




MBSB BANK UPDATES

By Datuk Seri Ahmad Zaini Othman
President and Chief Executive Officer

CONTENTS

01  1Q18 FINANCIAL HIGHLIGHTS

02  BUILDING UP CAPABILITIES

03  KEY HIGHLIGHTS

04  IMPACT FROM NEW GOVERNMENT INITIATIVES

1Q18 FINANCIAL HIGHLIGHTS

1ST QUARTER 2018 HIGHLIGHTS

Income Statement

RM Million	1Q18	1Q17	Change
Profit before tax	409.2	126.8	223%
Profit after tax	316.8	101.3	213%

RM Million	1Q18	4Q17	Change
Profit before tax	409.2	178.3	129%
Profit after tax	316.8	124.0	156%

Key Financial Positions

RM Million	1Q18	4Q17	Change
Total assets	46,447.9	44,810.1	3.7%
Gross financing	35,202.1	34,201.2	2.9%
Deposits	33,987.4	32,755.1	3.8%
Securitisation	4,491.0	4,526.0	-0.8%
Shareholders' equity	7,529.8	7,124.9	5.7%

Financial Ratios

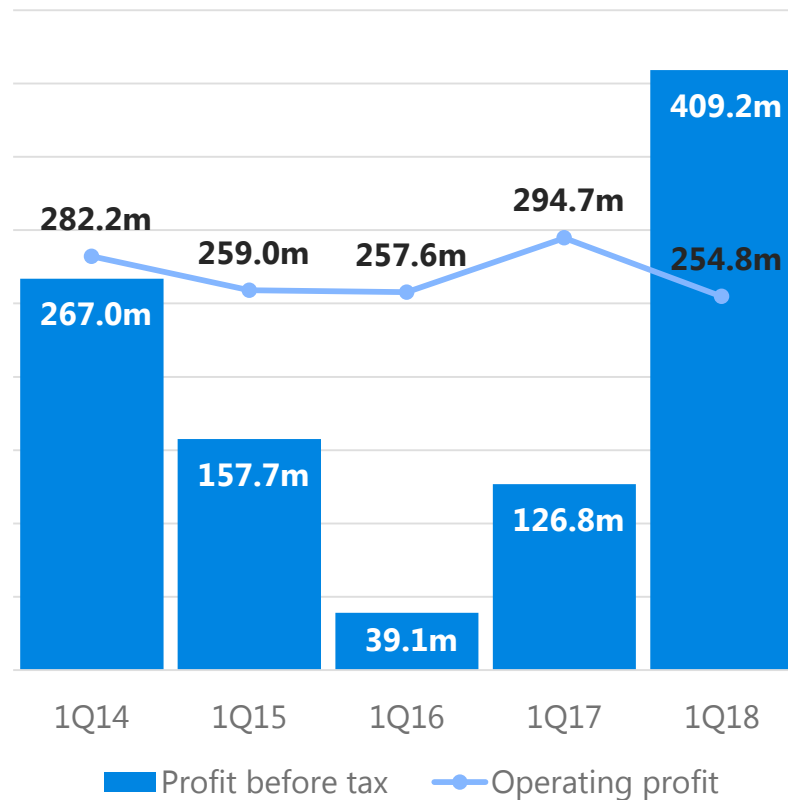
	1Q18	4Q17
Net return on equity	17.3%	6.0%
Net return on assets	2.8%	0.9%
Net profit margin	3.05%	3.38%
Cost to income ratio	26.7%	22.6%

	1Q18	4Q17
Gross impaired ratio	4.8%	4.6%
Net impaired ratio	1.8%	2.1%
Loss coverage	133.3%	139.5%
CET 1/Tier 1 ratio	17.306%	17.911%
Total capital ratio	18.482%	19.061%

GROUP PROFITS

1Q18 vs 4Q17	1Q18 RM Mil	4Q18 RM Mil	Change
Revenue	815.0	818.3	-0.4% ↓
Total income	347.6	381.8	-9.0% ↓
Other operating expenses	(92.9)	(94.1)	-1.3% ↑
Operating profit	254.8	287.7	-11.5% ↓
Impairment allowance	154.4	(109.4)	-241.1% ↑
Profit before tax	409.2	178.3	129.5% ↑
Profit after tax	316.8	124.0	155.5% ↑

