

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

INTERIM FINANCIAL STATEMENTS
OF THE GROUP AND OF THE COMPANY
FOR THE 2ND QUARTER ENDED 30 JUNE 2019

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Group		Company	
		30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000
Assets					
Cash and short-term funds	A8(a)	2,444,521	3,411,986	175,178	155,077
Deposits and placements with financial institutions	A8(b)	1,449,698	931,087	155,079	154,347
Derivative financial assets		1,815	67	-	-
Financial investments at fair value through profit or loss ("FVTPL")	A9	10,156	-	-	-
Financial investments at fair value through other comprehensive income ("FVOCI")	A10	8,689,006	5,097,105	-	-
Financial investments at amortised cost	A11	20,341	20,350	-	-
Loans, financing and advances	A12	33,998,597	33,133,119	1,266,517	1,326,502
Trade receivables		262	561	-	-
Other receivables	A13	211,012	243,047	143,161	148,672
Statutory deposits with Bank Negara Malaysia		1,168,000	1,053,000	-	-
Investments in subsidiaries		-	-	4,756,328	4,756,328
Inventories		102,320	102,432	-	-
Property and equipment		329,096	297,567	24,599	24,831
Right use of assets		12,010	-	-	-
Intangible assets		298,855	293,513	-	-
Investment properties		820	820	-	-
Land use rights		5,181	5,262	-	-
Deferred tax assets		17,972	34,318	14,545	15,687
Tax recoverable		898,226	801,278	763,033	710,610
Total assets		49,657,888	45,425,512	7,298,440	7,292,054
Liabilities					
Deposits from customers	A14	26,265,122	24,209,449	-	-
Deposits and placements of banks and other financial institutions	A15	10,732,029	8,578,851	-	-
Derivative financial liabilities		-	2	-	-
Trade payables		280	225	-	-
Other payables	A16	584,651	650,767	198,017	239,669
Lease liabilities		12,102	-	-	-
Recourse obligation on financing sold		2,046,954	2,135,518	-	-
Sukuk-MBSB Structured Covered ("SC") Murabahah		1,874,024	1,968,075	-	-
Provision for taxation and zakat		19,947	36,901	719	4,787
Deferred tax liabilities		56,773	60,120	-	-
Total liabilities		41,591,882	37,639,908	198,736	244,456
Equity					
Ordinary share capital		6,682,102	6,682,102	6,682,102	6,682,102
Reserves		107,220	16,873	6,261	6,261
Retained earnings		1,276,684	1,086,629	411,341	359,235
Total equity		8,066,006	7,785,604	7,099,704	7,047,598
Total liabilities and equity		49,657,888	45,425,512	7,298,440	7,292,054
Commitments and contingencies	A23	5,965,735	6,116,722	31,289	38,242
Net assets per share attributable to ordinary equity of the Company (RM)		1.26	1.25	1.11	1.13

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

	Note	Group			
		2nd Quarter Ended		Six Months Ended	
		30-June-19	30-June-18	30-June-19	30-June-18
		RM'000	RM'000	RM'000	RM'000
Revenue		817,660	794,141	1,601,697	1,609,180
Income derived from investment of general investment deposits and Islamic capital funds	A17	684,837	659,355	1,355,631	1,297,940
Income attributable to depositors		(368,571)	(313,831)	(709,902)	(630,424)
Income attributable to securitisation		(23,307)	(24,421)	(47,109)	(49,265)
Income attributable to sukuk		(23,700)	(27,322)	(47,530)	(54,670)
Net income from Islamic financing operations		269,259	293,781	551,090	563,581
Interest income	A18	36,607	53,876	77,797	143,210
Interest expense	A19	(5)	239	(10)	(24,995)
Net interest income		36,602	54,115	77,787	118,215
Operating income		305,861	347,896	628,877	681,796
Net other income	A20	30,453	10,209	72,471	23,938
Net income		336,314	358,105	701,348	705,734
Other operating expenses	A21	(105,345)	(97,650)	(201,500)	(179,626)
Operating profit		230,969	260,455	499,848	526,108
ECL (charged)/written back	A22	(92,421)	(135,521)	(245,442)	7,988
Profit before taxation and zakat		138,548	124,934	254,406	534,096
Taxation		(34,151)	(35,272)	(61,179)	(127,641)
Zakat		1,828	(3,976)	(3,172)	(3,976)
Profit for the financial period		106,225	85,686	190,055	402,479
Profit attributable to:					
Owners of the Company		106,225	85,686	190,055	402,479
Earnings per share (sen)					
Basic		1.66	1.39	2.97	6.69
Diluted		1.66	1.39	2.97	6.69
Profit for the financial period		106,225	85,686	190,055	402,479
Other comprehensive income/(loss), net of tax :					
Items that may be reclassified subsequently to profit or loss					
- Net gain/(loss) from change in fair value		60,097	(15,629)	90,329	(19,528)
- Changes in expected credit losses -FVOCI		18	-	18	-
		60,115	(15,629)	90,347	(19,528)
Total comprehensive income for the financial period		166,340	70,057	280,402	382,951
Total comprehensive income attributable to:					
Owners of the Company		166,340	70,057	280,402	382,951
		166,340	70,057	280,402	382,951

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

	Note	Company			
		2nd Quarter Ended		Six Months Ended	
		30-June-19	30-June-18	30-June-19	30-June-18
		RM'000	RM'000	RM'000	RM'000
Revenue		29,222	40,714	63,815	784,454
Income derived from investment of general investment deposits and Islamic capital funds	A17	-	-	-	653,703
Income attributable to depositors		-	-	-	(304,799)
Income attributable to securitisation		-	-	-	(24,843)
Income attributable to sukuk		-	-	-	(74,653)
Net income from Islamic financing operations		-	-	-	249,408
Interest income	A18	25,108	43,480	55,225	122,781
Interest expense	A19	(5)	239	(10)	(24,995)
Net interest income		25,103	43,719	55,215	97,786
Operating income		25,103	43,719	55,215	347,194
Net other income/(expenses)	A20	23,440	(4,601)	43,084	6,589
Net income		48,543	39,118	98,299	353,783
Other operating expenses	A21	(9,961)	(5,465)	(18,004)	(77,979)
Operating profit		38,582	33,653	80,295	275,804
ECL written back/(charged)	A22	8,016	(93,969)	(5,447)	31,875
Profit/(loss) before taxation		46,598	(60,316)	74,848	307,679
Taxation		(12,208)	9,885	(22,742)	(79,019)
Profit/(loss) for the financial period		34,390	(50,431)	52,106	228,660
Profit/(loss) attributable to:					
Owners of the Company		34,390	(50,431)	52,106	228,660
		34,390	(50,431)	52,106	228,660
Earnings per share (sen)					
Basic		0.54	(0.82)	0.82	3.80
Diluted		0.54	(0.82)	0.82	3.80
Profit/(loss) for the financial period		34,390	(50,431)	52,106	228,660
Other comprehensive loss, net of tax :					
Items that may be reclassified subsequently to profit or loss					
- Net loss from change in fair value		-	-	-	(3,940)
		-	-	-	(3,940)
Total comprehensive income/(loss) for the financial period		34,390	(50,431)	52,106	224,720
Total comprehensive income attributable to:					
Owners of the Company		34,390	(50,431)	52,106	224,720
		34,390	(50,431)	52,106	224,720

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

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

Group	← Other Reserves →			Retained profits	Total
	Share #1 Capital	Share Option Reserve	Fair value reserve- FVOCI		
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2019	6,682,102	6,261	10,612	1,086,629	7,785,604
Comprehensive income					
- Profit for the financial period	-	-	-	190,055	190,055
- Other comprehensive income for the financial period	-	-	90,347	-	90,347
Total comprehensive income for the financial period	-	-	90,347	190,055	280,402
Balance as at 30 June 2019	6,682,102	6,261	100,959	1,276,684	8,066,006

