

**MALAYSIA BUILDING SOCIETY BERHAD**  
**(Company No. 9417-K)**  
**(Incorporated in Malaysia)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017**

	As at 30 June 2017 (RM'000)	As at 31 December 2016 (RM'000)
<b>ASSETS</b>		
Cash and short term funds	6,422,176	6,639,369
Deposits and placements with financial institutions	1,906,139	1,076,078
Trade receivables	271	542
Other receivables	154,389	150,553
Inventories	103,254	103,201
Loans, advances and financing	32,629,652	32,193,478
Financial investments available-for-sale	2,940,292	2,364,750
Property, plant and equipment	150,385	141,713
Land use rights	5,504	5,584
Tax recoverable	528,490	549,248
Intangible assets	10,608	15,415
Deferred tax assets	27,799	28,113
<b>TOTAL ASSETS</b>	<b>44,878,959</b>	<b>43,268,044</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits from customers	32,319,970	30,611,324
Bank borrowings	400,097	575,275
Trade payables	168	187
Other payables	356,638	303,986
Provision for taxation and zakat	5,662	7,814
Recourse obligation on loans/financing sold	2,368,289	2,420,175
Sukuk - MBSB Structured Covered ("SC") Murabahah	2,516,501	2,615,807
Deferred tax liabilities	7,507	9,428
<b>TOTAL LIABILITIES</b>	<b>37,974,832</b>	<b>36,543,996</b>
Share capital	5,943,265	5,798,774
Share premium	198,449	198,449
Other reserves	37,757	20,957
Retained earnings	724,656	705,868
<b>Total equity</b>	<b>6,904,127</b>	<b>6,724,048</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>44,878,959</b>	<b>43,268,044</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>6,460,912</b>	<b>5,030,529</b>
<b>Net assets per share attributable to shareholders (RM)</b>	<b>1.17</b>	<b>1.16</b>

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

**MALAYSIA BUILDING SOCIETY BERHAD**  
**(Company No. 9417-K)**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD**  
**ENDED 30 JUNE 2017**

	2nd quarter ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue	813,417	812,515	1,624,621	1,625,140
Income derived from investment of general investment deposits and Islamic capital funds	658,114	666,160	1,302,402	1,315,029
Income attributable to depositors	(253,802)	(257,039)	(494,277)	(511,684)
Income attributable to securitisation	(26,126)	(31,771)	(52,502)	(64,386)
Income attributable to sukuk	(83,511)	(93,661)	(168,894)	(189,412)
Net income from Islamic financing operations	294,675	283,689	586,729	549,547
Interest income	117,333	100,371	245,171	217,215
Interest expense	(58,062)	(62,981)	(119,394)	(129,072)
Net interest income	59,271	37,390	125,777	88,143
Operating income	353,946	321,079	712,506	637,690
Other income	11,299	17,431	19,800	31,743
Net income	365,245	338,510	732,306	669,433
Other operating expenses	(84,383)	(83,905)	(156,752)	(157,193)
Operating profit	280,862	254,605	575,554	512,240
Allowance for impairment losses on loans, advances and financing	(165,234)	(179,886)	(333,155)	(398,421)
Profit before taxation and zakat	115,628	74,719	242,399	113,819
Taxation	(24,544)	(14,173)	(50,120)	(18,438)
Zakat	-	2,463	129	2,463
Profit for the period	91,084	63,009	192,408	97,844
Other comprehensive income - AFS revaluation reserve, which may be reclassified subsequently to profit or loss	8,083	5,202	17,143	17,329
Total comprehensive income for the period, net of tax	99,167	68,211	209,551	115,173
Earnings per share (sen)				
Basic/diluted	1.57	2.21	3.31	3.44

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

**MALAYSIA BUILDING SOCIETY BERHAD**  
**(Company No. 9417-K)**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017**

<----- Non Distributable ----->

	Ordinary Shares RM'000	Share Premium RM'000	Capital Reserve #1 RM'000	Share Option Reserve RM'000	Warrants Reserve RM'000	Capital Redemption Reserve #2 RM'000	Available- for-sale Reserve RM'000	Retained Profits RM'000	Total RM'000
<b>At 1 January 2016</b>	2,838,551	1,392,980	17,838	5,210	3,633	12,486	1,566	589,276	4,861,540
Profit for the period	-	-	-	-	-	-	-	97,844	97,844
Other comprehensive income for the period	-	-	-	-	-	-	17,329	-	17,329
Total comprehensive income for the period	-	-	-	-	-	-	17,329	97,844	115,173
Dividends	-	-	-	-	-	-	-	(85,278)	(85,278)
Share options granted under ESOS recognised in profit or loss	-	(845)	-	-	-	-	-	-	(845)
Issuance of ordinary shares pursuant to exercise of DRP	50,169	7,525	-	-	-	-	-	-	57,694
Issuance of ordinary shares pursuant to exercise of ESOS	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to exercise of warrants	10,667	-	-	-	-	-	-	-	10,667
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(195)	-	-	-	195	-
<b>At 30 June 2016</b>	2,899,387	1,399,660	17,838	5,015	3,633	12,486	18,895	602,037	4,958,951
<b>At 1 January 2017</b>	5,798,774	198,449	17,838	6,810	3,633	12,486	(19,810)	705,868	6,724,048
Profit for the period	-	-	-	-	-	-	-	192,408	192,408
Other comprehensive income for the period	-	-	-	-	-	-	17,143	-	17,143
Total comprehensive income for the period	-	-	-	-	-	-	17,143	192,408	209,551
Dividends	-	-	-	-	-	-	-	(173,963)	(173,963)
Issuance of ordinary shares pursuant to DRP	144,491	-	-	-	-	-	-	-	144,491
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(343)	-	-	-	343	-
<b>At 30 June 2017</b>	5,943,265	198,449	17,838	6,467	3,633	12,486	(2,667)	724,656	6,904,127

#1 Capital reserve arose out of the transfer of the Malaya Borneo Building Society Limited as at 29 February 1972 to the Company on 1 March 1972 via a Scheme of Arrangement and is not distributable as cash dividends.

#2 Capital redemption reserve arose out of the redemption of redeemable cumulative preference shares and is not distributable as cash dividends.

