



MALAYSIA BUILDING SOCIETY BERHAD (MBSB)

Registration No. 197001000172 (9417-K)

STRATEGIC COMMUNICATIONS DEPARTMENT

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PRESS RELEASE

KENYATAAN AKHBAR

For Immediate Release

26 August 2020

**MBSB GROUP RECORDED NET LOSS OF RM12.51 MILLION FOR SECOND
QUARTER AFTER MODIFICATION LOSS OF RM512.61 MILLION**

Highlights of 2Q20

- **Registered Net Loss of RM12.51 million**
- **One-off Modification Loss of RM512.61 million**
- **Revenue stood at RM886.35 million for 2Q20, a growth of 19.55% or RM 144.94 million from RM741.41 million (q-o-q) and 17.03% (y-o-y) from RM757.36 million**
- **Cost to Income Ratio improved to 19.72% in 2Q20 by 10.56% (q-o-q)**
- **Total Assets declined by 4.37% or RM2.22 billion to RM48.59 billion in 2Q20, from RM50.81 billion (q-o-q)**
- **Deposits stood at RM33.99 billion in 2Q20, a 6.18% or RM2.24 billion decrease from RM36.23 billion (q-o-q)**

Kuala Lumpur, 26 August 2020 – Malaysia Building Society Berhad (MBSB) Group today announced its financial results for the second quarter of 2020 ended 30 June.

MBSB registered a net loss of RM12.51 million in 2Q20, an improvement of RM60.74 million or 82.92% from 1Q20 net loss of RM73.25 million, signalling a marked recovery from the previous quarter.

The Group's revenue stood at RM886.35 million, an increase of 19.55% or RM144.94 million quarter-on-quarter (q-o-q) from RM741.41 million in 1Q20. This growth is largely due to gain from sale of financial investments in 2Q20.

On a year-on-year (y-o-y) basis, revenue grew by 17.03% in 2Q20 compared to 2Q19.

The Group's net income climbed to RM529.67 million which is 46.09% or RM167.10 million (q-o-q) increase from RM362.57 million in 1Q20. Net income is also higher compared to RM336.31 million that was registered for the same period last year following gains from sale of financial investments.

The Group's President and Chief Executive Officer, Datuk Seri Ahmad Zaini Othman commented on the performance saying, "MBSB Group recorded a modification loss of RM512.61 million for 2Q20 on moratorium granted to the customers. It is a significant amount due to the sizeable portfolio contracted at fixed rate financing. However, we hope to start seeing the unwinding of these modification losses sometime next year."

Datuk Seri Ahmad Zaini elucidated on the Group's deposit, which saw its corporate and retail deposit taking a dip as a result of the reduction in Overnight Policy Rate (OPR) four times this year.

The Group's total deposit is at RM33.99 billion, a 6.18% decrease from 1Q20's at RM36.23 billion.

Meanwhile, the Group's Cost to Income Ratio (CIR) stood at 19.72% in 2Q20, which is 10.56% lower (q-o-q) from 30.28% in 1Q20. This drop was due to lower expenses as the operation was affected during the Movement Control Order as well as higher net income for the current

quarter. Meanwhile CIR (y-o-y), fell by 11.60% from 31.32% in 2Q19. Net Profit Margin rose marginally by 0.85% to 3.50% in 2Q20 compared to 2.65% in 1Q20.

Gross impaired financing (GIF) is recorded at 6.08%, a 0.57% (q-o-q) decline from 5.51% in 1Q20 and 0.43% (y-o-y) decline from 5.65% in 2Q19.

Net Impaired Financing stood at 2.64% in 2Q20, a decline of 0.32% (q-o-q) compared to 2.32% in 1Q20. The ratio declined (y-o-y) by 0.26% from 2.38% in 2Q19.

The Group's allowance for impairment improved and recorded writeback of RM53.87 million in 2Q20. The writeback was due to improvement in Expected Credit Loss (ECL) as a result of active collections to regularise payment arrears during the quarter.

In 1Q20 and 2Q19, allowance for impairment recorded charges of RM291.78 million and RM92.42 million respectively.

The Group's CET-1 stood at 19.52% in 2Q20 which is 0.23% lower than 19.29% in 1Q20. Liquidity Coverage Ratio (LCR) is at 176.88%, a 26.30% (q-o-q) decline from 1Q20 which was at 203.18%. On a (y-o-y) basis, it declined by 67.68% from 2Q19 which was at 244.56%.

Datuk Seri Ahmad Zaini also shared a recent development of the Group's main subsidiary, MBSB Bank, where it has been actively offering financing relief programmes to its customers affected by Covid-19.

Datuk Seri Ahmad Zaini highlighted, "For our customers who are financially impacted by the crisis, we have been aggressively promoting the 'Payment Flexibility for Targeted Groups' programme and that they should come and talk to us. We are always ready to assist them during these difficult circumstances."

The programme which is catered to its customers who have lost their jobs, had pay cuts or self-employed began on 7 August 2020. The programme is also being offered for SMEs that are from industries affected by the global health crisis.

In addition to that, MBSB Bank is also offering account 'Rescheduling and Restructuring' to eligible customers, to help ease their financial commitment.

On the economic outlook and its impact on the banking industry, Datuk Seri Ahmad Zaini said, "The government has done exceptionally well in managing the Covid-19 health crisis and as a

result, they were able to implement the Recovery Movement Control Order. This in turn has helped the economy to begin its recovery process. As for the banks, the situation shall remain challenging as we are confronted with the drop in OPR affecting profitability and the declining income level of customers potentially causing upside risks to Non Performing Financing.”

He added, “Despite these circumstances, I believe the banks will be able to withstand this crisis due to the ample liquidity and capital strength. What’s also key for us at MBSB Bank is to continuously have our eyes focused on the health of our portfolio and ensure that we manage any deterioration timely.”

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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)**