



# MALAYSIA BUILDING SOCIETY BERHAD

## 53<sup>RD</sup> ANNUAL GENERAL MEETING

TUESDAY | 27 JUNE 2023

Presentation to Shareholders by  
**DATUK NOR AZAM M. TAIB**  
GROUP CHIEF EXECUTIVE OFFICER

FINANCING  
A BETTER  
*Tomorrow*



## Agenda

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# 2022 IN REVIEW

# 2022 In Review

The Group recorded improvements in financial performance, and remains committed to continuing its growth and journey to become a leading Islamic Bank

## FINANCING GROWTH RM2.4 billion

(RM38.6 billion as at 31 Dec 2022)

**+6.6% YoY**

(2021:RM36.2 billion; 1.3% YoY)

Above industry average of 5%



## NET OPERATING INCOME RM1,460 million

**+8.8% YoY**

(2021: RM1,342 million)



## NET PROFIT RM460 million

**+4.9% YoY**

(2021:RM439 million)

Highest in 3 years



## TOTAL SHAREHOLDER RETURN (TSR)

**20.6%**

Better than Bursa Malaysia Finance Index's gain of 6.0%



## CAPITAL COMMON EQUITY TIER 1

**21.9%**

Signifies financial stability and flexibility to pursue future growth opportunities



## SHARIAH-COMPLIANT SECURITY & FTSE4Good

Classified as a Shariah-compliant security by SC in November 2022

Included in the FTSE4Good Shariah Index in December 2022



# 2022 In Review

We continue to build capabilities to accelerate growth and increase value for our stakeholders



## Establish a Strong Financial Position

- **Highest PAT** in 3 years at RM460 million
- **Financing growth** of 6.6% **surpassing sector average** of 5%
- **New CASA-i** account opening **162%** YoY
- **Capital and liquidity** position remains strong. LCR of 176.2% and NSFR of 112.9%, well **above the regulatory minimum**



Received MSWG ASEAN Corporate Governance Award 2021 at the 8th Industry Excellence Award for CG Disclosure – Financial Services



## Offer Digital Banking and Innovative Solutions

- Significant uptake of **MJOURNEY platform**, with **RM580 million** retail transactions and over **RM6 billion** corporate transactions.
- RM5 billion Sustainability Sukuk Programme, **world's first Sustainability Sukuk** by an Islamic Bank. First issuance **oversubscribed by 10x**
- Digital platforms launched to **enhance employee experience** and **streamline processes**



Received Pioneer Sustainable Development Action Recognition 2022 from United Nations Global Network Malaysia & Brunei



## Provide Excellent Customer Service

- **Brand awareness increased** by 8% to 54% from 46% in 2021
- Physically transformed **28 branches** since 2018 and another **4 branches** will be transformed in **2023** to **better serve our growing customer base**.
- **Post Transaction Survey** showed that **80% customers** are **satisfied** with the Bank's services and rated with a **maximum rating of 5**



## Employer of Choice

- **RM6 million** invested in employees' **learning and development**
- **Competitive benefits** with focus on employees' health & well-being
- **Low employee turnover rate of 10%**
- **Diverse workforce** with 44% women employees



Awarded Employer of Choice 2022 by The Brandlaureate HR-PDL Award

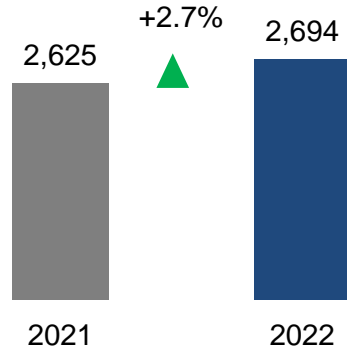


Awarded as one of the Best Companies to Work in Asia 2022 - HR Asia Award

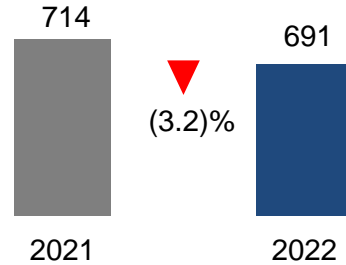
# 2022 In Review: Key Financial Highlights

Revenue increased by 2.7%, driven by financing and investment income from higher OPR. Profit Before Tax (PBT) fell 3.2% due to higher funding and Operating Expenditure (OPEX), but Profit After Tax (PAT) rose by 4.9%

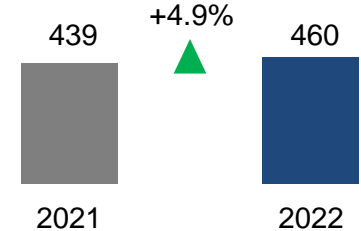
### Revenue (RM million)



### PBT (RM million)



### PAT (RM million)



Revenue recorded 2.7% increase from 2021 mainly contributed by an increase in financing & investment income following 4 OPR hike in 2022.

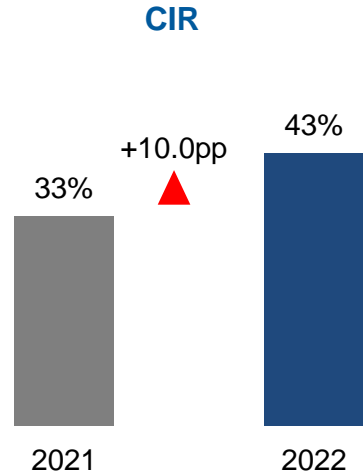
However, the increase was partially offset by lower forex revaluation gain following weaker MYR against USD.