Group	← Other Reserves →			Retained profits	Total
	Share Capital	Option 12,523	Fair value reserve- FVOCI		
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018	6,172,051	6,261	(6,656)	953,207	7,124,863
Effects of adopting MFRS 9, net of tax	-	-	-	(272,432)	(272,432)
	6,172,051	6,261	(6,656)	680,775	6,852,431
Comprehensive income					
- Profit for the financial period	-	-	-	402,479	402,479
- Other comprehensive loss for the financial period	-	-	(19,528)	-	(19,528)
Total comprehensive (loss)/income for the financial period	-	-	(19,528)	402,479	382,951
Issuance of shares for acquisition of a subsidiary	266,099	-	-	-	266,099
Balance as at 30 June 2018	6,438,150	6,261	(26,184)	1,083,254	7,501,481

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

The interim financial statements should be read in conjunction with the audit

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2019 (CONTINUED)

Company	← Other Reserves →			Retained profits	Total	
	Share #1 Capital	Share Option Reserve	Fair value reserve- FVOCI			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2019	6,682,102	6,261	-	6,261	359,235	7,047,598
Comprehensive income						
- Profit for the financial period	-	-	-	-	52,106	52,106
- Other comprehensive income for the financial period	-	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	-	52,106	52,106
Balance as at 30 June 2019	6,682,102	6,261	-	6,261	411,341	7,099,704

Company	← Other Reserves →			Retained profits	Total	
	Share Capital	Share Option Reserve	Fair value reserve- FVOCI			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2018	6,172,051	6,261	(6,656)	(395)	672,971	6,844,627
Effects of adopting MFRS 9, net of tax	-	-	-	-	(272,432)	(272,432)
	6,172,051	6,261	(6,656)	(395)	400,539	6,572,195
Comprehensive income						
- Profit for the financial period	-	-	-	-	228,660	228,660
- Other comprehensive loss for the financial period	-	-	(3,940)	(3,940)	-	(3,940)
Total comprehensive (loss)/income for the financial period	-	-	(3,940)	(3,940)	228,660	224,720
Issuance of shares for acquisition of a subsidiary	266,099	-	-	-	-	266,099
Balance as at 30 June 2018	6,438,150	6,261	(10,596)	(4,335)	629,199	7,063,014

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

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

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

	Group		Company	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	254,406	534,096	74,848	307,679
Adjustments for non-cash items	357,554	(20,805)	(2,312)	(115,730)
Operating profit before working capital changes	611,960	513,291	72,536	191,949
Working capital changes:	56,773			
Net changes in operating assets	(1,658,385)	(2,749,894)	85,727	(1,305,641)
Net changes in operating liabilities	4,109,510	(2,766,448)	(41,652)	275,060
Cash generated from/(used in) operations	3,063,085	(5,003,051)	116,611	(838,632)
Income taxes and zakat paid	(225,341)	(80,312)	(110,092)	(76,922)
Net cash generated from/(used in) operating activities	2,837,744	(5,083,363)	6,519	(915,554)
Cash flows from investing activities				
Arising from acquisition of MBSB Bank	-	181,076	-	(6,666,078)
Purchase of property and equipment	(36,194)	(76,486)	-	(13,071)
Purchase of intangible assets	(15,624)	(54,196)	-	-
Proceeds from disposal of foreclosed properties	13,582	-	13,582	-
Purchase of financial investments at FVOCI	(3,574,202)	(353,646)	-	(42,059)
Purchase of financial investments at FVTPL	(10,156)	-	-	-
Net cash (used in)/ generated from investing activities	(3,622,594)	(303,252)	13,582	(6,721,208)
Cash flows from financing activities				
Repayment from recourse obligation on financing sold	(88,564)	(73,624)	-	(63,159)
Proceeds of Sukuk - MBSB SC Murabahah	(94,051)	(101,047)	-	-
Net cash used in financing activities	(182,615)	(174,671)	-	(63,159)
Net (decrease)/increase in cash and cash equivalents	(967,465)	(5,561,286)	20,101	(7,699,921)
Cash and cash equivalents at beginning of period	3,411,986	7,787,132	155,077	7,768,634
Cash and cash equivalents at end of period	2,444,521	2,225,846	175,178	68,713
Cash and cash equivalents is represented by:				
Cash and short-term funds	2,444,521	2,225,846	175,178	68,713

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

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2019
PART A - EXPLANATORY NOTES PURSUANT TO MFRS134

A1. Basis of preparation

The unaudited condensed interim financial statements for the financial quarter ended 30 June 2019 have been prepared under the historical cost convention except for financial investments which are recognised at fair value and the following financial assets and financial liabilities which are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest/profit method: loans, financing and advances, trade and other payables, bank borrowings and recourse obligations on financing sold.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad, Financial Reporting for Islamic Banking Institutions policy issued by Bank Negara Malaysia ("BNM") and provisions of Companies Act 2016. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2018. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

The unaudited interim financial statements of the Group consolidated financial performance includes Banking group which also comprises of MBSB Bank Berhad ("the Bank") and the Bank's subsidiary, Jana Kapital Sdn Bhd ("JKSB"). The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2018.

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

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments - Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119, Employee Benefits - Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle).
- Amendments to MFRS 128, Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures

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A1. Basis of preparation (continued)

Effective for annual periods beginning on or after 1 January 2020

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

Effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

A2. Audit report of preceding financial year ended 31 December 2018

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

A3. Seasonality and cyclicity of operation

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

A4. Exceptional or unusual items

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

A5. Changes in estimates of amounts reported previously

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

A6. Debts and equity securities

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

	30-Jun-19	31-Dec-18
Number of ordinary shares ('000)	6,389,101	6,389,101
Share Capital (RM'000)	6,682,102	6,682,102

A7. Dividend

No dividend was paid in the current quarter.

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A8. Cash and short-term funds

	Group		Company	
	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000
(a) Cash at banks and on hand	340,646	262,346	136,169	72,070
Money at call and deposit placements maturing within one month	2,103,875	3,149,640	39,009	83,007
Total cash and short-term funds	2,444,521	3,411,986	175,178	155,077
(b) Deposits and placements with financial institutions with original maturity of more than one month				
- Licensed Banks	1,429,698	931,087	155,079	154,347
- Financial institutions	20,000	-	-	-
Total cash and short-term funds and deposits and placements with financial institutions	3,894,219	4,343,073	330,257	309,424

A9. Financial investments at FVTPL

	Group		Company	
	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000
At fair value				
Quoted securities:				
<u>In Malaysia</u>				
Malaysian Government	10,156	-	-	-
	10,156	-	-	-

A10. Financial investments at FVOCI

	Group		Company	
	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000
At fair value				
Money Market Instruments				
Malaysian Government Investment Issues	5,443,735	2,154,192	-	-
Debt securities:				
<u>In Malaysia</u>				
Private and Islamic debt securities	1,225,788	1,060,628	-	-
Government Guaranteed debt securities	2,019,483	1,882,285	-	-
	8,689,006	5,097,105	-	-

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A10. Financial investments at FVOCI (continued)

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

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

	Group			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	-	-	-	-
Total charge to Income Statement:	18	-	-	18
Change in credit risk	18	-	-	18
At 30 June 2019	18	-	-	18

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

A11. Financial investments at amortised cost

	Group		Company	
	30-June-19	31-Dec-18	30-June-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Quoted securities:				
<u>In Malaysia</u>				
Private and Islamic debt securities	20,347	20,356	-	-
Less: ECL at Stage 1	(6)	(6)	-	-
	20,341	20,350	-	-

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A12. Loans, financing and advances

