

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

**INTERIM FINANCIAL STATEMENTS
OF THE GROUP AND OF THE COMPANY
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2019**

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	Note	Group		Company	
		30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Assets					
Cash and short-term funds	A8(a)	1,678,882	3,411,986	353,815	155,077
Deposits and placements with financial institutions	A8(b)	1,320,050	931,087	-	154,347
Derivative financial assets	A9	108	67	-	-
Financial investments at fair value through profit or loss ("FVTPL")	A10	10,158	-	-	-
Financial investments at fair value through other comprehensive income ("FVOCI")	A11	10,211,747	5,097,105	-	-
Financial investments at amortised cost	A12	20,101	20,350	-	-
Loans, financing and advances	A13	34,188,693	33,133,119	1,151,841	1,326,502
Assets held for sale		32,798	-	-	-
Trade receivables		393	561	-	-
Other receivables	A14	214,964	243,047	142,026	148,672
Statutory deposits with Bank Negara Malaysia		1,235,000	1,053,000	-	-
Investments in subsidiaries		-	-	4,756,328	4,756,328
Inventories		102,321	102,432	-	-
Property and equipment		304,050	297,567	24,483	24,831
Right use of assets		10,594	-	-	-
Intangible assets		304,802	293,513	-	-
Investment properties		820	820	-	-
Land use rights		526	5,262	-	-
Deferred tax assets		17,997	34,318	14,571	15,687
Tax recoverable		898,511	801,278	812,345	710,610
Total assets		50,552,515	45,425,512	7,255,409	7,292,054
Liabilities					
Deposits from customers	A15	27,196,602	24,209,449	-	-
Deposits and placements of banks and other financial institutions	A16	10,430,137	8,578,851	-	-
Derivative financial liabilities		410	2	-	-
Trade payables		200	225	-	-
Other payables	A17	665,004	650,767	103,730	239,669
Lease liabilities		10,721	-	-	-
Recourse obligation on financing sold		2,005,783	2,135,518	-	-
Sukuk-MBSB Structured Covered ("SC") Murabahah		1,898,113	1,968,075	-	-
Provision for taxation and zakat		18,917	36,901	538	4,787
Deferred tax liabilities		79,253	60,120	2,130	-
Total liabilities		42,305,140	37,639,908	106,398	244,456
Equity					
Ordinary share capital		6,941,542	6,682,102	6,941,542	6,682,102
Reserves		178,445	16,873	6,261	6,261
Retained earnings		1,127,388	1,086,629	201,208	359,235
Total equity		8,247,375	7,785,604	7,149,011	7,047,598
Total liabilities and equity		50,552,515	45,425,512	7,255,409	7,292,054
Commitments and contingencies	A24	5,789,082	6,116,722	30,438	38,242
Net assets per share attributable to ordinary equity of the Company (RM)		1.29	1.25	1.12	1.13

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

	Note	Group			
		3rd Quarter Ended		Nine Months Ended	
		30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
		RM'000	RM'000	RM'000	RM'000
Revenue		813,915	786,405	2,415,612	2,395,585
Income derived from investment of general investment deposits and Islamic capital funds	A18	697,115	640,756	2,052,746	1,938,997
Income attributable to depositors		(362,428)	(326,523)	(1,072,330)	(956,947)
Income attributable to securitisation		(22,765)	(24,266)	(69,874)	(73,531)
Income attributable to sukuk		(23,258)	(26,858)	(70,788)	(86,561)
Net income from Islamic financing operations		288,664	263,109	839,754	821,958
Interest income	A19	39,050	55,234	116,847	198,444
Interest expense	A20	(5)	3,168	(15)	(21,827)
Net interest income		39,045	58,402	116,832	176,617
Operating income		327,709	321,511	956,586	998,575
Net other income	A21	15,382	19,969	87,853	48,639
Net income		343,091	341,480	1,044,439	1,047,214
Other operating expenses	A22	(77,368)	(110,060)	(278,868)	(289,685)
Operating profit		265,723	231,420	765,571	757,529
ECL charged	A23	(80,682)	(70,560)	(326,124)	(62,572)
Profit before taxation and zakat		185,041	160,860	439,447	694,957
Taxation		(14,053)	(38,897)	(75,232)	(166,538)
Zakat		(929)	-	(4,101)	(3,976)
Profit from continuing operations		170,059	121,963	360,114	524,443
Profit from discontinued operation		100	-	100	-
Profit for the financial period		170,159	121,963	360,214	524,443
Profit attributable to:					
Owners of the Company		170,159	121,963	360,214	524,443
Earnings per share (sen)					
Basic		2.63	1.97	5.58	8.58
Diluted		2.63	1.97	5.58	8.58
Profit for the financial period		170,159	121,963	360,214	524,443
Other comprehensive income, net of tax :					
Items that may be reclassified subsequently to profit or loss					
- Net gain from change in fair value		71,230	25,469	161,559	5,941
- Changes in expected credit losses -FVOCI		(5)	-	13	-
		71,225	25,469	161,572	5,941
Total comprehensive income for the financial period		241,384	147,432	521,786	530,384
Total comprehensive income attributable to:					
Owners of the Company		241,384	147,432	521,786	530,384
		241,384	147,432	521,786	530,384

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 THIRD QUARTER ENDED 30 SEPTEMBER 2019

	Note	Company			
		3rd Quarter Ended		Nine Months Ended	
		30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
		RM'000	RM'000	RM'000	RM'000
Revenue		31,436	43,257	95,251	827,711
Income derived from investment of general investment deposits and Islamic capital funds	A18	-	(12,195)	-	638,560
Income attributable to depositors		-	-	-	(304,799)
Income attributable to securitisation		-	-	-	(24,843)
Income attributable to sukuk		-	-	-	(74,653)
Net income from Islamic financing operations		-	(12,195)	-	234,265
Interest income	A19	26,913	44,448	82,138	167,229
Interest expense	A20	(5)	3,168	(15)	(21,827)
Net interest income		26,908	47,616	82,123	145,402
Operating income		26,908	35,421	82,123	379,667
Net other income	A21	15,974	10,982	59,058	20,519
Net income		42,882	46,403	141,181	400,186
Other operating expenses	A22	(3,245)	(15,289)	(21,249)	(93,268)
Operating profit		39,637	31,114	119,932	306,918
ECL written back/(charged)	A23	22,407	(9,578)	16,960	22,295
Profit before taxation		62,044	21,536	136,892	329,213
Taxation		47,207	(10,297)	24,465	(89,316)
Zakat		71	-	71	-
Profit for the financial period		109,322	11,239	161,428	239,897
Profit attributable to:					
Owners of the Company		109,322	11,239	161,428	239,897
		109,322	11,239	161,428	239,897
Earnings per share (sen)					
Basic		1.69	0.18	2.50	3.93
Diluted		1.69	0.18	2.50	3.93
Profit for the financial period		109,322	11,239	161,428	239,897
Other comprehensive loss, net of tax :					
Items that may be reclassified subsequently to profit or loss					
- Net loss from change in fair value		-	-	-	(3,940)
		-	-	-	(3,940)
Total comprehensive income for the financial period		109,322	11,239	161,428	235,957
Total comprehensive income attributable to:					
Owners of the Company		109,322	11,239	161,428	235,957
		109,322	11,239	161,428	235,957

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 THIRD QUARTER ENDED 30 SEPTEMBER 2019

Group	← Other Reserves →		Total	Retained profits	Total	
	Share #1 Capital	Share Option Reserve				Fair value reserve- FVOCI
	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2019	6,682,102	6,261	10,612	16,873	1,086,629	7,785,604
Comprehensive income						
- Profit for the financial period	-	-	-	-	360,214	360,214
- Other comprehensive income for the financial period	-	-	161,572	161,572	-	161,572
Total comprehensive income for the financial period	-	-	161,572	161,572	360,214	521,786
Dividends	-	-	-	-	(319,455)	(319,455)
Issuance of ordinary shares pursuant to exercise of DRP	259,440	-	-	-	-	259,440
Balance as at 30 September 2019	6,941,542	6,261	172,184	178,445	1,127,388	8,247,375

Group	← Other Reserves →		Total	Retained profits	Total	
	Share Capital	Share Option Reserve				Fair value reserve- FVOCI
	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2018	6,172,051	6,261	(6,656)	(395)	953,207	7,124,863
Effects of adopting MFRS 9, net of tax	-	-	-	-	(201,481)	(201,481)
	6,172,051	6,261	(6,656)	(395)	751,726	6,923,382
Comprehensive income						
- Profit for the financial period	-	-	-	-	524,443	524,443
- Other comprehensive loss for the financial period	-	-	5,941	5,941	-	5,941
Total comprehensive income for the financial period	-	-	5,941	5,941	524,443	530,384
Dividends	-	-	-	-	(307,497)	(307,497)
Issuance of ordinary shares pursuant to exercise of DRP	243,952	-	-	-	-	243,952
Issuance of shares for acquisition of a subsidiary	266,099	-	-	-	-	266,099
Balance as at 30 September 2018	6,682,102	6,261	(715)	5,546	968,672	7,656,320

1 Pursuant to Section 618(8) or (9) of the Companies Act 2016, share premium and all other reserves (Capital Reserve, Warrants Reserve and Capital Redemption Reserve) have been transferred to Share Capital since 31 January 2019.