PBT decreased by 3.2% mostly owing to an increase in funding cost, OPEX and impairment allowances.

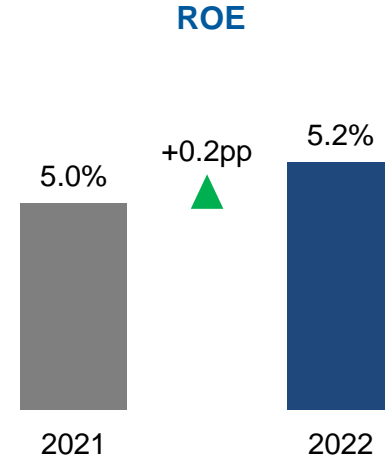
PAT increased by 4.9% due to adjustment for under provision of tax in 2021.

# 2022 In Review: Key Financial Highlights

Higher Cost-to-Income Ratio (CIR) resulting from investments in technology and personnel to enhance operational efficiency and capabilities. Return on Equity (ROE) increased by 0.2% due to higher PAT



CIR grew from 33% to 43% as a result of higher OPEX, mostly as a result of investments in technology and development of talent pool to strengthen cyber-security, boost operational effectiveness, and establish new business capabilities.

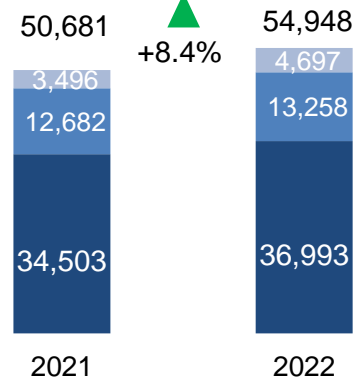


ROE increased from 5.0% to 5.2% in line with higher PAT due to adjustment for under provision of tax in 2021.

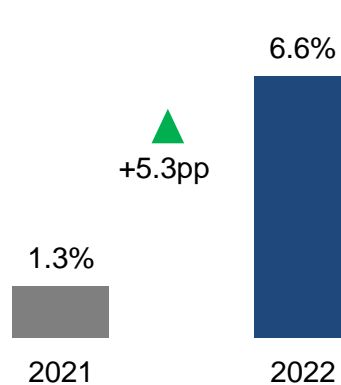
# 2022 In Review: Key Financial Highlights

Total Assets closed at RM54.9 billion. Gross Financing grew by 6.6%, primarily driven by the Corporate segment. Despite the deterioration in Gross Impaired Ratio (GIR), the ongoing implementation of necessary measures is expected to drive future improvement

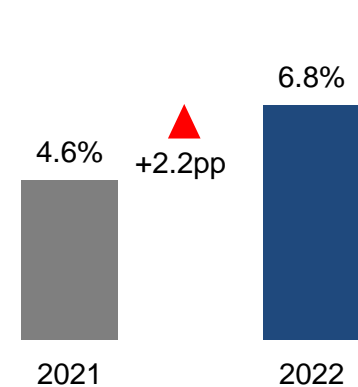
### Total Assets (RM million)



### Gross Financing Growth



### GIR



■ Net Financing ■ Financial Investments ■ Other Assets

The increase in total assets to RM54.9 billion in 2022 was mostly due to growth in net financing and short-term placements.

The corporate segment grew by 19%, from RM9.1 billion to RM10.9 billion.

Consumer banking, the largest financing segment, increased by 2.3% from RM27.1 billion in 2021 to RM27.7 billion in 2022.

The deterioration of GIR was due to our large exposure in the construction sector and the impact from the end of moratorium under repayment assistance.

Ongoing measures include conditional approval for restructuring and rescheduling to accelerate the recovery process, stricter credit evaluations, comprehensive risk management, and intensified recovery efforts.

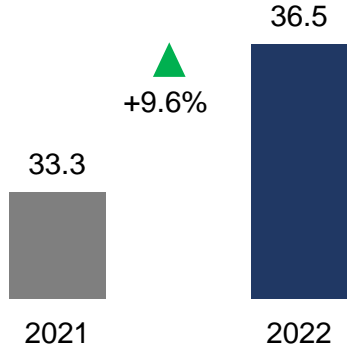


# 2022 In Review: Key Financial Highlights

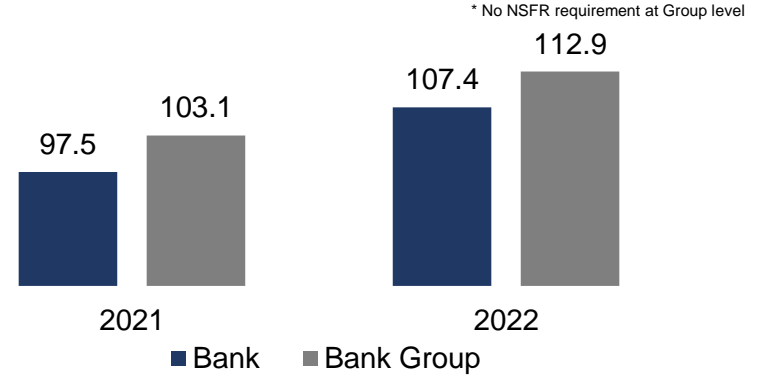


CASA grew steadily over the years and recorded a commendable 60% growth in 2022, with a 162% increase in new CASA-i account openings. Liquidity ratios are maintained above the minimum requirement

