2021 In Review: Key Financial Highlights

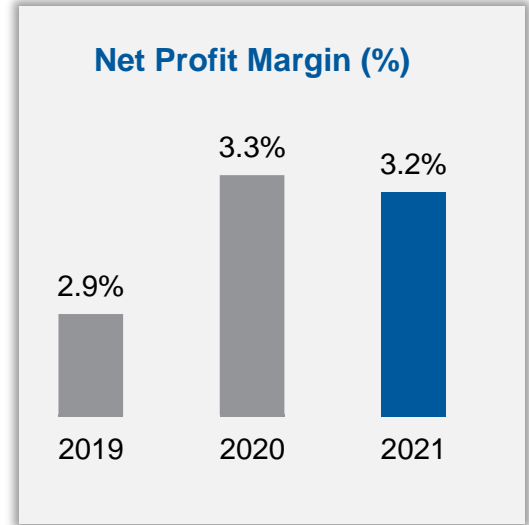
PBT rose by 67% despite a reduction in revenue, mainly due to lower modification loss and provision made on loans, financing and advances



Revenue recorded a 16.6% reduction from 2020 mainly contributed by a decline in financing & investment income and a decline in gains from sale of financial investments due to the full year impact of the 125 bps OPR cut in 2020.



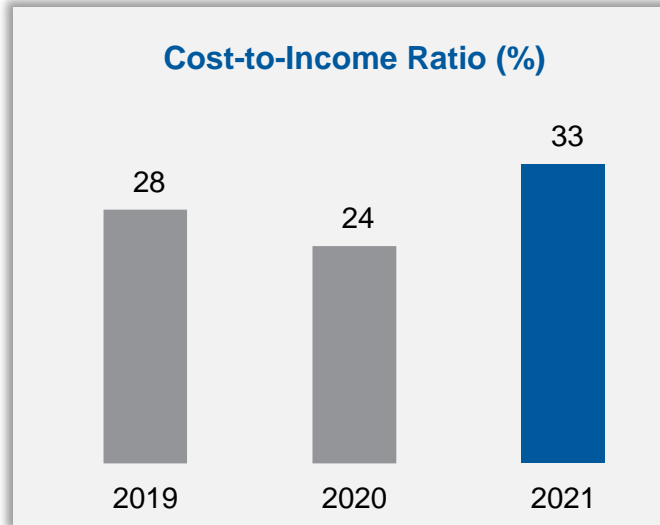
PBT increased by 67% mostly owing to a reduction in impairment and modification loss.



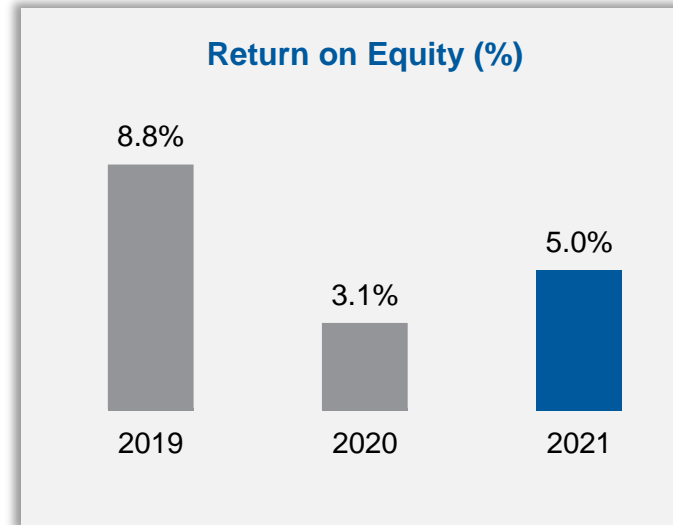
NPM reduced by 0.1% due to the full year impact of the 125 bps OPR cut in 2020.

