

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

INTERIM FINANCIAL STATEMENTS
OF THE GROUP AND OF THE COMPANY
FOR THE 2ND QUARTER ENDED 30 JUNE 2018

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Group		Company	
		30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
Assets					
Cash and short-term funds	A8(a)	2,225,846	7,787,132	68,713	7,768,634
Deposits and placements with financial institutions	A8(b)	1,797,643	747,403	1,000,596	51,368
Statutory deposits with Bank Negara Malaysia		1,024,287	-	-	-
Trade receivables		534	295	-	-
Other receivables	A9	536,739	218,413	146,343	234,815
Derivative assets		15	-	-	-
Inventories		102,326	103,242	-	900
Loans, advances and financing	A10	33,111,502	32,006,244	1,479,585	32,006,244
Financial assets held- for-sale	A11	31,463	38,409	25,145	38,409
Financial investment available-for-sale	A12	-	3,171,913	-	3,171,913
Financial assets at fair value through other comprehensive income ("FVOCI")	A13	3,736,171	-	-	-
Financial assets at amortised cost	A14	600,496	-	-	-
Sukuk Commodity Murabahah		-	-	-	3,245,851
Investments in subsidiaries		-	-	4,763,720	7,397
Financing to subsidiaries		-	-	-	305,140
Property, plant and equipment		228,575	168,504	25,243	34,096
Land use rights		5,343	5,423	-	-
Investment properties		820	-	-	-
Tax recoverable		527,780	517,177	522,311	517,177
Intangible assets		253,161	14,633	-	14,588
Deferred tax assets		18,703	31,359	8,735	21,187
Total assets		44,201,404	44,810,147	8,040,391	47,417,719
Liabilities					
Deposits from customers	A15	31,045,237	32,755,137	20,604	32,755,137
Deposits and placements of banks and other financial institutions	A16	434,058	-	-	-
Trade payables		345	210	-	-
Derivative liabilities		31	-	-	-
Other liabilities	A17	808,659	377,327	948,736	3,278,537
Recourse obligation on loan/financing sold		2,164,543	2,238,167	-	2,238,167
Sukuk-MBSB Structured Covered ("SC") Murabahah		2,186,830	2,287,877	-	2,287,877
Provision for taxation and zakat		47,597	16,410	8,037	13,374
Deferred tax liabilities		12,623	10,156	-	-
Total liabilities		36,699,923	37,685,284	977,377	40,573,092
Equity					
Ordinary share capital		6,438,150	6,172,051	6,438,150	6,172,051
Reserves		(19,923)	(395)	(4,336)	(395)
Retained earnings		1,083,254	953,207	629,200	672,971
Total equity		7,501,481	7,124,863	7,063,014	6,844,627
Total Liabilities and Equity		44,201,404	44,810,147	8,040,391	47,417,719
Commitments and contingencies	A24	7,039,240	6,894,090	53,685	6,894,090
Net assets per share attributable to ordinary equity of the Company (RM)		1.22	1.20	1.15	1.16

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	Note	Group			
		2nd Quarter Ended		Six Months Ended	
		30-June-18	30-June-17	30-June-18	30-June-17
		RM'000	RM'000	RM'000	RM'000
Revenue		794,141	813,417	1,609,180	1,624,621
Income derived from investment of general investment deposits and Islamic capital funds	A18	704,977	658,114	1,390,867	1,302,402
Income attributable to depositors		(313,831)	(253,802)	(630,424)	(494,277)
Income attributable to securitisation		(24,421)	(26,126)	(49,265)	(52,502)
Income attributable to sukuk		(72,944)	(83,511)	(147,597)	(168,894)
Net income from Islamic financing operations		293,781	294,675	563,581	586,729
Interest income	A19	53,876	117,333	143,210	245,171
Interest expense	A20	239	(58,062)	(24,995)	(119,394)
Net interest income		54,115	59,271	118,215	125,777
Operating income		347,896	353,946	681,796	712,506
Net other income	A21	10,209	11,299	23,938	19,800
Net income		358,105	365,245	705,734	732,306
Other operating expenses	A22	(108,937)	(84,383)	(201,799)	(156,752)
Operating profit		249,168	280,862	503,935	575,554
Expected credit losses on loan, advances and financing	A23	(124,234)	(165,234)	30,161	(333,155)
Profit before taxation and zakat		124,934	115,628	534,096	242,399
Taxation		(35,272)	(24,544)	(127,641)	(50,120)
Zakat		(3,976)	-	(3,976)	129
Profit for the financial period		85,686	91,084	402,479	192,408
Profit attributable to:					
Owners of the Company		85,686	91,084	402,479	192,408
		85,686	91,084	402,479	192,408
Earnings per share (sen)					
Basic		1.39	1.57	6.69	3.31
Diluted		1.39	1.57	6.69	3.31
Profit for the financial period		85,686	91,084	402,479	192,408
Other comprehensive income/(loss) :					
Other comprehensive (loss)income - FVOCI revaluation reserve, which may be reclassified subsequently to profit or loss		(15,629)	8,083	(19,528)	17,143
Other comprehensive (loss)/income for the financial period		(15,629)	8,083	(19,528)	17,143
Total comprehensive income for the financial period		70,057	99,167	382,951	209,551
Total comprehensive income attributable to:					
Owners of the Company		70,057	99,167	382,951	209,551
		70,057	99,167	382,951	209,551

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	Note	Company			
		2nd Quarter Ended		Six Months Ended	
		30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
		RM'000	RM'000	RM'000	RM'000
Revenue		40,714	750,507	784,454	1,498,059
Income derived from investment of general investment deposits and Islamic capital funds	A18	-	636,821	653,703	1,258,544
Income attributable to depositors		-	(253,802)	(304,799)	(494,277)
Income attributable to securitisation		-	(26,126)	(24,843)	(52,502)
Income attributable to sukuk		-	(83,511)	(74,653)	(168,894)
Net income from Islamic financing operations		-	273,382	249,408	542,871
Interest income	A19	43,480	108,164	122,781	227,150
Interest expense	A20	239	(58,062)	(24,995)	(119,394)
Net interest income		43,719	50,102	97,786	107,756
Operating income		43,719	323,484	347,194	650,627
Net other income	A21	(4,601)	9,513	6,589	16,571
Net income		39,118	332,997	353,783	667,198
Other operating expenses	A22	(8,400)	(80,274)	(85,500)	(148,643)
Operating profit		30,718	252,723	268,283	518,555
Expected credit losses on loan, advances and financing	A23	(91,034)	(165,234)	39,396	(340,333)
(Loss)/profit before taxation and zakat		(60,317)	87,489	307,679	178,222
Taxation		9,885	(23,391)	(79,019)	(47,503)
Zakat		-	-	-	129
(Loss)/profit for the financial period		(50,431)	64,098	228,661	130,848
(Loss)/profit attributable to:					
Owners of the Company		(50,431)	64,098	228,661	130,848
		(50,431)	64,098	228,661	130,848
Earnings per share (sen)					
Basic		(0.82)	1.10	3.80	2.25
Diluted		(0.82)	1.10	3.80	2.25
(Loss)/profit for the financial period		(50,431)	64,098	228,661	130,848
Other comprehensive income/(loss) :					
Other comprehensive (loss)/income - FVOCI revaluation reserve, which may be reclassified subsequently to profit or loss		-	8,083	(3,941)	17,143
Other comprehensive income/(loss) for the financial period		-	8,083	(3,941)	17,143
Total comprehensive (loss)/income for the financial period		(50,431)	72,181	224,720	147,991
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(50,431)	72,181	224,720	147,991
		(50,431)	72,181	224,720	147,991

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2018

Group						Capital Redemption Reserve ^{#3}		← Other Reserves →		Retained profits/ (Accumulated Losses) ^{#4}	Total
	Share Capital	Share Premium ^{#1}	Capital Reserve ^{#2}	Warrants Reserve	Preference Shares	Share Option Reserve	Available-for-sale Reserves/ FVOCI	Total			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018	6,172,051	-	-	-	-	6,261	(6,656)	(395)	953,207	7,124,863	
Effects of adopting MFRS 9	-	-	-	-	-	-	-	-	(272,432)	(272,432)	
	6,172,051	-	-	-	-	6,261	(6,656)	(395)	680,775	6,852,431	
Profit for the financial period	-	-	-	-	-	-	-	-	402,479	402,479	
Other comprehensive loss for the financial period	-	-	-	-	-	-	(19,528)	(19,528)	-	(19,528)	
Total comprehensive (loss)/income for the financial period	-	-	-	-	-	-	(19,528)	(19,528)	402,479	382,951	
Dividends	-	-	-	-	-	-	-	-	-	-	
Issuance of shares for acquisition of a subsidiary	266,099	-	-	-	-	-	-	-	-	266,099	
Balance as at 30 June 2018	6,438,150	-	-	-	-	6,261	(26,184)	(19,923)	1,083,254	7,501,481	
Balance as at 1 January 2017	5,798,774	198,449	17,838	3,633	12,486	6,810	(19,810)	(13,000)	705,868	6,724,048	
Profit for the financial period	-	-	-	-	-	-	-	-	192,408	192,408	
Other comprehensive income for the financial period	-	-	-	-	-	-	17,143	17,143	-	17,143	
Total comprehensive income for the financial period	-	-	-	-	-	-	17,143	17,143	192,408	209,551	
Dividends	-	-	-	-	-	-	-	-	(173,963)	(173,963)	
Issuance of ordinary shares pursuant to exercise of DRP	144,491	-	-	-	-	-	-	-	-	144,491	
Issuance of ordinary shares pursuant to exercise of ESOS	-	-	-	-	-	-	-	-	-	-	
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	-	-	(343)	-	(343)	343	-	
Balance as at 30 June 2017	5,943,265	198,449	17,838	3,633	12,486	6,467	(2,667)	3,800	724,656	6,904,127	