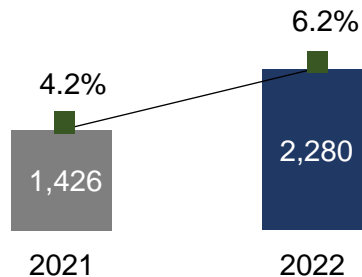
## Total Deposits (RM billion)



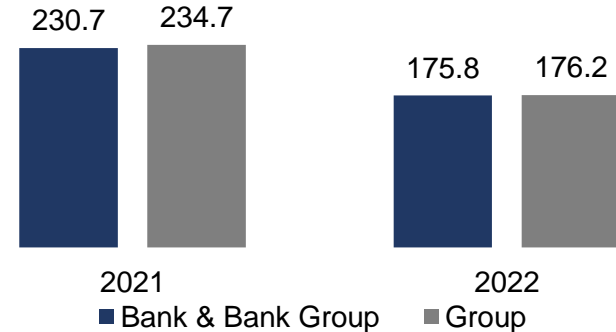
## Net Stable Funding Ratio (NSFR)\* (%)



## CASA (RM million)



## Liquidity Coverage Ratio (LCR) (%)

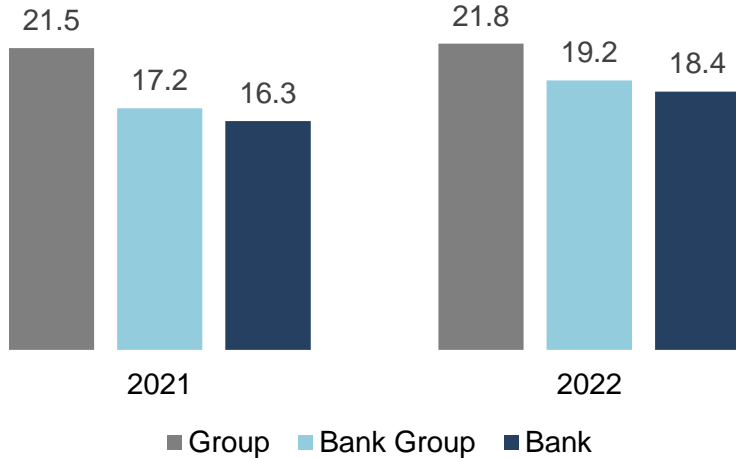


■ CASA ratio as a percentage of total deposits

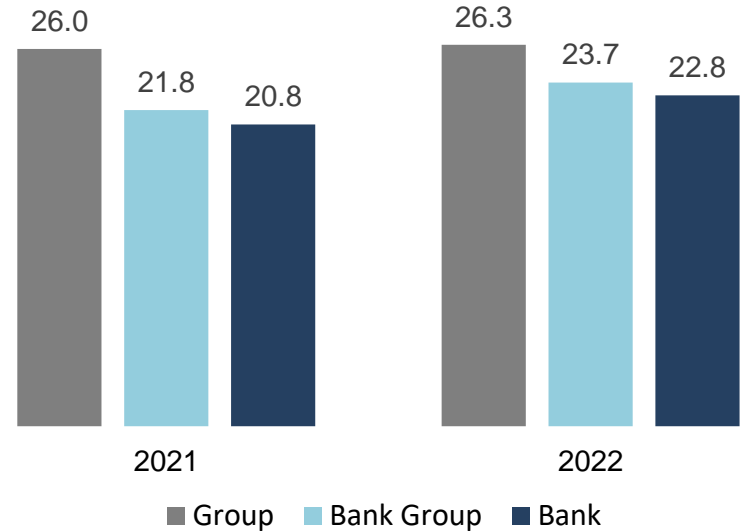
# 2022 In Review: Key Financial Highlights

Group CET 1 and total capital ratio remain strong at 21.8% and 26.3% respectively, well above minimum requirements, providing ample room for future growth

## CET-1/TIER 1 (%)



## TOTAL CAPITAL RATIO (%)



# MOVING FORWARD

# 2023 Business Plan

MBSB Bank's 2023 business plan is underpinned by two strategic themes; Strengthen the Foundation and Drive Sustainable Business Growth

## STRENGTHEN THE FOUNDATION

### STRATEGIC FOCUS AREAS



#### **Competent Talent to Support Strong Work Culture**

Recruit fresh talent and equip existing talent with adequate requisite competencies



#### **Strong Risk Management & Compliance**

Develop a more effective governance for robust enforcement of regulatory requirements



#### **Digital Enablement via Innovation**

Digitalisation and automation of critical processes for enhanced customer experience and a comprehensive cyber security strategy

## DRIVE SUSTAINABLE BUSINESS GROWTH

### STRATEGIC FOCUS AREAS



#### **New Growth Areas**

Penetrate new business areas and expand coverage to wider customer segments



#### **Innovative Solutions**

Launch innovative products and improve processes to offer more competitive offerings



#### **Strategic Collaborations**

Partner with reputable organisations with wide customer base for greater value creation



#### **Balance Sheet Management**

Grow high yielding portfolios, drive retail deposit growth and improve asset quality

