

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

**INTERIM FINANCIAL STATEMENTS  
OF THE GROUP AND OF THE COMPANY  
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2020**

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020**

	Note	Group		Company	
		30-Sep-20 RM'000	31-Dec-19 RM'000	30-Sep-20 RM'000	31-Dec-19 RM'000
<b>Assets</b>					
Cash and short-term funds	A8(a)	1,334,703	2,034,889	293,268	189,526
Deposits and placements with financial institutions	A8(b)	908,766	873,515	-	-
Derivative financial assets	A9	579	4,239	-	-
Financial investments at fair value through other comprehensive income ("FVOCI")	A10	10,720,101	10,694,644	-	-
Financial investments at amortised cost	A11	488,574	494,705	-	-
Loans, financing and advances	A12	34,212,859	33,953,822	876,655	1,146,505
Trade receivables		-	1	-	-
Other receivables	A13	158,062	188,342	226,568	104,906
Statutory deposits with Bank Negara Malaysia		620,000	1,090,000	-	-
Investments in subsidiaries		-	-	5,290,328	5,290,328
Inventories		102,173	102,175	-	-
Property and equipment		343,123	313,964	24,019	24,367
Right-of-use assets		11,807	8,784	-	-
Intangible assets		166,479	167,209	-	-
Goodwill		148,031	148,031	-	-
Investment properties		820	820	-	-
Land use rights		510	521	-	-
Deferred tax assets		15,746	28,218	12,320	9,585
Tax recoverable		693,007	605,778	555,987	539,621
<b>Total assets</b>		<b>49,925,340</b>	<b>50,709,657</b>	<b>7,279,145</b>	<b>7,304,838</b>
<b>Liabilities</b>					
Deposits from customers	A14	26,071,796	25,271,951	-	-
Deposits and placements of banks and other financial institutions	A15	8,971,263	10,621,769	-	-
Derivative financial liabilities		254	1	-	-
Trade payables		11	22	-	-
Other payables	A16	616,413	642,278	53,705	154,484
Lease liabilities		11,976	8,919	-	-
Recourse obligation on financing sold		2,323,525	2,481,251	-	-
Sukuk-MBSB Structured Covered ("SC") Murabahah		1,591,451	1,664,973	-	-
Sukuk Wakalah		1,310,132	1,293,075	-	-
Deferred tax liabilities		161,499	126,607	-	-
Provision for taxation and zakat		11,848	11,940	538	538
<b>Total liabilities</b>		<b>41,070,168</b>	<b>42,122,786</b>	<b>54,243</b>	<b>155,022</b>
<b>Equity</b>					
Ordinary share capital		7,088,255	6,941,542	7,088,255	6,941,542
Reserves		311,088	160,837	5,581	5,843
Retained earnings		1,455,829	1,484,492	131,066	202,431
<b>Total equity</b>		<b>8,855,172</b>	<b>8,586,871</b>	<b>7,224,902</b>	<b>7,149,816</b>
<b>Total liabilities and equity</b>		<b>49,925,340</b>	<b>50,709,657</b>	<b>7,279,145</b>	<b>7,304,838</b>
<b>Commitments and contingencies</b>	A23	<b>3,774,433</b>	<b>5,098,853</b>	<b>24,264</b>	<b>29,749</b>
<b>Net assets per share attributable to ordinary equity of the Company (RM)</b>		<b>1.27</b>	<b>1.28</b>	<b>1.04</b>	<b>1.07</b>

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

	Note	Group			
		3rd Quarter Ended 30-Sep-20 RM'000	30-Sep-19 RM'000	Nine Months Ended 30-Sep-20 RM'000	30-Sep-19 RM'000
Revenue		765,572	751,627	2,393,328	2,227,858
Income derived from investment of general investment deposits and Islamic capital funds	A17	673,987	697,115	2,072,703	2,052,746
Income attributable to depositors		(239,770)	(362,428)	(866,177)	(1,072,330)
Income attributable to securitisation		(25,171)	(22,765)	(77,069)	(69,874)
Income attributable to sukuk		(36,733)	(23,258)	(111,664)	(70,788)
Net income from Islamic operations		372,313	288,664	1,017,793	839,754
Interest income	A18	27,736	39,050	112,408	116,847
Interest expense	A19	(1)	(5)	(11)	(15)
Net interest income		27,735	39,045	112,397	116,832
Operating income		400,048	327,709	1,130,190	956,586
Net other income	A20	51,117	15,382	213,220	87,853
Net income		451,165	343,091	1,343,410	1,044,439
Other operating expenses	A21	(112,625)	(77,368)	(326,838)	(278,868)
Operating profit		338,540	265,723	1,016,572	765,571
Net allowance for impairment on loans, financing and advances and other financial assets	A22	(52,073)	(80,682)	(289,981)	(326,124)
Modification loss		7,497	-	(505,114)	-
Profit before taxation and zakat		293,964	185,041	221,477	439,447
Taxation		(36,728)	(14,053)	(47,000)	(75,232)
Zakat		1,000	(929)	(2,000)	(4,101)
Profit from continuing operations		258,236	170,059	172,477	360,114
Profit from discontinued operation		-	100	-	100
Profit for the financial period		258,236	170,159	172,477	360,214
Profit attributable to:					
Owners of the Company		258,236	170,159	172,477	360,214
Earnings per share (sen)					
Basic		3.81	2.63	2.56	5.58
Diluted		3.81	2.63	2.56	5.58
<b>Profit for the financial period</b>		258,236	170,159	172,477	360,214
<b>Other comprehensive income, net of tax :</b>					
Movement in fair value reserve, which may be reclassified subsequently to profit or loss		50,510	71,225	150,513	161,572
		50,510	71,225	150,513	161,572
<b>Total comprehensive income for the financial period</b>		308,746	241,384	322,990	521,786
Total comprehensive income attributable to:					
Owners of the Company		308,746	241,384	322,990	521,786
		308,746	241,384	322,990	521,786

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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**(Incorporated in Malaysia)**

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

	Note	Company			
		3rd Quarter Ended		Nine Months Ended	
		30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
		RM'000	RM'000	RM'000	RM'000
Revenue		15,924	31,436	76,608	95,251
Interest income	A18	14,047	26,913	73,064	82,138
Interest expense	A19	(1)	(5)	(11)	(15)
Net interest income		14,046	26,908	73,053	82,123
Operating income		14,046	26,908	73,053	82,123
Net other income	A20	4,854	15,974	149,710	59,058
Net income		18,900	42,882	222,763	141,181
Other operating expenses	A21	(11,384)	(3,245)	(34,182)	(21,249)
Operating profit		7,516	39,637	188,581	119,932
Net (allowance)/writeback for impairment on loans, financing and advances and other financial assets	A22	(46,667)	22,407	(59,846)	16,960
Modification loss		120	-	(1,694)	-
(Loss)/profit before taxation		(39,031)	62,044	127,041	136,892
Taxation		8,508	47,207	2,734	24,465
Zakat		-	71	-	71
(Loss)/profit for the financial period		(30,523)	109,322	129,775	161,428
(Loss)/profit attributable to:					
Owners of the Company		(30,523)	109,322	129,775	161,428
		(30,523)	109,322	129,775	161,428
Earnings per share (sen)					
Basic		(0.45)	1.69	1.92	2.50
Diluted		(0.45)	1.69	1.92	2.50
<b>(Loss)/profit for the financial period</b>		(30,523)	109,322	129,775	161,428
<b>Total comprehensive (loss)/income for the financial period</b>		(30,523)	109,322	129,775	161,428
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(30,523)	109,322	129,775	161,428
		(30,523)	109,322	129,775	161,428

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

← Non-distributable → Distributable

<b>Group</b>	<b>Share Capital RM'000</b>	<b>Share Option Reserve RM'000</b>	<b>Fair Value Reserves RM'000</b>	<b>Retained Profits RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2020</b>	6,941,542	5,843	154,994	1,484,492	8,586,871
Profit for the financial period	-	-	-	172,477	172,477
Other comprehensive income for the financial period	-	-	150,513	-	150,513
Dividends	-	-	-	(201,402)	(201,402)
Issuance of ordinary shares pursuant to exercise of DRP	146,713	-	-	-	146,713
Transfer of share option reserve to retained profits upon expiry of share options	-	(262)	-	262	-
<b>At 30 September 2020</b>	<b>7,088,255</b>	<b>5,581</b>	<b>305,507</b>	<b>1,455,829</b>	<b>8,855,172</b>
<b>At 1 January 2019</b>	6,682,102	6,261	10,612	1,086,629	7,785,604
Profit for the financial period	-	-	-	360,214	360,214
Other comprehensive income for the financial period	-	-	161,572	-	161,572
Dividends	-	-	-	(319,455)	(319,455)
Issuance of ordinary shares pursuant to exercise of DRP	259,440	-	-	-	259,440
<b>At 30 September 2019</b>	<b>6,941,542</b>	<b>6,261</b>	<b>172,184</b>	<b>1,127,388</b>	<b>8,247,375</b>

← Non-distributable → Distributable

<b>Company</b>	<b>Share Capital RM'000</b>	<b>Share Option Reserve RM'000</b>	<b>Fair Value Reserves RM'000</b>	<b>Retained Profits RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2020</b>	6,941,542	5,843	-	202,431	7,149,816
Profit for the financial period	-	-	-	129,775	129,775
Dividends	-	-	-	(201,402)	(201,402)
Issuance of ordinary shares pursuant to exercise of DRP	146,713	-	-	-	146,713
Transfer of share option reserve to retained profits upon expiry of share options	-	(262)	-	262	-
<b>At 30 September 2020</b>	<b>7,088,255</b>	<b>5,581</b>	<b>-</b>	<b>131,066</b>	<b>7,224,902</b>
<b>At 1 January 2019</b>	6,682,102	6,261	-	359,235	7,047,598
Profit for the financial period	-	-	-	161,428	161,428
Dividends	-	-	-	(319,455)	(319,455)
Issuance of ordinary shares pursuant to exercise of DRP	259,440	-	-	-	259,440
<b>At 30 September 2019</b>	<b>6,941,542</b>	<b>6,261</b>	<b>-</b>	<b>201,208</b>	<b>7,149,011</b>