	Group		Company	
	30-June-19	31-Dec-18	30-June-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
(i) By type				
At amortised cost				
<i>Islamic:</i>				
<i>Term financing:</i>				
Personal financing	20,355,682	20,562,117	-	-
Other term financing	6,133,292	5,456,952	-	-
Property financing	4,688,220	4,340,081	-	-
Industrial hire purchase	798,851	781,118	-	-
Bridging financing	656,989	716,015	-	-
Auto finance	188,008	213,898	-	-
Revolving Credit	855,367	743,218	-	-
Trade finance	460,165	138,473	-	-
Trusts receipts	-	51,525	-	-
Staff financing	43,538	41,277	-	-
<i>Conventional:</i>				
<i>End finance:</i>				
Normal housing programme	999,946	1,063,043	999,946	1,063,043
Low cost housing programme	3,206	3,367	3,206	3,367
Other term financing	815,817	826,113	815,817	826,113
Bridging financing	220,388	217,708	220,388	217,708
Auto finance	17,241	17,319	17,241	17,319
Staff financing	401	380	401	380
Gross loans, advances and financing	<u>36,237,111</u>	<u>35,172,604</u>	<u>2,056,999</u>	<u>2,127,930</u>
Less: ECL				
- Stage 1	(429,645)	(358,907)	(13,290)	(12,370)
- Stage 2	(572,247)	(550,621)	(88,090)	(94,982)
- Stage 3	(1,236,622)	(1,129,957)	(689,102)	(694,076)
Net loans, advances and financing	<u>33,998,597</u>	<u>33,133,119</u>	<u>1,266,517</u>	<u>1,326,502</u>
(ii) By maturity structure				
	Group		Company	
	30-June-19	31-Dec-18	30-June-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Within one year	3,003,696	2,196,230	724,601	715,288
More than one year to three years	1,403,287	1,792,653	22,303	22,541
More than three years to five years	2,252,573	2,073,320	117,549	133,570
More than five years	29,577,555	29,110,401	1,192,546	1,256,531
	<u>36,237,111</u>	<u>35,172,604</u>	<u>2,056,999</u>	<u>2,127,930</u>

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A12. Loans, financing and advances (continued)

(iii) By economic purpose

	Group		Company	
	30-June-19	31-Dec-18	30-June-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Personal Use	20,456,093	20,674,423	307	321
Construction	5,274,045	4,546,235	448,352	423,262
Purchase of landed property:				
- Residential	5,272,591	5,019,386	930,775	988,217
- Non-Residential	313,894	278,082	64,800	70,218
Working Capital	4,176,108	3,672,525	142,423	153,494
Purchase of transport vehicles	203,502	228,603	14,863	14,968
Purchase of other fixed assets	46,030	63,875	7,478	7,778
Purchase of other securities	442	498	-	-
Purchase of consumer durables	139	142	-	-
Others	494,267	688,835	448,001	469,672
	36,237,111	35,172,604	2,056,999	2,127,930

(iv) By type of customers

	Group		Company	
	30-June-19	31-Dec-18	30-June-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Individuals	26,157,825	26,104,420	972,267	1,034,810
Domestic business enterprises				
- Small medium enterprise	2,973,305	2,722,949	419,040	301,772
- Non-bank financial institutions	571,204	536,644	-	-
- Government	196,340	240,301	-	-
- Others	6,338,437	5,562,252	665,692	791,348
Foreign entities	-	6,038	-	-
	36,237,111	35,172,604	2,056,999	2,127,930

(v) By sector

	Group		Company	
	30-June-19	31-Dec-18	30-June-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Household	26,157,824	26,110,523	972,266	1,034,811
Construction	6,530,880	6,116,961	726,706	721,714
Finance, insurance and business services	1,074,236	1,089,016	12,823	13,056
Education, health and others	923,820	647,421	229,132	228,247
Manufacturing	612,226	382,878	107,237	120,869
Agriculture	283,226	240,002	3,208	3,325
Electricity, gas and water	233,916	233,110	-	-
Wholesale & retail trade and restaurants & hotels	185,496	168,282	3,538	3,625
Transport, storage and communication	168,149	124,403	2,089	2,283
Mining and quarrying	67,338	60,008	-	-
	36,237,111	35,172,604	2,056,999	2,127,930

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A12. Loans, financing and advances (continued)

(vi) By profit/interest rate sensitivity

	Group		Company	
	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000
Fixed rate:				
Personal financing	18,344,868	18,976,550	-	-
Bridging, structured and term financing	1,455,446	1,185,663	263,418	262,717
Mortgage and property Islamic	475,101	568,200	2,690	3,233
Auto finance	207,960	233,797	17,241	17,319
Variable rate:				
Bridging, structured and term financing	8,485,941	7,745,975	772,786	781,104
Mortgage and property Islamic	5,240,177	4,859,937	1,000,864	1,063,557
Personal financing	2,027,618	1,602,482	-	-
	36,237,111	35,172,604	2,056,999	2,127,930

(vii) By geographical distribution

	Group		Company	
	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000
Malaysia	36,237,111	35,172,470	2,056,999	2,127,930
United Kingdom	-	134	-	-
	36,237,111	35,172,604	2,056,999	2,127,930

(viii) Movement of gross loans, advances and financing

30-June-19

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	28,721,082	4,528,051	1,923,471	35,172,604
Transfer to stage 1	392,500	(319,175)	(73,325)	-
Transfer to stage 2	(889,648)	1,100,874	(211,226)	-
Transfer to stage 3	(79,632)	(374,385)	454,017	-
New financing / disbursement during the year	3,232,910	372,562	23,992	3,629,464
Repayment during the year	(2,222,850)	(378,239)	(85,774)	(2,686,863)
Other changes to the carrying amount	86,421	19,274	16,211	121,906
Gross carrying amount as at 30 June 2019	29,240,783	4,948,962	2,047,366	36,237,111

30-June-19

	Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	406,208	590,545	1,131,177	2,127,930
Transfer to stage 1	35,212	(32,873)	(2,339)	-
Transfer to stage 2	(27,790)	79,645	(51,855)	-
Transfer to stage 3	(2,488)	(44,841)	47,329	-
New financing / disbursed during the year	-	-	12,580	12,580
Financing repaid during the year	(31,085)	(37,184)	(33,392)	(101,661)
Other changes to the carrying amount	1,511	8,274	8,365	18,150
Gross carrying amount as at 30 June 2019	381,568	563,566	1,111,865	2,056,999

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A12. Loans, financing and advances (continued)

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

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

31-Dec-18	Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2018	28,217,055	4,410,949	1,573,175	34,201,179
Vesting of assets to MBSB Bank	(27,853,303)	(3,060,832)	(735,137)	(31,649,272)
Transfer to stage 1	780,340	(776,493)	(3,847)	-
Transfer to stage 2	(610,364)	740,884	(130,520)	-
Transfer to stage 3	(230,178)	(277,727)	507,905	-
New financing / disbursement during the year	2,258,165	373,830	18,500	2,650,495
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	365	(1,455)	(6,356)	(7,446)
Gross carrying amount as at 31 December 2018	406,208	590,545	1,131,177	2,127,930

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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A12. Loans, financing and advances (continued)

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

30-June-19	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2019	358,907	550,621	1,129,957	2,039,485
Charged to profit or loss, of which (Note A22):	70,738	21,626	106,665	199,029
Changes in ECL				
- Transfer to stage 1	8,220	(6,776)	(1,444)	-
- Transfer to stage 2	(101,551)	141,711	(40,160)	-
- Transfer to stage 3	(55,274)	(208,690)	263,964	-
New financing / disbursement during the year	63,832	24,492	1,701	90,025
Financing repaid during the year	(23,989)	(182,760)	(184,409)	(391,158)
Changes in credit risk parameters	179,500	253,649	67,013	500,162
ECL as at 30 June 2019	429,645	572,247	1,236,622	2,238,514
30-June-19	Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2019	12,370	94,982	694,076	801,428
Charged to profit or loss, of which (Note A22):	920	(6,892)	(4,974)	(10,946)
Changes in ECL				
- Transfer to stage 1	1,374	(1,282)	(92)	-
- Transfer to stage 2	(4,578)	15,973	(11,395)	-
- Transfer to stage 3	(1,746)	(30,203)	31,949	-
New financing / disbursement during the year	-	-	277	277
Financing repaid during the year	(452)	(30,300)	(49,536)	(80,288)
Changes in credit risk parameters	6,322	38,920	23,823	69,065
ECL as at 30 June 2019	13,290	88,090	689,102	790,482

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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A12. Loans, financing and advances (continued)

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

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

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

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A12. Loans, financing and advances (continued)

