MALAYSIA BUILDING SOCIETY BERHAD (MBSB)
Registration No. 197001000172 (9417-K)

STRATEGIC COMMUNICATIONS DEPARTMENT
Level 7, Wisma MBSB,
No. 48, Jalan Dungun,
Damansara Heights,
50490, Kuala Lumpur
Tel. (03) 2096 3000/3121
Fax.(03) 2096 3372
Website: www.mbsb.com.my

PRESS RELEASE

KENYATAAN AKHBAR

For Immediate Release

25 JUNE 2020

MBSB RECORDED NET LOSS OF RM73.25 MILLION FOR FIRST QUARTER 2020 DESPITE IMPROVED REVENUE

<u>Highlights of 1Q20</u>

- **Revenue stood at RM741.41 million, increased by 1.95% (y-o-y)**
- **Loss Before Tax at RM38.98 million and After Tax at RM73.25 million**
- **Total Assets improved to RM50.81 billion, a 7.13% increase (y-o-y) from RM47.43 billion in 1Q19**
- **Cost to income ratio is recorded at 30.28%, improved by 2.84% (q-o-q), regressed by 3.94% (y-o-y)**
- **Deposit level consistent at RM36.23 billion from RM35.89 billion (4Q19) and from RM34.70 billion (1Q19)**

Kuala Lumpur, 25 June 2020 – Malaysia Building Society Berhad (MBSB) Group today announced its financial results for the first quarter of 2020 ended 31 March.

Despite registering an improvement in revenue for year-on-year growth (y-o-y), the Group recorded a net loss after tax of RM73.25 million following a high allowance for impairment charges on loans, financing and advances due to an increase in Stage 2 and Stage 3 financing during the quarter. As a result, the net allowance for impairment charges for 1Q20 amounted to RM291.78 million.

Banks made the transition to the Expected Credit Loss (ECL) model as prescribed by the Malaysian Financial Reporting Standards 9 (MFRS 9) effective 1 January 2018. The ECL model requires impairment allowances on all exposures from the time a loan is originated, based on the deterioration of credit risks which are indicated by Stages 1, 2 and 3. Stage 3 would result in the highest ECL charges. This model is in contrast to the incurred loss model under the previous MFRS 139 regime. Based on the ECL model, the Group's two retail financing portfolios also suffered from Stages 2 and 3 deteriorations due to legacy accounts.

On commenting the Group's results, its President and Chief Executive Officer Datuk Seri Ahmad Zaini Othman said, "Despite the adversity faced during the quarter, we aim to aggressively preserve the quality of the existing assets and increase our recovery efforts".

The Group's revenue improved to RM741.41 million, which saw an increase of 1.95% (y-o-y) or RM14.19 million compared to RM727.22 million in 1Q19. This was contributed by a higher fixed income profit and gain from sale of investment securities. Nevertheless, revenue was dragged lower by RM42.74 million quarter-on-quarter (q-o-q) to RM741.41 million mainly due to the drop in financing income from both retail and corporate portfolios following the Overnight Policy Rate (OPR) cuts in the first quarter of 2020.

Deposit level remained consistent at RM36.23 billion from RM35.89 billion (4Q19) and RM34.70 billion (1Q19). The Group's Cost to Income Ratio (CIR) continued to stay below the industry average of 44.7% at 30.28%. This is an improvement of 2.84%(q-o-q) but regressed slightly by 3.94% (y-o-y).

Meanwhile, the Group's assets grew marginally to RM50.81 billion from RM50.71 billion in the previous quarter (4Q19) and increased by 7.13% compared to RM47.43 billion (1Q19) contributed by growth in financial investments.

Net Profit Margin dropped to 2.65% from 2.93% (4Q19) and from 3.01% (1Q19). Gross Impaired Financing (GIF) regressed to 5.51% as compared to 5.19% in 4Q19 largely due to the increase in Stage 3 for the retail financing segment. Net Impaired Financing inched up to 2.32% compared to 2.11% (1Q19) but regressed by 0.02% from 2.34% (4Q19).

Meanwhile, Common Equity Tier (CET1) remained within the same bracket at 19.29% in 1Q20, compared to 19.24% in 4Q19 and 17.97% in 1Q19. Liquidity Coverage Ratio (LCR) dropped to 203.18% from 295.90% in 4Q19 and 228.18% in 1Q19.

Datuk Seri Ahmad Zaini added, “The operating environment will get tougher as we navigate ourselves amidst the challenges that are presently emerging but we will continue to be resilient. We have identified the key risk areas that can impact the future asset quality and have also immediately revised our key strategies to ensure there is sustainable revenue. Our technological advances continued with the launch of the first shariah-compliant e-wallet in March as well as the recent mobile banking application in May.”

Another development worth noting would be the launch of its Online Account Opening service for both savings and current account for MBSB Bank’s retail customers in June. Correspondingly, MBSB Bank will also have an online application service for its personal financing products.

Datuk Seri Ahmad Zaini also elaborated on the upcoming planned initiatives by commenting, “We will be optimising the great potentials of technology by accelerating our efforts in rolling out online financing applications for retail customers as well as providing greater convenience to Trade and SME Financing customers.”

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For more information or enquiries, please contact:

Azlina Mohd Rashad
Chief Corporate Officer
Corporate Services Division
MBSB Bank Berhad
Tel: 03-2096 3000/3121
Fax: 03-2096 3372
Email: strategiccom@mbsbbank.com

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)