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

	Group		Company	
	30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	221,477	439,447	127,041	136,892
Adjustments for non-cash items	9,015	614,151	60,141	(24,361)
Operating profit before working capital changes	230,492	1,053,598	187,182	112,531
Working capital changes:				
Net changes in operating assets	(109,564)	(1,830,078)	(46,384)	419,148
Net changes in operating liabilities	(924,024)	4,824,222	(99,710)	(133,807)
Cash (used in)/generated from operations	(803,096)	4,047,742	41,088	397,872
Income taxes and zakat paid	(93,561)	(282,047)	(16,367)	(152,701)
Net cash (used in)/generated from operating activities	(896,657)	3,765,695	24,721	245,171
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	(39,994)	(51,012)	-	-
Purchase of intangible assets	(18,708)	(27,485)	-	-
Proceeds from disposal of foreclosed properties	53	13,582	53	13,582
Net purchase of financial investments	685,321	(5,097,007)	-	-
Dividends received	-	-	133,657	-
Net cash generated from/(used in) investing activities	626,672	(5,161,922)	133,710	13,582

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020 (CONTINUED)**

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>				
Proceeds from recourse obligation on loans/financing sold	(156,748)	(72,248)	-	-
Profit expense paid - recourse obligation on loans/financing sold	(78,048)	(57,487)	-	-
Repayment of Sukuk - MBSB SC Murabahah	(92,703)	(104,168)	-	-
Profit expense paid - Sukuk MBSB SC Murabahah	(41,414)	(36,582)	-	-
Payment of lease liabilities	(6,599)	(6,377)	-	-
Dividends paid on ordinary shares	(201,402)	(319,455)	(201,402)	(319,455)
Net proceeds from issuance of ordinary shares	146,713	259,440	146,713	259,440
Net cash used in financing activities	(430,201)	(336,877)	(54,689)	(60,015)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(700,186)</b>	<b>(1,733,104)</b>	<b>103,742</b>	<b>198,738</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>2,034,889</b>	<b>3,411,986</b>	<b>189,526</b>	<b>155,077</b>
<b>Cash and cash equivalents at end of financial period (Note A8(a))</b>	<b>1,334,703</b>	<b>1,678,882</b>	<b>293,268</b>	<b>353,815</b>
<b>Cash and cash equivalents is represented by:</b>				
Cash and short-term funds	1,334,703	1,678,882	293,268	353,815
Cash and cash equivalents at end of financial period (Note A8(a))	1,334,703	1,678,882	293,268	353,815

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**  
**PART A - EXPLANATORY NOTES PURSUANT TO MFRS134**

**A1. Basis of preparation**

The unaudited condensed interim financial statements for the financial quarter ended 30 September 2020 have been prepared under the historical cost convention except for financial investments which are recognised at fair value and the following financial assets and financial liabilities which are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest/profit method: loans, financing and advances, trade and other payables, bank borrowings and recourse obligations on financing sold.

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

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

On 1 January 2020, where applicable, the Group adopted the following MFRSs and Amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2020:

Effective for annual periods commencing on or after 1 January 2020

- Amendments to MFRS 3, Business Combinations – Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures –Interest Rate Benchmark Reform

Effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture



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

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

**A3. Seasonality and cyclicity of operations**

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

**A4. Exceptional or unusual items**

There were 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. Issue of shares and debentures**

There were no issuance 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. The share capital during the quarter increased following dividend reinvestment plan ("DRP") exercise.

	<b>30-Sep-20</b>	<b>31-Dec-19</b>
Number of ordinary shares ('000)	6,975,389	6,713,402
Share Capital (RM'000)	7,088,255	6,941,542

**A7. Dividend**

Pursuant to the option to reinvest via the DRP which was approved during the Annual General Meeting held on 30 June 2020, a total of 261,986,931 shares at RM0.56 per share amounting to RM146,712,681 in cash were reinvested.

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

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(a) Cash and short-term funds:				
Cash at banks and on hand	110,664	196,865	10,274	45,637
Money at call and deposit placements maturing within one month	1,224,039	1,838,024	282,994	143,889
	<b>1,334,703</b>	<b>2,034,889</b>	<b>293,268</b>	<b>189,526</b>
(b) Deposits and placements with financial institutions with original maturity of more than one month				
- Licensed Islamic banks	908,766	873,515	-	-
- Financial institutions	-	-	-	-
	<b>2,243,469</b>	<b>2,908,404</b>	<b>293,268</b>	<b>189,526</b>

The ECL for cash and short-term funds and deposits and placements above is nil (2019: nil).

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

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

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

	<b>Group</b>		
	<b>Notional amount</b>	<b>Assets</b>	<b>Fair value</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>Liabilities</b>
			<b>RM'000</b>
<b>2020</b>			
<b><u>Trading derivatives</u></b>			
<b><u>Foreign exchange contracts:</u></b>			
Currency forward			
- Less than one year	52,958	579	(254)
<b>2019</b>			
<b><u>Trading derivatives</u></b>			
<b><u>Foreign exchange contracts:</u></b>			
Currency forward			
- Less than one year	228,295	4,239	(1)

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
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**A10. Financial investments at FVOCI**

	<b>Group</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<b>Money Market Instruments</b>		
Malaysian Government Investment Issues	7,684,717	7,530,627
<b>Debt securities:</b>		
<b>In Malaysia</b>		
Private and Islamic debt securities	1,074,597	1,109,787
Government Guaranteed debt securities	1,960,787	2,054,230
	<b>10,720,101</b>	<b>10,694,644</b>

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

ECL movement for financial investments at FVOCI:

	<b>Group</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2020	18	-	-	18
Total charge to profit or loss:	(12)	-	-	(12)
Change in credit risk (note A22)	(12)	-	-	(12)
At 30 September 2020	<b>6</b>	<b>-</b>	<b>-</b>	<b>6</b>
	<b>Group</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2019	-	-	-	-
Total charge to profit or loss:	18	-	-	18
Change in credit risk	18	-	-	18
At 31 December 2019	<b>18</b>	<b>-</b>	<b>-</b>	<b>18</b>

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
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**A11. Financial investments at amortised cost**

	<b>Group</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
<b>Quoted securities:</b>		
<u>In Malaysia</u>		
Private and Islamic debt securities	488,699	494,857
Less: ECL stage 1	(125)	(152)
	<u>488,574</u>	<u>494,705</u>

ECL movement for financial investments at amortised cost:

	<b>Group</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
ECL at 1 January 2020	152	-	-	152
Total charge to profit or loss -				
Change in credit risk (Note A22)	(27)	-	-	(27)
ECL at 30 September 2020	<u>125</u>	<u>-</u>	<u>-</u>	<u>125</u>
	<b>Group</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
ECL at 1 January 2019	6	-	-	6
Total charge to profit or loss -				
Change in credit risk (Note A23)	146	-	-	146
ECL at 31 December 2019	<u>152</u>	<u>-</u>	<u>-</u>	<u>152</u>

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**A12. Loans, financing and advances**

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(i) By type</b>				
<b>At amortised cost</b>				
<i>Islamic:</i>				
Term financing:				
Personal financing	20,123,476	19,994,419	-	-
Property financing	5,901,889	5,169,539	-	-
Industrial hire purchase	807,185	808,958	-	-
Bridging financing	488,951	593,906	-	-
Auto financing	141,212	160,479	-	-
Other term financing	5,751,754	5,949,892	-	-
Revolving Credit	501,924	703,389	-	-
Staff financing	44,844	44,798	-	-
Cash line	27,081	3,663	-	-
Trade finance	924,079	560,978	-	-
<i>Conventional:</i>				
End finance:				
Normal housing programme	628,604	864,289	628,604	864,289
Low cost housing programme	3,471	3,252	3,471	3,252
Other term financing	776,548	761,218	776,548	761,218
Bridging financing	247,728	228,310	247,728	228,310
Auto financing	16,999	17,080	16,999	17,080
Staff financing	171	320	171	320
Gross loans, financing and advances	36,385,916	35,864,490	1,673,521	1,874,469
Less: ECL				
- Stage 1	(400,751)	(411,822)	(5,542)	(10,532)
- Stage 2	(458,412)	(433,194)	(68,948)	(64,260)
- Stage 3	(1,313,894)	(1,065,652)	(722,376)	(653,172)
Net loans, financing and advances	34,212,859	33,953,822	876,655	1,146,505

**(ii) By maturity structure**

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Within one year	2,606,038	2,632,716	624,898	578,839
More than one year to three years	1,425,740	1,778,969	116,604	128,050
More than three years to five years	1,792,243	2,239,227	114,539	123,980
More than five years	30,561,895	29,213,578	817,480	1,043,600
	36,385,916	35,864,490	1,673,521	1,874,469

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
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**A12. Loans, financing and advances (continued)**

