

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

INTERIM FINANCIAL STATEMENTS  
OF THE GROUP AND OF THE COMPANY  
FOR THE 1ST QUARTER ENDED 31 MARCH 2019

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019**

	Note	Group		Company	
		31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
<b>Assets</b>					
Cash and short-term funds	A8(a)	4,073,813	3,411,986	123,038	155,077
Deposits and placements with financial institutions	A8(b)	1,055,771	931,087	156,008	154,347
Derivative financial assets		11	67	-	-
Financial investments at fair value through other comprehensive income ("FVOCI")	A9	6,085,828	5,097,105	-	-
Financial investments at amortised cost	A10	20,113	20,350	-	-
Loans, financing and advances	A11	33,290,626	33,133,119	1,300,719	1,326,502
Trade receivables		346	561	-	-
Other receivables	A12	199,851	243,047	145,906	148,672
Statutory deposits with Bank Negara Malaysia		1,047,000	1,053,000	-	-
Investments in subsidiaries		-	-	4,756,328	4,756,328
Inventories		102,364	102,432	-	-
Property and equipment		316,431	297,567	24,715	24,831
Intangible assets		297,532	293,513	-	-
Investment properties		820	820	-	-
Land use rights		5,221	5,262	-	-
Deferred tax assets		33,874	34,318	15,243	15,687
Tax recoverable		899,613	801,278	764,043	710,610
<b>Total assets</b>		<b>47,429,214</b>	<b>45,425,512</b>	<b>7,286,000</b>	<b>7,292,054</b>
<b>Liabilities</b>					
Deposits from customers	A13	26,219,657	24,209,449	-	-
Deposits and placements of banks and other financial institutions	A14	8,477,232	8,578,851	-	-
Derivative financial liabilities		59	2	-	-
Trade payables		287	225	-	-
Other payables	A15	616,733	650,767	217,729	239,669
Recourse obligation on financing sold		2,112,803	2,135,518	-	-
Sukuk-MBSB Structured Covered ("SC") Murabahah		1,992,609	1,968,075	-	-
Provision for taxation and zakat		40,070	36,901	2,957	4,787
Deferred tax liabilities		70,098	60,120	-	-
<b>Total liabilities</b>		<b>39,529,548</b>	<b>37,639,908</b>	<b>220,686</b>	<b>244,456</b>
<b>Equity</b>					
Ordinary share capital		6,682,102	6,682,102	6,682,102	6,682,102
Reserves		47,105	16,873	6,261	6,261
Retained earnings		1,170,459	1,086,629	376,951	359,235
<b>Total equity</b>		<b>7,899,666</b>	<b>7,785,604</b>	<b>7,065,314</b>	<b>7,047,598</b>
<b>Total liabilities and equity</b>		<b>47,429,214</b>	<b>45,425,512</b>	<b>7,286,000</b>	<b>7,292,054</b>
<b>Commitments and contingencies</b>	A22	<b>6,649,927</b>	<b>6,116,722</b>	<b>32,360</b>	<b>38,242</b>
<b>Net assets per share attributable to ordinary equity of the Company (RM)</b>		<b>1.24</b>	<b>1.25</b>	<b>1.11</b>	<b>1.13</b>

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

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2019**

	Note	Group		Company	
		1st Quarter Ended 31-Mar-19 RM'000	1st Quarter Ended 31-Mar-18 RM'000	1st Quarter Ended 31-Mar-19 RM'000	1st Quarter Ended 31-Mar-18 RM'000
Revenue		784,037	815,039	34,593	743,740
Income derived from investment of general investment deposits and Islamic capital funds	A16	670,794	638,585	-	606,398
Income attributable to depositors		(341,331)	(316,593)	-	(304,798)
Income attributable to securitisation		(23,802)	(24,844)	-	(24,844)
Income attributable to sukuk		(23,830)	(27,348)	-	(27,348)
Net income from Islamic financing operations		281,831	269,800	-	249,408
Interest income	A17	41,190	89,334	30,117	79,301
Interest expense	A18	(5)	(25,234)	(5)	(25,234)
Net interest income		41,185	64,100	30,112	54,067
Operating income		323,016	333,900	30,112	303,475
Net other income	A19	42,018	13,729	19,644	11,190
Net income		365,034	347,629	49,756	314,665
Other operating expenses	A20	(96,155)	(92,862)	(8,043)	(77,099)
Operating profit		268,879	254,767	41,713	237,566
ECL (charged)/written back	A21	(153,021)	154,395	(13,463)	130,430
Profit before taxation and zakat		115,858	409,162	28,250	367,996
Taxation		(27,028)	(92,369)	(10,534)	(88,902)
Zakat		(5,000)	-	-	-
Profit for the financial period		83,830	316,793	17,716	279,094
Profit attributable to:					
Owners of the Company		83,830	316,793	17,716	279,094
Earnings per share (sen)					
Basic		1.31	5.33	0.28	4.70
Diluted		1.31	5.33	0.28	4.70
<b>Profit for the financial period</b>		<b>83,830</b>	<b>316,793</b>	<b>17,716</b>	<b>279,094</b>
<b>Other comprehensive income/(loss) :</b>					
Other comprehensive income, net of tax:					
Movement in fair value reserve, which may be reclassified subsequently to profit or loss		30,232	(3,899)	-	(3,940)
		30,232	(3,899)	-	(3,940)
<b>Total comprehensive income for the financial period</b>		<b>114,062</b>	<b>312,894</b>	<b>17,716</b>	<b>275,154</b>
Total comprehensive income attributable to:					
Owners of the Company		114,062	312,894	17,716	275,154
		114,062	312,894	17,716	275,154

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

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2019**

Group	← Other Reserves →			Retained profits	Total
	Share #1 Capital	Share Option Reserve	FVOCI Reserve		
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Balance as at 1 January 2019</b>	6,682,102	6,261	10,612	16,873	1,086,629
Comprehensive income					
- Profit for the financial period	-	-	-	-	83,830
- Other comprehensive income for the financial period	-	-	30,232	30,232	-
Total comprehensive income for the financial period	-	-	30,232	30,232	83,830
<b>Balance as at 31 March 2019</b>	6,682,102	6,261	40,844	47,105	1,170,459

Group	← Other Reserves →			Retained profits	Total
	Share #1 Capital	Share Option Reserve	FVOCI Reserve		
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Balance as at 1 January 2018</b>	6,172,051	6,261	(6,656)	(395)	953,207
Effects of adopting MFRS 9, net of tax	-	-	-	-	(174,096)
	6,172,051	6,261	(6,656)	(395)	779,111
Comprehensive income					
- Profit for the financial period	-	-	-	-	316,793
- Other comprehensive income for the financial period	-	-	(3,899)	(3,899)	-
Total comprehensive (loss)/income for the financial period	-	-	(3,899)	(3,899)	316,793
Issuance of shares for acquisition of a subsidiary	266,099	-	-	-	-
<b>Balance as at 31 March 2018</b>	6,438,150	6,261	(10,555)	(4,294)	1,095,904