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 THIRD QUARTER ENDED 30 SEPTEMBER 2019 (CONTINUED)

Company	← Other Reserves →			Total	Retained profits	Total
	Share #1 Capital	Share Option Reserve	Fair value reserve-FVOCI			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2019	6,682,102	6,261	-	6,261	359,235	7,047,598
Comprehensive income						
- Profit for the financial period	-	-	-	-	161,428	161,428
- Other comprehensive income for the financial period	-	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	-	161,428	161,428
Dividends	-	-	-	-	(319,455)	(319,455)
Issuance of ordinary shares pursuant to exercise of DRP	259,440	-	-	-	-	259,440
Balance as at 30 September 2019	6,941,542	6,261	-	6,261	201,208	7,149,011

Company	← Other Reserves →			Total	Retained profits	Total
	Share Capital	Share Option Reserve	Fair value reserve-FVOCI			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018	6,172,051	6,261	(6,656)	(395)	672,971	6,844,627
Effects of adopting MFRS 9, net of tax	-	-	-	-	(206,634)	(206,634)
	6,172,051	6,261	(6,656)	(395)	466,337	6,637,993
Comprehensive income						
- Profit for the financial period	-	-	-	-	239,897	239,897
- Other comprehensive loss for the financial period	-	-	(3,940)	(3,940)	-	(3,940)
Total comprehensive (loss)/income for the financial period	-	-	(3,940)	(3,940)	239,897	235,957
Dividends	-	-	-	-	(307,497)	(307,497)
Issuance of ordinary shares pursuant to exercise of DRP	243,952	-	-	-	-	243,952
Issuance of shares for acquisition of a subsidiary	266,099	-	-	-	-	266,099
Balance as at 30 September 2018	6,682,102	6,261	(10,596)	(4,335)	398,737	7,076,504

1 Pursuant to Section 618(8) or (9) of the Companies Act 2016, share premium and all other reserves (Capital Reserve, Warrants Reserve and Capital Redemption Reserve) have been transferred to Share Capital since 31 January 2019.

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 THIRD QUARTER ENDED 30 SEPTEMBER 2019

	Group		Company	
	30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
Cash flows from operating activities				
Profit before taxation	439,447	694,957	136,892	329,213
Adjustments for non-cash items	614,151	132,714	(24,361)	(18,891)
Operating profit before working capital changes	1,053,598	827,671	112,531	310,322
Working capital changes:				
Net changes in operating assets	(1,830,078)	(3,072,642)	419,148	(1,387,920)
Net changes in operating liabilities	4,817,845	(684,332)	(133,807)	401,735
Cash generated from/(used in) operations	4,041,365	(2,929,303)	397,872	(675,863)
Income taxes and zakat paid	(282,047)	(113,451)	(152,701)	(106,333)
Net cash generated from/(used in) operating activities	3,759,318	(3,042,754)	245,171	(782,196)
Cash flows from investing activities				
Arising from acquisition of MBSB Bank	-	181,076	-	(6,666,078)
Purchase of property and equipment	(51,012)	(101,358)	-	(13,071)
Purchase of intangible assets	(27,485)	(74,678)	-	-
Proceeds from disposal of property and equipment	-	24	-	-
Proceeds from disposal of foreclosed properties	13,582	-	13,582	-
Purchase of financial investments at FVOCI	(5,086,849)	(447,717)	-	(42,059)
Purchase of financial investments at FVTPL	(10,158)	-	-	-
Net cash (used in)/ generated from investing activities	(5,161,922)	(442,653)	13,582	(6,721,208)
Cash flows from financing activities				
Proceeds on recourse obligation on financing sold	(72,248)	(43,377)	-	(63,159)
Profit expense paid - recourse obligation on financing sold	(57,487)	(44,653)	-	-
Profit expense paid - Sukuk MBSB-SC Murabahah	(36,582)	(45,363)	-	27,348
Proceeds of Sukuk - MBSB-SC Murabahah	(104,168)	(82,123)	-	(27,348)
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 used in financing activities	(330,500)	(279,061)	(60,015)	(126,704)
Net (decrease)/increase in cash and cash equivalents	(1,733,104)	(3,764,468)	198,738	(7,630,108)
Cash and cash equivalents at beginning of period	3,411,986	7,787,132	155,077	7,768,634
Cash and cash equivalents at end of period	1,678,882	4,022,664	353,815	138,526
Cash and cash equivalents is represented by:				
Cash and short-term funds	1,678,882	4,022,664	353,815	138,526

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 THIRD QUARTER ENDED 30 SEPTEMBER 2019
PART A - EXPLANATORY NOTES PURSUANT TO MFRS134

A1. Basis of preparation

The unaudited condensed interim financial statements for the financial quarter ended 30 September 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 2018. 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 2018.

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 2018.

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 112, Income Taxes (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)
(Incorporated in Malaysia)

A1. Basis of preparation (continued)

Effective for annual periods beginning on or after 1 January 2020

- MFRS 3, Business Combinations - *Definition of a Business*
- MFRS 101, Presentation of Financial Statements
- MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material*

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 2018

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 30 September 2019, a subsidiary of the Company (Sigmaprise Sdn Bhd) entered into sale and purchase agreement ("SPA") to sell its hotel under operation. As the sale is yet to materialise, the Group recorded identified assets to be disposed of as 'Assets Held for Sale'.

In the statements of profit or loss of the Group, profit of hotel operation is recorded under profit from discontinued operation since recognition of Assets Held for Sale.

A5. Changes in estimates of amounts reported previously

There were no changes in estimates of amounts reported in prior financial years that may have a material effect in the current quarter.

A6. Debts and equity securities

There were no issuance and repayment of debt and equity securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter.

	30-Sep-19	31-Dec-18
Number of ordinary shares ('000)	6,713,402	6,389,101
Share Capital (RM'000)	6,941,542	6,682,102

A7. Dividend

During the financial quarter ended 30 September 2019, the single-tier final dividend of 5.0% on 6,389,101,298 ordinary shares in respect of the financial year ended 31 December 2018 declared on 8 April 2019, amounted to RM319,455,064.90 was paid on 23 July 2019.

Pursuant to the option to reinvest via the DRP which was approved during the Annual General Meeting held on 11 June 2019, a total of 324,300,317 shares at RM0.80 per share amounted to RM259,440,253.60 in cash were reinvested.

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A8. Cash and short-term funds and deposits and placements with banks and other financial institutions

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
(a) Cash at banks and on hand	199,553	262,346	42,582	72,070
Money at call and deposit placements maturing within one month	1,479,329	3,149,640	311,233	83,007
Total cash and short-term funds	1,678,882	3,411,986	353,815	155,077
(b) Deposits and placements with financial institutions with original maturity of more than one month				
- Licensed Banks	1,320,050	931,087	-	154,347
Total cash and short-term funds and deposits and placements with financial institutions	2,998,932	4,343,073	353,815	309,424

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					
	30-Sep-19			31-Dec-18		
	Contract/ Notional amount RM'000	Fair value		Contract/ Notional amount RM'000	Fair value	
	Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000	
Trading derivatives						
<u>Foreign exchange contracts:</u>						
Currency forward						
- Less than one year	234,158	108	(410)	5,842	67	(2)

A10. Financial investments at FVTPL

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
At fair value				
Quoted securities:				
<u>In Malaysia</u>				
Malaysian Government	10,158	-	-	-
	10,158	-	-	-

MALAYSIA BUILDING SOCIETY BERHAD 197001000172 (9417-K)
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A11. Financial investments at FVOCI

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
At fair value				
Money Market Instruments				
Malaysian Government Investment Issues	7,117,758	2,154,192	-	-
Debt securities:				
<u>In Malaysia</u>				
Private and Islamic debt securities	1,047,177	1,060,628	-	-
Government Guaranteed debt securities	2,046,812	1,882,285	-	-
	<u>10,211,747</u>	<u>5,097,105</u>	<u>-</u>	<u>-</u>

Expected credit losses ("ECL") movement for debt instruments at fair value through other comprehensive income:

The following ECL is not recognised in the statement of financial position as the carrying amount of debt instruments at fair value through other comprehensive income is equivalent to their fair value.