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

	Group		Company	
	30-June-19	31-Dec-18	30-June-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January	1,923,471	1,573,175	1,131,177	1,573,175
Acquisition of MBSB Bank Berhad	-	111,039	-	-
Assets vested to MBSB Bank Berhad	-	-	-	(735,137)
Classified as impaired during the period	478,009	992,277	59,909	526,405
Reclassified as non-impaired	(284,551)	(228,194)	(54,194)	(134,367)
Amount recovered	(85,774)	(255,724)	(33,392)	(138,093)
Other changes to the carrying amount	16,211	199,687	8,365	58,226
Amount written off	-	(578,985)	-	(12,676)
Reclassification from/(to) assets held-for-sale	-	110,196	-	(6,356)
Balance as at end of financial period	<u>2,047,366</u>	<u>1,923,471</u>	<u>1,111,865</u>	<u>1,131,177</u>
Less: Stage 3 ECL as at end of financial period	<u>(1,236,622)</u>	<u>(1,129,957)</u>	<u>(689,102)</u>	<u>(694,076)</u>
Net impaired financing and advances	<u>810,744</u>	<u>793,514</u>	<u>422,763</u>	<u>437,101</u>
Net impaired loans as a percentage of net financing and advances	<u>2.38%</u>	<u>2.39%</u>	<u>33.38%</u>	<u>32.95%</u>
Gross impaired loans as a percentage of gross financing and advances	<u>5.65%</u>	<u>5.47%</u>	<u>54.05%</u>	<u>53.16%</u>

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

	Group		Company	
	30-June-19	31-Dec-18	30-June-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Household	850,473	745,023	304,082	327,256
Construction	724,174	795,663	583,303	581,836
Education, health and others	302,176	308,577	221,342	220,245
Agriculture	59,128	154	-	-
Finance, insurance and business services	48,491	12,602	1,005	998
Mining and quarrying	38,891	38,891	-	-
Wholesale & retail trade and restaurants & hotels	21,354	21,148	276	33
Manufacturing	2,360	1,070	1,801	753
Transport, storage and communication	319	343	56	56
	<u>2,047,366</u>	<u>1,923,471</u>	<u>1,111,865</u>	<u>1,131,177</u>

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A13. Other receivables

	Group		Company	
	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000
Advances in respect of certain projects	487,646	463,009	-	-
Loan commitment fees	8,740	8,740	8,740	8,740
Amount due from subsidiaries	-	-	61,851	58,152
Foreclosed properties	120,926	133,505	120,926	133,505
Prepayments and deposits	15,829	11,915	8,633	8,633
Sundry receivables	114,849	132,987	53,077	41,116
Public Low Cost Housing Payment ("PLCHP")	23,033	23,113	23,033	23,113
Deferred expenses due to issuance of Sukuk Commodity Murabahah	121	128	-	-
Deferred expenses due to issuance of Sukuk - MBSB SC Murabahah	2,339	2,470	-	-
	<u>773,483</u>	<u>775,867</u>	<u>276,260</u>	<u>273,259</u>
Less: ECL at Stage 3	<u>(562,471)</u>	<u>(532,820)</u>	<u>(133,099)</u>	<u>(124,587)</u>
	<u>211,012</u>	<u>243,047</u>	<u>143,161</u>	<u>148,672</u>

A14. Deposits from customers

	Group		Company	
	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000
(i) By type of deposit:				
Commodity Murabahah Term Deposit	25,983,558	23,907,371	-	-
Demand deposits	184,130	225,520	-	-
Savings deposits	97,434	76,558	-	-
	<u>26,265,122</u>	<u>24,209,449</u>	<u>-</u>	<u>-</u>

The deposit above are under Islamic contract of Tawarruq.

(ii) By type of customers:

	Group		Company	
	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000
Government and statutory bodies	17,287,300	14,746,960	-	-
Business enterprises	4,958,012	6,371,297	-	-
Individuals	4,019,810	3,091,192	-	-
	<u>26,265,122</u>	<u>24,209,449</u>	<u>-</u>	<u>-</u>

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A14. Deposits from customers (continued)

(iii) Maturity of deposits from customers:

	Group		Company	
	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000
Within six months	17,537,780	17,474,783	-	-
More than six months to one year	7,151,498	4,818,107	-	-
More than one year to three years	1,231,489	723,813	-	-
More than three years	344,355	1,192,746	-	-
	<u>26,265,122</u>	<u>24,209,449</u>	<u>-</u>	<u>-</u>

A15. Deposits and placements of banks and other financial institutions

	Group		Company	
	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000
(i) By type of deposit:				
<u>Non-Mudharabah Funds:</u>				
Other financial institutions	10,732,029	8,578,851	-	-
	<u>10,732,029</u>	<u>8,578,851</u>	<u>-</u>	<u>-</u>
(ii) By type of contract:				
Tawarruq	10,732,029	8,578,851	-	-
	<u>10,732,029</u>	<u>8,578,851</u>	<u>-</u>	<u>-</u>

A16. Other payables

	Group		Company	
	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000
Al-Mudharabah security fund	126,826	123,401	-	-
Amount due to MBSB Bank Berhad	-	-	86,897	98,666
Sundry creditors	242,302	278,232	68,692	80,560
ECL for commitments and contingencies	111,495	100,412	6,391	6,469
Deferred income	41,937	43,275	24,683	30,625
Other provisions and accruals	62,091	105,447	11,354	23,349
	<u>584,651</u>	<u>650,767</u>	<u>198,017</u>	<u>239,669</u>

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A16. Other payables (continued)

Movement of ECL for commitments and contingencies are as follows:

30-June-19

	Group			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL as at 1 January 2019	53,130	36,829	10,453	100,412
Charge to profit or loss, of which (Note A22):	880	3,520	6,683	11,083
Changes in ECL				
- Transfer to stage 1	441	(441)	-	-
- Transfer to stage 2	(16,067)	16,130	(63)	-
- Transfer to stage 3	(4,799)	(879)	5,678	-
New financing /disbursement during the year	14,330	4,069	1,504	19,903
Derecognised/converted to loans/financing during the period (other than write-offs)	(8,016)	(3,260)	(544)	(11,820)
Changes in credit risk parameters	14,991	(12,099)	108	3,000
ECL as at 30 June 2019	<u>54,010</u>	<u>40,349</u>	<u>17,136</u>	<u>111,495</u>

30-June-19

	Company			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Loss allowance as at 1 January 2019	413	198	5,858	6,469
Charge to profit or loss (Note A22)	(97)	(36)	55	(78)
Changes in ECL				
- Transfer to stage 1	6	(6)	-	-
- Transfer to stage 2	(75)	85	(10)	-
- Transfer to stage 3	(301)	(67)	368	-
Derecognised/converted to loans/financing during the period (other than write-offs)	(31)	(54)	(141)	(226)
Changes in credit risk parameters	304	6	(162)	148
ECL as at 30 June 2019	<u>316</u>	<u>162</u>	<u>5,913</u>	<u>6,391</u>

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A16. Other payables (continued)

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

31-Dec-18	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2018	98,697	85,730	12,459	196,886
Addition from acquisition of MBSB Bank Berhad	4,846	885	-	5,731
Charge to profit or loss	(50,413)	(49,786)	(2,006)	(102,205)
Changes in ECL				
- Transfer to stage 1	5,105	(5,105)	-	-
- Transfer to stage 2	(40,251)	40,280	(29)	-
- Transfer to stage 3	(3,214)	(1,178)	4,392	-
New financing /disbursement during the year	33,007	7,107	203	40,317
Derecognised/converted to loans/financing during the period (other than write-offs)	(33,670)	(45,119)	(5,550)	(84,339)
Changes in credit risk parameters	(11,390)	(45,771)	(1,022)	(58,183)
ECL as at 31 December 2018	53,130	36,829	10,453	100,412
31-Dec-18	Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2018	98,697	85,730	12,459	196,886
Vesting of assets to MBSB Bank Berhad	(69,751)	(35,157)	(1,515)	(106,423)
- commitment from financing	(69,751)	(35,157)	(1,498)	(106,406)
- commitment from asset held-for-sale	-	-	(17)	(17)
Charge to profit or loss	(28,533)	(50,375)	(5,086)	(83,994)
Changes in ECL				
- Transfer to stage 1	4,888	(4,888)	-	-
- Transfer to stage 2	(11,574)	11,602	(28)	-
- Transfer to stage 3	(206)	(678)	884	-
New financing /disbursement during the year	11,810	1,333	-	13,143
Derecognised/converted to loans/financing during the period (other than write-offs)	(11,139)	(24,324)	(4,932)	(40,395)
Changes in credit risk parameters	(22,312)	(33,420)	(1,010)	(56,742)
ECL as at 31 December 2018	413	198	5,858	6,469

