

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

INTERIM FINANCIAL STATEMENTS
OF THE GROUP AND OF THE COMPANY
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2018

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	Group		Company	
		31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Assets					
Cash and short-term funds	A8(a)	3,411,986	7,787,132	155,077	7,768,634
Deposits and placements with financial institutions	A8(b)	931,087	747,403	154,347	51,368
Derivative financial assets		67	-	-	-
Financial investments at fair value through other comprehensive income ("FVOCI")	A9	5,097,105	-	-	-
Financial investments available-for-sale	A10	-	3,171,913	-	3,171,913
Financial investments at amortised cost	A11	20,350	-	-	-
Sukuk Commodity Murabahah		-	-	-	3,245,851
Loans, financing and advances	A12	33,133,119	32,006,244	1,326,502	32,006,244
Financial investments held- for-sale	A13	-	38,409	-	38,409
Trade receivables		561	295	-	-
Other receivables	A14	243,047	218,413	148,672	539,955
Investments in subsidiaries		-	-	4,756,328	7,397
Inventories		102,432	103,242	-	900
Statutory deposits with Bank Negara Malaysia		1,053,000	-	-	-
Deferred tax assets		34,318	31,359	15,687	21,187
Tax recoverable		801,278	517,177	710,610	517,177
Investment properties		820	-	-	-
Land use rights		5,262	5,423	-	-
Property and equipment		297,567	168,504	24,831	34,096
Intangible assets		293,513	14,633	-	14,588
Total assets		45,425,512	44,810,147	7,292,054	47,417,719
Liabilities					
Deposits from customers	A15	24,209,449	25,526,548	-	25,526,548
Deposits and placements of banks and other financial institutions	A16	8,578,851	7,228,589	-	7,228,589
Trade payables		225	210	-	-
Derivative financial liabilities		2	-	-	-
Other payables	A17	650,767	377,327	239,669	3,278,537
Recourse obligation on loans/financing sold		2,135,518	2,238,167	-	2,238,167
Sukuk-MBSB Structured Covered ("SC") Murabahah		1,968,075	2,287,877	-	2,287,877
Provision for taxation and zakat		36,901	16,410	4,787	13,374
Deferred tax liabilities		60,120	10,156	-	-
Total liabilities		37,639,908	37,685,284	244,456	40,573,092
Equity					
Ordinary share capital		6,682,102	6,172,051	6,682,102	6,172,051
Reserves		16,873	(395)	6,261	(395)
Retained earnings		1,086,629	953,207	359,235	672,971
Total equity		7,785,604	7,124,863	7,047,598	6,844,627
Total Liabilities and Equity		45,425,512	44,810,147	7,292,054	47,417,719
Commitments and contingencies	A24	6,116,722	6,894,090	38,242	6,894,090
Net assets per share attributable to ordinary equity of the Company (RM)		1.25	1.20	1.13	1.16

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.

MALAYSIA BUILDING SOCIETY BERHAD (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 2018

	Note	Group			
		4th Quarter Ended		Twelve Months Ended	
		31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
		RM'000	RM'000	RM'000	RM'000
Revenue		750,352	818,274	3,145,937	3,259,763
Income derived from investment of general investment deposits and Islamic capital funds	A18	527,360	454,577	2,604,687	2,422,414
Income attributable to depositors		(315,983)	(301,425)	(1,272,930)	(1,077,119)
Income attributable to securitisation		(24,134)	(22,853)	(97,665)	(96,978)
Income attributable to sukuk		111,086	127,572	(107,299)	(122,675)
Net income from Islamic financing operations		298,329	257,871	1,126,793	1,125,642
Interest income	A19	18,352	69,786	216,796	427,821
Interest expense	A20	(6)	(2,730)	(21,832)	(152,299)
Net interest income		18,346	67,056	194,964	275,522
Operating income		316,675	324,927	1,321,757	1,401,164
Net other income	A21	11,830	53,234	53,963	80,584
Net income		328,505	378,161	1,375,720	1,481,748
Other operating expenses	A22	(82,700)	(47,812)	(406,280)	(289,800)
Operating profit		245,805	330,349	969,440	1,191,948
Impairment allowance	A23	(87,190)	(152,054)	(115,867)	(641,216)
Profit before taxation and zakat		158,615	178,295	853,573	550,732
Taxation		(31,636)	(42,312)	(198,173)	(121,735)
Zakat		(9,024)	(12,000)	(13,000)	(11,871)
Profit for the financial period		117,955	123,983	642,400	417,126
Profit attributable to:					
Owners of the Company		117,955	123,983	642,400	417,126
Earnings per share (sen)					
Basic		1.88	2.09	10.32	7.10
Diluted		1.88	2.09	10.32	7.10
Profit for the financial period		117,955	123,983	642,400	417,126
Other comprehensive income/(loss) :					
Other comprehensive income - FVOCI revaluation reserve, which may be reclassified subsequently to profit or loss		11,327	(5,118)	17,268	13,154
		11,327	(5,118)	17,268	13,154
Total comprehensive income for the financial period		129,282	118,865	659,668	430,280
Total comprehensive income attributable to:					
Owners of the Company		129,282	118,865	659,668	430,280
		129,282	118,865	659,668	430,280

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.

MALAYSIA BUILDING SOCIETY BERHAD (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 2018

	Note	Company			
		4th Quarter Ended		Twelve Months Ended	
		31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
		RM'000	RM'000	RM'000	RM'000
Revenue		(15,198)	756,172	812,513	3,008,175
Income derived from investment of general investment deposits and Islamic capital funds	A18	(32,164)	640,988	609,344	2,543,830
Income attributable to depositors		-	(301,425)	(304,799)	(1,077,119)
Income attributable to securitisation		-	(22,853)	(24,843)	(96,978)
Income attributable to sukuk		4,817	(79,661)	(69,836)	(329,908)
Net income from Islamic financing operations		(27,347)	237,049	209,866	1,039,825
Interest income	A19	7,301	60,071	174,530	390,566
Interest expense	A20	(6)	(2,730)	(21,832)	(152,299)
Net interest income		7,295	57,341	152,698	238,267
Operating income		(20,052)	294,390	362,564	1,278,092
Net other income	A21	28,022	51,084	45,593	73,282
Net income		7,970	345,474	408,157	1,351,374
Other operating expenses	A22	(17,285)	(46,888)	(120,917)	(273,307)
Operating profit		(9,315)	298,586	287,240	1,078,067
Impairment allowance	A23	(44,000)	(149,332)	(11,338)	(646,142)
Profit before taxation and zakat		(53,315)	149,254	275,902	431,925
Taxation and zakat		13,809	(40,140)	(75,507)	(115,786)
Zakat		-	(12,000)	-	(11,871)
Profit for the financial period		(39,506)	97,114	200,395	304,268
Profit attributable to:					
Owners of the Company		(39,506)	97,114	200,395	304,268
Earnings per share (sen)					
Basic		(0.63)	1.63	3.22	5.18
Diluted		(0.63)	1.63	3.22	5.18
Profit for the financial period		(39,506)	97,114	200,395	304,268
Other comprehensive income/(loss) :					
Other comprehensive income/(loss) - FVOCI revaluation reserve, which may be reclassified subsequently to profit or loss		10,596	(5,118)	6,656	13,154
		10,596	(5,118)	6,656	13,154
Total comprehensive income for the financial period		(28,910)	91,996	207,051	317,422
Total comprehensive income attributable to:					
Owners of the Company		(28,910)	91,996	207,051	317,422
		(28,910)	91,996	207,051	317,422

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

Group						Capital Redemption Reserve#3 ← Other Reserves →				Total
	Share Capital	Share Premium#1	Capital Reserve#2	Warrants Reserve	Redeemable Cumulative Preference Shares	Share Option Reserve	Available-for-sale Reserves/ FVOCI	Retained profits/ (Accumulated Losses)#4	RM'000	
	RM'000	RM'000	RM'000	RM'000	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)	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
Profit for the financial period	-	-	-	-	-	-	-	-	642,400	642,400
Other comprehensive income for the financial period	-	-	-	-	-	-	17,268	17,268	-	17,268
Total comprehensive income for the financial period	-	-	-	-	-	-	17,268	17,268	642,400	659,668
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 31 December 2018	6,682,102	-	-	-	-	6,261	10,612	16,873	1,086,629	7,785,604

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 (CONTINUED)

Group	Share Capital RM'000	Share Premium ^{#1} RM'000	Capital Reserve ^{#2} RM'000	Warrants Reserve RM'000	Capital Redemption Reserve ^{#3} Redeemable Cumulative Preference Shares RM'000	← Other Reserves →			Retained profits/ (Accumulated Losses) ^{#4} RM'000	Total RM'000
						Share Option Reserve RM'000	Available- for-sale Reserves/ FVOCI RM'000	Total RM'000		
Balance as at 1 January 2017	5,798,774	198,449	17,838	3,633	12,486	6,810	(19,810)	(13,000)	705,868	6,724,048
Profit for the financial period	-	-	-	-	-	-	-	-	417,126	417,126
Other comprehensive income for the financial period	-	-	-	-	-	-	13,154	13,154	-	13,154
Total comprehensive income for the financial period	-	-	-	-	-	-	13,154	13,154	417,126	430,280
Dividends	-	-	-	-	-	-	-	-	(173,963)	(173,963)
Issuance of ordinary shares pursuant to exercise of DRP	144,491	-	-	-	-	-	-	-	-	144,491
Issuance of ordinary shares pursuant to exercise of ESOS	13	-	-	-	-	(6)	-	(6)	-	7
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	-	-	(543)	-	(543)	543	-
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	-	-	-	-	-	-	-
Transfer of share premium to share capital	198,449	(198,449)	-	-	-	-	-	-	-	-
Transfer of warrant reserve to retained profits	-	-	-	(3,633)	-	-	-	-	3,633	-
Transfer of capital redemption reserve redeemable cumulative preference shares to share capital	12,486	-	-	-	(12,486)	-	-	-	-	-
Transfer of capital reserve to share capital	17,838	-	(17,838)	-	-	-	-	-	-	-
Balance as at 31 December 2017	6,172,051	-	-	-	-	6,261	(6,656)	(395)	953,207	7,124,863

1 Pursuant to subsection 618(3) and 618(4) of the Companies Act 2016 ("CA 2016"), the Group may exercise its right to use the credit amount being transferred from the share premium account within 24 months after the commencement of the CA 2016.