**(iii) By economic purpose**

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personal Use	20,216,448	20,090,515	275	311
Construction	4,456,466	4,833,569	461,458	436,805
Purchase of landed property:				
- Residential	6,102,315	5,604,901	571,941	800,903
- Non-Residential	904,380	740,556	100,252	104,275
Working Capital	2,535,981	2,477,796	84,909	85,125
Purchase of other fixed assets	996,466	955,086	4,555	5,752
Purchase of transport vehicles	156,827	175,924	14,641	14,681
Purchase of other securities	47,476	34,452	-	-
Purchase of consumer durables	113	5,738	-	-
Others	969,444	945,953	435,490	426,617
	<b>36,385,916</b>	<b>35,864,490</b>	<b>1,673,521</b>	<b>1,874,469</b>

**(iv) By type of customers**

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Individuals	26,728,157	26,120,060	603,257	839,081
Domestic business enterprises				
- Small medium enterprise	3,150,707	2,500,266	822,034	700,906
- Government	57,035	141,302	-	-
- Non-bank financial institutions	775,111	710,454	-	-
- Others	5,603,966	6,384,211	248,230	334,482
Foreign entities	70,940	8,197	-	-
	<b>36,385,916</b>	<b>35,864,490</b>	<b>1,673,521</b>	<b>1,874,469</b>

**(v) By sector**

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Household sectors	26,728,158	26,120,060	603,258	839,081
Construction	4,303,245	5,061,309	723,025	690,520
Finance, insurance and business services	2,929,109	2,798,729	10,898	11,002
Wholesale & retail trade and restaurants & hotels	563,789	472,966	3,491	3,420
Manufacturing	558,730	374,515	92,175	92,047
Electricity, gas and water	388,535	262,076	-	-
Transport, storage and communication	239,827	206,583	1,852	1,896
Education, health and others	415,207	317,522	235,568	233,346
Mining and quarrying	165,034	117,287	-	-
Agriculture	94,282	133,443	3,254	3,157
	<b>36,385,916</b>	<b>35,864,490</b>	<b>1,673,521</b>	<b>1,874,469</b>

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

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

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fixed rate:				
Personal financing	17,115,527	17,477,316	-	-
Bridging, structured and term financing	1,073,880	1,063,641	129,693	127,066
Mortgage and property Islamic	460,463	471,125	1,702	2,211
Auto finance	160,700	180,167	16,999	17,080
Variable rate:				
Personal financing	3,022,357	2,533,258	-	-
Bridging, structured and term financing	8,451,794	8,547,101	894,582	862,462
Mortgage and property Islamic	6,101,195	5,591,882	630,545	865,650
	<b>36,385,916</b>	<b>35,864,490</b>	<b>1,673,521</b>	<b>1,874,469</b>

**(vii) By geographical distribution**

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	36,385,916	35,864,490	1,673,521	1,874,469
	<b>36,385,916</b>	<b>35,864,490</b>	<b>1,673,521</b>	<b>1,874,469</b>

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

**30-Sep-20**

	<b>Group</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross carrying amount as at 1 January 2020	29,415,952	4,586,996	1,861,542	35,864,490
Transfer to stage 1	1,191,685	(1,156,977)	(34,708)	-
Transfer to stage 2	(1,058,302)	1,211,499	(153,197)	-
Transfer to stage 3	(158,650)	(240,808)	399,458	-
New financing / disbursement during the year	4,021,803	158,973	52,849	4,233,625
Repayment during the year	(3,333,325)	(578,451)	(59,111)	(3,970,887)
Other movements	596,676	100,284	67,651	764,611
Modification loss	(471,189)	(33,926)	-	(505,115)
Write-offs	-	-	(808)	(808)
Gross carrying amount as at 30 September 2020	<b>30,204,650</b>	<b>4,047,590</b>	<b>2,133,676</b>	<b>36,385,916</b>

**30-Sep-20**

	<b>Company</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross carrying amount as at 1 January 2020	350,665	480,287	1,043,517	1,874,469
Transfer to stage 1	47,190	(35,686)	(11,504)	-
Transfer to stage 2	(105,799)	139,918	(34,119)	-
Transfer to stage 3	(109)	(15,597)	15,706	-
Disbursement during the year	-	-	-	-
Repayment during the year	(139,320)	(115,249)	(17,114)	(271,683)
Other movements	4,483	17,942	50,004	72,429
Modification loss	(528)	(1,166)	-	(1,694)
Gross carrying amount as at 30 September 2020	<b>156,582</b>	<b>470,449</b>	<b>1,046,490</b>	<b>1,673,521</b>

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

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

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

  

31-Dec-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	55,468	(49,302)	(6,166)	-
Transfer to stage 2	(29,468)	95,223	(65,755)	-
Transfer to stage 3	(2,184)	(32,206)	34,390	-
New financing / disbursement during the year	-	95	-	95
Repayment during the year	(83,245)	(136,678)	(93,883)	(313,806)
Other movements	3,886	12,610	43,754	60,250
Gross carrying amount as at 31 December 2019	350,665	480,287	1,043,517	1,874,469



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

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

<b>30-Sep-20</b>	<b>Group</b>			
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
ECL as at 1 January 2020	411,822	433,194	1,065,652	1,910,668
Charged to profit or loss, of which (Note A22):	(11,071)	25,218	248,688	262,835
Changes in ECL				
- Transfer to stage 1	78,309	(63,307)	(15,002)	-
- Transfer to stage 2	(23,674)	119,776	(96,102)	-
- Transfer to stage 3	(3,312)	(35,294)	38,606	-
New financing / disbursement during the year	62,032	25,924	13,334	101,290
Repayment during the year	(129,499)	(179,479)	(69,101)	(378,079)
Changes in credit risk parameters	5,073	157,598	376,953	539,624
Write-offs	-	-	(446)	(446)
ECL as at 30 September 2020	400,751	458,412	1,313,894	2,173,057
<b>30-Sep-20</b>	<b>Company</b>			
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
ECL as at 1 January 2020	10,532	64,260	653,172	727,964
Charged to profit or loss, of which (Note A22):	(4,990)	4,688	69,204	68,902
Changes in ECL				
- Transfer to stage 1	4,171	(2,910)	(1,261)	-
- Transfer to stage 2	(2,805)	24,517	(21,712)	-
- Transfer to stage 3	(4)	(3,400)	3,404	-
New financing / disbursement during the year	-	-	-	-
Repayment during the year	(6,884)	(36,671)	(21,191)	(64,746)
Changes in credit risk parameters	532	23,152	109,964	133,648
ECL as at 30 September 2020	5,542	68,948	722,376	796,866

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

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

31-Dec-19	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2019	358,907	550,621	1,129,957	2,039,485
Charged to profit or loss, of which (Note A22):	52,915	(117,427)	157,589	93,077
Changes in ECL				
- Transfer to stage 1	142,567	(96,973)	(45,594)	-
- Transfer to stage 2	(20,096)	162,154	(142,058)	-
- Transfer to stage 3	(1,885)	(67,373)	69,258	-
New financing / disbursement during the year	110,426	39,036	38,274	187,736
Repayment during the year	(178,959)	(249,340)	(85,700)	(513,999)
Changes in credit risk parameters	48,045	183,422	396,017	627,484
Change to model assumptions and methodologies ^	(47,183)	(88,353)	(72,608)	(208,144)
Write-offs	-	-	(221,894)	(221,894)
ECL as at 31 December 2019	411,822	433,194	1,065,652	1,910,668
<b>31-Dec-19</b>	<b>Company</b>			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2019	12,370	94,982	694,076	801,428
Charged to profit or loss, of which (Note A22):	(1,838)	(30,722)	(40,904)	(73,464)
Changes in ECL				
- Transfer to stage 1	10,486	(6,012)	(4,474)	-
- Transfer to stage 2	(1,023)	49,235	(48,212)	-
- Transfer to stage 3	(73)	(6,448)	6,521	-
New financing / disbursement during the year	-	8	-	8
Repayment during the year	(9,951)	(78,636)	(33,852)	(122,439)
Changes in credit risk parameters	1,147	25,813	68,598	95,558
Change to model assumptions and methodologies ^	(2,424)	(14,682)	(29,485)	(46,591)
ECL as at 31 December 2019	10,532	64,260	653,172	727,964

^ The changes to model assumptions and methodologies were in relation to incorporation of additional macroeconomic variables ("MEV") to account for potential impact from various external factors and incorporation of cure rates to the loss given default ("LGD") model.

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

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

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January	1,861,542	1,923,471	1,043,517	1,131,177
Classified as impaired during the period	452,307	489,457	15,706	34,390
Reclassified as non-impaired	(187,905)	(336,854)	(45,623)	(71,921)
Amount recovered	(59,111)	(155,110)	(17,114)	(93,883)
Other movements	67,651	162,470	50,004	43,754
Amount written off	(808)	(221,892)	-	-
Balance as at end of financial period	2,133,676	1,861,542	1,046,490	1,043,517
Less: ECL stage 3	(1,313,894)	(1,065,652)	(722,376)	(653,172)
Net impaired financing and advances	819,782	795,890	324,114	390,345
Net impaired loans as a percentage of net financing and advances	2.40%	2.34%	36.97%	34.05%
Gross impaired loans as a percentage of gross financing and advances	5.86%	5.19%	62.53%	55.67%

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

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
Personal use	193,151	140,300	-	-
Construction	908,676	630,722	359,506	339,853
Purchase of landed property:				
- Residential	382,245	447,465	207,501	232,072
- Non-Residential	112,574	105,258	72,394	71,857
Working capital	47,865	45,465	-	-
Purchase of transport vehicles	43,912	45,818	13,771	13,948
Purchase of other fixed assets	34,676	39,745	1,128	1,400
Purchase of other securities	2,844	-	-	-
Purchase of consumer durables	-	5,626	-	-
Others	407,733	401,143	392,190	384,387
	2,133,676	1,861,542	1,046,490	1,043,517