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

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Financing	578,563	580,101	1,142,899	1,137,399
Income from securities	65,782	49,012	129,516	87,685
Deposits with financial institutions	40,492	30,242	83,216	72,856
	684,837	659,355	1,355,631	1,297,940

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Financing	-	-	-	560,065
Profit income from Sukuk Commodity Murabahah	-	-	-	27,348
Income from securities	-	-	-	33,043
Deposits with financial institutions	-	-	-	33,247
	-	-	-	653,703

A18. Interest income

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	34,886	46,262	74,006	121,304
- Deposits and placements with banks and other financial institutions	1,721	7,614	3,791	21,906
	36,607	53,876	77,797	143,210

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	23,387	35,866	51,434	100,875
- Deposits and placements with banks and other financial institutions	1,721	7,614	3,791	21,906
	25,108	43,480	55,225	122,781

A19. Interest expense

	Group and Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	-	(33)	-	157
Others	5	(206)	10	24,838
	5	(239)	10	24,995

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A20. Net other income

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Rental income	49	44	93	87
Revenue from hotel operations	1,155	1,694	2,359	3,210
Loan related fees	2,729	2,493	5,228	10,219
Insurance commission	4,138	4,483	6,149	7,572
Sundry income	14,391	1,395	50,651	2,775
(Loss)/gain from disposal of:				
Property and equipment	-	-	-	(25)
Foreclosed properties	7,991	-	7,991	-
Inventories	-	100	-	100
	30,453	10,209	72,471	23,938

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Rental income	951	3	4,754	5
Loan related fees /(expenses)	4,153	(2,963)	8,582	4,763
Insurance commission	(40)	373	7	3,462
Sundry income /(expenses)	10,385	(2,114)	21,750	(1,716)
(Loss)/gain from disposal of:				
Property and equipment	-	-	-	(25)
Foreclosed properties	7,991	-	7,991	-
Inventories	-	100	-	100
	23,440	(4,601)	43,084	6,589

A21. Other operating expenses

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Personnel expenses *	65,207	58,955	127,523	104,853
Establishment related expenses	15,031	10,028	27,702	18,893
General administrative expenses	13,747	18,419	24,737	36,749
Promotion and marketing related expenses	2,823	2,675	4,515	4,378
Commission fees	8,537	7,573	17,023	14,753
	105,345	97,650	201,500	179,626

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A21. Other operating expenses (continued)

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Personnel expenses *	300	3,295	610	44,284
Establishment related expenses	347	984	955	4,387
General administrative expenses	3,307	1,114	4,326	20,389
Promotion and marketing related expenses	-	72	-	1,739
Intercompany charges	5,981	-	11,962	-
Commission fees	26	-	151	7,180
	9,961	5,465	18,004	77,979

Included in the other operating expenses:

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	2,311	2,228	4,665	4,384
Amortisation of intangible assets	5,233	1,851	10,282	4,784
Depreciation of right use of assets	3,907	-	3,907	-

Included in the other operating expenses:

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	116	118	232	236
Amortisation of intangible assets	-	-	-	1,733

*** Personnel expenses**

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	50,421	44,892	98,645	80,433
Pension costs - Employees Provident Fund	8,949	7,424	16,953	13,041
Social security costs	426	63	800	365
Directors fees	853	1,584	1,804	2,876
Shariah Committee remuneration	120	-	234	-
Other staff related expenses	4,438	4,992	9,087	8,138
	65,207	58,955	127,523	104,853

*** Personnel expenses**

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	-	464	-	31,959
Pension costs - Employees Provident Fund	-	120	-	5,348
Social security costs	-	(267)	-	12
Directors fees	300	973	607	2,265
Other staff related expenses	-	2,005	3	4,700
	300	3,295	610	44,284

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A22. ECL charged/(written back)

30-June-19

	Group			
	2nd Quarter Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial investments at FVOCI	18	-	-	18
Financial investments at amortised cost	(2)	-	-	(2)
Loans, financing and advances (Note A12(ix))	46,717	(18,640)	58,284	86,361
Other receivables	-	-	24,568	24,568
Financing commitments and financial guarantee (Note A16)	(5,557)	(18,658)	5,503	(18,712)
	41,176	(37,298)	88,355	92,233
Impaired financing and advances:				
- Write off	-	-	6,422	6,422
- Recovered	-	-	(6,234)	(6,234)
	-	-	188	188
	41,176	(37,298)	88,543	92,421

	Group			
	Six Months Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial investments at FVOCI	18	-	-	18
Loans, financing and advances (Note A12(ix))	70,738	21,626	106,665	199,029
Other receivables	-	-	36,658	36,658
Financing commitments and financial guarantee (Note A16)	880	3,520	6,683	11,083
	71,636	25,146	150,006	246,788
Impaired financing and advances:				
- Write off	-	-	7,002	7,002
- Recovered	-	-	(8,348)	(8,348)
	-	-	(1,346)	(1,346)
	71,636	25,146	148,660	245,442

30-June-19

	Company			
	2nd Quarter Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Loans, financing and advances (Note A12(ix))	(211)	(21,496)	(1,148)	(22,855)
Amount due from subsidiaries	-	-	1,676	1,676
Other receivables	-	-	12,000	12,000
Financing commitments and financial guarantee (Note A16)	(10)	(160)	317	147
	(221)	(21,656)	12,845	(9,032)
Impaired financing and advances:				
- Write off	-	-	2,922	2,922
- Recovered	-	-	(1,906)	(1,906)
	-	-	1,016	1,016
	(221)	(21,656)	13,861	(8,016)

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A22. ECL charged/(written back) (continued)

30-June-19

	Company			
	Six Months Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Loans, financing and advances (Note A12(ix))	920	(6,892)	(4,974)	(10,946)
Amount due from subsidiaries	-	-	3,500	3,500
Other receivables	-	-	12,000	12,000
Financing commitments and financial guarantee (Note A16)	(97)	(36)	55	(78)
	823	(6,928)	10,581	4,476
Impaired financing and advances:				
- Write off	-	-	3,126	3,126
- Recovered	-	-	(2,155)	(2,155)
	-	-	971	971
	823	(6,928)	11,552	5,447

30-June-18

	Group			
	2nd Quarter Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Loans, financing and advances	(127,014)	53,262	199,693	125,941
Financial assets held-for-sale	(12)	(1,070)	11,252	10,170
Trade receivables	-	-	(8)	(8)
Other receivables	-	-	11,295	11,295
	(127,026)	52,192	222,232	147,398
Impaired financing and advances:				
- Write off	-	-	2,385	2,385
- Recovered	-	-	(14,262)	(14,262)
	-	-	(11,877)	(11,877)
	(127,026)	52,192	210,355	135,521

	Group			
	Six Months Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Loans, financing and advances	(146,661)	(96,161)	213,366	(29,456)
Financial assets held-for-sale	(13)	(180)	10,927	10,734
Trade receivables	-	-	(8)	(8)
Other receivables	-	-	22,181	22,181
	(146,674)	(96,341)	246,466	3,451
Impaired financing and advances:				
- Write off	-	-	6,960	6,960
- Recovered	-	-	(18,399)	(18,399)
	-	-	(11,439)	(11,439)
	(146,674)	(96,341)	235,027	(7,988)

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A22. ECL charged/(written back) (continued)

30-June-18

	Company			
	2nd Quarter Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Loans, financing and advances	(14,959)	55,204	59,715	99,960
Financial assets held-for-sale	(7)	76	(9,593)	(9,524)
Financing to subsidiaries	-	-	2,203	2,203
Amount due from subsidiaries	-	-	732	732
	(14,966)	55,280	53,057	93,371
Impaired financing and advances:				
- Write off	-	-	864	864
- Recovered	-	-	(266)	(266)
	-	-	598	598
	(14,966)	55,280	53,655	93,969