2 Capital reserve arose out of the transfer of Malaya Borneo Building Society Limited as at 29 February 1972 to the Company on 1 March 1972 via a Scheme of Arrangement.

3 Capital redemption reserve arose out of the redemption of redeemable cumulative preference shares of the Company.

4 Effects of adopting MFRS 9 amounted to RM271.9 million.

The interim financial statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 (CONTINUED)

Company	Share Capital RM'000	Share Premium ^{#1} RM'000	Capital Reserve ^{#2} RM'000	Warrants Reserve RM'000	Capital Redemption Reserve ^{#3} Redeemable Cumulative Preference Shares RM'000	← Other Reserves →			Retained profits/ (Accumulated Losses) ^{#4} RM'000	Total RM'000
						Share Option Reserve RM'000	Available- for-sale Reserves/ FVOCI RM'000	Total 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
Profit for the financial period	-	-	-	-	-	-	-	-	200,395	200,395
Other comprehensive loss for the financial period	-	-	-	-	-	-	6,656	6,656	-	6,656
Total comprehensive (loss)/income for the financial period	-	-	-	-	-	-	6,656	6,656	200,395	207,051
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 31 December 2018	6,682,102	-	-	-	-	6,261	-	6,261	359,235	7,047,598

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 (CONTINUED)

Company	Capital Redemption Reserve ^{#3}		← Other Reserves →		Retained profits/ (Accumulated Losses) ^{#4}	Total				
	Share Capital RM'000	Share Premium ^{#1} RM'000	Capital Reserve ^{#2} RM'000	Warrants Reserve RM'000			Share Option Reserve RM'000	Available-for-sale Reserves/ FVOCI RM'000	Total RM'000	
Balance as at 1 January 2017	5,798,774	198,449	17,838	3,633	12,486	6,810	(19,810)	(13,000)	538,490	6,556,670
Profit for the financial period	-	-	-	-	-	-	-	-	304,268	304,268
Other comprehensive income for the financial period	-	-	-	-	-	-	13,154	13,154	-	13,154
Total comprehensive income for the financial period	-	-	-	-	-	-	13,154	13,154	304,268	317,422
Dividends	-	-	-	-	-	-	-	-	(173,963)	(173,963)
Issuance of ordinary shares pursuant to exercise of DRP	144,491	-	-	-	-	-	-	-	-	144,491
Issuance of ordinary shares pursuant to exercise of ESOS	13	-	-	-	-	(6)	-	(6)	-	7
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	-	-	(543)	-	(543)	543	-
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	-	-	-	-	-	-	-
Transfer of share premium to share capital	198,449	(198,449)	-	-	-	-	-	-	-	-
Transfer of warrant reserve to retained profits	-	-	-	(3,633)	-	-	-	-	3,633	-
Transfer of capital redemption reserve redeemable cumulative preference shares to share capital	12,486	-	-	-	(12,486)	-	-	-	-	-
Transfer of capital reserve to share capital	17,838	-	(17,838)	-	-	-	-	-	-	-
Balance as at 31 December 2017	6,172,051	-	-	-	-	6,261	(6,656)	(395)	672,971	6,844,627

1 Pursuant to subsection 618(3) and 618(4) of the Companies Act 2016 ("CA 2016"), the Group may exercise its right to use the credit amount being transferred from the share premium account within 24 months after the commencement of the CA 2016.

2 Capital reserve arose out of the transfer of Malaya Borneo Building Society Limited as at 29 February 1972 to the Company on 1 March 1972 via a Scheme of Arrangement.

3 Capital redemption reserve arose out of the redemption of redeemable cumulative preference shares of the Company.

4 Effects of adopting MFRS 9 amounted to RM271.9 million.

The interim financial statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

	Group		Company	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	853,573	550,732	275,902	431,925
Adjustments for non-cash items	40,796	651,526	(67,184)	546,831
Operating profit before working capital changes	894,369	1,202,258	208,718	978,756
Working capital changes:				
Net changes in operating assets	(1,639,748)	(208,271)	751,118	(98,717)
Net changes in operating liabilities	(1,717,219)	2,194,692	(1,589,097)	1,815,532
Cash (used in)/generated from operations	(2,462,598)	3,188,679	(629,261)	2,695,571
Income taxes and zakat paid	(333,514)	(95,566)	(181,458)	(89,608)
Net cash (used in)/generated from operating activities	(2,796,112)	3,093,113	(810,719)	2,605,963
Cash flows from investing activities				
Arising from acquisition of MBSB Bank	181,076	-	(6,666,078)	-
Proceeds from financial assets held-for-sale	40,793	-	40,793	-
Purchase of property, plant and equipment	(136,942)	(37,832)	(1,736)	(3,723)
Purchase of intangible assets	(101,473)	(10,059)	(11,511)	(10,042)
Proceeds from disposal of foreclosed properties	-	3,315	-	3,315
Proceeds from disposal of property, plant and equipment	2,097	24	516	24
Purchase of financial investments at FVOCI and available-for-sale	(1,109,523)	(786,130)	(38,118)	(786,130)
Proceeds from sale of financial investments at amortised cost	31,168	-	-	-
Proceeds from maturity of Sukuk Commodity Murabahah	-	-	-	452,903
Net cash (used in)/generated from investing activities	(1,092,804)	(830,682)	(6,676,134)	(343,652)
Cash flows from financing activities				
Repayment of bank borrowings	-	(575,275)	-	(575,275)
Repayment from recourse obligation on loans/financing sold	(102,649)	(182,008)	(63,159)	(182,008)
Repayment of Sukuk - MBSB SC Murabahah	(320,036)	(327,926)	-	(327,926)
Dividends paid on ordinary shares	(307,497)	(173,963)	(307,497)	(173,963)
Net proceeds from issuance of ordinary shares	243,952	144,504	243,952	144,504
Net cash used in financing activities	(486,230)	(1,114,668)	(126,704)	(1,114,668)
Net (decrease)/increase in cash and cash equivalents	(4,375,147)	1,147,763	(7,613,557)	1,147,644
Cash and cash equivalents at beginning of year	7,787,132	6,639,369	7,768,634	6,620,990
Cash and cash equivalents at end of year	3,411,986	7,787,132	155,077	7,768,634
Cash and cash equivalents is represented by:				
Cash and short-term funds	3,411,986	7,787,132	155,077	7,768,634

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018
- PART A - EXPLANATORY NOTES PURSUANT TO MFRS134

A1. Basis of preparation

The unaudited condensed interim financial statements for the financial quarter ended 31 December 2018 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/loans 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 2017. 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 2017.

The unaudited interim financial statements of the Group consolidated financial performance is relating to the Banking group which also comprises of MBSB Bank Berhad ("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 2017.

On 1 January 2018, where applicable, the Group adopted the following MFRSs and Amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2018:

Effective for annual periods commencing on or after 1 January 2018

- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- MFRS 9 Financial Instruments (2014)
- MFRS 15 Revenue from Contracts with Customers
- Classification to MFRS 15 Revenue from Contracts with Customers
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Transfer of Investment Property (Amendments to MFRS 140)

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

Impact of application of MFRS 9 Financial Instruments

The Group has adopted MFRS 9 on 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. As permitted by MFRS 9, the Company elected not to restate the comparative figures. Any adjustments to the carrying value of the financial assets and liabilities at the date of transition were recognized in the opening retained earnings and other reserves of the current period.

The adoption of MFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

The new impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income ("FVOCI"). Impairment is computed based on the exposure at default ("EAD"), which is based on the amounts the Company expects to be owned at the time of default, over the next 12 months, or the remaining lifetime ("Lifetime EAD").

At initial recognition, an impairment allowance is required for expected credit losses ("ECL") resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ("Lifetime ECL"). Financial assets where 12 month ECL is recognized are in "Stage 1", financial assets which are considered to have a significant increase in credit risk are in "Stage 2" and financial assets for which there is objective evidence of impairment and are considered impaired are in "Stage 3".

The estimation of ECL incorporates all available information relevant to the assessment, including information about past events, current conditions, and reasonable and supportable economic forecasts at reporting date. As a result, the recognition and measurement of impairment is intended to be more forward looking than under MFRS 139, and the resulting impairment change will tend to be more volatile.

Set out below are disclosures relating to the impact of adoption of MFRS9.

Classification and measurement of financial instruments

The reclassification for financial assets to new categories under MFRS9 in their previous categories had been "retired" with no changes to measurement basis:

- i) Those previously classified as available for sale are now classified as measured at FVOCI.
- ii) Those previously classified as loans, financing and receivables are now classified as measured at amortised cost.

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A1. Basis of preparation (continued)

Impact of application of MFRS 9 Financial Instruments (continued)

Reconciliation of new carrying values under MFRS 9 as at 1 January 2018

The following table reconciles the financial assets and liability carrying values established in accordance with MFRS 139 as at 31 December 2017 with the carrying values established in accordance with MFRS 9 as at 1 January 2018 as well as the impact of MFRS 9 adoption on income tax assets and liabilities.

