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PRESS RELEASE

KENYATAAN AKHBAR

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**MBSB REGISTERS PRE-TAX PROFITS OF RM338.42 MILLION
FOR FINANCIAL YEAR 2016**

Kuala Lumpur 22 February 2017- MBSB Group today announced its financial results for the twelve (12) months ended 31 December 2016 which posted Profit Before Tax (PBT) of RM338.42 million, consistent with the previous year's achievement of RM355.03 million. The slight decrease of 4.68% or RM16.6 million is due to the higher allowances for impairment losses on loans, advances and financing. Last year marked the second year of the Group's impairment programme. Similarly, Profit After Tax (PAT) of RM201.41 million dropped from RM257.59 due to the reversal of deferred tax assets.

MBSB however registered improved revenue of RM3.27 billion, a rise of 7.37% from RM3.05 billion in 2015. This is mainly contributed by the marked increase of approximately 25% in financing disbursement from the corporate segment. The financial performance was further supported by the growth in Total Assets, rising to RM43.26 billion from RM41.09 billion in 2015, an expansion of 5.30% or RM2.17 billion. The growth is attributed to the increase in net financing and loans as well as liquefiable assets.

Datuk Seri Ahmad Zaini Othman, President and Chief Executive Officer commented, "We are pleased with the results considering the challenging economic environment last year that has dampened market sentiments. For MBSB, it was tougher but in anticipation of such prospects, we had treaded the year with caution and great prudence ensuring we are able to maintain business momentum as well as sustain profitability level. I believe we have accomplished that".

Gross Loans, Advances and Financing grew to RM35.28 billion from RM34.11 billion, a marginal increase of 3.45% or RM1.17 billion. On this, Datuk Seri Ahmad Zaini added, “While we had strengthened market position in financing government contracts and projects especially the affordable housing, we are pleased to note that the new foray in SME segment continued to show promising results since the offer of equipment financing began two years ago. Revenue growth was four-fold from previous year, partly contributed by our new market presence in the Northern and Southern regions”.

Retail financing assets remains the key contributor to revenue with an asset composition between retail and corporate at 81:19 for year 2016 as compared to 85:15 in 2015. This is a progress towards the Group’s target of 70:30. Meanwhile, asset quality remained healthy with Net Impaired Financing/Loans ratio declining to 2.87% from 2.99% in 2015. Another positive indication also came from the Financing/Loans loss coverage ratio which had increased to 109.24% from 92.23%.

In strengthening its liquidity position, the Group had boosted investments in liquefiable assets achieving growth of RM1.37 billion and as a result, contributing to the total income. Liquid Assets stood at RM9.28 billion as at 31 December 2016, rising by 17.33% as compared to RM7.90 billion for the previous year. The increased investment is in tandem with the net proceeds received from a rights issue of RM1.7 billion completed in July 2016 which also increased the Group’s leverage ratio to 14.38% as at 31 December 2016. To further support business expansion, the Group had also accomplished in raising deposit level from RM28.58 billion in 2015 to RM30.61 billion as at 31 December 2016.

MBSB continued to preserve a cost-efficient entity with a superior low cost to income ratio of 20.82% for financial year 2016, a further improvement of 1.84% from 22.66% recorded on 31 December 2015. This is well below the industry average of 49.5%. In relation to this, a branch rationalization exercise was undertaken in 2016 where branches nationwide were assessed for their viability in order to reduce costs and increase staff productivity.

MBSB bagged several recognitions last year namely *Alpha Southeast Asia 10th Annual Best Deal & Solution Awards for Best Secondary Deal of The Year 2016 in South East Asia*, *3rd IBFIM Certifications Awards Ceremony for IBFIM's Islamic Finance Talent Development*, *Malaysia HR Awards 2016 for Employer Of Choice*, *Bronze Award* and *HR Asia Best Companies to Work For in Asia 2016*.

In summarizing MBSB's performance for 2016, Datuk Seri Ahmad Zaini said, "Our Return on Equity of 3.48% is comparatively lower than that of key industry players. However, it is important to note that this was mainly brought down by the impairment programme. We shall conclude the program at the end of 2017 and hopefully then, we can anticipate marked improvements in our bottom line numbers". Further to that, "The Board of Directors has recommended a Single-Tier final dividend of 3.0% or 3 sen per share for the financial year ended 31 December 2016 for shareholders' approval. The dividend payout would be approximately RM174 million."

Datuk Seri Ahmad Zaini also gave some prospects for the year 2017 by adding, "The heightened economic uncertainties and challenges leave us with no choice but to be resolute and optimistic. As it is, MBSB has developed and strengthened its capabilities in selected corporate segments that are well-linked and involved in the Government projects, especially in the areas of education, infrastructure and now, the affordable housing. We are well supported by a qualified in-house technical team who monitors projects efficiently to identify and address project risks. Hence, MBSB hopes to benefit from the Government's efforts in continuing to roll out various construction and property projects to support the country's economic growth".

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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. As a financial provider, MBSB offers a spectrum of innovative financial products and services for both individuals and corporates throughout its branches nationwide.