# 2023 Core Strategies & Programmes

Core strategies and programmes to intensify growth in 2023

Strategic Focus Areas

New Growth Areas

Innovative Solutions

Strategic Collaborations

Balance Sheet Management

Core Strategies



**CORPORATE**

*Strengthening Market Presence in Large Corporation*



**COMMERCIAL**

*Seizing Growth Opportunities in the Agrofood Ecosystem*



**CONSUMER**

*Recapture Leadership Position In Property Financing*



**DEPOSIT**

*SME as a Catalyst for CASA*



**DIGITAL**

*One stop platform for all your banking needs*



**ASSET QUALITY**

*Address GIR of our assets*

Key Business Programmes

Premium Portfolio Companies

Increase exposure to Agrofood industry

Affordable Mortgage Facility

Digital Cash Management

Omnichannel Mobile Platform

High risk portfolio review

Green & Sustainable Financing

Guarantee Scheme

Co-op Financing

Hajj & Umrah Solution

Partner with established real estate agencies

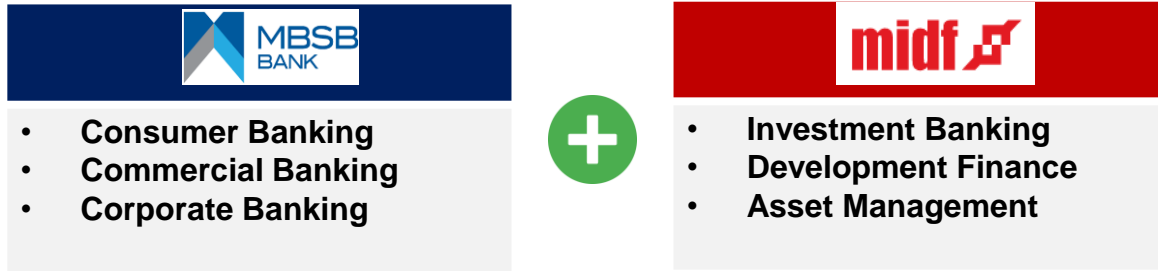
Global Real Estate Portfolio

Contract Financing Facilities

Ihsan-i

# MBSB – MIDF Merger

The proposed merger is expected to expand the enlarged group's banking spectrum given the minimal overlap between MBSB Bank and MIDF's customer base and product offerings



- 1 Result in a **well-capitalised** financial services group which will be more financially resilient to compete in the market with a **stronger balance sheet**
- 2 Expand into **new and larger customer segments** through an expanded network and complementary businesses
- 3 **Provide broader range of products, services and solutions** through the existing branches, self-service terminals, mobile and digital channels, and target **previously underserved customer segments**
- 4 The resolution on the proposed merger will be tabled at the Extraordinary General Meeting expected to take place in July/August 2023

**THANK YOU FOR YOUR TRUST & CONTINUED SUPPORT**

# MSWG Q&A



## Question 1

On 9 June 2023, MBSB announced that it had entered into a conditional share purchase agreement with Permodalan Nasional Berhad to acquire the entire share capital of Malaysian Industrial Development Finance Berhad (MIDF) for RM1.01 billion via share swap.

- a) **What are the synergies from this acquisition? How will the acquisition benefit MBSB's Commercial and Corporate banking business?**
- b) **Based on current assessment, how long will the post-merger integration process take to enable MBSB to fully reap the benefits of this acquisition?**
- c) **How will the acquisition change MBSB's asset quality, cost and capital structure post-merger?**

1a) What are the synergies from this acquisition? How will the acquisition benefit MBSB's Commercial and Corporate banking business?

## Answer

This acquisition will expand MBSB's banking spectrum. Given the minimal overlap between MBSB Bank and MIDF's product offering and customer base, this acquisition is envisaged to be a merger of scope between the two banking groups.

**Commercial & SME banking** will be positioned as the Entrepreneur's Bank of Choice, supporting and empowering SMEs from an early stage of their business, by providing advisory and financing solutions throughout their business growth life cycle. Building upon MBSB's Commercial expertise and MIDF's experience as an established development finance institution, the enlarged group will focus on addressing unserved SME pain points, and support transactional banking needs such as cash management, working capital, remittance, foreign exchange, trade finance, and digital financing enabled through both MBSB's and MIDF's digital capabilities.

**Corporate banking** will strive to be the Financial Partner of Choice to Malaysian corporates, with a continued focus on large corporation financing, leveraging on MBSB Bank's financing and deal capabilities. Customers taking up MBSB Bank's bridging financing, term financing and project financing will also be able to tap on MIDF's business advisory solutions and access the capital market, increasing overall customer stickiness with the enlarged group.

1b) Based on current assessment, how long will the post-merger integration process take to enable MBSB to fully reap the benefits of this acquisition?

## Answer

The integration will be an ongoing process and its positive impact will be felt from the quick wins we aim to achieve targeted at a wider customer base and increased product offerings, to the longer-term benefits of working together to develop new products and penetrate new markets, as follows:

- **Phase 1 - Quick Wins and Capture Cross-Selling Synergies**, which includes the roll out of quick win strategic initiatives targeted at MBSB Bank and MIDF's existing customer base for the synergy uplift.
- **Phase 2 - Penetrate New Markets**, which includes introduction of innovative and differentiated products/solutions, to expand wallet size and acquire new customers, for expansion of the enlarged group's market share.

**1c) How will the acquisition change MBSB's asset quality, cost and capital structure post-merger?**

**Answer**

Post merger, the enlarged Group is expected to produce consistent profitability and will continue to be well capitalised above the minimum regulatory requirements. We do not expect a significant change in MBSB's asset quality, cost and capital structure post-merger.