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	-	-	-	-
Total charge to Income Statement:	13	-	-	13
Change in credit risk	<u>13</u>	<u>-</u>	<u>-</u>	<u>13</u>
At 30 September 2019	<u>13</u>	<u>-</u>	<u>-</u>	<u>13</u>

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

A12. Financial investments at amortised cost

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
At amortised cost				
Quoted securities:				
<u>In Malaysia</u>				
Private and Islamic debt securities	20,109	20,356	-	-
Less: ECL at Stage 1	(8)	(6)	-	-
	<u>20,101</u>	<u>20,350</u>	<u>-</u>	<u>-</u>

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

A13. Loans, financing and advances

	Group		Company	
	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
(i) By type				
At amortised cost				
<i>Islamic:</i>				
<i>Term financing:</i>				
Personal financing	20,324,771	20,562,117	-	-
Other term financing	6,139,989	5,456,952	-	-
Property financing	4,977,247	4,340,081	-	-
Industrial hire purchase	805,994	781,118	-	-
Bridging financing	702,986	716,015	-	-
Auto finance	174,628	213,898	-	-
Revolving Credit	874,186	743,218	-	-
Trade finance	533,650	138,473	-	-
Trusts receipts	-	51,525	-	-
Cash line	1,849	-	-	-
Staff financing	43,699	41,277	-	-
<i>Conventional:</i>				
<i>End finance:</i>				
Normal housing programme	898,772	1,063,043	898,772	1,063,043
Low cost housing programme	3,251	3,367	3,251	3,367
Other term financing	776,065	826,113	776,065	826,113
Bridging financing	223,360	217,708	223,360	217,708
Auto finance	17,169	17,319	17,169	17,319
Staff financing	324	380	324	380
Gross loans, advances and financing	<u>36,497,940</u>	<u>35,172,604</u>	<u>1,918,941</u>	<u>2,127,930</u>
Less: ECL				
- Stage 1	(458,004)	(358,907)	(12,981)	(12,370)
- Stage 2	(539,859)	(550,621)	(76,160)	(94,982)
- Stage 3	(1,311,384)	(1,129,957)	(677,959)	(694,076)
Net loans, advances and financing	<u>34,188,693</u>	<u>33,133,119</u>	<u>1,151,841</u>	<u>1,326,502</u>
(ii) By maturity structure				
	Group		Company	
	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Within one year	3,102,809	2,196,230	686,383	715,288
More than one year to three years	1,457,042	1,792,653	23,608	22,541
More than three years to five years	2,212,279	2,073,320	118,029	133,570
More than five years	29,725,810	29,110,401	1,090,921	1,256,531
	<u>36,497,940</u>	<u>35,172,604</u>	<u>1,918,941</u>	<u>2,127,930</u>

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

A13. Loans, financing and advances (continued)

(iii) By economic purpose

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Personal Use	20,423,446	20,674,423	307	321
Construction	5,295,314	4,546,235	452,328	423,262
Purchase of landed property:				
- Residential	5,446,141	5,019,386	832,178	988,217
- Non-Residential	329,565	278,082	63,531	70,218
Working Capital	4,258,627	3,672,525	145,670	153,494
Purchase of transport vehicles	189,916	228,603	14,735	14,968
Purchase of other fixed assets	45,480	63,875	6,186	7,778
Purchase of other securities	504	498	-	-
Purchase of consumer durables	136	142	-	-
Others	508,811	688,835	404,006	469,672
	36,497,940	35,172,604	1,918,941	2,127,930

(iv) By type of customers

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Individuals	26,303,767	26,104,420	872,810	1,034,810
Domestic business enterprises				
- Small medium enterprise	3,010,016	2,722,949	417,643	301,772
- Non-bank financial institutions	592,201	536,644	-	-
- Government	228,826	240,301	-	-
- Others	6,363,130	5,562,252	628,488	791,348
Foreign entities	-	6,038	-	-
	36,497,940	35,172,604	1,918,941	2,127,930

(v) By sector

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Household	26,303,764	26,110,523	872,808	1,034,811
Construction	6,580,817	6,116,961	683,782	721,714
Finance, insurance and business services	1,362,539	1,089,016	11,158	13,056
Education, health and others	576,074	647,421	232,975	228,247
Manufacturing	682,594	382,878	109,597	120,869
Agriculture	224,967	240,002	3,198	3,325
Electricity, gas and water	240,548	233,110	-	-
Wholesale & retail trade and restaurants & hotels	269,650	168,282	3,484	3,625
Transport, storage and communication	142,569	124,403	1,939	2,283
Mining and quarrying	114,418	60,008	-	-
	36,497,940	35,172,604	1,918,941	2,127,930

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

A13. Loans, financing and advances (continued)

(vi) By profit/interest rate sensitivity

	Group		Company	
	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Personal financing	18,025,881	18,976,550	-	-
Bridging, structured and term financing	1,333,782	1,185,663	124,664	262,717
Mortgage and property Islamic	465,049	568,200	2,280	3,233
Auto finance	194,419	233,797	17,169	17,319
Variable rate:				
Bridging, structured and term financing	8,724,734	7,745,975	874,763	781,104
Mortgage and property Islamic	5,438,932	4,859,937	900,065	1,063,557
Personal financing	2,315,143	1,602,482	-	-
	36,497,940	35,172,604	1,918,941	2,127,930

(vii) By geographical distribution

	Group		Company	
	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Malaysia	36,497,940	35,172,470	1,918,941	2,127,930
United Kingdom	-	134	-	-
	36,497,940	35,172,604	1,918,941	2,127,930

(viii) Movement of gross loans, advances and financing

30-Sep-19	Group			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount as at 1 January 2019	28,721,082	4,528,051	1,923,471	35,172,604
Transfer to stage 1	639,314	(561,917)	(77,397)	-
Transfer to stage 2	(1,374,151)	1,617,794	(243,643)	-
Transfer to stage 3	(145,912)	(409,799)	555,711	-
New financing / disbursement during the year	4,298,460	449,439	30,777	4,778,676
Repayment during the year	(2,837,604)	(703,127)	(138,490)	(3,679,221)
Other changes to the carrying amount	129,538	63,325	33,018	225,881
Gross carrying amount as at 30 September 2019	29,430,727	4,983,766	2,083,447	36,497,940
30-Sep-19	Company			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount as at 1 January 2019	406,208	590,545	1,131,177	2,127,930
Transfer to stage 1	41,204	(38,853)	(2,351)	-
Transfer to stage 2	(30,074)	94,271	(64,197)	-
Transfer to stage 3	(1,926)	(32,604)	34,530	-
New financing / disbursed during the year	-	-	-	-
Repayment during the year	(55,957)	(116,725)	(85,475)	(258,157)
Other changes to the carrying amount	3,664	10,951	34,553	49,168
Gross carrying amount as at 30 September 2019	363,119	507,585	1,048,237	1,918,941

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

A13. 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 changes to the carrying amount	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	(27,853,303)	(3,060,832)	(735,137)	(31,649,272)
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 changes to the carrying amount	108,698	22,249	58,226	189,173
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

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

A13. Loans, financing and advances (continued)

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

30-Sep-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 A23):	99,097	(10,762)	181,427	269,762
Changes in ECL				
- Transfer to stage 1	71,292	(37,923)	(33,369)	-
- Transfer to stage 2	(22,295)	165,407	(143,112)	-
- Transfer to stage 3	(1,561)	(104,680)	106,241	-
New financing / disbursement during the year	94,248	26,229	21,304	141,781
Repayment during the year	(87,925)	(258,931)	(75,549)	(422,405)
Changes in credit risk parameters	45,338	199,136	305,912	550,386
ECL as at 30 September 2019	458,004	539,859	1,311,384	2,309,247
30-Sep-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 A23):	611	(18,822)	(16,117)	(34,328)
Changes in ECL				
- Transfer to stage 1	4,955	(3,253)	(1,702)	-
- Transfer to stage 2	(1,044)	48,422	(47,378)	-
- Transfer to stage 3	(65)	(6,705)	6,770	-
New financing / disbursement during the year	-	-	-	-
Repayment during the year	(4,662)	(78,234)	(27,528)	(110,424)
Changes in credit risk parameters	1,427	20,948	53,721	76,096
ECL as at 30 September 2019	12,981	76,160	677,959	767,100

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

A13. 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.