2021 In Review: Key Financial Highlights

ROE was higher in line with improved profitability as we continue to invest in technology and people to improve our future capabilities to generate higher returns



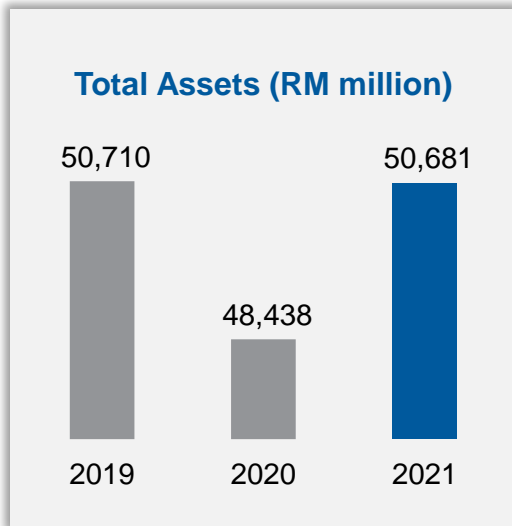
- **CIR** increased by 8.3% from 24.5% to 32.8% due to higher OPEX mainly from investments in technology and building our talent pool.
- This is to improve capabilities for future revenue generation, better operational efficiencies and to comply with regulatory requirements.



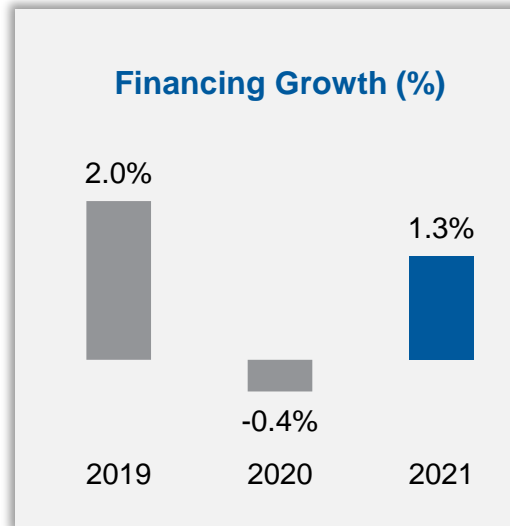
- **ROE** improved from 3.1% to 5.0% in line with our improved profitability in year 2021.
- If we were to factor back the modification loss of RM312 million into our PBT, our core ROE would be 8.6%.

2021 In Review: Key Financial Highlights

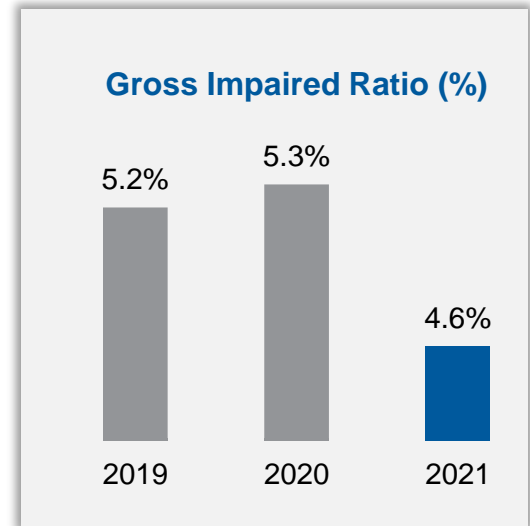
Total assets grew by 4.8% mainly due to higher financial investments while financing grew moderately. Efforts are continuing to further improve asset quality.



The increase in total assets to RM50.7 billion in 2021 is largely due to growth in financial investments as well as increase in net loans, financing and advances.



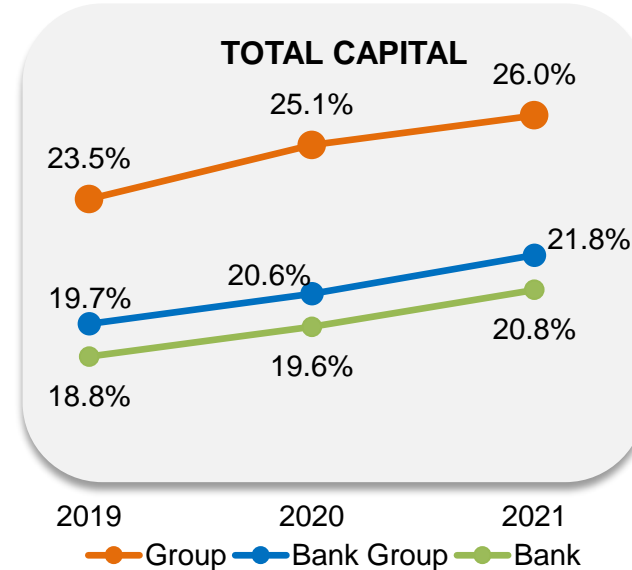
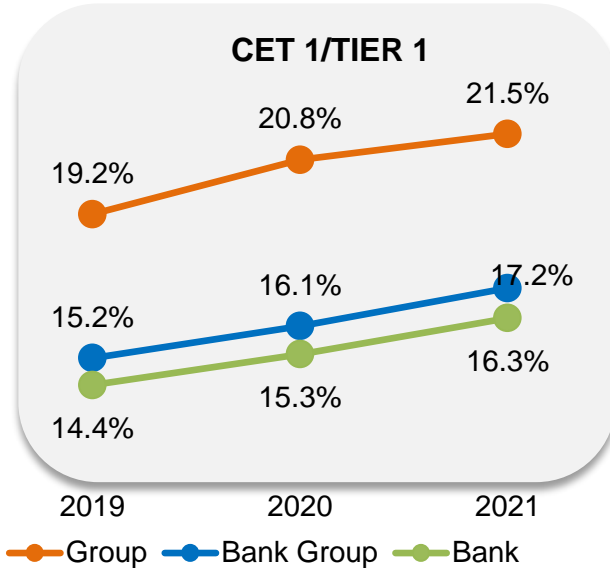
The 1.3% growth in gross financing reflects moderation in financing demand amid re-imposition of stricter nationwide containment measures in the second quarter of 2021.