**The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.**

**MALAYSIA BUILDING SOCIETY BERHAD**  
**(Company No. 9417-K)**  
**(Incorporated in Malaysia)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2017**

	<b>30 June 2017 RM'000</b>	<b>30 June 2016 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	242,399	113,819
Adjustments for:		
Depreciation of property, plant and equipment	6,157	6,990
Amortisation:		
- land use rights	10	13
- intangible assets	6,639	6,759
Loss on disposal of property, plant and equipment	10	12
Gain on disposal of foreclosed properties	(1,963)	-
Allowance for impairment of:		
- provision for doubtful debts	8	-
- unsecured advances in respect of certain projects	19,949	17,174
Allowance for impairment losses on loans, advances and financing	333,155	398,421
Reversal made during the period	(8,078)	(6,943)
Interest/profit income adjustment on:		
- loans, advances and financing	(1,225)	20,227
- profit payable on financial investments AFS	(5,703)	(14,344)
- Sukuk - MBSB SC Murabahah	(80)	(20,770)
Operating profit before working capital changes	591,278	521,358
Increase in deposits with financial institutions with maturity of more than one month	(830,061)	(1,368,169)
Increase in loans, advances and financing	(768,104)	(713,441)
Increase in inventories	(53)	(11)
Decrease in trade receivables	270	595
(Increase)/decrease in other receivables	(24,019)	30,951
Increase in deposits from customers	1,708,646	2,529,222
Decrease in trade payables	(19)	(50)
Increase in other payables	60,729	12,401
Cash generated from operations	738,667	1,012,856
Tax paid	(31,068)	(112,698)
Zakat paid	(2,023)	(2,694)
Net cash generated from operating activities	705,576	897,464

(Contd.)

**MALAYSIA BUILDING SOCIETY BERHAD**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2017**

	<b>30 June 2017 RM'000</b>	<b>30 June 2016 RM'000</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(14,790)	(5,980)
Purchase of intangible assets	(1,827)	(95)
Proceeds from disposal of property, plant and equipment	22	2
Proceeds from disposal of foreclosed properties	2,284	-
Increase in financial investments available-for-sale	(552,696)	(482,628)
Net cash used in investing activities	(567,007)	(488,701)
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings	(175,178)	(995,434)
Repayment of other borrowings	-	(50,181)
Repayment of from recourse obligation on loans/financing sold	(51,886)	(61,759)
Repayment of Sukuk - MBSB SC Murabahah	(99,226)	(13,275)
Dividend paid - ordinary shares	(173,963)	(85,278)
Net proceeds from issuance of ordinary shares	144,491	67,516
Net cash used in financing activities	(355,762)	(1,138,411)
Net decrease in cash and cash equivalents	(217,193)	(729,648)
Cash and cash equivalents at beginning of financial period	6,639,369	6,928,263
Cash and cash equivalents at end of financial period	6,422,176	6,198,615
Cash and cash equivalents comprise :		
Cash and short term funds	6,422,176	6,198,615

**The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.**

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS134****A1. Basis of Preparation**

The unaudited condensed interim financial statements for the financial quarter ended 30 June 2017 have been prepared under the historical cost convention except for financial investments available-for-sale 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 and financing, trade and other payables, bank borrowings and recourse obligations on financing/loans sold.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. 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 2016. 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 2016.

The unaudited interim financial statements incorporated those activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah. 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 2016.

On 1 January 2017, where applicable, the Group adopted the following MFRSs, Amendments to MFRSs, Issues Committee (“IC”) Interpretations and Technical Release (“TR”) mandatory for annual financial periods beginning on or after 1 January 2017:

Effective for annual periods commencing on or after 1 January 2017

- Amendments to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Amendments to MFRS 7: Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11: Accounting for Acquisitions of Interest in Joint Operations
- MFRS 14 Regulatory Deferral Accounts
- Amendments to MFRS 101: Disclosure Initiatives
- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
- Amendments to MFRS 119: Employee Benefits (Annual Improvements to MFRSs 2012 – 2013 Cycle)
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements to MFRSs 2012 – 2014 Cycle)

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A1. Basis of Preparation (continued)**

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective to the Group:

Effective for annual periods commencing on or after 1 January 2017

- Amendments to MFRS 12 Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Disclosure Initiative (Amendments to MFRS 107)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

Effective for annual periods commencing on or after 1 January 2018 (Early adoption)

- MFRS 1 first-time Adoption of Malaysian Financial Reporting Standards
- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- MFRS 9 Financial Instruments (2014)
- MFRS 15 Revenue from Contracts with Customers
- Clarifications to MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 128 Investments in Associates & Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Transfer of Investment Property (Amendments to MFRS 140)

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases

The directors expect that the new MFRSs and Amendments to MFRSs which have been issued by the MASB but are yet to be effective to the Group do not have any material impact on the financial statements of the Group for the current financial quarter. The financial effects of the above MFRSs are still being assessed due to the complexity of these new MFRSs and Amendments to MFRSs, and their proposed changes.

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A2. Audit Report of Preceding Financial Year Ended 31 December 2016**

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

**A3. Seasonality and Cyclicity of Operation**

The Group's operations have not been affected by any seasonal or cyclical factors.

**A4. Exceptional or Unusual Items**

There were no items of exceptional or unusual nature that affect the assets, liabilities, equity, net income or cash flows of the Group in the current financial quarter.

**A5. Changes in Estimates of Amounts Reported Previously**

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

**A6. Debts and Equity Securities**

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

	No of ordinary shares '000	Ordinary shares RM'000	Share premium/ (discounted) RM'000
<b>At 1 January 2017</b>	5,798,774	5,798,774	198,449
Issued at RM1.15 per share pursuant to Dividend Re-Investment Plan ("DRP")	125,644	144,491	-
<b>At 30 June 2017</b>	5,924,418	5,943,265	198,449

**A7. Dividend Paid**

During the financial quarter ended 30 June 2017, the single-tier final dividend of 3% on 5,798,774,158 ordinary shares in respect of the financial year ended 31 December 2016 declared on 22 February 2017, amounted to RM173,963,224.74 was paid on 20 June 2017.

Pursuant to the option to reinvest via the Dividend Reinvestment Plan ("DRP") which was approved during the Annual General Meeting held on 12 May 2017, a total of 26,706 shareholders elected to reinvest their dividends into 125,644,042 shares at RM1.15 per share which amounted to RM144,490,648.30 in cash.