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

A13. Loans, financing and advances (continued)

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

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
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	586,488	992,277	34,530	526,405
Reclassified as non-impaired	(321,040)	(228,194)	(66,548)	(134,367)
Amount recovered	(138,490)	(255,724)	(85,475)	(138,093)
Other changes to the carrying amount	33,018	199,687	34,553	58,226
Amount written off	-	(578,985)	-	(12,676)
Reclassification from/(to) assets held-for-sale	-	110,196	-	(6,356)
Balance as at end of financial period	<u>2,083,447</u>	<u>1,923,471</u>	<u>1,048,237</u>	<u>1,131,177</u>
Less: Stage 3 ECL as at end of financial period	<u>(1,311,384)</u>	<u>(1,129,957)</u>	<u>(677,959)</u>	<u>(694,076)</u>
Net impaired financing and advances	<u>772,063</u>	<u>793,514</u>	<u>370,278</u>	<u>437,101</u>
Net impaired loans as a percentage of net financing and advances	<u>2.26%</u>	<u>2.39%</u>	<u>32.15%</u>	<u>32.95%</u>
Gross impaired loans as a percentage of gross financing and advances	<u>5.71%</u>	<u>5.47%</u>	<u>54.63%</u>	<u>53.16%</u>

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

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Household	871,102	745,023	281,646	327,256
Construction	728,647	795,663	538,399	581,836
Finance, insurance and business services	59,710	12,602	1,026	998
Education, health and others	297,707	308,577	225,193	220,245
Manufacturing	61,443	1,070	1,745	753
Agriculture	169	154	-	-
Wholesale & retail trade and restaurants & hotels	22,090	21,148	172	33
Transport, storage and communication	3,688	343	56	56
Mining and quarrying	38,891	38,891	-	-
	<u>2,083,447</u>	<u>1,923,471</u>	<u>1,048,237</u>	<u>1,131,177</u>

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

A14. Other receivables

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Advances in respect of certain projects	500,848	463,009	-	-
Loan commitment fees	8,740	8,740	8,740	8,740
Amount due from subsidiaries	-	-	62,962	58,152
Foreclosed properties	119,744	133,505	119,744	133,505
Prepayments and deposits	19,090	11,915	8,633	8,633
Sundry receivables	382,833	132,987	52,960	41,116
Public Low Cost Housing Payment ("PLCHP")	22,769	23,113	22,769	23,113
Deferred expenses due to issuance of Sukuk Commodity Murabahah	117	128	-	-
Deferred expenses due to issuance of Sukuk - MBSB SC Murabahah	2,273	2,470	-	-
	<u>1,056,414</u>	<u>775,867</u>	<u>275,808</u>	<u>273,259</u>
Less: ECL at Stage 3	<u>(841,450)</u>	<u>(532,820)</u>	<u>(133,782)</u>	<u>(124,587)</u>
	<u>214,964</u>	<u>243,047</u>	<u>142,026</u>	<u>148,672</u>

A15. Deposits from customers

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
(i) By type of deposit:				
Commodity Murabahah Term Deposit	26,878,914	23,907,371	-	-
Demand deposits	203,590	225,520	-	-
Savings deposits	114,098	76,558	-	-
	<u>27,196,602</u>	<u>24,209,449</u>	<u>-</u>	<u>-</u>

The deposit above are under Islamic contract of Tawarruq.

(ii) By type of customers:

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Government and statutory bodies	17,456,524	14,746,960	-	-
Business enterprises	5,425,145	6,371,297	-	-
Individuals	4,314,933	3,091,192	-	-
	<u>27,196,602</u>	<u>24,209,449</u>	<u>-</u>	<u>-</u>

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

A15. Deposits from customers (continued)

(iii) Maturity of deposits from customers:

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Within six months	19,172,818	17,474,783	-	-
More than six months to one year	5,181,158	4,818,107	-	-
More than one year to three years	1,682,598	723,813	-	-
More than three years	1,160,028	1,192,746	-	-
	<u>27,196,602</u>	<u>24,209,449</u>	<u>-</u>	<u>-</u>

A16. Deposits and placements of banks and other financial institutions

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
(i) By type of deposit:				
<u>Non-Mudharabah Funds:</u>				
Other financial institutions:				
-Licensed Investment Banks	1,339	-	-	-
-Licensed Islamic Banks	157	-	-	-
-Other Financial Institutions	10,428,641	8,578,851	-	-
	<u>10,430,137</u>	<u>8,578,851</u>	<u>-</u>	<u>-</u>
(ii) By type of contract:				
Tawarruq	10,430,137	8,578,851	-	-
	<u>10,430,137</u>	<u>8,578,851</u>	<u>-</u>	<u>-</u>

A17. Other payables

	Group		Company	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Al-Mudharabah security fund	133,164	123,401	-	-
Amount due to MBSB Bank Berhad	-	-	4,231	98,666
Sundry creditors	327,732	278,232	64,999	80,560
ECL for commitments and contingencies	109,455	100,412	6,087	6,469
Deferred income	39,083	43,275	22,023	30,625
Other provisions and accruals	55,570	105,447	6,390	23,349
	<u>665,004</u>	<u>650,767</u>	<u>103,730</u>	<u>239,669</u>

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

A17. Other payables (continued)

Movement of ECL for commitments and contingencies are as follows:

30-Sep-19

	Group			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL as at 1 January 2019	53,130	36,829	10,453	100,412
Charge to profit or loss, of which (Note A23):	3,000	(8,442)	14,485	9,043
Changes in ECL				
- Transfer to stage 1	4,994	(2,563)	(2,431)	-
- Transfer to stage 2	(3,406)	3,915	(509)	-
- Transfer to stage 3	(642)	(444)	1,086	-
New financing /disbursement during the year	19,054	3,625	118	22,797
Derecognised/converted to loans/financing during the period (other than write-offs)	(10,927)	(5,401)	(740)	(17,068)
Changes in credit risk parameters	(6,073)	(7,574)	16,961	3,314
ECL as at 30 September 2019	<u>56,130</u>	<u>28,387</u>	<u>24,938</u>	<u>109,455</u>

30-Sep-19

	Company			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Loss allowance as at 1 January 2019	413	198	5,858	6,469
Charge to profit or loss (Note A23)	(109)	70	(343)	(382)
Changes in ECL				
- Transfer to stage 1	7	(7)	-	-
- Transfer to stage 2	(36)	162	(126)	-
- Transfer to stage 3	(2)	(12)	14	-
New financing /disbursement during the year	-	-	-	-
Derecognised/converted to loans/financing during the period (other than write-offs)	(38)	(58)	(193)	(289)
Changes in credit risk parameters	(40)	(15)	(38)	(93)
ECL as at 30 September 2019	<u>304</u>	<u>268</u>	<u>5,515</u>	<u>6,087</u>

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

A17. Other payables (continued)

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

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	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	53,130	36,829	10,453	100,412
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	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	413	198	5,858	6,469

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

A18. Income derived from investment of general investment deposits and Islamic capital funds

	Group			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Financing	583,461	566,544	1,726,360	1,708,976
Income from securities	91,457	44,270	220,973	127,223
Deposits with financial institutions	22,197	29,942	105,413	102,798
	<u>697,115</u>	<u>640,756</u>	<u>2,052,746</u>	<u>1,938,997</u>

	Company			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Financing	-	(12,195)	-	547,870
Profit income from Sukuk Commodity Murabahah	-	-	-	27,348
Income from securities	-	-	-	30,095
Deposits with financial institutions	-	-	-	33,247
	<u>-</u>	<u>(12,195)</u>	<u>-</u>	<u>638,560</u>

A19. Interest income

	Group			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	37,127	45,560	111,133	166,864
- Deposits and placements with banks and other financial institutions	1,923	9,674	5,714	31,580
	<u>39,050</u>	<u>55,234</u>	<u>116,847</u>	<u>198,444</u>

	Company			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	24,990	34,774	76,424	135,649
- Deposits and placements with banks and other financial institutions	1,923	9,674	5,714	31,580
	<u>26,913</u>	<u>44,448</u>	<u>82,138</u>	<u>167,229</u>

A20. Interest expense

	Group and Company			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	-	273	-	430
Others	5	(3,441)	15	21,397
	<u>5</u>	<u>(3,168)</u>	<u>15</u>	<u>21,827</u>