## Question 2

The size of loans, financing and advances (LAF) classified as impaired jumped to RM1.19 billion during FY2022 compared to RM324.2 million as of 31 December 2021, thus causing MBSB's gross impaired financing ratio (GIR) to deteriorate sharply to 6.76% from 4.6% as of FY2021 (page 201, Note 8(x) – Movements of impaired LAF, IAR2022). The GIR is the highest among all local banks.

As of 31 March 2023, GIR remained elevated at 6.98%.

- a) **What were the causes for the sizeable LAF classified as impaired during FY2022? Were the LAF impaired due to the expiry of the COVID-19 loan moratorium? To what extent can MBSB recover these impaired LAF?**

**Please provide the breakdown of the RM1.19 billion impaired LAF by types of customers, economic purpose and sector.**

- b) **What are the changes made to strengthen MBSB's credit assessments and risk management to minimise the recurrence of similar sizeable impairment in the future?**
- c) **What is the financing loss coverage ratio and credit cost for MBSB in FY2022 and the years before? Please provide the figures for the past five years.**

## Question 2 (cont.)

- d) The allowance for expected credit losses (ECL) on LAF was higher at RM126.5 million (FY2021: RM30.14 million) (page 238, Note 31 – ECL on LAF and other impairment, IAR2022).

**This is against lower provisions made by most of the local banks in FY2022. Why did MBSB take a more conservative approach in making provisions?**

**What is the breakdown of FY2022's ECL by management overlay, base ECL and macroeconomic variable? What is the size of management overlay and the visibility of write back?**

**2a) What were the causes for the sizeable Loans, Advances and Financing (LAF) classified as impaired during FY2022? Were the LAF impaired due to the expiry of the COVID-19 loan moratorium? To what extent can MBSB recover these impaired LAF?**

**Please provide the breakdown of the RM1.19 billion impaired LAF by types of customers, economic purpose and sector.**

## **Answer**

The classification to impairment is partly due to the end of repayment assistance especially in the retail segment.

As for corporate/commercial segment, this is mainly due to deterioration of business which impacted the repayment capacity.

Most of the corporate/commercial LAF are adequately collateralized and currently undergoing the process to recover via second way out.

Breakdown of the RM1.19bil LAF classified as impaired during FY2022 is as per Table 1 on the next page.

## Answer 2a (cont.)

Table 1: Loans, Advances and Financing classified as impaired during the year 2022

(i) By type of customers	RM' million	(iii) By sector	RM' million
Corporate/Commercial	788	Household sector	403
Individuals	403	Construction	407
	<b>1,190</b>	Manufacturing	131
		Wholesale & retail trade and restaurants & hotels	248
		Others e.g mining, quarrying & transportation	2
			<b>1,190</b>
(ii) By economic purpose	RM' million		
Personal use	204		
Construction	369		
Purchase of landed property:			
- Residential	190		
- Non-residential	138		
Working Capital	269		
Others e.g purchase of transport vehicles & other assets	21		
	<b>1,190</b>		



**2b) What are the changes made to strengthen MBSB's credit assessments and risk management to minimise the recurrence of similar sizeable impairment in the future?**

## **Answer**

Changes made include revision to the corporate credit scorecard to better identify potentially higher risk customers. Among others:

- Introduction of a Risk Posture to classify sector as 'Grow', 'Selectively Grow' or 'Refrain', whereby any proposals for new exposures from sectors under the 'Refrain' category will need to be escalated to a next level of approving authority
- Revision of sector limits which is in line with the Risk Posture, whereby lower sector limits have been accorded to sectors classified as 'Refrain'
- Revision to Risk Acceptance Criteria for Property Development Sector, which includes frequent assessment of debt service coverage ratio ("DSCR") and assessment of unsecured exposures.
- Engagements and scheduled visitations with customers after onboarding.

2c) What is the financing loss coverage ratio and credit cost for MBSB in FY2022 and the years before? Please provide the figures for the past five years.

**Answer**

The financing loss coverage for 2022 is 62.37% and credit cost for 2022 is 33bps. Table 2 below shows the past five years financing loss coverage ratio and credit cost ratio.

Table 2: MBSB Group financing loss coverage ratio and credit cost ratio

Financial Year	Loss Coverage Ratio	Credit Cost (bps)
FY2018	106.03%	50
FY2019	102.64%	14
FY2020	103.73%	105
FY2021	100.68%	8
FY2022	62.37%	33

2d) The allowance for expected credit losses (ECL) on LAF was higher at RM126.5 million (FY2021: RM30.14 million) (page 238, Note 31 – ECL on LAF and other impairment, IAR2022).

**This is against lower provisions made by most of the local banks in FY2022. Why did MBSB take a more conservative approach in making provisions?**

**What is the breakdown of FY2022's ECL by management overlay, base ECL and macroeconomic variable? What is the size of management overlay and the visibility of write back?**

## **Answer**

Our provision was made in accordance with MFRS 9 ECL methodology which takes into account the asset quality to arrive at the total provision. For FY22, our asset quality (as depicted in the impaired LAF) deteriorated which resulted in an overall higher provision.

With regards to the ECL overlay for FY22, this component remains outside the core of MFRS 9 and amounts to approximately 12% of total ECL. The overlay is mainly applied to the base ECL and will be reassessed on yearly basis for any writeback.