Group	MFRS 139 carrying amounts as at 31 December 2017	Effects of adopting MFRS 9			MFRS 9 carrying amounts as at 1 January 2018
		Reclassification	Remeasurement	Tax impact	
Statement of Financial Position	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>					
Cash and short-term funds	7,787,132	-	-	-	7,787,132
Deposits and placements with financial institutions	747,403	-	-	-	747,403
Financial investments at fair value through other comprehensive income ("FVOCI")	-	3,171,913	-	-	3,171,913
Financial investments available-for-sale	3,171,913	(3,171,913)	-	-	-
Loans, advances and financing	32,006,244	-	(71,793)	-	31,934,451
Financial assets held- for-sale ("AHS")	38,409	-	(3,208)	-	35,201
Trade receivables	295	-	-	-	295
Other receivables	218,413	-	-	-	218,413
Inventories	103,242	-	-	-	103,242
Property, plant and equipment	168,504	-	-	-	168,504
Intangible assets	14,633	-	-	-	14,633
Land use rights	5,423	-	-	-	5,423
Deferred tax assets	31,359	-	-	70,406	101,765
Tax recoverable	517,177	-	-	-	517,177
Total assets	44,810,147	-	(75,001)	70,406	44,805,552
<u>Liabilities</u>					
Deposits from customers	32,755,137	-	-	-	32,755,137
Trade payables	210	-	-	-	210
Other payables	377,327	-	196,886	-	574,213
Recourse obligation on loan/financing sold	2,238,167	-	-	-	2,238,167
Sukuk-MBSB Structured Covered ("SC") Murabahah	2,287,877	-	-	-	2,287,877
Provision for taxation and zakat	16,410	-	-	-	16,410
Deferred tax liabilities	10,156	-	-	-	10,156
Total liabilities	37,685,284	-	196,886	-	37,882,170
<u>Equity</u>					
Ordinary share capital	6,172,051	-	-	-	6,172,051
Reserves	(395)	-	-	-	(395)
Retained earnings	953,207	-	(271,887)	70,406	751,726
Total equity	7,124,863	-	(271,887)	70,406	6,923,382
Total liabilities and shareholders' equity	44,810,147	-	(75,001)	70,406	44,805,552

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A1. Basis of preparation (continued)

Impact of application of MFRS 9 Financial Instruments (continued)

Reconciliation of new carrying values under MFRS 9 as at 1 January 2018 (cont'd.)

Company	MFRS 139 carrying amounts as at 31 December 2017	Effects of adopting MFRS 9			MFRS 9 carrying amounts as at 1 January 2018
		Reclassification	Remeasurement	Tax impact	
Statement of Financial Position	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>					
Cash and short-term funds	7,768,634	-	-	-	7,768,634
Deposits and placements with financial institutions	51,368	-	-	-	51,368
Financial investments at fair value through other comprehensive income ("FVOCI")	-	3,171,913	-	-	3,171,913
Financial investment available-for-sale	3,171,913	(3,171,913)	-	-	-
Sukuk Commodity Murabahah	3,245,851	-	-	-	3,245,851
Loans, advances and financing	32,006,244	-	(71,793)	-	31,934,451
Financial assets held- for-sale ("AHS")	38,409	-	(3,208)	-	35,201
Other receivables	539,955	-	-	-	539,955
Investments in subsidiaries	7,397	-	-	-	7,397
Inventories	900	-	-	-	900
Property, plant and equipment	34,096	-	-	-	34,096
Intangible assets	14,588	-	-	-	14,588
Deferred tax assets	21,187	-	-	65,253	86,440
Tax recoverable	517,177	-	-	-	517,177
Total assets	47,417,719	-	(75,001)	65,253	47,407,971
<u>Liabilities</u>					
Deposits from customers	32,755,137	-	-	-	32,755,137
Other payables	3,278,537	-	196,886	-	3,475,423
Recourse obligation on loan/financing sold	2,238,167	-	-	-	2,238,167
Sukuk-MBSB Structured Covered ("SC") Murabahah	2,287,877	-	-	-	2,287,877
Provision for taxation and zakat	13,374	-	-	-	13,374
Total liabilities	40,573,092	-	196,886	-	40,769,978
<u>Equity</u>					
Ordinary share capital	6,172,051	-	-	-	6,172,051
Reserves	(395)	-	-	-	(395)
Retained earnings	672,971	-	(271,887)	65,253	466,337
Total equity	6,844,627	-	(271,887)	65,253	6,637,993
Total liabilities and shareholders' equity	47,417,719	-	(75,001)	65,253	47,407,971

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A1. Basis of preparation (continued)

Impact of application of MFRS 9 Financial Instruments (continued)

On 2 April 2018, Islamic financial assets and liabilities were vested from MBSB to MBSB Bank at prevailing net position. Day-1 adjustments remained in the retained earnings of MBSB.

The preparation of the unaudited condensed interim financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the unaudited condensed interim financial statements, and the reported amounts of income and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and assumptions are based on the directors' best knowledge of current events and actions, actual results may differ from those estimates.

A2. Audit Report of Preceding Financial Year Ended 31 December 2017

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

On 2 April 2018, MBSB ("the Company") had via the First Tranche Transfer, transferred all of its Shariah-compliant assets and liabilities ("Identified A&L") to MBSB Bank Berhad ("MBSB Bank"), a wholly-owned subsidiary, as a going concern. The transfer of Identified A&L was implemented through a members' scheme of arrangement pursuant to section 366 of the Companies Act, 2016 by way of a Vesting Order dated 28 February 2018 from the High Court of Malaya. The Identified A&L comprised the following:

Identified A&L	Assets		Liabilities
	RM Million		RM Million
Cash & short terms funds	6,269	Deposits from customers	31,964
Net advances & financing	30,118	Securitisation - Cagamas	2,175
Financial instruments	3,210	Sukuk	2,316
Other assets	4,226	Other liabilities	3,275
	<u>43,823</u>		<u>39,730</u>
Net assets transferred	<u>4,093</u>		

The consideration for the above transfer was satisfied by an issuance of 4,093,329,268 new shares by MBSB Bank to the Company. Consequent to the First Tranche Transfer, the Sukuk Exchange was also completed following the successful issuance of the Structured Covered Sukuk (debt nature) by MBSB Bank in exchange for MBSB Covered Sukuk held by MBSB Sukukholders. Accordingly, Jana Kapital Sdn Bhd, the special purpose vehicle for the Sukuk programme, an investment being part of Identified A&L is now a wholly-owned subsidiary of MBSB Bank.

There are no exceptional or unusual items in the current quarter.

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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.

	No of ordinary shares '000	Share capital RM'000
At 1 January 2018	5,924,425	6,172,051
Issued at RM1.02 per share pursuant to Dividend Re-Investment Plan ("DRP")	239,168	243,952
Issued on 7 February 2018 pursuant to the acquisition of the entire equity interest in MBSB Bank formerly known as Asian Finance Bank Berhad	<u>225,508</u>	<u>266,099</u>
At 31 December 2018	<u>6,389,101</u>	<u>6,682,102</u>

A7. Dividend Paid

No dividend was paid in the current quarter.

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A8. Cash and short-term funds

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
(a) Cash and balances with banks and other financial institutions	262,346	265,196	72,070	250,492
Money at call and deposit placements maturing within one month	3,149,640	7,521,936	83,007	7,518,142
Total cash and short-term funds	3,411,986	7,787,132	155,077	7,768,634
(b) Deposits and placements with financial institutions with original maturity of more than one month				
Licensed Banks	931,087	747,403	154,347	51,368
Total cash and short-term funds and deposits and placements with financial institutions	4,343,073	8,534,535	309,424	7,820,002

A9. Financial investments at FVOCI

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
At fair value				
Money Market Instruments				
Malaysian Government Investment Issues	2,154,192	-	-	-
Debt securities:				
<u>In Malaysia</u>				
Private and Islamic debt securities	1,060,628	-	-	-
Government Guaranteed debt securities	1,882,285	-	-	-
	5,097,105	-	-	-

The instruments above are categorised as investment grade. The ECL/impairment allowance for the instruments above is RM nil due to the quality.

A10. Financial investment available-for-sale

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
At fair value				
Money Market Instruments				
Malaysian Government Investment Issues	-	1,111,691	-	1,111,691
Quoted securities:				
<u>In Malaysia</u>				
Private and Islamic debt securities	-	685,123	-	685,123
Government Guaranteed debt securities	-	1,375,099	-	1,375,099
	-	3,171,913	-	3,171,913

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A11. Financial investments at amortised cost

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
At amortised cost				
Quoted securities:				
<u>In Malaysia</u>				
Islamic Medium Term Notes	20,356	-	-	-
Less: ECL/Impairment allowance				
- Stage 1	(6)			
	<u>20,350</u>	<u>-</u>	<u>-</u>	<u>-</u>

There was no transfer of ECL/impairment allowance out of stage 1 during the year for the instruments above.

A12. Loans, financing and advances

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
(i) By type				
At amortised cost				
<i>Islamic:</i>				
<i>Term financing:</i>				
Property financing	4,340,081	2,372,817	-	2,372,817
Bridging financing	716,015	872,513	-	872,513
Hire purchase receivables	781,118	638,404	-	638,404
Auto finance	213,898	262,827	-	262,827
Personal financing	20,562,117	21,396,876	-	21,396,876
Other term financing	5,456,952	4,092,117	-	4,092,117
Trusts receipts	51,525	-	-	-
Staff financing	41,277	23,261	-	23,261
Revolving Credit	743,218	191,511	-	191,511
Others	138,473	-	-	-
<i>Conventional:</i>				
<i>End finance:</i>				
Normal housing programme	1,063,043	2,830,082	1,063,043	2,830,082
Low cost housing programme	3,367	15,596	3,367	15,596
Bridging financing	217,708	326,759	217,708	326,759
Auto finance	17,319	18,747	17,319	18,747
Other term financing	826,113	1,138,521	826,113	1,138,521
Staff financing	380	20,424	380	20,424
Revolving Credit	-	724	-	724
Gross loans, advances and financing	<u>35,172,604</u>	<u>34,201,179</u>	<u>2,127,930</u>	<u>34,201,179</u>
Less: Impairment allowance				
- Collective assessment allowance	-	(1,892,818)	-	(1,892,818)
- Individual assessment allowance	-	(302,117)	-	(302,117)
- Stage 1	(358,907)	-	(12,370)	-
- Stage 2	(550,621)	-	(94,982)	-
- Stage 3	(1,129,957)	-	(694,076)	-
Net loans, advances and financing	<u>33,133,119</u>	<u>32,006,244</u>	<u>1,326,502</u>	<u>32,006,244</u>

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A12. Loans, financing and advances (cont'd.)