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

A21. Net other income

	Group			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Rental income	30	46	123	133
Revenue from hotel operations	617	1,805	2,976	5,015
Loan related fees	2,752	13,660	7,980	23,879
Insurance commission	2,941	2,752	9,090	10,324
Gain from sale of FVOCI	7,998	1,774	37,066	6,506
Sundry income	1,286	(7)	22,869	2,768
(Loss)/gain from disposal of:				
Property and equipment	-	(61)	-	(86)
Foreclosed properties	(242)	-	7,749	-
Inventories	-	-	-	100
	<u>15,382</u>	<u>19,969</u>	<u>87,853</u>	<u>48,639</u>

	Company			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Rental income	951	5	5,705	10
Loan related fees	4,524	10,990	13,106	15,753
Insurance commission	1	12	8	3,474
Gain from sale of FVOCI	-	-	-	2,948
Sundry income /(expenses)	10,740	33	32,490	(1,683)
(Loss)/gain from disposal of:				
Property and equipment	-	(58)	-	(83)
Foreclosed properties	(242)	-	7,749	-
Inventories	-	-	-	100
	<u>15,974</u>	<u>10,982</u>	<u>59,058</u>	<u>20,519</u>

A22. Other operating expenses

	Group			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Personnel expenses *	37,997	60,562	165,520	165,155
Establishment related expenses	18,982	20,027	46,684	29,752
General administrative expenses	9,042	13,801	33,779	59,977
Promotion and marketing related expenses	2,831	1,824	7,346	6,202
Commission fees	8,516	13,846	25,539	28,599
	<u>77,368</u>	<u>110,060</u>	<u>278,868</u>	<u>289,685</u>

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

A22. Other operating expenses (continued)

	Company			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Personnel expenses *	(4,771)	(181)	(4,161)	43,827
Establishment related expenses	388	3,573	1,343	7,724
General administrative expenses	1,475	6,591	5,801	27,492
Promotion and marketing related expenses	-	25	-	1,764
Intercompany charges	5,980	-	17,942	-
Commission fees	173	5,281	324	12,461
	<u>3,245</u>	<u>15,289</u>	<u>21,249</u>	<u>93,268</u>

Included in the other operating expenses:

	Group			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	1,914	2,215	6,579	6,599
Amortisation of intangible assets	5,902	4,506	16,184	9,290
Depreciation of right use of assets	2,596	-	6,503	-

Included in the other operating expenses:

	Company			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	116	1,452	348	1,688
Amortisation of intangible assets	-	-	-	1,733

*** Personnel expenses**

	Group			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	28,982	45,571	127,627	126,004
Pension costs - Employees Provident Fund	4,727	7,527	21,680	20,565
Social security costs	436	668	1,236	1,033
Directors fees	1,688	87	3,492	2,687
Shariah Committee remuneration	123	151	357	168
Other staff related expenses	2,041	6,558	11,128	14,698
	<u>37,997</u>	<u>60,562</u>	<u>165,520</u>	<u>165,155</u>

*** Personnel expenses**

	Company			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	(5,700)	(261)	(5,700)	31,698
Pension costs - Employees Provident Fund	-	2	-	5,350
Social security costs	-	280	-	292
Directors fees	929	(458)	1,536	1,531
Other staff related expenses	-	256	3	4,956
	<u>(4,771)</u>	<u>(181)</u>	<u>(4,161)</u>	<u>43,827</u>

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

A23. ECL charged/(written back)

30-Sep-19

	Group			
	3rd Quarter Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial investments at FVOCI	(5)	-	-	(5)
Financial investments at amortised cost	2	-	-	2
Loans, financing and advances (Note A13(ix))	28,359	(32,388)	74,762	70,733
Other receivables	-	-	13,200	13,200
Financing commitments and financial guarantee (Note A17)	2,120	(11,962)	7,802	(2,040)
	30,476	(44,350)	95,764	81,890
Impaired financing and advances:				
- Write off	-	-	922	922
- Recovered	-	-	(2,130)	(2,130)
	-	-	(1,208)	(1,208)
	30,476	(44,350)	94,556	80,682

	Group			
	Nine Months Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial investments at FVOCI	13	-	-	13
Financial investments at amortised cost	2	-	-	2
Loans, financing and advances (Note A13(ix))	99,097	(10,762)	181,427	269,762
Other receivables	-	-	49,858	49,858
Financing commitments and financial guarantee (Note A17)	3,000	(8,442)	14,485	9,043
	102,112	(19,204)	245,770	328,678
Impaired financing and advances:				
- Write off	-	-	7,924	7,924
- Recovered	-	-	(10,478)	(10,478)
	-	-	(2,554)	(2,554)
	102,112	(19,204)	243,216	326,124

30-Sep-19

	Company			
	3rd Quarter Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Loans, financing and advances (Note A13(ix))	(309)	(11,930)	(11,143)	(23,382)
Amount due from subsidiaries	-	-	983	983
Financing commitments and financial guarantee (Note A17)	(12)	106	(398)	(304)
	(321)	(11,824)	(10,558)	(22,703)
Impaired financing and advances:				
- Write off	-	-	329	329
- Recovered	-	-	(33)	(33)
	-	-	296	296
	(321)	(11,824)	(10,262)	(22,407)

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

A23. ECL charged/(written back) (continued)

30-Sep-19

	Company			
	Nine Months Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Loans, financing and advances (Note A13(ix))	611	(18,822)	(16,117)	(34,328)
Amount due from subsidiaries	-	-	4,483	4,483
Other receivables	-	-	12,000	12,000
Financing commitments and financial guarantee (Note A17)	(109)	70	(343)	(382)
	<u>502</u>	<u>(18,752)</u>	<u>23</u>	<u>(18,227)</u>
Impaired financing and advances:				
- Write off	-	-	3,455	3,455
- Recovered	-	-	(2,188)	(2,188)
	<u>-</u>	<u>-</u>	<u>1,267</u>	<u>1,267</u>
	<u>502</u>	<u>(18,752)</u>	<u>1,290</u>	<u>(16,960)</u>

30-Sep-18

	Group			
	3rd Quarter Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial investments at amortised cost	8	-	-	8
Loans, financing and advances	(73,394)	56,451	86,334	69,391
Financial assets held-for-sale	25	4,991	(20,018)	(15,002)
Other receivables	-	-	11,724	11,724
	<u>(73,361)</u>	<u>61,442</u>	<u>78,040</u>	<u>66,121</u>
Impaired financing and advances:				
- Write off	-	-	7,356	7,356
- Recovered	-	-	(2,917)	(2,917)
	<u>-</u>	<u>-</u>	<u>4,439</u>	<u>4,439</u>
	<u>(73,361)</u>	<u>61,442</u>	<u>82,479</u>	<u>70,560</u>

	Group			
	Nine Months Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial investments at amortised cost	8	-	-	8
Loans, financing and advances	(220,053)	(39,710)	299,700	39,937
Financial assets held-for-sale	12	4,811	(9,090)	(4,267)
Trade receivables	-	-	(8)	(8)
Other receivables	-	-	33,903	33,903
	<u>(220,033)</u>	<u>(34,899)</u>	<u>324,505</u>	<u>69,573</u>
Impaired financing and advances:				
- Write off	-	-	14,315	14,315
- Recovered	-	-	(21,316)	(21,316)
	<u>-</u>	<u>-</u>	<u>(7,001)</u>	<u>(7,001)</u>
	<u>(220,033)</u>	<u>(34,899)</u>	<u>317,504</u>	<u>62,572</u>

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

A23. ECL charged/(written back) (continued)

30-Sep-18

	Company			
	3rd Quarter Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Loans, financing and advances	(3,505)	(2,023)	(10,319)	(15,847)
Financial assets held-for-sale	24	3,418	17,276	20,718
Financing to subsidiaries	-	-	(640)	(640)
Amount due from subsidiaries	-	-	3,485	3,485
	(3,481)	1,395	9,802	7,716
Impaired financing and advances:				
- Write off	-	-	2,769	2,769
- Recovered	-	-	(907)	(907)
	-	-	1,862	1,862
	(3,481)	1,395	11,664	9,578

	Company			
	Nine Months Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Loans, financing and advances	(32,818)	(95,174)	63,086	(64,906)
Financial assets held-for-sale	17	4,383	7,358	11,758
Other receivables	-	-	17,589	17,589
Financing to subsidiaries	-	-	4,588	4,588
Amount due from subsidiaries	-	-	5,778	5,778
	(32,801)	(90,791)	98,399	(25,193)
Impaired financing and advances:				
- Write off	-	-	8,208	8,208
- Recovered	-	-	(5,310)	(5,310)
	-	-	2,898	2,898
	(32,801)	(90,791)	101,297	(22,295)

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

A24. 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.