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

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

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

4 Effects of adopting MFRS 9 as disclosed in 1Q18 amounted to RM174.10 million.

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2018 (CONTINUED)

Company						Capital Redemption Reserve ^{#3}		← Other Reserves →		Retained profits/ (Accumulated Losses) ^{#4}	Total
	Share Capital	Share Premium ^{#1}	Capital Reserve ^{#2}	Warrants Reserve	Preference Shares	Share Option Reserve	Available-for-sale Reserves/ FVOCI	Total			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018	6,172,051	-	-	-	-	6,261	(6,656)	(395)	672,971	6,844,627	
Effects of adopting MFRS 9	-	-	-	-	-	-	-	-	(272,432)	(272,432)	
	6,172,051	-	-	-	-	6,261	(6,656)	(395)	400,539	6,572,195	
Profit for the financial period	-	-	-	-	-	-	-	-	228,661	228,661	
Other comprehensive loss for the financial period	-	-	-	-	-	-	(3,941)	(3,941)	-	(3,941)	
Total comprehensive (loss)/income for the financial period	-	-	-	-	-	-	(3,941)	(3,941)	228,661	224,720	
Dividends	-	-	-	-	-	-	-	-	-	-	
Issuance of shares for acquisition of a subsidiary	266,099	-	-	-	-	-	-	-	-	266,099	
Balance as at 30 June 2018	6,438,150	-	-	-	-	6,261	(10,597)	(4,336)	629,200	7,063,014	
Balance as at 1 January 2017	5,798,774	198,449	17,838	3,633	12,486	6,810	(19,810)	(13,000)	538,490	6,556,670	
Profit for the financial period	-	-	-	-	-	-	-	-	130,848	130,848	
Other comprehensive income for the financial period	-	-	-	-	-	-	17,143	17,143	-	17,143	
Total comprehensive income for the financial period	-	-	-	-	-	-	17,143	17,143	130,848	147,991	
Dividends	-	-	-	-	-	-	-	-	(173,963)	(173,963)	
Issuance of ordinary shares pursuant to exercise of DRP	144,491	-	-	-	-	-	-	-	-	144,491	
Issuance of ordinary shares pursuant to exercise of ESOS	-	-	-	-	-	-	-	-	-	-	
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	-	-	(343)	-	(343)	343	-	
Balance as at 30 June 2017	5,943,265	198,449	17,838	3,633	12,486	6,467	(2,667)	3,800	495,718	6,675,189	

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

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

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

4 Effects of adopting MFRS 9 as disclosed in 1Q18 amounted to RM174.10 million.

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	Group		Company	
	30-June-18 RM'000	30-June-17 RM'000	30-June-18 RM'000	30-June-17 RM'000
Cash flows from operating activities				
Profit before taxation	534,096	242,399	307,679	178,222
Adjustments for non-cash items	(69,365)	348,879	(115,351)	293,964
Operating profit before working capital changes	464,732	591,278	192,328	472,186
Working capital changes:				
Net changes in operating assets	(3,835,871)	(1,621,967)	25,280,755	(1,509,447)
Net changes in operating liabilities	(822,612)	1,769,356	(34,618,063)	1,598,364
Cash (used in)/generated from operations	(4,193,752)	738,667	(9,144,980)	561,103
Income taxes and zakat paid	(90,858)	(33,091)	(82,056)	(30,356)
Net cash (used in)/generated from operating activities	(4,284,610)	705,576	(9,227,036)	530,747
Cash flows from investing activities				
Purchase of property, plant and equipment	(76,486)	(14,790)	-	(660)
Purchase of intangible assets	(76,144)	(1,827)	-	(1,816)
Net cash inflow on acquisition of a subsidiary	181,077	-	(396,894)	-
Proceeds from disposal of foreclosed properties	-	2,284	-	2,284
Proceeds from disposal of property, plant and equipment	-	22	-	22
Proceeds from disposal of inventories	1,000	-	1,000	-
Proceeds from (purchase)/sale of financial assets at FVOCI	(543,642)	(552,696)	3,175,854	(552,696)
Proceeds from (purchase)/sale of financial assets at amortised cost	(588,007)	-	-	-
Proceeds from maturity of Sukuk Commodity Murabahah	-	-	3,273,199	162,320
Net cash (used in)/generated from investing activities	(1,102,202)	(567,007)	6,053,159	(390,546)
Cash flows from financing activities				
Repayment of bank borrowings	-	(175,178)	-	(175,178)
Repayment/vesting of recourse obligation on loans/financing sold	(73,624)	(51,886)	(2,238,167)	(51,886)
Repayment/vesting of Sukuk - MBSB SC Murabahah	(100,851)	(99,226)	(2,287,877)	(99,226)
Dividends paid on ordinary shares	-	(173,963)	-	(173,963)
Net proceeds from issuance of ordinary shares	-	144,491	-	144,491
Net cash used in financing activities	(174,475)	(355,762)	(4,526,044)	(355,762)
Net decrease in cash and cash equivalents	(5,561,286)	(217,193)	(7,699,921)	(215,561)
Cash and cash equivalents at beginning of year	7,787,132	6,639,369	7,768,634	6,620,990
Cash and cash equivalents at end of year	2,225,846	6,422,176	68,713	6,405,429
Cash and cash equivalents is represented by:				
Cash and short-term funds	2,225,846	6,422,176	68,713	6,405,429

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2018
- PART A - EXPLANATORY NOTES PURSUANT TO MFRS134

A1. Basis of preparation

The unaudited condensed interim financial statements for the financial quarter ended 30 June 2018 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"), Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad, Financial Reporting for Islamic Banking Institutions policy issued by Bank Negara Malaysia ("BNM") and provisions of Companies Act 2016. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2017. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

The unaudited interim financial statements of the Group consolidated financial performance relating to the Banking group, MBSB Bank Berhad ("Bank") and the Bank's subsidiary, Jana Kapital Sdn Bhd ("JKSB"). The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2017.

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

Effective for annual periods commencing on or after 1 January 2018

- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- Amendments to MFRS 1 (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- MFRS 9 Financial Instruments (2014)
- MFRS 15 Revenue from Contracts with Customers; and Clarifications to MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 128 (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Transfers of Investment Property (Amendments to MFRS 140)
- IC Interpretation 22, Foreign Currency Transaction and Advance Consideration

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

A1. Basis of preparation (continued)

Impact of application of MFRS 9 Financial Instruments

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

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

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

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

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

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

Classification and measurement of financial instruments

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

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

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

A1. Basis of preparation (continued)

Impact of application of MFRS 9 Financial Instruments (continued)

The measurement category and the carrying amount of financial assets in accordance with MFRS139 and MFRS9 as at 1 January 2018 is as follows:

GROUP

	<u>Measurement category</u>		<u>Movement of carrying amount</u>		<u>New carrying amount</u>
	<u>MFRS 139</u>	<u>MFRS 9</u>	<u>MFRS 139</u>	<u>Adjustments</u>	<u>MFRS 9</u>
			RM'000	RM'000	RM'000
Cash and short-term funds	Loans and receivables	Financial assets at amortised cost	7,787,132	-	7,787,132
Deposits and placements with financial institutions	Loans and receivables	Financial assets at amortised cost	747,403	-	747,403
Trade receivables	Loans and receivables	Financial assets at amortised cost	295	-	295
Other receivables	Loans and receivables	Financial assets at amortised cost	218,413	-	218,413
Loans, advances and financing	Loans and receivables	Financial assets at amortised cost	32,006,244	(268,643)*	31,737,601
Financial assets held-for-sale	Loans and receivables	Financial assets at amortised cost	38,409	(3,789)	34,620
Financial investments available-for-sale	Available-for-sale investments	Financial assets at FVOCI	3,171,913	-	3,171,913

COMPANY

	<u>Measurement category</u>		<u>Movement of carrying amount</u>		<u>New carrying amount</u>
	<u>MFRS 139</u>	<u>MFRS 9</u>	<u>MFRS 139</u>	<u>Adjustments</u>	<u>MFRS 9</u>
			RM'000	RM'000	RM'000
Cash and short-term funds	Loans and receivables	Financial assets at amortised cost	7,768,634	-	7,768,634
Deposits and placements with financial institutions	Loans and receivables	Financial assets at amortised cost	51,368	-	51,368
Trade receivables	Loans and receivables	Financial assets at amortised cost	-	-	-
Other receivables	Loans and receivables	Financial assets at amortised cost	234,815	-	234,815
Loans, advances and financing	Loans and receivables	Financial assets at amortised cost	32,006,244	(268,643)*	31,737,601
Financial assets held-for-sale	Loans and receivables	Financial assets at amortised cost	38,409	(3,789)	34,620
Financial investments available-for-sale	Available-for-sale investments	Financial assets at FVOCI	3,171,913	-	3,171,913

* Note:

	Islamic RM'000	Conventional RM'000	Total Day-1 RM'000
Loans, advances and financing	(314,589)	45,946	(268,643)
Financial assets held-for-sale	(2,454)	(1,335)	(3,789)
	(317,043)	44,611	(272,432)

There were no changes to the classification and measurement of financial liabilities.