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

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

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2019 (CONTINUED)**

Company	← Other Reserves →			Retained profits	Total	
	Share #1 Capital	Share Option Reserve	FVOCI Reserve			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Balance as at 1 January 2019</b>	6,682,102	6,261	-	6,261	359,235	7,047,598
Comprehensive income						
- Profit for the financial period	-	-	-	-	17,716	17,716
- Other comprehensive income for the financial period	-	-	-	-	-	-
Total comprehensive (loss)/income for the financial period	-	-	-	-	17,716	17,716
<b>Balance as at 31 March 2019</b>	6,682,102	6,261	-	6,261	376,951	7,065,314

Company	← Other Reserves →			Retained profits	Total	
	Share #1 Capital	Share Option Reserve	FVOCI Reserve			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Balance as at 1 January 2018</b>	6,172,051	6,261	(6,656)	(395)	672,971	6,844,627
Effects of adopting MFRS 9, net of tax	-	-	-	-	(174,096)	(174,096)
	6,172,051	6,261	(6,656)	(395)	498,875	6,670,531
Comprehensive income						
- Profit for the financial period	-	-	-	-	279,094	279,094
- Other comprehensive income for the financial period	-	-	(3,940)	(3,940)	-	(3,940)
Total comprehensive (loss)/income for the financial period	-	-	(3,940)	(3,940)	279,094	275,154
Issuance of shares for acquisition of a subsidiary	266,099	-	-	-	-	266,099
<b>Balance as at 31 March 2018</b>	6,438,150	6,261	(10,596)	(4,335)	777,969	7,211,784

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

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

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2019**

	Group		Company	
	31-Mar-19 RM'000	31-Mar-18 RM'000	31-Mar-19 RM'000	31-Mar-18 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	115,858	409,162	28,250	367,996
Adjustments for non-cash items	244,611	(227,670)	13,804	(228,863)
Operating profit before working capital changes	360,469	181,492	42,054	139,133
Working capital changes:				
Net changes in operating assets	(386,616)	(1,722,082)	13,201	7,907
Net changes in operating liabilities	1,879,034	1,313,580	(23,770)	(796,826)
Cash generated from/(used in) operations	1,852,887	(227,010)	31,485	(649,786)
Income taxes and zakat paid	(124,034)	(39,304)	(63,524)	(37,597)
Net cash generated from/(used in) operating activities	1,728,853	(266,314)	(32,039)	(687,383)
<b>Cash flows from investing activities</b>				
Arising from acquisition of MBSB Bank	-	181,077	-	(396,894)
Purchase of property and equipment	(21,220)	(36,144)	-	(1,561)
Purchase of intangible assets	(9,028)	(34,788)	-	(11,511)
Proceeds from disposal of property and equipment	-	1	-	-
Purchase of financial investments at FVOCI and available-for-sale	(990,262)	(278,188)	-	(52,786)
Proceeds from maturity of Sukuk Commodity Murabahah	-	8,332	-	-
Net cash used in investing activities	(1,020,510)	(159,710)	-	(462,752)
<b>Cash flows from financing activities</b>				
Repayment from recourse obligation on financing sold	(46,516)	(63,159)	-	(63,159)
Proceeds of Sukuk - MBSB SC Murabahah	-	55,932	-	55,932
Net cash used in financing activities	(46,516)	(7,227)	-	(7,227)
<b>Net increase/(decrease) in cash and cash equivalents</b>	661,827	(433,251)	(32,039)	(1,157,362)
<b>Cash and cash equivalents at beginning of period</b>	3,411,986	7,787,132	155,077	7,768,634
<b>Cash and cash equivalents at end of period</b>	4,073,813	7,353,881	123,038	6,611,272
<b>Cash and cash equivalents is represented by:</b>				
Cash and short-term funds	4,073,813	7,353,881	123,038	6,611,272

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2019**  
**- PART A - EXPLANATORY NOTES PURSUANT TO MFRS134**

**A1. Basis of preparation**

The unaudited condensed interim financial statements for the financial quarter ended 31 March 2019 have been prepared under the historical cost convention except for financial investments which are recognised at fair value and the following financial assets and financial liabilities which are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest/profit method: loans, financing and advances, trade and other payables, bank borrowings and recourse obligations on financing sold.

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

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

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

Effective for annual periods commencing on or after 1 January 2019

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

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

Effective for annual periods beginning on or after 1 January 2020

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

Effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

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

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

**A3. Seasonality and cyclicity of operation**

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

**A4. Exceptional or unusual items**

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

**A5. Changes in estimates of amounts reported previously**

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

**A6. Debts and equity securities**

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

	<b>31-Mar-19</b>	<b>31-Dec-18</b>
Number of ordinary shares ('000)	6,389,101	6,389,101
Share Capital (RM'000)	6,682,102	6,682,102

**A7. Dividend**

No dividend was paid or proposed in the current quarter.



**MALAYSIA BUILDING SOCIETY BERHAD (9417-K)**  
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**A8. Cash and short-term funds**

	Group		Company	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
(a) Cash at banks and on hand	234,432	262,346	54,021	72,070
Money at call and deposit placements maturing within one month	3,839,381	3,149,640	69,017	83,007
Total cash and short-term funds	4,073,813	3,411,986	123,038	155,077
(b) Deposits and placements with financial institutions with original maturity of more than one month				
- Licensed Banks	1,055,771	931,087	156,008	154,347
Total cash and short-term funds and deposits and placements with financial institutions	5,129,584	4,343,073	279,046	309,424

**A9. Financial investments at FVOCI**

	Group		Company	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
<b>At fair value</b>				
<b>Money Market Instruments</b>				
Malaysian Government Investment Issues	3,044,223	2,154,192	-	-
<b>Debt securities:</b>				
<u>In Malaysia</u>				
Private and Islamic debt securities	1,174,902	1,060,628	-	-
Government Guaranteed debt securities	1,866,703	1,882,285	-	-
	6,085,828	5,097,105	-	-

**A10. Financial investments at amortised cost**

	Group		Company	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
<b>At amortised cost</b>				
<b>Quoted securities:</b>				
<u>In Malaysia</u>				
Islamic Medium Term Notes	20,120	20,356	-	-
Less: Expected credit losses ("ECL") at Stage 1	(7)	(6)	-	-
	20,113	20,350	-	-