## Question 3

The non-audit fee for FY2022 was significantly higher at RM3.03 million compared to RM161,000 in FY2021 (page 105 of IAR2022).

Excluding the RM2.35 million expenses for the proposed acquisition of MIDF, non-audit fees were still higher year-on-year at RM683,000.

a) **Please explain the nature of the non-audit fees incurred for the items below:**

- **Recovery Plan: RM264,000**
- **Tax and accounting advisory: RM160,000**
- **ICAAP review: RM120,000**
- **Tax compliance: RM131,000**

b) **MBSB incurred significantly higher professional fees in FY2022, which jumped by 236% to RM56.7 million from RM16.87 million in FY2021 (page 240, Note 34 – Operating expenses, IAR2022). The professional fees incurred in FY2020 were RM9.06 million (page 233, Note 39 – Operating expenses, IAR2021).**

**Please explain the types of professional service sought in FY2022, the objective of seeking these services, the breakdown of fees payable and the service providers.**

3a) Please explain the nature of the non-audit fees incurred for the items below:

- Recovery Plan: RM264,000
- Tax and accounting advisory: RM160,000
- ICAAP review: RM120,000
- Tax compliance: RM131,000

## Answer

- **Recovery Plan:** A BNM initiative for all banks to comply with in developing a Recovery Plan framework.
- **Tax and advisory services:** Incurred on advices related to disposal of non-banking assets.
- **ICAAP:** Validation/review on the ICAAP implemented by MBSB bank.
- **Tax compliance:** Represent 2 years tax fees to tax agent for the review and tax filing of all the companies under MBSB.

3b) MBSB incurred significantly higher professional fees in FY2022, which jumped by 236% to RM56.7 million from RM16.87 million in FY2021 (page 240, Note 34 – Operating expenses, IAR2022). The professional fees incurred in FY2020 were RM9.06 million (page 233, Note 39 – Operating expenses, IAR2021).

Please explain the types of professional service sought in FY2022, the objective of seeking these services, the breakdown of fees payable and the service providers.

## Answer

The increase from RM16.9 million to RM56.7 million in 2022 was mainly due to a one-off payment amounting to RM35.3m paid to resolve a legal dispute.

Table 3: Breakdown of the RM56.7 million professional fees:

No	Nature of professional fees	Amount, RM million
1	Out of court settlement on legal dispute (details as per Note 44 of FS)	35.30
2	Fees to Perbadanan Insurance Deposit Malaysia	4.71
3	Fees in relation to proposed merger and acquisition of MIDF	3.34
4	Stamp duty expenses	2.37
5	Other professional fees e.g. valuation fees and ESG framework	6.00
6	Others e.g. for conversion of conventional loans to Islamic financing	4.98
	<b>Total</b>	<b>56.70</b>

## Question 4

**MBSB has summarised the “Financial Highlights” section to a one-page table with the performance of the past three years (page 47 of IAR2022), compared to more detailed five-year financial highlights in the form of diagrams in the past (pages 60 – 62 of IAR2021).**

**Please consider resuming the disclosure of the five-year financial highlights in annual reports, which is aligned with the practice of other banks. Moreover, such disclosure would be more meaningful to shareholders with a better review of past financial performance and trends.**

**In addition, please consider disclosing more key ratios such as net income margin, dividend yield, dividend payout ratio, financing loss coverage ratio, relevant capital adequacy and asset quality ratio in the “Financial Highlights” section to enable better comparison and assessment by investors.**

## Answer

We appreciate the comments to have a more detailed financial highlights section in our annual report. We are committed to provide comprehensive information to our shareholders and will consider resuming disclosure of our five-year financial highlights and to disclose more key ratios as suggested.

## Question 1

**The Group has not appointed a new Chairman for the Board since the demise of Tan Sri Azlan Zainol on 12 January 2023.**

**What is the progress in identifying a new Chairman? When will the appointment be finalised?**

## Answer

We are in the advanced stages of identifying a candidate for the position of Chairman for MBSB and MBSB Bank. We aim to have the Chairman in place in the next few months.



# PRE-AGM QUESTIONS FROM SHAREHOLDERS

The questions are arranged in the following categories:

1. Financials
2. Strategy & Business
3. Ihsan-i
4. MBSB-MIDF Merger
5. Others

Note: Similar questions have been grouped together

## Question 1

We have received the following questions on dividends:

- i. Is there any special reason why MBSB paid 8.5 cent dividend for the year? What is MBSB's strategy for maintaining a high dividend payout?
- ii. Will there be another dividend to be paid for FY2022?
- iii. Does MBSB have an official dividend policy?
- iv. Will there be any dividend reinvestment scheme?

## Answer 1

- i. Our decision to pay out 8.5 sen dividend earlier this year was based on last year's financial performance, our strong liquidity and capital position, and future needs for growth.

We aim to provide healthy returns to our shareholders while maintaining sufficient capital to reinvest in our company's expansion and development. By carefully managing our financial resources and maintaining a focus on sustainable growth, we aim to ensure the long-term prosperity of both our shareholders and the organisation as a whole.

Our business strategy to achieve growth for 2023 and beyond has been shared during our earlier presentation.

## Answer 1

- ii. The 8.5 sen dividend was the full dividend payable for the financial year 2022.
- iii. MBSB has in place a dividend policy to pay a minimum 30% dividend on profit after tax.
- iv. The Dividend Reinvestment Plan (DRP) is a capital management tool. The company will exercise its option to offer DRP, depending on its capital requirements at the material time

## Question 2

Can your team project performance for the next 5 years from financing for MRT and RTS contractors?

