

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS  
OF THE GROUP AND OF THE COMPANY  
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019**

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
**(Incorporated in Malaysia)**

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

	Note	Group		Company	
		31-Dec-19 RM'000	31-Dec-18 RM'000	31-Dec-19 RM'000	31-Dec-18 RM'000
<b>Assets</b>					
Cash and short-term funds	A8(a)	2,034,889	3,411,986	189,526	155,077
Deposits and placements with financial institutions	A8(b)	873,515	931,087	-	154,347
Derivative financial assets	A9	4,239	67	-	-
Financial investments at fair value through other comprehensive income ("FVOCI")	A10	10,694,644	5,097,105	-	-
Financial investments at amortised cost	A11	494,705	20,350	-	-
Loans, financing and advances	A12	33,953,822	33,133,119	1,146,505	1,326,502
Trade receivables		1	561	-	-
Other receivables	A13	188,342	243,047	104,906	148,672
Statutory deposits with Bank Negara Malaysia		1,090,000	1,053,000	-	-
Investments in subsidiaries		-	-	5,290,328	4,756,328
Inventories		102,175	102,432	-	-
Property and equipment		313,964	297,567	24,367	24,831
Right use of assets		8,784	-	-	-
Intangible assets		167,209	293,513	-	-
Goodwill		148,031	-	-	-
Investment properties		820	820	-	-
Land use rights		521	5,262	-	-
Deferred tax assets		28,218	34,318	9,585	15,687
Tax recoverable		605,778	801,278	539,621	710,610
<b>Total assets</b>		<b>50,709,657</b>	<b>45,425,512</b>	<b>7,304,838</b>	<b>7,292,054</b>
<b>Liabilities</b>					
Deposits from customers	A14	25,271,951	24,209,449	-	-
Deposits and placements of banks and other financial institutions	A15	10,621,769	8,578,851	-	-
Derivative financial liabilities		1	2	-	-
Trade payables		22	225	-	-
Other payables	A16	642,278	650,767	154,484	239,669
Lease liabilities		8,919	-	-	-
Recourse obligation on financing sold		2,481,251	2,135,518	-	-
Sukuk-MBSB Structured Covered ("SC") Murabahah		1,664,973	1,968,075	-	-
Sukuk Wakalah		1,293,075	-	-	-
Deferred tax liabilities		126,607	60,120	-	-
Provision for taxation and zakat		11,940	36,901	538	4,787
<b>Total liabilities</b>		<b>42,122,786</b>	<b>37,639,908</b>	<b>155,022</b>	<b>244,456</b>
<b>Equity</b>					
Ordinary share capital		6,941,542	6,682,102	6,941,542	6,682,102
Reserves		160,837	16,873	5,843	6,261
Retained earnings		1,484,492	1,086,629	202,431	359,235
<b>Total equity</b>		<b>8,586,871</b>	<b>7,785,604</b>	<b>7,149,816</b>	<b>7,047,598</b>
<b>Total liabilities and equity</b>		<b>50,709,657</b>	<b>45,425,512</b>	<b>7,304,838</b>	<b>7,292,054</b>
<b>Commitments and contingencies</b>	A23	<b>5,098,853</b>	<b>6,116,722</b>	<b>29,749</b>	<b>38,242</b>
<b>Net assets per share attributable to ordinary equity of the Company (RM)</b>		<b>1.31</b>	<b>1.25</b>	<b>1.09</b>	<b>1.13</b>

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
**(Incorporated in Malaysia)**

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019**

	Note	Group			
		4th Quarter Ended		Twelve Months Ended	
		31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
		RM'000	RM'000	RM'000	RM'000
Revenue		784,144	680,365	3,012,003	2,862,724
Income derived from investment of general investment deposits and Islamic capital funds	A17	722,183	665,690	2,774,929	2,604,687
Income attributable to depositors		(356,078)	(315,983)	(1,428,408)	(1,272,930)
Income attributable to securitisation		(23,947)	(24,134)	(93,821)	(97,665)
Income attributable to sukuk		(24,524)	(20,738)	(95,312)	(107,299)
Net income from Islamic operations		317,634	304,835	1,157,388	1,126,793
Interest income	A18	35,108	18,352	151,955	216,796
Interest expense	A19	(5)	(5)	(20)	(21,832)
Net interest income		35,103	18,347	151,935	194,964
Operating income		352,737	323,182	1,309,323	1,321,757
Net other income	A20	15,541	5,324	103,394	53,963
Net income		368,278	328,506	1,412,717	1,375,720
Other operating expenses	A21	(121,963)	(116,595)	(400,831)	(406,280)
Operating profit		246,315	211,911	1,011,886	969,440
Net writeback/(allowance) for impairment on loans, financing and advances and other financial assets	A22	211,667	(53,295)	(114,457)	(115,867)
Profit before taxation and zakat		457,982	158,616	897,429	853,573
Taxation		(105,835)	(31,635)	(181,067)	(198,173)
Zakat		5,000	(9,024)	899	(13,000)
Profit from continuing operations		357,147	117,957	717,261	642,400
Loss from discontinued operation		(461)	-	(361)	-
Profit for the financial period		356,686	117,957	716,900	642,400
Profit attributable to:					
Owners of the Company		356,686	117,957	716,900	642,400
Earnings per share (sen)					
Basic		5.44	1.88	10.97	10.32
Diluted		5.44	1.88	10.97	10.32
<b>Profit for the financial period</b>		<b>356,686</b>	<b>117,957</b>	<b>716,900</b>	<b>642,400</b>
<b>Other comprehensive (expense)/income, net of tax :</b>					
Movement in fair value reserve, which may be reclassified subsequently to profit or loss		(17,190)	11,327	144,382	17,268
		(17,190)	11,327	144,382	17,268
<b>Total comprehensive income for the financial period</b>		<b>339,496</b>	<b>129,284</b>	<b>861,282</b>	<b>659,668</b>
Total comprehensive income attributable to:					
Owners of the Company		339,496	129,284	861,282	659,668
		339,496	129,284	861,282	659,668

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019**

	Note	Company			
		4th Quarter Ended		Twelve Months Ended	
		31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
		RM'000	RM'000	RM'000	RM'000
Revenue		17,982	(15,198)	113,233	812,513
Income derived from investment of general investment deposits and Islamic capital funds	A17	-	(29,216)	-	609,344
Income attributable to depositors		-	-	-	(304,799)
Income attributable to securitisation		-	-	-	(24,843)
Income attributable to sukuk		-	4,817	-	(69,836)
Net income from Islamic operations		-	(24,399)	-	209,866
Interest income	A18	22,969	7,301	105,107	174,530
Interest expense	A19	(5)	(5)	(20)	(21,832)
Net interest income		22,964	7,296	105,087	152,698
Operating income		22,964	(17,103)	105,087	362,564
Net other income	A20	(21,541)	25,074	37,517	45,593
Net income		1,423	7,971	142,604	408,157
Other operating expenses	A21	(20,923)	(27,649)	(42,172)	(120,917)
Operating profit		(19,500)	(19,678)	100,432	287,240
Net writeback/(allowance) for impairment on loans, financing and advances and other financial assets	A22	22,230	(33,633)	39,190	(11,338)
Profit before taxation		2,730	(53,311)	139,622	275,902
Taxation		(1,925)	13,809	22,540	(75,507)
Zakat		-	-	71	-
Profit for the financial period		805	(39,502)	162,233	200,395
Profit attributable to:					
Owners of the Company		805	(39,502)	162,233	200,395
		805	(39,502)	162,233	200,395
Earnings per share (sen)					
Basic		0.01	(0.63)	2.48	3.22
Diluted		0.01	(0.63)	2.48	3.22
<b>Profit for the financial period</b>		805	(39,502)	162,233	200,395
<b>Other comprehensive income, net of tax :</b>					
Movement in fair value reserve, which may be reclassified subsequently to profit or loss		-	10,596	-	6,656
		-	10,596	-	6,656
<b>Total comprehensive income for the financial period</b>		805	(28,906)	162,233	207,051
Total comprehensive income attributable to:					
Owners of the Company		805	(28,906)	162,233	207,051
		805	(28,906)	162,233	207,051

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
**(Incorporated in Malaysia)**

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019**

Group	← Non-distributable →		Distributable		Total RM'000
	Share Capital RM'000	Share Option Reserve RM'000	Fair Value Reserves RM'000	Retained Profits RM'000	
<b>At 1 January 2019</b>	6,682,102	6,261	10,612	1,086,629	7,785,604
Profit for the year	-	-	-	716,900	716,900
Other comprehensive income for the year	-	-	144,382	-	144,382
Dividends	-	-	-	(319,455)	(319,455)
Issuance of shares pursuant to Dividend Reinvestment Plan	259,440	-	-	-	259,440
Transfer of share option reserve to retained profits upon expiry of share options	-	(418)	-	418	-
<b>At 31 December 2019</b>	<b>6,941,542</b>	<b>5,843</b>	<b>154,994</b>	<b>1,484,492</b>	<b>8,586,871</b>
<b>At 1 January 2018</b>	6,172,051	6,261	(6,656)	751,726	6,923,382
Profit for the year	-	-	-	642,400	642,400
Other comprehensive income for the year	-	-	17,268	-	17,268
Dividends	-	-	-	(307,497)	(307,497)
Issuance of shares pursuant to Dividend Reinvestment Plan	243,952	-	-	-	243,952
Issuance of shares for acquisition of a subsidiary	266,099	-	-	-	266,099
<b>At 31 December 2018</b>	<b>6,682,102</b>	<b>6,261</b>	<b>10,612</b>	<b>1,086,629</b>	<b>7,785,604</b>

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
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**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019 (CONTINUED)**

Company	← Non-distributable →		Distributable		Total RM'000
	Share Capital RM'000	Share Option Reserve RM'000	Fair Value Reserves RM'000	Retained Profits RM'000	
<b>At 1 January 2019</b>	6,682,102	6,261	-	359,235	7,047,598
Profit for the year	-	-	-	162,233	162,233
Dividends	-	-	-	(319,455)	(319,455)
Issuance of shares pursuant to Dividend Reinvestment Plan	259,440	-	-	-	259,440
Transfer of share option reserve to retained profits upon expiry of share options	-	(418)	-	418	-
<b>At 31 December 2019</b>	<b>6,941,542</b>	<b>5,843</b>	<b>-</b>	<b>202,431</b>	<b>7,149,816</b>
<b>At 1 January 2018</b>	6,172,051	6,261	(6,656)	466,337	6,637,993
Profit for the year	-	-	-	200,395	200,395
Other comprehensive income for the year	-	-	6,656	-	6,656
Dividends	-	-	-	(307,497)	(307,497)
Issuance of shares pursuant to Dividend Reinvestment Plan	243,952	-	-	-	243,952
Issuance of shares for acquisition of a subsidiary	266,099	-	-	-	266,099
<b>At 31 December 2018</b>	<b>6,682,102</b>	<b>6,261</b>	<b>-</b>	<b>359,235</b>	<b>7,047,598</b>

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
**(Incorporated in Malaysia)**