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

**A11. Loans, financing and advances**

	<b>Group</b>		<b>Company</b>	
	<b>31-Mar-19</b>	<b>31-Dec-18</b>	<b>31-Mar-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(i) By type</b>				
<b>At amortised cost</b>				
<i>Islamic:</i>				
<i>Term financing:</i>				
Property financing	4,503,762	4,340,081	-	-
Bridging financing	687,952	716,015	-	-
Hire purchase receivables	791,089	781,118	-	-
Auto finance	200,469	213,898	-	-
Personal financing	20,464,814	20,562,117	-	-
Other term financing	5,637,639	5,456,952	-	-
Trusts receipts	210	51,525	-	-
Staff financing	42,909	41,277	-	-
Revolving Credit	773,360	743,218	-	-
Others	226,519	138,473	-	-
<i>Conventional:</i>				
<i>End finance:</i>				
Normal housing programme	1,044,134	1,063,043	1,044,134	1,063,043
Low cost housing programme	3,371	3,367	3,371	3,367
Bridging financing	220,573	217,708	220,573	217,708
Auto finance	17,229	17,319	17,229	17,319
Other term financing	828,372	826,113	828,372	826,113
Staff financing	377	380	377	380
Gross loans, advances and financing	35,442,779	35,172,604	2,114,056	2,127,930
Less: ECL				
- Stage 1	(382,928)	(358,907)	(13,501)	(12,370)
- Stage 2	(590,887)	(550,621)	(109,586)	(94,982)
- Stage 3	(1,178,338)	(1,129,957)	(690,250)	(694,076)
Net loans, advances and financing	33,290,626	33,133,119	1,300,719	1,326,502

**(ii) By maturity structure**

	<b>Group</b>		<b>Company</b>	
	<b>31-Mar-19</b>	<b>31-Dec-18</b>	<b>31-Mar-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Within one year	2,253,196	2,196,230	717,806	715,288
More than one year to three years	1,721,398	1,792,653	25,097	22,541
More than three years to five years	2,132,773	2,073,320	134,840	133,570
More than five years	29,335,412	29,110,401	1,236,313	1,256,531
	35,442,779	35,172,604	2,114,056	2,127,930

**MALAYSIA BUILDING SOCIETY BERHAD (9417-K)**  
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**A11. Loans, financing and advances (continued)**

**(iii) By economic purpose**

	<b>Group</b>		<b>Company</b>	
	<b>31-Mar-19</b>	<b>31-Dec-18</b>	<b>31-Mar-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Construction	4,579,226	4,546,235	156,518	423,262
Personal Use	20,575,931	20,674,423	310	321
Purchase of consumer durables	140	142	-	-
Purchase of landed property:				
- Residential	5,138,971	5,019,386	972,892	988,217
- Non-Residential	286,587	278,082	66,737	70,218
Working Capital	4,097,725	3,672,525	446,414	153,494
Purchase of other securities	491	498	-	-
Purchase of transport vehicles	215,399	228,603	14,863	14,968
Purchase of other fixed assets	62,253	63,875	7,748	7,778
Others	486,056	688,835	448,574	469,672
	<b>35,442,779</b>	<b>35,172,604</b>	<b>2,114,056</b>	<b>2,127,930</b>

**(iv) By type of customers**

	<b>Group</b>		<b>Company</b>	
	<b>31-Mar-19</b>	<b>31-Dec-18</b>	<b>31-Mar-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Domestic business enterprises				
- Small medium enterprise	3,486,692	2,722,949	874,722	301,772
- Government	207,994	240,301	-	-
- Non-bank financial institutions	553,447	536,644	-	-
- Others	5,069,137	5,562,252	223,309	791,348
Individuals	26,125,509	26,104,420	1,016,025	1,034,810
Foreign entities	-	6,038	-	-
	<b>35,442,779</b>	<b>35,172,604</b>	<b>2,114,056</b>	<b>2,127,930</b>

**(v) By sector**

	<b>Group</b>		<b>Company</b>	
	<b>31-Mar-19</b>	<b>31-Dec-18</b>	<b>31-Mar-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Household sectors	26,125,507	26,110,523	1,016,025	1,034,811
Agriculture	195,007	240,002	3,315	3,325
Mining and quarrying	62,762	60,008	-	-
Manufacturing	393,392	382,878	123,411	120,869
Electricity, gas and water	233,958	233,110	-	-
Construction	5,790,073	6,116,961	724,214	721,714
Wholesale & retail trade and restaurants & hotels	184,617	168,282	3,567	3,625
Transport, storage and communication	160,999	124,403	2,233	2,283
Finance, insurance and business services	1,384,346	1,089,016	12,976	13,056
Education, health and others	912,118	647,421	228,315	228,247
	<b>35,442,779</b>	<b>35,172,604</b>	<b>2,114,056</b>	<b>2,127,930</b>

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**A11. Loans, financing and advances (continued)**

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

	Group		Company	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
Fixed rate:				
Personal financing	18,670,525	18,976,550	-	-
Auto finance	220,189	233,797	17,229	17,319
Mortgage and property Islamic	483,449	568,200	2,775	3,233
Bridging, structured and term financing	1,393,951	1,185,663	263,145	262,717
Variable rate:				
Personal financing	1,812,135	1,602,482	-	-
Mortgage and property Islamic	5,090,239	4,859,937	1,045,106	1,063,557
Bridging, structured and term financing	7,772,291	7,745,975	785,801	781,104
	<b>35,442,779</b>	<b>35,172,604</b>	<b>2,114,056</b>	<b>2,127,930</b>

**(vii) By geographical distribution**

	Group		Company	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
Malaysia	35,442,779	35,172,470	2,114,056	2,127,930
United Kingdom	-	134	-	-
	<b>35,442,779</b>	<b>35,172,604</b>	<b>2,114,056</b>	<b>2,127,930</b>

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

31-Mar-19	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	28,721,082	4,528,051	1,923,471	35,172,604
Transfer to stage 1	472,108	(387,066)	(85,042)	-
Transfer to stage 2	(593,047)	804,061	(211,014)	-
Transfer to stage 3	(10,001)	(260,068)	270,069	-
New financing / disbursement during the year	1,668,884	158,655	6,635	1,834,174
Repayment during the year	(1,366,292)	(258,131)	(33,685)	(1,658,108)
Other changes to the carrying amount	69,963	14,534	9,612	94,109
Gross carrying amount as at 31 March 2019	<b>28,962,697</b>	<b>4,600,036</b>	<b>1,880,046</b>	<b>35,442,779</b>
31-Mar-19	Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	406,208	590,545	1,131,177	2,127,930
Transfer to stage 1	16,139	(16,139)	-	-
Transfer to stage 2	(15,381)	62,516	(47,135)	-
Transfer to stage 3	(10)	(41,944)	41,954	-
New financing / disbursed during the year	-	-	2,164	2,164
Financing repaid during the year	(7,536)	(9,030)	(14,323)	(30,889)
Other changes to the carrying amount	3,656	6,469	4,726	14,851
Gross carrying amount as at 31 March 2019	<b>403,076</b>	<b>592,417</b>	<b>1,118,563</b>	<b>2,114,056</b>

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**A11. Loans, financing and advances (continued)**

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

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

31-Dec-18	Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount				
as at 1 January 2018	28,217,055	4,410,949	1,573,175	34,201,179
Vesting of assets to MBSB Bank	(27,853,303)	(3,060,832)	(735,137)	(31,649,272)
Transfer to stage 1	780,340	(776,493)	(3,847)	-
Transfer to stage 2	(610,364)	740,884	(130,520)	-
Transfer to stage 3	(230,178)	(277,727)	507,905	-
New financing / disbursed during the year	2,258,165	373,830	18,500	2,650,495
Financing repaid during the year	(2,264,570)	(840,860)	(138,093)	(3,243,523)
Other changes to the carrying amount	108,698	22,249	58,226	189,173
Write-offs	-	-	(12,676)	(12,676)
Transfer from / (to) assets held-for-sale	365	(1,455)	(6,356)	(7,446)
Gross carrying amount as at 31 December 2018	406,208	590,545	1,131,177	2,127,930