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

**(xii) Impaired loans, financing and advances by sector**

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Household sector	655,372	669,634	245,572	271,089
Construction	887,633	751,711	570,851	544,444
Education, health and others	313,613	298,183	227,759	225,648
Finance, insurance and business services	140,256	15,737	949	1,012
Manufacturing	68,408	60,863	1,058	1,096
Mining and quarrying	38,474	38,691	-	-
Wholesale & retail trade and restaurants & hotels	25,657	22,744	245	172
Transport, storage and communication	4,093	3,810	56	56
Agriculture	170	169	-	-
	<b>2,133,676</b>	<b>1,861,542</b>	<b>1,046,490</b>	<b>1,043,517</b>

**A13. Other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Advances in respect of certain projects	556,389	514,318	-	-
Amount due from MBSB Bank	-	-	121,457	-
Amount due from other subsidiaries	-	-	57,879	65,041
Foreclosed properties	113,233	113,262	113,233	113,262
Prepayments and deposits	16,513	17,297	8,460	8,633
Sundry receivables	49,667	90,961	6,869	18,490
Deferred expenses	2,115	2,322	-	-
	<b>737,917</b>	<b>738,160</b>	<b>307,898</b>	<b>205,426</b>
Less: Allowance for impairment	<b>(579,855)</b>	<b>(549,818)</b>	<b>(81,330)</b>	<b>(100,520)</b>
	<b>158,062</b>	<b>188,342</b>	<b>226,568</b>	<b>104,906</b>

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**A14. Deposits from customers**

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

	<b>Group</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>
Commodity Murabahah Term Deposit	25,506,754	24,738,093
Demand deposits	281,303	192,381
Savings deposits	283,739	341,477
	<u>26,071,796</u>	<u>25,271,951</u>

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

	<b>Group</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>
Within six months	18,663,737	16,480,775
More than six months to one year	4,748,421	5,426,032
More than one year to three years	1,724,111	1,891,341
More than three years	370,485	939,945
	<u>25,506,754</u>	<u>24,738,093</u>

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

	<b>Group</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	12,596,526	12,696,568
Business enterprises	8,712,680	7,229,721
Individuals	4,762,590	5,345,662
	<u>26,071,796</u>	<u>25,271,951</u>

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

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

	<b>Group</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>
Tawarruq	26,071,796	25,271,951
	<u>26,071,796</u>	<u>25,271,951</u>

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

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

	<b>Group</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Non-Mudharabah Funds:</u>		
Other financial institutions:		
-Licensed Investment Banks	234,589	152,390
-Licensed Islamic Banks	41,606	112,937
-Others	8,695,068	10,356,442
	<u>8,971,263</u>	<u>10,621,769</u>

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

	<b>Group</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>
Tawarruq	8,971,263	10,621,769
	<u>8,971,263</u>	<u>10,621,769</u>

**A16. Other payables**

	<b>Group</b>		<b>Company</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount due to MBSB Bank Berhad	-	-	-	78,416
Sundry creditors	285,876	319,544	42,317	60,920
AI-Mudharabah security fund	143,575	137,309	-	-
Expected credit loss ("ECL") for commitments and contingencies (i)	71,603	70,680	4,372	5,441
Deferred income	30,473	38,362	1,743	3,524
Other provisions and accruals	84,886	76,383	5,273	6,183
	<u>616,413</u>	<u>642,278</u>	<u>53,705</u>	<u>154,484</u>

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**A16. Other payables (continued)**

**(i) ECL for commitments and contingencies**

Movement of ECL for commitments and contingencies are as follows:

**30-September-20**

	<b>Group</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
ECL as at 1 January 2020	44,196	17,978	8,506	70,680
Charge to profit or loss (Note A22)	(17,088)	4,052	13,959	923
Changes in the impairment allowance				
- Transfer to stage 1	673	(673)	-	-
- Transfer to stage 2	(2,657)	2,920	(263)	-
- Transfer to stage 3	-	(1,522)	1,522	-
New financing /disbursement during the year	11,779	1,582	64	13,425
Derecognised to loans/financing				
during the period (other than write-offs)	(17,593)	(3,676)	(510)	(21,779)
Changes in credit risk parameters	(9,290)	5,421	13,146	9,277
ECL as at 30 September 2020	<u>27,108</u>	<u>22,030</u>	<u>22,465</u>	<u>71,603</u>

**30-September-20**

	<b>Company</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loss allowance as at 1 January 2020	251	176	5,014	5,441
Charge to profit or loss (Note A22)	(29)	(64)	(976)	(1,069)
Changes in the impairment allowance				
- Transfer to stage 1	25	(25)	-	-
- Transfer to stage 2	(7)	71	(64)	-
- Transfer to stage 3	-	(3)	3	-
Derecognised/converted to loans/financing				
during the period (other than write-offs)	(26)	(16)	(132)	(174)
Changes in credit risk parameters	(21)	(91)	(783)	(895)
ECL as at 30 September 2020	<u>222</u>	<u>112</u>	<u>4,038</u>	<u>4,372</u>

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**A16. Other payables (continued)**

**(i) ECL for commitments and contingencies (continued)**

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

31-Dec-19	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2019	53,130	36,829	10,453	100,412
Charge to profit or loss (Note A22)	(8,934)	(18,851)	(1,947)	(29,732)
Changes in the impairment allowance				
- Transfer to stage 1	4,940	(2,357)	(2,583)	-
- Transfer to stage 2	(4,914)	5,263	(349)	-
- Transfer to stage 3	(798)	(4,814)	5,612	-
New financing /disbursement during the year	25,153	1,791	426	27,370
Derecognised to loans/financing during the period (other than write-offs)	(12,511)	(6,126)	(815)	(19,452)
Changes in credit risk parameters	(14,394)	(4,718)	(3,203)	(22,315)
Changes to model assumptions and methodologies <sup>^</sup>	(6,410)	(7,890)	(1,035)	(15,335)
ECL as at 31 December 2019	44,196	17,978	8,506	70,680

31-Dec-19	Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2019	413	198	5,858	6,469
Charge to profit or loss (Note A22)	(162)	(22)	(844)	(1,028)
Changes in the impairment allowance				
- Transfer to stage 1	86	(7)	(79)	-
- Transfer to stage 2	(24)	73	(49)	-
- Transfer to stage 3	(7)	(12)	19	-
Derecognised/converted to loans/financing during the period (other than write-offs)	(51)	(63)	(194)	(308)
Changes in credit risk parameters	(114)	29	23	(62)
Changes to model assumptions and methodologies <sup>^</sup>	(52)	(42)	(564)	(658)
ECL as at 31 December 2019	251	176	5,014	5,441

<sup>^</sup> The changes to model assumptions and methodologies were in relation to incorporation of additional macroeconomic variables ("MEV") to account for potential impact from various external factors and incorporation of cure rates to the loss given default ("LGD") model.



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

	<b>Group</b>		<b>Group</b>	
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financing	564,838	583,461	1,717,895	1,726,360
Income from financial investments at FVTPL	21	-	170	190
Income from financial investments at FVOCI	93,628	91,457	297,765	221,218
Income from financial investments at amortised cost	6,439	-	13,040	(435)
Deposits with financial institutions	9,061	22,197	43,833	105,413
	<u>673,987</u>	<u>697,115</u>	<u>2,072,703</u>	<u>2,052,746</u>

**A18. Interest income**

	<b>Group</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income from:				
- Loans, advances and financing	26,687	37,127	108,952	111,133
- Deposits and placements with banks and other financial institutions	1,049	1,923	3,456	5,714
	<u>27,736</u>	<u>39,050</u>	<u>112,408</u>	<u>116,847</u>

	<b>Company</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income from:				
- Loans, advances and financing	12,998	24,990	69,608	76,424
- Deposits and placements with banks and other financial institutions	1,049	1,923	3,456	5,714
	<u>14,047</u>	<u>26,913</u>	<u>73,064</u>	<u>82,138</u>

**A19. Interest expense**

	<b>Group and Company</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Others	1	5	11	15
	<u>1</u>	<u>5</u>	<u>11</u>	<u>15</u>

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**A20. Net other income**

	<b>Group</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Rental income	41	30	123	123
Revenue from hotel operations	33	617	62	2,976
Loan related fees	2,251	2,752	4,097	7,980
Insurance commission	3,660	2,941	8,464	9,090
Ta'awidh/Penalty	4,215	12,302	12,687	34,808
Gain from sale of FVTPL	1,099	-	2,635	-
Gain from sale of FVOCI	56,805	7,998	192,957	37,066
Sundry expense	(16,592)	(11,016)	(532)	(11,939)
Gain/(loss) from disposal of foreclosed properties	53	(242)	53	7,749
Others	(448)	-	(7,326)	-
	<b>51,117</b>	<b>15,382</b>	<b>213,220</b>	<b>87,853</b>

	<b>Company</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Rental income	949	951	2,848	5,705
Loan related fees	1,877	4,524	3,544	13,106
Insurance commission	-	1	-	8
Ta'awidh/Penalty	3,458	11,831	11,950	33,465
Sundry expense	(1,483)	(1,091)	(2,342)	(975)
Dividend income	-	-	133,657	-
Gain/(loss) from disposal of foreclosed properties	53	(242)	53	7,749
	<b>4,854</b>	<b>15,974</b>	<b>149,710</b>	<b>59,058</b>

**A21. Other operating expenses**

	<b>Group</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses *	73,630	37,997	214,892	165,520
Establishment related expenses	26,008	18,982	67,688	46,684
General administrative expenses	8,529	9,042	25,031	33,779
Promotion and marketing related expenses	3,622	2,831	8,345	7,346
Commission fees	836	8,516	10,882	25,539
	<b>112,625</b>	<b>77,368</b>	<b>326,838</b>	<b>278,868</b>