1Q18 vs 1Q17	1Q18 RM Mil	1Q17 RM Mil	Change
Revenue	815.0	811.2	0.5% ↓
Total income	347.6	367.1	-5.3% ↓
Other operating expenses	(92.9)	(72.4)	28.3% ↓
Operating profit	254.8	294.7	-13.5% ↓
Impairment allowance	154.4	(167.9)	-191.9% ↑
Profit before tax	409.2	126.8	222.8% ↑
Profit after tax	316.8	101.3	212.7% ↑

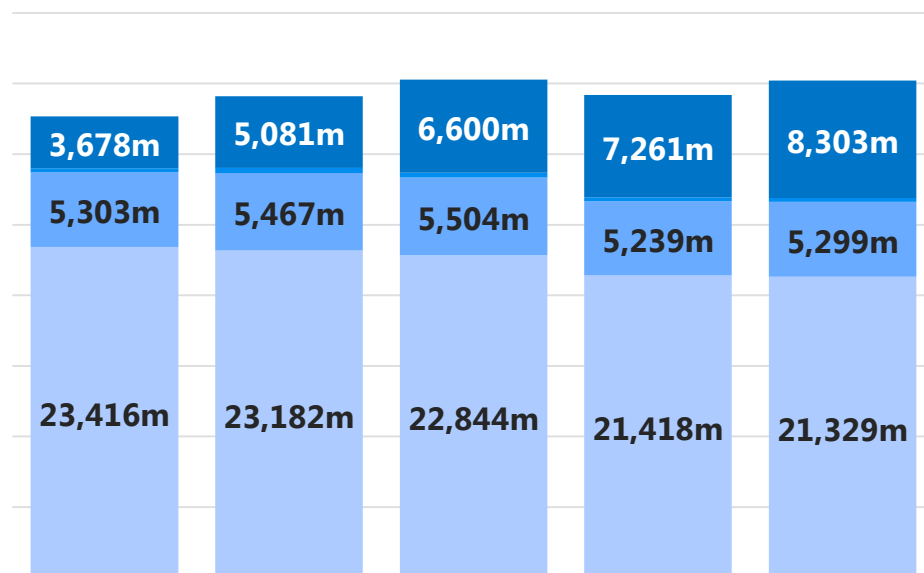


MFRS 9 – DAY 1

	As at 31 Dec 2017		As at 1 Jan 2018		
	MFRS 139		MFRS 9	Day 1	
	MIA	RM Mil	Stage	RM Mil	RM Mil
Loans, advances & financing	0	1,035	1	560	(475)
	1 & 2	376	2	751	375
	≥ 3 + IA	2,258	3	2,532	274
		<u>3,669</u>		<u>3,843</u>	<u>174</u>

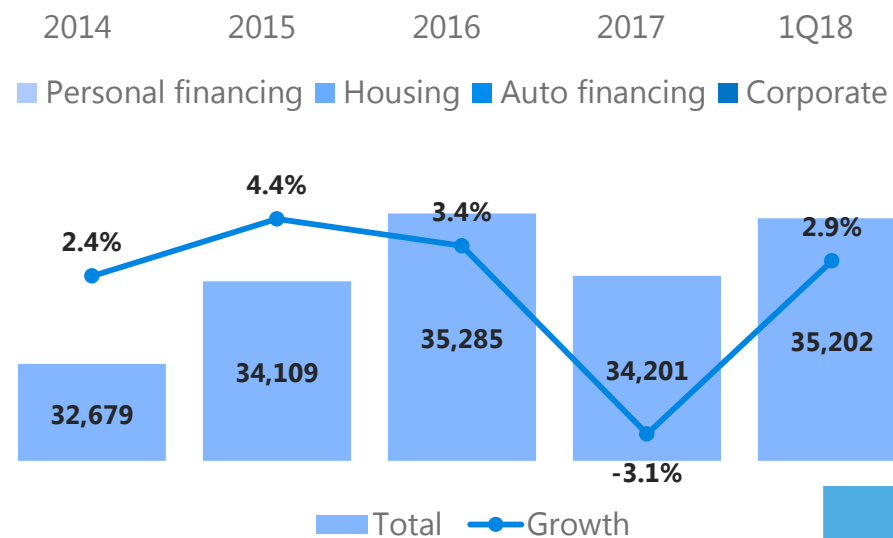
LOANS, ADVANCES & FINANCING

Gross balance	1Q18	4Q17	Change	
	RM Mil	RM Mil	RM Mil	%
Personal financing	21,329	21,418	(89)	-0.4%
Housing	5,299	5,239	61	1.2%
Auto financing	271	284	(13)	-4.5%
Total Retail	26,900	26,941	(41)	-0.2%
Corporate	8,303	7,261	1,042	14.4%
Total	35,202	34,201	1,001	2.9%