The improvement observed is contributed by the improvement in staging, especially from property financing.

2021 In Review: Key Financial Highlights

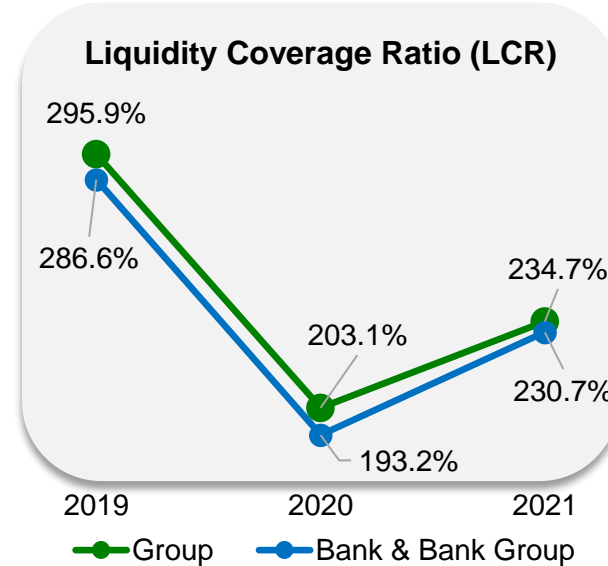
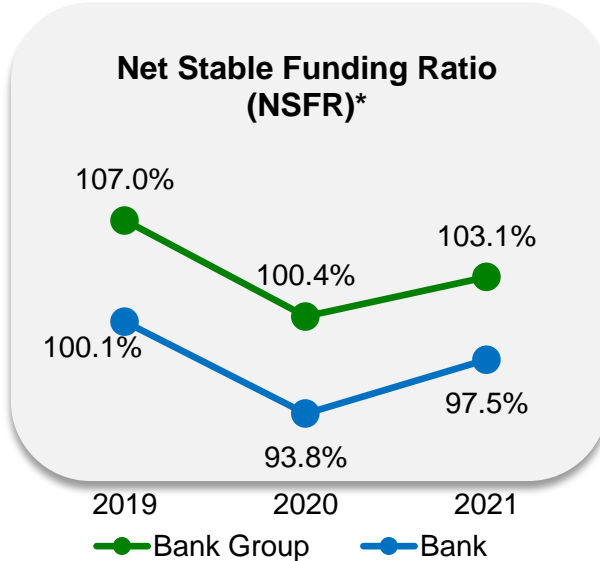
Group CET 1 and total capital ratio remain strong at 21.5% and 26.0% respectively, well above minimum requirements, providing ample room for future growth



The Group's 21.5% Common Equity Tier 1 ("CET1") Capital Ratio and 26.0% Total Capital Ratio improved further from 2020 levels due to good capital management.

2021 In Review: Key Financial Highlights

The Group's Liquidity Coverage Ratio stands at a healthy 234.7%, reflecting our ability to withstand possible stress scenarios



* No NSFR requirement at Group level

Maintained a good liquidity coverage ratio of 234.7%, up from 203.1% from the previous year.