Group	Gross Positive		Credit equivalent amount	Risk weighted amount
	Principal amount	Fair Value - Derivative Contract		
30-Sep-19	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	176,104	-	167,024	167,024
Trade-related contingencies	96,744	-	48,372	48,372
Short Term Self Liquidating trade related contingencies	31,925	-	6,385	6,385
Irrevocable commitments to extend credit:				
- one year or less	1,230,670	-	251,575	251,575
- over one year to five years	3,874,481	-	1,932,183	1,883,059
- over five years	145,000	-	72,500	72,500
Foreign exchange related contracts				
- one year or less	234,158	108	3,618	842
	<u>5,789,082</u>	<u>108</u>	<u>2,481,657</u>	<u>2,429,757</u>

Company	Gross Positive		Credit equivalent amount	Risk weighted amount
	Principal amount	Fair Value - Derivative Contract		
30-Sep-19	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	4,141	-	1,623	1,623
Trade-related contingencies	2,939	-	1,469	1,469
Irrevocable commitments to extend credit:				
- over one year to five years	23,358	-	8,681	6,432
	<u>30,438</u>	<u>-</u>	<u>11,773</u>	<u>9,524</u>

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

A24. Commitments and contingencies (continued)

Group	Gross Positive		Credit equivalent amount	Risk weighted amount
	Principal amount	Fair Value - Derivative Contract		
31-Dec-18	RM'000	RM'000	RM'000	RM'000
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>

Company	Gross Positive		Credit equivalent amount	Risk weighted amount
	Principal amount	Fair Value - Derivative Contract		
31-Dec-18	RM'000	RM'000	RM'000	RM'000
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

	Group and Company	
	30-Sep-19	31-Dec-18
	RM'000	RM'000
Property and equipment:		
- Approved and contracted for	17,979	60,203
	<u>17,979</u>	<u>60,203</u>

A25. 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 fixed for trial on 30th and 31st January 2020.

The court vacated the case management on 13 November 2019 and further fixed for mediation on 2 December 2019.

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 had referred the matter with respect to Lot 31632 PM 416 to the High Court of Shah Alam on 14 November 2018 and the case management was fixed on 14 December 2018.

The Court fixed the next case management on 29 January 2019 to deliberate on the status of the other two Lots i.e. Lot 31633 PM 417 and Lot 31634 PM 418 which were jointly heard at JKPTG but has yet to be referred to the court. The Company’s solicitors have applied to the Court to consolidate all three (3) matters in order to be heard together.

The court fixed hearing date for the consolidation application to 11 June 2019 and case management for all three cases to 9 July 2019. The Court fixed the next case management on 10 October 2019 and the parties are in the midst of exchanging the cause papers.

The Court fixed this matter for trial on 29 January 2020.

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

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

A26. Segmental information on revenue and results

Group	Banking RM'000	Hotel Operations RM'000	Eliminations RM'000	Consolidated RM'000
3 months ended 30 September 2019				
External sales	813,298	617	-	813,915
Intersegment transactions	8,905	996	(9,901)	-
Total revenue	<u>822,203</u>	<u>1,613</u>	<u>(9,901)</u>	<u>813,915</u>
Segment results	180,609	(19,151)	23,583	<u>185,041</u>
Profit before taxation and zakat from operations				<u>185,041</u>
Segment assets	58,797,348	52,795	(8,297,628)	<u>50,552,515</u>
Consolidated total assets				<u>50,552,515</u>
Segment liabilities	46,530,205	229,306	(4,454,371)	<u>42,305,140</u>
Consolidated total liabilities				<u>42,305,140</u>
3 months ended 30 September 2018				
External sales	784,601	1,804	-	786,405
Intersegment transactions	6,960	991	(7,951)	-
Total revenue	<u>791,561</u>	<u>2,795</u>	<u>(7,951)</u>	<u>786,405</u>
Segment results	142,539	(4,771)	23,092	<u>160,860</u>
Profit before taxation and zakat from operations				<u>160,860</u>
Segment assets	51,921,546	65,132	(5,584,220)	<u>46,402,458</u>
Consolidated total assets				<u>46,402,458</u>
Segment liabilities	40,463,600	203,570	(1,850,626)	<u>38,816,544</u>
Consolidated total liabilities				<u>38,816,544</u>

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

A26. Segmental information on revenue and results (continued)

Group	Hotel			Consolidated RM'000
	Financing RM'000	Operations RM'000	Eliminations RM'000	
9 months ended 30 Sep 2019				
External sales	2,412,636	2,976	-	2,415,612
Intersegment transactions	26,093	2,900	(28,993)	-
Total revenue	<u>2,438,729</u>	<u>5,876</u>	<u>(28,993)</u>	<u>2,415,612</u>
Segment results	400,653	(31,105)	69,899	<u>439,447</u>
Profit before taxation and zakat from operations				<u>439,447</u>
Segment assets	58,797,348	52,795	(8,297,628)	<u>50,552,515</u>
Consolidated total assets				<u>50,552,515</u>
Segment liabilities	46,530,205	229,306	(4,454,371)	<u>42,305,140</u>
Consolidated total liabilities				<u>42,305,140</u>
9 months ended 30 Sep 2018				
External sales	2,390,571	5,014	-	2,395,585
Intersegment transactions	23,613	2,937	(26,550)	-
Total revenue	<u>2,414,184</u>	<u>7,951</u>	<u>(26,550)</u>	<u>2,395,585</u>
Segment results	627,847	(15,379)	82,489	<u>694,957</u>
Profit before taxation and zakat from operations				<u>694,957</u>
Segment assets	51,921,546	65,132	(5,584,220)	<u>46,402,458</u>
Consolidated total assets				<u>46,402,458</u>
Segment liabilities	40,463,600	203,570	(1,850,626)	<u>38,816,544</u>
Consolidated total liabilities				<u>38,816,544</u>

A27. Subsequent events

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

A28. Changes in the composition of the group

There were no changes in the composition of the Group in the current quarter.

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

A29. Acquisition/disposal of property and equipment

	Group As at 30-Sep-19 RM'000
Additions	
Building in progress	42,224
Building renovation	1,991
Furniture & equipment	771
Motor vehicle	317
Data processing equipment	5,709
	<u>51,012</u>
Disposals	
Building renovation	(6)
Furniture & equipment	(2,329)
	<u>(2,335)</u>

A30. Significant related party transactions

	Group	
	30-Sep-19 RM'000	30-Sep-18 RM'000
(i) Transactions and balances with Employees Provident Fund ("EPF"), the ultimate holding body:		
Expenses		
Profit expense paid on Sukuk	42,544	42,443
Profit expense paid on Fixed deposit	53,182	2,415
Rental expense	216	216
	<u> </u>	<u> </u>
Balances		
Sukuk - MBSB SC Murabahah	1,126,534	1,121,154
Accrued profit on Sukuk	22,110	21,878
Fixed deposit by EPF	1,800,000	100,000
Accrued profit on fixed deposit	29,605	594
Rental deposit	97	97
	<u> </u>	<u> </u>
(ii) Transactions and balances with RHB Banking Group of companies, being companies directly controlled by EPF:		
Income/(expense)		
Profit from deposit placements	-	1,742
Profit to depositors	(1,393)	-
	<u> </u>	<u> </u>
Balances		
Cash and short-term funds	37,236	135,473
Deposits and placements with banks and other financial institutions	74,097	801,878
	<u> </u>	<u> </u>
(iii) Collectively, but not individually, significant transactions and balances with other related parties:		
Income/(expense)		
Profit from financing	15,252	18,887
Profit to depositors	(1,628)	(70,924)
	<u> </u>	<u> </u>
Balances		
Financing	303,592	520,661
Deposit from customers	182,233	752,013
	<u> </u>	<u> </u>