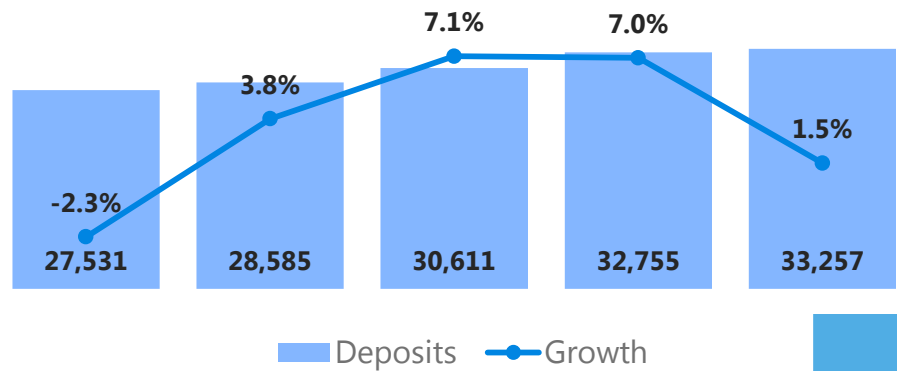
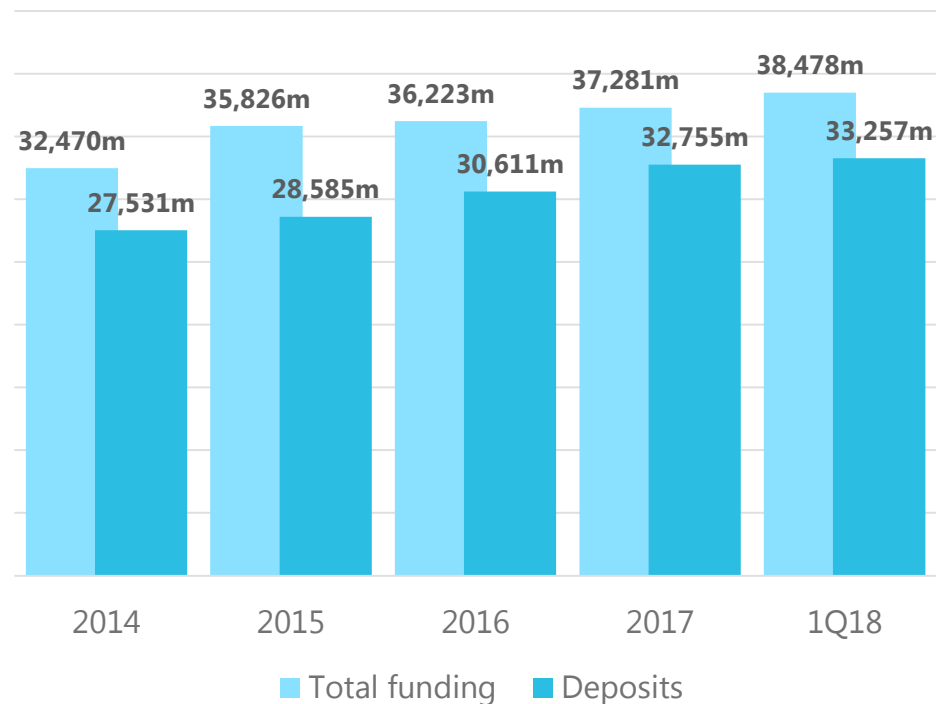
Portfolio mix