**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A8. Loans, Advances and Financing****(i) By type**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Personal financing	22,641,075	22,822,210
Mortgage loans and property financing	5,507,346	5,479,796
Corporate loans and financing	7,555,120	6,599,879
Auto Financing	308,577	334,524
Staff loans	46,678	48,205
Gross loans, advances and financing	<u>36,058,796</u>	<u>35,284,614</u>
Allowance for impairment:		
- Collectively assessed	(3,140,332)	(2,809,131)
- Individually assessed	<u>(288,812)</u>	<u>(282,005)</u>
Net loans, advances and financing	<u>32,629,652</u>	<u>32,193,478</u>

**(ii) By maturity structure**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	1,139,045	843,533
One year to three years	1,684,391	1,410,298
Three years to five years	2,214,288	1,788,154
Over five years	<u>31,021,072</u>	<u>31,242,629</u>
	<u>36,058,796</u>	<u>35,284,614</u>

**(iii) By economic purpose**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of residential properties	5,221,426	5,194,235
Purchase of non-residential properties	307,769	309,683
Personal use	22,663,260	22,844,358
Property development	4,230,090	3,548,614
Working capital	2,701,653	2,402,615
Purchase of transport vehicles	311,220	336,457
Others	623,378	648,652
	<u>36,058,796</u>	<u>35,284,614</u>

**(iv) By type of customers**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic business enterprises:		
- Small medium enterprises	2,748,299	3,734,289
- Others	4,920,650	2,976,192
Individuals	<u>28,389,847</u>	<u>28,574,133</u>
	<u>36,058,796</u>	<u>35,284,614</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A8. Loans, Advances and Financing (continued)****(v) By interest/profit rate sensitivity**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate:		
- Personal financing	22,214,846	22,631,668
- Auto financing	311,220	336,457
- Mortgage and property financing	771,084	802,211
- Bridging, structured and term loans and financing	1,301,695	921,733
Variable rate:		
- Personal financing	448,414	212,690
- Mortgage and property financing	4,758,111	4,701,707
- Bridging, structured and term loans and financing	6,253,426	5,678,148
	<u>36,058,796</u>	<u>35,284,614</u>

**(vi) Movements in impaired loans, advances and financing**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January	2,829,626	2,519,633
Classified as impaired during the period	999,580	2,353,095
Reclassified as non-impaired	(718,067)	(1,974,478)
Amount recovered	(80,387)	(68,610)
Amount (written off)/written back	249	(14)
Balance as at end of period	<u>3,031,001</u>	<u>2,829,626</u>
Collective allowance	(1,867,713)	(1,700,602)
Individual allowance	(237,978)	(205,951)
Allowance for impairment	<u>(2,105,691)</u>	<u>(1,906,553)</u>
Net impaired loans, advances and financing	<u>925,310</u>	<u>923,073</u>
Net impaired loans as per percentage of net loans, advances and financing	<u>2.8%</u>	<u>2.9%</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A8. Loans, Advances and Financing (continued)**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Collective Impairment</b>		
Opening balance	2,809,131	2,045,943
Impairment during the period	331,201	763,188
Closing balance	<u>3,140,332</u>	<u>2,809,131</u>
As a % of gross loans, advances and financing less individual allowance	8.8%	8.0%
<b>Individual Impairment</b>		
Opening balance	282,005	277,916
Impairment during the period	6,807	4,103
Written off	-	(14)
Closing balance	<u>288,812</u>	<u>282,005</u>

**A9. Financial investments available-for-sale**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Fair Value</b>		
<b>Money Market Instruments:</b>		
- Malaysian Government Investment Issues	<u>1,178,081</u>	<u>972,180</u>
	1,178,081	972,180
<b>Debt Securities:</b>		
- Private and Islamic debt securities	522,167	181,242
- Government Guaranteed debt securities	<u>1,240,044</u>	<u>1,211,328</u>
	1,762,211	1,392,570

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A10. Deposits from customers**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>By type of products:</b>		
- Savings	101,444	97,444
- Fixed deposits	32,218,526	30,513,880
	<u>32,319,970</u>	<u>30,611,324</u>
<b>By type of customers:</b>		
- Government and statutory bodies	14,062,572	12,690,543
- Business enterprises	15,485,206	15,435,413
- Individuals	2,772,192	2,485,368
	<u>32,319,970</u>	<u>30,611,324</u>
<b>Maturity of deposits from customers:</b>		
- Within one year	30,814,890	28,639,144
- More than one year	1,505,080	1,972,180
	<u>32,319,970</u>	<u>30,611,324</u>

**A11. Interest Income**

	<b>2nd quarter ended</b>		<b>6 months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans, advances and financing	88,438	88,718	187,615	192,623
Deposits and placements with banks and other financial institutions	28,895	11,653	57,556	24,592
	<u>117,333</u>	<u>100,371</u>	<u>245,171</u>	<u>217,215</u>

**A12. Interest Expenses**

	<b>2nd quarter ended</b>		<b>6 months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Bank borrowings	265	394	573	2,532
Deposits from customers	57,797	62,587	118,821	126,540
	<u>58,062</u>	<u>62,981</u>	<u>119,394</u>	<u>129,072</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A13. Net Income from Islamic Banking Operations**

	<b>2nd quarter ended</b>		<b>6 months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financing	557,001	550,757	1,107,663	1,100,177
Profit income from				
Sukuk Commodity Murabahah	30,809	28,572	61,675	66,729
Profit on financial investments	29,170	12,144	54,548	21,780
Deposits placements	39,699	61,788	75,801	113,444
Profit on subsidiaries	1,435	12,899	2,715	12,899
Less: Income attributable to depositors	(253,802)	(257,039)	(494,277)	(511,684)
Less: Income attributable to securitisation	(26,126)	(31,771)	(52,502)	(64,386)
Less: Income attributable to sukuk	(83,511)	(93,661)	(168,894)	(189,412)
	<u>294,675</u>	<u>283,689</u>	<u>586,729</u>	<u>549,547</u>

**A14. Net Other Income**

	<b>2nd quarter ended</b>		<b>6 months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Rental income	43	82	97	83
Revenue from hotel operations	1,642	1,451	3,017	2,983
Loan processing fees	2,583	7,277	6,989	15,622
Insurance commission	1,389	1,072	2,471	1,573
Loan facility fees	1,423	1,350	2,834	2,808
Legal notice fees	-	314	49	798
Sundry income	2,355	5,899	2,390	7,888
Gain/(loss) from disposal of:				
- Property, plant and equipment	(9)	(14)	(10)	(12)
- Foreclosed properties	1,873	-	1,963	-
	<u>11,299</u>	<u>17,431</u>	<u>19,800</u>	<u>31,743</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A15. Other Operating Expenses**

