

# MBSB Bank processing RM5b-RM6b affordable home loans for approval in 2018

*The loans are mainly for various govt-backed affordable housing projects nationwide, says CEO*

by NG MIN SHEN

MBSB Bank Bhd, the country's second-largest Islamic banking entity by assets, is expected to approve between RM5 billion and RM6 billion worth of affordable housing loans this year.

President and CEO Datuk Seri Ahmad Zaini Othman said the loans are mainly for various government-backed affordable housing projects nationwide.

"It can carry us for about three years," he told reporters at an agreement signing ceremony between MBSB Bank and Cagamas SRP Bhd in Kuala Lumpur yesterday.

Ahmad Zaini said the bank's parent company, Malaysia Building Society Bhd (MBSB), has already approved some RM1.6 billion for the 1Malaysia People's Housing Programme (PRIMA) loans, along with RM2 billion in loans for the 1Malaysia Civil Servants' Housing (PPA1M) project as well as RM900 million worth of financing for Federal Territories Affordable Housing (Rumawip).

The amount is accumulated since MBSB began providing affordable housing mortgages about two years ago.

The banking group recently became a full-fledged Islamic banking player following its RM644.95 million acquisition of Asian Finance Bank Bhd (AFB) in February this year.

AFB was rebranded as MBSB Bank and is currently undergoing transfer-



Ahmad Zaini (left) with Cagamas Bhd president and CEO Datuk Chung Chee Leong at the signing ceremony between MBSB Bank and Cagamas SRP in Kuala Lumpur yesterday

Pic by Izzat Che Rus

mation which includes a RM250 million investment to upgrade its core banking system, and integrate additional features for the retail and corporate segments.

Meanwhile, the agreement signed by MBSB Bank and Cagamas SRP will allow the Islamic lender access to the Mortgage Guarantee Programme offered by the latter, in addition to making the former a partner in the My First Home Scheme.

The deal also allows the bank to obtain guarantee coverage from Cagamas SRP for its home financing

portfolio to facilitate the lender's efficient capital management.

"The guarantee by Cagamas SRP can help improve the bank's capital adequacy ratio and free up more capital for financing, while serving as an alternative venue to alleviate the impact of the Malaysian Financial Reporting Standard 9.

"These can be made possible as the mortgage guarantee lowers the financing loss provision resulting in improvements in profits," Ahmad Zaini said.

He added that the guarantee is

beneficial to MBSB Bank as it is involved in nine projects under PRIMA with a gross development value worth RM1.61 billion, 15 projects under PPA1M worth RM7.5 billion and six projects under Rumawip worth RM600 million.

Under the My First Home Scheme, the bank will be able to provide up to 100% financing to young adults below 40 years of age and obtain guarantee from Cagamas SRP for the first 10% of the financing originated.

Cagamas SRP offers "first loss" protection on mortgage assets

remaining on the originator's book, thus a financier with Cagamas SRP will be equipped with the relevant indemnity for the financing amount exceeding the 90% mark.

Since the launch of the My First Home Scheme by the government in March 2011 — 7920 loans or financing amounting to RM1.6 billion have been approved by the participating banks and guaranteed by Cagamas SRP.

To date, the scheme has 23 participating financial institutions in Malaysia, including MBSB Bank.