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

A31. 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	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
<u>Common Equity Tier 1 Capital</u>						
Ordinary share capital	6,941,542	6,682,102	4,625,859	4,625,859	4,625,859	4,625,859
Retained earnings	1,086,629	1,394,126	324,226	324,226	259,543	259,543
Other reserve	178,443	16,873	177,514	15,942	177,514	15,942
Less: Interim and/or final dividend declared	-	(307,497)	-	-	-	-
	<u>8,206,614</u>	<u>7,785,604</u>	<u>5,127,599</u>	<u>4,966,027</u>	<u>5,062,916</u>	<u>4,901,344</u>
Less : Common Equity Tier 1 regulatory adjustments						
Goodwill and bargain purchase gains	(188,790)	(188,790)	-	-	-	-
Cumulative gains of Investment securities at FVOCI	(119,025)	(8,136)	(119,025)	(8,152)	(119,025)	(8,152)
Regulatory reserve attributable to financing	-	-	(5,234)	(5,234)	(5,234)	(5,234)
Other intangibles	(116,012)	(104,723)	(116,005)	(104,692)	(116,005)	(104,692)
Total Common Equity Tier 1 Capital	<u>7,782,787</u>	<u>7,483,955</u>	<u>4,887,335</u>	<u>4,847,949</u>	<u>4,822,652</u>	<u>4,783,266</u>
<u>Tier 1 Capital</u>						
Additional Tier 1 capital instruments	-	-	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-	-	-
Total Tier 1 capital	<u>7,782,787</u>	<u>7,483,955</u>	<u>4,887,335</u>	<u>4,847,949</u>	<u>4,822,652</u>	<u>4,783,266</u>
<u>Tier II Capital</u>						
Stage 1 & Stage 2 expected credit loss allowances	506,253	478,878	472,069	445,089	505,708	480,046
Total Tier II capital	<u>506,253</u>	<u>478,878</u>	<u>472,069</u>	<u>445,089</u>	<u>505,708</u>	<u>480,046</u>
Total capital base	<u>8,289,040</u>	<u>7,962,833</u>	<u>5,359,404</u>	<u>5,293,038</u>	<u>5,328,360</u>	<u>5,263,312</u>

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

	Group		Bank Group		Bank	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
<u>Total risk weighted assets ("RWA")</u>						
- Credit risk	40,500,208	38,310,259	37,765,488	35,607,133	40,456,651	38,403,661
- Market risk	11,725	2,136	11,725	2,136	11,725	2,136
- Operational risk	2,354,686	2,268,538	1,135,212	619,526	1,046,384	573,889
Total RWA	<u>42,866,619</u>	<u>40,580,933</u>	<u>38,912,425</u>	<u>36,228,795</u>	<u>41,514,760</u>	<u>38,979,686</u>
<u>Capital ratios</u>						
Common equity tier 1 capital	18.156%	18.442%	12.560%	13.381%	11.617%	12.271%
Tier 1 capital	18.156%	18.442%	12.560%	13.381%	11.617%	12.271%
Total capital ratio	<u>19.337%</u>	<u>19.622%</u>	<u>13.773%</u>	<u>14.610%</u>	<u>12.835%</u>	<u>13.503%</u>

PERFORMANCE REVIEW FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

B1. Performance review of the Group

(a) Financing

Variation of Results against Preceding Year Corresponding Quarter

	Current	Preceding	Changes	
	Year	Year	RM'000	%
	Quarter	Corresponding		
	30-Sep-19, 3Q19	30-Sep-18, 3Q18		
	RM'000	RM'000	RM'000	%
Personal financing	20,341,035	21,129,781	(788,746)	-3.7%
Corporate loans and financing	10,059,520	9,154,692	904,828	9.9%
Property financing and mortgage loans	5,902,966	5,320,338	582,628	11.0%
Auto financing	194,419	247,330	(52,911)	-21.4%
Total gross loans, financing and advances	<u>36,497,940</u>	<u>35,852,141</u>	<u>645,799</u>	<u>1.8%</u>

Variation of Results against Immediate Preceding Quarter

	Current	Preceding	Changes	
	Year	Quarter	RM'000	%
	Quarter	Quarter		
	30-Sep-19, 3Q19	30-June-19, 2Q19		
	RM'000	RM'000	RM'000	%
Personal financing	20,341,035	20,372,495	(31,460)	-0.2%
Corporate loans and financing	10,059,520	9,942,476	117,044	1.2%
Property financing and mortgage loans	5,902,966	5,714,103	188,863	3.3%
Auto financing	194,419	208,037	(13,618)	-6.5%
Total gross loans, financing and advances	<u>36,497,940</u>	<u>36,237,111</u>	<u>260,829</u>	<u>0.7%</u>

The Group gross loans, financing and advances increased by 1.8% and 0.7% compared to 3Q18 and 2Q19 respectively. The increase 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, 3Q18 and previous quarter, 2Q19 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 – The portfolio continues to grow and contributed most of the disbursement for the Group.
- (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.

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

B1. Performance review of the Group (continued)

(b) Income statement

Current Year Quarter vs Preceding Year Corresponding Quarter

	Current Year Quarter 30/09/2019, 3Q19 RM'000	Preceding Year Corresponding Quarter 30/09/2018, 3Q18 RM'000	Changes	
			RM'000	%
Revenue	813,915	786,405	27,510	3.5%
Other operating expenses	(77,368)	(110,060)	32,692	-29.7%
Operating profit	265,723	231,420	34,303	14.8%
ECL	(80,682)	(70,560)	(10,122)	14.3%
Profit before tax	<u>185,041</u>	<u>160,860</u>	24,181	15.0%
Profit after tax	<u>170,159</u>	<u>121,963</u>	48,196	39.5%
Profit attributable to ordinary equity holders of the Parent	<u>170,159</u>	<u>121,963</u>	48,196	39.5%
Cost to income ratio	22.6%	32.2%		

Current Year Quarter vs Immediate Preceding Quarter

	Current Year Quarter 30/09/2019, 3Q19 RM'000	Preceding Quarter 30/06/2019, 2Q19 RM'000	Changes	
			RM'000	%
Revenue	813,915	817,660	(3,745)	-0.5%
Other operating expenses	(77,368)	(105,345)	27,977	-26.6%
Operating profit	265,723	230,969	34,754	15.0%
ECL	(80,682)	(92,421)	11,739	-12.7%
Profit before tax	<u>185,041</u>	<u>138,548</u>	46,493	33.6%
Profit after tax	<u>170,159</u>	<u>106,225</u>	63,934	60.2%
Profit attributable to ordinary equity holders of the Parent	<u>170,159</u>	<u>106,225</u>	63,934	60.2%
Cost to income ratio	22.6%	31.3%		

The Group profit before tax for 3Q19 increased by 15.0% and 33.6% compared to 3Q18 and 2Q19 respectively. The increase was mainly due to higher operating profit in the current quarter.

The Group profit after tax for 3Q19 increased by 39.5% and 60.2% compared to 3Q18 and 2Q19 respectively. The increase was contributed by higher profit before tax as above and also due to reversal of prior year overprovision of tax expenses, after the Group has finalised taxation for 2018 during 3Q19.

ECL increased compared to 3Q18 due to unfavourable macroeconomic forecast that impacted stage 1 retail segment.

In contrast, ECL decreased compared to 2Q19 as macroeconomic forecast was comparatively more favourable and improved the lifetime ECL for retail segment.

The Group cost to income ratio for 3Q19 of 22.6% slightly regressed compared to 32.2% and 31.3% for 3Q18 and 2Q19 respectively due to lower personnel costs. The ratio remains below the industry average.

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

B1. Performance review of the Group (continued)

Contribution of major subsidiary of the Group

	Group	MBSB Bank		Group	MBSB Bank	
	Current	Current		Current	Current	
	Year	Year		Year	Year	
	Quarter	Quarter		to - Date	to - Date	
	30-Sep-19	30-Sep-19		30-Sep-19	30-Sep-19	
	RM'000	RM'000	Contribution	RM'000	RM'000	Contribution
Total assets	50,552,515	49,787,868	98.5%	50,552,515	49,787,868	98.5%
Total equity	8,247,375	5,225,100	63.4%	8,247,375	5,225,100	63.4%
Profit before tax	185,041	118,187	63.9%	439,447	261,387	59.5%
Profit after tax	170,159	57,428	33.7%	360,214	162,184	45.0%
Dividends	-	-	N/A	-	-	N/A
Gross return on equity	9.23%	9.34%		7.31%	12.19%	
Gross return on assets	1.54%	1.00%		1.22%	1.34%	

MBSB Bank Berhad ("MBSB Bank") is the biggest subsidiary in the Group. Total assets of MBSB Bank of RM 49.79 bil account for 98.5% of total assets of the Group while the equity accounts for 63.4% of total Group equity.

B2. Prospects

Brief overview and outlook of the Malaysian economy

GDP registered a higher growth of 4.9% in the second quarter of 2019 (1Q 2019: 4.5%), supported by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.0% (1Q 2019: 1.1%).

Domestic demand expanded by 4.6% in the second quarter (1Q 2019: 4.4%), supported by firm household spending and slightly higher private investment.

Private consumption expanded by 7.8% (1Q 2019: 7.6%), supported by continued income growth and festive spending during the quarter. Selected Government measures, such as the special Aidilfitri assistance and Bantuan Sara Hidup, also provided some lift to overall household spending.

After a strong growth in the first quarter of 2019 (6.3%), public consumption expanded marginally by 0.3%, due to lower spending on supplies and services.