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019**

	Group		Company	
	31-Dec-19 RM'000	31-Dec-18 RM'000	31-Dec-19 RM'000	31-Dec-18 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	897,429	853,573	139,622	275,902
Adjustments for non-cash items	(65,774)	209,364	(45,835)	(21,964)
Operating profit before working capital changes	831,655	1,062,937	93,787	253,938
Working capital changes:				
Net changes in operating assets	(914,448)	(1,639,748)	406,188	751,118
Net changes in operating liabilities	3,132,011	(1,681,057)	(89,363)	(1,662,462)
Cash generated from/(used in) operations	3,049,218	(2,257,868)	410,612	(657,406)
Income taxes and zakat paid	9,124	(333,514)	199,631	(181,458)
Net cash generated from/(used in) operating activities	3,058,342	(2,591,382)	610,243	(838,864)
<b>Cash flows from investing activities</b>				
Increase in investment in subsidiaries	-	-	(534,000)	-
Acquisition of MBSB Bank Berhad	-	181,076	-	(6,666,078)
Proceeds from financial assets held-for-sale	-	40,793	-	40,793
Purchase of property and equipment	(60,968)	(136,942)	-	(1,736)
Purchase of intangible assets	(33,080)	(101,473)	-	(11,509)
Proceeds from disposal of foreclosed properties	18,221	-	18,221	-
Proceeds from disposal of property and equipment and land use rights	36,678	2,097	-	516
Purchase of financial investments	(5,474,169)	(1,109,523)	-	(38,118)
Proceeds from sale of financial investments at amortised cost	-	31,168	-	-
Net cash used in investing activities	(5,513,318)	(1,092,804)	(515,779)	(6,676,132)

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
**(Incorporated in Malaysia)**

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019**

	<b>Group</b>		<b>Company</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>				
Repayment/(proceeds) from recourse obligation on loans/financing sold	331,947	(102,649)	-	(63,159)
Profit expense paid - recourse obligation on loans/financing sold	(80,035)	(97,665)	-	-
Repayment of Sukuk - MBSB SC Murabahah	(313,377)	(318,694)	-	28,143
Profit expense paid - Sukuk MBSB SC Murabahah	(82,821)	(108,407)	-	-
Payment of finance lease liabilities	465	-	-	-
Payment of lease liabilities	(9,144)	-	-	-
Issuance of Sukuk Wakalah	1,290,859	-	-	-
Dividends paid on ordinary shares	(319,455)	(307,497)	(319,455)	(307,497)
Net proceeds from issuance of ordinary shares	259,440	243,952	259,440	243,952
Net cash generated from/(used in) financing activities	1,077,879	(690,960)	(60,015)	(98,561)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,377,097)</b>	<b>(4,375,146)</b>	<b>34,449</b>	<b>(7,613,557)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3,411,986</b>	<b>7,787,132</b>	<b>155,077</b>	<b>7,768,634</b>
<b>Cash and cash equivalents at end of year (Note A8(a))</b>	<b>2,034,889</b>	<b>3,411,986</b>	<b>189,526</b>	<b>155,077</b>
<b>Cash and cash equivalents is represented by:</b>				
Cash and short-term funds	2,034,889	3,411,986	189,526	155,077
Cash and cash equivalents at end of year (Note A8(a))	2,034,889	3,411,986	189,526	155,077

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019**  
**PART A - EXPLANATORY NOTES PURSUANT TO MFRS134**

**A1. Basis of preparation**

The unaudited condensed interim financial statements for the financial quarter ended 31 December 2019 have been prepared under the historical cost convention except for financial investments which are recognised at fair value and the following financial assets and financial liabilities which are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest/profit method: loans, financing and advances, trade and other payables, bank borrowings and recourse obligations on financing sold.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad, Financial Reporting for Islamic Banking Institutions policy issued by Bank Negara Malaysia ("BNM") and provisions of Companies Act 2016. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2019. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2019.

The unaudited interim financial statements of the Group consolidated financial performance includes Banking group which also comprises of MBSB Bank Berhad ("the Bank") and the Bank's subsidiary, Jana Kapital Sdn Bhd ("JKSB"). The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2019.

On 1 January 2019, where applicable, the Group adopted the following MFRSs and Amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2019:

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments - Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119, Employee Benefits - Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle).
- Amendments to MFRS 128, Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
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**A1. Basis of preparation (continued)**

Effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, Business Combinations – Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures –Interest Rate Benchmark Reform

Effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

**A2. Audit report of preceding financial year ended 31 December 2019**

The audit report on the financial statements of the preceding year was not qualified.

**A3. Seasonality and cyclicity of operation**

The business operations of the Group have not been affected by any seasonal or cyclical factors.

**A4. Exceptional or unusual items**

During the financial quarter ended 31 December 2019, a subsidiary of the Company (Sigmaprise Sdn Bhd) completed the sale of its hotel under operation and disposed its subsidiary, Farawide Sdn Bhd.

In the statements of profit or loss of the Group, loss of hotel operation during the period of finalisation of the disposal is recorded under loss from discontinued operation.

**A5. Changes in estimates of amounts reported previously**

The following comparative amount have been restated to conform with the current year's presentation which more accurately reflect the nature of the relevant transactions. The Group's prior financial year's results were not affected by this restatement.

<b>Group</b>	<b>As previously</b>	<b>Adjustment</b>	<b>As restated</b>
	<b>reported</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	3,145,937	(283,213)	2,862,724

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
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**A6. Issue of shares and debentures**

During the financial year, the Company increased its issued and paid up ordinary share capital by RM259,440,254 from RM6,682,101,791 to RM6,941,542,045 as follows:

	<b>Number of new ordinary shares Units '000</b>	<b>RM '000</b>	<b>Issue/ exercise price</b>
Issuance of new shares for cash pursuant to: Dividend Reinvestment Plan	324,300	259,440	0.80

The new ordinary shares issued during the financial year ranked *pari passu* in all respects with the existing ordinary shares of the Company.

On 20 December 2019, a subsidiary of the Group issued a new Tier-2 Sukuk Wakalah with nominal value of RM1,300,000,000.

Save as disclosed above, there were no other new shares or debentures issued during the financial year.

**A7. Dividend**

No dividend was paid in the current quarter.

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
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**A8. Cash and short-term funds and deposits and placements with banks and other financial institutions**

	Group		Company	
	31-Dec-19 RM'000	31-Dec-18 RM'000	31-Dec-19 RM'000	31-Dec-18 RM'000
(a) Cash and short-term funds:				
Cash at banks and on hand	196,865	262,346	45,637	72,070
Money at call and deposit placements maturing within one month	1,838,024	3,149,640	143,889	83,007
	<u>2,034,889</u>	<u>3,411,986</u>	<u>189,526</u>	<u>155,077</u>
(b) Deposits and placements with financial institutions with original maturity of more than one month				
Licensed Banks	873,515	931,087	-	154,347
	<u>2,908,404</u>	<u>4,343,073</u>	<u>189,526</u>	<u>309,424</u>

The ECL for cash and short-term funds and deposits and placements above is nil (2018: nil).

**A9. Derivative financial assets/(liabilities)**

The following table summarises the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss. The principal or contractual amount of these instruments reflects the volume of transactions outstanding at financial position date, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position and the unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

	Group		
	Notional amount RM'000	Assets RM'000	Fair value Liabilities RM'000
<b>2019</b>			
<b><u>Trading derivatives</u></b>			
<u>Foreign exchange contracts:</u>			
Currency forward			
- Less than one year	228,295	4,239	(1)

	Group		
	Notional amount RM'000	Assets RM'000	Fair value Liabilities RM'000
<b>2018</b>			
<b><u>Trading derivatives</u></b>			
<u>Foreign exchange contracts:</u>			
Currency forward			
- Less than one year	5,842	67	(2)

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**A10. Financial investments at FVOCI**

	<b>Group</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<b>Money Market Instruments</b>		
Malaysian Government Investment Issues	7,530,627	2,154,192
<b>Debt securities:</b>		
<u>In Malaysia</u>		
Private and Islamic debt securities	1,109,787	1,060,628
Government Guaranteed debt securities	2,054,230	1,882,285
	<b>10,694,644</b>	<b>5,097,105</b>

The carrying amount of financial investments measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but is reflected as a debit to profit or loss or retained earnings, and credit to other comprehensive income.

ECL movement for financial investments at FVOCI:

	<b>Group</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2019	-	-	-	-
Total charge to profit or loss:	18	-	-	18
Change in credit risk	18	-	-	18
At 31 December 2019	18	-	-	18

There was no ECL for financial investments at FVOCI during the year 2018.

**A11. Financial investments at amortised cost**

	<b>Group</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
<b>Quoted securities:</b>		
<u>In Malaysia</u>		
Private and Islamic debt securities	494,857	20,356
Less: ECL stage 1	(152)	(6)
	<b>494,705</b>	<b>20,350</b>

ECL movement for financial investments at amortised cost:

	<b>Group</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
ECL at 1 January 2019	6	-	-	6
Total charge to profit or loss -				
Change in credit risk (Note A22)	146	-	-	146
ECL at 31 December 2019	152	-	-	152
	<b>Group</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
ECL upon adoption of MFRS 9				
as at 1 January 2018	-	-	-	-
Total charge to profit or loss -				
Change in credit risk (Note A22)	6	-	-	6
At 31 December 2018	6	-	-	6

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**A12. Loans, financing and advances**

	<b>Group</b>		<b>Company</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(i) By type</b>				
<b>At amortised cost</b>				
<i>Islamic:</i>				
Term financing:				
Personal financing	19,994,419	20,562,117	-	-
Property financing	5,169,539	4,340,081	-	-
Industrial hire purchase	808,958	781,118	-	-
Bridging financing	593,906	716,015	-	-
Auto financing	160,479	213,898	-	-
Other term financing	5,949,892	5,456,952	-	-
Revolving Credit	703,389	743,218	-	-
Trade finance	560,978	138,473	-	-
Trusts receipts	-	51,525	-	-
Cash line	3,663	-	-	-
Staff financing	44,798	41,277	-	-
<i>Conventional:</i>				
End finance:				
Normal housing programme	864,289	1,063,043	864,289	1,063,043
Low cost housing programme	3,252	3,367	3,252	3,367
Other term financing	761,218	826,113	761,218	826,113
Bridging financing	228,310	217,708	228,310	217,708
Auto financing	17,080	17,319	17,080	17,319
Staff financing	320	380	320	380
Gross loans, financing and advances	<u>35,864,490</u>	<u>35,172,604</u>	<u>1,874,469</u>	<u>2,127,930</u>
Less: ECL				
- Stage 1	(411,822)	(358,907)	(10,532)	(12,370)
- Stage 2	(433,194)	(550,621)	(64,260)	(94,982)
- Stage 3	(1,065,652)	(1,129,957)	(653,172)	(694,076)
Net loans, advances and financing	<u>33,953,822</u>	<u>33,133,119</u>	<u>1,146,505</u>	<u>1,326,502</u>

**(ii) By maturity structure**

	<b>Group</b>		<b>Company</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Within one year	2,632,716	2,196,230	578,839	715,288
More than one year to three years	1,778,969	1,792,653	128,050	22,541
More than three years to five years	2,239,227	2,073,320	123,980	133,570
More than five years	29,213,578	29,110,401	1,043,600	1,256,531
	<u>35,864,490</u>	<u>35,172,604</u>	<u>1,874,469</u>	<u>2,127,930</u>

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**A12. Loans, financing and advances (continued)**

**(iii) By economic purpose**

	<b>Group</b>		<b>Company</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personal Use	20,090,515	20,674,423	311	321
Construction	4,833,569	4,769,205	436,805	423,262
Purchase of landed property:				
- Residential	5,604,901	5,025,148	800,903	988,217
- Non-Residential	740,556	825,713	60,751	110,126
Working Capital	2,477,796	2,088,603	128,649	113,625
Purchase of transport vehicles	175,924	228,603	14,681	14,968
Purchase of other fixed assets	955,086	871,473	5,752	7,778
Purchase of other securities	34,452	580	-	-
Purchase of consumer durables	5,738	6,598	-	-
Others	945,953	682,258	426,617	469,633
	<b>35,864,490</b>	<b>35,172,604</b>	<b>1,874,469</b>	<b>2,127,930</b>