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A1. Basis of preparation (continued)

Impact of application of MFRS 9 Financial Instruments (continued)

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

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

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

A3. Seasonality and Cyclicity of Operation

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

A4. Exceptional or Unusual Items

On 2 April 2018, the Company had via a First Tranche Transfer, transferred all of its Shariah-compliant assets and liabilities to the Bank as a going concern. The transfer of identified assets and liabilities was implemented through a members' scheme of arrangement pursuant to section 366 of the Companies Act, 2016 by way of a Vesting Order dated 28 February 2018 from the High Court of Malaya.

The identified Shariah-compliant assets and liabilities comprised the following:

	RM'Million
Total assets	43,824
Total liabilities	39,371

4,093,329 shares were issued by the Bank for the above transfer from the Company. With the First Tranche transfer, the Bank acquired control of JKSB, a special purpose vehicle for the issuance of MBSB Bank's Structured Covered ("SC") Murabahah programme ("sukuk programme"). The Sukuk programme previously held under the Company is now under the Bank post the Sukuk exchange programme concluded on 2 April 2018. JKSB is now a 100% owned subsidiary of the Bank.

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A5. Changes in Estimates of Amounts Reported Previously

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

A6. Debts and Equity Securities

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

	No of ordinary shares '000	Share capital RM'000
At 1 January 2018	5,924,425	6,172,051
Issued on 7 February 2018 pursuant to the acquisition of the entire equity interest in MBSB Bank Berhad ("MBSB Bank"), formerly known as Asian Finance Bank Berhad	225,508	266,099
At 30 June 2018	<u>6,149,933</u>	<u>6,438,150</u>

A7. Dividend Paid

No dividends were paid during the current financial quarter.

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A8. Cash and short-term funds

	Group		Company	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
(a) Cash and balances with banks and other financial institutions	224,392	265,196	16,397	250,492
Money at call and deposit placements maturing within one month	2,001,454	7,521,936	52,316	7,518,142
Total cash and short-term funds	2,225,846	7,787,132	68,713	7,768,634
(b) Deposits and placements with financial institutions with original maturity of more than one month	1,797,643	747,403	1,000,596	51,368
	1,797,643	747,403	1,000,596	51,368
Total cash and short-term funds and deposits and placements financial institutions	4,023,489	8,534,535	1,069,309	7,820,002

A9. Other receivables

	Group		Company	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
Advances in respect of certain projects	439,029	416,848	-	-
Loan commitment fees	8,740	8,740	8,740	8,740
Amount due from subsidiaries	-	-	52,711	68,919
Foreclosed properties	135,405	135,405	135,405	135,405
Prepayments and deposits	12,722	72,417	8,644	71,655
Sundry receivables	422,094	45,891	37,260	40,847
Public Low Cost Housing Payment (PLCHP)	23,337	23,337	23,337	23,337
Deferred expenses due to issuance of Sukuk Commodity Murabahah	135	141	-	-
Deferred expenses due to issuance of Sukuk - MBSB SC Murabahah	4,555	2,733	-	2,733
	1,046,017	705,512	266,097	351,636
Less: Allowance for impairment	(509,278)	(487,099)	(119,754)	(116,821)
	536,739	218,413	146,343	234,815

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A10. Loans, Advances and Financing

	Group		Company	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
(i) By type				
At amortised cost				
End finance:				
Normal housing programme	1,549,453	3,197,981	1,549,453	3,197,981
Low cost housing programme	16,695	16,580	16,695	16,580
Islamic:				
Property	4,135,994	2,407,876	-	2,407,876
Personal	22,304,992	22,505,977	-	22,505,977
Auto finance	257,260	281,574	17,115	281,574
Bridging, structured and term loans and financing	8,825,878	7,260,549	1,076,713	7,260,549
Staff financing	40,225	43,685	389	43,685
Reclassification to assets held-for-sale (Note A11)	<u>(1,520,620)</u>	<u>(1,513,043)</u>	<u>(357,558)</u>	<u>(1,513,043)</u>
Gross loans, advances and financing	<u>35,609,877</u>	<u>34,201,179</u>	<u>2,302,807</u>	<u>34,201,179</u>
Less: Allowance for impaired loans, advances and financing:				
- collective impairment allowance	-	(1,892,818)	-	(1,892,818)
- individual impairment allowance	-	(302,117)	-	(302,117)
Loss allowance:				
- Stage 1	(482,866)	-	(17,660)	-
- Stage 2	(700,555)	-	(216,200)	-
- Stage 3	<u>(1,314,954)</u>	-	<u>(589,362)</u>	-
Net loans, advances and financing	<u><u>33,111,502</u></u>	<u><u>32,006,244</u></u>	<u><u>1,479,585</u></u>	<u><u>32,006,244</u></u>
(ii) By maturity structure				
	Group		Company	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	2,535,474	1,028,128	675,226	1,028,128
More than one year to three years	1,393,884	1,655,580	76,103	1,655,580
More than three years to five years	2,268,509	2,123,963	154,315	2,123,963
More than five years	29,412,010	29,393,508	1,397,163	29,393,508
	<u>35,609,877</u>	<u>34,201,179</u>	<u>2,302,807</u>	<u>34,201,179</u>
(iii) By economic purpose				
	Group		Company	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Personal Use	21,195,240	21,417,605	-	21,417,605
Working Capital	3,617,219	2,563,760	168,068	2,563,760
Property development	4,396,904	4,031,832	428,354	4,031,832
Purchase of landed property:				
- Residential	5,017,043	4,937,712	1,123,368	4,937,712
- Non-Residential	398,206	301,205	85,611	301,205
Purchase of transport vehicles	259,548	284,109	17,115	284,109
Others	<u>725,717</u>	<u>664,956</u>	<u>480,291</u>	<u>664,956</u>
	<u><u>35,609,877</u></u>	<u><u>34,201,179</u></u>	<u><u>2,302,807</u></u>	<u><u>34,201,179</u></u>

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A10. Loans, Advances and Financing (continued)

(iv) By type of customers

	Group		Company	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprises				
- Small medium enterprise	2,449,055	2,540,062	374,574	2,540,062
- Government	241,930	-	-	-
- Non-bank financial institutions	472,395	-	-	-
- Others	5,789,082	4,850,648	755,503	4,850,648
Individuals	26,639,267	26,810,469	1,172,730	26,810,469
Foreign entities	18,148	-	-	-
	<u>35,609,877</u>	<u>34,201,179</u>	<u>2,302,807</u>	<u>34,201,179</u>

(v) By sector

	Group		Company	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Household sectors	27,667,875	26,858,711	1,177,586	26,858,711
Property development	5,792,946	5,800,015	737,995	5,800,015
Agriculture	233,312	60,246	3,438	60,246
Mining and quarrying	70,390	2,750	-	2,750
Manufacturing	180,048	4,578	3,368	4,578
Electricity, gas and water	-	6	-	6
Construction	87,161	3	-	3
Purchase of landed property	21,269	-	-	-
Wholesale & retail trade and restaurants & hotels	137,298	27,303	373	27,303
Transport, storage and communication	60,407	67,002	1,744	67,002
Finance, insurance and business services	887,506	1,158,402	231,089	1,158,402
Purchase of transport vehicles	93	-	-	-
Others	471,572	222,163	147,214	222,163
	<u>35,609,877</u>	<u>34,201,179</u>	<u>2,302,807</u>	<u>34,201,179</u>

(vi) By profit/interest rate sensitivity

	Group		Company	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Personal financing	20,040,963	20,598,230	-	20,598,230
Auto finance	259,455	284,109	17,115	284,109
Mortgage and property Islamic	585,166	667,953	74,538	667,953
Bridging, structured and term financing	1,109,737	1,291,123	261,989	1,291,123
Variable rate:				
Personal financing	1,154,284	819,376	-	819,376
Mortgage and property Islamic	4,743,600	4,570,963	1,134,441	4,570,963
Bridging, structured and term financing	7,716,672	5,969,425	814,724	5,969,425
	<u>35,609,877</u>	<u>34,201,179</u>	<u>2,302,807</u>	<u>34,201,179</u>

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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A10. Loans, Advances and Financing (continued)

(vii) By geographical distribution

	Group		Company	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Malaysia	35,609,464	34,201,179	2,302,807	34,201,179
United Kingdom	413	-	-	-
	<u>35,609,877</u>	<u>34,201,179</u>	<u>2,302,807</u>	<u>34,201,179</u>

(viii) Movement in gross loans, advances and financing

	Group			
	30-Jun-18			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount upon adoption of MFRS 9 as at 1 January 2018	28,246,614	4,396,659	1,557,906	34,201,179
Changes in the loss allowance				
- Transfer to stage 1	1,506,659	(1,474,838)	(31,821)	-
- Transfer to stage 2	(985,475)	1,159,969	(174,494)	-
- Transfer to stage 3	(78,081)	(432,747)	510,828	-
Acquisition of subsidiary	655,075	242,705	74,346	972,126
Changes in credit risk	(1,485,664)	(82,335)	25,065	(1,542,934)
Loans/Financing derecognised during the period (other than write-offs)	(1,645,758)	(336,021)	(21,718)	(2,003,497)
New loans/financing originated or purchased	3,645,368	330,524	7,111	3,983,003
Gross carrying amount as at 30 June 2018	<u>29,858,738</u>	<u>3,803,916</u>	<u>1,947,223</u>	<u>35,609,877</u>