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

	<b>Company</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses *	511	(4,771)	1,146	(4,161)
Establishment related expenses	559	388	1,379	1,343
General administrative expenses	847	1,475	3,101	5,801
Intercompany charges	9,305	5,980	27,915	17,942
Commission fees	162	173	641	324
	<b>11,384</b>	<b>3,245</b>	<b>34,182</b>	<b>21,249</b>

Included in the other operating expenses:

	<b>Group</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation of property and equipment	2,280	1,914	6,835	6,579
Amortisation of intangible assets	6,762	5,902	19,449	16,184
Depreciation of right-of-use assets	2,126	2,596	6,633	6,503

Included in the other operating expenses:

	<b>Company</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation of property and equipment	116	116	348	348

**\* Personnel expenses**

	<b>Group</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Wages and salaries	57,111	28,982	167,037	127,627
Pension costs - Employees Provident Fund	9,472	4,727	27,362	21,680
Social security costs	501	436	1,503	1,236
Directors fees	1,417	1,688	3,314	3,492
Shariah Committee remuneration	116	123	295	357
Other staff related expenses	5,013	2,041	15,381	11,128
	<b>73,630</b>	<b>37,997</b>	<b>214,892</b>	<b>165,520</b>

**\* Personnel expenses**

	<b>Company</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Wages and salaries	-	(5,700)	-	(5,700)
Directors fees	511	929	1,138	1,536
Other staff related expenses	-	-	8	3
	<b>511</b>	<b>(4,771)</b>	<b>1,146</b>	<b>(4,161)</b>

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

**30-September-20**

	<b>Group</b>			
	<b>3rd Quarter Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial investments at FVOCI	(5)	-	-	(5)
Financial investments at amortised cost	(3)	-	-	(3)
Loans, financing and advances (Note A12(ix))	54,809	(42,089)	31,823	44,543
Other receivables	-	-	14,444	14,444
Financing commitments and financial guarantee (Note A16)	(1,744)	(2,576)	(1,423)	(5,743)
	<b>53,057</b>	<b>(44,665)</b>	<b>44,844</b>	<b>53,236</b>
Impaired loans, financing and advances:				
- Write off	-	-	693	693
- Recovered	-	-	(1,856)	(1,856)
	-	-	(1,163)	(1,163)
	<b>53,057</b>	<b>(44,665)</b>	<b>43,681</b>	<b>52,073</b>

	<b>Group</b>			
	<b>Nine Months Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial investments at FVOCI	(12)	-	-	(12)
Financial investments at amortised cost	(27)	-	-	(27)
Loans, financing and advances (Note A12(ix))	(11,071)	25,218	248,688	262,835
Other receivables	-	-	29,890	29,890
Financing commitments and financial guarantee (Note A16)	(17,088)	4,052	13,959	923
	<b>(28,198)</b>	<b>29,270</b>	<b>292,537</b>	<b>293,609</b>
Impaired loans, financing and advances:				
- Write off	-	-	2,913	2,913
- Recovered	-	-	(6,541)	(6,541)
	-	-	(3,628)	(3,628)
	<b>(28,198)</b>	<b>29,270</b>	<b>288,909</b>	<b>289,981</b>

**30-September-20**

	<b>Company</b>			
	<b>3rd Quarter Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans, financing and advances (Note A12(ix))	(219)	7,755	39,146	46,682
Amount due from subsidiaries	-	-	814	814
Financing commitments and financial guarantee (Note A16)	60	(97)	(1,095)	(1,132)
	<b>(159)</b>	<b>7,658</b>	<b>38,865</b>	<b>46,364</b>
Impaired loans and advances:				
- Write off	-	-	382	382
- Recovered	-	-	(79)	(79)
	-	-	303	303
	<b>(159)</b>	<b>7,658</b>	<b>39,168</b>	<b>46,667</b>

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

**30-September-20**

	<b>Company</b>			
	<b>Nine Months Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances (Note A12(ix))	(4,990)	4,688	69,204	68,902
Amount due from subsidiaries	-	-	3,564	3,564
Other receivables	-	-	(12,000)	(12,000)
Financing commitments and financial guarantee (Note A16)	(29)	(64)	(976)	(1,069)
	<b>(5,019)</b>	<b>4,624</b>	<b>59,792</b>	<b>59,397</b>
Impaired loans and advances:				
- Write off	-	-	637	637
- Recovered	-	-	(188)	(188)
	-	-	449	449
	<b>(5,019)</b>	<b>4,624</b>	<b>60,241</b>	<b>59,846</b>

**30-September-19**

	<b>Group</b>			
	<b>3rd Quarter Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial investments at FVOCI	(5)	-	-	(5)
Financial investments at amortised cost	2	-	-	2
Loans, financing and advances (Note A12(ix))	28,359	(32,388)	74,762	70,733
Other receivables	-	-	13,200	13,200
Financing commitments and financial guarantee (Note A16)	2,120	(11,962)	7,802	(2,040)
	<b>30,476</b>	<b>(44,350)</b>	<b>95,764</b>	<b>81,890</b>
Impaired loans, financing and advances:				
- Write off	-	-	922	922
- Recovered	-	-	(2,130)	(2,130)
	-	-	(1,208)	(1,208)
	<b>30,476</b>	<b>(44,350)</b>	<b>94,556</b>	<b>80,682</b>

	<b>Group</b>			
	<b>Nine Months Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial investments at FVOCI	13	-	-	13
Financial investments at amortised cost	2	-	-	2
Loans, financing and advances (Note A12(ix))	99,097	(10,762)	181,427	269,762
Other receivables	-	-	49,858	49,858
Financing commitments and financial guarantee (Note A16)	3,000	(8,442)	14,485	9,043
	<b>102,112</b>	<b>(19,204)</b>	<b>245,770</b>	<b>328,678</b>
Impaired loans, financing and advances:				
- Write off	-	-	7,924	7,924
- Recovered	-	-	(10,478)	(10,478)
	-	-	(2,554)	(2,554)
	<b>102,112</b>	<b>(19,204)</b>	<b>243,216</b>	<b>326,124</b>

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

**30-September-19**

	<b>Company</b>			
	<b>3rd Quarter Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances (Note A12(ix))	(309)	(11,930)	(11,143)	(23,382)
Amount due from subsidiaries	-	-	983	983
Financing commitments and financial guarantee (Note A16)	(12)	106	(398)	(304)
	<b>(321)</b>	<b>(11,824)</b>	<b>(10,558)</b>	<b>(22,703)</b>
Impaired loans and advances:				
- Write off	-	-	329	329
- Recovered	-	-	(33)	(33)
	-	-	296	296
	<b>(321)</b>	<b>(11,824)</b>	<b>(10,262)</b>	<b>(22,407)</b>

	<b>Company</b>			
	<b>Nine Months Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances (Note A12(ix))	611	(18,822)	(16,117)	(34,328)
Amount due from subsidiaries	-	-	4,483	4,483
Other receivables	-	-	12,000	12,000
Financing commitments and financial guarantee (Note A16)	(109)	70	(343)	(382)
	<b>502</b>	<b>(18,752)</b>	<b>23</b>	<b>(18,227)</b>
Impaired loans and advances:				
- Write off	-	-	3,455	3,455
- Recovered	-	-	(2,188)	(2,188)
	-	-	1,267	1,267
	<b>502</b>	<b>(18,752)</b>	<b>1,290</b>	<b>(16,960)</b>

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**A23. Commitments and contingencies**

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

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
<b>Group</b>			
<b>30-September-20</b>			
Direct credit substitutes	123,478	113,958	113,958
Trade-related contingencies	127,422	62,651	62,651
Short Term Self Liquidating trade related contingencies	100,936	20,187	20,187
Irrevocable commitments to extend credit:			
- one year or less	863,339	202,270	202,270
- over one year to five years	2,180,968	1,080,798	1,001,425
- over five years	72,005	36,001	36,001
Foreign exchange related contracts			
- one year or less	306,285	5,171	3,254
	<u>3,774,433</u>	<u>1,521,036</u>	<u>1,439,746</u>
	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
<b>Company</b>			
<b>30-September-20</b>			
Trade-related contingencies	3,530	705	705
Irrevocable commitments to extend credit:			
- over one year to five years	20,734	7,389	5,420
	<u>24,264</u>	<u>8,094</u>	<u>6,125</u>

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

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

<b>Company</b>	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
<b>31-Dec-19</b>			
Direct credit substitutes	4,141	2,031	2,031
Trade-related contingencies	2,939	1,469	1,469
Irrevocable commitments to extend credit:			
- over one year to five years	22,669	8,431	6,185
	<u>29,749</u>	<u>11,931</u>	<u>9,685</u>

**(i) Capital Commitments**

	<b>Group</b>	
	<b>30-Sep-20 RM'000</b>	<b>31-Dec-19 RM'000</b>
Property and equipment/Intangible assets:		
- Approved and contracted for	70,557	50,342
	<u>70,557</u>	<u>50,342</u>



**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.

On 27 August 2020, the Court concluded re-trial for the case. The Judge directed parties to file written submissions and fixed the matter for decision on 8 December 2020.

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

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

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

Pentadbir Tanah Klang referred the matter to High Court of Shah Alam and based on trial held on 29 January 2020, the Court allowed the appeal on the compensation amount payable to 88 Legacy. The compensation amount for appeal has been finalised at RM3.77 million and pending receipt of compensation.