## Answer 2

The target will be revisited on a yearly basis depending on the bank's appetite. As financing for MRT is new in 2023, our target this year is to achieve between RM100 million to RM200 million

## Question 3

Please explain why the company does not offer credit cards as part of its banking product portfolio. Given that credit cards are an essential component of a complete banking product, does MBSB have any plans to introduce credit cards in the near future? If not, what are the reasons for this decision and what other strategies does MBSB have in place to remain competitive in the banking industry?

## Answer 3

We are not planning to offer credit cards at the moment. The credit card market is highly competitive, with numerous card issuers vying for market share. Additionally, digital competitors have emerged, offering alternative payment solutions such as QR codes, point-of-sale (POS) financing, and e-wallets.



## Question 4

We have received the following questions on MBSB Bank's e-wallet:

- i. Please provide details on MBSB's e-wallet usage, including revenue generated and profitability. Given the competitive nature of the e-wallet market, what are your strategies to increase market share and remain profitable?
- ii. Additionally, does MBSB plan to continue offering its e-wallet service or discontinue it? If the e-wallet service is to be continued, what steps will MBSB take to differentiate itself from competitors and attract more users?
- iii. Why is the e-wallet not user friendly ? Some Petron Stations such as Petron at Jalan Kuching can't accept it.

## Answer 4

- i. The Bank currently has over 13,000 active e-wallet users, performing an average of 1,000 transactions per month. There has been a progressive increase of users since the e-wallet's launch in 2020.

We introduced our e-wallet as a seamless channel to attract new-to-bank customers, who would then become familiar with our banking products and services. To grow the e-wallet's user base and transaction volume, the Bank is collaborating with entities with extensive customer databases, such as CelcomDigi (Telco), UiTM (Education), Mydin (Retail), PKNS (Retail), and AFL (Sports). Through these partnerships, we aim to expand our e-wallet user base to 50,000 by the end of 2023.

## Answer 4

- ii. Building on our plans to increase our user base, we do plan to continue our e-wallet services.

The e-wallet will become the foundation of the Bank's new omnichannel mobile platform. This platform will make customer onboarding more user-friendly and offer exciting features, including rewards, referral programs, and individual financial management tools.

We expect usage for the e-wallet to increase as more users are attracted to the omnichannel platform, driven by its attractive features and convenient banking experience.

## Answer 4

- iii. Petron is already our merchant. Currently, we are in the process of registering individual Petron outlets in stages, including Petron Jalan Kuching, to accept our e-wallet.

Our team is also continuing to onboard more merchants to our e-wallet platform.

## Question 5

We have received the following questions on MBSB Bank's strategy:

- i. What can shareholders expect on the future growth of the company?
- ii. What are MBSB's current and future plans for diversifying their income sources? Are there any new products or services in development, or plans to expand into new markets? How does MBSB plan to improve the growth of its main income source?
- iii. In terms of competition with BIMB, what is the direction and strategy for MBSB to be more competitive?
- iv. MBSB's revenue, net profit growth and share price is underperforming compared to other banks. What is MBSB's strategic plan to improve revenue, net profit growth and share price? Are there any specific initiatives or areas of focus that MBSB will prioritize to achieve better financial performance?

## Answer 5 (i – iv)

In the earlier part of our presentation, we have presented the strategic initiatives that are currently being implemented to enhance the Bank's business and ultimately generate better returns for our shareholders.

In summary, MBSB's 2023 business plan is underpinned by 4 core strategies – New Growth Areas, Innovative Solutions, Strategic Collaborations and Balance Sheet Management. Under these strategies, we have rolled out various business programmes in our corporate, commercial, consumer, and digital segments to drive business growth.

Our share price is expected to improve as our financial performance improves, subject to market forces and sentiments.

## Question 6

We have received the following questions on MBSB Bank's branches:

- i. Why MBSB does not have ATM and deposit machines in your branches ? Are there any specific challenges or regulatory issues that are preventing the implementation of these services?
- ii. It's great to see that MBSB is still expanding new branches, as seen in the news. Which department is in charge of MBSB's branch expansion, and can you provide their email address and contact number? We would like to propose a location as part of MBSB's expansion plan and would like to reach out to the appropriate department directly.

## Answer 6

- i. Currently, 60% of our branches are equipped with Cash Recycling Machines (CRM) which include ATMs and deposit machines. We do not plan to add a substantial number of CRMs given that our customers are able to use any MEPS ATM at Zero fees. In effect, our customers can treat any local bank's ATM as an MBSB Bank ATM.
- ii. The Branch Transformation department is responsible for transforming our branches from being operations-oriented to becoming more sales-centric and customer focused as well as to increase their market presence. You may submit your proposal or inquiry to [ir@mbsbbank.com](mailto:ir@mbsbbank.com).



## Question 7

We have received the following questions on MBSB as a Shariah-compliant security:

- i. What is the added advantage attributed to MBSB bank recently being classified as a Shariah-compliant security ?
- ii. Has MBSB obtained any investment /funds from Shariah-compliant security?

## Answer 7

- i. As a Shariah-compliant security, MBSB now has a wider appeal to a growing list of Shariah-only funds. This classification further strengthens our ability to create long-term value for our stakeholders.