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**A11. Loans, financing and advances (continued)**

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

**31-Mar-19**

	<b>Group</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
ECL as at 1 January 2019	358,907	550,621	1,129,957	2,039,485
Charged to profit or loss (Note A21)	24,021	40,266	48,381	112,668
Changes in ECL				
- Transfer to stage 1	7,874	(5,997)	(1,877)	-
- Transfer to stage 2	(81,403)	120,119	(38,716)	-
- Transfer to stage 3	(6,730)	(150,314)	157,044	-
New financing / disbursement during the year	31,054	7,294	273	38,621
Financing repaid during the year	(20,585)	(134,868)	(121,664)	(277,117)
Changes in credit risk parameters	93,811	204,032	53,321	351,164
ECL as at 31 March 2019	<b>382,928</b>	<b>590,887</b>	<b>1,178,338</b>	<b>2,152,153</b>

**31-Mar-19**

	<b>Company</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
ECL as at 1 January 2019	12,370	94,982	694,076	801,428
Charged to profit or loss (Note A21)	1,131	14,604	(3,826)	11,909
Changes in ECL				
- Transfer to stage 1	626	(626)	-	-
- Transfer to stage 2	(3,206)	13,045	(9,839)	-
- Transfer to stage 3	(7)	(30,162)	30,169	-
New financing / disbursed during the year	-	-	273	273
Financing repaid during the year	(149)	(17,214)	(35,105)	(52,468)
Changes in credit risk parameters	3,867	49,561	10,676	64,104
ECL as at 31 March 2019	<b>13,501</b>	<b>109,586</b>	<b>690,250</b>	<b>813,337</b>

**MALAYSIA BUILDING SOCIETY BERHAD (9417-K)**  
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**A11. Loans, financing and advances (continued)**

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

31-Dec-18	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2018	510,347	703,478	1,052,901	2,266,726
Acquisition of MBSB Bank Berhad	15,639	6,622	45,716	67,977
Charged to profit or loss	(167,780)	(160,399)	500,261	172,082
Changes in ECL				
- Transfer to stage 1	44,641	(39,084)	(5,557)	-
- Transfer to stage 2	(256,772)	296,155	(39,383)	-
- Transfer to stage 3	(221,149)	(296,808)	517,957	-
New financing / disbursement during the year	138,500	89,073	42,504	270,077
Financing repaid during the year	(298,743)	(505,694)	(281,308)	(1,085,745)
Changes in credit risk parameters	425,743	295,959	266,048	987,750
Write-offs	-	-	(575,219)	(575,219)
Transfer from assets held-for-sale	701	920	106,298	107,919
ECL as at 31 December 2018	358,907	550,621	1,129,957	2,039,485
31-Dec-18	Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2018	510,347	703,478	1,052,901	2,266,726
Assets vested to MBSB Bank Berhad	(492,316)	(444,705)	(538,420)	(1,475,441)
- ECL as at 2 April 2018	(454,139)	(432,125)	(538,420)	(1,424,684)
- Subsequent transfer of ECL *	(38,177)	(12,580)	-	(50,757)
Charged to profit or loss	(5,695)	(164,027)	189,308	19,586
Changes in the impairment allowance				
- Transfer to stage 1	31,946	(26,616)	(5,330)	-
- Transfer to stage 2	(92,365)	119,971	(27,606)	-
- Transfer to stage 3	(139,981)	(159,102)	299,083	-
New financing / disbursed during the year	66,471	45,562	15,918	127,951
Financing repaid during the year	(117,971)	(326,032)	(182,594)	(626,597)
Changes in credit risk parameters	246,205	182,190	89,837	518,232
Write-offs	-	-	(8,906)	(8,906)
Transfer from / (to) assets held-for-sale	34	236	(807)	(537)
ECL as at 31 December 2018	12,370	94,982	694,076	801,428

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

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**A11. Loans, financing and advances (continued)**

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

	Group		Company	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
Balance as at 1 January	1,923,471	1,573,175	1,131,177	1,573,175
Acquisition of MBSB Bank Berhad	-	111,039	-	-
Assets vested to MBSB Bank Berhad	-	-	-	(735,137)
Classified as impaired during the period	276,704	992,277	44,118	526,405
Reclassified as non-impaired	(296,056)	(228,194)	(47,135)	(134,367)
Amount recovered	(33,685)	(255,724)	(14,323)	(138,093)
Other changes to the carrying amount	9,612	199,687	4,726	58,226
Amount written off	-	(578,985)	-	(12,676)
Reclassification from/(to) assets held-for-sale	-	110,196	-	(6,356)
Balance as at end of financial period	<u>1,880,046</u>	<u>1,923,471</u>	<u>1,118,563</u>	<u>1,131,177</u>
Less: Stage 3 ECL as at end of financial period	<u>(1,178,338)</u>	<u>(1,129,957)</u>	<u>(690,250)</u>	<u>(694,076)</u>
Net impaired financing and advances	<u>701,708</u>	<u>793,514</u>	<u>428,313</u>	<u>437,101</u>
Net impaired loans as a percentage of net financing and advances	<u>2.11%</u>	<u>2.39%</u>	<u>32.93%</u>	<u>32.95%</u>
Gross impaired loans as a percentage of gross financing and advances	<u>5.30%</u>	<u>5.47%</u>	<u>52.91%</u>	<u>53.16%</u>

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

	Group		Company	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
Household sector	795,566	745,023	313,699	327,256
Construction	639,315	795,663	578,775	581,836
Agriculture	58,987	154	-	-
Mining and quarrying	38,905	38,891	-	-
Manufacturing	2,317	1,070	1,767	753
Finance, insurance and business services	4,441	12,602	1,002	998
Wholesale & retail trade and restaurants & hotels	21,100	21,148	34	33
Transport, storage and communication	316,441	343	220,421	56
Education, health and others	2,974	308,577	2,865	220,245
	<u>1,880,046</u>	<u>1,923,471</u>	<u>1,118,563</u>	<u>1,131,177</u>



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**A12. Other receivables**

	Group		Company	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
Advances in respect of certain projects	475,100	463,009	-	-
Loan commitment fees	8,740	8,740	8,740	8,740
Amount due from subsidiaries	-	-	60,106	58,152
Foreclosed properties	133,505	133,505	133,505	133,505
Prepayments and deposits	14,623	11,915	8,633	8,633
Sundry receivables	87,456	132,987	38,524	41,116
Public Low Cost Housing Payment ("PLCHP")	22,809	23,113	22,809	23,113
Deferred expenses due to issuance of Sukuk Commodity Murabahah	124	128	-	-
Deferred expenses due to issuance of Sukuk - MBSB SC Murabahah	2,405	2,470	-	-
	<u>744,762</u>	<u>775,867</u>	<u>272,317</u>	<u>273,259</u>
Less: ECL at Stage 3	<u>(544,911)</u>	<u>(532,820)</u>	<u>(126,411)</u>	<u>(124,587)</u>
	<u>199,851</u>	<u>243,047</u>	<u>145,906</u>	<u>148,672</u>