(ii) By maturity structure

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Maturity within one year	2,196,230	1,028,128	715,288	1,028,128
More than one year to three years	1,792,653	1,655,580	22,541	1,655,580
More than three years to five years	2,073,320	2,123,963	133,570	2,123,963
More than five years	29,110,401	29,393,508	1,256,531	29,393,508
	<u>35,172,604</u>	<u>34,201,179</u>	<u>2,127,930</u>	<u>34,201,179</u>

(iii) By economic purpose

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Personal Use	20,579,030	21,417,605	-	21,417,605
Working Capital	3,670,967	2,563,760	153,494	2,563,760
Property development	4,539,065	4,031,832	423,262	4,031,832
Purchase of landed property:				
- Residential	5,110,712	4,937,712	988,731	4,937,712
- Non-Residential	355,995	301,205	78,060	301,205
Purchase of transport vehicles	233,883	284,109	17,319	284,109
Others	682,952	664,956	467,064	664,956
	<u>35,172,604</u>	<u>34,201,179</u>	<u>2,127,930</u>	<u>34,201,179</u>

(iv) By type of customers

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Domestic business enterprises				
- Small medium enterprise	2,722,949	2,540,062	301,772	2,540,062
- Government	240,301	-	-	-
- Non-bank financial institutions	536,644	-	-	-
- Others	5,562,252	4,850,648	791,348	4,850,648
Individuals	26,104,420	26,810,469	1,034,810	26,810,469
Foreign entities	6,038	-	-	-
	<u>35,172,604</u>	<u>34,201,179</u>	<u>2,127,930</u>	<u>34,201,179</u>

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A12. Loans, financing and advances (cont'd.)

(v) By sector

	Group		Company	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Household sectors	26,092,870	26,807,169	1,034,811	26,807,169
Agriculture	240,002	60,582	3,325	60,582
Mining and quarrying	60,008	6,063	-	6,063
Manufacturing	382,878	197,151	120,869	197,151
Electricity, gas and water	233,110	22,931	-	22,931
Construction	6,116,961	5,617,256	721,714	5,617,256
Purchase of landed property	17,557	-	-	-
Wholesale & retail trade and restaurants & hotels	168,282	51,550	3,625	51,550
Transport, storage and communication	124,403	82,440	2,283	82,440
Finance, insurance and business services	1,089,016	762,489	13,056	762,489
Education, health and others	647,421	593,548	228,247	593,548
Purchase of transport vehicles	86	-	-	-
Consumption credit	10	-	-	-
	35,172,604	34,201,179	2,127,930	34,201,179

(vi) By profit/interest rate sensitivity

	Group		Company	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Personal financing	18,976,550	20,598,230	-	20,598,230
Auto finance	233,797	284,109	17,319	284,109
Mortgage and property Islamic	568,200	667,953	3,233	667,953
Bridging, structured and term financing	1,185,663	1,291,123	262,717	1,291,123
Variable rate:				
Personal financing	1,602,482	819,376	-	819,376
Mortgage and property Islamic	4,859,937	4,570,963	1,063,557	4,570,963
Bridging, structured and term financing	7,745,975	5,969,425	781,104	5,969,425
	35,172,604	34,201,179	2,127,930	34,201,179

(vii) By geographical distribution

	Group		Company	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Malaysia	35,172,470	34,201,179	2,127,930	34,201,179
United Kingdom	134	-	-	-
	35,172,604	34,201,179	2,127,930	34,201,179

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A12. Loans, financing and advances (cont'd.)

(viii) Movement in gross loans, advances and financing

	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Gross carrying amount upon adoption of MFRS 9 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 (Note A13)	1,041	(1,055)	110,196	110,182
	<u>28,721,082</u>	<u>4,528,051</u>	<u>1,923,471</u>	<u>35,172,604</u>

(viii) Movement in gross loans, advances and financing (cont'd.)

	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Gross carrying amount upon adoption of MFRS 9 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 / disbursed during the year	2,258,165	373,830	18,500	2,650,495
Financing repaid 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 (Note A13)	365	(1,455)	(6,356)	(7,446)
	<u>406,208</u>	<u>590,545</u>	<u>1,131,177</u>	<u>2,127,930</u>

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A12. Loans, financing and advances (cont'd.)

(ix) Movement in the allowance for impairment for loans, advances and financing

	Group and Company	
	2018	2017
	RM'000	RM'000
Collective Impairment		
Balance as at 1 January	1,892,818	2,809,131
- effects of MFRS 9 adoption	(1,892,818)	-
- as restated	-	2,809,131
Impairment during the year (Note A23)	-	558,321
Reclassification to assets held-for-sale	-	(1,474,634)
Balance as at 31 December	-	1,892,818
Individual Impairment		
Balance as at 1 January	302,117	282,005
- effects of MFRS 9 adoption	(302,117)	-
- as restated	-	282,005
Impairment during the year (Note A23)	-	20,400
Written-off	-	(288)
Balance as at 31 December	-	302,117

	Group			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Impairment allowance upon adoption of MFRS 9 as at 1 January 2018	510,347	703,478	1,052,901	2,266,726
Acquisition of subsidiary	15,639	6,622	45,716	67,977
Charged to profit or loss (Note A23)	(167,780)	(160,399)	500,261	172,082
Changes in the impairment allowance				
- 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
Financing repaid 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 (Note A13)	701	920	106,298	107,919
ECL as at 31 December 2018	358,907	550,621	1,129,957	2,039,485

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A12. Loans, financing and advances (cont'd.)

(ix) Movement in the allowance for impairment for loans, financing and advances are as follows (cont'd.):

2018	Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Impairment allowance upon adoption of MFRS 9 as at 1 January 2018	510,347	703,478	1,052,901	2,266,726
Assets vested to MBSB Bank	(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 (Note A23)	(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 / disbursed during the year	66,471	45,562	15,918	127,951
Financing repaid 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 (Note A13)	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. The adjustment of the ECL amounting to RM50,757,000 was subsequently transferred to the MBSB Bank.

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A12. Loans, financing and advances (cont'd.)

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

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Balance as at 1 January	1,573,175	2,829,626	1,573,175	2,836,814
Acquisition of MBSB Bank	111,039	-	-	-
Assets vested to MBSB Bank	-	-	(735,137)	-
Classified as impaired during the period	899,111	757,166	584,168	749,978
Reclassified as non-impaired	(376,828)	(417,763)	(213,094)	(417,763)
Amount recovered	(106,598)	(85,696)	(58,903)	(85,696)
Amount written off	(286,624)	(288)	(12,676)	(288)
Reclassification (to)/from assets held-for-sale	110,196	(1,509,870)	(6,356)	(1,509,870)
Balance as at end of financial period	1,923,471	1,573,175	1,131,177	1,573,175
Collective assessment allowance	-	(2,121,500)	-	(2,121,500)
Individual assessment allowance	-	(251,226)	-	(251,226)
Stage 3 impairment allowance	(1,129,957)	-	(694,076)	-
Reclassification to assets held-for-sale	-	1,474,087	-	1,474,087
Net impaired financing and advances	793,514	674,536	437,101	674,536

* The collective allowance included in the computation of net impaired loans, advances and financing pertain to the collective allowance recognised on loans and financing categorised as impaired.

Net impaired loans as a percentage of net financing and advances	2.39%	2.11%	32.95%	2.11%
Gross impaired loans as a percentage of gross financing and advances	5.47%	4.60%	53.16%	4.60%

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

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Household sector	740,627	890,153	327,256	890,153
Agriculture	154	-	-	-
Mining and quarrying	38,891	150	-	150
Manufacturing	1,070	7,428	753	7,428
Finance, insurance and business services	12,602	1,965	998	1,965
Construction	795,663	572,979	581,836	572,979
Purchase of landed property	4,392	-	-	-
Wholesale & retail trade and restaurants & hotels	21,148	18,121	33	18,121
Transport, storage and communication	343	29	56	29
Education, health and others	308,577	82,350	220,245	82,350
Consumption credit	4	-	-	-
	1,923,471	1,573,175	1,131,177	1,573,175

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A13. Financial assets held- for-sale

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Balance as at 1 January	1,513,043	-	1,513,043	-
Reclassification from loans, advances and financing	-	1,513,043	-	1,513,043
Vested to MBSB Bank	-	-	(1,155,396)	-
	<u>1,513,043</u>	<u>1,513,043</u>	<u>357,647</u>	<u>1,513,043</u>
Transfer (to) / from loans and financing (Note A12 (viii))	(110,182)	-	7,446	-
Disposal during the year	(1,402,861)	-	(365,093)	-
Gross assets held-for-sale (Note A12(i))	<u>-</u>	<u>1,513,043</u>	<u>-</u>	<u>1,513,043</u>
<u>Less: impairment allowance</u>				
- Balance as at 1 January	(1,474,634)	-	(1,474,634)	-
- Reclassification from loans, advances and financing	-	(1,474,634)	-	(1,474,634)
- Effects of MFRS 9 adoption	(3,208)	-	(3,208)	-
	<u>(1,477,842)</u>	<u>(1,474,634)</u>	<u>(1,477,842)</u>	<u>(1,474,634)</u>
Vested to MBSB Bank	-	-	1,137,050	-
Net impairment for current period	4,359	-	(11,708)	-
Transfer (to) / from loans and financing (Note A12 (ix))	(107,919)	-	537	-
Disposal during the year	1,581,402	-	351,963	-
Total impairment allowance	<u>-</u>	<u>(1,474,634)</u>	<u>-</u>	<u>(1,474,634)</u>
Net assets held-for-sale	<u>-</u>	<u>38,409</u>	<u>-</u>	<u>38,409</u>

The sale of financial assets was concluded on 28 December 2018.