**(iv) By type of customers**

	<b>Group</b>		<b>Company</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Individuals	26,120,060	26,104,420	839,081	1,034,810
Domestic business enterprises				
- Small medium enterprise	2,500,266	2,722,949	700,906	691,374
- Non-bank financial institutions	710,454	536,644	-	-
- Government	141,302	240,301	-	-
- Others	6,384,211	5,562,252	334,482	401,746
Foreign entities	8,197	6,038	-	-
	<b>35,864,490</b>	<b>35,172,604</b>	<b>1,874,469</b>	<b>2,127,930</b>

**(v) By sector**

	<b>Group</b>		<b>Company</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Household	26,120,060	26,110,523	839,081	1,034,811
Construction	5,061,309	6,116,961	690,520	721,714
Finance, insurance and business services	2,798,729	1,089,016	11,002	13,056
Wholesale & retail trade and restaurants & hotels	472,966	168,282	3,420	3,625
Manufacturing	374,515	382,878	92,047	120,869
Education, health and others	317,522	647,421	233,346	228,247
Electricity, gas and water	262,076	233,110	-	-
Transport, storage and communication	206,583	124,403	1,896	2,283
Agriculture	133,443	240,002	3,157	3,325
Mining and quarrying	117,287	60,008	-	-
	<b>35,864,490</b>	<b>35,172,604</b>	<b>1,874,469</b>	<b>2,127,930</b>

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**A12. Loans, financing and advances (continued)**

**(vi) By profit/interest rate sensitivity**

	<b>Group</b>		<b>Company</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fixed rate:				
Personal financing	17,477,316	18,976,550	-	-
Bridging, structured and term financing	1,063,641	1,185,663	127,066	262,717
Mortgage and property Islamic	471,125	568,200	2,211	3,233
Auto finance	180,167	233,797	17,080	17,319
Variable rate:				
Bridging, structured and term financing	8,547,101	7,745,975	862,462	781,104
Mortgage and property Islamic	5,591,882	4,859,937	865,650	1,063,557
Personal financing	2,533,258	1,602,482	-	-
	<b>35,864,490</b>	<b>35,172,604</b>	<b>1,874,469</b>	<b>2,127,930</b>

**(vii) By geographical distribution**

	<b>Group</b>		<b>Company</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	35,864,490	35,172,470	1,874,469	2,127,930
United Kingdom	-	134	-	-
	<b>35,864,490</b>	<b>35,172,604</b>	<b>1,874,469</b>	<b>2,127,930</b>

**(viii) Movement of gross loans, advances and financing**

<b>31-Dec-19</b>	<b>Group</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross carrying amount as at 1 January 2019	28,721,082	4,528,051	1,923,471	35,172,604
Transfer to stage 1	963,825	(869,735)	(94,090)	-
Transfer to stage 2	(1,163,094)	1,405,858	(242,764)	-
Transfer to stage 3	(137,451)	(285,312)	422,763	-
New financing / disbursement during the year	5,007,227	461,038	66,694	5,534,959
Repayment during the year	(4,033,508)	(658,155)	(155,110)	(4,846,773)
Other movements	57,871	5,251	162,470	225,592
Write-offs	-	-	(221,892)	(221,892)
Gross carrying amount as at 31 December 2019	<b>29,415,952</b>	<b>4,586,996</b>	<b>1,861,542</b>	<b>35,864,490</b>

<b>31-Dec-19</b>	<b>Company</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross carrying amount as at 1 January 2019	406,208	590,545	1,131,177	2,127,930
Transfer to stage 1	55,468	(49,302)	(6,166)	-
Transfer to stage 2	(29,468)	95,223	(65,755)	-
Transfer to stage 3	(2,184)	(32,206)	34,390	-
Disbursement during the year	-	95	-	95
Repayment during the year	(83,245)	(136,678)	(93,883)	(313,806)
Other movements	3,886	12,610	43,754	60,250
Gross carrying amount as at 31 December 2019	<b>350,665</b>	<b>480,287</b>	<b>1,043,517</b>	<b>1,874,469</b>

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**A12. Loans, financing and advances (continued)**

**(viii) Movement of gross loans, advances and financing (continued)**

31-Dec-18	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2018	28,217,055	4,410,949	1,573,175	34,201,179
Acquisition of MBSB Bank	706,265	248,922	111,039	1,066,226
Transfer to stage 1	1,466,770	(1,448,363)	(18,407)	-
Transfer to stage 2	(2,022,348)	2,232,135	(209,787)	-
Transfer to stage 3	(434,603)	(507,007)	941,610	-
New financing / disbursement during the year	5,944,975	908,285	50,667	6,903,927
Repayment during the year	(5,399,551)	(1,267,900)	(255,724)	(6,923,175)
Other movements	241,478	(47,915)	199,687	393,250
Write-offs	-	-	(578,985)	(578,985)
Transfer from / (to) assets held-for-sale	1,041	(1,055)	110,196	110,182
Gross carrying amount as at 31 December 2018	28,721,082	4,528,051	1,923,471	35,172,604

31-Dec-18	Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2018	28,217,055	4,410,949	1,573,175	34,201,179
Vesting of assets to MBSB Bank	(27,853,305)	(3,060,833)	(735,137)	(31,649,275)
Transfer to stage 1	780,340	(776,493)	(3,847)	-
Transfer to stage 2	(610,364)	740,884	(130,520)	-
Transfer to stage 3	(230,178)	(277,727)	507,905	-
New financing / disbursement during the year	2,258,165	373,830	18,500	2,650,495
Repayment during the year	(2,264,570)	(840,860)	(138,093)	(3,243,523)
Other movements	108,700	22,250	58,226	189,176
Write-offs	-	-	(12,676)	(12,676)
Transfer from / (to) assets held-for-sale	365	(1,455)	(6,356)	(7,446)
Gross carrying amount as at 31 December 2018	406,208	590,545	1,131,177	2,127,930

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**A12. Loans, financing and advances (continued)**

**(ix) Movement of ECL for loans, advances and financing**

31-Dec-19	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2019	358,907	550,621	1,129,957	2,039,485
Charged to profit or loss, of which (Note A22):	52,915	(117,427)	157,589	93,077
Changes in ECL				
- Transfer to stage 1	142,567	(96,973)	(45,594)	-
- Transfer to stage 2	(20,096)	162,154	(142,058)	-
- Transfer to stage 3	(1,885)	(67,373)	69,258	-
New financing / disbursement during the year	96,748	32,943	33,381	163,072
Repayment during the year	(106,813)	(247,991)	(81,551)	(436,355)
Changes in credit risk parameters	(57,606)	99,813	324,153	366,360
Write-offs	-	-	(221,894)	(221,894)
ECL as at 31 December 2019	411,822	433,194	1,065,652	1,910,668
31-Dec-19	Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2019	12,370	94,982	694,076	801,428
Charged to profit or loss, of which (Note A22):	(1,838)	(30,722)	(40,904)	(73,464)
Changes in ECL				
- Transfer to stage 1	10,486	(6,012)	(4,474)	-
- Transfer to stage 2	(1,023)	49,235	(48,212)	-
- Transfer to stage 3	(73)	(6,448)	6,521	-
New financing / disbursement during the year	-	7	-	7
Repayment during the year	(11,018)	(83,431)	(42,104)	(136,553)
Changes in credit risk parameters	(210)	15,927	47,365	63,082
ECL as at 31 December 2019	10,532	64,260	653,172	727,964

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**A12. Loans, financing and advances (continued)**

**(ix) Movement of ECL for loans, advances and financing**

31-Dec-18	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2018	510,347	703,478	1,052,901	2,266,726
Acquisition of MBSB Bank Berhad	15,639	6,622	45,716	67,977
Charged to profit or loss, of which:	(167,780)	(160,399)	500,261	172,082
Changes in ECL				
- Transfer to stage 1	44,641	(39,084)	(5,557)	-
- Transfer to stage 2	(256,772)	296,155	(39,383)	-
- Transfer to stage 3	(221,149)	(296,808)	517,957	-
New financing / disbursement during the year	138,500	89,073	42,504	270,077
Repayment during the year	(298,743)	(505,694)	(281,308)	(1,085,745)
Changes in credit risk parameters	425,743	295,959	266,048	987,750
Write-offs	-	-	(575,219)	(575,219)
Transfer from assets held-for-sale	701	920	106,298	107,919
ECL as at 31 December 2018	358,907	550,621	1,129,957	2,039,485
31-Dec-18	Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2018	510,347	703,478	1,052,901	2,266,726
Assets vested to MBSB Bank Berhad	(492,316)	(444,705)	(538,420)	(1,475,441)
- ECL as at 2 April 2018	(454,139)	(432,125)	(538,420)	(1,424,684)
- Subsequent transfer of ECL *	(38,177)	(12,580)	-	(50,757)
Charged to profit or loss, of which:	(5,695)	(164,027)	189,308	19,586
Changes in the impairment allowance				
- Transfer to stage 1	31,946	(26,616)	(5,330)	-
- Transfer to stage 2	(92,365)	119,971	(27,606)	-
- Transfer to stage 3	(139,981)	(159,102)	299,083	-
New financing / disbursement during the year	66,471	45,562	15,918	127,951
Repayment during the year	(117,971)	(326,032)	(182,594)	(626,597)
Changes in credit risk parameters	246,205	182,190	89,837	518,232
Write-offs	-	-	(8,906)	(8,906)
Transfer from/(to) assets held-for-sale	34	236	(807)	(537)
ECL as at 31 December 2018	12,370	94,982	694,076	801,428

\* Revision of ECL upon adoption of MFRS 9 Financial Instruments has been made post vesting of assets and liabilities to MBSB Bank Berhad. The adjustment of the ECL amounting to RM50,757,000 was subsequently transferred to MBSB Bank Berhad.