**A13. Deposits from customers**

	Group		Company	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
<b>(i) By type of deposit:</b>				
Demand deposits	162,530	225,520	-	-
Savings deposits	87,842	76,558	-	-
Commodity Murabahah Term Deposit	25,969,285	23,907,371	-	-
	<u>26,219,657</u>	<u>24,209,449</u>	<u>-</u>	<u>-</u>

The deposit above are under Islamic contract 'Tawaruq'

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

	Group		Company	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
Government and statutory bodies	16,811,904	14,746,960	-	-
Business enterprises	5,914,518	6,371,297	-	-
Individuals	3,493,235	3,091,192	-	-
	<u>26,219,657</u>	<u>24,209,449</u>	<u>-</u>	<u>-</u>

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**A13. Deposits from customers (continued)**

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

	Group		Company	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
Within six months	17,348,016	17,474,783	-	-
More than six months to one year	6,083,823	4,818,107	-	-
More than one year to three years	1,528,829	723,813	-	-
More than three years	1,258,989	1,192,746	-	-
	<u>26,219,657</u>	<u>24,209,449</u>	<u>-</u>	<u>-</u>

**A14. Deposits and placements of banks and other financial institutions**

	Group		Company	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
<b>(i) By type of deposit:</b>				
<u>Non-Mudharabah Funds:</u>				
Other financial institutions	8,477,232	8,578,851	-	-
	<u>8,477,232</u>	<u>8,578,851</u>	<u>-</u>	<u>-</u>
<b>(ii) By type of contract:</b>				
Tawarruq	8,477,232	8,578,851	-	-
	<u>8,477,232</u>	<u>8,578,851</u>	<u>-</u>	<u>-</u>

**A15. Other payables**

	Group		Company	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
Al-Mudharabah security fund	122,088	123,401	-	-
Amount due to MBSB Bank Berhad	-	-	98,165	98,666
Sundry creditors	267,601	278,232	73,415	80,560
Other provisions and accruals	52,021	105,447	12,365	23,349
ECL for commitments and contingencies	130,207	100,412	6,244	6,469
Deferred income	44,816	43,275	27,540	30,625
	<u>616,733</u>	<u>650,767</u>	<u>217,729</u>	<u>239,669</u>

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**A15. Other payables (continued)**

ECL movement of commitments and contingencies are as follows:

31-Mar-19	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loss allowance as at 1 January 2019	53,130	36,829	10,453	100,412
Charge to profit or loss (Note A21)	6,437	22,178	1,180	29,795
Changes in ECL				
- Transfer to stage 1	1,278	(1,278)	-	-
- Transfer to stage 2	(22,341)	22,618	(277)	-
- Transfer to stage 3	(93)	(590)	683	-
New financing / disbursement during the year	16,396	388	1,471	18,255
Derecognised/converted to loans/financing during the period (other than write-offs)	(6,101)	(153)	(255)	(6,509)
Changes in credit risk parameters	17,298	1,193	(442)	18,049
ECL as at 31 March 2019	59,567	59,007	11,633	130,207

31-Mar-19	Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loss allowance as at 1 January 2019	413	198	5,858	6,469
Charge to profit or loss (Note A21)	(87)	124	(262)	(225)
Changes in ECL				
- Transfer to stage 1	2	(2)	-	-
- Transfer to stage 2	(110)	177	(67)	-
- Transfer to stage 3	(1)	(38)	39	-
Derecognised/converted to loans/financing during the period (other than write-offs)	(20)	(32)	(67)	(119)
Changes in credit risk parameters	42	19	(167)	(106)
ECL as at 31 March 2019	326	322	5,596	6,244

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**A15. Other payables (continued)**

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

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

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**A16. Income derived from investment of general investment deposits and Islamic capital funds**

	<b>Group</b>		<b>Company</b>	
	<b>1st Quarter Ended</b>		<b>1st Quarter Ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>	<b>31-Mar-19</b>	<b>31-Mar-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financing	564,336	557,298	-	512,760
Income from securities	57,905	5,630	-	-
Profit income from Sukuk Commodity Murabahah	-	-	-	27,348
Financial assets at FVOCI	5,829	33,043	-	33,043
Deposits with financial institutions	42,724	42,614	-	33,247
	<b>670,794</b>	<b>638,585</b>	<b>-</b>	<b>606,398</b>

**A17. Interest income**

	<b>Group</b>		<b>Company</b>	
	<b>1st Quarter Ended</b>		<b>1st Quarter Ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>	<b>31-Mar-19</b>	<b>31-Mar-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income from:				
- Loans, advances and financing	39,120	75,042	28,047	65,009
- Deposits and placements with banks and other financial institutions	2,070	14,292	2,070	14,292
	<b>41,190</b>	<b>89,334</b>	<b>30,117</b>	<b>79,301</b>

**A18. Interest expense**

	<b>Group and Company</b>	
	<b>1st Quarter Ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers	-	25,044
Others	5	190
	<b>5</b>	<b>25,234</b>

**A19. Net other income**

	<b>Group</b>		<b>Company</b>	
	<b>1st Quarter Ended</b>		<b>1st Quarter Ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>	<b>31-Mar-19</b>	<b>31-Mar-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Rental income	44	43	3,803	2
Revenue from hotel operations	1,204	1,516	-	-
Loan related fees	2,499	7,726	4,429	7,726
Insurance commission	2,011	1,636	47	1,636
Sundry income	36,260	2,833	11,365	1,851
Loss from disposal of: Property and equipment	-	(25)	-	(25)
	<b>42,018</b>	<b>13,729</b>	<b>19,644</b>	<b>11,190</b>

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**A20. Other operating expenses**

	<b>Group</b>		<b>Company</b>	
	<b>1st Quarter Ended</b>		<b>1st Quarter Ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>	<b>31-Mar-19</b>	<b>31-Mar-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses *	62,316	45,983	310	41,074
Establishment related expenses	12,671	4,786	608	3,167
Promotion and marketing related expenses	1,692	1,703	-	1,667
General administrative expenses	10,990	22,324	1,019	19,425
Intercompany charges	-	-	125	-
Commission fees	8,486	7,180	5,981	7,180
ECL of:				
Advances in respect of certain projects	-	10,886	-	-
Financing to subsidiaries	-	-	-	3,025
Amount due from subsidiaries	-	-	-	1,561
	<b>96,155</b>	<b>92,862</b>	<b>8,043</b>	<b>77,099</b>

Included in the other operating expenses:

	<b>Group</b>		<b>Company</b>	
	<b>1st Quarter Ended</b>		<b>1st Quarter Ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>	<b>31-Mar-19</b>	<b>31-Mar-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation of property and equipment	2,354	2,228	116	1,451
Amortisation of intangible assets	5,049	1,851	-	1,733

**\* Personnel expenses**

	<b>Group</b>		<b>Company</b>	
	<b>1st Quarter Ended</b>		<b>1st Quarter Ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>	<b>31-Mar-19</b>	<b>31-Mar-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Wages and salaries	48,224	35,541	-	31,495
Social security costs	374	302	-	279
Pension costs - Employees Provident Fund	8,004	5,617	-	5,228
Other staff related expenses	4,649	3,146	3	2,695
Directors fees	951	1,292	307	1,292
Shariah Committee remuneration	114	85	-	85
	<b>62,316</b>	<b>45,983</b>	<b>310</b>	<b>41,074</b>

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**A21. ECL charged/(written back)**

**31-Mar-19**

	<b>Group</b>			
	<b>1st Quarter Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial investments at amortised cost	2	-	-	2
Loans, financing and advances (Note A11(ix))	24,021	40,266	48,381	112,668
Other receivables	-	-	12,090	12,090
Financing commitments and financial guarantee (Note A15)	6,437	22,178	1,180	29,795
	<u>30,460</u>	<u>62,444</u>	<u>61,651</u>	<u>154,555</u>
Impaired financing and advances:				
- Write off	-	-	580	580
- Recovered	-	-	(2,114)	(2,114)
	<u>-</u>	<u>-</u>	<u>(1,534)</u>	<u>(1,534)</u>
	<u>30,460</u>	<u>62,444</u>	<u>60,117</u>	<u>153,021</u>

**31-Mar-19**

	<b>Company</b>			
	<b>1st Quarter Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans, financing and advances (Note A11(ix))	1,131	14,604	(3,826)	11,909
Amount due from subsidiaries	-	-	1,824	1,824
Financing commitments and financial guarantee (Note A15)	(87)	124	(262)	(225)
	<u>1,044</u>	<u>14,728</u>	<u>(2,264)</u>	<u>13,508</u>
Impaired financing and advances:				
- Write off	-	-	204	204
- Recovered	-	-	(249)	(249)
	<u>-</u>	<u>-</u>	<u>(45)</u>	<u>(45)</u>
	<u>1,044</u>	<u>14,728</u>	<u>(2,309)</u>	<u>13,463</u>

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**A21. ECL charged/(written back) (continued)**

**31-Mar-18**

	<b>Group</b>			
	<b>1st Quarter Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans, financing and advances	(19,648)	(149,423)	13,674	(155,397)
Financial investments held-for-sale	-	889	(325)	564
	<b>(19,648)</b>	<b>(148,534)</b>	<b>13,349</b>	<b>(154,833)</b>
Impaired financing and advances:				
- Write off	-	-	4,575	4,575
- Recovered	-	-	(4,137)	(4,137)
	-	-	438	438
	<b>(19,648)</b>	<b>(148,534)</b>	<b>13,787</b>	<b>(154,395)</b>

**31-Mar-18**

	<b>Company</b>			
	<b>1st Quarter Ended</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans, financing and advances	(14,356)	(148,355)	13,690	(149,021)
Financial assets held-for-sale	-	889	(325)	564
Other receivables	-	-	17,589	17,589
	<b>(14,356)</b>	<b>(147,466)</b>	<b>30,954</b>	<b>(130,868)</b>
Impaired financing and advances:				
- Write off	-	-	4,575	4,575
- Recovered	-	-	(4,137)	(4,137)
	-	-	438	438
	<b>(14,356)</b>	<b>(147,466)</b>	<b>31,392</b>	<b>(130,430)</b>



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**A22. Commitments and contingencies**

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

<b>Group</b>	<b>Gross Positive Fair Value -</b>		<b>Credit equivalent amount</b>	<b>Risk weighted amount</b>
	<b>Principal amount</b>	<b>Derivative Contract</b>		
<b>31-Mar-19</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	171,709	-	167,360	167,234
Trade-related contingencies	181,427	-	65,307	65,307
Short Term Self Liquidating trade related contingencies	27,765	-	5,553	5,553
Irrevocable commitments to extend credit:				
- one year or less	1,557,644	-	359,822	359,822
- over one year to five years	4,467,389	-	2,228,944	2,228,944
- over five years	220,812	-	110,407	110,407
Foreign exchange related contracts				
- one year or less	23,181	11	350	106
	<b>6,649,927</b>	<b>11</b>	<b>2,937,743</b>	<b>2,937,373</b>

<b>Company</b>	<b>Gross Positive Fair Value -</b>		<b>Credit equivalent amount</b>	<b>Risk weighted amount</b>
	<b>Principal amount</b>	<b>Derivative Contract</b>		
<b>31-Mar-19</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	4,130	-	1,505	1,505
Trade-related contingencies	2,939	-	1,469	1,469
Irrevocable commitments to extend credit:				
- over one year to five years	25,291	-	9,674	9,674
	<b>32,360</b>	<b>-</b>	<b>12,648</b>	<b>12,648</b>

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**A22. Commitments and contingencies (continued)**

<b>Group</b>	<b>Gross Positive</b>		<b>Credit</b>	<b>Risk</b>
	<b>Principal</b>	<b>Fair Value -</b>		
<b>31-Dec-18</b>	<b>amount</b>	<b>Derivative</b>	<b>amount</b>	<b>amount</b>
	<b>RM'000</b>	<b>Contract</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
Direct credit substitutes	195,617	-	192,992	192,866
Trade-related contingencies	257,427	-	92,396	92,396
Irrevocable commitments to extend credit:				
- one year or less	1,248,707	-	350,206	350,206
- over one year to five years	4,188,313	-	2,088,759	2,088,759
- over five years	220,816	-	110,408	110,408
Foreign exchange related contracts				
- one year or less	5,842	-	151	151
	<u>6,116,722</u>	<u>-</u>	<u>2,834,912</u>	<u>2,834,786</u>

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

**(i) Capital Commitments**

	<b>Group and Company</b>	
	<b>31-Mar-19</b>	<b>31-Dec-18</b>
	<b>RM'000</b>	<b>RM'000</b>
Property and equipment:		
- Approved and contracted for	42,099	60,203
	<u>42,099</u>	<u>60,203</u>

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**A23. Unsecured contingent liabilities**

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

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

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

The matter is fixed for further case management on 19 June 2019 to update court on the status of the land reference matter pending at the Johor Bahru High Court.