These financial assets sold were categorised according to their purpose as follows:

	Group RM'000	Company RM'000
Purchase of residential properties	362,073	329,781
Purchase of non-residential properties	36,430	35,312
Personal use	1,004,358	-
	<u>1,402,861</u>	<u>365,093</u>

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A14. Other receivables

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Financing to subsidiaries	-	-	-	305,140
Advances in respect of certain projects	463,009	416,848	-	-
Loan commitment fees	8,740	8,740	8,740	8,740
Amount due from subsidiaries	-	-	58,152	68,919
Foreclosed properties	133,505	135,405	133,505	135,405
Prepayments and deposits	11,915	72,417	8,633	71,655
Sundry receivables	132,987	45,891	41,116	40,847
Public Low Cost Housing Payment (PLCHP)	23,113	23,337	23,113	23,337
Deferred expenses due to issuance of Sukuk Commodity Murabahah	128	141	-	-
Deferred expenses due to issuance of Sukuk - MBSB SC Murabahah	2,470	2,733	-	2,733
	<u>775,867</u>	<u>705,512</u>	<u>273,259</u>	<u>656,776</u>
Less: Allowance for impairment	<u>(532,820)</u>	<u>(487,099)</u>	<u>(124,587)</u>	<u>(116,821)</u>
	<u>243,047</u>	<u>218,413</u>	<u>148,672</u>	<u>539,955</u>

A15. Deposits from customers

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
(i) By type of deposit:				
Fixed deposits	-	775,059	-	775,059
Demand deposits:				
<i>Tawarruq</i>	225,520	-	-	-
Savings deposits:				
<i>Tawarruq</i>	76,558	-	-	-
<i>Wadiah</i>	-	96,649	-	96,649
Commodity Murabahah Term Deposit:				
<i>Tawarruq</i>	23,907,371	24,393,301	-	24,393,301
	<u>24,209,449</u>	<u>25,265,009</u>	<u>-</u>	<u>25,265,009</u>
General investment deposits	-	562,454	-	562,454
	<u>-</u>	<u>562,454</u>	<u>-</u>	<u>562,454</u>
	<u>24,209,449</u>	<u>25,827,463</u>	<u>-</u>	<u>25,827,463</u>

(ii) By type of customers:

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Government and statutory bodies	11,161,122	10,322,453	-	10,322,453
Business enterprises	10,018,800	12,699,317	-	12,699,317
Individuals	3,029,527	2,805,693	-	2,805,693
	<u>24,209,449</u>	<u>25,827,463</u>	<u>-</u>	<u>25,827,463</u>

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A15. Deposits from customers (continued)

(iii) Maturity of deposits from customers:

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Due within six months	17,474,783	20,208,342	-	20,208,342
More than six months to one year	4,818,107	3,543,609	-	3,543,609
More than one year to three years	723,813	1,044,376	-	1,044,376
More than three years	1,192,746	1,031,136	-	1,031,136
	<u>24,209,449</u>	<u>25,827,463</u>	<u>-</u>	<u>25,827,463</u>

(iv) By type of contract:

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Mudharabah	-	562,454	-	562,454
Tawarruq	24,209,449	24,393,301	-	24,393,301
Wadiah	-	96,649	-	96,649
Others	-	775,059	-	775,059
	<u>24,209,449</u>	<u>25,827,463</u>	<u>-</u>	<u>25,827,463</u>

A16. Deposits and placements of banks and other financial institutions

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
(i) By type of deposit:				
Licensed Islamic banks	52,102	-	-	-
Other financial institutions	8,526,749	7,228,589	-	7,228,589
	<u>8,578,851</u>	<u>7,228,589</u>	<u>-</u>	<u>7,228,589</u>
(ii) By type of contract:				
Tawarruq	8,578,851	7,228,481	-	7,228,481
Wadiah	-	108	-	108
	<u>8,578,851</u>	<u>7,228,589</u>	<u>-</u>	<u>7,228,589</u>

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A17. Other payables

	Group		Company	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Due to other subsidiaries	-	-	-	13,187
AI-Mudharabah security deposit	123,401	112,629	-	112,629
Amount due to a subsidiary, Jana Kapital Sdn. Bhd. ("JKSB")	-	-	-	2,891,912
Amount due to MBSB Bank	-	-	98,666	-
Sundry creditors	278,496	161,595	80,560	158,405
Other provisions and accruals	105,447	69,272	23,349	68,573
ECL for commitment and contingencies	100,412	-	6,469	-
Deferred income	43,011	33,831	30,625	33,831
	650,767	377,327	239,669	3,278,537

ECL movement of commitments and contingencies are as follows:

2018	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Allowance for impairment upon adoption of MFRS 9 as at 1 January 2018	98,697	85,730	12,459	196,886
Addition from acquisition of MBSB Bank	4,846	885	-	5,731
Charge to profit or loss (Note A23)	(50,413)	(49,786)	(2,006)	(102,205)
Changes in the impairment allowance				
- 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)
Allowance for impairment as at 31 December 2018	53,130	36,829	10,453	100,412

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A17. Other payables (cont'd.)

ECL movement of commitments and contingencies are as follows (cont'd.):

	Company			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment upon adoption of MFRS 9 as at 1 January 2018	98,697	85,730	12,459	196,886
Vesting of assets to MBSB Bank	(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 (AHS)	-	-	(17)	(17)
Charge to profit or loss (Note A23)	(28,533)	(50,375)	(5,086)	(83,994)
Changes in the impairment allowance				
- 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 / disbursed 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)
Allowance for impairment as at 31 December 2018	413	198	5,858	6,469

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

	Group			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Financing	587,149	471,807	2,296,125	2,145,098
Income from securities	8,869	-	31,696	-
Profit income from Sukuk Commodity Murabahah	(131,824)	(92,112)	-	-
Financial assets at FVOCI	32,433	29,220	143,335	114,160
Deposits with financial institutions	30,733	45,662	133,531	163,156
	<u>527,360</u>	<u>454,577</u>	<u>2,604,687</u>	<u>2,422,414</u>

	Company			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Financing	(29,217)	543,205	518,653	2,169,840
Profit income from Sukuk Commodity Murabahah	-	29,500	27,348	121,612
Financial assets at FVOCI	(2,947)	29,220	30,096	114,160
Deposits with financial institutions	-	39,063	33,247	138,218
	<u>(32,164)</u>	<u>640,988</u>	<u>609,344</u>	<u>2,543,830</u>

A19. Interest income

	Group			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	15,044	45,842	181,908	317,584
- Deposits and placements with banks and other financial institutions	3,308	23,944	34,888	110,237
	<u>18,352</u>	<u>69,786</u>	<u>216,796</u>	<u>427,821</u>

	Company			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	3,993	36,127	139,642	280,329
- Deposits and placements with banks and other financial institutions	3,308	23,944	34,888	110,237
	<u>7,301</u>	<u>60,071</u>	<u>174,530</u>	<u>390,566</u>

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A20. Interest expense

	Group and Company			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	-	2,570	21,396	151,306
Others	6	160	436	993
	<u>6</u>	<u>2,730</u>	<u>21,832</u>	<u>152,299</u>

A21. Net other income

	Group			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Rental income	42	43	175	182
Revenue from hotel operations	1,908	2,066	6,923	6,914
Loan related fees	115	2,128	23,994	14,578
Insurance commission	858	1,736	11,182	5,149
Legal notice fees	-	-	-	49
Sundry income	8,906	47,314	11,674	51,626
Gain/(loss) from disposal of:				
Property, plant and equipment	402	1	316	(9)
Foreclosed properties	(401)	(54)	(401)	2,095
Inventories	-	-	100	-
	<u>11,830</u>	<u>53,234</u>	<u>53,963</u>	<u>80,584</u>

	Company			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Rental income	1	2	11	18
Loan related fees	10,721	2,794	26,474	14,578
Insurance commission	(1,050)	(1,370)	2,424	5,149
Legal notice fees	-	-	-	49
Sundry income	21,060	49,711	19,377	51,486
Gain/(loss) from disposal of:				
Property, plant and equipment	401	1	318	(9)
Foreclosed properties	(401)	(54)	(401)	2,095
Subsidiaries	(2,710)	-	(2,710)	(84)
Inventories	-	-	100	-
	<u>28,022</u>	<u>51,084</u>	<u>45,593</u>	<u>73,282</u>

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A22. Other operating expenses

	Group			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Personnel expenses *	65,406	44,722	227,706	164,590
Establishment related expenses	8,841	15,876	38,593	43,373
Promotion and marketing related expenses	2,614	424	10,775	6,085
General administrative expenses	30,508	10,335	91,381	46,406
Commission fees	9,226	7,445	37,825	29,346
Allowance for impairment of:				
Advances in respect of certain projects	(33,903)	(30,982)	-	-
Trade receivable	8	(8)	-	-
	<u>82,700</u>	<u>47,812</u>	<u>406,280</u>	<u>289,800</u>

*** Personnel expenses**

	Group			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	45,578	32,341	171,582	128,211
Social security costs	344	251	1,377	990
Pension costs - Employees Providend Fund	7,509	5,281	28,077	20,701
Other staff related expenses	7,800	3,907	22,495	11,746
Directors fees	3,759	2,707	3,759	2,707
Shariah Committee remuneration	416	235	416	235
	<u>65,406</u>	<u>44,722</u>	<u>227,706</u>	<u>164,590</u>

	Company			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Personnel expenses *	2,145	43,538	44,439	160,198
Establishment related expenses	(235)	11,636	7,927	39,418
Promotion and marketing related expenses	685	402	2,449	5,965
General administrative expenses	1,522	15,181	30,107	42,034
Intercompany charges	23,523	(3,655)	23,523	(3,655)
Commission fees	11	7,446	12,472	29,347
Allowance of impairment of:				
Financing to subsidiaries	(4,588)	(24,993)	-	-
Amount due from subsidiaries	(5,778)	(2,667)	-	-
	<u>17,285</u>	<u>46,888</u>	<u>120,917</u>	<u>273,307</u>

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A22. Other operating expenses (continued)

*** Personnel expenses**

	Company			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	261	31,366	31,959	124,564
Social security costs	(2)	242	290	952
Pension costs - Employees Provident Fund	-	5,199	5,348	20,390
Other staff related expenses	145	3,789	5,101	11,350
Directors fees	1,619	2,707	1,619	2,707
Shariah Committee remuneration	122	235	122	235
	<u>2,145</u>	<u>43,538</u>	<u>44,439</u>	<u>160,198</u>

A23. Impairment allowance

2018

	Group			
	4th Quarter Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial investments at amortised cost	(2)	-	-	(2)
Loans, financing and advances (Note A12(ix))	52,273	(120,689)	200,561	132,145
Financial investments held-for-sale	682	(3,605)	2,831	(92)
Trade receivables	-	-	(8)	(8)
Other receivables	-	-	45,944	45,944
Other payables	-	-	1,570	1,570
Financing commitments and financial guarantee (Note A17)	(50,413)	(49,786)	(2,006)	(102,205)
	<u>2,540</u>	<u>(174,080)</u>	<u>248,892</u>	<u>77,352</u>
Impaired financing and advances:				
- Write off	-	-	18,631	18,631
- Recovered	-	-	(8,793)	(8,793)
	<u>-</u>	<u>-</u>	<u>9,838</u>	<u>9,838</u>
	<u>2,540</u>	<u>(174,080)</u>	<u>258,730</u>	<u>87,190</u>

2018

	Group			
	Twelve Months Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial investments at amortised cost	6	-	-	6
Loans, financing and advances (Note A12(ix))	(167,780)	(160,399)	500,261	172,082
Financial investments 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 A17)	(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)
	<u>-</u>	<u>-</u>	<u>2,837</u>	<u>2,837</u>
	<u>(217,493)</u>	<u>(208,979)</u>	<u>542,339</u>	<u>115,867</u>

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A23. Impairment allowance (cont'd.)