	2nd quarter ended 30 June		6 months ended 30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Personnel expenses:				
- Wages and salaries	33,210	30,024	63,036	60,054
- Social security costs	251	210	489	412
- Pension costs	5,314	4,754	10,113	9,478
- Mutual separation scheme	-	1,644	-	1,644
- Other staff related expenses	2,420	2,856	4,527	4,062
	41,195	39,488	78,165	75,650
Establishment related expenses	3,624	3,789	7,153	7,337
Promotion and marketing related expenses	1,027	5,218	2,643	7,958
General administrative expenses	38,537	35,410	68,791	66,248
	<u>84,383</u>	<u>83,905</u>	<u>156,752</u>	<u>157,193</u>

**A16. Allowance for Impairment Losses on Loans, Advances and Financing**

	2nd quarter ended 30 June		6 months ended 30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Allowance for/(write back of) impairment on loans, advances and financing:				
- Collective impairment	170,008	179,930	331,201	404,081
- Individual impairment	1,326	(1,987)	6,809	(8,176)
- Written off	1,340	2,888	3,503	3,461
- Written back	(7,440)	(945)	(8,358)	(945)
	<u>165,234</u>	<u>179,886</u>	<u>333,155</u>	<u>398,421</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A17. Commitments and Contingencies**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Operational Commitments</b>		
Loan commitments not yet recognised in the financial statements:		
- Mortgage loans	76,657	115,127
- Properties financing	151,789	166,194
- Personal financing	725	230
- Auto financing	257	253
- Bridging, structured and term loans and financing	5,405,279	4,019,883
- Financial guarantees	<u>404,677</u>	<u>307,314</u>
	<u>6,039,384</u>	<u>4,609,001</u>
Approved and contracted for property development	<u>421,528</u>	<u>421,528</u>
Total	<u>6,460,912</u>	<u>5,030,529</u>
<b>(ii) Capital Commitments</b>		
Property, plant and equipment:		
- Approved and contracted for	151,827	165,914
- Approved but not contracted for	<u>17,334</u>	<u>-</u>
	<u>169,161</u>	<u>165,914</u>

The financial guarantees are secured by way of fixed charge over the borrowers' development project land or debenture created over the fixed and floating charge over the specific or entire assets of the borrowers.

**A18. Unsecured Contingent Liabilities**

- (i) Bongsor Bina Sdn Bhd ("BBSB"), a contractor appointed by one of the Company's borrowers has instituted civil suits against the Company for an alleged breach of contract and is claiming damages amounting to RM2.54 million.

On conclusion of the Full Trial, the claim against the Company was dismissed with costs. BBSB's appeal to the Court of Appeal was allowed while the Company filed an application for leave to appeal to the Federal Court. The Federal Court vacated the hearing scheduled for 11 May 2017 and adjourned the same to 31 May 2017.

On 31 May 2017, the Company's motion for leave to appeal to Federal Court was allowed with costs. This matter is now fixed for case management on 9 November 2017 for our solicitors to update the Federal Court on the status of filing a supplementary record of appeal.

The directors after obtaining advice from the Company's solicitors are of the opinion that the Company has reasonably good case in respect of the claim against the Company.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A18. Unsecured Contingent Liabilities (continued)**

- (ii) 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.

On conclusion of the Full Trial, the Court dismissed the Plaintiffs’ claim with costs and allowed the Company’s counterclaim. The Plaintiffs filed an appeal to the Court of Appeal against the decision and the matter was fixed for Case Management on 9 October 2015 and thereafter on 4 March 2016 pending release of the grounds of judgment from the High Court. The matter was then fixed for Hearing on 17 August 2016 but was adjourned to 28 September 2016 where the hearing was then fixed for 1 November 2016. On 1 November 2016, the Court of Appeal allowed the appeal with no order as to costs and sent the matter back to the High Court for retrial before a different Judge as they were of the view that the Grounds of Judgment were wholly inadequate and in the circumstances they could not be certain as to the basis on which the decision was reached.

This matter is fixed for further Case Management on 17 July 2017 for court to decide which judge will hear the matter. On 17 July 2017, the Court had fixed this matter for full trial on 11, 12 and 15 September 2017.

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

**A19. Segmental Information on Revenue and Results**

	<b>Financing</b>	<b>Hotel</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>RM’000</b>	<b>Operations</b>	<b>RM’000</b>	<b>RM’000</b>
		<b>RM’000</b>		
<b>3 months ended 30 June 2017</b>				
External sales	815,290	1,642	(3,515)	813,417
Intersegment transactions	3,546	934	(4,480)	-
Total revenue	<u>818,836</u>	<u>2,576</u>	<u>(7,995)</u>	<u>813,417</u>
Segment results	88,881	(4,160)	30,907	115,628
Unallocated income (net of cost)				-
Profit from operations				<u>115,628</u>
Segment assets	51,681,028	67,923	(6,869,992)	44,878,959
Unallocated corporate assets				-
Consolidated total assets				<u>44,878,959</u>
Segment liabilities	45,365,317	180,595	(7,571,079)	37,974,833
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>37,974,833</u>



**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A19. Segmental Information on Revenue and Results (continued)**

	<b>Financing</b>	<b>Hotel</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>Operations</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
<b>3 months ended 30 June 2016</b>				
External sales	803,681	1,451	7,383	812,515
Intersegment transactions	13,967	833	(14,800)	-
Total revenue	<u>817,648</u>	<u>2,284</u>	<u>(7,417)</u>	<u>812,515</u>
Segment results	61,875	(4,103)	16,947	74,719
Unallocated income (net of cost)				-
Profit from operations				<u>74,719</u>
Segment assets	49,962,546	71,160	(7,460,281)	42,573,425
Unallocated corporate assets				-
Consolidated total assets				<u>42,573,425</u>
Segment liabilities	45,505,521	167,353	(8,058,400)	37,614,474
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>37,614,474</u>
	<b>Financing</b>	<b>Hotel</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>Operations</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
<b>6 months ended 30 June 2017</b>				
External sales	1,628,573	3,017	(6,969)	1,624,621
Intersegment transactions	6,939	1,826	(8,765)	-
Total revenue	<u>1,635,512</u>	<u>4,843</u>	<u>(15,734)</u>	<u>1,624,621</u>
Segment results	190,917	(8,601)	60,083	242,399
Unallocated income (net of cost)				-
Profit from operations				<u>242,399</u>
Segment assets	51,681,028	67,923	(6,869,992)	44,878,959
Unallocated corporate assets				-
Consolidated total assets				<u>44,878,959</u>
Segment liabilities	45,365,317	180,595	(7,571,079)	37,974,833
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>37,974,833</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A19. Segmental Information on Revenue and Results (continued)**