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

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

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

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

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

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

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**A24. Segmental information on revenue and results**

<b>Group</b>	<b>Banking RM'000</b>	<b>Hotel Operations RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>3 months ended 31 March 2019</b>				
External sales	782,833	1,204	-	784,037
Intersegment transactions	8,429	935	(9,364)	-
Total revenue	<u>791,262</u>	<u>2,139</u>	<u>(9,364)</u>	<u>784,037</u>
Segment results	98,952	(5,947)	22,853	<u>115,858</u>
Profit before taxation and zakat from operations				<u>115,858</u>
Segment assets	55,839,927	63,701	(8,474,414)	<u>47,429,214</u>
Consolidated total assets				<u>47,429,214</u>
Segment liabilities	43,791,931	215,157	(4,477,540)	<u>39,529,548</u>
Consolidated total liabilities				<u>39,529,548</u>
<b>3 months ended 31 March 2018</b>				
External sales	813,523	1,516	-	815,039
Intersegment transactions	7,679	969	(8,648)	-
Total revenue	<u>821,202</u>	<u>2,485</u>	<u>(8,648)</u>	<u>815,039</u>
Segment results	376,344	(5,393)	38,211	<u>409,162</u>
Profit before taxation and zakat from operations				<u>409,162</u>
Segment assets	53,343,365	65,767	(6,961,160)	<u>46,447,972</u>
Consolidated total assets				<u>46,447,972</u>
Segment liabilities	46,000,571	194,219	(7,276,578)	<u>38,918,212</u>
Consolidated total liabilities				<u>38,918,212</u>

**A25. Subsequent events**

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

**A26. Changes in the composition of the group**

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

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**A27. Acquisition/disposal of property and equipment**

	<b>Group As at 31-Mar-19 RM'000</b>
<b>Additions</b>	
Building in progress	18,104
Building renovation	108
Furniture & equipment	108
Data processing equipment	2,900
	<u>21,220</u>
<b>Disposals</b>	
Furniture & equipment	<u>(2,314)</u>
	<u>(2,314)</u>

**A28. Significant related party transactions**

	<b>Group</b>	
	<b>31-Mar-19 RM'000</b>	<b>31-Mar-18 RM'000</b>
(i) Transactions and balances with Employees Provident Fund ("EPF"), the ultimate holding body:		
<b>Expenses</b>		
Profit expense paid on Sukuk	13,923	14,002
Profit expense paid on Fixed deposit	16,924	537
Rental expense	72	72
	<u>30,919</u>	<u>14,551</u>
<b>Balances</b>		
Sukuk - MBSB SC Murabahah	1,121,478	1,114,828
Accrued profit on Sukuk	21,801	21,723
Fixed deposit by EPF	1,800,000	100,000
Accrued profit on fixed deposit	11,520	537
Rental deposit	97	97
	<u>2,955,896</u>	<u>2,337,185</u>
(ii) Transactions and balances with RHB Banking Group of companies, being companies directly controlled by EPF:		
<b>Income/(expense)</b>		
Profit from deposit placements	-	7,812
Profit to depositors	(288)	-
	<u>(288)</u>	<u>7,812</u>
<b>Balances</b>		
Cash and short-term funds	45,365	6,231
Deposits and placements with banks and other financial institutions	28,237	1,227,967
	<u>73,602</u>	<u>1,234,198</u>
(iii) Collectively, but not individually, significant transactions and balances with other related parties:		
<b>Income/(expense)</b>		
Profit from financing	5,069	1,056
Profit to depositors	(1,102)	18,711
	<u>3,967</u>	<u>19,767</u>
<b>Balances</b>		
Financing	303,693	206,813
Deposit from customers	131,838	1,062,579
	<u>435,531</u>	<u>1,269,392</u>

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**A29. Capital adequacy**

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

	Group		Bank Group		Bank	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
<b><u>Common Equity Tier 1 Capital</u></b>						
Ordinary share capital	6,682,102	6,682,102	4,625,859	4,625,859	4,625,859	4,625,859
Retained earnings	1,086,629	1,086,629	324,226	324,224	259,542	259,543
Other reserve	47,104	16,873	46,174	15,942	46,174	15,942
	<u>7,815,835</u>	<u>7,785,604</u>	<u>4,996,259</u>	<u>4,966,025</u>	<u>4,931,575</u>	<u>4,901,344</u>
Less : Common Equity Tier 1 regulatory adjustments						
Goodwill and bargain purchase gains	(188,790)	(188,790)	-	-	-	-
Cumulative gains of Investment securities at FVOCI	(25,810)	(8,134)	(25,810)	(8,152)	(25,810)	(8,152)
Regulatory reserve attributable to financing	-	-	(5,234)	(5,234)	(5,234)	(5,234)
Other intangibles	(108,742)	(104,723)	(108,715)	(104,692)	(108,715)	(104,692)
Total Common Equity Tier 1 Capital	<u>7,492,493</u>	<u>7,483,957</u>	<u>4,856,500</u>	<u>4,847,947</u>	<u>4,791,816</u>	<u>4,783,266</u>
<b><u>Tier 1 Capital</u></b>						
Additional Tier 1 capital instruments	-	-	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-	-	-
Total Tier 1 capital	<u>7,492,493</u>	<u>7,483,957</u>	<u>4,856,500</u>	<u>4,847,947</u>	<u>4,791,816</u>	<u>4,783,266</u>
<b><u>Tier II Capital</u></b>						
Collective impairment allowance and regulatory reserve ^	<u>491,107</u>	<u>478,878</u>	<u>456,916</u>	<u>445,089</u>	<u>491,892</u>	<u>480,046</u>
Total Tier II capital	<u>491,107</u>	<u>478,878</u>	<u>456,916</u>	<u>445,089</u>	<u>491,892</u>	<u>480,046</u>
Total capital base	<u>7,983,600</u>	<u>7,962,835</u>	<u>5,313,416</u>	<u>5,293,036</u>	<u>5,283,708</u>	<u>5,263,312</u>

^ Collective impairment allowance on non-credit impaired exposure and regulatory reserves is subject to a maximum of 1.25% of total credit RWA

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

	Group		Bank Group		Bank	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
<b><u>Total risk weighted assets ("RWA")</u></b>						
- Credit risk	39,288,538	38,310,259	36,553,293	35,607,133	39,351,355	38,403,661
- Market risk	5,582	2,136	5,582	2,136	5,582	2,136
- Operational risk	2,407,148	2,268,538	898,226	619,526	837,057	573,889
Total RWA	<u>41,701,268</u>	<u>40,580,933</u>	<u>37,457,101</u>	<u>36,228,795</u>	<u>40,193,994</u>	<u>38,979,686</u>
<b><u>Capital ratios</u></b>						
Common equity tier 1 capital	17.967%	18.442%	12.965%	13.381%	11.922%	12.271%
Tier 1 capital	17.967%	18.442%	12.965%	13.381%	11.922%	12.271%
Total capital ratio	<u>19.145%</u>	<u>19.622%</u>	<u>14.185%</u>	<u>14.610%</u>	<u>13.146%</u>	<u>13.503%</u>

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**PERFORMANCE REVIEW FOR THE 1ST QUARTER ENDED 31 MARCH 2019**

**B1. Performance review of the Group**

**Variation of results against preceding year corresponding quarter**

	<b>Current Year Quarter 31-Mar-19 RM'000</b>	<b>Preceding Year Corresponding Quarter 31-Mar-18 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Personal financing	20,482,668	21,328,660	(845,992)	-4.0%
Corporate loans and financing	9,185,325	8,302,565	882,760	10.6%
Property financing and mortgage loans	5,554,515	5,299,439	255,076	4.8%
Auto financing	220,271	271,420	(51,149)	-18.8%
<b>Total gross loans, financing and advances</b>	<b>35,442,779</b>	<b>35,202,084</b>	<b>240,695</b>	<b>0.7%</b>

