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PRESS RELEASE

KENYATAAN AKHBAR

For Immediate Release

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MBSB'S PROFIT AFTER TAX INCREASED BY 26.72% FOR SECOND QUARTER 2019

Kuala Lumpur, 30 August 2019 – Malaysia Building Society Berhad (MBSB) Group today announced its financial results for the second quarter ended 30 June 2019.

Highlights of 2Q19

- **Profit After Tax ("PAT")** registered at RM106.23 million for 2Q19 which is a 26.72% increase or RM22.40 million against RM83.83 million "quarter-on-quarter" ("q-o-q") in 1Q19. Compared to 2Q18, it is a 23.97% increase from RM85.69 million "year-on-year" ("y-o-y")
- **Profit Before Tax ("PBT")** recorded at RM138.55 million for 2Q19 which is a 19.58% increase compared to RM115.86 million in 1Q19. On a y-o-y basis it increased by 10.90% from RM124.93 million compared to 2Q18.
- **Revenue** increased by 4.29% q-o-q to RM817.66 million compared to RM784.04 million in 1Q19 and increased 2.96% y-o-y from RM794.14 million in 2Q18.
- **Net Operating Income** decreased by 14.10% to RM230.97 million q-o-q from RM268.88 million in 1Q19 and by 11.33% y-o-y RM260.46 million

- **Total assets increased by 4.70% q-o-q to RM49.65 billion from RM47.43 billion in 1Q19 and increased 12.35% y-o-y from RM44.20 billion in 2Q18.**
- **Deposits increased by 6.63% to RM36.99 billion compared to RM34.69 billion q-o-q and 12.85% increase compared to RM32.78 billion in 4Q18.**
- **Cost to income stood at 31.32%, regressed by 4.98% compared to 26.34% q-o-q and by 4.05% at 27.27% y-o-y.**
- **Gross Impaired Loans and Financing and Advances coverage ratio stood at 5.65% moving downwards from 5.30% q-o-q and 5.47% y-o-y.**

Profit after tax ("PAT") registered at RM106.23 million for 2Q19 which is a 26.72% increase or RM22.40 million against RM83.83 million 1Q19. Compared to 2Q18, it is an increase of 23.97% from RM85.69 million. Profit before tax ("PBT") recorded at RM138.55 million for 2Q19 which is a 19.58% increase compared to RM115.86 million in 1Q19. On a y-o-y basis, it increased by 10.90% from RM124.93 million.

MBSB's revenue recorded at RM817.66 million increased by 4.29% q-o-q compared to RM784.04 million in 1Q19 contributed by higher disbursements in the corporate segment and investments in financial instruments.

Return on equity (ROE) is being recorded at 4.80%, a 0.52% improvement from 4.28% q-o-q but saw a 6.21% decline y-o-y from 11.01% in 2Q18. Correspondingly, return on assets (ROA) also trends upwards at 0.80% from 0.72% q-o-q and downwards by 1.01% from 1.81% in 2Q18.

On the announcement, Datuk Seri Ahmad Zaini Othman, Group President and Chief Executive Officer of MBSB said "MBSB's profits in 2Q19 translated to an improved Return on Equity (ROE) and Return on Assets (ROA) contributed by lower Expected Credit Losses (ECL) due to improvements in provisions for retail segment as well as ECL write backs from the corporate portfolio."

Net profit margin (NPM) declined to 2.84% compared to 3.01% q-o-q and 3.23% y-o-y in 2Q18. Net income stood at RM336.31 million, an 7.87% decline compared to RM365.03 million in 1Q19 and a 6.09% decline from RM358.10 million in 2Q18. Net Operating Income decreased by 14.10% to RM230.97 million q-o-q from RM268.88 million in 1Q19 and by 11.33% y-o-y RM260.46 million.

Group deposit stood at RM36.99 billion in 2Q19 compared to RM34.69 billion recorded in 1Q19 which is a 6.63% or RM2.30 billion increase q-o-q and a 12.85% or RM4.21 billion increase compared to RM 32.78 billion y-o-y.

Commenting further on group deposit, Datuk Seri Ahmad Zaini said, “We have launched several deposit campaigns this year that had contributed in the increase of retail deposits from all comparative quarters.”

Total assets increased by 4.70% q-o-q to RM49.65 billion from RM47.43 billion in 1Q19 and increased by 12.34% y-o-y from RM44.20 billion in 2Q18. This is mainly contributed from expansions in the corporate portfolio.