	Company			
	Six Months Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Loans, financing and advances	(29,315)	(93,151)	73,405	(49,061)
Financial assets held-for-sale	(7)	966	(9,919)	(8,960)
Other receivables	-	-	17,589	17,589
Financing to subsidiaries	-	-	5,228	5,228
Amount due from subsidiaries	-	-	2,293	2,293
	(29,322)	(92,185)	88,596	(32,911)
Impaired financing and advances:				
- Write off	-	-	5,439	5,439
- Recovered	-	-	(4,403)	(4,403)
	-	-	1,036	1,036
	(29,322)	(92,185)	89,632	(31,875)

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A23. Commitments and contingencies

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

Group	Gross Positive Fair Value -		Credit equivalent amount	Risk weighted amount
	Principal amount	Derivative Contract		
	RM'000	RM'000	RM'000	RM'000
30-June-19				
Direct credit substitutes	166,770	-	162,468	162,468
Trade-related contingencies	96,744	-	48,372	48,372
Short Term Self Liquidating trade related contingencies	95,264	-	19,053	19,053
Irrevocable commitments to extend credit:				
- one year or less	1,214,277	-	255,866	255,866
- over one year to five years	4,017,962	-	2,000,662	2,000,662
- over five years	145,811	-	72,906	72,906
Foreign exchange related contracts				
- one year or less	228,907	1,815	5,246	1,195
	<u>5,965,735</u>	<u>1,815</u>	<u>2,564,573</u>	<u>2,560,522</u>

Company	Gross Positive Fair Value -		Credit equivalent amount	Risk weighted amount
	Principal amount	Derivative Contract		
	RM'000	RM'000	RM'000	RM'000
30-June-19				
Direct credit substitutes	4,141	-	1,544	1,544
Trade-related contingencies	2,939	-	1,469	1,469
Irrevocable commitments to extend credit:				
- over one year to five years	24,209	-	8,789	8,789
	<u>31,289</u>	<u>-</u>	<u>11,802</u>	<u>11,802</u>

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A23. Commitments and contingencies (continued)

Group	Gross Positive		Credit equivalent amount	Risk weighted amount
	Principal amount	Fair Value - Derivative Contract		
	RM'000	RM'000	RM'000	RM'000
31-Dec-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
	<u>6,116,722</u>	<u>-</u>	<u>2,834,912</u>	<u>2,834,786</u>

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

(i) Capital Commitments

	Group and Company	
	30-June-19	31-Dec-18
	RM'000	RM'000
Property and equipment:		
- Approved and contracted for	28,804	60,203
	<u>28,804</u>	<u>60,203</u>

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A24. Unsecured contingent liabilities

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

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

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

The Court directed parties to go for mediation to try to settle the disputes between the parties and further fixed the case management on 13 September 2019 to update on the progress of the mediation. The Court fixed the matter for trial on 30th and 31st January 2020.

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

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

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

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

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

The court fixed hearing date for the consolidation application to 11 June 2019 and case management for all three cases to 9 July 2019.

The Court fixed the next case management on 10 October 2019 and the parties are in the midst of exchanging the cause papers.

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A25. Segmental information on revenue and results

Group	Banking RM'000	Hotel Operations RM'000	Eliminations RM'000	Consolidated RM'000
3 months ended 30 June 2019				
External sales	816,506	1,154	-	817,660
Intersegment transactions	8,757	970	(9,727)	-
Total revenue	<u>825,263</u>	<u>2,124</u>	<u>(9,727)</u>	<u>817,660</u>
Segment results	121,094	(6,008)	23,462	<u>138,548</u>
Profit before taxation and zakat from operations				<u>138,548</u>
Segment assets	58,787,374	62,974	(9,192,460)	<u>49,657,888</u>
Consolidated total assets				<u>49,657,888</u>
Segment liabilities	46,596,785	220,437	(5,225,336)	<u>41,591,886</u>
Consolidated total liabilities				<u>41,591,886</u>
3 months ended 30 June 2018				
External sales	792,447	1,694	-	794,141
Intersegment transactions	8,042	977	(9,019)	-
Total revenue	<u>800,489</u>	<u>2,671</u>	<u>(9,019)</u>	<u>794,141</u>
Segment results	108,964	(5,215)	21,185	<u>124,934</u>
Profit before taxation and zakat from operations				<u>124,934</u>
Segment assets	49,549,560	65,395	(5,413,551)	<u>44,201,404</u>
Consolidated total assets				<u>44,201,404</u>
Segment liabilities	38,157,706	199,062	(1,656,845)	<u>36,699,923</u>
Consolidated total liabilities				<u>36,699,923</u>

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A25. Segmental information on revenue and results (continued)

	Financing RM'000	Hotel Operations RM'000	Eliminations RM'000	Consolidated RM'000
6 months ended 30 June 2019				
External sales	1,599,339	2,358	-	1,601,697
Intersegment transactions	17,186	1,905	(19,091)	-
Total revenue	<u>1,616,525</u>	<u>4,263</u>	<u>(19,091)</u>	<u>1,601,697</u>
Segment results	220,046	(11,955)	46,315	<u>254,406</u>
Profit before taxation and zakat from operations				<u>254,406</u>
Segment assets	58,787,374	62,974	(9,192,460)	<u>49,657,888</u>
Consolidated total assets				<u>49,657,888</u>
Segment liabilities	46,596,785	220,437	(5,225,336)	<u>41,591,886</u>
Consolidated total liabilities				<u>41,591,886</u>
6 months ended 30 June 2018				
External sales	1,605,970	3,210	-	1,609,180
Intersegment transactions	15,721	1,946	(17,667)	-
Total revenue	<u>1,621,691</u>	<u>5,156</u>	<u>(17,667)</u>	<u>1,609,180</u>
Segment results	485,308	(10,608)	59,397	<u>534,097</u>
Profit before taxation and zakat from operations				<u>534,097</u>
Segment assets	49,549,560	65,395	(5,413,551)	<u>44,201,404</u>
Consolidated total assets				<u>44,201,404</u>
Segment liabilities	38,157,706	199,062	(1,656,845)	<u>36,699,923</u>
Consolidated total liabilities				<u>36,699,923</u>

A26. Subsequent events

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

A27. Changes in the composition of the group

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

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A28. Acquisition/disposal of property and equipment

	Group As at 30-June-19 RM'000
Additions	
Building in progress	31,399
Building renovation	176
Furniture & equipment	330
Motor vehicle	316
Data processing equipment	3,973
	<u>36,194</u>
Disposals	
Furniture & equipment	(2,318)
	<u>(2,318)</u>

A29. Significant related party transactions

	Group	
	30-June-19 RM'000	30-June-18 RM'000
(i) Transactions and balances with Employees Provident Fund ("EPF"), the ultimate holding body:		
Expenses		
Profit expense paid on Sukuk	28,155	35,737
Profit expense paid on Fixed deposit	35,354	436
Rental expense	144	144
	<u>63,653</u>	<u>36,317</u>
Balances		
Sukuk - MBSB SC Murabahah	1,131,146	1,120,831
Accrued profit on Sukuk	7,773	7,591
Fixed deposit by EPF	1,800,000	100,000
Accrued profit on fixed deposit	18,078	436
Rental deposit	97	97
	<u>2,977,134</u>	<u>2,358,755</u>
(ii) Transactions and balances with RHB Banking Group of companies, being companies directly controlled by EPF:		
Income/(expense)		
Profit from deposit placements	-	1,742
Profit to depositors	(698)	-
	<u>(698)</u>	<u>1,742</u>
Balances		
Cash and short-term funds	42,426	6,808
Deposits and placements with banks and other financial institutions	72,549	795,235
	<u>114,975</u>	<u>802,043</u>
(iii) Collectively, but not individually, significant transactions and balances with other related parties:		
Income/(expense)		
Profit from financing	10,180	10,373
Profit to depositors	(962)	(42,977)
	<u>9,218</u>	<u>(32,604)</u>
Balances		
Financing	303,630	513,068
Deposit from customers	148,791	2,547,088
	<u>452,421</u>	<u>3,060,156</u>