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

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

<b>Group</b>	<b>Banking and conventional business RM'000</b>	<b>Hotel Operations RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>3 months ended 30 September 2020</b>				
External	765,539	33	-	765,572
Intersegment transactions	61,572	-	(61,572)	-
Total revenue	<u>827,111</u>	<u>33</u>	<u>(61,572)</u>	<u>765,572</u>
Segment results	264,903	5,133	23,928	293,964
Loss before taxation and zakat from operations				<u>293,964</u>
Segment assets	58,997,549	14,905	(9,087,114)	49,925,340
Consolidated total assets				<u>49,925,340</u>
Segment liabilities	46,251,677	63,477	(5,244,986)	41,070,168
Consolidated total liabilities				<u>41,070,168</u>
	<b>Banking and conventional business RM'000</b>	<b>Hotel Operations RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>3 months ended 30 September 2019</b>				
External	751,010	617	-	751,627
Intersegment transactions	71,194	996	(72,190)	-
Total revenue	<u>822,204</u>	<u>1,613</u>	<u>(72,190)</u>	<u>751,627</u>
Segment results	180,609	(19,151)	23,583	185,041
Profit before taxation and zakat from operations				<u>185,041</u>
Segment assets	58,797,348	52,795	(8,297,628)	50,552,515
Consolidated total assets				<u>50,552,515</u>
Segment liabilities	46,530,205	229,306	(4,454,371)	42,305,140
Consolidated total liabilities				<u>42,305,140</u>

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

<b>Group</b>	<b>Banking and conventional business RM'000</b>	<b>Hotel Operations RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>9 months ended 30 September 2020</b>				
External	2,393,266	62	-	2,393,328
Intersegment transactions	187,255	-	(187,255)	-
Total revenue	<u>2,580,521</u>	<u>62</u>	<u>(187,255)</u>	<u>2,393,328</u>
Segment results	291,370	128,614	(198,507)	<u>221,477</u>
Loss before taxation and zakat from operations				<u>221,477</u>
Segment assets	58,997,549	14,905	(9,087,114)	<u>49,925,340</u>
Consolidated total assets				<u>49,925,340</u>
Segment liabilities	46,251,677	63,477	(5,244,986)	<u>41,070,168</u>
Consolidated total liabilities				<u>41,070,168</u>
<b>9 months ended 30 September 2019</b>				
External	2,224,882	2,976	-	2,227,858
Intersegment transactions	213,847	2,900	(216,747)	-
Total revenue	<u>2,438,729</u>	<u>5,876</u>	<u>(216,747)</u>	<u>2,227,858</u>
Segment results	400,653	(31,105)	69,899	<u>439,447</u>
Profit before taxation and zakat from operations				<u>439,447</u>
Segment assets	58,797,348	52,795	(8,297,628)	<u>50,552,515</u>
Consolidated total assets				<u>50,552,515</u>
Segment liabilities	46,530,205	229,306	(4,454,371)	<u>42,305,140</u>
Consolidated total liabilities				<u>42,305,140</u>

**A26. Subsequent events**

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

**A27. Acquisition of property and equipment**

	<b>Group As at 30-Sep-20 RM'000</b>
<b>Additions</b>	
Building in progress	34,946
Building renovation	2,813
Furniture & equipment	244
Data processing equipment	<u>1,991</u>
	<u>39,994</u>

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**A28. Significant related party transactions**

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

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

	<b>Group</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Expenses</b>		
Profit expense paid on Sukuk	43,352	42,544
Profit expense paid on Fixed deposit	28,692	53,182
Rental paid	38	216
	<u>38</u>	<u>216</u>
<b>Balances</b>		
Sukuk - MBSB SC Murabahah	1,085,778	1,126,534
Accrued profit on Sukuk	21,415	22,110
Fixed deposit by EPF	1,300,000	1,800,000
Accrued profit on fixed deposit	1,338	29,605
Rental deposit	17	97
	<u>17</u>	<u>97</u>

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

	<b>Group</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Income/(expense)</b>		
Profit income from deposit placements	1	-
Profit to depositors	(1,946)	(1,393)
	<u>(1,946)</u>	<u>(1,393)</u>
<b>Balances</b>		
Cash and short-term funds	130,025	37,236
Deposits and placements with banks and other financial institutions	32	74,097
	<u>32</u>	<u>74,097</u>

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**A28. Significant related party transactions (continued)**

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

	<b>Group</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Income/(expense)</b>		
Profit from financing	14,078	15,252
Profit to depositors	<u>(3,371)</u>	<u>(1,628)</u>
<b>Balances</b>		
Financing	-	303,592
Deposit from customers	<u>150,364</u>	<u>182,233</u>

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

	<b>Group</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Expenses</b>		
Other expenses	<u>(6,680)</u>	<u>(2,198)</u>
<b>Balances</b>		
Deposits from customer	<u>100,671</u>	<u>160,663</u>

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**A29. 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.

	<b>Group</b>		<b>Bank Group</b>		<b>Bank</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Common Equity Tier 1 Capital</u></b>						
Ordinary share capital	7,088,255	6,941,542	5,159,859	5,159,859	5,159,859	5,159,859
Retained earnings	1,283,352	1,484,492	741,415	875,072	594,926	728,583
Other reserve	311,088	160,837	310,837	160,324	310,837	160,324
	<u>8,682,695</u>	<u>8,586,871</u>	<u>6,212,111</u>	<u>6,195,255</u>	<u>6,065,622</u>	<u>6,048,766</u>
Less : Common Equity Tier 1 regulatory adjustments						
Goodwill	(148,031)	(148,031)	-	-	-	-
Deferred tax assets	(15,746)	(28,218)	-	-	-	-
Cumulative gains of financial investments at FVOCI	(232,791)	(114,082)	(232,791)	(114,082)	(232,791)	(114,082)
Regulatory reserve	-	-	(5,234)	(5,234)	(5,234)	(5,234)
Other intangibles	(166,479)	(167,209)	(114,830)	(115,559)	(114,830)	(115,559)
Total Common Equity Tier 1 Capital	<u>8,119,648</u>	<u>8,129,331</u>	<u>5,859,256</u>	<u>5,960,380</u>	<u>5,712,767</u>	<u>5,813,891</u>
<b><u>Tier 1 Capital</u></b>						
Additional Tier 1 capital instruments	-	-	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-	-	-
Total Tier 1 capital	<u>8,119,648</u>	<u>8,129,331</u>	<u>5,859,256</u>	<u>5,960,380</u>	<u>5,712,767</u>	<u>5,813,891</u>
<b><u>Tier II Capital</u></b>						
Collective impairment allowance and regulatory reserve	489,882	497,961	462,718	468,898	492,798	499,927
Tier 2 capital instruments	1,310,132	1,293,075	1,310,132	1,293,075	1,310,132	1,293,075
Total Tier II capital	<u>1,800,014</u>	<u>1,791,036</u>	<u>1,772,850</u>	<u>1,761,973</u>	<u>1,802,930</u>	<u>1,793,002</u>
Total capital base	<u>9,919,662</u>	<u>9,920,367</u>	<u>7,632,106</u>	<u>7,722,353</u>	<u>7,515,697</u>	<u>7,606,893</u>
Breakdown of risk weighted assets in various categories of risk weights are as follows:						
	<b>Group</b>		<b>Bank Group</b>		<b>Bank</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Total risk weighted assets ("RWA")</u></b>						
- Credit risk	39,190,565	39,836,868	37,017,458	37,511,800	39,423,878	39,994,106
- Market risk	44,610	33,759	44,610	33,759	44,610	33,759
- Operational risk	2,509,805	2,380,936	1,942,942	1,331,960	1,794,690	1,227,512
Total RWA	<u>41,744,980</u>	<u>42,251,563</u>	<u>39,005,010</u>	<u>38,877,519</u>	<u>41,263,178</u>	<u>41,255,377</u>
<b><u>Capital ratios</u></b>						
Common equity tier 1 capital	19.451%	19.240%	15.022%	15.331%	13.845%	14.092%
Tier 1 capital	19.451%	19.240%	15.022%	15.331%	13.845%	14.092%
Total capital ratio	<u>23.763%</u>	<u>23.479%</u>	<u>19.567%</u>	<u>19.863%</u>	<u>18.214%</u>	<u>18.439%</u>

**PERFORMANCE REVIEW FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

**B1. Performance review of the Group**

**(a) Balance Sheet**

**(i) Loans, financing and advances**

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

	<b>Current Year Quarter 30-Sep-20, 3Q20 RM'000</b>	<b>Preceding Year Corresponding Quarter 30-Sep-19, 3Q19 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Personal financing	20,137,889	20,341,035	(203,146)	-1.0%
Corporate loans and financing	9,526,387	10,059,520	(533,133)	-5.3%
Property financing and mortgage loans	6,560,942	5,902,966	657,976	11.1%
Auto financing	160,698	194,419	(33,721)	-17.3%
Total gross loans, financing and advances	<u>36,385,916</u>	<u>36,497,940</u>	<u>(112,024)</u>	-0.3%

**Variation of Results against Immediate Preceding Quarter**

	<b>Current Year Quarter 30-Sep-20, 3Q20 RM'000</b>	<b>Preceding Quarter 30-June-20, 2Q20 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Personal financing	20,137,889	19,718,754	419,135	2.1%
Corporate loans and financing	9,526,387	9,359,982	166,405	1.8%
Property financing and mortgage loans	6,560,942	6,327,833	233,109	3.7%
Auto financing	160,698	164,150	(3,452)	-2.1%
Total gross loans, financing and advances	<u>36,385,916</u>	<u>35,570,719</u>	<u>815,197</u>	2.3%

The Group gross loans, financing and advances decreased by 0.3% and increased by 2.3% for 3Q20 compared to 3Q19 and 2Q20 respectively. The performance of respective portfolio is as follows:

- (i) Personal financing – The gross amount for personal financing decreased as compared to 3Q19 due to lower disbursements and decreasing portfolio base, however increased as compared to 2Q20 following the financing Program M-Prihatin.
- (ii) Corporate loans and financing – the gross balance decreased as repayment outpaced disbursement in the current quarter as compared to 3Q19. However as compared to 2Q20, gross balance increased mainly contributed by higher disbursement in trade finance.