It is worth noting that there are only two banking groups approved by the Shariah Advisory Council of Securities Commission Malaysia as Shariah-compliant.

- ii. Since becoming a Shariah-compliant security, we have observed an increased interest from Islamic investment funds. Our Investor Relations (IR) team actively engages with interested investors to foster relationships and potentially secure investments.

## Question 8

How does MBSB ensure that its salespersons are adequately trained and motivated to be more aggressive in their sales approach? Any Sales target KPI ?

## Answer 8

Our financial advisors are required to undergo regular training programmes covering among others, product training, process training, and effective sales training.

Our financial advisors are expected to provide exceptional service to our customers and drive growth. To achieve this, our financial advisors are assigned robust sales targets that are reviewed periodically.

## Question 9

We have received the following questions on Ihsan-i:

- i. Can you provide a projection of the next 5 years for the extra profit gained from Ihsan-i FSA2? And what is the estimated potential impact on MBSB from the latest EPF iFSA2?
- ii. Can you provide an overview of MBSB's revenue streams and business segments, and how does the EPF personal financing contribute to MBSB's overall performance?
- iii. Do the borrowers of the Ihsan-i scheme repay the financing on time?
- iv. What are the action plans to manage delayed repayments, and will bankruptcy proceedings apply for the financing scheme?
- v. What are the alternative solutions for individuals who are unable to repay their financing commitments? Will AKPK assist these individuals?

## Answer 9

- i. MBSB Bank is targeting a gross financing of RM3 bil from EPF's FSA2 programme, which we refer to as Ihsan-i at MBSB Bank. Based on this target, MBSB Bank expects to generate a financing income of approximately RM140 mil.

(Note: Assuming a financing rate of 4.75% at the current OPR of 3.0%, MBSB expects to generate a yearly financing income of RM142.5 million. The net financing income would be around RM30 mil.)

## Answer 9

- ii. MBSB's main operating subsidiary is MBSB Bank, which operates as an Islamic bank focusing on Consumer Banking, Commercial Banking and Corporate Banking. 72% of the Bank's income is generated by its Consumer Banking segment with the remaining 28% derives from its Commercial and Corporate Banking.

Under the EPF's FSA2 programme, which we refer to as Ihsan-i at MBSB Bank, we are targeting a gross financing of RM3 bil and financing income of approximately RM140 mil.

## Answer 9

- iii. So far, the repayment for the first batch of disbursements has been encouraging, with close to 80% of Ihsan-i customers are on time in serving their repayments.
- iv. If the customer fails to meet their repayment obligations, we will initiate our standard collection activities and they may be subject to penalties imposed by the Bank, which will impact their financial records in CCRIS and CTOS.

The outstanding financing amount will be recouped from the member's EPF Account 2 once they reach the withdrawal age.

- v. Customers who are facing financial difficulties will be offered rescheduling and restructuring options, along with Agensi Kounseling dan Pengurusan Kredit's assistance.



## Question 10

We have received the following questions on MBSB-MIDF merger:

- i. What is the estimated EPS from the acquisition of MIDF?
- ii. Can your team specially project performance and illustrate potential business development after the successful merger with MIDF?
- iii. MBSB recently acquired 100% shareholding in MIDF. What are the main benefits that MBSB expects to gain from this acquisition? How does MBSB plan to leverage this acquisition to improve its business performance and achieve its strategic goals? Are there any potential risks or challenges that MBSB has identified and how does it plan to mitigate them?

## Question 10

- iv. EPF made the share swap with PNB for the merger of MBSB with MIDF at the price of RM 0.9652 per shares, which is higher to the prevalent share price early June 2023.

How can MBSB benefit from this merger and what are the projected profits to be foreseen from the revenue contributed by MIDF to MBSB?

## Answer 10

- i. Based on our Bursa announcement made on 9 June 2023, MBSB expects a one-time gain from the acquisition of MIDF amounting to approx. RM500 mil. Based on pro forma using the audited financial results as at 31 December 2022, the Group's EPS is 13 sen (including the one-off gain) and 6.5 sen (excluding the one-off gain).

Our future EPS will depend on our business performance, including the synergies generated from the acquisition.

## Answer 10 (ii – iv)

We have explained the rationale and potential synergies from the merger with MIDF in our answer to MSWG's question earlier.

## Question 11

Please provide us with an update regarding the lawsuit against Bintai Kinden Corp Bhd for alleged defaulting on a RM109 million Islamic financing facility?

## Answer 11

The Bank has commenced legal action against the borrower, Optimal Property Sdn Bhd and the corporate guarantor, Bintai Kinden Corp Bhd and the litigation is currently in the early stages where parties are in the midst of filing their respective pleadings.

The relevant provision has been made in our first quarter financial results.

## Question 12

Is the company providing any door gifts to shareholders attending this AGM?

## Answer 12

The company has a no-gift policy. We believe in rewarding all shareholders equally and meaningfully. To achieve this, available funds will be channeled back to shareholders in terms of dividends.

## Question 13

Why does MBSB continue to hold virtual AGM this year?



## Answer 13

This year's AGM is held virtually in line with the practice of other banks. The virtual format allows us to reach a wider audience and encourages higher shareholder participation. We are, however, open to reviewing the format of future AGMs, considering the advantages of both virtual and hybrid approaches.

**THANK YOU FOR YOUR TRUST & CONTINUED SUPPORT**