CET-1 stood at 17.40% as at 30 June 2019, well above Bank Negara Malaysia’s prescribed ratio of 7.0%. Net Impaired Financing Ratio (NIFR) increased to 2.38% from 2.11% q-o-q and 1.91% y-o-y. Meanwhile, gross impaired financing/loan ratio is being recorded at 5.65% as at 30 June 2019, moving upwards from 5.30% q-o-q and 5.47% y-o-y.

The Group’s current financing composition ratio between retail and Corporate of 74:26 continues to move towards the Group’s target of 60:40 by year 2020.

In view of higher expenses in enhancing its banking infrastructure and capabilities, MBSB’s cost to income ratio (CIR) is recorded at 31.32%, slightly regressed by 4.98% from 26.34% q-o-q and by 4.05% compared to 27.27% y-o-y.

Datuk Seri Ahmad Zaini also highlighted current achievements of MBSB Bank Berhad. “To date, the bank has rolled out 12 out of its 22 initiatives scheduled in its business plan to be completed by the first quarter of 2020. We have introduced our online banking platform, M Journey, our Visa Debit Card-i as well as PrimeWin CASA-i in the second quarter this year.”

Elaborating further on the bank’s products and services, Datuk Seri Ahmad Zaini said, “In June this year, we also launched ‘The Journey 2.0’ campaign, a continuation to “The Journey” campaign that kicked off in 2018 as part of our initiative to reward our loyal customers,” he adds.

Speaking on the bank’s trade financing performance, Datuk Seri Ahmad Zaini revealed, “From January to June this year, we have approved over RM200 million worth of financing for our trade finance, which we hope will grow further and surpass previous year’s financing.”

Touching on the bank’s plans for second half of 2019, “While we are cautious with the economic uncertainties, we will still continue with our plans to enhance the level of our customers’ experience and expand digital banking capabilities. MBSB Bank will be transforming 15 of its 47 branches into digital branches and will be introducing the current account and savings accounts (CASA-i) online application platform as well as the e-wallet facility by end of this year .” said Datuk Seri Ahmad Zaini.

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About Malaysia Building Society Berhad (MBSB)

The origin of Malaysia Building Society Berhad (MBSB) can be traced back to the Federal and Colonial Building Society Limited incorporated in 1950. In 1956, it changed its name to Malaya Borneo Building Society Limited (MBBS), with the Malaysian government as its major shareholder. MBBS was then listed on the Stock Exchange of Malaysia and Singapore in August 1963. The company became an incorporation in Malaysia under the Companies Act 1965 on 17 March 1970, before it was listed on the Kuala Lumpur Stock Exchange now Bursa Malaysia on 14 March 1972. The Employees Provident Fund (EPF) is currently the financial holding company of MBSB.

MBSB was defined as a Scheduled Institution under the repealed Banking and Financial Institution Act 1989 (BAFIA). The status of an Exempt Finance Company was granted to MBSB on 1 March 1972 by the Ministry of Finance and the status has remained since. This allows MBSB to undertake a financing business in the absence of a banking license. Under Section 272 (a) of the Financial Services Act 2013, exemptions granted under the BAFIA is deemed to have been granted under the corresponding provision of the Financial Services Act 2013 and shall remain in full force and effect until amended or revoked.

On 6 November 2017, MBSB entered into the Share Purchase Agreement with shareholders of Asian Finance Bank Berhad ("AFB/Vendors") for the proposed acquisition by MBSB of the entire equity interest in AFB for an aggregate purchase consideration of RM 644,952,807.66 to be satisfied by way of cash amounting to RM396,894,036.26 and the issuance of 255,507,974 Consideration Shares at an issue price of RM1.10 per Consideration Share ("the Acquisition").

The Acquisition was approved by the shareholders of MBSB on 23 January 2018. The Shareholders also approved the transfer of Shariah Compliant Assets and Liabilities of MBSB to AFB via a Members' Scheme of Arrangement.

Pursuant to the abovesaid approval and upon completion of the transfer of shares and payment of the balance of the purchase consideration to the Vendors, AFB became a wholly owned subsidiary of MBSB on 7 February 2018.

AFB undertook a rebranding exercise and on 2 April 2018 it changed its name to MBSB Bank Berhad ("MBSB Bank").

CORPORATE STRUCTURE

MALAYSIA BUILDING SOCIETY BERHAD (9417 K)

(FINANCIAL HOLDING COMPANY)



MBSB BANK BERHAD 716122 P

(100% OWNED BY MALAYSIA BUILDING SOCIETY BERHAD)