	Company			
	30-Jun-18			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount upon adoption of MFRS 9 as at 1 January 2018	28,246,614	4,396,659	1,557,906	34,201,179
Changes in the loss allowance				
- Transfer to stage 1	404,283	(403,960)	(323)	-
- Transfer to stage 2	(276,305)	320,734	(44,429)	-
- Transfer to stage 3	(4,304)	(135,452)	139,756	-
Vesting of assets to MBSB Bank	(27,886,081)	(3,046,418)	(716,776)	(31,649,275)
Changes in credit risk	1,406,796	(11,882)	22,303	1,417,217
Loans/Financing derecognised during the period (other than write-offs)	(1,341,225)	(315,441)	(10,434)	(1,667,100)
New loans/financing originated or purchased	786	-	-	786
Gross carrying amount as at 30 June 2018	<u>550,564</u>	<u>804,240</u>	<u>948,003</u>	<u>2,302,807</u>

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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A10. Loans, Advances and Financing (continued)

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

Group and Company

	30-Jun-18	31-Dec-17
	RM'000	RM'000
Collective Assessment Allowance		
Balance as at 1 January	1,892,818	2,809,131
- effects of MFRS 9 adoption	(1,892,818)	-
- as restated	-	2,809,131
Impairment made during the financial period	-	558,321
Reclassified to AHS	-	(1,474,634)
Balance as at end of financial period	-	1,892,818
Individual Assessment Allowance		
Balance as at 1 January	302,117	282,005
- effects of MFRS 9 adoption	(302,117)	-
- as restated	-	282,005
Impairment made during the financial period	-	20,400
Written-off	-	(288)
Balance as at end of financial period	-	302,117

Group

	Stage 1	Stage 2	Stage 3	30-Jun-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000	RM'000
Loss allowance upon adoption of MFRS 9 as at 1 January 2018	609,042	789,208	1,064,780	2,463,030	-
Changes in the loss allowance					
- Transfer to stage 1	248,373	(225,577)	(22,796)	-	-
- Transfer to stage 2	(24,470)	133,081	(108,611)	-	-
- Transfer to stage 3	(1,560)	(101,034)	102,594	-	-
Acquisition of subsidiary	9,660	5,629	45,698	60,987	-
Changes in credit risk	(251,911)	181,755	45,257	(24,899)	-
Write-offs	-	-	(8,909)	(8,909)	-
Charge to income statement (Note A23)	(146,661)	(96,161)	213,366	(29,456)	-
Loans/Financing derecognised during the period (other than write-offs)	(80,724)	(74,292)	(21,590)	(176,606)	-
New loans/financing originated or purchased	121,117	87,946	5,165	214,228	-
Loss allowance as at 30 June 2018	<u>482,866</u>	<u>700,555</u>	<u>1,314,954</u>	<u>2,498,375</u>	<u>-</u>

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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A10. Loans, Advances and Financing (continued)

(viii) Movement in the allowance for impaired loans, advances and financing

Company	Stage 1	Stage 2	Stage 3	30-Jun-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000	RM'000
Loss allowance upon adoption of MFRS 9 as at 1 January 2018	609,042	789,208	1,064,780	2,463,030	-
Changes in the loss allowance					
- Transfer to stage 1	52,687	(52,023)	(664)	-	-
- Transfer to stage 2	(9,555)	44,114	(34,559)	-	-
- Transfer to stage 3	(160)	(28,460)	28,620	-	-
Vesting of assets to MBSB Bank	(523,891)	(467,281)	(539,919)	(1,531,091)	-
Changes in credit risk	(28,610)	80,408	19,040	70,838	-
Write-offs	-	-	(8,904)	(8,904)	-
Charge to income statement (Note A23)	(29,315)	(93,151)	73,405	(49,061)	-
Loans/Financing derecognised during the period (other than write-offs)	(52,644)	(56,615)	(12,437)	(121,696)	-
New loans/financing originated or purchased	106	-	-	106	-
Loss allowance as at 30 June 2018	17,660	216,200	589,362	823,222	-

(x) Movement for impaired loans, advances and financing

	Group		Company	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
Balance as at 1 January	3,083,045	2,829,626	1,241,625	2,836,814
Opening balance of MBSB Bank acquired on 2 February 2018	111,424	-	-	-
Classified as impaired during the period	591,350	757,166	167,972	749,978
Reclassified as non-impaired	(249,405)	(417,763)	(57,114)	(417,763)
Amount recovered	(58,885)	(85,696)	(36,707)	(85,696)
Amount written off	(12,676)	(288)	(12,670)	(288)
Reclassification to assets held-for-sale	(1,517,631)	(1,509,870)	(355,103)	(1,509,870)
Balance as at end of financial period	1,947,222	1,573,175	948,003	1,573,175
Collective assessment allowance	-	(2,121,500)	-	(2,121,500)
Reclassification to assets held-for-sale	-	1,474,087	-	1,474,087
Individual assessment allowance	-	(251,226)	-	(251,226)
Stage 3 impairment allowance	(1,314,954)	-	(589,362)	-
	(1,314,954)	(898,639)	(589,362)	(898,639)
Net impaired financing and advances	632,268	674,536	358,641	674,536

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

Net impaired loans as a percentage of net financing and advances	1.91%	2.11%	24.24%	2.11%
Gross impaired loans as a percentage of gross financing and advances	5.47%	4.60%	41.17%	4.60%

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A11. Financial assets held- for-sale

	Group		Company	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January	1,513,043	1,513,043	1,513,043	1,513,043
Vesting of assets to MBSB Bank	-	-	(1,155,396)	-
	<u>1,513,043</u>	<u>1,513,043</u>	<u>357,647</u>	<u>1,513,043</u>
Reclassification for current period	7,577	-	(89)	-
Gross assets held-for-sale (Note 10(i))	<u>1,520,620</u>	<u>1,513,043</u>	<u>357,558</u>	<u>1,513,043</u>
Less allowance for impairment:				
- Balance as at 1 January	(1,474,634)	(1,474,634)	(1,474,634)	(1,474,634)
- Effects of MFRS 9 adoption	(3,789)	-	(3,789)	-
	<u>(1,478,423)</u>	<u>(1,474,634)</u>	<u>(1,478,423)</u>	<u>(1,474,634)</u>
- Vesting of assets to MBSB Bank	-	-	1,137,050	-
- Impairment for current period	(10,734)	-	8,960	-
Total allowance for impairment	<u>(1,489,157)</u>	<u>(1,474,634)</u>	<u>(332,413)</u>	<u>(1,474,634)</u>
Net assets held-for-sale	<u>31,463</u>	<u>38,409</u>	<u>25,145</u>	<u>38,409</u>

Financial assets held-for-sale represents financing and loan receivables, which have been identified and for which a firm commitment has been received from an external party as at 31 December 2017.

These amounts are categorised according to their purpose as follows:

	RM'000	RM'000	RM'000	RM'000
Purchase of residential properties	359,132	367,759	323,714	367,759
Purchase of non-residential properties	34,798	36,183	33,844	36,183
Personal use	1,126,690	1,109,101	-	1,109,101
	<u>1,520,620</u>	<u>1,513,043</u>	<u>357,558</u>	<u>1,513,043</u>

A12. Financial investment available-for-sale

	Group		Company	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money Market Instruments				
Malaysian Government Investment Issues	-	1,111,691	-	1,111,691
Quoted securities:				
<u>In Malaysia</u>				
Private and Islamic debt securities	-	685,123	-	685,123
Government Guaranteed debt securities	-	1,375,099	-	1,375,099
	<u>-</u>	<u>3,171,913</u>	<u>-</u>	<u>3,171,913</u>

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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A13. Financial assets at FVOCI

	Group		Company	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
At fair value				
Money Market Instruments				
Malaysian Government Investment Issues	1,468,875	-	-	-
Debt securities:				
<u>In Malaysia</u>				
Private and Islamic debt securities	818,797	-	-	-
Government Guaranteed debt securities	1,241,796	-	-	-
Quoted securities:				
Islamic Medium Term Notes	191,507	-	-	-
Corporate Sukuk	15,196	-	-	-
	<u>3,736,171</u>	<u>-</u>	<u>-</u>	<u>-</u>

A14. Financial assets at amortised cost

	Group		Company	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
At amortised cost				
Quoted securities:				
<u>In Malaysia</u>				
Islamic Medium Term Notes	600,496	-	-	-
	<u>600,496</u>	<u>-</u>	<u>-</u>	<u>-</u>

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A15. Deposits from customers

	Group		Company	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
(i) By type of deposit:				
<u>Non-Mudharabah Funds:</u>				
Fixed deposits	20,242	32,658,386	20,242	32,658,386
Demand deposits	140,557	-	-	-
Savings deposits	108,956	96,751	-	96,751
Commodity Murabahah	30,347,287	-	-	-
	<u>30,617,042</u>	<u>32,755,137</u>	<u>20,242</u>	<u>32,755,137</u>
<u>Mudharabah Funds:</u>				
Savings deposits	847	-	362	-
General investment deposits	427,348	-	-	-
	<u>428,195</u>	<u>-</u>	<u>362</u>	<u>-</u>
	<u>31,045,237</u>	<u>32,755,137</u>	<u>20,604</u>	<u>32,755,137</u>

(ii) The deposits are sourced from the following classes of customers:

	Group		Company	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
Government and statutory bodies	14,151,426	15,276,437	-	15,276,437
Business enterprises	13,926,429	14,672,905	8,169	14,672,905
Individuals	2,967,382	2,805,795	12,435	2,805,795
	<u>31,045,237</u>	<u>32,755,137</u>	<u>20,604</u>	<u>32,755,137</u>

(iii) The maturity structure of saving deposits, amount payable on demand and term deposits are as follows:

	Group		Company	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
Due within six months	24,113,001	25,950,991	4,989	25,950,991
More than six months to one year	3,567,777	4,178,612	2,280	4,178,612
More than one year to three years	3,364,459	2,625,534	13,335	2,625,534
	<u>31,045,237</u>	<u>32,755,137</u>	<u>20,604</u>	<u>32,755,137</u>

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A15. Deposits from customers (continued)

(iv) By type of contract:

	Group		Company	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
Mudharabah	428,195	-	362	-
Tawarruq	30,449,369	32,755,137	-	32,755,137
Wadiah	167,673	-	20,242	-
	<u>31,045,237</u>	<u>32,755,137</u>	<u>20,604</u>	<u>32,755,137</u>

A16. Deposits and placements of banks and other financial institutions

	Group		Company	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
(i) By type of deposit:				
<u>Non-Mudharabah Funds:</u>				
Licensed Islamic banks	200,048	-	-	-
Other financial institutions	234,010	-	-	-
	<u>434,058</u>	<u>-</u>	<u>-</u>	<u>-</u>
(ii) By type of contract:				
Tawarruq	433,874	-	-	-
Wadiah	184	-	-	-
	<u>434,058</u>	<u>-</u>	<u>-</u>	<u>-</u>

A17. Other liabilities

	Group		Company	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
Due to other subsidiaries	-	-	-	13,187
AI-Mudharabah security deposit	116,776	112,629	-	112,629
Amount due to a subsidiary, Jana Kapital Sdn. Bhd. ("JKSB")	-	-	-	2,891,912
Amount due to MBSB Bank	-	-	420,125	-
Sundry creditors	67,984	-	-	-
Other provisions and accruals	578,577	230,867	484,659	226,978
Deferred income	45,322	33,831	43,952	33,831
	<u>808,659</u>	<u>377,327</u>	<u>948,736</u>	<u>3,278,537</u>

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

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Financing	578,242	557,001	1,138,344	1,107,663
Income from securities	8,667	-	14,297	-
Profit income from Sukuk Commodity Murabahah	45,407	30,809	87,894	61,675
Financial assets at FVOCI	40,345	29,170	73,388	54,548
Deposits with financial institutions	30,242	39,699	72,856	75,801
Profit on subsidiaries	2,074	1,435	4,088	2,715
	<u>704,977</u>	<u>658,114</u>	<u>1,390,867</u>	<u>1,302,402</u>

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Financing	-	535,964	551,450	1,064,161
Profit income from Sukuk Commodity Murabahah	-	30,809	27,348	61,675
Financial assets at FVOCI	-	29,170	33,043	54,548
Deposits with financial institutions	-	33,597	33,247	63,915
Profit on subsidiaries	-	7,281	8,615	14,245
	<u>-</u>	<u>636,821</u>	<u>653,703</u>	<u>1,258,544</u>

A19. Interest income

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	46,262	88,438	121,304	187,615
- Deposits and placements with banks and other financial institutions	7,614	28,895	21,906	57,556
	<u>53,876</u>	<u>117,333</u>	<u>143,210</u>	<u>245,171</u>

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	35,866	79,269	100,875	169,594
- Deposits and placements with banks and other financial institutions	7,614	28,895	21,906	57,556
	<u>43,480</u>	<u>108,164</u>	<u>122,781</u>	<u>227,150</u>

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A20. Interest expense

	Group and Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Bank borrowings	(33)	265	157	573
Deposits from customers	(206)	57,797	24,838	118,821
	<u>(239)</u>	<u>58,062</u>	<u>24,995</u>	<u>119,394</u>

A21. Net other income

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Rental income	44	43	87	97
Revenue from hotel operations	1,694	1,642	3,210	3,017
Loan related fees	2,493	4,006	10,219	9,823
Insurance commission	4,483	1,389	7,572	2,471
Legal notice fees	-	-	-	49
Sundry income	1,395	2,355	2,775	2,390
Gain/(loss) from disposal of:				
Property, plant and equipment	-	(9)	(25)	(10)
Foreclosed properties	-	1,873	-	1,963
Inventories	100	-	100	-
	<u>10,209</u>	<u>11,299</u>	<u>23,938</u>	<u>19,800</u>

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Rental income	3	2	5	15
Loan related fees / (expenses)	(2,963)	4,102	4,763	10,044
Insurance commission	373	1,389	3,462	2,471
Legal notice fees	-	-	-	49
Sundry income / (expenses)	(2,114)	2,217	(1,716)	2,100
Gain/(loss) from disposal of:				
Property, plant and equipment	-	(9)	(25)	(10)
Foreclosed properties	-	1,873	-	1,963
Subsidiaries	-	(61)	-	(61)
Inventories	100	-	100	-
	<u>(4,601)</u>	<u>9,513</u>	<u>6,589</u>	<u>16,571</u>

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A22. Other operating expenses

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Personnel expenses *	57,371	41,195	101,977	78,165
Establishment related expenses	4,939	3,624	9,725	7,153
Promotion and marketing related expenses	2,675	1,027	4,378	2,643
General administrative expenses	25,092	10,444	48,793	54,303
Angkasa charges	7,573	8,136	14,753	14,488
Allowance for impairment of:				
Advances in respect of certain projects	11,295	19,949	22,181	-
Trade receivable	(8)	8	(8)	-
	<u>108,937</u>	<u>84,383</u>	<u>201,799</u>	<u>156,752</u>

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Personnel expenses *	2,322	40,121	42,019	76,067
Establishment related expenses	984	3,516	4,151	6,697
Promotion and marketing related expenses	72	993	1,739	2,579
General administrative expenses	2,087	18,521	22,890	30,875
Angkasa charges	-	8,136	7,180	14,488
Allowance of impairment of:				
Financing to subsidiaries	2,203	8,198	5,228	16,260
Amount due from subsidiaries	732	789	2,293	1,677
	<u>8,400</u>	<u>80,274</u>	<u>85,500</u>	<u>148,643</u>

*** Personnel expenses**

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	44,892	33,210	80,433	63,036
Social security costs	63	251	365	489
Pension costs - Employees	7,424	5,314	13,041	10,113
Other staff related expenses	4,992	2,420	8,138	4,527
	<u>57,371</u>	<u>41,195</u>	<u>101,977</u>	<u>78,165</u>

*** Personnel expenses**

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	464	32,310	31,959	61,279
Social security costs	(267)	241	12	470
Pension costs - Employees Provident Fund	120	5,239	5,348	9,961
Other staff related expenses	2,005	2,331	4,700	4,357
	<u>2,322</u>	<u>40,121</u>	<u>42,019</u>	<u>76,067</u>

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A23. Credit impairment losses on loans, advances and financing

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance	-	1,326	-	6,809
Collective impairment allowance	-	170,008	-	331,201
Expected credit losses (ECL):				
ECL Stage 1	(127,014)	-	(146,661)	-
ECL Stage 2	53,262	-	(96,161)	-
ECL Stage 3	199,693	-	213,366	-
Total ECL (Note A10(ix))	<u>125,941</u>	<u>-</u>	<u>(29,456)</u>	<u>-</u>
Expected credit losses (ECL):				
Financial asset held-for-sale	10,170	-	10,734	-
Bad debts on loans and financing:				
Written off/(write back)	2,385	(6,100)	6,960	(4,855)
Recovered	(14,262)	-	(18,399)	-
	<u>124,234</u>	<u>165,234</u>	<u>(30,161)</u>	<u>333,155</u>

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance	-	1,326	-	6,809
Collective impairment allowance	-	170,008	-	331,201
Expected credit losses (ECL):				
ECL Stage 1	(14,959)	-	(29,315)	-
ECL Stage 2	55,204	-	(93,151)	-
ECL Stage 3	59,715	-	73,405	-
Total ECL (Note A10(ix))	<u>99,960</u>	<u>-</u>	<u>(49,061)</u>	<u>-</u>
Expected credit losses (ECL):				
Financial asset held-for-sale	(9,524)	-	(8,960)	-
Financing to a subsidiary	-	-	17,589	-
Bad debts on loans and financing:				
Written off/(write back)	864	(6,100)	5,439	2,323
Recovered	(266)	-	(4,403)	-
	<u>91,034</u>	<u>165,234</u>	<u>(39,396)</u>	<u>340,333</u>

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A24. Commitments and contingencies

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

Group	Gross Positive			
	Principal amount RM'000	Fair Value - Derivative Contract RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
31-June-18				
Direct credit substitutes	259,373	-	259,373	259,247
Trade-related contingencies	192,557	-	63,440	63,440
Irrevocable commitments to extend credit:				
- one year or less	1,530,724	-	387,927	385,251
- over one year to five years	4,713,563	-	2,356,782	2,356,782
- over five years	328,516	-	164,258	164,258
Foreign exchange related contracts				
- one year or less	14,508	15	218	145
Total	7,039,240	15	3,231,999	3,229,123

Company	Gross Positive			
	Principal amount RM'000	Fair Value - Derivative Contract RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
31-June-18				
Direct credit substitutes	7,832	-	7,832	7,832
Trade-related contingencies	2,939	-	1,470	1,470
Irrevocable commitments to extend credit:				
- one year or less	-	-	-	-
- over one year to five years	42,914	-	21,455	21,455
- over five years	-	-	-	-
Total	53,685	-	30,757	30,757

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

(i) Capital Commitments

	Group and Company	
	30-June-18 RM'000	31-Dec-17 RM'000
Property, plant and equipment:		
- Approved and contracted for	74,006	132,043
	74,006	132,043

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A25. 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. The Company filed an application for leave to appeal to the Federal Court. On 31 May 2017, the Company’s motion for leave to appeal to Federal Court was allowed with costs. The matter is now fixed for Case Management on 7 March 2018 for both parties to update the court on the filing of the Supplemental Record of Appeal.