MOVING FORWARD

Outline:

Journey 25 Roadmap

Strategic Roadmap 2022 - 2023

Journey 25 Roadmap

We aspire to become a top progressive Islamic Bank by 2025 and achieve an ROE $\geq 10\%$, an external rating of AA and grow new businesses. We are on track to achieve these targets

J25 Aspirations

To become a Fully Matured Islamic Financial Institution by 2025



Return on Equity (ROE)

Achieve ROE of no less than 10%



Business

- ❖ Regional player in trade finance with turnover between RM14 billion and RM16 billion
- ❖ Frontier to Middle East and North African countries
- ❖ New business streams;
 - Key Islamic Bank for Halal industry players
 - Preferred Musharakah Partner
 - Sustainable Financing



External Rating

Improve rating to AA

Journey 25 to Our Customers

MBSB Bank – a Bank that Cares



J25 Fully Matured Islamic
Financial Institution by 2025



A Bank that Cares, offering holistic solutions beyond banking and benefitting the society's well-being based on the Muamalah principles of being inclusive, fair and transparent.

2022 - 2023 Strategic Roadmap Objectives

Our immediate objective is to create greater value for our stakeholders by establishing a strong financial position while achieving our sustainability objectives

Establish a Strong Financial Position



- ❖ Grow the Bank's business base by $\geq 10\%$ annually, leveraging on the strong capital position (CET 1 Capital ratio: 17.2% vs. the industry's 14.5%, Total Capital Ratio: 21.8% vs. the industry's 18.5%)
- ❖ Grow CASA base to manage funding cost
- ❖ Declare higher dividends

Sustainability Objectives:

Responsible Financing and Financial Inclusion



- ❖ Focus on financial inclusion and improve financial accessibility particularly for underserved segments. Guided by BNM's CCPT and VBI AF
- ❖ Key milestone for FY2022: Development of ESG Framework and Baseline Scope 3 financed emissions
- ❖ Ultimate target: A climate neutral portfolio by 2050

2022 - 2023 Strategic Roadmap Core Strategies

Two-pronged business strategy guided by 3 principles to ensure continuous growth

Business Transformation

New Businesses

Generate new revenue streams to scale the business and penetrate niche market segments by providing unique value propositions



Enhance Existing Businesses

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



Guiding Principles



Differentiation



Demand-Led



Sustainable

Business Enablers

Digital

Branches

Risk & Governance

Technology

Marketing & Branding

People

MSWG Q&A

Q1.

Datuk Nor Azam M. Taib has been appointed as the Acting Chief Executive Officer (Acting CEO) since 16 August 2021, after the demise of Datuk Seri Ahmad Zaini Othman.

- **How is the progress of identifying a suitor to helm the position?**
- **When will the Group finalize the appointment of a new CEO?**

A1.

The process of appointing a new CEO is ongoing. The Board has undertaken a robust review and assessment process to identify a suitable candidate.

Q2.

MBSB's Journey 25 (J25) Roadmap has outlined several key targets including (page 71 of Integrated AR 2021):

- Higher ROE
- Regional Player in trade finance with turnover between RM14 billion and RM16 billion
- Frontier to Middle East and North African countries
- New business streams:
 - Key Islamic Bank for Halal industry players
 - Preferred Musharakah Partner
 - Sustainable Financing
- Improve rating to AA

- a) **What is the targeted ROE (FY2021: 5.0%, FY2020: 3.1%) MBSB would like to achieve under the J25 Roadmap?**
- b) **What are the key levers that MBSB would utilize to improve its ROE throughout the five-year term?**
- c) **On MBSB's target of being "Frontier to Middle East and North African countries", please elaborate the strategy of achieving this target.**

A2.

- a) As per the J25 Roadmap, MBSB aims to achieve a minimum ROE of 10% by 2025.
- b) There are 4 key areas of focus:
 - i. Growing our consumer and commercial portfolio via
 - ❖ Collaboration with several parties to enhance the product offering
 - ii. Reducing costs of fund via:
 - ❖ Recalibration of our deposit structure from predominantly term deposits to CASA.
 - ❖ Increase retail deposits
 - iii. Improvement in asset quality via:
 - ❖ Quick resolution of impaired loans/financing
 - ❖ Enhance credit onboarding
 - ❖ Close monitoring of corporate loans/financing
 - iv. Overhead expenses:
 - ❖ To manage and maintain the current OPEX

The above initiatives are expected to improve our PAT, hence improving the ROE.