	Group	
	4th Quarter Ended 31-Dec-17 RM'000	Twelve Months Ended 31-Dec-17 RM'000
Allowance for impairment on loans and financing (Note A12(ix)):		
- Individual assessment	9,615	20,400
- Collective assesment	77,058	558,321
Allowance for impairment on other assets:		
- Trade receivables	8	8
- Other receivables	42,597	42,597
Impaired financing and advances:		
- Write off	47,553	44,667
- Recovered	(24,777)	(24,777)
	<u>152,054</u>	<u>641,216</u>

2018

	Company			
	4th Quarter Ended			Total RM'000
Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	
Loans, financing and advances (Note A12(ix))	27,123	(68,853)	126,223	84,493
Financial assets held-for-sale	11	(2,765)	2,707	(47)
Other receivables	-	-	32,485	32,485
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 A17)	(28,533)	(50,374)	(5,087)	(83,994)
	<u>(1,399)</u>	<u>(121,992)</u>	<u>170,708</u>	<u>47,317</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>(121,992)</u>	<u>167,391</u>	<u>44,000</u>

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A23. Impairment allowance (cont'd.)

2018

	Company			
	Twelve Months Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Loans, financing and advances (Note A12(ix))	(5,695)	(164,027)	189,308	19,586
Financial assets held-for-sale	28	1,618	10,065	11,711
Other receivables	-	-	50,074	50,074
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 A17)	(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>

	Company	
	4th Quarter Ended	Twelve Months Ended
	31-Dec-17	31-Dec-17
	RM'000	RM'000
Allowance for impairment on loans and financing (Note A12(ix)):		
- Individual assessment	9,614	20,400
- Collective assesment	77,058	558,321
Allowance for impairment on other assets:		
- Financing to subsidiaries	34,420	34,420
- Amount due from subsidiaries	4,686	4,686
- Other receivables	652	652
- Investments in subsidiaries	2	2
Impaired financing and advances:		
- Write off	39,906	44,667
- Recovered	(17,006)	(17,006)
	<u>149,332</u>	<u>646,142</u>

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A24. Commitments and contingencies

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transaction, hence, they are not provided for in the financial statements.

Group	Gross Positive			Risk weighted amount
	Principal amount	Fair Value - Derivative Contract	Credit equivalent amount	
	RM'000	RM'000	RM'000	RM'000
31-December-18				
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
Total	6,116,722	-	2,834,912	2,834,786

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

Group and Company	Gross Positive			Risk weighted amount
	Principal amount	Fair Value - Derivative Contract	Credit equivalent amount	
	RM'000	RM'000	RM'000	RM'000
31-December-17				
Direct credit substitutes	190,609	-	190,609	-
Trade-related contingencies	93,441	-	46,721	-
Irrevocable commitments to extend credit:				
- one year or less	1,558,172	-	311,634	-
- over one year to five years	4,831,868	-	2,415,934	-
- over five years	220,000	-	110,000	-
Total	6,894,090	-	3,074,898	-

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A24. Commitments and contingencies

(i) Capital Commitments

	Group and Company	
	31-Dec-18	31-Dec-17
	RM'000	RM'000
Property, plant and equipment:		
- Approved and contracted for	60,203	132,043
	<u>60,203</u>	<u>132,043</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 Plaintiff’s claim with costs and allowed the Company’s counterclaim. The Plaintiffs appealed to the Court of Appeal which 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 Judgement 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 now is pending a date to be fixed by the High Court.

The Court fixed case management on 20 February 2019 for the Solicitors to obtain directions in respect of trial of this matter

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 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 14.11.2018 and the case management was fixed on 14 December 2018.

The Court fixed the next case management on 29 January 2019 to update court 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. Our Solicitors shall apply to the Court to consolidate all three (3) matters in order that to be heard together.

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A26. Segmental Information on Revenue and Results

Group	Hotel			Consolidated RM'000
	Banking RM'000	Operations RM'000	Eliminations RM'000	
3 months ended 31 December 2018				
External sales	748,443	1,909	-	750,352
Intersegment transactions	8,557	981	(9,538)	-
Total revenue	<u>757,000</u>	<u>2,890</u>	<u>(9,538)</u>	<u>750,352</u>
Segment results	102,382	(6,889)	63,122	158,615
Unallocated income (net of cost)				-
Profit from operations				<u>158,615</u>
Segment assets	55,983,331	64,552	(10,622,371)	45,425,512
Unallocated corporate assets				-
Consolidated total assets				<u>45,425,512</u>
Segment liabilities	44,382,926	209,901	(6,952,919)	37,639,908
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>37,639,908</u>
	Banking RM'000	Hotel Operations RM'000	Eliminations RM'000	Consolidated RM'000
3 months ended 31 December 2017				
External sales	816,208	2,066	-	818,274
Intersegment transactions	7,485	1,024	(8,509)	-
Total revenue	<u>823,693</u>	<u>3,090</u>	<u>(8,509)</u>	<u>818,274</u>
Segment results	156,929	(4,627)	25,993	178,295
Unallocated income (net of cost)				-
Profit from operations				<u>178,295</u>
Segment assets	51,246,545	66,792	(6,503,190)	44,810,147
Unallocated corporate assets				-
Consolidated total assets				<u>44,810,147</u>
Segment liabilities	44,750,016	189,850	(7,254,582)	37,685,284
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>37,685,284</u>

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A26. Segmental Information on Revenue and Results (continued)

	Banking	Hotel		
	RM'000	Operations	Eliminations	Consolidated
		RM'000	RM'000	RM'000
12 months ended 31 December 2018				
External sales	3,139,012	6,925	-	3,145,937
Intersegment transactions	32,614	3,916	(36,530)	-
Total revenue	<u>3,171,626</u>	<u>10,841</u>	<u>(36,530)</u>	<u>3,145,937</u>
Segment results	730,231	(22,268)	145,610	853,573
Unallocated income (net of cost)				-
Profit from operations				<u>853,573</u>
Segment assets	55,983,331	64,552	(10,622,371)	45,425,512
Unallocated corporate assets				-
Consolidated total assets				<u>45,425,512</u>
Segment liabilities	44,382,926	209,901	(6,952,919)	37,639,908
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>37,639,908</u>

	Banking	Hotel		
	RM'000	Operations	Eliminations	Consolidated
		RM'000	RM'000	RM'000
12 months ended 31 December 2017				
External sales	3,252,849	6,914	-	3,259,763
Intersegment transactions	28,675	3,802	(32,477)	-
Total revenue	<u>3,281,524</u>	<u>10,716</u>	<u>(32,477)</u>	<u>3,259,763</u>
Segment results	459,334	(18,954)	110,352	550,732
Unallocated income (net of cost)				-
Profit from operations				<u>550,732</u>
Segment assets	51,246,545	66,792	(6,503,190)	44,810,147
Unallocated corporate assets				-
Consolidated total assets				<u>44,810,147</u>
Segment liabilities	44,750,017	189,850	(7,254,582)	37,685,285
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>37,685,285</u>

A27. Subsequent Events

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

A28. Changes in the Composition of the Group

There is no change in the composition of the Group in the current quarter.

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A29. Acquisition/Disposal of Property, Plant and Equipment

	Group As at 31-Dec-18 RM'000
Additions	
Building in progress	120,128
Building renovation	1,352
Furniture & equipment	1,115
Data processing equipment	11,963
Work in progress	2,384
	<u>136,942</u>
Addition from acquisition of MBSB Bank Berhad	
Building renovation	5,315
Furniture & equipment	1,799
Data processing equipment	5,742
Motor vehicle	87
	<u>12,943</u>
	<u>149,885</u>
Disposals	
Building renovation	(367)
Furniture & equipment	(26)
Data processing equipment	(34)
Motor vehicle	(5)
	<u>(432)</u>

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A30. Significant Related Party Transactions

	Group	
	31-Dec-18	RM'000
	RM'000	RM'000
(i) Transactions and balances with Employees Provident Fund Board, the ultimate holding body:		
Expenses		
Profit expense paid on Sukuk to EPF	56,730	57,477
Profit expense paid on Fixed deposit to EPF	3,847	-
Rental expense	288	286
	<u>288</u>	<u>286</u>
Balances		
Sukuk - MBSB SC Murabahah	1,121,242	1,126,387
Accrue profit on Sukuk due to EPF	7,824	-
Fixed deposit by EPF	900,000	-
Accrue profit on fixed deposit due to EPF	1,025	-
Rental deposit	97	97
	<u>97</u>	<u>97</u>
(ii) Transactions and balances with RHB Banking Group of companies, being companies directly controlled by EPF:		
Income		
Interest/profit from deposit placements	24,919	35,530
	<u>24,919</u>	<u>35,530</u>
Expenses		
Interest expense to depositors	(2,478)	2,097
Interest expense for bank borrowing	-	240
Interest expenses for recourse obligation on loan/financing sold	-	20,744
	<u>-</u>	<u>20,744</u>
Balances		
Cash and short-term funds	19,215	-
Deposits and placements with financial institutions	32	749,944
Deposits from customers	-	7,377
	<u>-</u>	<u>7,377</u>
(iii) Collectively, but not individually, significant transactions and balances:		
Expenses		
Profit from financing	24,657	-
Interest expense to depositors	8,406	34,791
	<u>8,406</u>	<u>34,791</u>
Balances		
Financing	303,695	-
Deposit from customers	154,019	868,544
	<u>154,019</u>	<u>868,544</u>