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**A12. Loans, financing and advances (continued)**

**(x) Movements of impaired loans, financing and advances are as follows:**

	<b>Group</b>		<b>Company</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January	1,923,471	1,573,175	1,131,177	1,573,175
Acquisition of MBSB Bank Berhad	-	111,039	-	-
Assets vested to MBSB Bank Berhad	-	-	-	(735,137)
Classified as impaired during the period	489,457	992,277	34,390	526,405
Reclassified as non-impaired	(336,854)	(228,194)	(71,921)	(134,367)
Amount recovered	(155,110)	(255,724)	(93,883)	(138,093)
Other changes to the carrying amount	162,470	199,687	43,754	58,226
Amount written off	(221,892)	(578,985)	-	(12,676)
Reclassification from/(to) assets held-for-sale	-	110,196	-	(6,356)
Balance as at end of financial period	<u>1,861,542</u>	<u>1,923,471</u>	<u>1,043,517</u>	<u>1,131,177</u>
Less: Stage 3 ECL as at end of financial period	<u>(1,065,652)</u>	<u>(1,129,957)</u>	<u>(653,172)</u>	<u>(694,076)</u>
Net impaired financing and advances	<u>795,890</u>	<u>793,514</u>	<u>390,345</u>	<u>437,101</u>
Net impaired loans as a percentage of net financing and advances	<u>2.34%</u>	<u>2.39%</u>	<u>34.05%</u>	<u>32.95%</u>
Gross impaired loans as a percentage of gross financing and advances	<u>5.19%</u>	<u>5.47%</u>	<u>55.67%</u>	<u>53.16%</u>

**(xi) Impaired loans, financing and advances by economic purpose**

	<b>Group</b>		<b>Company</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Personal use	140,300	159,884	-	265
Construction	630,722	600,444	339,853	333,350
Purchase of landed property:				
- Residential	447,465	502,027	232,072	284,612
- Non-Residential	105,258	101,007	71,857	71,623
Working capital	45,465	44,037	-	-
Purchase of transport vehicles	45,818	50,037	13,948	14,261
Purchase of other fixed assets	39,745	33,152	1,400	1,401
Purchase of other securities	-	11	-	-
Purchase of consumer durables	5,626	6,456	-	-
Others	401,143	426,416	384,387	425,665
	<u>1,861,542</u>	<u>1,923,471</u>	<u>1,043,517</u>	<u>1,131,177</u>

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**A12. Loans, financing and advances (continued)**

(xii) Impaired loans, financing and advances by sector are as follows:

	Group		Company	
	31-Dec-19 RM'000	31-Dec-18 RM'000	31-Dec-19 RM'000	31-Dec-18 RM'000
Household	669,634	745,023	271,089	327,256
Construction	751,711	795,663	544,444	581,836
Finance, insurance and business services	15,737	12,602	1,012	998
Wholesale & retail trade and restaurants & hotels	22,744	21,148	172	33
Manufacturing	60,863	1,070	1,096	753
Education, health and others	298,183	308,577	225,648	220,245
Transport, storage and communication	3,810	343	56	56
Mining and quarrying	38,691	38,891	-	-
Agriculture	169	154	-	-
	<b>1,861,542</b>	<b>1,923,471</b>	<b>1,043,517</b>	<b>1,131,177</b>

**A13. Other receivables**

	Group		Company	
	31-Dec-19 RM'000	31-Dec-18 RM'000	31-Dec-19 RM'000	31-Dec-18 RM'000
Advances in respect of certain projects	514,318	463,009	-	-
Loan commitment fees	-	8,740	-	8,740
Amount due from subsidiaries	-	-	65,041	58,152
Foreclosed properties	113,262	133,505	113,262	133,505
Prepayments and deposits	17,297	11,915	8,633	8,633
Sundry receivables	90,961	132,987	18,490	41,116
Public Low Cost Housing Payment ("PLCHP")	-	23,113	-	23,113
Deferred expenses	2,322	2,598	-	-
	<b>738,160</b>	<b>775,867</b>	<b>205,426</b>	<b>273,259</b>
Less: Allowance for impairment	<b>(549,818)</b>	<b>(532,820)</b>	<b>(100,520)</b>	<b>(124,587)</b>
	<b>188,342</b>	<b>243,047</b>	<b>104,906</b>	<b>148,672</b>

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**A14. Deposits from customers**

**(i) By type of deposit:**

	<b>Group</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>
Commodity Murabahah Term Deposit	24,738,093	23,907,371
Demand deposits	192,381	225,520
Savings deposits	341,477	76,558
	<u>25,271,951</u>	<u>24,209,449</u>

**(ii) Maturity of deposits from customers:**

	<b>Group</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>
Within six months	16,480,775	17,474,783
More than six months to one year	5,426,032	4,818,107
More than one year to three years	1,891,341	723,813
More than three years	939,945	1,192,746
	<u>24,738,093</u>	<u>24,209,449</u>

**(iii) By type of customers:**

	<b>Group</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	12,696,568	14,746,960
Business enterprises	7,229,721	6,371,297
Individuals	5,345,662	3,091,192
	<u>25,271,951</u>	<u>24,209,449</u>

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**A14. Deposits from customers (continued)**

**(iv) By type of contract:**

	<b>Group</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>
Tawarruq	25,271,951	24,209,449
	<u>25,271,951</u>	<u>24,209,449</u>

**A15. Deposits and placements of banks and other financial institutions**

**(i) By type of deposit:**

	<b>Group</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Non-Mudharabah Funds:</u>		
Other financial institutions:		
-Licensed Investment Banks	152,390	-
- Licensed Islamic Banks	112,937	-
-Other Financial Institutions	10,356,442	8,578,851
	<u>10,621,769</u>	<u>8,578,851</u>

**(ii) By type of contract:**

	<b>Group</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>
Tawarruq	10,621,769	8,578,851
	<u>10,621,769</u>	<u>8,578,851</u>

**A16. Other payables**

	<b>Group</b>		<b>Company</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount due to MBSB Bank Berhad	-	-	78,416	98,666
Sundry creditors	319,544	278,232	60,920	80,560
Al-Mudharabah security fund	137,309	123,401	-	-
Expected credit loss ("ECL") for commitments and contingencies (i)	70,680	100,412	5,441	6,469
Deferred income	38,362	43,275	3,524	30,625
Other provisions and accruals	76,383	105,447	6,183	23,349
	<u>642,278</u>	<u>650,767</u>	<u>154,484</u>	<u>239,669</u>

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**A16. Other payables (continued)**

**(i) Expected credit losses for commitments and contingencies**

Movement of expected credit losses for commitments and contingencies are as follows:

31-Dec-19	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2019	53,130	36,829	10,453	100,412
Charge to profit or loss (Note A22)	(8,934)	(18,851)	(1,947)	(29,732)
Changes in the impairment allowance				
- Transfer to stage 1	4,940	(2,357)	(2,583)	-
- Transfer to stage 2	(4,914)	5,263	(349)	-
- Transfer to stage 3	(798)	(4,814)	5,612	-
New financing /disbursement during the year	22,055	1,450	388	23,893
Derecognised/converted to loans/financing during the period (other than write-offs)	(12,511)	(6,126)	(815)	(19,452)
Changes in credit risk parameters	(17,706)	(12,267)	(4,200)	(34,173)
ECL as at 31 December 2019	44,196	17,978	8,506	70,680

31-Dec-19	Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loss allowance as at 1 January 2019	413	198	5,858	6,469
Charge to profit or loss (Note A22)	(162)	(22)	(844)	(1,028)
Changes in the impairment allowance				
- Transfer to stage 1	86	(7)	(79)	-
- Transfer to stage 2	(24)	73	(49)	-
- Transfer to stage 3	(7)	(12)	19	-
New financing /disbursement during the year	-	-	-	-
Derecognised/converted to loans/financing during the period (other than write-offs)	(51)	(63)	(194)	(308)
Changes in credit risk parameters	(166)	(13)	(541)	(720)
ECL as at 31 December 2019	251	176	5,014	5,441

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**A16. Other payables (continued)**

**(i) Expected credit losses for commitments and contingencies (continued)**

Movement of ECL for commitments and contingencies are as follows (continued):

**31-Dec-18**

	<b>Group</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
ECL as at 1 January 2018	98,697	85,730	12,459	196,886
Addition from acquisition of MBSB Bank Berhad	4,846	885	-	5,731
Charge to profit or loss	(50,413)	(49,786)	(2,006)	(102,205)
Changes in ECL				
- Transfer to stage 1	5,105	(5,105)	-	-
- Transfer to stage 2	(40,251)	40,280	(29)	-
- Transfer to stage 3	(3,214)	(1,178)	4,392	-
New financing /disbursement during the year	33,007	7,107	203	40,317
Derecognised/converted to loans/financing during the period (other than write-offs)	(33,670)	(45,119)	(5,550)	(84,339)
Changes in credit risk parameters	(11,390)	(45,771)	(1,022)	(58,183)
ECL as at 31 December 2018	<u>53,130</u>	<u>36,829</u>	<u>10,453</u>	<u>100,412</u>

**31-Dec-18**

	<b>Company</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
ECL as at 1 January 2018	98,697	85,730	12,459	196,886
Vesting of assets to MBSB Bank Berhad	(69,751)	(35,157)	(1,515)	(106,423)
- commitment from financing	(69,751)	(35,157)	(1,498)	(106,406)
- commitment from asset held-for-sale	-	-	(17)	(17)
Charge to profit or loss	(28,533)	(50,375)	(5,086)	(83,994)
Changes in ECL				
- Transfer to stage 1	4,888	(4,888)	-	-
- Transfer to stage 2	(11,574)	11,602	(28)	-
- Transfer to stage 3	(206)	(678)	884	-
New financing /disbursement during the year	11,810	1,333	-	13,143
Derecognised/converted to loans/financing during the period (other than write-offs)	(11,139)	(24,324)	(4,932)	(40,395)
Changes in credit risk parameters	(22,312)	(33,420)	(1,010)	(56,742)
ECL as at 31 December 2018	<u>413</u>	<u>198</u>	<u>5,858</u>	<u>6,469</u>

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**A17. Income derived from investment of general investment deposits and Islamic capital funds**

	<b>Group</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financing	578,800	587,149	2,305,160	2,296,125
Income from financial investments at FVOCI	100,927	36,361	322,145	153,430
Income from financial investments at amortised cost	25,914	11,447	25,479	21,601
Income from financial investments at FVTPL	82	-	272	-
Deposits with financial institutions	16,460	30,733	121,873	133,531
	<u>722,183</u>	<u>665,690</u>	<u>2,774,929</u>	<u>2,604,687</u>

	<b>Company</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financing	-	(29,216)	-	518,653
Profit income from Sukuk Commodity Murabahah	-	-	-	27,348
Income from securities	-	-	-	30,096
Deposits with financial institutions	-	-	-	33,247
	<u>-</u>	<u>(29,216)</u>	<u>-</u>	<u>609,344</u>

**A18. Interest income**

	<b>Group</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income from:				
- Loans, advances and financing	31,561	15,044	142,694	181,908
- Deposits and placements with banks and other financial institutions	3,547	3,308	9,261	34,888
	<u>35,108</u>	<u>18,352</u>	<u>151,955</u>	<u>216,796</u>

	<b>Company</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income from:				
- Loans, advances and financing	19,422	3,993	95,846	139,642
- Deposits and placements with banks and other financial institutions	3,547	3,308	9,261	34,888
	<u>22,969</u>	<u>7,301</u>	<u>105,107</u>	<u>174,530</u>

**A19. Interest expense**

	<b>Group and Company</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers	-	-	-	21,396
Others	5	5	20	436
	<u>5</u>	<u>5</u>	<u>20</u>	<u>21,832</u>

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**A20. Net other income**

	<b>Group</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Rental income	57	42	180	175
Revenue from hotel operations	(527)	1,908	2,449	6,923
Loan related fees	1,044	115	9,024	23,994
Insurance commission	4,539	858	13,629	11,182
Ta'awidh/Penalty	(14,797)	24,240	20,011	24,240
Gain/(loss) from sale of FVOCI	21,526	(12,618)	58,592	(6,112)
Gain from sale of FVTPL	270	-	1,424	-
Sundry income	8,007	(9,222)	(5,086)	(6,454)
(Loss)/gain from disposal of:				
Property and equipment	(3,938)	402	(3,938)	316
Foreclosed properties	(640)	(401)	7,109	(401)
Inventories	-	-	-	100
	<u>15,541</u>	<u>5,324</u>	<u>103,394</u>	<u>53,963</u>

	<b>Company</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Rental income	950	1	6,655	11
Loan related fees	(4,988)	10,721	8,118	26,474
Insurance commission	-	(1,050)	8	2,424
Ta'awidh/Penalty ^	(15,208)	32,125	18,257	32,125
Loss from sale of FVOCI	-	(10,597)	-	(7,649)
Sundry expenses ^	(1,655)	(3,416)	(2,630)	(5,099)
Gain/(loss) from disposal of:				
Property and equipment	-	401	-	318
Foreclosed properties	(640)	(401)	7,109	(401)
Inventories	-	-	-	100
Subsidiary	-	(2,710)	-	(2,710)
	<u>(21,541)</u>	<u>25,074</u>	<u>37,517</u>	<u>45,593</u>