A2. Cont.

- c) In our constant effort to expand the services globally, several initial engagements were made with potential parties as follows:
- ✓ Collaboration with International Trade Finance Corporation to bridge requirement and trade solutions amongst OIC countries.
 - ✓ Explore partnership with Malaysia-Qatar Business Council to provide a base in Doha (Qatar) for potential exporters in Malaysia to penetrate the market in Middle East.
 - ✓ Explore partnership with counterparts in Bahrain i.e., Al-Barakah/Al-Ahli/Al Masyreeq to create/develop a trade zone between Bahrain (as a gateway to Middle East and North Africa) and Malaysia (as a gateway to Asean) for exporters/importers of halal goods in both regions.

Q3.

For FY2021, MBSB had recorded a flattish growth of 1.3% in gross financing compared to industry total loan growth of 4.5% during the year.

Besides, MBSB also underperformed compared to most of the banking peers which registered strong financing/loan growth following the revival of economic activities, notwithstanding the full year impact of overnight policy rate (OPR) cuts in 2020.

- **What were the root causes of MBSB's flattish financing growth?**
- **How does MBSB improve these weaknesses so the financing growth will be on par with other banking peers in FY2022?**

A3.

- The root cause of the flattish financing growth can be attributable to the multiple moratorium provided by the authorities.
- The Group's personal financing comprises mainly from Government sector, hence moratorium has resulted in excess cash among the borrowers resulting in no requirement for additional borrowings.
- The movement control order has further dampened our efforts in growing both consumer and commercial financing. Nevertheless, during this period we have taken the liberty to enhance our systems and people in order to be ready for future growth.
- We have developed a Strategic Roadmap 2022 – 2023, which sets out a two-pronged business strategy, with specific initiatives to ensure continuous growth. It outlines initiatives designed to generate new revenue streams as well as enhance existing business capabilities and processes.

Q4.

In terms of asset quality, MBSB recorded a significantly higher gross impaired loan (GIL) ratio of 5.89% in Q1FY2022 as compared to 4.6% in the Q4FY2021. At the same time, most of the other banks have recorded a lower or moderate GIL ratio quarter-on-quarter.

- **What was the reason for MBSB's rapidly deteriorating asset quality?**
- **Has MBSB made sufficient provision previously based on macroeconomic variables and management overlays?**

A4.

- The higher GIL ratio in Q12022 is mainly due to an increase in impairment in the corporate portfolio. A few of these customers have undergone R&R hence the financing have been classified as impaired. Upon the 6 months observation period, these accounts will be reclassified back to performing.
- Our provisions for macroeconomic variables and management overlays were adequate and in line with MFRS9 requirements.

Q5.

MBSB's cost to income ratio (CIR) had increased by 8.3% to 32.8% from 24.5% in FY2020 due to significant increase in operating expenses arising from investments in technology infrastructure. Year-on-year, MBSB's operating expenses was 23.88% higher at RM542.42 million compared to RM437.86 million (page 233, Note 39 - Operating expenses).

- a) **What were the investments in technology about?**

- b) **Please explain the reasons for the increase in the establishment related expenses (FY2021: RM152.89 million, FY2020: RM80.41 million), general administrative expenses (FY2021: RM84.87 million, FY2020: RM37.88 million) and commission fees (FY2021: RM31.63 million, FY2020: RM18.37 million).**

- c) **The CIR continued to be on an uptrend with the ratio hitting 37.8% in Q1FY2022 with y-o-y higher personnel expenses, establishment related expenses and general administrative expenses.**
 - i. **Does the Group expect to continue incurring higher operating expenses in the near term?**
 - ii. **What is the management guidance on a comfortable CIR?**

A5.

a) Investments in technology were mainly to:-

- Improve capabilities for future revenue generation
- Improve operational efficiencies
- Comply with regulatory requirements

b) Reasons for increase:

i. Establishment expenses:

- Higher depreciation and amortisation in line with increase in tangible/intangible assets
- Higher IT hardware and software maintenance expenses

ii. General admin expenses:

- Higher financing processing costs and reclassification from other income classification
- Higher legal expenses incurred on behalf of customers and donations during the year

iii. Commission fees:

- Higher Angkasa charges following commencement of deductions after moratorium period
- Commission fees and charges reclosed from other income classification)

c)

- i. There are no major expenses expected to be incurred in the near term.
- ii. The guidance is to maintain CIR of within 35%.