Retail	76.4%	78.8%
Corporate	23.6%	21.2%



SOURCES OF FUNDS

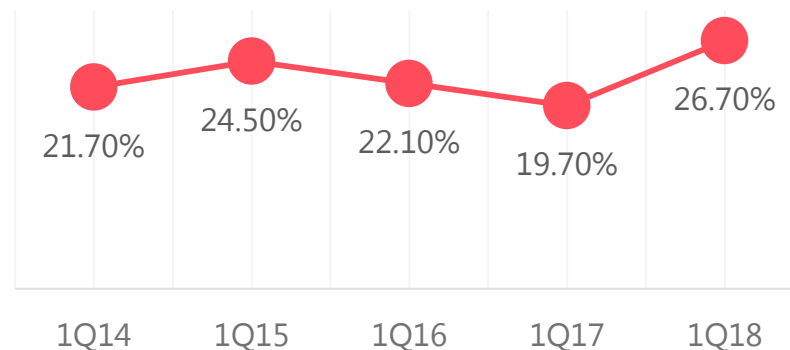
	1Q18	4Q17	Change	
	RM Mil	RM Mil	RM Mil	%
Deposits from customers	33,257	32,755	502	1.5% ↑
Cagamas	2,175	2,238	(63)	-2.8% ↓
Sukuk	2,316	2,288	28	1.2% ↑
Borrowing/ InterBank	730	-	730	100.0% ↑
Total	38,478	37,281	1,197	3.2% ↑



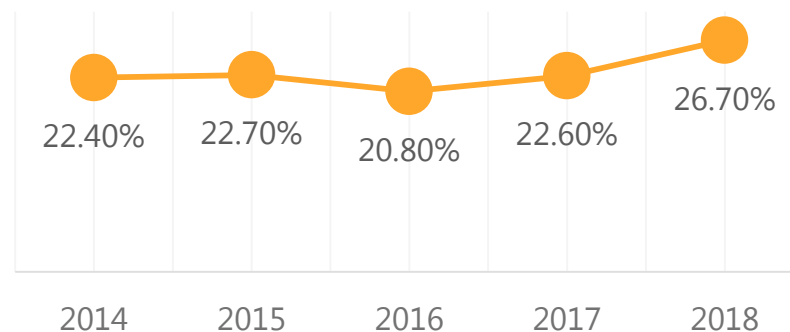
OPERATING EXPENSES

	1Q18 RM mil	4Q17 RM mil	1Q17 RM mil
Total income	347.6	381.8	367.1
Salary and related expenses	44.6	41.8	37.0
Other expenses	48.3	52.3	35.4
Total	92.9	94.1	72.4
Salary & related expenses to total expenses ratio	48.0%	44.4%	51.1%