^ Expenses related to loans and asset disposal

**A21. Other operating expenses**

	<b>Group</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses *	74,788	62,551	240,308	227,706
Establishment related expenses	20,463	22,814	67,147	52,566
General administrative expenses	11,519	20,403	45,298	80,380
Promotion and marketing related expenses	5,973	1,601	13,319	7,803
Commission fees	9,220	9,226	34,759	37,825
	<u>121,963</u>	<u>116,595</u>	<u>400,831</u>	<u>406,280</u>

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**A21. Other operating expenses (continued)**

	<b>Company</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses *	311	612	(3,850)	44,439
Establishment related expenses	136	1,977	1,479	9,701
General administrative expenses	768	1,526	6,569	29,018
Promotion and marketing related expenses	-	-	-	1,764
Intercompany charges	19,278	23,523	37,220	23,523
Commission fees	430	11	754	12,472
	<u>20,923</u>	<u>27,649</u>	<u>42,172</u>	<u>120,917</u>

Included in the other operating expenses:

	<b>Group</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation of property and equipment	2,026	2,016	8,605	8,615
Amortisation of intangible assets	8,026	2,093	24,210	11,383
Depreciation of right use of assets	2,311	-	8,814	-

Included in the other operating expenses:

	<b>Company</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation of property and equipment	116	116	464	1,804
Amortisation of intangible assets	-	2	-	1,731

**\* Personnel expenses**

	<b>Group</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Wages and salaries	50,219	45,578	177,846	171,582
Pension costs - Employees Provident Fund	9,362	7,512	31,042	28,077
Social security costs	424	344	1,660	1,377
Directors fees	-	609	3,442	3,296
Shariah Committee remuneration	109	248	466	416
Other staff related expenses	14,674	8,260	25,852	22,958
	<u>74,788</u>	<u>62,551</u>	<u>240,308</u>	<u>227,706</u>

**\* Personnel expenses**

	<b>Company</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Wages and salaries	-	261	(5,700)	31,959
Pension costs - Employees Provident Fund	-	(2)	-	5,348
Social security costs	-	(2)	-	290
Directors fees	-	(132)	1,185	1,399
Shariah Committee remuneration	-	122	-	122
Other staff related expenses	311	365	665	5,321
	<u>311</u>	<u>612</u>	<u>(3,850)</u>	<u>44,439</u>

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**A22. Net (allowance)/ writeback for impairment on loans, financing and advances and other financial assets**

**31-Dec-19**

	<b>Group</b>			
	<b>4th Quarter Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial investments at FVOCI	5	-	-	5
Financial investments at amortised cost	144	-	-	144
Loans, financing and advances (Note A12(ix))	(46,182)	(106,665)	(23,838)	(176,685)
Other receivables	-	-	15,680	15,680
Financing commitments and financial guarantee (Note A16)	(11,934)	(10,409)	(16,432)	(38,775)
	<u>(57,967)</u>	<u>(117,074)</u>	<u>(24,590)</u>	<u>(199,631)</u>
Impaired financing and advances:				
- Write off	-	-	9,811	9,811
- Recovered	-	-	(21,847)	(21,847)
	<u>-</u>	<u>-</u>	<u>(12,036)</u>	<u>(12,036)</u>
	<u>(57,967)</u>	<u>(117,074)</u>	<u>(36,626)</u>	<u>(211,667)</u>

	<b>Group</b>			
	<b>Twelve Months Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial investments at FVOCI	18	-	-	18
Financial investments at amortised cost	146	-	-	146
Loans, financing and advances (Note A12(ix))	52,915	(117,427)	157,589	93,077
Other receivables	-	-	65,538	65,538
Financing commitments and financial guarantee (Note A16)	(8,934)	(18,851)	(1,947)	(29,732)
	<u>44,145</u>	<u>(136,278)</u>	<u>221,180</u>	<u>129,047</u>
Impaired financing and advances:				
- Write off	-	-	17,735	17,735
- Recovered	-	-	(32,325)	(32,325)
	<u>-</u>	<u>-</u>	<u>(14,590)</u>	<u>(14,590)</u>
	<u>44,145</u>	<u>(136,278)</u>	<u>206,590</u>	<u>114,457</u>

**31-Dec-19**

	<b>Company</b>			
	<b>4th Quarter Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans, financing and advances (Note A12(ix))	(2,449)	(11,900)	(24,787)	(39,136)
Amount due from subsidiaries	-	-	7,859	7,859
Other receivables	-	-	2,482	2,482
Financing commitments and financial guarantee (Note A16)	(53)	(92)	(501)	(646)
	<u>(2,502)</u>	<u>(11,992)</u>	<u>(14,947)</u>	<u>(29,441)</u>
Impaired financing and advances:				
- Write off	-	-	23,276	23,276
- Recovered	-	-	(16,065)	(16,065)
	<u>-</u>	<u>-</u>	<u>7,211</u>	<u>7,211</u>
	<u>(2,502)</u>	<u>(11,992)</u>	<u>(7,736)</u>	<u>(22,230)</u>

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**A22. Net (allowance)/ writeback for impairment on loans, financing and advances and other financial assets**  
**(continued)**

	<b>Company</b>			
	<b>Twelve Months Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31-Dec-19</b>				
Loans, financing and advances (Note A12(ix))	(1,838)	(30,722)	(40,904)	(73,464)
Amount due from subsidiaries	-	-	12,342	12,342
Other receivables	-	-	14,482	14,482
Financing commitments and financial guarantee (Note A16)	(162)	(22)	(844)	(1,028)
	<u>(2,000)</u>	<u>(30,744)</u>	<u>(14,924)</u>	<u>(47,668)</u>
Impaired financing and advances:				
- Write off	-	-	26,731	26,731
- Recovered	-	-	(18,253)	(18,253)
	-	-	8,478	8,478
	<u>(2,000)</u>	<u>(30,744)</u>	<u>(6,446)</u>	<u>(39,190)</u>
<b>31-Dec-18</b>				
	<b>Group</b>			
	<b>4th Quarter Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial investments at amortised cost	(2)	-	-	(2)
Loans, financing and advances (Note A12(ix))	52,273	(120,689)	200,561	132,145
Financial assets held-for-sale	682	(3,605)	2,831	(92)
Trade receivables	-	-	-	-
Other receivables	-	-	12,041	12,041
Other payables	-	-	1,570	1,570
Financing commitments and financial guarantee (Note A16)	(50,413)	(49,786)	(2,006)	(102,205)
	<u>2,540</u>	<u>(174,080)</u>	<u>214,997</u>	<u>43,457</u>
Impaired financing and advances:				
- Write off	-	-	18,631	18,631
- Recovered	-	-	(8,793)	(8,793)
	-	-	9,838	9,838
	<u>2,540</u>	<u>(174,080)</u>	<u>224,835</u>	<u>53,295</u>
	<b>Group</b>			
	<b>Twelve Months Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial investments at amortised cost	6	-	-	6
Loans, financing and advances (Note A12(ix))	(167,780)	(160,399)	500,261	172,082
Financial assets held-for-sale	694	1,206	(6,259)	(4,359)
Trade receivables	-	-	(8)	(8)
Other receivables	-	-	45,944	45,944
Other payables	-	-	1,570	1,570
Financing commitments and financial guarantee (Note A16)	(50,413)	(49,786)	(2,006)	(102,205)
	<u>(217,493)</u>	<u>(208,979)</u>	<u>539,502</u>	<u>113,030</u>
Impaired financing and advances:				
- Write off	-	-	32,946	32,946
- Recovered	-	-	(30,109)	(30,109)
	-	-	2,837	2,837
	<u>(217,493)</u>	<u>(208,979)</u>	<u>542,339</u>	<u>115,867</u>

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**A22. Net (allowance)/ writeback for impairment on loans, financing and advances and other financial assets**  
**(continued)**

31-Dec-18

	<b>Company</b>			
	<b>4th Quarter Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans, financing and advances (Note A12(ix))	27,123	(68,853)	126,222	84,492
Financial assets held-for-sale	11	(2,765)	2,704	(50)
Other receivables	-	-	32,488	32,488
Other payables	-	-	1,570	1,570
Amount due from subsidiaries	-	-	2,444	2,444
Financing commitments and financial guarantee (Note A16)	(28,533)	(50,375)	(5,086)	(83,994)
	<u>(1,399)</u>	<u>(121,993)</u>	<u>160,342</u>	<u>36,950</u>
Impaired financing and advances:				
- Write off	-	-	18,287	18,287
- Recovered	-	-	(21,604)	(21,604)
	<u>-</u>	<u>-</u>	<u>(3,317)</u>	<u>(3,317)</u>
	<u>(1,399)</u>	<u>(121,993)</u>	<u>157,025</u>	<u>33,633</u>

	<b>Company</b>			
	<b>Twelve Months Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans, financing and advances (Note A12(ix))	(5,695)	(164,027)	189,308	19,586
Financial assets held-for-sale	28	1,618	10,062	11,708
Other receivables	-	-	50,077	50,077
Other payables	-	-	1,570	1,570
Financing to subsidiaries	-	-	4,588	4,588
Amount due from subsidiaries	-	-	8,222	8,222
Financing commitments and financial guarantee (Note A16)	(28,533)	(50,375)	(5,086)	(83,994)
	<u>(34,200)</u>	<u>(212,784)</u>	<u>258,741</u>	<u>11,757</u>
Impaired financing and advances:				
- Write off	-	-	26,495	26,495
- Recovered	-	-	(26,914)	(26,914)
	<u>-</u>	<u>-</u>	<u>(419)</u>	<u>(419)</u>
	<u>(34,200)</u>	<u>(212,784)</u>	<u>258,322</u>	<u>11,338</u>

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**A23. Commitments and contingencies**

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to the customers.

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
<b>Group</b>			
<b>31-Dec-19</b>			
Direct credit substitutes	179,476	177,186	177,186
Trade-related contingencies	96,744	48,372	48,372
Short Term Self Liquidating trade related contingencies	83,691	16,738	16,738
Irrevocable commitments to extend credit:			
- one year or less	1,338,351	307,921	307,921
- over one year to five years	3,100,296	1,545,476	1,488,381
- over five years	72,000	36,000	36,000
Foreign exchange related contracts			
- one year or less	228,295	7,277	1,536
	<u>5,098,853</u>	<u>2,138,970</u>	<u>2,076,134</u>
	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
<b>Company</b>			
<b>31-Dec-19</b>			
Direct credit substitutes	4,141	2,031	2,031
Trade-related contingencies	2,939	1,469	1,469
Irrevocable commitments to extend credit:			
- over one year to five years	22,669	8,431	6,185
	<u>29,749</u>	<u>11,931</u>	<u>9,685</u>

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**A23. Commitments and contingencies (continued)**

<b>Group</b>	<b>Gross Positive</b>		<b>Credit equivalent amount</b>	<b>Risk weighted amount</b>
	<b>Principal amount</b>	<b>Fair Value - Derivative Contract</b>		
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31-Dec-18</b>				
Direct credit substitutes	195,617	-	192,992	192,866
Trade-related contingencies	257,427	-	92,396	92,396
Irrevocable commitments to extend credit:				
- one year or less	1,248,707	-	350,206	350,206
- over one year to five years	4,188,313	-	2,088,759	2,088,759
- over five years	220,816	-	110,408	110,408
Foreign exchange related contracts				
- one year or less	5,842	-	151	151
	<u>6,116,722</u>	<u>-</u>	<u>2,834,912</u>	<u>2,834,786</u>

<b>Company</b>	<b>Gross Positive</b>		<b>Credit equivalent amount</b>	<b>Risk weighted amount</b>
	<b>Principal amount</b>	<b>Fair Value - Derivative Contract</b>		
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31-Dec-18</b>				
Direct credit substitutes	7,832	-	5,207	5,207
Trade-related contingencies	2,939	-	1,469	1,469
Irrevocable commitments to extend credit:				
- over one year to five years	27,471	-	10,503	10,503
	<u>38,242</u>	<u>-</u>	<u>17,179</u>	<u>17,179</u>

**(i) Capital Commitments**

	<b>Group</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>
Property and equipment:		
- Approved and contracted for	50,342	60,203
	<u>50,342</u>	<u>60,203</u>

	<b>Company</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>
Property and equipment:		
- Approved and contracted for	-	-
	<u>-</u>	<u>-</u>

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**A24. Unsecured contingent liabilities**

- (i) KCSB Konsortium Sdn Bhd and Kausar Corporation Sdn Bhd (collectively referred to as “the Plaintiffs/the Appellant”) have instituted a civil suit against the Company and its subsidiary for an alleged breach of facility agreement.