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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	
	31-Dec-18	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-17
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 Capital</u>						
Ordinary share capital	6,682,102	4,625,859	532,530	4,625,859	532,530	
Retained earnings	1,086,629	324,224	(43,336)	259,542	(43,336)	
Other reserve	16,873	15,942	5,275	15,942	5,275	
	<u>7,785,604</u>	<u>4,966,025</u>	<u>494,469</u>	<u>4,901,343</u>	<u>494,469</u>	
Less : Common Equity Tier 1 regulatory adjustments						
Goodwill and bargain purchase gains	(188,790)	-	-	-	-	
Deferred tax assets	-	-	(626)	-	(626)	
Cumulative (gains)/losses of Investment securities at FVOCI/AFS financial instruments	(8,134)	(8,152)	(30)	(8,152)	(30)	
Regulatory reserve attributable to financing	-	(5,234)	(5,234)	(5,234)	(5,234)	
Other intangibles	(104,723)	(104,692)	(1,620)	(104,692)	(1,620)	
Total Common Equity Tier 1 Capital	<u>7,483,957</u>	<u>4,847,947</u>	<u>486,959</u>	<u>4,783,265</u>	<u>486,959</u>	
<u>Tier 1 Capital</u>						
Additional Tier 1 capital instruments	-	-	-	-	-	
Less: Tier 1 regulatory adjustments	-	-	-	-	-	
Total Tier 1 capital	<u>7,483,957</u>	<u>4,847,947</u>	<u>486,959</u>	<u>4,783,265</u>	<u>486,959</u>	
<u>Tier II Capital</u>						
Collective impairment allowance and regulatory reserve	415,057	381,268	11,443	416,225	11,443	
Total Tier II capital	<u>415,057</u>	<u>381,268</u>	<u>11,443</u>	<u>416,225</u>	<u>11,443</u>	
Total capital base	<u>7,899,014</u>	<u>5,229,215</u>	<u>498,402</u>	<u>5,199,490</u>	<u>498,402</u>	

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

	Group		Bank Group		Bank	
	31-Dec-18	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-17
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Total risk weighted assets ("RWA")</u>						
- Credit risk	33,204,567	30,501,441	1,511,252	33,297,969	1,511,252	
- Market risk	2,136	2,136	9,836	2,136	9,836	
- Operational risk	2,268,538	619,526	89,397	573,889	89,397	
Total RWA	<u>35,475,241</u>	<u>31,123,103</u>	<u>1,610,485</u>	<u>33,873,994</u>	<u>1,610,485</u>	
<u>Capital ratios</u>						
Common equity tier 1 capital	21.096%	15.577%	30.236%	14.121%	30.236%	
Tier 1 capital	21.096%	15.577%	30.236%	14.121%	30.236%	
Total capital ratio	<u>22.266%</u>	<u>16.802%</u>	<u>30.947%</u>	<u>15.350%</u>	<u>30.947%</u>	

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PERFORMANCE REVIEW FOR THE 4TH QUARTER ENDED 31 DECEMBER 2018

B1. Performance Review of the Group

Variation of Results against Preceding Year Corresponding Quarter

	Current Year Quarter 31-Dec-18 RM'000	Preceding Year Corresponding Quarter 31-Dec-17 RM'000	Changes RM'000	
Personal financing	20,579,030	21,417,605	(838,575)	-3.9%
Corporate loans and financing	8,931,113	7,260,549	1,670,564	23.0%
Property financing and mortgage loans	5,428,579	5,238,916	189,663	3.6%
Auto financing	233,882	284,109	(50,227)	-17.7%
Total gross loans and financing	35,172,604	34,201,179	971,425	2.8%

Variation of Results against Preceding Quarter

	Current Year Quarter 31-Dec-18 RM'000	Immediate Preceding Quarter 30-Sep-18 RM'000	Changes RM'000	
Personal financing	20,579,030	21,129,781	(550,751)	-2.6%
Corporate loans and financing	8,931,113	9,154,692	(223,579)	-2.4%
Property financing and mortgage loans	5,428,579	5,320,338	108,241	2.0%
Auto financing	233,882	247,330	(13,448)	-5.4%
Total gross loans and financing	35,172,604	35,852,141	(679,537)	-1.9%

The Group gross loans and financing for the 4th quarter 2018 ("4Q18") increased by 2.8% as compared to 4th quarter 2017 ("4Q17") mainly due to the proposed sale of personal financing, property financing and mortgage in 4th quarter 2017 amounted to RM1.513 billion. While the gross loans and financing for 4Q18 decreased by 1.9% as compared to 3Q18. The decrease was mainly due to decrease in corporate loans and financing portfolio.

The performance of the respective operating business segments for the current period under review as compared to the previous year corresponding period is analysed as follows:

- (i) Personal financing – The gross income from personal financing in the current period was lower compared to the previous year corresponding period due to lower disbursements and decreasing portfolio base.
- (ii) Corporate loans and financing – The gross income from corporate loans and financing in the current period was higher compared to the previous year corresponding period due to the continued growth of corporate loans and financing assets base. Corporate disbursements amounted to RM2.0 billion in 4Q18 representing 29.46% of the total quarter disbursement of RM7.0 billion.
- (iii) Property financing and mortgage loans – The gross income from property financing was higher in the current period compared to the previous corresponding period due to growth in its financing assets base. This was partly set off by lower income from mortgage loans as its assets base decreases following conversion efforts from conventional mortgage to Islamic property financing.
- (iv) Auto financing – The gross income from auto financing was lower compared to the previous year corresponding period due to decreasing portfolio base.

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B1. Performance Review (continued)

Current Year-to-Date vs Previous Year-to-Date

	Current Year Quarter 31-Dec-18 RM'000	Preceding Year Corresponding Quarter 31-Dec-17 RM'000	Changes RM'000	
Revenue	750,352	818,274	(67,922)	-8.3%
Other operating expenses	(82,700)	(47,812)	(34,888)	73.0%
Operating profit	245,805	330,349	(84,544)	-25.6%
Allowances for impairment losses on loans, advances and financing	(87,190)	(152,054)	64,864	-42.7%
Profit before tax	<u>158,615</u>	<u>178,295</u>	(19,680)	-11.0%
Profit after tax	<u>117,955</u>	<u>123,983</u>	(6,028)	-4.9%
Profit attributable to ordinary equity holders of the Parent	<u>117,955</u>	<u>123,983</u>	(6,028)	-4.9%
Cost to income ratio	25.2%	12.6%		

Variation of Results against Preceding Quarter

	Current Year Quarter 31-Dec-18 RM'000	Immediate Preceding Quarter 30-Sep-18 RM'000	Changes RM'000	
Revenue	750,352	786,405	(36,053)	-4.6%
Other operating expenses	(82,700)	(121,782)	39,082	-32.1%
Operating profit	245,805	219,698	26,107	11.9%
Allowances for impairment losses on loans, advances and financing	(87,190)	(58,838)	(28,352)	48.2%
Profit before tax	<u>158,615</u>	<u>160,860</u>	(2,245)	-1.4%
Profit after tax	<u>117,955</u>	<u>121,963</u>	(4,008)	-3.3%
Profit attributable to ordinary equity holders of the Parent	<u>117,955</u>	<u>121,963</u>	(4,008)	-3.3%
Cost to income ratio	25.2%	35.7%		

The Group profit before tax for 4Q18 decreased by 11.0% compared to 4Q17 respectively. The decrease was mainly due to lower charge of impairment allowances on loans and financing compared to 4Q17. The lower charge was mainly due to improvement of staging from Corporate portfolio for both Stage 1 and Stage 2 under MFRS 9 and higher 2017 impairment following the impairment programme. The higher operating expenses was due to integration costs.

The Group profit before tax for 4Q18 decreased by 1.4% as compared to 3Q18. The decrease was mainly due to lower operating expenses. Impairment allowances for 4Q18 increased by RM28.4mil compared to 3Q18 due to improvement of staging for both Stage 1 and Stage 2 for Corporate portfolio.

The Group cost to income ratio for 4Q18 of 25.2% increased from 4Q17. The increase was mainly due to higher costs relating to banking operations.

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B1. Performance Review (continued)

Contribution of Major Subsidiary to Group Financial Holding Company

	Group Current Year Quarter 31-Dec-18 RM'000	MBSB Bank Current Year Quarter 31-Dec-18 RM'000	Contribution	Group Current Year to - Date 31-Dec-18 RM'000	MBSB Bank Preceding Year Corresponding Period 31-Dec-17 RM'000	Contribution
Total assets	45,425,512	45,754,791	100.7%	45,425,512	2,389,812	5.3%
Total equity	7,785,604	4,790,467	61.5%	7,785,604	494,469	6.4%
Profit before tax	158,615	180,363	113.7%	853,573	1,426	0.2%
Profit after tax	117,955	125,893	106.7%	642,400	1,426	0.2%
Dividends	-	-	0.0%	-	-	0.0%
Gross return on equity	2.13%	6.83%		15.27%	0.38%	
Gross return on assets	0.35%	0.75%		2.52%	0.08%	

Subsequent to the vesting of Shariah compliant net assets as disclosed in Note A4, total assets of MBSB Bank of RM45.75 billion accounts for 100.7% of the total assets of the Group. While the Bank's equity represents 61.5% of the Group's total equity.

Contribution of profit before tax of MBSB Bank increased in current quarter post the vesting of net assets on 2 April 2018 for the Company. Profit before tax and profit after tax in Q1 2018 prior to the vesting remains in Financial Holding Company.

B2. Prospects

Brief Overview and Outlook of the Malaysian Economy

The Malaysian economy recorded a sustained growth of 4.4% in the third quarter of 2018 (2Q 2018: 4.5%), supported by expansion in domestic demand amid a decline in net exports growth. Private sector expenditure remained the key driver of growth, expanding at a faster pace of 8.5% (2Q 2018: 7.5%), while public sector expenditure turned around to register a positive growth of 1.1% (2Q 2018: -1.4%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.6% (2Q 2018: 0.3%).

Domestic demand expanded at a faster pace during the quarter (6.9%; 2Q 2018: 5.6%), driven by private sector activity.

Private consumption growth accelerated to 9.0% (2Q 2018: 8.0%). Household spending was boosted in July and August 2018, following the zerorisation of the Goods and Services Tax (GST) rate¹, particularly on durable goods such as motor vehicles and furnishings, as well as food and beverages. Continued expansion in income and employment provided key support to household spending.

Private investment growth edged higher to 6.9% (2Q 2018: 6.1%), underpinned mainly by capital spending in the manufacturing and services sectors. During the quarter, firms further expanded equipment spending to cater to positive demand.