The Case Management which was fixed earlier on 10 July 2018 was adjourned to 7 September 2018 pending filing of Grounds of Judgment by BBSB.

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.

- (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.

The High Court dismissed the Plaintiff’s 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 Judgement were wholly inadequate as they could not be certain as to the basis on which the Decision was reached.

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

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.

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A26. Segmental Information on Revenue and Results

Group	Financing RM'000	Hotel Operations RM'000	Eliminations RM'000	Consolidated RM'000
3 months ended 30 June 2018				
External sales	792,447	1,694	-	794,141
Intersegment transactions	8,042	977	(9,019)	-
Total revenue	<u>800,489</u>	<u>2,671</u>	<u>(9,019)</u>	<u>794,141</u>
Segment results	108,964	(5,215)	21,186	124,935
Unallocated income (net of cost)				-
Profit from operations				<u>124,935</u>
Segment assets	49,549,560	65,395	(5,413,551)	44,201,404
Unallocated corporate assets				-
Consolidated total assets				<u>44,201,404</u>
Segment liabilities	38,157,706	199,062	(1,656,845)	36,699,923
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>36,699,923</u>

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A26. Segmental Information on Revenue and Results (continued)

	Financing RM'000	Hotel Operations RM'000	Eliminations RM'000	Consolidated RM'000
3 months ended 30 June 2017				
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>
	Financing RM'000	Hotel Operations RM'000	Eliminations RM'000	Consolidated RM'000
6 months ended 30 June 2018				
External sales	1,605,970	3,210	-	1,609,180
Intersegment transactions	15,721	1,946	(17,667)	-
Total revenue	<u>1,621,691</u>	<u>5,156</u>	<u>(17,667)</u>	<u>1,609,180</u>
Segment results	485,308	(10,608)	59,397	534,097
Unallocated income (net of cost)				-
Profit from operations				<u>534,097</u>
Segment assets	49,549,560	65,395	(5,413,551)	44,201,404
Unallocated corporate assets				-
Consolidated total assets				<u>44,201,404</u>
Segment liabilities	38,157,706	199,062	(1,656,845)	36,699,923
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>36,699,923</u>

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A26. Segmental Information on Revenue and Results (continued)

	Financing	Hotel	Eliminations	Consolidated
	RM'000	Operations	RM'000	RM'000
		RM'000		
6 months ended 30 June 2017				
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>

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A27. Subsequent Events

None other than those disclosed in note A28(ii), A28(iii) and A28(iv).

A28. Changes in the Composition of the Group

- (i) MBSB completed the acquisition of the entire equity interest in Asian Finance Bank Berhad on 7 February 2018. Effective 7 February 2018, Asian Finance Bank Berhad ("AFB") became the wholly-owned subsidiary of MBSB.
- (ii) AFB, has subsequently changed its name to MBSB Bank Berhad with effect from 2 April 2018 being the date of the Notice of Registration on Change of Name of Company issued by the Companies Commission of Malaysia.
- (iii) On 2 April 2018, MBSB had via a First Tranche Transfer, transferred all of its Shariah-compliant assets and liabilities to MBSB Bank as a going concern. The transfer of identified assets and liabilities was implemented through a members' scheme of arrangement pursuant to Section 366 of the Companies Act, 2016 by way of a Vesting Order dated 28 February 2018 from the High Court of Malaya. The Vesting Order takes effect from 2 April 2018 for a period of three (3) years. As stated in the circular to the shareholders of the Company dated 31 December 2017, the subsequent tranches of the transfer of identified assets and liabilities and the disposal of the residual assets and liabilities are expected to be completed within three (3) years from 2 April 2018.

The identified Shariah-compliant assets and liabilities comprised the following:

	RM'Million
Total assets	43,824
Total liabilities	<u>39,731</u>

The proforma key financial position of MBSB Bank Group upon vested Shariah compliant assets and liabilities as at 2 April 2018 is as follows:

	RM'Million
Assets	
Cash and short term funds	5,834
Deposits and placements with financial institutions	883
Advances and financing	31,029
Investment securities at FVOCI	3,437
Investment securities at amortised cost	601
Other assets	2,075
Total assets	<u>43,859</u>
Liabilities	
Deposits from customers	33,234
Deposits and placement of banks & financial institutions	730
Recourse obligation on financing sold	2,175
Sukuk	2,316
Other liabilities	485
Total liabilities	<u>38,940</u>
Shareholders' equity	
Ordinary share capital	4,626
Reserves	(53)
Negative goodwill	347
Total equity	<u>4,919</u>
Total liabilities and equity	<u>43,859</u>

- (iv) As announced in Bursa Malaysia on 2 April 2018, consequent to the First Tranche Transfer, the Proposed Sukuk Exchange has also been completed following the successful issuance of MBSB Bank Structured Covered Sukuk in exchange for the MBSB Covered Sukuk held by the MBSB Sukukholders. The Structured Covered Sukuk is guaranteed by JKSB, a SPV which is now a 100% subsidiary of the Bank.

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A29. Acquisition/Disposal of Property, Plant and Equipment

	Group As at 30-Jun-18 RM'000
Additions	
Building in progress	58,037
Building renovation	5,870
Furniture & equipment	3,291
Data processing equipment	9,200
Motor vehicle	88
	<u>76,486</u>
Disposals	
Furniture & equipment	(3)
Data processing equipment	(34)
	<u>(37)</u>

A30. Significant Related Party Transactions

	Group	
	30-Jun-18 RM'000	30-Jun-17 RM'000
(i) Transactions with Employees Provident Fund Board, the ultimate holding body:		
Expenses		
Profit expense paid on Sukuk to EPF	36,173	13,638
Rental expense	144	117
	<u>36,317</u>	<u>13,755</u>
Balances		
Sukuk - MBSB SC Murabahah	1,228,858	1,144,634
Rental deposit	97	97
	<u>1,229,055</u>	<u>1,144,731</u>
(ii) Transactions with RHB Banking Group of companies, being companies directly controlled by EPF:		
Income		
Interest/profit from deposit placements	1,742	7,827
	<u>1,742</u>	<u>7,827</u>
Expenses		
Interest expense to depositors	-	1,576
Interest expense for bank borrowing	-	240
Interest expenses for recourse obligation on loan/financing sold	-	30,246
	<u>-</u>	<u>32,062</u>
Balances		
Deposits and placements with financial institutions	795,235	1,232,110
Bank borrowings	-	200,068
Recourse obligation on loans sold to Cagamas Berhad	-	419,354
	<u>795,235</u>	<u>1,851,532</u>
(iii) Collectively, but not individually, significant balances:		
Expenses		
Interest expense to depositors	42,977	25,732
	<u>42,977</u>	<u>25,732</u>
Balances		
Deposit from customers	2,547,088	2,112,826
	<u>2,547,088</u>	<u>2,112,826</u>

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A31. Capital adequacy

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

	Group		Bank Group		Bank	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
Common Equity Tier 1 Capital						
Ordinary share capital	6,438,150	6,172,051	4,625,859	532,530	4,625,859	532,530
Retained earnings	680,775	-	(64,805)	(43,336)	(64,805)	(43,336)
Other reserve	(19,923)	-	(10,256)	5,275	(10,256)	5,275
Less: Interim and/or final dividend declared	(307,497)	(307,497)	-	-	-	-
Less: Dividend paid in the current financial year	-	(173,963)	-	-	-	-
	<u>6,791,505</u>	<u>5,690,591</u>	<u>4,550,799</u>	<u>494,469</u>	<u>4,550,799</u>	<u>494,469</u>
Less : Common Equity Tier 1 regulatory adjustments						
Goodwill and bargain purchase gains	(188,790)	-	-	-	-	-
Deferred tax assets	(6,080)	(21,204)	-	(626)	-	(626)
Cumulative (gains)/losses of Investment securities at FVOCI/AFS financial instruments	26,184	(6,656)	241	(30)	241	(30)
Regulatory reserve attributable to financing	-	-	(5,234)	(5,234)	(5,234)	(5,234)
Other intangibles	(64,371)	-	(64,333)	(1,620)	(64,333)	(1,620)
Total Common Equity Tier 1 Capital	<u>6,558,448</u>	<u>5,662,731</u>	<u>4,481,473</u>	<u>486,959</u>	<u>4,481,473</u>	<u>486,959</u>
Tier 1 Capital						
Additional Tier 1 capital instruments	-	-	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-	-	-
Total Tier 1 capital	<u>6,558,448</u>	<u>5,662,731</u>	<u>4,481,473</u>	<u>486,959</u>	<u>4,481,473</u>	<u>486,959</u>
Tier II Capital						
Impairment allowance [^]	459,574	436,425	431,489	6,209	437,632	6,209
Regulatory reserve	-	-	-	5,234	-	5,234
Total Tier II capital	<u>459,574</u>	<u>436,425</u>	<u>431,489</u>	<u>11,443</u>	<u>437,632</u>	<u>11,443</u>
Total capital base	<u>7,018,022</u>	<u>6,099,156</u>	<u>4,912,962</u>	<u>498,402</u>	<u>4,919,105</u>	<u>498,402</u>

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

	Group		Bank Group		Bank	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
Total risk weighted assets ("RWA")						
- Credit risk	36,765,912	35,685,831	34,519,089	1,511,252	35,010,542	1,511,252
- Market risk	10,574	21,681	10,574	9,836	10,574	9,836
- Operational risk	2,216,032	2,237,016	255,507	89,397	226,833	89,397
Total RWA	<u>38,992,518</u>	<u>37,944,529</u>	<u>34,785,171</u>	<u>1,610,485</u>	<u>35,247,950</u>	<u>1,610,485</u>
Capital ratios						
Common equity tier 1 capital	16.820%	14.924%	12.883%	30.236%	12.714%	30.236%
Tier 1 capital	16.820%	14.924%	12.883%	30.236%	12.714%	30.236%
Total capital ratio	17.998%	16.074%	14.124%	30.947%	13.956%	30.947%

[^] Excludes impairment allowance assessment attributable to financing and advances classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and impairment Provisions for Loans/Financing" issued 6 April 2015.