The High Court dismissed the Plaintiffs’ claim with costs and allowed the Company’s counterclaim. The Plaintiffs appealed to the Court of Appeal who on 1 November 2016, allowed the appeal with no order as to costs and sent the case back to the High Court for retrial before a different Judge on the Ground that the Judgment were wholly inadequate as they could not be certain as to the basis on which the decision was reached.

The High Court fixed the matter for full trial on 11, 12 and 15 September 2017. The parties filed Striking-Out Applications on 18 July 2017. On 8 September 2017, the Court found that both claims were time barred and struck out both the claims. Both parties have appealed to the Court of Appeal and the matter was subsequently heard on 28 August 2018. The Court of Appeal dismissed both appeals and directed the matter to be fixed for trial before a different judge.

The matter was now fixed for case management on 13 November 2019 to update the progress of the mediation and the court vacated the case management on 30 January 2020 and 31 January 2020 and further fixed for mediation on 1 April 2020 to 3 April 2020.

The directors after obtaining advice from the Company’s solicitors are of the opinion that the Company has a reasonably fair chance in respect of the civil suit against the Company and its subsidiary.

- (ii) 88 Legacy Sdn Bhd (represented by Malaysia Building Society Berhad) v Pentadbir Tanah Daerah Klang.

State Authority had acquired three (3) pieces of land held under Lot 31632 PM 416, Lot 31633 PM 417 and Lot 31634 PM 418 owned by 88 Legacy Sdn Bhd (represented by) Malaysia Building Society Berhad. This matter has been referred to the court on the basis that the compensation amount awarded by Jabatan Ketua Pengarah Tanah dan Galian (“JKPTG”) which was insufficient in comparison to the valuation report provided by panel valuer.

Pentadbir Tanah Klang referred the matter to High Court of Shah Alam and based on trial held on 29 January 2020, the Court allowed the appeal on the compensation amount payable to 88 Legacy. The compensation amount for appeal is currently being assessed.

The directors are of the opinion that the additional amount to be compensated is not material to the Company.

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**A25. Segmental information on revenue and results**

<b>Group</b>	<b>Banking RM'000</b>	<b>Hotel Operations RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>3 months ended 31 December 2019</b>				
External sales	784,671	(527)	-	784,144
Intersegment transactions	70,786	944	(71,730)	-
Total revenue	<u>855,457</u>	<u>417</u>	<u>(71,730)</u>	<u>784,144</u>
Segment results	398,552	26,598	32,834	<u>457,984</u>
Profit before taxation and zakat from operations				<u>457,984</u>
Segment assets	61,234,347	19,097	(10,543,787)	<u>50,709,657</u>
Consolidated total assets				<u>50,709,657</u>
Segment liabilities	48,368,381	196,890	(6,442,485)	<u>42,122,786</u>
Consolidated total liabilities				<u>42,122,786</u>
<b>3 months ended 31 December 2018</b>				
External sales	678,456	1,909	-	680,365
Intersegment transactions	8,557	981	(9,538)	-
Total revenue	<u>687,013</u>	<u>2,890</u>	<u>(9,538)</u>	<u>680,365</u>
Segment results	102,382	(6,889)	63,122	<u>158,615</u>
Profit before taxation and zakat from operations				<u>158,615</u>
Segment assets	55,983,331	64,552	(10,622,371)	<u>45,425,512</u>
Consolidated total assets				<u>45,425,512</u>
Segment liabilities	44,382,926	209,901	(6,952,919)	<u>37,639,908</u>
Consolidated total liabilities				<u>37,639,908</u>

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**A25. Segmental information on revenue and results (continued)**

Group	Hotel			Consolidated RM'000
	Financing RM'000	Operations RM'000	Eliminations RM'000	
<b>12 months ended 31 Dec 2019</b>				
External sales	3,009,554	2,449	-	3,012,003
Intersegment transactions	284,633	3,844	(288,477)	-
Total revenue	<u>3,294,187</u>	<u>6,293</u>	<u>(288,477)</u>	<u>3,012,003</u>
Segment results	826,756	(32,057)	102,730	<u>897,429</u>
Profit before taxation and zakat from operations				<u>897,429</u>
Segment assets	61,234,347	19,097	(10,543,787)	<u>50,709,657</u>
Consolidated total assets				<u>50,709,657</u>
Segment liabilities	48,368,381	196,890	(6,442,485)	<u>42,122,786</u>
Consolidated total liabilities				<u>42,122,786</u>
	Financing RM'000	Hotel Operations RM'000	Eliminations RM'000	Consolidated RM'000
<b>12 months ended 31 Dec 2018</b>				
External sales	2,855,799	6,925	-	2,862,724
Intersegment transactions	32,614	3,916	(36,530)	-
Total revenue	<u>2,888,413</u>	<u>10,841</u>	<u>(36,530)</u>	<u>2,862,724</u>
Segment results	730,232	(22,268)	145,609	<u>853,573</u>
Profit before taxation and zakat from operations				<u>853,573</u>
Segment assets	55,983,331	64,552	(10,622,371)	<u>45,425,512</u>
Consolidated total assets				<u>45,425,512</u>
Segment liabilities	44,382,925	209,901	(6,952,918)	<u>37,639,908</u>
Consolidated total liabilities				<u>37,639,908</u>

**A26. Subsequent events**

There were no subsequent events up to the date of this report.

**A27. Changes in the composition of the group**

On 31 December 2019, a subsidiary of the Company, Sigmaprise Sdn Bhd ("Sigmaprise") completed the sale of its subsidiary, Farawide Sdn Bhd ("Farawide"). The principal activity of Farawide is provision of hospitality services to the hotel owned by Sigmaprise.

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**A28. Acquisition/disposal of property and equipment**

	<b>Group As at 31-Dec-19 RM'000</b>
<b>Additions</b>	
Building in progress	50,145
Building renovation	5,398
Furniture & equipment	1,344
Motor vehicle	317
Data processing equipment	5,037
	<u>62,241</u>
<b>Disposals</b>	
Building	(66,374)
Building renovation	(2,798)
Furniture & equipment	(14,200)
Motor vehicle	(251)
Data processing equipment	(356)
	<u>(83,979)</u>

**A29. Significant related party transactions**

(a) Transactions and balances with government-related entities are as follows:

(i) Transactions and balances with Employees Provident Fund ("EPF"), the ultimate holding body:

	<b>Group</b>	
	<b>31-Dec-19 RM'000</b>	<b>31-Dec-18 RM'000</b>
<b>Expenses</b>		
Profit expense paid on Sukuk	56,966	56,730
Profit expense paid on Fixed deposit	71,235	3,847
Rental expense	249	288
	<u>128,450</u>	<u>60,865</u>
<b>Balances</b>		
Sukuk - MBSB SC Murabahah	1,178,793	1,121,242
Accrued profit on Sukuk	7,983	7,824
Fixed deposit by EPF	1,800,000	900,000
Accrued profit on fixed deposit	47,071	1,025
Rental deposit	97	97
	<u>2,973,934</u>	<u>2,119,988</u>

(ii) Transactions and balances with RHB Banking Group of companies, being companies directly controlled by EPF:

	<b>Group</b>	
	<b>31-Dec-19 RM'000</b>	<b>31-Dec-18 RM'000</b>
<b>Income/(expense)</b>		
Profit income from deposit placements	1	24,919
Profit expenses to depositors	(2,419)	(2,478)
	<u>(2,418)</u>	<u>22,441</u>
<b>Balances</b>		
Cash and short-term funds	71,412	19,215
Deposits and placements with banks and other financial institutions	32	32
	<u>71,444</u>	<u>19,247</u>

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**A29. Significant related party transactions (continued)**

(iii) Collectively, but not individually, significant transactions and balances with EPF's related parties:

	<b>Group</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Income/(expense)</b>		
Profit from financing	20,253	24,656
Profit to depositors	(5,895)	(8,406)
	<u>          </u>	<u>          </u>
<b>Balances</b>		
Financing	303,627	303,695
Deposit from customers	177,722	154,019
	<u>          </u>	<u>          </u>

(b) Transactions and balances with other related entities of the Group are as follows:

	<b>Group</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Expenses</b>		
Other expenses	2,844	1,398
	<u>          </u>	<u>          </u>
<b>Balances</b>		
Deposits from customer	139,859	-
	<u>          </u>	<u>          </u>

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**A30. Capital adequacy**

The capital adequacy ratios of the Group are computed based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components) issued on 2 February 2018.

	Group		Bank Group		Bank	
	31-Dec-19 RM'000	31-Dec-18 RM'000	31-Dec-19 RM'000	31-Dec-18 RM'000	31-Dec-19 RM'000	31-Dec-18 RM'000
<b><u>Common Equity Tier 1 Capital</u></b>						
Ordinary share capital	6,941,542	6,682,102	5,159,859	4,625,859	5,159,859	4,625,859
Retained earnings	1,484,492	1,086,629	875,072	324,226	728,583	259,543
Other reserve	160,837	16,873	160,324	15,942	160,324	15,942
	<u>8,586,871</u>	<u>7,785,604</u>	<u>6,195,255</u>	<u>4,966,027</u>	<u>6,048,766</u>	<u>4,901,344</u>
Less : Common Equity Tier 1 regulatory adjustments						
Goodwill and bargain purchase gains	(148,031)	(188,790)	-	-	-	-
Deferred tax assets	(28,218)	-	-	-	-	-
Cumulative gains of financial investments at FVOCI	(114,082)	(8,134)	(114,082)	(8,152)	(114,082)	(8,152)
Regulatory reserve	-	-	(5,234)	(5,234)	(5,234)	(5,234)
Other intangibles	(167,209)	(104,723)	(115,559)	(104,692)	(115,559)	(104,692)
Total Common Equity Tier 1 Capital	<u>8,129,331</u>	<u>7,483,957</u>	<u>5,960,380</u>	<u>4,847,949</u>	<u>5,813,891</u>	<u>4,783,266</u>
<b><u>Tier 1 Capital</u></b>						
Additional Tier 1 capital instruments	-	-	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-	-	-
Total Tier 1 capital	<u>8,129,331</u>	<u>7,483,957</u>	<u>5,960,380</u>	<u>4,847,949</u>	<u>5,813,891</u>	<u>4,783,266</u>
<b><u>Tier II Capital</u></b>						
Collective impairment allowance and regulatory reserve	497,961	478,878	468,898	445,089	499,927	480,046
Tier 2 capital instruments	1,293,075	-	1,293,075	-	1,293,075	-
Total Tier II capital	<u>1,791,036</u>	<u>478,878</u>	<u>1,761,973</u>	<u>445,089</u>	<u>1,793,002</u>	<u>480,046</u>
Total capital base	<u>9,920,367</u>	<u>7,962,835</u>	<u>7,722,353</u>	<u>5,293,038</u>	<u>7,606,893</u>	<u>5,263,312</u>