	<b>Financing</b>	<b>Hotel</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>Operations</b>	<b>RM'000</b>	<b>RM'000</b>
<b>6 months ended 30 June 2016</b>		<b>RM'000</b>		
External sales	1,615,731	2,983	6,426	1,625,140
Intersegment transactions	18,568	1,664	(20,232)	-
<b>Total revenue</b>	<b>1,634,299</b>	<b>4,647</b>	<b>(13,806)</b>	<b>1,625,140</b>
Segment results	88,426	(8,202)	33,595	113,819
Unallocated income (net of cost)				-
<b>Profit from operations</b>				<b>113,819</b>
Segment assets	49,962,546	71,160	(7,460,281)	42,573,425
Unallocated corporate assets				-
<b>Consolidated total assets</b>				<b>42,573,425</b>
Segment liabilities	45,505,521	167,353	(8,058,400)	37,614,474
Unallocated corporate liabilities				-
<b>Consolidated total liabilities</b>				<b>37,614,474</b>

The Group's activities are based in Malaysia, therefore segmental reporting is not analysed by geographical locations.

**20. Valuation of Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

**A21. Subsequent Events**

None.

**A22. Changes in the Composition of the Group**

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A23. Acquisition/Disposal of Property, Plant and Equipment**

	<b>As at 30-06-17 RM'000</b>
<b>Additions</b>	
Building in progress	14,088
Building renovation	15
Furniture & equipment	117
Data processing equipment	570
	14,790

**A24. Significant Related Party Transactions**

	<b>6 months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Transactions with Employees Provident Fund Board, the ultimate holding body:		
<b>Expenses</b>		
Interest on loans	-	850
Rental expense	117	140
	-	140
<b>Balances</b>		
Other borrowings	-	25,090
Sukuk - MBSB SC Murabahah	1,073,000	1,073,000
	1,073,000	1,073,000
(ii) Transactions with RHB Banking Group of companies, being companies directly controlled by EPF:		
<b>Balances</b>		
Deposits and placements with financial institutions	1,232,110	811,947
Deposits from customers	-	402,680
Bank borrowings	200,068	100,013
Recourse obligation on loans sold to Cagamas Berhad	419,354	846,266
	419,354	846,266
(iii) Collectively, but not individually, significant balances		
<b>Balances</b>		
Deposit from customers	1,021,292	700,876
	1,021,292	700,876

**A25. Impairment Loss**

There were no other impairment losses other than those disclosed in note A8 above.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A26. Operations of Islamic Banking****A26a. Unaudited Consolidated Statements of Financial Position as at 30 June 2017**

	Note	30-Jun-17 RM'000	31-Dec-16 RM'000
<b>Assets</b>			
Cash and short-term funds		4,972,199	4,398,300
Deposits and placements with financial institutions		1,123,176	763,329
Financing	A26c	28,821,733	28,106,938
Other receivables		678,016	262,532
Financing to subsidiaries		-	-
Financial investment available-for-sale		2,940,292	2,364,750
<b>Total assets</b>		<u>38,535,416</u>	<u>35,895,849</u>
<b>Liabilities</b>			
Deposits from customers	A26d	27,123,406	24,149,761
Other payables		4,195,449	4,337,318
Bank borrowings		200,045	400,211
Financing sold to Cagamas Berhad		1,357,200	1,385,248
Sukuk - MBSB SC Murabahah		2,516,501	2,615,807
Provision for taxation		38,762	81,398
Provision for zakat		2,628	4,780
<b>Total liabilities</b>		<u>35,433,991</u>	<u>32,974,523</u>
Islamic fund		4,000	4,000
Financial investment available-for-sale		(2,668)	(19,810)
Retained profits		3,100,093	2,937,136
		<u>3,101,425</u>	<u>2,921,326</u>
<b>Total liabilities and Islamic fund</b>		<u>38,535,416</u>	<u>35,895,849</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A26b. Unaudited Consolidated Statements of Comprehensive Income for the Year Ended 30 June 2017**

	2nd quarter ended		6 months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of general investment deposits and Islamic capital funds	658,114	666,160	1,302,402	1,315,029
Less: Income attributable to depositors	(253,802)	(257,039)	(494,277)	(511,684)
Less: Income attributable to securitisation	(26,126)	(31,771)	(52,502)	(64,386)
Less: Income attributable to sukuk	(83,511)	(93,661)	(168,894)	(189,412)
Net income from financing operations	294,675	283,689	586,729	549,547
Other income	6,271	13,761	13,188	26,348
Other expenses	(60,310)	(49,839)	(110,087)	(91,271)
Allowance for losses on financing	(158,805)	(118,230)	(285,593)	(268,248)
Profit before taxation and zakat	81,831	129,381	204,237	216,376
Taxation	(15,810)	(24,035)	(41,408)	(37,910)
Zakat	-	2,463	129	2,463
Profit after taxation and zakat	66,021	107,809	162,958	180,929
Other comprehensive income	8,083	-	17,143	-
Total comprehensive income for the period	74,104	107,809	180,101	180,929

**A26c. Financing**

**(i) By type**

	30-06-17	31-12-16
	RM'000	RM'000
Term financing:		
- Corporate financing	11,434,203	9,625,862
- Property financing	6,345,471	5,936,416
- Personal financing	34,581,055	35,398,821
- Auto financing	334,723	359,625
Staff financing	20,192	19,960
Less: Unearned income	(21,739,659)	(21,362,958)
Gross loans, advances and financing	30,975,985	29,977,726
Allowance for impairment:		
- Collectively assessed	(2,153,817)	(1,870,623)
- Individually assessed	(435)	(165)
Net financing	28,821,733	28,106,938