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PERFORMANCE REVIEW FOR THE 2ND QUARTER ENDED 30 JUNE 2018

B1. Performance Review

Variation of Results against Preceding Year Corresponding Quarter

	Current Year Quarter 30-Jun-18 RM'000	Preceding Year Corresponding Quarter 30-Jun-17 RM'000	Changes RM'000	
Personal financing	21,195,243	22,663,260	(1,468,017)	-6.5%
Corporate loans and financing	8,825,293	7,555,120	1,270,173	16.8%
Property financing and mortgage loans	5,329,793	5,529,195	(199,402)	-3.6%
Auto financing	259,548	311,221	(51,673)	-16.6%
Total gross loans and financing	<u>35,609,877</u>	<u>36,058,796</u>	<u>(448,919)</u>	-1.2%

Variation of Results against Preceding Quarter

	Current Year Quarter 30-Jun-18 RM'000	Immediate Preceding Quarter 31-Mar-18 RM'000	Changes RM'000	
Personal financing	21,195,243	21,328,660	(133,417)	-0.6%
Corporate loans and financing	8,825,293	8,302,565	522,728	6.3%
Property financing and mortgage loans	5,329,793	5,299,439	30,354	0.6%
Auto financing	259,548	271,420	(11,872)	-4.4%
Total gross loans and financing	<u>35,609,877</u>	<u>35,202,084</u>	<u>407,793</u>	1.2%

The Group gross loans and financing for the 2nd quarter 2018 ("2Q18") declined by 1.2% as compared to 2nd quarter 2017 ("2Q17") mainly due to the proposed sale of personal financing, property financing and mortgage in 4th quarter 2018 amounted to RM1.513 billion. The decline was offset by the increase in corporate loans and financing and increased the corporate retail mix to 25:75 from 2Q17 of 21:79. The increase was also due to consolidation of existing portfolio of MBSB Bank.

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

- (i) Personal financing – The gross income from personal financing in the current period was lower compared to the previous year corresponding period due to lower disbursements and decreasing portfolio base.
- (ii) Corporate loans and financing – The gross income from corporate loans and financing in the current period was higher compared to the previous year corresponding period due to the continued growth of corporate loans and financing assets base. Corporate disbursements amounted to RM1.4 billion in 2Q18 representing 80.9% of the total quarter disbursement of RM1.7 billion.
- (iii) Property financing and mortgage loans – The gross income from property financing was higher in the current period compared to the previous corresponding period due to growth in its financing assets base. This was partly set off by lower income from mortgage loans as its assets base decreases following conversion efforts from conventional mortgage to Islamic property financing.
- (iv) Auto financing – The gross income from auto financing was lower compared to the previous year corresponding period due to decreasing portfolio base.

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B1. Performance Review (continued)

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

	Current Year Quarter 30-Jun-18 RM'000	Preceding Year Corresponding Quarter 30-Jun-17 RM'000	Changes RM'000	
Revenue	794,141	813,417	(19,276)	-2.4%
Other operating expenses	(108,937)	(84,383)	(24,554)	29.1%
Operating profit	249,168	280,862	(31,694)	-11.3%
Write back/(Allowances) for impairment losses on loans, advances and financing	<u>(124,234)</u>	<u>(165,234)</u>	41,000	-24.8%
Profit before tax	<u>124,934</u>	<u>115,628</u>	9,306	8.0%
Profit after tax	<u>85,686</u>	<u>91,084</u>	(5,398)	-5.9%
Profit attributable to ordinary equity holders of the Parent	<u>85,686</u>	<u>91,084</u>	(5,398)	-5.9%
Cost to income ratio	30.4%	23.1%		

Variation of Results against Preceding Quarter

	Current Year Quarter 30-Jun-18 RM'000	Immediate Preceding Quarter 31-Mar-18 RM'000	Changes RM'000				
Revenue	794,141	815,039	(20,898)	-2.6%			
Other operating expenses	(108,937)	(92,862)	(16,075)	17.3%			
Operating profit	249,168	254,767	(5,599)	-2.2%	net income	358,105	347,629
Write back/(Allowances) for impairment losses on loans, advances and financing	<u>(124,234)</u>	<u>154,395</u>	(278,629)	-180.5%			
Profit before tax	<u>124,934</u>	<u>409,162</u>	(284,228)	-69.5%			
Profit after tax	<u>85,686</u>	<u>316,793</u>	(231,107)	-73.0%			
Profit attributable to ordinary equity holders of the Parent	<u>85,686</u>	<u>316,793</u>	(231,107)	-73.0%			
Cost to income ratio	30.4%	26.7%					

The Group profit before tax for 2Q18 increased by 8.0% compared to 2Q17 respectively. The increase was mainly due to lower charge of impairment allowances on loans and financing compared to 2Q17. The charge was attributed mainly by improvement of staging from both Stage 1 and Stage 2 under MFRS 9. The higher operating expenses was due to integration costs and amortisation of investments in system enhancements.

The Group profit before tax for 2Q18 decreased by 69.5% as compared to 1Q18. The increase was mainly due to higher operating expenses as stated in the preceding paragraph. Impairment allowances for 2Q18 increased by RM278.6mil compared to 1Q18 due to shifts in Stages of credit quality of Loans and Financing from Stage 1 to Stages 2 and 3 across both Retail and Corporate segments. Comparatively, a writeback of RM154.4mil for impairment allowances in 1Q18 was predominantly due to improvements in impairment allowances for Corporate segment from Stage 2 to Stage 1. Overall, volatility of allowances is reflective of current exposures, collection trends and movements in forward looking macroeconomic variables within the MFRS9 compliant impairment model.

The Group cost to income ratio for 2Q18 of 30.4% increased from 2Q17 and 1Q18. The increase was mainly due to higher costs relating to the acquisition of MBSB Bank and higher wages and salaries expenses as total number of staff increased from 1,576 to 1,863 (including staff from MBSB Bank as a result of the acquisition).

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B1. Performance Review (continued)

Contribution of Major Subsidiary to Group Financial Holding Company

	Group	MBSB Bank		Group	MBSB Bank		Group	MBSB Bank
	Current	Current		Current	Preceding Year			
	Year	Year		Year	Corresponding			
	Quarter	Quarter		to - Date	Period			
	30-Jun-18	30-Jun-18		30-Jun-18	30-Jun-18		31-Dec-17	31-Dec-17
	RM'000	RM'000	Contribution	RM'000	RM'000	Contribution		
Total assets	44,201,404	43,558,091	98.5%	44,201,404	43,558,091	98.5%	44,810,147	2,389,812
Total equity	7,501,481	4,674,350	62.3%	7,501,481	4,674,350	62.3%	7,124,863	494,469
Profit/(loss) before tax	124,934	165,253	132.3%	534,096	173,137	32.4%		
Profit/(loss) after tax	85,686	117,559	137.2%	402,479	123,552	30.7%		
Dividends	-	-	0.0%	-	-	0.0%		
Gross return on equity	3.42%	12.79%		14.61%	13.40%			
Gross return on assets	0.56%	1.44%		2.40%	1.51%			

Subsequent to the vesting of Shariah compliant net assets as disclosed in Note 4, total assets of MBSB Bank of RM44.20 billion accounts for 98.5% of the total assets of the Group. While the Bank's equity represents 62.3% of the Group's total equity.

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

B2. Prospects

Brief Overview and Outlook of the Malaysian Economy

The Malaysian economy expanded by 5.4% in the first quarter of 2018 (4Q 2017: 5.9%), driven by continued growth in private sector spending (5.2%; 4Q 2017: 7.4%) and strong growth in net exports (62.4%; 4Q 2017: 2.3%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4% (4Q 2017: 1.0%).

Domestic demand recorded a moderate growth of 4.1% (4Q 2017: 6.2%), due to lower growth of private sector expenditure (5.2%; 4Q 2017: 7.4%) and a marginal decline in public sector spending (-0.1%; 4Q 2017: +3.4%). Private consumption registered a sustained growth of 6.9% (4Q 2017: 7.0%), supported by continued strength in wage and employment growth. Growth of private investment moderated to 0.5% (4Q 2017: 9.2%). Private investment was weighed down by lower capital spending in structures, particularly in residential and commercial properties, and machinery and equipment during the quarter. On a sectorial basis, private investment was supported mainly by the services sector, particularly the education and healthcare sub-sectors.

Public consumption growth was lower at 0.4% (4Q 2017: 6.8%) on account of lower expenditure on supplies and services. Public investment continued to decline in the first quarter (-1.0%; 4Q 2017: -1.4%), attributed to the contraction in spending on fixed assets by public corporations. The lower capital spending by public corporations was due mainly to the near completion of a few large-scale projects.