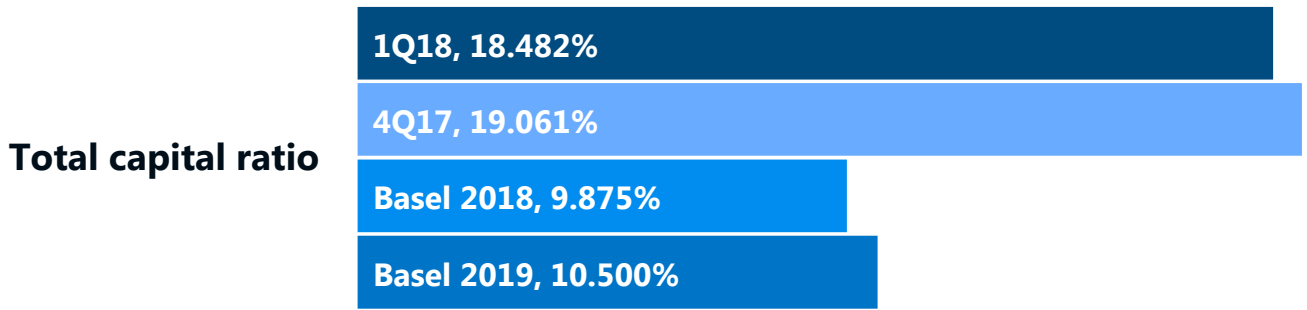
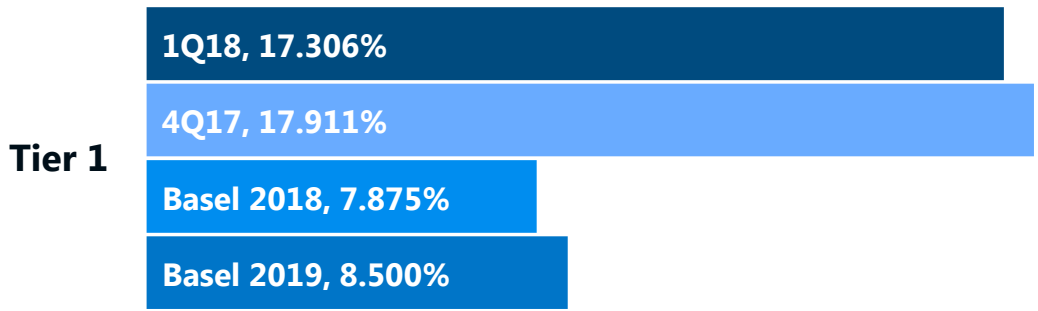
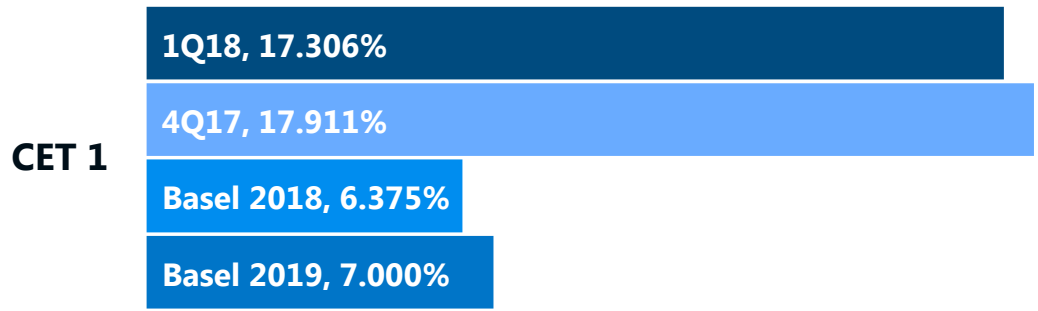
CIR - Quarterly



CIR - Yearly



CAPITAL – MBSB GROUP



VESTED ASSETS AND LIABILITIES TO MBSB BANK

- MBSB shareholders approved acquisition of MBSB Bank, then known as Asian Finance Bank Berhad on 23 Jan 2018
- Acquisition of MBSB Bank was completed on 7 Feb 2018
- Changed to its present name on 2 Apr 2018
- MBSB vested Shariah compliant assets and liabilities to MBSB Bank on 2 Apr 2018

PROFORMA KEY FINANCIAL POSITION OF MBSB BANK ON 2 APRIL 2018

	RM Million
ASSETS	
Cash and short term funds	5,834
Deposits & placement with financial institutions	883
Advances & financing	31,029
Investment securities at FVOCI	3,427
Investment securities at amortised cost	601
Other assets	2,075
Total assets	<u>43,849</u>
LIABILITIES	
Deposits from customers	33,234
Deposits & placement of financial institutions	730
Recourse obligation on financing sold	2,175
Sukuk	2,316
Other liabilities	485
Total liabilities	<u>38,940</u>
SHAREHOLDERS' EQUITY	
Ordinary share capital	4,626
Reserves	(53)
Negative goodwill	347
	<u>4,919</u>
Total liabilities & shareholders' equity	<u>43,859</u>