Q6.

MBSB had entered discussions with Permodalan Nasional Berhad (PNB) to explore the possibility of undertaking an acquisition of the 100% shareholding in Malaysian Industrial Development Finance Berhad (MIDF) which is held by PNB.

- **How is the discussion going on?**

A6.

- MBSB is currently in ongoing discussions and negotiations with Permodalan Nasional Berhad (PNB) in relation to the proposed acquisition of Malaysian Industrial Development Finance Berhad (MIDF).
- MBSB will make the necessary announcements as and when there is material development in relation to the proposed acquisition.

Q7.

As of 31 December 2021, MBSB had cumulatively approved RM525.18 million of green financing.

- a) What are the types of green projects that MBSB usually finances?**
- b) Following the objective of expanding green financing portfolio beyond solar projects, what are the potential areas that MBSB seeks to tap into?**
- c) Does MBSB set a certain disbursement target for the green financing portfolio?**

A7.

- a) The types of green projects that MBSB usually finance are Solar farm, Biomas and Biogas.
 - i. Solar – financed the development of large scale solar (LSS) to produce/sell solar photovoltaic energy to TNB under PPA of 21 years (at various capacities; 1-5Mw; 6-9.99mw and 10-30Mw).
 - ii. BTM Biomas – financed the construction of RE generation & transmission facility using biomass (produced from timber activities) as fuel with generating capacity of 12Mw. Energy sale to TNB for a period of 21 years under RePPA.
 - iii. Biogas – financed construction of biogas plant with generating capacity of 1.2Mw. Energy sale to TNB for a period of 21 years under RePPA.

- b) We seek to tap into the potential areas of Hydro, Electric Vehicle, hydrogen in the alternative fuel segment.

- c) MBSB's target disbursement is to achieve RM700 million by 2025

PRE-AGM AND LIVE Q&A

No.	Question
1.	Is the company giving any door gift to shareholders attending this AGM
2.	Dear BOD - Kindly give us some e-vouchers, food vouchers or e-wallet (no discount vouchers please) for being loyal shareholders and attending this meeting. Times are bad now. Please be considerate to us shareholders during these trying times. TQ
3.	<ul style="list-style-type: none"><li data-bbox="195 681 1553 721">i. Is the company planning to open new Bank Branches in the Klang Valley<li data-bbox="195 792 1518 832">ii. Is the company giving any door gift to shareholders attending this AGM

No.

Question

- i. What efforts are undertaken by MBSB to encourage more corporate maintains main operating current account with MBSB?
4. ii. Totally dismayed to know that no door gift distribution. Life is unpredictable. Do kindly review the decision which highly anticipated/demand by minor shareholder.
- iii. Kindly find ways to manage prosperity tax such as provide door gift to shareholders and increase director fees in order to attract best talent

- Dear Honorable Chairman & Board of Directors, we appeal to your kind selves & generosity to reward us your loyal shareholders with E-Wallets, E-Vouchers and /or Food Vouchers, for making the effort & taking the time to attend this AGM. We look forward to receiving them as they will help defray the high costs of living escalated by the Covid19 pandemic. Thank you.
- 5.

No.	Question
6.	Will MBSB debit card support Apple Pay? Will MBSB expanding the business by launching credit card to increase bank revenue, thus increase shareholders dividends?

No.	Question
7.	<ul style="list-style-type: none"><li data-bbox="214 434 1779 620">i. It's good to see improvement of MBSB effort to promote the MBSB through deposit saving prizes. so, what's the market positioning of MBSB and the coming marketing actions to promote the MBSB. It's still unable to attract more customers to apply loan from MBSB. Why<li data-bbox="214 674 913 718">ii. What's the benefits to acquire MIDF

No.

Question

7. iii. The share price is still underperformed several years. What MBSB can do to benefit shareholders

No.	Question
8.	How far up the scale is MBSB in respect of ESG Compliance and what are the action plans to fulfill this requirement within the set timeline?

No.	Question
9.	Will MBSB up its ante in terms of its shareholders value as it progresses with the restructuring exercise and what is the expected timeline for completion?
10.	Would there be any F&B voucher or eWallet fund be given?
11.	Good morning, Mr. Chairman, may I know how is the potential or current non-performing loan situation of the company. Thank you.

THANK YOU