Breakdown of risk weighted assets in various categories of risk weights are as follows:

	Group		Bank Group		Bank	
	31-Dec-19 RM'000	31-Dec-18 RM'000	31-Dec-19 RM'000	31-Dec-18 RM'000	31-Dec-19 RM'000	31-Dec-18 RM'000
<b><u>Total risk weighted assets ("RWA")</u></b>						
- Credit risk	39,836,868	38,310,259	37,511,800	35,607,133	39,994,106	38,403,661
- Market risk	33,759	2,136	33,759	2,136	33,759	2,136
- Operational risk	2,380,936	2,268,538	1,331,960	619,526	1,227,512	573,889
Total RWA	<u>42,251,563</u>	<u>40,580,933</u>	<u>38,877,519</u>	<u>36,228,795</u>	<u>41,255,377</u>	<u>38,979,686</u>
<b><u>Capital ratios</u></b>						
Common equity tier 1 capital	19.240%	18.442%	15.331%	13.381%	14.092%	12.271%
Tier 1 capital	19.240%	18.442%	15.331%	13.381%	14.092%	12.271%
Total capital ratio	<u>23.479%</u>	<u>19.622%</u>	<u>19.863%</u>	<u>14.610%</u>	<u>18.439%</u>	<u>13.503%</u>

**PERFORMANCE REVIEW FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019**

**B1. Performance review of the Group**

**(a) Balance Sheet**

**(i) Financing**

**Variation of Results against Preceding Year Corresponding Quarter**

	<b>Current Year Quarter 31-Dec-19, 4Q19 RM'000</b>	<b>Preceding Year Corresponding Quarter 31-Dec-18, 4Q18 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Personal financing	20,010,580	20,579,030	(568,450)	-2.8%
Corporate loans and financing	9,611,588	8,931,113	680,475	7.6%
Property financing and mortgage loans	6,062,156	5,428,579	633,577	11.7%
Auto financing	180,166	233,882	(53,716)	-23.0%
Total gross loans, financing and advances	<u>35,864,490</u>	<u>35,172,604</u>	<u>691,886</u>	2.0%

**Variation of Results against Immediate Preceding Quarter**

	<b>Current Year Quarter 31-Dec-19, 4Q19 RM'000</b>	<b>Preceding Quarter 30-Sep-19, 3Q19 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Personal financing	20,010,580	20,341,035	(330,455)	-1.6%
Corporate loans and financing	9,611,588	10,059,520	(447,932)	-4.5%
Property financing and mortgage loans	6,062,156	5,902,966	159,190	2.7%
Auto financing	180,166	194,419	(14,253)	-7.3%
Total gross loans, financing and advances	<u>35,864,490</u>	<u>36,497,940</u>	<u>(633,450)</u>	-1.7%

The Group gross loans, financing and advances increased by 2.0% and decreased by 1.7% compared to 4Q18 and 3Q19 respectively. The increase in 4Q18 was mainly contributed by growth in Corporate financing in line with the strategy to grow Corporate base customers, and also growth in property/mortgage financing.

The performance of the respective portfolio for current year quarter as compared to the previous year corresponding quarter, 4Q18 and previous quarter, 3Q19 are as follows:

- (i) Personal financing – The gross balance of the portfolio in the current quarter was lower due to lower disbursements and decreasing portfolio base. This portfolio remains the biggest in the Group.
- (ii) Corporate loans and financing – Overall, the portfolio continues to grow and contributed most of the disbursement for the Group.

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**B1. Performance review of the Group (continued)**

**(a) Balance Sheet**

**(i) Financing (continued)**

- (iii) Property financing and mortgage loans – The Group is actively converting conventional mortgage to Islamic property financing during the quarter. In aggregate, the asset base has grown over the year.
- (iv) Auto financing – The gross income from auto financing was lower as the Group focuses to grow asset base of other portfolios.

**(ii) Financial investments**

**Variation of Results against Preceding Year Corresponding Quarter**

	<b>Current Year Quarter 31-Dec-19, 4Q19 RM'000</b>	<b>Preceding Year Corresponding Quarter 31-Dec-18, 4Q18 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Financial investments at FVOCI	10,694,644	5,097,105	5,597,539	>100%
Financial investments at amortised cost	494,705	20,350	474,355	>100%
<b>Total financial investments</b>	<b>11,189,349</b>	<b>5,117,455</b>	<b>6,071,894</b>	<b>&gt;100%</b>

**Variation of Results against Preceding Quarter**

	<b>Current Year Quarter 31-Dec-19, 4Q19 RM'000</b>	<b>Preceding Quarter 30-Sep-19, 3Q19 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Financial investments at FVOCI	10,694,644	10,211,747	482,897	4.7%
Financial investments at FVTPL	-	10,158	(10,158)	-100.0%
Financial investments at amortised cost	494,705	20,101	474,604	>100%
<b>Total financial investments</b>	<b>11,189,349</b>	<b>10,242,006</b>	<b>947,343</b>	<b>9.2%</b>

The Group financial investments increased by more than 100% and 9.2% compared to 4Q18 and 3Q19 respectively. The significant increase is in line with the Group's strategy to grow treasury portfolios.

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**B1. Performance review of the Group (continued)**

**(b) Income statement**

**Current Year Quarter vs Preceding Year Corresponding Quarter**

	Current Year Quarter 31/12/2019, 4Q19	Preceding Year Corresponding Quarter 31/12/2018, 4Q18	Changes	
	RM'000	RM'000	RM'000	%
Revenue	784,144	680,365	103,779	15.3%
Other operating expenses	(121,963)	(116,595)	(5,368)	-4.6%
Operating profit	246,315	211,911	34,404	16.2%
ECL	211,667	(53,295)	264,962	>100%
Profit before tax	<u>457,982</u>	<u>158,616</u>	299,366	>100%
Profit after tax	<u>356,686</u>	<u>117,957</u>	238,729	>100%
Profit attributable to ordinary equity holders of the Parent	<u>356,686</u>	<u>117,957</u>	238,729	>100%
Cost to income ratio	33.1%	35.5%		

**Current Year Quarter vs Immediate Preceding Quarter**

	Current Year Quarter 31/12/2019, 4Q19	Preceding Quarter 30/09/2019, 3Q19	Changes	
	RM'000	RM'000	RM'000	%
Revenue	784,144	751,627	32,517	4.3%
Other operating expenses	(121,963)	(77,368)	(44,595)	-57.6%
Operating profit	246,315	265,723	(19,408)	-7.3%
ECL	211,667	(80,682)	292,349	>100%
Profit before tax	<u>457,982</u>	<u>185,041</u>	272,941	>100%
Profit after tax	<u>356,686</u>	<u>170,159</u>	186,527	>100%
Profit attributable to ordinary equity holders of the Parent	<u>356,686</u>	<u>170,159</u>	186,527	>100%
Cost to income ratio	33.1%	22.6%		

The Group profit before tax ("PBT") and profit after tax ("PAT") for 4Q19 increased by more than 100% compared to 4Q18 and 3Q19 respectively. The increase of PBT and PAT in the current quarter is due to ECL writeback in 4Q19.

The Group cost to income ratio for 4Q19 of 33.1% decreased compared to 35.5% and increased compared to 22.6% for 4Q18 and 3Q19 respectively. Current quarter ratio compared to 3Q19 was lower as there were reversal of provision in relation to personnel costs in the preceding quarter. The Group cost to income ratio remains below the industry average.

In the current quarter, the Group refined the ECL Model for loans, financing and advances with incorporation of more macroeconomic forecast factors and improved the Group's loss given default model. As a result, the Group incorporated ECL Model refinement adjustment in the current quarter.

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**B1. Performance review of the Group (continued)**

**Contribution of major subsidiary of the Group**

	Group Current Year Quarter 31-Dec-19, 4Q19 RM'000	MBSB Bank Current Year Quarter 31-Dec-19, 4Q19 RM'000	Contribution	Group Current Year Quarter 31-Dec-18, 4Q18 RM'000	MBSB Bank Current Year Quarter 31-Dec-18, 4Q18 RM'000	Contribution
Total assets	50,709,657	50,348,378	99.3%	45,425,512	44,946,851	98.9%
Total equity	8,586,871	6,048,766	70.4%	7,785,604	4,901,344	63.0%
Profit before tax	457,982	402,304	87.8%	158,616	157,802	99.5%
Profit after tax	356,686	306,856	86.0%	117,957	104,995	89.0%
Dividends	-	-	N/A	-	-	N/A
Gross return on equity	22.38%	29.39%		8.51%	23.40%	
Gross return on assets	3.81%	3.38%		1.41%	2.67%	

	Group Current Year to - Date 31-Dec-19, YTD19 RM'000	MBSB Bank Current Year to - Date 31-Dec-19, YTD19 RM'000	Contribution	Group Current Year to - Date 31-Dec-18, YTD18 RM'000	MBSB Bank Current Year to - Date 31-Dec-18, YTD18 RM'000	Contribution
Total assets	50,709,657	50,348,378	99.3%	45,425,512	44,946,851	98.9%
Total equity	8,586,871	6,048,766	70.4%	7,785,604	4,901,344	63.0%
Profit before tax	897,429	663,691	74.0%	853,573	448,563	52.6%
Profit after tax	716,900	469,040	65.4%	642,400	319,195	49.7%
Dividends	-	-	N/A	-	-	N/A
Gross return on equity	10.96%	12.12%		11.45%	16.63%	
Gross return on assets	1.87%	1.39%		1.89%	1.90%	

MBSB Bank Berhad ("MBSB Bank") is the biggest subsidiary in the Group. Total assets of MBSB Bank of RM 50.35 bil account for 99.3% of total assets of the Group while the equity accounts for 70.4% of total Group equity.

## **B2. Prospects**

### **Brief overview and outlook of the Malaysian economy**

Growth in the Malaysian economy moderated to 4.4% in the third quarter of 2019 (2Q 2019: 4.9%), primarily attributed to lower growth in key sectors and a decline in the mining and construction activities. On the demand side, most domestic demand components and net exports registered slower growth momentum. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (2Q 2019: 1.0%).

Domestic demand growth moderated to 3.5% (2Q 2019: 4.6%), with private sector expenditure remaining the key contributor to growth.

Private consumption grew by 7.0% (2Q 2019: 7.8%), as household spending normalised towards its long-term trend. This partly reflected strong base effects from the tax holiday spending last year. Nevertheless, spending remained supported by continued income and employment growth, as well as selected Government measures.

Public consumption spending increased by 1.0% (2Q 2019: 0.3%). While emolument growth remained positive, expenditure on supplies and services continued to decline, albeit at a slower pace. This is in line with the Government's commitment to expenditure optimisation.

Gross fixed capital formation (GFCF) contracted by 3.7% (2Q 2019: -0.6%), on account of slower growth in private sector capital expenditure and a larger contraction in public sector investment. By type of assets, investment in structures contracted by 2.4% (2Q 2019: +1.2%), while investment in machinery and equipment declined further to -7.4% (2Q 2019: -4.2%). However, investment in other types of assets improved to 3.6% (2Q 2019: 1.0%) due mainly to higher research and development (R&D) spending.

Private investment growth expanded marginally by 0.3% (2Q 2019: 1.8%), weighed down by lower capital spending across major economic sectors. Investment continued to be affected by heightened uncertainty surrounding external conditions and continued weakness in the broad property segment.