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

**(a) Balance Sheet**

**(i) Loans, financing and advances (continued)**

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

**(ii) Financial investments**

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

	Current	Preceding	Changes	
	Year	Year	RM'000	%
	Quarter	Corresponding		
	30-Sep-20, 3Q20	Quarter		
	RM'000	30-Sep-19, 3Q19	RM'000	
Financial investments at FVTPL	-	10,158	(10,158)	>-100%
Financial investments at FVOCI	10,720,101	10,211,747	508,354	5.0%
Financial investments at amortised cost	488,574	20,101	468,473	>100%
Total financial investments	<u>11,208,675</u>	<u>10,242,006</u>	<u>966,669</u>	<u>9.4%</u>

**Variation of Results against Preceding Quarter**

	Current	Preceding	Changes	
	Year	Quarter	RM'000	%
	Quarter	Quarter		
	30-Sep-20, 3Q20	30-June-20, 2Q20		
	RM'000	RM'000	RM'000	
Financial investments at FVTPL	-	11,073	(11,073)	>-100%
Financial investments at FVOCI	10,720,101	9,963,334	756,767	7.6%
Financial investments at amortised cost	488,574	488,443	131	-
Total financial investments	<u>11,208,675</u>	<u>10,462,850</u>	<u>745,825</u>	<u>7.1%</u>

The Group financial investments increased by 9.4 % and 7.1% for 3Q20 compared to 3Q19 and 2Q20 respectively. The Group purchased more financial investments for the quarter as compared to sale in the previous quarter, resulting in higher financial investments as compared to previous quarter.



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

**(b) Income statement**

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

	<b>Current Year Quarter 30/09/2020, 3Q20 RM'000</b>	<b>Preceding Year Corresponding Quarter 30/09/2019, 3Q19 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	765,572	751,627	13,945	1.9%
Other operating expenses	(112,625)	(77,368)	(35,257)	-45.6%
Operating profit	338,540	265,723	72,817	27.4%
Allowance for impairment	(52,073)	(80,682)	28,609	-35.5%
Modification loss	7,497	-	7,497	-
Profit before tax	<u>293,964</u>	<u>185,041</u>	108,923	58.9%
Profit after tax	<u>258,236</u>	<u>170,159</u>	88,077	51.8%
Profit attributable to ordinary equity holders of the Parent	<u>258,236</u>	<u>170,159</u>	88,077	51.8%
Cost to income ratio	25.0%	22.6%		

**Current Year Quarter vs Immediate Preceding Quarter**

	<b>Current Year Quarter 30/09/2020, 3Q20 RM'000</b>	<b>Preceding Quarter 30/06/2020, 2Q20 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	765,572	886,350	(120,778)	-13.6%
Other operating expenses	(112,625)	(104,440)	(8,185)	-7.8%
Operating profit	338,540	425,231	(86,691)	-20.4%
Allowance for impairment	(52,073)	53,874	(105,947)	>-100%
Modification loss	7,497	(512,611)	520,108	>-100%
Profit/(loss) before tax	<u>293,964</u>	<u>(33,506)</u>	327,470	>-100%
Profit/(loss) after tax	<u>258,236</u>	<u>(12,506)</u>	270,742	>-100%
Profit/(loss) attributable to ordinary equity holders of the Parent	<u>258,236</u>	<u>(12,506)</u>	270,742	>-100%
Cost to income ratio	25.0%	19.7%		

The Group recorded slightly higher revenue for current quarter compared to 3Q19 but lower revenue compared to 2Q20. Revenue for previous quarter was higher because the Group realised higher gains from financial investments in FVOCI.

The Group recorded allowance for impairment during the quarter mainly from Corporate portfolio. The impairment was at write back for 2Q20 due to improvement on delinquency of accounts following collection received even during moratorium period. The allowance for impairment increased by RM105.95 million mainly on forward looking assumptions following macroeconomic uncertainties posed by the Covid-19 pandemic.

The Group cost to income ratio for 3Q20 of 25.0% increased compared to 22.6% for 3Q19 and 19.7% for 2Q20 respectively, contributed by higher personnel and establishment expenses.

**MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)**  
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**B1. Performance review of the Group (continued)**

Contribution of major subsidiary of the Group

	<b>Group Current Year Quarter 30-Sep-20, 3Q20 RM'000</b>	<b>MBSB Bank Current Year Quarter 30-Sep-20, 3Q20 RM'000</b>	<b>Contribution</b>
Total assets	49,925,340	49,539,919	99.2%
Total equity	8,855,172	6,191,432	69.9%
Profit before tax	293,964	315,967	107.5%
Profit after tax	258,236	272,634	105.6%
Gross return on equity	4.49%	6.88%	
Gross return on assets	0.78%	0.84%	

	<b>Group Current Year Quarter 30-Sep-20, 3Q20 RM'000</b>	<b>MBSB Bank Current Year Quarter 30-Sep-19, 3Q19 RM'000</b>	<b>Contribution</b>
Total assets	49,925,340	49,787,868	99.7%
Total equity	8,855,172	5,225,100	59.0%
Profit before tax	293,964	118,187	40.2%
Profit after tax	258,236	57,428	22.2%
Gross return on equity	13.48%	9.34%	
Gross return on assets	2.34%	1.00%	

	<b>Group Current Year Quarter 30-Sep-20, 3Q20 RM'000</b>	<b>MBSB Bank Current Year Quarter 30-June-20, 2Q20 RM'000</b>	<b>Contribution</b>
Total assets	49,925,340	48,115,863	96.4%
Total equity	8,855,172	5,868,291	66.3%
Profit before tax	293,964	(91,273)	-31.0%
Profit after tax	258,236	(60,994)	-23.6%
Gross return on equity	13.48%	-6.13%	
Gross return on assets	2.34%	-0.74%	

MBSB Bank Berhad ("MBSB Bank") is the biggest subsidiary in the Group. As at 3Q20 total assets of MBSB Bank of RM49.93bil account for 99.2% of total assets of the Group while the equity accounts for 69.9% of total Group equity.

## **B2. Prospects**

### **Brief overview and outlook of the Malaysian economy - lower growth for second quarter of 2020**

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in 2Q 2020. As a result, the economy registered its first contraction since the Global Financial Crisis (2Q 2020: -17.1%; 1Q 2020: -1.1%). On the supply side, this was reflected in negative growth across most sectors. From the expenditure side, domestic demand declined, while exports of goods and services registered a sharper contraction. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 16.5% (1Q 2020: -2.0%).

Weak growth was recorded across most economic sectors amid the imposition of the Movement Control Order (MCO), followed by the Conditional and Recovery MCO, during 2Q 2020.

The services sector contracted by 16.2% (1Q 2020: 3.1%). The sector was affected by the implementation of a nationwide restrictive MCO, with only essential services such as food-related retail, utilities, banking, transportation as well as information and communication entities allowed to operate with very limited capacity. The subsequent transition to Conditional MCO (CMCO) in May and Recovery MCO (RMCO) in June provided some relief to businesses in the sector. The lockdown had substantially affected consumer spending and tourism activity, as shown by the significant declines in the wholesale and retail trade, as well as food and beverages and accommodation sub-sectors. The transport and storage sub-sector was impacted by a sudden stop in tourist arrivals due to travel restrictions imposed domestically as well as the international border closures. Growth in the finance and insurance sub-sector was weighed down by lower net interest income, and lower fee-based income amid subdued capital market activity. Meanwhile, growth in the information and communication sub-sector was relatively sustained by the continued high demand for data communication services especially during this period of remote working arrangements.

Domestic demand declined by 18.7% in 2Q 2020 (1Q 2020: 3.7%), due mainly to weaker private sector expenditure. Spending by the private sector was impacted by lower income, movement restrictions and subdued consumer and business sentiments. While net exports continued to decline, the contribution of the external sector to the economy improved due mainly to the larger contraction in imports vis-a-vis the previous quarter.

Private consumption growth declined by 18.5% in 2Q 2020 (1Q 2020: 6.7%). Household spending was particularly impacted by the strict movement restrictions in the early part of the quarter and income losses amid weak economic conditions. As movement restrictions were gradually relaxed towards the end of the quarter, retail and financing data indicated some improvement in spending, albeit remaining subdued. During this challenging period, stimulus measures such as the disbursement of Bantuan Prihatin Nasional cash transfers, EPF i-Lestari withdrawals and the implementation of the loan moratorium helped to cushion consumption spending.

*(Source: Extracted from BNM Quarterly Bulletin - Developments in the Malaysian Economy, Second Quarter 2020)*

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**B2. Prospects (continued)**

**Overnight Policy Rate ("OPR") maintained at 1.75 percent**

The Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 1.75 percent.

The global economy continues to recover, led by improvements in manufacturing and export activity. Latest indicators show that economic activity picked up in most advanced and regional economies, with a more pronounced recovery momentum in PR China. However, recent resurgences in COVID-19 cases have caused some major economies to reintroduce containment measures, although generally less restrictive than earlier measures. This suggests that the global economic recovery will likely remain uneven in the near-term. Financial conditions have improved, although risk aversion remains elevated. The overall outlook remains subject to downside risks, primarily due to the risk of further resurgence of COVID-19 infections which could lead to weaker business, employment and income conditions.