Growth in gross fixed capital formation (GFCF) registered a smaller contraction of 0.6% (1Q 2019: -3.5%), driven by a slightly higher private investment growth amid a continued decline in public investment. By type of assets, investments in structures turned around to register a positive growth of 1.2% (1Q 2019: -1.3%), reflecting some improvement in the residential property segment. Capital expenditure on machinery and equipment recorded a smaller decline of 4.2% (1Q 2019: -7.4%), following higher spending on information and communications technology (ICT).

Private investment expanded at a faster pace of 1.8% (1Q 2019: 0.4%), supported by increased capital spending in the services and manufacturing sectors. Nonetheless, uncertainty surrounding global trade tensions and prevailing weaknesses in the broad property segment continued to weigh on the investment growth performance. Public investment registered a smaller contraction of 9.0% (1Q 2019: -13.2%), mainly reflecting higher fixed asset spending by the Federal Government which partially offset the continued weak investment by public corporations.

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

B2. Prospects (continued)

Overnight Policy Rate ("OPR") maintain to 3.00 percent

The Monetary Policy Committee ("MPC") of Bank Negara Malaysia decided to maintain the Overnight Policy Rate ("OPR") at 3.00 percent.

The global economy continues to expand moderately. Labour conditions in the advanced economies remain firm, while domestic demand continues to support growth in Asia. Leading indicators, however, point to a softening of the near term global economic outlook, with considerable downside risks remaining primarily from prolonged trade tensions. While the prospects of monetary easing in the major economies have somewhat eased global financial conditions, heightened policy uncertainty could lead to excessive financial market volatility.

The Malaysian economy grew within expectations in the first quarter of the year, supported by both domestic and external factors. Looking ahead, while the external sector performance is likely to be weighed down by slower global growth and trade tensions, economic growth will be supported by domestic demand. Household and capital spending will continue to be driven by stable labour market conditions and capacity expansion in key sectors such as manufacturing and services. The baseline projection remains within the range of 4.3% - 4.8%. This projection, however, is subject to downside risks from ongoing uncertainties in the global and domestic environment, worsening trade tensions and extended weakness in commodity-related sectors.

While headline inflation has remained low in the recent period, it is projected to rise in the coming months as the impact of the changes in consumption tax policy lapses. For 2019 as a whole, average headline inflation is expected to be broadly stable compared to 2018. The trajectory of headline inflation will be dependent on global oil prices and policy measures such as the timing of the lifting of the price ceiling on domestic retail fuel prices. Underlying inflation is expected to remain stable, supported by the continued expansion in economic activity and in the absence of strong demand pressures.

At the current level of the OPR, the stance of monetary policy remains accommodative and supportive of economic activity. The MPC will continue to assess the balance of risks to domestic growth and inflation, to ensure that the monetary policy stance remains conducive to sustainable growth amid price stability.

(Source: Extracted from BNM 'Monetary Policy Statement' press release, 9 July 2019)

B2. Prospects (continued)

Monetary and financial developments

Ringgit currency

During the first two months of the quarter, domestic financial markets were affected by cautious investor sentiments amid the moderating global growth outlook and escalations in global trade tensions. Domestically, potential reviews on Malaysia's inclusion in the FTSE Russell World Government Bond Index (WGBI) also weighed down sentiments in the domestic bond market. As a result, nonresident portfolio outflows of RM5.1 billion led the ringgit to depreciate by 1.5% against the US dollar during the quarter. Despite the weak sentiments, domestic bond and equity markets remained supported by sustained demand from domestic institutional investors throughout the quarter.

Domestic bond

Towards the end of the quarter, the performance of domestic bond and equity markets were lifted by a recovery in investor sentiments. In June, expectations of monetary policy easing by major central banks led to an improvement in global investor risk appetite, which spurred a recovery in non-resident portfolio inflows. As a result, the FBM KLCI increased by 1.7% in the second quarter to close at 1,672.1 points as at end-June (end-March 2019: 1,643.6 points) and the 3-year, 5-year and 10-year MGS yields declined by 8.5, 10.8 and 12.3 basis points, respectively.

Liquidity condition

The level of surplus liquidity placed with the Bank decreased, reflecting the net outflows during the quarter. Notwithstanding this, liquidity conditions remained sufficient in the banking system at both the system-wide and institutional levels, with most banks continuing to maintain surplus liquidity positions with the Bank.

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

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)

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

B2. Prospects (continued)

The Group's prospects

Since the acquisition of Asian Finance Bank Berhad, now known as MBSB Bank Berhad in 2018, the investments of the Group have been upgraded to improve the delivery of products and services at various channels including internet and mobile banking. These investments include upgrade and enhancement of information technology infrastructure and services, people resources and upgrading of branches.

The Group continues the focus to expand the corporate business, to reach the desired corporate retail portfolio mix. As a new Islamic banking group in the industry, the Group is looking forward to expand its products and services which include trade finance, wealth management and internet and mobile banking to cater various segments of customers and depositors.

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

B3. Variance from profit forecast

No significant variation.

B4. Taxation

	Group			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Current income tax	51,479	54,647	128,204	166,538
Over provision in prior years	(37,384)	-	(37,384)	-
	<u>14,095</u>	<u>54,647</u>	<u>90,820</u>	<u>166,538</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(42)	(15,750)	(15,588)	-
	<u>(42)</u>	<u>(15,750)</u>	<u>(15,588)</u>	<u>-</u>
Total income tax expense	<u>14,053</u>	<u>38,897</u>	<u>75,232</u>	<u>166,538</u>
	Company			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Current income tax	13,114	22,751	34,714	89,316
Over provision in prior years	(62,425)	-	(62,425)	-
	<u>(49,311)</u>	<u>22,751</u>	<u>(27,711)</u>	<u>89,316</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	2,104	(12,454)	3,246	-
	<u>2,104</u>	<u>(12,454)</u>	<u>3,246</u>	<u>-</u>
Total income tax expense	<u>(47,207)</u>	<u>10,297</u>	<u>(24,465)</u>	<u>89,316</u>

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

B5. Status of corporate proposals

There are no pending corporate proposals.

B6. Borrowings and debts

Borrowings of the Group were as follows:

	Current Year Quarter 30 September 2019		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
Recourse obligation on financing sold	1,504,320	501,463	2,005,783
	<hr/>	<hr/>	<hr/>
	Preceding Year Corresponding Quarter		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
Recourse obligation on financing sold	2,076,995	73,141	2,150,136
	<hr/>	<hr/>	<hr/>

B7. Off balance sheet financial instruments

The details of the off balance sheet financial instruments are as per note A24.

B8. Material litigation

The details of the pending material litigation are as per note A25(i).

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.

	Group			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
Net profit attributable to shareholders for the period (RM'000)	170,159	121,963	360,214	524,443
Weighted average number of ordinary shares in issue ('000)	6,470,843	6,187,938	6,451,296	6,108,893
Basic earnings per share (sen)	<hr/> 2.63	<hr/> 1.97	<hr/> 5.58	<hr/> 8.58

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

B9. Earning Per Share (continued)

Basic (continued)

	Company			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	109,322	11,239	161,428	239,897
Weighted average number of ordinary shares in issue ('000)	6,470,843	6,187,938	6,451,296	6,108,893
Basic earnings per share (sen)	<u>1.69</u>	<u>0.18</u>	<u>2.50</u>	<u>3.93</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").

	Group			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	170,159	121,963	360,214	524,443
Weighted average number of ordinary shares in issue ('000)	6,470,843	6,187,938	6,451,296	6,108,893
Adjusted for assumed conversion of ESOS ('000)	-	25	-	25
Adjusted weighted average number of ordinary shares in issue ('000)	<u>6,470,843</u>	<u>6,187,963</u>	<u>6,451,296</u>	<u>6,108,918</u>
Basic earnings per share (sen)	<u>2.63</u>	<u>1.97</u>	<u>5.58</u>	<u>8.58</u>

	Company			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	109,322	11,239	161,428	239,897
Weighted average number of ordinary shares in issue ('000)	6,470,843	6,187,938	6,451,296	6,108,893
Adjusted for assumed conversion of ESOS ('000)	-	25	-	25
Adjusted weighted average number of ordinary shares in issue ('000)	<u>6,470,843</u>	<u>6,187,963</u>	<u>6,451,296</u>	<u>6,108,918</u>
Basic earnings per share (sen)	<u>1.69</u>	<u>0.18</u>	<u>2.50</u>	<u>3.93</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 on 20 November 2019.

BY ORDER OF THE BOARD

Koh Ai Hoon
(MAICSA 7006997)
Tong Lee Mee
(MAICSA 7053445)
Joint Company Secretaries
Kuala Lumpur
20 November 2019