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A26c. Financing (continued)****(ii) By contract**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Bai Bithaman Ajil (deferred payment sale)	2,205,873	2,080,179
Bai Al-Inah (cost plus)	13,365,405	13,640,302
Tawarruq	9,589,644	9,513,046
Contract financing	5,815,063	4,744,199
	<u>30,975,985</u>	<u>29,977,726</u>

**(iii) Impaired financing**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January	1,657,995	1,426,173
Classified as impaired during the year	676,952	1,428,996
Reclassified as non-impaired during the year	(492,557)	(1,183,101)
Amount recovered	<u>(5,684)</u>	<u>(14,073)</u>
Balance as at 31 December	1,836,706	1,657,995
Collective allowance	(1,288,886)	(1,139,713)
Individual allowance	<u>(435)</u>	<u>(165)</u>
Allowance for impairment	<u>(1,289,321)</u>	<u>(1,139,878)</u>
Net impaired financing	<u>547,385</u>	<u>518,117</u>
Net impaired financing as a percentage of net financing	<u>1.9%</u>	<u>1.8%</u>

**(iv) Movement in allowance for impairment are as follows:**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Collective impairment</b>		
Balance as at 1 January	1,870,623	1,323,066
Impairment during the year	<u>283,194</u>	<u>547,557</u>
Balance as at 31 March	<u>2,153,817</u>	<u>1,870,623</u>
<b>Individual impairment</b>		
Balance as at 1 January	165	-
Impairment during the year	<u>270</u>	<u>165</u>
Balance as at 31 March	<u>435</u>	<u>165</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**A26d. Deposits from Customers****(i) By type of deposits**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Al-Wadiah savings account	55,499	51,895
Mudharabah fund	<u>27,067,907</u>	<u>24,097,866</u>
	<u>27,123,406</u>	<u>24,149,761</u>

**(ii) By type of customer**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Business enterprises	26,157,831	23,545,255
Individuals	<u>965,575</u>	<u>604,506</u>
	<u>27,123,406</u>	<u>24,149,761</u>

**(iii) By maturity of deposits from customers**

	<b>30-06-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	26,157,831	23,205,596
More than one year	<u>965,575</u>	<u>944,165</u>
	<u>27,123,406</u>	<u>24,149,761</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. Performance Review**

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

	Individual Period		Changes		Cumulative Period		Changes	
	(2nd quarter)		(Amount/%)				(Amount/%)	
	Current Year	Preceding Year			Current Year	Preceding Year		
	Quarter	Corresponding			To-date	Corresponding		
Quarter		Period						
30/06/2017	30/06/2016	30/06/2017	30/06/2016					
Revenue	813,417	812,515	902	0.11%	1,624,621	1,625,140	(519)	-0.03%
Other operating expenses	(84,383)	(83,905)	(478)	0.57%	(156,752)	(157,193)	441	-0.28%
Operating Profit	280,862	254,605	26,257	10.31%	575,554	512,240	63,314	12.36%
Allowances for impairment losses on loans, advances and financing	(165,234)	(179,886)	14,652	-8.15%	(333,155)	(398,421)	65,266	-16.38%
Profit Before Tax	115,628	74,719	40,909	54.75%	242,399	113,819	128,580	112.97%
Profit After Tax	91,084	63,009	28,075	44.56%	192,408	97,844	94,564	96.65%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	91,084	63,009	28,075	44.56%	192,408	97,844	94,564	96.65%

Group revenue for the 6 months ended 30 June 2017 of RM1.625 billion is at par with the revenue recorded for the previous year corresponding period. Group profit before tax for the financial period ended 30 June 2017 of RM242.399 million increased by RM128.580 million or 113.0% as compared to the previous year corresponding period profit before tax of RM113.819 million. The increase was mainly due to higher net operating income and lower allowances for impairment losses on loans, advances and financing. Net profit attributable to ordinary equity holders grew by RM94.564 million or 96.65% over the same period to RM192.408 million.

The Group cost to income ratio improved from the previous year corresponding period standing of 23.5% to currently stand at 21.4%. Total personnel expenses for the financial period ended 30 June 2017 of RM78.17 million were higher by RM2.52 million or 3.33% as compared to the previous year corresponding period mainly due to higher wages and salaries expenses as total number of staff increased from 1,523 to 1,576. Finance costs for the financial period ended 30 June 2017 of RM119.39 million were lower by RM9.68 million or 7.50% as compared to the previous year corresponding period mainly due to lower cost of deposits.

The Group embarked on a "Closing the Gaps" exercise since 2010 to bridge its frameworks to be in line with banking standards and best practices. The impairment program, which is in line with the recommendation by Bank Negara Malaysia, is in addition to the existing impairment provision that is in compliance with current accounting standards. The Group financing and loan loss coverage ratio increased to 113.14% for the financial period ended 30 June 2017 from 97.89% recorded over the same period last year.

The Group's gross loans and financing grew by RM774.186 million or 2.19% to RM36.058 billion as at 30 June 2017 as compared to RM35.285 billion as at 31 December 2016. This was mainly driven by growth in corporate loans and financing, partially set off by contraction in the retail segment. Fair value of financial investments available-for-sale increased by RM575.542 million as compared to 31 December 2016 position due to improved yields from favourable market sentiments.



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**Current Year-to-Date vs Previous Year-to-Date (continued)**

Total deposits from customers increased by RM1.709 billion or 5.58% to stand at RM32.320 billion as at 30 June 2017.

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

Personal financing – The gross income from personal financing in the current period was lower compared to the previous year corresponding period due to lower disbursements and decreasing portfolio base.

Corporate loans and financing – The gross income from corporate loans and financing in the current period was higher compared to the previous year corresponding period due to the continued growth of corporate loans and financing assets base.

Mortgage loans and property financing – The gross income from mortgage loans and property financing was lower compared to the previous year corresponding period due to lower disbursements and decreasing portfolio base.

Auto financing – The gross income from auto financing was lower compared to the previous year corresponding period due to lower disbursements and decreasing portfolio base.

**Current Quarter vs Previous Year Corresponding Quarter**

The Group registered a profit before tax of RM115.628 million, an improvement of RM40.909 million of 54.75% compared to the previous year corresponding quarter. The improved profit before tax was mainly due to higher operating profit and lower allowances for impairment losses on loans, advances and financing. Net profit attributable to ordinary equity holders grew by RM28.075 million or 44.56% over the same period to RM91.084 million.