Public consumption grew at a faster pace (5.2%; 2Q 2018: 3.1%). This was attributable to a higher spending on supplies and services, which more than offset the moderation in emoluments growth. Public investment registered a smaller decline during the quarter (-5.5%; 2Q 2018: -9.8%), due to improvements in General Government capital spending. However, capital spending by public corporations was lower as some projects were near completion.

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B2. Brief Overview and Outlook of the Malaysian Economy (continued)

Gross fixed capital formation (GFCF) increased at a faster pace of 3.2% (2Q 2018: 2.2%), supported by type of assets, capital spending on machinery and equipment was higher at 5.9% (2Q 2018: 3.6%). Investment in other types of assets turned around to register a marginal positive growth of 0.1% (2Q 2018: -2.9%). Investment in structures grew at a moderate pace of 1.8% (2Q 2018: 2.1%), due mainly to continued weak investments in residential property.

(Source: Extracted from the latest BNM Quarterly Bulletin - Developments in the Malaysian Economy, Third Quarter 2018)

OPR remained accommodative

The Monetary Policy Committee (MPC) kept the Overnight Policy Rate (OPR) unchanged at 3.25% at the July, September and November 2018 meetings. At this level of the OPR, the stance of monetary policy remains accommodative and supportive of economic activity.

The Malaysian economy is expected to remain on a steady growth path, with private consumption the main driver of growth, investment activity sustained and exports providing an additional lift to growth, albeit to a lesser extent. Underlying economic factors are providing continued support to domestic economic growth, including low unemployment and a surplus in the current account of the balance of payments.

Headline inflation is expected to increase going forward, primarily due to higher projected global oil prices and the prospective floating of fuel prices. Underlying inflation, which excludes the impact of consumption tax policy changes, is expected to remain contained in the absence of strong demand pressures.

Risks to the global growth outlook remain tilted to the downside, which could cause headwinds to the domestic economy. These include any further escalation in trade tensions; and spillover effects to emerging economies in an environment of greater volatility in the international financial markets and a faster pace of monetary policy normalisation in the advanced economies. Domestically, risks remain from prolonged weakness in the mining and agriculture sectors.

In line with regional economies, the domestic financial markets continue to experience non-resident portfolio outflows due to global developments. Nevertheless, the financial markets remain orderly with domestic monetary and financial conditions supportive of economic growth. Exchange rate flexibility plays an important role as a shock absorber for the domestic economy. The financial sector is sound, with financial institutions operating with strong capital and liquidity buffers. Monetary operations will continue to ensure sufficient liquidity to support the orderly functioning of money and foreign exchange markets and intermediation activity.

(Source: Extracted from the latest BNM, Quarterly Bulletin - The Bank Policy Consideration, Third Quarter 2018)

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B2. Prospects (continued)

Overall liquidity conditions remained sufficient for financial intermediation

In the banking system, liquidity conditions remained sufficient at both the institutional and system-wide levels. Reflecting the overall non-resident portfolio outflows during the quarter, the level of surplus liquidity placed with the Bank was lower. Nevertheless, interbank lending and borrowing activities remained orderly. At the institutional level, most banks continued to maintain surplus liquidity positions.

In line with most regional currencies, the ringgit depreciated against the US dollar in the third quarter of 2018 as external uncertainties continue to drive non-resident portfolio outflows amid a strengthening US dollar. The continued strength in the US dollar was supported by positive US economic data and outlook. Investor sentiments were also negatively affected by rising trade tensions and concerns over contagion risk from vulnerable emerging market economies. Going forward, the ringgit will continue to be influenced by external uncertainties as well as the trajectory of the US dollar.

Domestic bond yields declined across tenures during the third quarter largely due to sustained demand by domestic institutional investors. This was mainly driven by expectations of supportive the Government. In September, however, the trend temporarily reversed, as heightened risk aversion in global financial markets led to further non-resident outflows from regional bond markets, including Malaysia. Total non-resident outflows from the domestic Government bond market during the quarter amounted to RM2.4 billion³. Overall, the 3-year, 5-year and 10-year MGS yields declined by 3.1, 8.6 and 12.9 basis points, respectively during the quarter.

(Source: Extracted from the latest BNM, Quarterly Bulletin - Monetary and Financial Developments in the Malaysian Economy, Third Quarter 2018)

Development of the Islamic finance industry

The Islamic banking industry in Malaysia has advanced significantly over the years. From a market share of 5.3% in 2000, Islamic financing now accounts for 34.9% of total loans and financing. Islamic banks also offer a wide range of competitive and innovative products, complementing solutions offered by conventional banks.

While the growing depth and breadth of Islamic finance is an important barometer of progress, equally important is ensuring that Islamic finance delivers a positive and sustainable impact on the community, economy and environment. This vision is being realised through the adoption of value-based intermediation (VBI) by Islamic banks, which reinforces the intent of Shariah to promote good and prevent harm. VBI is being advanced to bring about a transformation in the business models and day-to-day conduct of Islamic banks. This was captured in a strategy paper that was developed in collaboration with the industry and issued by the Bank in July 2017.

As the VBI initiative progresses to its implementation phase, the immediate focus in 2018 will be on developing tools for operationalisation and performance measurement. Guidance on applications and approaches to VBI will be developed to help Islamic banks navigate implementation challenges associated with different business models and maturity of individual Islamic bank's operations. In addition, a scorecard will be introduced to measure both financial and non-financial progress of Islamic banks towards VBI adoption. This is expected to yield changes in the financing portfolios of Islamic banks, with at least half of new business and personal financing channelled to purposes that are consistent with VBI by 2020. Going forward, further targets will be set upon implementation of the scorecard.

(Source: Chapter 4: Islamic Finance Development, Financial Stability and Payment Systems Report 2017, BNM)

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Group Prospects

The Group's business, policies and operations have been realigned following the acquisition of MBSB Bank (formerly known as Asian Finance Bank Berhad) on 7 February 2018. Investments are being made to upgrade and 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 focus to expand the corporate business prior to the bank acquisition will continue, to reach the desire corporate retail portfolio mix. As a new Islamic banking group in the banking sector, 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 our customers and depositors.

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

B3. Variance from Profit Forecast and Profit Guarantee

None.

B4. Taxation

	Group			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Current income tax	(10,328)	45,402	156,209	128,222
Over provision in prior years	(2,330)	(3,969)	(2,330)	(3,969)
	<u>(12,658)</u>	<u>41,433</u>	<u>153,879</u>	<u>124,253</u>
Deferred tax:				
Under provision in prior years	2,092	4,690	2,092	4,690
Relating to origination and reversal of temporary differences	42,202	(3,811)	42,202	(7,208)
	<u>44,294</u>	<u>879</u>	<u>44,294</u>	<u>(2,518)</u>
Total income tax expense	<u>31,636</u>	<u>42,312</u>	<u>198,173</u>	<u>121,735</u>

	Company			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Current income tax	(16,807)	43,223	72,509	122,211
Over provision in prior years	(2,502)	(3,948)	(2,502)	(3,948)
	<u>(19,309)</u>	<u>39,275</u>	<u>70,007</u>	<u>118,263</u>
Deferred tax:				
Under provision in prior years	2,090	4,690	2,090	4,690
Relating to origination and reversal of temporary differences	3,410	(3,825)	3,410	(7,167)
	<u>5,500</u>	<u>865</u>	<u>5,500</u>	<u>(2,477)</u>
Total income tax expense	<u>(13,809)</u>	<u>40,140</u>	<u>75,507</u>	<u>115,786</u>

There were no significant sales of unquoted investments or properties during the current quarter.

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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:

	Current Year Quarter 31 December 2018		
	Long term	Short term	Total
	RM'000	RM'000	borrowings
			RM'000
Secured			
Recourse obligation on loans/financing sold	<u>1,541,665</u>	<u>593,853</u>	<u>2,135,518</u>
	Preceding Year Corresponding Quarter		
	Long term	Short term	Total
	RM'000	RM'000	borrowings
			RM'000
Secured			
Recourse obligation on loans/financing sold	<u>1,760,249</u>	<u>477,918</u>	<u>2,238,167</u>

B7. Off Balance Sheet Financial Instruments

None.

B8. Material Litigation

The details of the pending material litigation are as per note A25 above.

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B9. Earning 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			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	117,955	123,983	642,400	417,126
Weighted average number of ordinary shares in issue ('000)	6,270,500	5,943,272	6,226,017	5,872,769
Basic earnings per share (sen)	<u>1.88</u>	<u>2.09</u>	<u>10.32</u>	<u>7.10</u>

	Company			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	(39,506)	97,114	200,395	304,268
Weighted average number of ordinary shares in issue ('000)	6,270,500	5,943,272	6,226,017	5,872,769
Basic earnings per share (sen)	<u>(0.63)</u>	<u>1.63</u>	<u>3.22</u>	<u>5.18</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") and Warrants.

	Group			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	117,955	123,983	642,400	417,126
Weighted average number of ordinary shares in issue ('000)	6,270,500	5,943,272	6,226,017	5,872,769
Adjusted for assumed conversion of ESOS ('000)	<u>-</u>	<u>308</u>	<u>-</u>	<u>308</u>
Adjusted weighted average number of ordinary shares in issue ('000)	<u>6,270,500</u>	<u>5,943,580</u>	<u>6,226,017</u>	<u>5,873,077</u>
Basic earnings per share (sen)	<u>1.88</u>	<u>2.09</u>	<u>10.32</u>	<u>7.10</u>

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B9. Earnings Per Share (continued)

	Company			
	4th Quarter Ended		Twelve Months Ended	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Net profit attributable to shareholders for the period (RM'000)	(39,506)	97,114	200,395	304,268
Weighted average number of ordinary shares in issue ('000)	6,270,500	5,943,272	6,226,017	5,872,769
Adjusted for assumed conversion of ESOS ('000)	-	308	-	308
Adjusted weighted average number of ordinary shares in issue ('000)	<u>6,270,500</u>	<u>5,943,580</u>	<u>6,226,017</u>	<u>5,873,077</u>
Basic earnings per share (sen)	<u>(0.63)</u>	<u>1.63</u>	<u>3.22</u>	<u>5.18</u>

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 28 February 2019.

BY ORDER OF THE BOARD

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