Public investment remained in contraction (-14.1%; 2Q 2019: -9.0%), reflecting lower capital spending by both Federal Government and public corporations.

*(Source: Extracted from BNM Quarterly Bulletin - Developments in the Malaysian Economy, Third Quarter 2019)*

**B2. Prospects (continued)**

**Overnight Policy Rate ("OPR") reduce from 3.00 percent to 2.75 percent**

Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to reduce the Overnight Policy Rate (OPR) to 2.75 percent. The ceiling and floor rates of the corridor of the OPR are correspondingly reduced to 3.00 percent and 2.50 percent, respectively.

The global economy continues to expand at a moderate pace. Latest indicators and the recent dissipation of trade tensions point to improving global trade activity. Monetary easing across major economies in the second half of 2019 has helped ease financial conditions, and is expected to continue to support economic activity. However, downside risks remain due to geopolitical tensions and policy uncertainties in a number of countries. This could cause a resurgence of financial market volatility and weigh on the global growth outlook.

For the Malaysian economy, latest indicators and supply disruptions in commodity-related sectors point to moderate expansion of economic activity in the fourth quarter. For 2019, growth will be within the projected range. For 2020, growth is expected to gradually improve, with continued support from household spending and better export performance. Overall investment activity is expected to record a modest recovery, underpinned by ongoing and new projects, both in the public and private sectors. However, downside risks to growth remain. These include uncertainty from various trade negotiations, geopolitical risks, weaker-than-expected growth of major trade partners, heightened volatility in financial markets, and domestic factors that include weakness in commodity-related sectors and delays in the implementation of projects.

Headline inflation averaged at 0.7% in 2019. In 2020, headline inflation is expected to average higher but remain modest. The trajectory of headline inflation will be dependent on global oil and commodity price developments and the timing of the lifting of the domestic retail fuel price ceilings. Underlying inflation is expected to remain broadly stable, reflecting the continued expansion in economic activity and the absence of strong demand pressures.

The adjustment to the OPR is a pre-emptive measure to secure the improving growth trajectory amid price stability. At this current level of the OPR, the MPC considers the stance of monetary policy to be appropriate in sustaining economic growth with price stability.

*(Source: Extracted from BNM 'Monetary Policy Statement' press release, 22 Jan 2020)*

**B2. Prospects (continued)**

**Monetary and financial developments**

Ringgit currency

Performance of domestic financial markets during the quarter was mixed, largely reflecting shifts in investor sentiments and risk appetites amid a confluence of external factors. Despite global monetary easing, worsening trade tensions and concerns on the global growth outlook led to continued heightened risk aversion among financial market investors.

As a result, the US dollar continued to broadly strengthen against other currencies, partly driven by investors' sustained demand for safe haven assets. Consequently, the ringgit depreciated by 1.1% against the US dollar in the third quarter, in line with regional currencies.

Domestic bond

The domestic equity and bond markets experienced diverging performances arising from these global developments. In particular, the FBM KLCI declined by 5.3% to close at 1,584 points at end-September (end-June: 1,672 points), while the 3-year, 5-year, and 10-year MGS yields declined by 19.3, 19.7 and 29.5 basis points, respectively. The weaker domestic equity market performance was in with the regional trend, as the heightened global riskline aversion weighed down on most emerging market equity indices. However, domestic bond yields trended downwards driven by non-resident into the domestic bond market as heightened global inflows risk aversion led to a shift in preference towards the holding of safer financial assets, such as sovereign bonds. The lower yields were also driven by expectations of synchronised global monetary policy easing. In addition to this, the decision to retain Malaysia in the FTSE Russell World Government Bond Index (WGBI) bolstered bond market sentiments at the end of the quarter.

Liquidity condition

The level of surplus liquidity placed with the Bank remained relatively stable, reflecting the marginal net inflows during the quarter. At the institutional level, most banks continued to maintain surplus liquidity positions with the Bank.

The reduction in the Statutory Reserve Requirement (SRR) Ratio from 3.50% to 3.00% effective 16 November 2019 will result in a broad-based release of liquidity into the banking system. This will support the efficient functioning of the domestic financial markets and facilitate effective liquidity management by the banking institutions.

*(Source: Extracted from BNM Quarterly Bulletin - Monetary and Financial Developments in the Malaysian Economy, Third Quarter 2019)*

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**B2. Prospects (continued)**

**Development of the Islamic finance industry**

In 2018, financing by Islamic financial institutions grew by 10.5% to RM668.7 billion (2017: 9.4%). The share of Shariah-compliant financing as a proportion of total banking sector financing increased further to 36.6%, as compared to 34.9% in 2017.

This significant growth was partly contributed by the injection of additional Islamic financing assets arising from a merger between an Islamic bank and a non-bank institution in early 2018. Islamic financing to both households and businesses grew by 11.5% and 8.9% respectively, with home financing to households (+5.9%) and financing to large corporates (+4.6%) being the primary contributors to overall financing growth. Growth of business financing to SMEs moderated to 8.9% (2017: 12.5%), in line with the more moderate growth of the economy.

On the funding side, Islamic deposits and investment accounts saw steady growth of 10.2% to RM742.3 billion (2017: 11.7%). Islamic banks' pre-tax profits grew by 14.8% to RM7.7 billion (2017: 19.8%), resulting in returns on equity (ROE) of 15.7% and on asset (ROA) of 1.1% despite higher provisions following the implementation of MFRS 9 for the banking industry. This compares with the ROE of 12.0% and ROA of 1.5% achieved by conventional banks in Malaysia.

*(Source: Development of the Financial Sector (Islamic Finance), Financial Stability and Payment Systems Report 2018, BNM)*

**The Group's prospects**

Business review for 2019

The Group registered a profit before taxation and zakat of RM897.43 million for 2019 as compared to profit before taxation and zakat of RM853.57 million in prior year. Gross loans, financing and advances for the Group as at 31 December 2019 stood at RM35.86 billion (2018: RM35.17 billion) whilst total deposits from customers and placements of banks and other financial institutions stood at RM35.89 billion (2018: RM32.79 billion).

The Group continued its focus to grow Corporate financing during the year, including expanding its trade finance portfolio, and strengthening its capital with the issuance of Tier-2 Sukuk Wakalah in December 2019.

The Group was also active in the treasury segment, achieving a higher treasury income and increased investment in securities during the year.

Overall, the Group financial result for 2019 is satisfactory.

Outlook for 2020

The Islamic industry in Malaysia has advanced rapidly over the years, with a significant proportion of loans and financing in the country being Islamic financing. Islamic banks offer various competitive and innovative products, complementing solutions offered by conventional banks. While the growth is seen as significant in the industry, it is also important that Islamic financing delivers a positive and sustainable impact on the economy and community.

The Group will continue its focus to expand the corporate business, to reach the desired corporate retail-portfolio mix. The Group is looking forward to expand its products and services which include trade finance, wealth management and mobile banking to cater for various segments of our customers and depositors.

Barring any unforeseen circumstances, the Group's prospects for the year is expected to be satisfactory.

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**B3. Variance from profit forecast**

No significant variation.

**B4. Taxation**

	<b>Group</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax:				
Current income tax	75,795	(10,329)	203,999	156,209
Over provision in prior years	326	(2,330)	(37,058)	(2,330)
	<u>76,121</u>	<u>(12,659)</u>	<u>166,941</u>	<u>153,879</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	24,075	42,202	8,487	42,202
Under provision in prior years	5,639	2,092	5,639	2,092
	<u>29,714</u>	<u>44,294</u>	<u>14,126</u>	<u>44,294</u>
Total income tax expense	<u>105,835</u>	<u>31,635</u>	<u>181,067</u>	<u>198,173</u>
	<b>Company</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax:				
Current income tax	(930)	(16,807)	33,784	72,509
Over provision in prior years	(1)	(2,502)	(62,426)	(2,502)
	<u>(931)</u>	<u>(19,309)</u>	<u>(28,642)</u>	<u>70,007</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(323)	3,410	2,923	3,410
Under provision in prior years	3,179	2,090	3,179	2,090
	<u>2,856</u>	<u>5,500</u>	<u>6,102</u>	<u>5,500</u>
Total income tax expense	<u>1,925</u>	<u>(13,809)</u>	<u>(22,540)</u>	<u>75,507</u>

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**B5. Status of corporate proposals**

There are no pending corporate proposals.

**B6. Borrowings and debts**

Borrowings of the Group were as follows:

	<b>Current Year Quarter 31 December 2019</b>		
	<b>Long term</b>	<b>Short term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>borrowings</b>
			<b>RM'000</b>
<b>Secured</b>			
Recourse obligation on financing sold	2,380,394	100,857	2,481,251
	<hr/>	<hr/>	<hr/>
	<b>Preceding Year Corresponding Quarter</b>		
	<b>Long term</b>	<b>Short term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>borrowings</b>
			<b>RM'000</b>
<b>Secured</b>			
Recourse obligation on financing sold	1,541,665	593,853	2,135,518
	<hr/>	<hr/>	<hr/>

**B7. Off balance sheet financial instruments**

The details of the off balance sheet financial instruments are as per note A23.

**B8. Material litigation**

The details of the pending material litigation are as per note A24.

**B9. Earnings per share**

**Basic**

Basic earnings per share are calculated by dividing the net profit attributable to shareholders for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	<b>Group</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to shareholders for the period (RM'000)	356,686	117,957	716,900	642,400
Weighted average number of ordinary shares in issue ('000)	6,552,584	6,270,500	6,533,037	6,226,017
Basic earnings per share (sen)	<hr/> 5.44	<hr/> 1.88	<hr/> 10.97	<hr/> 10.32

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**B9. Earning Per Share (continued)**

**Basic (continued)**

	<b>Company</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to shareholders for the period (RM'000)	805	(39,502)	162,233	200,395
Weighted average number of ordinary shares in issue ('000)	6,552,584	6,270,500	6,533,037	6,226,017
Basic earnings per share (sen)	<u>0.01</u>	<u>(0.63)</u>	<u>2.48</u>	<u>3.22</u>

**Diluted**

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. Employee Share Option Scheme ("ESOS").

	<b>Group</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to shareholders for the period (RM'000)	356,686	117,957	716,900	642,400
Weighted average number of ordinary shares in issue ('000)	<u>6,552,584</u>	<u>6,270,500</u>	<u>6,533,037</u>	<u>6,226,017</u>
Adjusted weighted average number of ordinary shares in issue ('000)	<u>6,552,584</u>	<u>6,270,500</u>	<u>6,533,037</u>	<u>6,226,017</u>
Basic earnings per share (sen)	<u>5.44</u>	<u>1.88</u>	<u>10.97</u>	<u>10.32</u>

	<b>Company</b>			
	<b>4th Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to shareholders for the period (RM'000)	805	(39,502)	162,233	200,395
Weighted average number of ordinary shares in issue ('000)	<u>6,552,584</u>	<u>6,270,500</u>	<u>6,533,037</u>	<u>6,226,017</u>
Adjusted weighted average number of ordinary shares in issue ('000)	<u>6,552,584</u>	<u>6,270,500</u>	<u>6,533,037</u>	<u>6,226,017</u>
Basic earnings per share (sen)	<u>0.01</u>	<u>(0.63)</u>	<u>2.48</u>	<u>3.22</u>

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
**(Incorporated in Malaysia)**

**B10. Authorisation for issue**

The unaudited interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors.

BY ORDER OF THE BOARD

Koh Ai Hoon  
(MAICSA 7006997)  
Tong Lee Mee  
(MAICSA 7053445)  
Joint Company Secretaries  
Kuala Lumpur  
28 February 2020