BUILDING UP CAPABILITIES

The following Key Capabilities have been delivered by OD1

✓ Completed

Delivery Channels	Product Offerings	Transactional Services	Supporting Functions
<p>Digital</p> <p>Mobile Sales Force</p> <ul style="list-style-type: none"> ✓ Mobile Sales Tool for pre-approval for Industrial Hire Purchase <p>Property Leads via Mhub</p> <ul style="list-style-type: none"> ▪ Participating bank for Mhub property website <p>Phase 1 to be rolled out by end of June with MBSB Bank as one of the participating bank in Mhub's portal</p>	<p>Deposits</p> <ul style="list-style-type: none"> ✓ Deployment of Basic Current Account <p>Treasury</p> <ul style="list-style-type: none"> ✓ NewBank will expand the existing Treasury products offering by leveraging on current AFB Treasury products 	<p>Payments/ Remittance</p> <ul style="list-style-type: none"> ✓ In house cheque processing: <ul style="list-style-type: none"> ✓ Outward Clearing: 4 Branches via eSPICK, remaining to use existing method i.e. collection account at MayBank ✓ Inward Clearing ✓ In house RENTAS/ SWIFT services (previously using Maybank) 	<p>Compliance</p> <ul style="list-style-type: none"> ✓ Prudential ratios and Regulatory reports* for NewBank ✓ Policies & procedures for products & services ✓ FEA Compliance Toolkit ✓ Compliance monitoring available across 6 regions <p>*Consolidated reports submission are pending direction from BNM however the Bank continues to submit reports based on AFB's portfolio</p>
<p>Traditional</p> <p>Hub & Spoke (Branches)</p> <ul style="list-style-type: none"> ✓ Hub & Spoke Branch Distribution Model ✓ Hub : KL Kenanga & Penang ✓ Spoke: Damansara & JB Taman Molek 	<p>Trade Finance</p> <ul style="list-style-type: none"> ✓ NewBank will be offering Trade Finance products leveraging on current AFB Trade finance products 		<p>Name & Branding</p> <ul style="list-style-type: none"> ✓ NewBank name and brand consistent with the aspiration to be a new progressive Islamic Bank

BUILDING UP CAPABILITIES

From Jun'18 to Dec'18, there will be a new capability deployed every month

Areas	Sub-Areas	2018			2019	
		Q2	Q3	Q4	Q1	Q2
Payments and Cards	Cheque Processing System (CPS) & Banker's Cheque		◆			
	SWIFT & RENTAS			◆		
	IBG & JomPAY				◆	
	ATM Switch, Shared ATM & CRM				◆	
	Card Management, MyDebit, VISA					◆
Branch Network	Hub & Spoke (Enhanced Distribution Network)			◆		
Trade Finance	Trade Finance System		◆			
Treasury	Treasury System Upgrade					◆
Digital	Consumer Mobile / Internet Banking					◆
	Corporate Internet Banking			◆		◆ Cash Mgmt
	FinTech – Trade Finance			◆		
	FinTech – Wealth Management		◆ Phase 1			◆ Phase 2
	Property Leads via Mhub			◆		
New / Enhanced Products	Enhanced Current Account (with Cashline)					
	Financing Enhancement (e.g. Flexi Working Capital)					◆
Finance	Finance System (Oracle FMS) Upgrade					

SPD 1

KEY HIGHLIGHTS

Business

- ✓ Signed Agreement with Cagamas that allows MBSB Bank access to a mortgage guarantee programme offered by Cagamas SRP and become a valued partner in Skim Rumah Pertamaku. The bank would be able to provide up to 100% financing to young adults aged below 40 years and obtain guarantee from Cagamas SRP for the 10% down payment.
- ✓ The total amount of Financing Asset and Deposit that have been transferred to MBSB Bank on 2nd April 2018:
 - i. Financing Asset: RM31.03 billion
 - ii. Deposit: RM33.96 billion
- ✓ Undisbursed Corporate Financing stood at RM7.6 billion as at 31st April 2018.
- ✓ Commercial Financing expected to disburse RM980 million in 2nd Qtr 2018.
- ✓ Trade Finance has approved RM39.7 million worth of Financing.

KEY HIGHLIGHTS

Branch

- ✓ 2 Hubs (Penang & KL) and 2 Spokes Branch (Damansara & JB) have been established.

Asset & Liability Conversion

- ✓ All eligible account for the Conversion of Conventional Deposit products have 100% successfully been converted. Pending accounts from customers that disagree to convert and they have to close their accounts by end of May.
- ✓ Mortgage Conventional Loan has successfully converted 63% of total eligible accounts to be converted in March 2018. Another 1,050 accounts will be converted by end of May.

IMPACT FROM NEW GOVERNMENT INITIATIVES

- ✓ Government staff 17,000 contracts terminated;
- ✓ Consolidation of PR1MA and PPA1M;
- ✓ Review of Government projects, contracts;
- ✓ Deposit stability (portfolio largely from Government Agencies, States, etc.)
- ✓ Dissolve of Government Agencies (e.g. SPAD, JPKK, PEMANDU etc.)

Q & A