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

- 1) Personal financing – The gross income from personal financing in the current quarter was lower compared to the previous year corresponding period due to lower disbursements and decreasing portfolio base.
- 2) Corporate loans and financing – The gross income from corporate loans and financing in the current quarter was higher compared to the previous year corresponding quarter due to the continued growth of corporate loans and financing assets base.
- 3) Mortgage loans and property financing – The gross income from mortgage loans and property financing in the current quarter was lower compared to the previous year corresponding quarter due to lower disbursements and decreasing portfolio base.
- 4) Auto financing – The gross income from auto financing in the current quarter was lower compared to the previous year corresponding quarter due to lower disbursements and decreasing portfolio base.

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**B2. Variation of Results against Preceding Quarter**

	Current Quarter	Immediate	Changes	
	30/06/2017	Preceding Quarter 31/03/2017	(Amount/%)	
Revenue	813,417	811,204	2,213	0.27%
Operating Profit	280,862	294,692	(13,830)	-4.69%
Allowances for impairment losses on loans, advances and financing	(165,234)	(167,921)	2,687	-1.60%
Profit Before Tax	115,628	126,771	(11,143)	-8.79%
Profit After Tax	91,084	101,324	(10,240)	-10.11%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	91,084	101,324	(10,240)	-10.11%

The Group profit before tax for the 2<sup>nd</sup> quarter 2017 of RM115.628 million decreased by RM11.143 million as compared to the preceding quarter profit before tax of RM126.771 million. The decrease was mainly due to lower net operating income and higher other operating expenses in the current quarter.

**B3. Prospects**

*Brief Overview and Outlook of the Malaysian Economy*

The Malaysian economy recorded a higher growth of 5.6% in the first quarter of 2017 (4Q 2016: 4.5%). Private sector activity was higher and remained as the main driver of growth. Growth was further lifted by higher exports, as increased demand for manufactured products led to a strong growth in real exports (9.8%; 4Q 2016: 2.2%). Real imports also increased at a faster rate of 12.9% (4Q 2016: 1.6%) on account of higher growth of capital and intermediate goods. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.8% (4Q 2016: 1.3%).

Domestic demand growth increased to 7.7% in the first quarter of the year (4Q 2016: 3.2%), supported by continued expansion in private sector expenditure (8.2%; 4Q 2016: 5.9%) and the turnaround in public sector expenditure. Private consumption grew by 6.6% (4Q 2016: 6.1%). Household spending remained supported by continued expansion in employment and wage growth. The implementation of selected Government measures, including the higher amount of Bantuan Rakyat Malaysia cash transfers, also provided additional impetus to household spending.

Public consumption recorded a stronger growth of 7.5% (4Q 2016: -4.2%) attributed to higher spending on both emoluments and supplies and services. Private investment grew at a robust pace of 12.9% (4Q 2016: 4.9%), following continued capital spending in the services and manufacturing sectors. Investments in machinery and equipment were higher during the quarter, supported by the implementation of several large-scale projects in the manufacturing sector.

*(Source: Extracted from the latest BNM Quarterly Bulletin - Developments in the Malaysian Economy, First Quarter 2017)*

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**B3. Prospects (continued)**

***Banking system remained strong***

The banking system as at end-March 2017 maintained strong capitalisation with the common equity capital ratio, tier 1 capital ratio and total capital ratio stood at 13.1%, 13.9% and 17%, respectively, remaining well above the current minimum regulatory level of 4.5%, 6% and 8%. The banking system deposits rose 3.2% to RM1,722.8 billion (end-March 2016: -0.9%; RM1,668.7 billion). Meanwhile, the level of net impaired loans was sustained at 1.2% of net total loans and loan loss coverage ratio stood at 89.1% (end-March 2016: 1.2%; 94.3%).

*(Source: Extracted from the latest Quarterly Update on the Malaysian Economy – First Quarter 2017, Ministry of Finance)*

***Overall liquidity conditions remained sufficient for financial intermediation***

In the banking system, liquidity conditions remained sufficient at both the institutional and system-wide levels. The level of surplus liquidity placed with BNM moderated, reflecting continued portfolio outflows during the quarter, which did not lead to pressures in the interbank market. At the institutional level, most banks continued to maintain surplus liquidity positions.

The growth of net financing increased to 6.8% in 1Q 2017 (4Q 2016: 5.5%) driven by both the growth in loans extended by the banking system and development financial institutions (DFIs) (1Q 2017: 6.0%; 4Q 2016: 5.3%), and the growth of net outstanding issuances of corporate bonds (1Q 2017: 9.3%; 4Q 2016: 6.1%).

Given healthy supply conditions with continued loan disbursements to all segments of borrowers, higher financing activity reflected the improved demand conditions during the quarter. In particular, growth of outstanding business loans increased to 7.1% (4Q 2016: 4.8%), reflecting improvement in both SMEs and other businesses during the quarter. The growth of SME loans increased (1Q 2017: 9.2%; 4Q 2016: 9.0%), with continued expansion in loans extended to the transport, storage and communication; manufacturing; wholesale and retail trade, and restaurants and hotels; and construction sectors. The growth of outstanding household loans continued to moderate to 5.3% (4Q 2016: 5.5%) with broad-based moderation across most loan types.

*(Source: Extracted from the latest BNM, Quarterly Bulletin - Monetary and Financial Developments in the Malaysian Economy, First Quarter 2017)*

***Group Prospects***

The Group will focus on continued expansion of corporate business segment as it has shown positive contribution in 2<sup>nd</sup> quarter 2017 flowing in from 2016, in terms of growth in corporate portfolio assets and earnings. The Group will continue to strengthen, adapt and sustain its corporate and retail business activities to compete in the challenging environment. These activities include collection efforts, continued improvement in compliant operational workflows, efficient workflows, enhancing assets quality based on risk management and credit frameworks and improving data management with business analytics.

Barring any unforeseen circumstances, the Group expects its performance for 2017 to be satisfactory.

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**B4. Variance from Profit Forecast and Profit Guarantee**

None.

