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PRESS RELEASE

KENYATAAN AKHBAR

For Immediate Release

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MBSB PROFIT AFTER TAX SOARED 212.65% FOR FIRST QUARTER 2018

Kuala Lumpur, 28 May 2018 – MBSB Group today announced its financial results for the first three (3) months ended 31 March 2018 (1Q18).

- **Revenue was consistent on a year-on-year ("y-o-y") basis at RM815.04 million**
- **Profit After Tax (PAT) for 1Q18 increased by 212.65% y-o-y and 155.52% quarter-on-quarter ("q-o-q") to RM316.79 million**
- **Profit Before tax (PBT) increased by 222.76% y-o-y and 129.49% q-o-q to RM409.16 million**
- **Total assets grew by 3.81% y-o-y and 3.66% q-o-q to RM46.44 billion**
- **Total deposits increased by RM1.93 billion or 6.02% y-o-y and 3.76% or RM1.23 billion q-o-q to RM33.99 billion**
- **Gross loans and financing increased by 2.93% by RM1.00 billion q-o-q**

Datuk Seri Ahmad Zaini Othman, Group President and Chief Executive Officer of MBSB commented on the Group's results, "This marked improvement is within our expectations following the completion of the impairment program in the last quarter of 2017. The improved results was partly due to the write back of RM154 million on the allowance for impairment losses of the financing assets. This follows the implementation of MFRS 9 effective January 1st of this year, hence indicating that we had actually undertaken a highly prudent impairment program".

PBT for 1Q18 saw an increase of RM282.39 million or 222.76% y-o-y to RM409.16 million while PAT increased by 212.65% or RM215.47 million to RM316.79 million y-o-y and RM192.81 million or 155.52% q-o-q. This is on the back of Revenue of RM815.03 million achieved for 1Q18.

Interest income stood at RM89.33 million, continuing to trend downwards y-o-y basis by 30.12% or RM38.50 million and q-o-q basis by 21.84% or RM24.96 million. This is due to the acquisition of only shariah-compliant financial assets and the continued conversion of conventional loans to Shariah compliant financings. However, the net income from the Islamic banking operations declined by RM22.25 million y-o-y due to higher cost of funds and the costs associated with the acquisition of Asian Finance Bank Berhad, subsequently renamed as MBSB Bank Berhad.

The Group's gross loans and financing grew by 2.93% q-o-q by RM1.00 billion to RM35.20 billion, largely contributed by corporate and property financing but slightly contracted by 1.82% y-o-y. The expansion in corporate financing is in tandem with the Group's commitment to achieve an optimum asset composition between retail and corporate mix of 70:30. For 1Q18, the mix improved in favour of corporate portfolio at 76:24, compared to 79:21 at 4Q17. Net financing and loans also remained consistent at RM32.93 billion, a 1.06% growth y-o-y. The growth in total assets of 3.81% or RM1.70 billion y-o-y and 3.66% or RM1.64 billion q-o-q was contributed by higher liquid assets due to increase in deposits. In addition, y-o-y increase in total assets was due to growth in net financing.

Total deposit level rose by RM1.93 billion or 6.02% y-o-y to RM33.99 billion and by RM1.23 billion or 3.76% q-o-q. This positive development continued to be driven by the support from corporate clients.

As a result of the improved profits, annualised Net Return on Average Equity stood at 17.29%, a significant improvement of 11.27 percentage points compared to 6.02% (4Q17) and 11.31 percentage points from 5.98% (1Q17). Consequently, annualised Net Return on Average Assets also moved up to 2.78% in contrast to 0.95% (4Q17) and 0.92% (1Q17).

Conversely, cost to income ratio ("CIR") regressed to 26.71% from 22.62% (4Q17) and 19.72% (1Q17). On this Datuk Seri Zaini mentioned, "We had expected the rise in costs due to the merger exercise as well as due to higher funding costs. Yet it is worth to highlight that the CIR remains considerably better than the industry's average of 49.7%".

On the asset quality, the Group's Net Impaired Financing/Loans ratio ("NIFR") further improved to 1.82% from 2.11% (4Q17) and 2.76% (1Q17) resulting from the reduction in the Net Impaired Financing Loans together with the write back of the allowances on the financial assets' impairment. Financing/loan loss coverage ratio moderated to 133.30% from 139.52% (4Q17) but remains a commendable figure following the completion of the three-year impairment program in 4Q17 and the fulfilment of the impairment requirements under MFRS 9.

MBSB has completed its acquisition of MBSB Bank Berhad, formerly known as Asian Finance Bank Berhad on 7 February 2018, making MBSB a financial holding company. In addressing the merge of the Group's assets and liabilities, Datuk Seri Ahmad Zaini informed, "The first vesting of Shariah compliant assets and liabilities was carried out on 2 April 2018. Over the next three years, MBSB will continue to maintain its conventional receivables and perform conversion of these receivables into Islamic receivables which will subsequently be vested to MBSB Bank. Any residual receivables that are not converted will either be redeemed by the account holders or disposed to a third party".

He further added, "We continue to build up MBSB Bank's capabilities following the corporate exercise. We have realigned the Group's business, policies and operations and continue to make investments to upgrade and enhance the information technology infrastructure and delivery channels. As a new Islamic banking group in the industry, the Group looks forward to expand its products and services which include trade finance, wealth management and internet and mobile banking to cater to various segments of our customers and depositors."

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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 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.