



**MALAYSIA BUILDING SOCIETY BERHAD (MBSB)**

Registration No. 197001000172 (9417-K)

**STRATEGIC COMMUNICATIONS DEPARTMENT**

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**PRESS RELEASE**

**KENYATAAN AKHBAR**

**For Immediate Release**

**30 November 2020**

**MBSB GROUP RECORDED NET PROFIT OF RM258.24 MILLION  
FOR THIRD QUARTER IN 2020 (3Q20)**

**Highlights of 3Q20**

- Registered net profit of RM258.24 million, an increase from 2Q20's net loss of RM12.51 million. A year-on-year (y-o-y) increase of 51.76% from RM170.16 million in 3Q19
- Profit before tax (PBT) of RM293.96 million (3Q20) and RM221.48 million for nine months year-to-date 2020 (YTD-20) respectively
- YTD-20 revenue stood at RM2.39 billion, a 7.43% increase or RM165.47 million from RM2.23 billion registered in year-to-date 2019 (YTD-19)
- YTD-20 cost to income ratio (CIR) is at 24.33% consistent with 24.01% (q-o-q)
- YTD-20 total assets stood at RM49.93 billion, 1.55% lower than RM50.71 billion recorded on 31 December 2019

**Kuala Lumpur, 30 November 2020** – Malaysia Building Society Berhad (MBSB) Group today announced its financial results for the third quarter ended 30 September 2020.

MBSB Group recovered from being in the red for the last two quarters and is now seeing a remarkable positive financial performance.

The Group's net profit improved to RM258.24 million this quarter, compared to the RM12.51 million net loss in 2Q20. Compared to the corresponding quarter last year, the net profit saw a 51.76% increase from RM170.16 million year-on-year (y-o-y).

A profit before tax (PBT) of RM293.96 million and RM221.48 million were registered for 3Q20 and for nine months of this year (YTD-20) respectively. This is a marked improvement from RM185.04 million (3Q19) but a reduction of RM217.97 million or 49.60% from RM439.45 million YTD-19. The PBT is mainly influenced by the significant modification loss of RM512.61 million as reflected in 2Q20 results and by a reduction in funding cost of RM61.35 million for 3Q20 from 2Q20.

The Group's YTD-20 revenue also increased by RM165.47 million from YTD-19 contributed mainly by higher income from investment and treasury activities of RM183.54 million. However, financing and loan interest income reduced slightly by RM14.84 million from both retail and corporate financing and loan due to the lower disbursement made for the year and reductions in Overnight Policy Rates (OPR).

Commenting on the results, President and Chief Executive Officer, Datuk Seri Ahmad Zaini Othman said, "We are certainly pleased with the improved results after the considerable impact to our bottom line last quarter caused by the modification loss. Hence when we revised our strategies then, it was not only to ensure the sustainability of all income streams but to also focus on a stable and gradual unwinding of this modification loss".

The Group recorded net allowance for impairment of RM289.98 million for YTD-20 which is a considerable improvement from YTD-19 of RM326.12 million. It is also a notable progress at RM52.07 million for 3Q20 as compared to RM80.68 million for 3Q19. However, compared to 2Q20, net allowance for impairment increased by RM105.95mil mainly on forward looking

assumptions following macroeconomic uncertainties posed by the Covid-19 pandemic. At its main subsidiary level, MBSB Bank, the net allowance for impairment is registered at RM204.20 million YTD-20 improving significantly from RM324.83 million YTD-19.

The annualized Net Return on Equity (ROE) for 3Q20 progressed to 2.64% from a negative 2.00% (2Q20) and the annualized Net Return on Assets (ROA) inched slightly up to 0.46% from a negative 0.35% (2Q20). Meanwhile, the Group's Cost to Income Ratio (CIR) for 3Q20 stood at 24.33%, consistent with 24.01% (2Q20) but is a further improvement from 26.70% (3Q19).

The Group's improved profitability was also contributed by an improved Net Profit Margin (NPM) of 3.15% (3Q20) from 3.11% (2Q20) and 2.84% (3Q19). The better NPM can be attributed to a drop in funding cost by RM61.35 million (2Q20) and by RM106.78 million (3Q19) which was partially due to the withdrawal of higher term deposit costs as well as the impact from the OPR reduction.

The Group ended the period YTD-20 with total assets of RM49.93 billion that is lower by RM784.32 million or 1.55% from the position as at 31 Dec 2019. This is primarily due to drop in total deposits and other funding, but cushioned by higher financing of RM259.04 million. On a quarterly basis, total assets increased by RM1.34 billion contributed by higher financing and financial investments.

In cognizant of the present challenges to reach new customers especially for retail depositors, Datuk Seri Ahmad Zaini commented, "We have made significant progress on the digital front with M Fast online application for deposit and soon for financing and shall make further inroads for our e-wallet capabilities as well as our M Journey, the online banking for both individual and non-individual customers".

As for asset quality, a higher gross impaired financing (GIF) was recorded at RM5.86% (3Q20) as compared to 5.19% (4Q19) which was due to higher impairments from the corporate financing and loan. However, it improved slightly from 6.08% (2Q20) contributed by the retail financing and loan. At MBSB Bank level, the GIF stood at 3.13% (3Q20) reducing from 3.28% (2Q20).

Total capital ratio (TCR) increased by 0.28% to 23.76% (3Q20) from 23.48% (4Q19) while the Group's Liquidity Coverage Ratio (LCR) fell by 28.68% to 148.20% compared to 176.88% in 2Q20.

On the outlook for next year, Datuk Seri Zaini commented, “We do acknowledge the cautious sentiment by both retail and corporate segments due to some economic uncertainties still looming. Nevertheless, these sentiments may improve as we are encouraged by the expectations of progress on the economic recovery coupled with the implementation of Budget 2021 that shall provide a major relief to B40 and M40 segments. With the availability of vaccine next year, this is also a huge positive to market sentiment. In the meantime, we continue to support our customers whom are experiencing financial setbacks due to the pandemic and as at 30 Sept 2020, we have assisted over seven thousand applicants with various assistance programs”.

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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)**