For Malaysia, the latest indicators point towards significant improvement in economic activity in the third quarter. The introduction of targeted measures to contain COVID-19 in several states could affect the momentum of the recovery in the fourth quarter. Nonetheless, growth for the year 2020 is expected to be within the earlier forecasted range. For 2021, economic activity is projected to improve further. This will be underpinned by the recovery in global demand, turnaround in public and private sector expenditure amid continued support from policy measures, and higher production from existing and new facilities. Nevertheless, the pace of recovery will be uneven across sectors, with economic activity in some industries remaining below pre-pandemic levels, and a slower improvement in the labour market. Downside risks to the outlook remain, stemming mainly from ongoing uncertainties surrounding the pandemic globally and domestically.

In line with earlier assessments, headline inflation is likely to average negative this year given the substantially lower global oil prices. For 2021, headline inflation is projected to average higher. The outlook, however, will continue to be significantly affected by global oil and commodity prices. Underlying inflation is expected to remain subdued in 2021 amid continued spare capacity in the economy.

The MPC considers the stance of monetary policy to be appropriate and accommodative. The cumulative 125 basis points reduction in the OPR this year will continue to provide stimulus to the economy. The MPC will continue to assess evolving conditions and their implications on the overall outlook for inflation and domestic growth. The Bank remains committed to utilise its policy levers as appropriate to create enabling conditions for a sustainable economic recovery.

The meeting also approved the schedule of MPC meetings for 2021. In accordance with the Central Bank of Malaysia Act 2009, the MPC will convene six times during the year. The meetings will be held over two days, with the Monetary Policy Statement released at 3 p.m. on the second day of the MPC meeting.

*(Source: Extracted from BNM 'Monetary Policy Statement' press release, 3 November 2020)*

**B2. Prospects (continued)**

**Monetary and financial developments**

Improved domestic financial market conditions as global risk aversion eased

The performance of domestic financial markets improved during 2Q 2020, driven by a rebound in investor risk appetite following the quick implementation of large scale liquidity injections and policy responses by central banks and governments around the world, particularly in advanced economies, to cushion the impact of the COVID-19 pandemic. The unprecedented magnitude of the policy actions by major central banks was sufficient to stabilise market sentiments. Additionally, as countries looked to restart their economies by gradually easing movement restrictions, this also provided further support to investor sentiments.

Nominal interest rates declined further following the reduction in the OPR

Interest rates in the wholesale and retail markets declined following the reduction in the OPR by 50bps in May 2020. There was strong and immediate passthrough of the OPR reduction to interbank rates across all tenures, with the KLIBOR declining by 49 to 50 bps across tenures within one day of the OPR adjustment. The 3-month KLIBOR ended the quarter at 2.28% (1Q 2020: 2.80%). The transmission of the OPR reduction to retail lending rates was also strong, with continued pass-through from the previous OPR reduction in March 2020. This was reflected in the lower weighted average lending rate (ALR) on outstanding loans, which declined by 52 basis points to 4.25% in June (1Q 2020: 4.77%).

Similarly, nominal fixed deposit (FD) rates also decreased during the quarter, across tenures of 1 to 12months, in line with the quantum of the OPR reduction. Real FD rates increased despite the decline in nominal rates given the lower inflation in June.

Banking system liquidity remained sufficient to facilitate financial intermediation

The level of surplus liquidity placed with the Bank declined, due mainly to the higher currency in circulation, reflecting the increased demand for cash during the quarter. Nevertheless, banking system liquidity remained sufficient to facilitate financial intermediation. At the institutional level, most banks continued to maintain surplus liquidity positions with the Bank.

Continued expansion of financing supporting business needs

In 2Q 2020, net financing expanded by 3.7% on an annual basis (1Q 2020: 4.7%). Outstanding loan growth increased during the quarter (4.1%; 1Q 2020:3.8%), while the growth in outstanding corporate bonds declined to 2.5% (1Q 2020: 7.6%) due mainly to a high base effect from a one-off large issuance in 2Q 2019.

*(Source: Extracted from BNM Quarterly Bulletin 'Monetary and Financial Developments' Second Quarter 2020)*

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**B2. Prospects (continued)**

**The Group's prospects**

Outlook for 2020

The Group registered a quarter profit before taxation and zakat of RM293.96 million for 3Q20 as opposed to loss before taxation and zakat of RM33.51 million for 2Q20 mainly due to modification loss impact in 2Q20 arising from moratorium granted which significantly reduced 2Q20 profits. The Group's modification loss amount recorded in 2Q20 was material due to exposure to longer tenure fixed-rate personal financing at the banking subsidiary, MBSB Bank Berhad.

As at 30 September 2020, gross loans, financing and advances for the Group stood at RM36.39 billion, an increase of 1.5% from 31 December 2019 while financial investments increased by RM0.19 billion or 0.2% to RM11.21 billion. Both portfolios are supported by total deposits of RM35.04 billion and Sukuk and securitisation of RM5.23 billion.

For the year 2020, the Group's performance is affected by the COVID-19 outbreak in the country and impact of moratorium granted to eligible customers.

**B3. Variance from profit forecast**

Not applicable

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**B4. Taxation**

	<b>Group</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax:				
Current income tax	35,322	14,095	47,172	90,820
	<u>35,322</u>	<u>14,095</u>	<u>47,172</u>	<u>90,820</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	1,406	(42)	(172)	(15,588)
	<u>1,406</u>	<u>(42)</u>	<u>(172)</u>	<u>(15,588)</u>
Total income tax expense	<u>36,728</u>	<u>14,053</u>	<u>47,000</u>	<u>75,232</u>

	<b>Company</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax:				
Current income tax	(7,314)	(49,311)	1	(27,711)
	<u>(7,314)</u>	<u>(49,311)</u>	<u>1</u>	<u>(27,711)</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(1,194)	2,104	(2,735)	3,246
	<u>(1,194)</u>	<u>2,104</u>	<u>(2,735)</u>	<u>3,246</u>
Total income tax expense	<u>(8,508)</u>	<u>(47,207)</u>	<u>(2,734)</u>	<u>(24,465)</u>

**B5. Status of corporate proposals**

There are no pending corporate proposals.

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**B6. Borrowings and debts**

Borrowings of the Group were as follows:

	<b>Current Year Quarter 30 September 2020</b>		
	<b>Long term</b>	<b>Short term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>borrowings</b>
			<b>RM'000</b>
<b>Secured</b>			
Recourse obligation on financing sold	2,004,273	319,252	2,323,525
Sukuk-MBSB Structured Covered ("SC") Murabahah	1,283,064	308,387	1,591,451
<b>Non secured</b>			
Sukuk Wakalah	1,310,132	-	1,310,132
	<u>1,310,132</u>	<u>-</u>	<u>1,310,132</u>
	<b>Preceding Year Corresponding Quarter</b>		
	<b>Long term</b>	<b>Short term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>borrowings</b>
			<b>RM'000</b>
<b>Secured</b>			
Recourse obligation on financing sold	2,380,394	100,857	2,481,251
Sukuk-MBSB Structured Covered ("SC") Murabahah	1,370,000	294,973	1,664,973
<b>Non secured</b>			
Sukuk Wakalah	1,290,874	2,201	1,293,075
	<u>1,290,874</u>	<u>2,201</u>	<u>1,293,075</u>

**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.



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**B9. Earnings per share**

**Basic**

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

	<b>Group</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to shareholders for the period (RM'000)	258,236	170,159	172,477	360,214
Weighted average number of ordinary shares in issue ('000)	6,779,256	6,470,843	6,748,476	6,451,296
Basic earnings per share (sen)	<u>3.81</u>	<u>2.63</u>	<u>2.56</u>	<u>5.58</u>

	<b>Company</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net (loss)/profit attributable to shareholders for the period (RM'000)	(30,523)	109,322	129,775	161,428
Weighted average number of ordinary shares in issue ('000)	6,779,256	6,470,843	6,748,476	6,451,296
Basic earnings per share (sen)	<u>(0.45)</u>	<u>1.69</u>	<u>1.92</u>	<u>2.50</u>

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**Diluted**

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

	<b>Group</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to shareholders for the period (RM'000)	258,236	170,159	172,477	360,214
Weighted average number of ordinary shares in issue ('000)	<u>6,779,256</u>	<u>6,470,843</u>	<u>6,748,476</u>	<u>6,451,296</u>
Adjusted weighted average number of ordinary shares in issue ('000)	<u>6,779,256</u>	<u>6,470,843</u>	<u>6,748,476</u>	<u>6,451,296</u>
Basic earnings per share (sen)	<u>3.81</u>	<u>2.63</u>	<u>2.56</u>	<u>5.58</u>

	<b>Company</b>			
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net (loss)/profit attributable to shareholders for the period (RM'000)	(30,523)	109,322	129,775	161,428
Weighted average number of ordinary shares in issue ('000)	<u>6,779,256</u>	<u>6,470,843</u>	<u>6,748,476</u>	<u>6,451,296</u>
Adjusted weighted average number of ordinary shares in issue ('000)	<u>6,779,256</u>	<u>6,470,843</u>	<u>6,748,476</u>	<u>6,451,296</u>
Basic earnings per share (sen)	<u>(0.45)</u>	<u>1.69</u>	<u>1.92</u>	<u>2.50</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.

BY ORDER OF THE BOARD

Koh Ai Hoon (MAICSA 7006997)  
*Practicing Certificate No.: 201908003748*

Tong Lee Mee (MAICSA 7053445)  
*Practicing Certificate No.: 201908001316*

Joint Company Secretaries  
 Kuala Lumpur

30 November 2020