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

B2. Prospects (continued)

OPR remained accommodative

In January 2018, the Monetary Policy Committee (MPC) normalised the degree of monetary accommodation by raising the Overnight Policy Rate (OPR) by 25 basis points to 3.25%. Malaysia's strong growth performance in 2017 was expected to be sustained through 2018, amid more broad based, entrenched and synchronised global economic expansion. Headline inflation was expected to average lower in 2018, on expectations of a smaller effect from global cost factors, while a stronger ringgit exchange rate compared to 2017 would mitigate import costs. Importantly, the adjustment does not constitute a tightening of monetary conditions, but rather a normalisation of the degree of monetary accommodation that would contribute towards the sustainability of growth.

At the subsequent meetings in early March and May, the MPC kept the OPR unchanged, assessing that the degree of monetary accommodativeness after the normalisation to the degree in January was consistent with the policy stance to ensure that the domestic economy continues on a steady growth path amid lower inflation. In late March, the Bank had released its 2018 forecast for sustained growth of within 5.5% – 6.0%, and for lower headline inflation within the range of 2.0% – 3.0%.

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

Overall liquidity conditions remained sufficient for financial intermediation

In the banking system, liquidity conditions remained sufficient at both the institutional and system-wide levels. Reflecting the overall net capital inflows during the quarter, the level of surplus liquidity placed with the Bank also increased. At the institutional level, most banks continued to maintain surplus liquidity positions.

The growth of net financing was sustained at 6.3% in the first quarter of 2018 (4Q 2017: 6.4%), reflecting the steady growth of outstanding loans (1Q 2018: 3.9%; 4Q 2017: 3.8%). The growth of net outstanding issuances of corporate bonds continued at a double-digit rate during the quarter of 14.2% (4Q 2017: 15.4%). The growth of outstanding business loans was stable at 1.3% (4Q 2017: 1.3%), mainly supported by the real estate; construction; and finance, insurance and business services sectors. During the quarter, the growth and level of total business disbursements were higher relative to repayments, especially for businesses other than SMEs, reversing the trend from the previous quarter. Loan growth to SMEs moderated to 5.1% (4Q 2017: 5.3%) and the amount of loans disbursed sustained during the quarter (1Q 2018: RM75.9 billion; 4Q 2017: RM 78.4 billion). The growth of household loans increased to 5.2% during the period (4Q 2017: 4.9%), mainly driven by loans for the purchase of residential properties and securities.

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

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B2. Prospects (continued)

Development of the Islamic finance industry

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

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

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

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

Group Prospects

The acquisition of MBSB Bank Berhad (previously known as Asian Finance Bank Berhad) by MBSB was completed on 7 February 2018 and MBSB became a financial holding company. The first vesting of Shariah compliant assets and liabilities was carried out on 2 April 2018. Over the next three (3) years from 2 April 2018, MBSB will continue to maintain its conventional receivables and perform conversion of these receivables into Islamic receivables which will be subsequently vested to MBSB Bank. Any residual receivables that are not converted will either be redeemed by the account holders or disposed off to a third party.

The Group's business, policies and operations have been realigned following the acquisition. Investments are being made to upgrade and improve the delivery of products and services at various channels including internet and mobile banking. These investments include upgrade and enhancement of information technology infrastructure and services, people resources and upgrading of branches.

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

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

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B3. Variance from Profit Forecast and Profit Guarantee

None.

B4. Taxation

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-Jun-18	30-June-17	30-Jun-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	27,173	20,097	111,891	51,727
	<u>27,173</u>	<u>20,097</u>	<u>111,891</u>	<u>51,727</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	8,099	4,447	15,750	(1,607)
	<u>8,099</u>	<u>4,447</u>	<u>15,750</u>	<u>(1,607)</u>
Total income tax expense	<u>35,272</u>	<u>24,544</u>	<u>127,641</u>	<u>50,120</u>

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-Jun-18	30-June-17	30-Jun-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	(14,669)	18,925	66,565	49,073
	<u>(14,669)</u>	<u>18,925</u>	<u>66,565</u>	<u>49,073</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	4,784	4,466	12,454	(1,570)
	<u>4,784</u>	<u>4,466</u>	<u>12,454</u>	<u>(1,570)</u>
Total income tax expense	<u>(9,885)</u>	<u>23,391</u>	<u>79,019</u>	<u>47,503</u>

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

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B5. Purchase and Sale of Quoted Securities

There were dealings in quoted securities for the current quarter as disclosed in Note A11.

B6. Status of Corporate Proposals

Corporate Proposal	Status
<ul style="list-style-type: none"> ▪ 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, RUSD Investment Bank Inc, Tadhamon International Islamic Bank and Financial Assets Bahrain WLL for a proposed merger of the Company and AFB. BNM requires that the negotiations be completed within six months from the date of BNM’s letter. ▪ 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. 	<ul style="list-style-type: none"> ▪ 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. ▪ On 6 November 2017, the Company entered into a conditional share purchase agreement with the shareholders of AFB, namely Qatar Islamic Bank, Financial Assets Bahrain W.L.L, RUSD Investment Bank Inc and Tadhamon International Islamic Bank (collectively, the “Vendors”), for the acquisition by MBSB of the entire equity interest in AFB from the Vendors for an aggregate purchase consideration of RM644,952,807.66 (“Purchase Consideration”) (“The Acquisition”). The Purchase Consideration comprised cash amounted to RM396,894,036.26 and an issuance of 225,507,974 new ordinary shares in MBSB (“Consideration Share(s)”) at an issue price of RM1.10 per Consideration Share. ▪ On 22 January 2018, the holders of the MBSB Structured Covered Sukuk approved, among others, the Sukuk exchange and reorganisation of MBSB and/or amalgamation of MBSB with AFB in relation to the Acquisition. On 23 January 2018, the shareholders of the Company approved the Acquisition. ▪ On 7 February 2018, the Acquisition was completed following the settlement by MBSB of the balance cash consideration of RM357,204,632.64 and the allotment of the Consideration Shares. Upon the listing of the Consideration Shares on 8 February 2018, an amount of RM24,805,877.14, representing the deposit paid on the portion of the Purchase Consideration settled via the Consideration Shares, was refunded to MBSB. ▪ On 2 April 2018, MBSB had via a First Tranche Transfer, transferred all of its Shariah-compliant assets and liabilities (Islamic banking business) to MBSB Bank as a going concern. The transfer of identified assets and liabilities was implemented through a members’ scheme of arrangement pursuant to Section 366 of the Companies Act, 2016 by way of a Vesting Order dated 28 February 2018 from the High Court of Malaya. The Vesting Order takes effect from 2 April 2018 for a period of three (3) years. As stated in the circular to the shareholders of the Company dated 31 December 2017, the subsequent tranches of the transfer of identified assets and liabilities and the disposal of the residual assets and liabilities are expected to be completed within three (3) years from 2 April 2018.

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B7. Borrowings and Debts

Borrowings of the Group were as follows:

	Current Year Quarter 30 June 2018		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
Recourse obligation on loans/financing sold	2,092,331	72,212	<u>2,164,543</u>
	Preceding Year Corresponding Quarter		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
Recourse obligation on loans/financing sold	551,617	1,816,672	<u>2,368,289</u>

B8. Off Balance Sheet Financial Instruments

None.

B9. Material Litigation

The details of the pending material litigation are as per note A22 above.

B10. Dividend Proposed

No dividend was proposed during the current quarter.

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B11. Earnings Per Share

Basic

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

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	85,686	91,084	402,479	192,408
Weighted average number of ordinary shares in issue ('000)	6,149,933	5,804,327	6,013,393	5,804,327
Basic earnings per share (sen)	<u>1.39</u>	<u>1.57</u>	<u>6.69</u>	<u>3.31</u>

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	(50,431)	64,098	228,661	130,848
Weighted average number of ordinary shares in issue ('000)	6,149,933	5,804,327	6,013,393	5,804,327
Basic earnings per share (sen)	<u>(0.82)</u>	<u>1.10</u>	<u>3.80</u>	<u>2.25</u>

Diluted

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

	Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	85,686	91,084	402,479	192,408
Weighted average number of ordinary shares in issue ('000)	6,149,933	5,804,327	6,013,393	5,804,327
Adjusted for assumed conversion of ESOS ('000)	305	-	305	-
Adjusted weighted average number of ordinary shares in issue ('000)	<u>6,150,238</u>	<u>5,804,327</u>	<u>6,013,698</u>	<u>5,804,327</u>
Basic earnings per share (sen)	<u>1.39</u>	<u>1.57</u>	<u>6.69</u>	<u>3.31</u>

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B11. Earnings Per Share (continued)

	Company			
	2nd Quarter Ended		Six Months Ended	
	30-June-18	30-June-17	30-June-18	30-June-17
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	(50,431)	64,098	228,661	130,848
Weighted average number of ordinary shares in issue ('000)	6,149,933	5,804,327	6,013,393	5,804,327
Adjusted for assumed conversion of ESOS ('000)	305	-	305	-
Adjusted weighted average number of ordinary shares in issue ('000)	<u>6,150,238</u>	<u>5,804,327</u>	<u>6,013,698</u>	<u>5,804,327</u>
Basic earnings per share (sen)	<u>(0.82)</u>	<u>1.10</u>	<u>3.80</u>	<u>2.25</u>

B12. Authorisation for Issue

The unaudited interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 July 2018.

BY ORDER OF THE BOARD

Koh Ai Hoon
(MAICSA 7006997)
Tong Lee Mee
(MAICSA 7053445)
Joint Company Secretaries
Kuala Lumpur
30 July 2018