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A30. Capital adequacy

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

	Group		Bank Group		Bank	
	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000
<u>Common Equity Tier 1 Capital</u>						
Ordinary share capital	6,682,102	6,682,102	4,625,859	4,625,859	4,625,859	4,625,859
Retained earnings	1,086,629	1,086,629	324,226	324,226	259,543	259,543
Other reserve	107,219	16,873	106,289	15,942	106,289	15,942
	<u>7,875,950</u>	<u>7,785,604</u>	<u>5,056,374</u>	<u>4,966,027</u>	<u>4,991,691</u>	<u>4,901,344</u>
Less : Common Equity Tier 1 regulatory adjustments						
Goodwill and bargain purchase gains	(188,790)	(188,790)	-	-	-	-
Cumulative gains of Investment securities at FVOCI	(67,026)	(8,134)	(67,026)	(8,152)	(67,026)	(8,152)
Regulatory reserve attributable to financing	-	-	(5,234)	(5,234)	(5,234)	(5,234)
Other intangibles	(110,066)	(104,723)	(110,042)	(104,692)	(110,042)	(104,692)
Total Common Equity Tier 1 Capital	<u>7,510,068</u>	<u>7,483,957</u>	<u>4,874,072</u>	<u>4,847,949</u>	<u>4,809,389</u>	<u>4,783,266</u>
<u>Tier 1 Capital</u>						
Additional Tier 1 capital instruments	-	-	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-	-	-
Total Tier 1 capital	<u>7,510,068</u>	<u>7,483,957</u>	<u>4,874,072</u>	<u>4,847,949</u>	<u>4,809,389</u>	<u>4,783,266</u>
<u>Tier II Capital</u>						
Stage 1 & Stage 2 expected credit loss allowances	510,111	478,878	475,545	445,089	509,128	480,046
Total Tier II capital	<u>510,111</u>	<u>478,878</u>	<u>475,545</u>	<u>445,089</u>	<u>509,128</u>	<u>480,046</u>
Total capital base	<u>8,020,179</u>	<u>7,962,835</u>	<u>5,349,617</u>	<u>5,293,038</u>	<u>5,318,517</u>	<u>5,263,312</u>

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

	Group		Bank Group		Bank	
	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000	30-June-19 RM'000	31-Dec-18 RM'000
<u>Total risk weighted assets ("RWA")</u>						
- Credit risk	40,808,855	38,310,259	38,043,603	35,607,133	40,730,303	38,403,661
- Market risk	26,355	2,136	26,355	2,136	26,355	2,136
- Operational risk	2,316,250	2,268,538	945,135	619,526	871,025	573,889
Total RWA	<u>43,151,460</u>	<u>40,580,933</u>	<u>39,015,093</u>	<u>36,228,795</u>	<u>41,627,683</u>	<u>38,979,686</u>
<u>Capital ratios</u>						
Common equity tier 1 capital	17.404%	18.442%	12.493%	13.381%	11.553%	12.271%
Tier 1 capital	17.404%	18.442%	12.493%	13.381%	11.553%	12.271%
Total capital ratio	<u>18.586%</u>	<u>19.622%</u>	<u>13.712%</u>	<u>14.610%</u>	<u>12.776%</u>	<u>13.503%</u>

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PERFORMANCE REVIEW FOR THE 2ND QUARTER ENDED 30 JUNE 2019

B1. Performance review of the Group

(a) Financing

Variation of Results against Preceding Year Corresponding Quarter

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	30-June-19, 2Q19	30-June-18, 2Q18	RM'000	%
	RM'000	RM'000	RM'000	%
Personal financing	20,372,495	21,195,243	(822,748)	-3.9%
Corporate loans and financing	9,942,476	8,825,293	1,117,183	12.7%
Property financing and mortgage loans	5,714,103	5,329,793	384,310	7.2%
Auto financing	208,037	259,548	(51,511)	-19.8%
Total gross loans, financing and advances	<u>36,237,111</u>	<u>35,609,877</u>	<u>627,234</u>	<u>1.8%</u>

Variation of Results against Immediate Preceding Quarter

	Current Year Quarter	Preceding Quarter	Changes	
	30-June-19, 2Q19	31-Mar-19, 1Q19	RM'000	%
	RM'000	RM'000	RM'000	%
Personal financing	20,372,495	20,482,668	(110,173)	-0.5%
Corporate loans and financing	9,942,476	9,185,325	757,151	8.2%
Property financing and mortgage loans	5,714,103	5,554,515	159,588	2.9%
Auto financing	208,037	220,271	(12,234)	-5.6%
Total gross loans, financing and advances	<u>36,237,111</u>	<u>35,442,779</u>	<u>794,332</u>	<u>2.2%</u>

The Group gross loans, financing and advances increased by 1.8% and 2.2% compared to 2Q18 and 1Q19 respectively. The increase was mainly contributed by growth in Corporate financing in line with the strategy to grow Corporate base customers.

The performance of the respective portfolio for current year quarter as compared to the previous year corresponding quarter, 2Q18 is as follows:

- (i) Personal financing – The gross balance of the portfolio in the current quarter was lower due to lower disbursements and decreasing portfolio base. This portfolio remains the biggest in the Group.
- (ii) Corporate loans and financing – The portfolio continues to grow and contributed most of the disbursement for the Group.
- (iii) Property financing and mortgage loans – The gross amount for property financing was higher in the current period while gross amount of mortgage loans decreased following conversion of conventional mortgage to Islamic property financing. In aggregate, the asset base has grown over the year.
- (iv) Auto financing – The gross income from auto financing was lower as the Group focuses to grow asset base of other portfolios.

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B1. Performance review of the Group (continued)

(b) Income statement

Current Year Quarter vs Preceding Year Corresponding Quarter

	Current Year Quarter 30/06/2019, 2Q19 RM'000	Preceding Year Corresponding Quarter 30/06/2018, 2Q18 RM'000	Changes	
			RM'000	%
Revenue	817,660	794,141	23,519	3.0%
Other operating expenses	(105,345)	(97,650)	(7,695)	7.9%
Operating profit	230,969	260,455	(29,486)	-11.3%
ECL	<u>(92,421)</u>	<u>(135,521)</u>	43,100	-31.8%
Profit before tax	<u>138,548</u>	<u>124,934</u>	13,614	10.9%
Profit after tax	<u>106,225</u>	<u>85,686</u>	20,539	24.0%
Profit attributable to ordinary equity holders of the Parent	<u>106,225</u>	<u>85,686</u>	20,539	24.0%
Cost to income ratio	31.3%	27.3%		

Current Year Quarter vs Immediate Preceding Quarter

	Current Year Quarter 30/06/2019, 2Q19 RM'000	Preceding Quarter 31/03/2019, 1Q19 RM'000	Changes	
			RM'000	%
Revenue	817,660	784,037	33,623	4.3%
Other operating expenses	(105,345)	(96,155)	(9,190)	9.6%
Operating profit	230,969	268,879	(37,910)	-14.1%
ECL	<u>(92,421)</u>	<u>(153,021)</u>	60,600	-39.6%
Profit before tax	<u>138,548</u>	<u>115,858</u>	22,690	19.6%
Profit after tax	<u>106,225</u>	<u>83,830</u>	22,395	26.7%
Profit attributable to ordinary equity holders of the Parent	<u>106,225</u>	<u>83,830</u>	22,395	26.7%
Cost to income ratio	31.3%	26.3%		

The Group profit before tax for 2Q19 increased by 10.9% and 19.6% compared to 2Q18 and 1Q19 respectively. The increase was mainly due to lower ECL in the current quarter.

Comparing ECL of 2Q19 and 2Q18, the reduction of ECL was due to improvement in stage 2 of Corporate portfolio and reduction in stage 3 of retail portfolios.

Comparing ECL of 2Q19 and 1Q19, the decrease in ECL was mainly due to improvement of stage 2 Corporate portfolio.

The Group cost to income ratio for 2Q19 of 31.3% slightly regressed compared to 27.3% and 26.3% for 2Q18 and 1Q19 respectively due to higher personnel costs. Nevertheless, the ratio remains below the industry average.