**B5. Taxation**

	2nd quarter ended 30 June		6 months ended 30 June	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current income tax:				
- Malaysian income tax	20,097	60,689	51,727	117,063
	<u>20,097</u>	<u>60,689</u>	<u>51,727</u>	<u>117,063</u>
Deferred tax:				
- Relating to origination and reversal of temporary differences	4,447	(46,516)	(1,607)	(98,625)
	<u>4,447</u>	<u>(46,516)</u>	<u>(1,607)</u>	<u>(98,625)</u>
Total income tax expense	<u>24,544</u>	<u>14,173</u>	<u>50,120</u>	<u>18,438</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the quarter.

**B6. Profit/(Loss) on Sale of Unquoted Investments and/or Properties**

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

**B7. Purchase and Sale of Quoted Securities**

There were no dealings in quoted securities for the current quarter, except for debt securities as disclosed in Note A9.

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**B8. Status of Corporate Proposals****(a) Rights Issue**

The Rights Issue approved by the shareholders of the Company on 5 May 2016 was completed on 29 July 2016 upon the listing of and quotation for 2,899,387,079 Rights shares on Bursa Securities. Based on the first cash call of RM0.59 per share, the gross proceeds raised was approximately RM1.71 billion. The amount of share premium capitalised from the second call of RM0.41 per share was approximately RM1.19 billion.

**(b) Status of Utilisation of Proceeds from Rights Issue**

The status of utilisation of proceeds from Rights Issue as at the date hereof is as follows:

<b>Purpose</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Intended Timeframe for Utilisation</b>	<b>Deviation Amount RM'000</b>	<b>%</b>	<b>Explanation</b>
Purchase of liquefiable assets	511,000	511,000	Within 12 months – end of July 2017	No deviation	NA	
Expansion of financing business	1,100,000	1,100,000	Within 12 months – end of July 2017	No deviation	NA	
Working capital purposes	86,000	86,000	Within 12 months – end of July 2017	No deviation	NA	
Defrayment of estimated expenses in relation to the Rights Issue	14,000	14,000	Within 6 months – end of January 2017	No deviation	NA	
<b>Total</b>	<b>1,711,000</b>	<b>1,711,000</b>				

\*NA – Not applicable

**(c) Proposed Merger**

<b>Corporate Proposal</b>	<b>Status</b>
The Company had, on 21 December 2016, received a letter from Bank Negara Malaysia (“BNM”) dated 21 December 2016 which states that BNM has no objection in principle for the Company to commence negotiations with the existing shareholders of Asian Finance Bank Berhad (“AFB”) namely Qatar Islamic Bank, RUSB Investment Bank Inc, Tadhamon International Islamic Bank and Financial Assets Bahrain WLL for a proposed merger of the Company and AFB (“the Proposed Merger”). BNM requires that the negotiations be completed within six months from the date of BNM’s letter.	<ul style="list-style-type: none"> <li>• On 19 June 2017, the Company submitted an application to BNM within the stipulated timeframe, to seek the approvals of BNM and/ or the Ministry of Finance, Malaysia for the Proposed Merger.</li> <li>• On 18 August 2017, the Company received notification from BNM vide its letter dated 18 August 2017 that the Minister of Finance has granted approval for the proposed acquisition by MBSB of 100% interest in the shares of AFB pursuant to the Islamic Financial Services Act 2013. Further details will be announced upon the finalisation and execution of the definitive agreement.</li> </ul>

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**B9. Borrowings and Debts**

Borrowings of the Group were as follows:

	<b>As at 2nd quarter period ended 30 June 2017</b>		
	<b>Long term</b>	<b>Short term</b>	<b>Total borrowings</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
	<b>denomination</b>	<b>denomination</b>	<b>denomination</b>
<b>Secured</b>			
Recourse obligation on loans/financing sold	551,617	1,816,672	2,368,289
<b>Unsecured</b>			
Bank borrowings	-	400,097	400,097

	<b>As at 4th quarter period ended 31 December 2016</b>		
	<b>Long term</b>	<b>Short term</b>	<b>Total borrowings</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
	<b>denomination</b>	<b>denomination</b>	<b>denomination</b>
<b>Secured</b>			
Recourse obligation on loans/financing sold	983,476	1,436,699	2,420,175
<b>Unsecured</b>			
Bank borrowings	-	575,275	575,275

**B10. Off Balance Sheet Financial Instruments**

None.

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**B11. Realised and Unrealised Profits and Losses**

The breakdown of accumulated profits of the Group as at the reporting date, into realised and unrealised profits, as disclosed pursuant to the directive issued by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) on 25 March 2010, is as follows:

	<b>Cumulative</b>	
	<b>As at 30-06-17 RM'000</b>	<b>As at 31-12-16 RM'000</b>
Total accumulated profits of the Group:		
- Realised	920,583	901,795
- Unrealised in respect of deferred tax recognised in the income statement	30,652	30,652
Total Group accumulated profits as per consolidated accounts	951,235	932,447
Add: Consolidated adjustments	(226,579)	(226,579)
	724,656	705,868

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

**B12. Material Litigation**

The details of the pending material litigation are as per note A18 above.

**B13. Dividends Proposed**

None

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EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2017

**B14. 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.

	2nd quarter ended 30 June		6 months ended 30 June	
	2017	2016	2017	2016
Net profit attributable to shareholders for the period (RM'000)	91,084	63,009	192,408	97,844
Weighted average number of ordinary shares in issue ('000)	5,804,327	2,850,707	5,804,327	2,844,647
Basic earnings per share (sen)	1.57	2.21	3.31	3.44

**Diluted**

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

	2nd quarter ended 30 June		6 months ended 30 June	
	2017	2016	2017	2016
Net profit attributable to shareholders for the period (RM'000)	91,084	63,009	192,408	97,844
Weighted average number of ordinary shares in issue ('000)	5,804,327	2,850,707	5,804,327	2,844,647
Weighted average effect of dilution on ESOS ('000)	-	66	-	66
Weighted average effect of dilution on Warrants ('000)	-	283	-	283
Adjusted weighted average number of ordinary shares in issue ('000)	5,804,327	2,851,056	5,804,327	2,844,996
Diluted earnings per share (sen)	1.57	2.21	3.31	3.44



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**B15. Authorisation for Issue**

The audited interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 August 2017.

BY ORDER OF THE BOARD

Koh Ai Hoon  
(MAICSA 7006997)  
Tong Lee Mee  
(MAICSA 7053445)  
Joint Company Secretaries  
Kuala Lumpur  
21 August 2017