



MALAYSIA BUILDING SOCIETY BERHAD(MBSB)

Registration No. 197001000172 (9417-K)

STRATEGIC COMMUNICATIONS DEPARTMENT

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PRESS RELEASE

KENYATAAN AKHBAR

For Immediate Release

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MBSB PROFIT AFTER TAX INCREASED BY 60.19% FOR 3Q19

Highlights of 3Q19

- Profit After Tax (PAT) stood at RM170.16 million, an increase of 60.19% or RM63.83 million versus RM106.22 million quarter-on-quarter (q-o-q) in 2Q19. PAT also increased year on year (y-o-y) by RM48.20 million from RM121.96 million in 3Q18
- Revenue is consistent at RM813.92 million q-o-q which is 0.45% or RM3.75 million lower from RM817.66 million in 2Q19 but sees a marginal growth y-o-y by 3.98% against RM786.41 million in 3Q18
- Total assets recorded at RM50.55 billion which is a 1.81% increase q-o-q from RM49.66 billion in 2Q19. On a y-o-y basis, total asset grew by 8.95% from RM46.40 billion in 3Q18
- Cost to Income Ratio (CIR) improved by 2.03% q-o-q to 26.70% compared to 28.73% in 2Q19. On a y-o-y basis, CIR improved by 0.96% from 27.66%

Kuala Lumpur, 20 November 2019 – Malaysia Building Society Berhad (MBSB) Group today announced its financial results for the third quarter of 2019.

The Group achieved a PAT of RM170.16 million which is an increase of 60.19% or RM63.83 million compared to RM106.22 million quarter on quarter (q-o-q) in 2Q19. Concurrently, on a year on year (y-o-y) basis, the Group's PAT increased by 39.52% or RM48.20 million from RM121.96 million in 3Q18. Profit After Tax (PAT) is seen higher due to reversal of prior year overprovision of tax expenses, after the Group has finalised taxation for 2018 during 3Q19.

The Group's Profit Before Tax (PBT) is at RM185.04 million which is 33.56% or RM46.49 million higher than RM138.55 million in 2Q19. Based on y-o-y PBT, it increased by 15.04% from RM160.86 million in 3Q18 mainly due to lower operating costs.

Meanwhile, the Group's revenue remains consistent at only 0.45% lower or RM3.75 million (q-o-q) to RM813.92 million against RM817.66 million in 2Q19, although y-o-y revenue was 3.50% higher compared to RM786.41 million in 3Q18. Revenue is driven by the subsidiary, MBSB Bank's corporate financing income, treasury income and retail financing income.

On the announcement, Group President and Chief Executive Officer, Datuk Seri Ahmad Zaini Othman expressed that the company is holding up well amid the current economic challenges and weak consumer sentiment.

The Group's total assets grew by 1.81% q-o-q to RM50.55 billion from RM49.66 billion the previous quarter. Y-o-y, total asset grew by 8.95% from RM46.40 billion compared to 3Q18. Assets growth was driven by financial investments growth of 129.84% and gross financing growth of 1.81% compared to 3Q18. Deposits went up 1.71% q-o-q to RM37.63 billion from RM36.99 billion in 2Q19, as the y-o-y figure saw an increase of 12.09% compared to RM33.57 billion in 3Q18.

The Group's Net Impaired Financing Ratio (NIFR) improved by 0.12% q-o-q to 2.26% compared to 2.38% in 2Q19, but slightly deteriorated by 0.50% from 1.76% y-o-y in 3Q18.

Gross Impaired Financing Ratio is at 5.71%, regressed by 0.06% from 2Q19, and by 0.17% from 5.54% in 3Q18.

Net Profit Margin remains the same as 2Q19, at 2.84% but 0.24% lower compared to 3Q18 which was 3.08%. Operating Profit climbed by 15.05% q-o-q to RM265.72 million in 3Q19 from RM231.42 million recorded in 3Q18. The Group's Return On Equity (ROE) increased by 1.19% to 5.99% from 4.80% in 2Q19. Compared to 3Q18 which was 9.51%, ROE declined by 3.52%. Return On Assets (ROA) increased by 0.20% to 1.00% from 0.80% in 2Q19. However, this is lower than 3Q18 which was 1.53%.

Cost to Income Ratio (CIR) improved by 2.03% q-o-q to 26.70% compared to 28.73% in 2Q19. On a y-o-y basis, CIR improved by 0.96% from 27.66%.

The current financing composition ratio between retail and corporate of 72:28 continues to move towards the Group's target of 60:40 by year 2020.

On the Group's largest subsidiary, MBSB Bank, Datuk Seri Ahmad Zaini shared "MBSB Bank will continue to look for opportunities in the digital banking sector at the same time focusing our strength in the Small and Medium Enterprises (SME) segment."

Datuk Seri Ahmad Zaini also said that the bank is progressing towards completing its 3-year digital transformation plan, to be achieved before 2021. At the same time, MBSB Bank continues to fortify funding bases with stronger retail depositors growth at 7.3% in 3Q19 compared to 2Q19 as a result of deposit campaigns being offered.

MBSB also announced to Bursa Malaysia today that MBSB Bank is establishing a sukuk programme of up to RM10.0 billion in nominal value ("Sukuk Wakalah Programme") under the Shariah principle of Wakalah Bi Al-Istithmar for the issuance of Senior sukuk wakalah ("Senior Sukuk Wakalah"), Tier-2 sukuk wakalah ("Tier-2 Sukuk Wakalah") and Additional Tier-1 capital sukuk wakalah ("AT-1 Sukuk Wakalah"). The issuance of Senior Sukuk Wakalah provides the Issuer with senior funding for its general banking purposes whilst the Tier-2 Sukuk Wakalah and AT-1 Sukuk Wakalah are structured to comply with Bank Negara

Malaysia's Capital Adequacy Framework for Islamic Banks in relation to the requirements of a Tier-2 capital instrument and an Additional Tier-1 capital instrument, respectively.

MBSB Bank is currently the second largest full-fledged Islamic Bank in the country, which offers corporate and retail financing facilities.

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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

REGISTRATION NO.197001000172 (9417-K)

(FINANCIAL HOLDING COMPANY)



MBSB BANK BERHAD

REGISTRATION NO. 200501033981 (716122-P)

(100% OWNED BY MALAYSIA BUILDING SOCIETY BERHAD)