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B1. Performance review of the Group (continued)

Contribution of major subsidiary of the Group

	Group	MBSB Bank		Group	MBSB Bank	
	Current	Current		Current	Preceding Year	
	Year	Year		Year	Corresponding	
	Quarter	Quarter		to - Date	Period	
	30-Jun-19	30-Jun-19		30-Jun-19	30-Jun-18	
	RM'000	RM'000	Contribution	RM'000	RM'000	Contribution
Total assets	49,657,888	49,017,315	98.7%	49,657,888	43,558,092	87.7%
Total equity	8,066,006	5,096,446	63.2%	8,066,006	4,674,350	58.0%
Profit before tax	138,548	68,429	49.4%	254,406	173,137	68.1%
Profit after tax	106,225	620,374	584.0%	190,055	123,552	65.0%
Dividends	-	-	N/A	-	-	N/A
Gross return on equity	6.99%	5.48%		6.42%	13.40%	
Gross return on assets	1.17%	0.58%		1.07%	1.51%	

MBSB Bank Berhad ("MBSB Bank") is the biggest subsidiary in the Group. Total assets of MBSB Bank of RM 49.02 bil account for 98.7% of total assets of the Group while the equity accounts for 63.2% of total Group equity.

B2. Prospects

Brief overview and outlook of the Malaysian economy

Overall GDP growth was moderate at 4.5% in the first quarter of 2019 (4Q 2018: 4.7%), driven mainly by the expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.1% (4Q 2018: 1.3%).

Domestic demand expanded by 4.4% in the first quarter (4Q 2018: 5.7%), driven by household spending amid weaker capital expenditure.

After three consecutive quarters of robust spending, private consumption growth moderated but remained strong at 7.6% (4Q 2018: 8.4%). This mainly reflected the normalisation in spending following the frontloading of purchases during the tax holiday period. Nonetheless, household spending continued to be supported by income and employment growth.

Public consumption expanded at a faster pace of 6.3% (4Q 2018: 4.0%), attributable to higher growth in spending on supplies and services.

Gross fixed capital formation (GFCF) contracted by 3.5% (4Q 2018: 0.6%), weighed down by weaker private and public sector investment. By type of assets, investment in structures declined by 1.3% (4Q 2018: 1.3%) amid subdued property market activity. Capital expenditure on machinery and equipment registered a larger contraction of 7.4% (4Q 2018: -1.3%), affected mainly by a decline in transport equipment spending. Investment in other types of assets also declined by 2.2% (4Q 2018: 4.5%) mainly due to lower research and development (R&D) spending.

Private investment growth slowed to 0.4% (4Q 2018: 5.8%). Investment activity was affected by heightened uncertainty surrounding global trade negotiations and prevailing weaknesses in the broad property segment. Nevertheless, spending on large multi-year projects provided some support to investment growth, particularly in the primary-related manufacturing and utilities services sub-sectors.

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B2. Prospects (continued)

Brief overview and outlook of the Malaysian economy (continued)

Public investment declined further by 13.2% (4Q 2018: -5.9%), on account of lower capital spending by the Federal Government and public corporations.

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

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

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

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

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

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

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

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

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B2. Prospects (continued)

Monetary and financial developments

Ringgit currency

The ringgit appreciated against the US dollar and domestic bond yields trended downwards during the first quarter of 2019, driven mainly by non-resident portfolio inflows to the domestic bond market. In particular, investors' risk appetite towards regional financial assets improved following the Fed's signalling of a pause in interest rate increases for 2019. In addition, progress made on trade talks between the US and PR China contributed towards better financial market sentiments and supported regional financial markets, including Malaysia, during the quarter. As a result, the Government bond market experienced RM7.3 billion of non-resident inflows during the quarter, which led to the decline of 3-year, 5-year and 10-year MGS yields by 24.1, 23.7 and 31.5 basis points, respectively, and the appreciation of the ringgit by 1.4% against the US dollar.

Domestic bond

The FBM KLCI, however, declined by 2.8% in the first quarter to close at 1,643.6 points as at end-March (end-December 2018: 1,690.6 points). The domestic equity market was affected by a combination of external and domestic factors. In particular, investor sentiments were weighed down by moderating global growth prospects. Domestically, volatile commodity prices and concerns on the outlook for corporate earnings also contributed to the cautious sentiments.

Liquidity condition

In the banking system, liquidity conditions remained sufficient at both the institutional and systemwide levels. Reflecting the net inflows during the quarter, the level of surplus liquidity placed with the Bank increased marginally by RM1.9 billion. At the institutional level, most banks continued to maintain surplus liquidity positions.

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

Development of the Islamic finance industry

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

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

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

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

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B2. Prospects (continued)

The Group's prospects

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

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

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

B3. Variance from profit forecast

No significant variation.

B4. Taxation

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Current income tax	50,551	27,173	76,725	111,891
	<u>50,551</u>	<u>27,173</u>	<u>76,725</u>	<u>111,891</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(16,400)	8,099	(15,546)	15,750
	<u>(16,400)</u>	<u>8,099</u>	<u>(15,546)</u>	<u>15,750</u>
Total income tax expense	<u>34,151</u>	<u>35,272</u>	<u>61,179</u>	<u>127,641</u>
	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Current income tax	11,510	(14,669)	21,600	66,565
	<u>11,510</u>	<u>(14,669)</u>	<u>21,600</u>	<u>66,565</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	698	4,784	1,142	12,454
	<u>698</u>	<u>4,784</u>	<u>1,142</u>	<u>12,454</u>
Total income tax expense	<u>12,208</u>	<u>(9,885)</u>	<u>22,742</u>	<u>79,019</u>

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B5. Status of corporate proposals

There are no pending corporate proposals.

B6. Borrowings and debts

Borrowings of the Group were as follows:

	Current Year Quarter 30 June 2019		
	Long term	Short term	Total
	RM'000	RM'000	borrowings
			RM'000
Secured			
Recourse obligation on financing sold	1,533,913	513,041	2,046,954
	Preceding Year Corresponding Quarter		
	Long term	Short term	Total
	RM'000	RM'000	borrowings
			RM'000
Secured			
Recourse obligation on financing sold	1,541,665	593,853	2,135,518

B7. Off balance sheet financial instruments

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

B8. Material litigation

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

B9. Earnings per share

Basic

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

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	106,225	85,686	190,055	402,479
Weighted average number of ordinary shares in issue ('000)	6,389,101	6,149,933	6,389,101	6,013,393
Basic earnings per share (sen)	1.66	1.39	2.97	6.69

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B9. Earning Per Share (continued)

Basic (continued)

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	34,390	(50,431)	52,106	228,660
Weighted average number of ordinary shares in issue ('000)	6,389,101	6,149,933	6,389,101	6,013,393
Basic earnings per share (sen)	<u>0.54</u>	<u>(0.82)</u>	<u>0.82</u>	<u>3.80</u>

Diluted

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

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	106,225	85,686	190,055	402,479
Weighted average number of ordinary shares in issue ('000)	6,389,101	6,149,933	6,389,101	6,013,393
Adjusted for assumed conversion of ESOS ('000)	-	305	-	305
Adjusted weighted average number of ordinary shares in issue ('000)	<u>6,389,101</u>	<u>6,150,238</u>	<u>6,389,101</u>	<u>6,013,698</u>
Basic earnings per share (sen)	<u>1.66</u>	<u>1.39</u>	<u>2.97</u>	<u>6.69</u>

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	34,390	(50,431)	52,106	228,660
Weighted average number of ordinary shares in issue ('000)	6,389,101	6,149,933	6,389,101	6,013,393
Adjusted for assumed conversion of ESOS ('000)	-	305	-	305
Adjusted weighted average number of ordinary shares in issue ('000)	<u>6,389,101</u>	<u>6,150,238</u>	<u>6,389,101</u>	<u>6,013,698</u>
Basic earnings per share (sen)	<u>0.54</u>	<u>(0.82)</u>	<u>0.82</u>	<u>3.80</u>

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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 27 August 2019.

BY ORDER OF THE BOARD

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