**Variation of results against preceding quarter**

	<b>Current Year Quarter 31-Mar-19 RM'000</b>	<b>Preceding Quarter 31-Dec-18 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Personal financing	20,482,668	20,579,030	(96,362)	-0.5%
Corporate loans and financing	9,185,325	8,931,113	254,212	2.8%
Property financing and mortgage loans	5,554,515	5,428,579	125,936	2.3%
Auto financing	220,271	233,882	(13,611)	-5.8%
<b>Total gross loans, financing and advances</b>	<b>35,442,779</b>	<b>35,172,604</b>	<b>270,175</b>	<b>0.8%</b>

The Group gross loans, financing and advances for the 1st quarter 2019 ("1Q19") increased by 0.7% as compared to 1st quarter 2018 ("1Q18") mainly due to growth in Corporate Financing. However, this growth is compensated by decline in Personal Financing portfolio.

Gross loans and financing for 1Q19 increased by 0.8% as compared to 4Q18 mainly due to bigger asset base for Corporate and Property/Mortgage Financing portfolio.

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

- (i) Personal financing – The gross balance of the portfolio in the current quarter was lower due to lower disbursements and decreasing portfolio base. This portfolio remains the biggest in the Group.
- (ii) Corporate loans and financing – The portfolio continues to grow with disbursement of RM1,034 mil in 1Q19, representing 56% of total disbursement for the Group during the quarter.
- (iii) Property financing and mortgage loans – The gross amount for property financing was higher in the current period while gross amount of mortgage loans decreased following conversion of conventional mortgage to Islamic property financing. In aggregate, the asset base has grown over the year.
- (iv) Auto financing – The gross income from auto financing was lower as the Group focuses to grow asset base of other portfolios.

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

**Variation of results against preceding year corresponding quarter**

	<b>Current Year Quarter 31-Mar-19 RM'000</b>	<b>Preceding Year Corresponding Quarter 31-Mar-18 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	784,037	815,039	(31,002)	-3.8%
Other operating expenses	(96,155)	(92,862)	(3,293)	3.5%
Operating profit	268,879	254,767	14,112	5.5%
ECL	<u>(153,021)</u>	<u>154,395</u>	(307,416)	> -100%
Profit before tax	<u>115,858</u>	<u>409,162</u>	(293,304)	-71.7%
Profit after tax	<u>83,830</u>	<u>316,793</u>	(232,963)	-73.5%
Profit attributable to ordinary equity holders of the Parent	<u>83,830</u>	<u>316,793</u>	(232,963)	-73.5%
Cost to income ratio	26.3%	26.7%		

**Variation of results against preceding quarter**

	<b>Current Year Quarter 31-Mar-19 RM'000</b>	<b>Preceding Quarter 31-Dec-18 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	784,037	750,352	33,685	4.5%
Other operating expenses	(96,155)	(82,700)	(13,455)	16.3%
Operating profit	268,879	245,805	23,074	9.4%
ECL	<u>(153,021)</u>	<u>(87,190)</u>	(65,831)	75.5%
Profit before tax	<u>115,858</u>	<u>158,615</u>	(42,757)	-27.0%
Profit after tax	<u>83,830</u>	<u>117,955</u>	(34,125)	-28.9%
Profit attributable to ordinary equity holders of the Parent	<u>83,830</u>	<u>117,955</u>	(34,125)	-28.9%
Cost to income ratio	26.3%	25.2%		

The Group profit before tax for 1Q19 decreased by 71.7% and 27.0% compared to 1Q18 and 4Q18 respectively. The decrease was mainly due to higher ECL in the current quarter.

Comparing ECL of 1Q19 and 4Q18, the increase in ECL was mainly due to:

- (i) unfavourable forecast of forward looking macroeconomic factor applied to household sector portfolio which increased lifetime ECL for stage 2 impairment.
- (ii) higher non-performing financing from household sector portfolio which increased ECL for stage 3 impairment.
- (iii) higher ECL charge for Corporate customers in stage 1 and stage 2.

Comparing ECL of 1Q19 and 1Q18, the increase in ECL was due to 1Q18 recorded writeback as a result of staging improvement from stage 2 to stage 1.

The Group cost to income ratio for 1Q19 of 26.3% slightly improved compared to 26.7% (1Q18) and slightly regressed compared to 25.2% (4Q18). Nevertheless, the ratio remains well below the industry's average of 48.6%.



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

**Contribution of major subsidiary of the Group**

	<b>Group Current Year Quarter 31-Mar-19 RM'000</b>	<b>MBSB Bank Current Year Quarter 31-Mar-19 RM'000</b>	<b>Contribution</b>	<b>Group Current Year to - Date 31-Mar-19 RM'000</b>	<b>MBSB Bank Preceding Year Corresponding Period 31-Mar-18 RM'000</b>	<b>Contribution</b>
Total assets	47,429,214	46,860,762	98.8%	47,429,214	2,498,405	5.3%
Total equity	7,899,666	4,979,224	63.0%	7,899,666	479,090	6.1%
Profit before tax	115,858	67,236	58.0%	28,250	7,885	27.9%
Profit after tax	83,830	47,648	56.8%	17,716	5,993	33.8%
Dividends	-	-	N/A	-	-	N/A
Gross return on equity	5.91%	5.44%		1.44%	6.48%	
Gross return on assets	1.00%	0.59%		0.24%	1.29%	

MBSB Bank Berhad ("MBSB Bank") is the biggest subsidiary in the Group. Total assets of MBSB Bank of RM 46.86 bil account for 98.8% of total assets of the Group while the equity accounts for 63.0% of total equity of the Group.

**B2. Prospects**

**Brief overview and outlook of the Malaysian economy**

The Malaysian economy grew by 4.7% in the fourth quarter of 2018 (3Q 2018: 4.4%), supported by continued expansion in domestic demand and a positive growth in net exports. Private sector expenditure remained the main driver of domestic demand, while a rebound in real exports of goods and services (+1.3%; 3Q 2018: -0.8%) contributed towards the positive growth of net exports. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4% (3Q 2018: 1.6%). For 2018 as a whole, the economy expanded by 4.7% (2017: 5.9%).

Domestic demand expanded at a more moderate pace of 5.6% (3Q 2018: 6.9%) during the quarter. Growth was weighed down by a moderation in gross fixed capital formation.

Private consumption growth remained robust at 8.5% (3Q 2018: 9.0%), despite the frontloading of purchases during the tax holiday period in the previous quarter. Income and employment growth continued to drive household spending. Government measures to alleviate cost of living, such as special payments to civil servants and pensioners, also provided some support to consumer spending.

Private investment growth moderated to 4.4% (3Q 2018: 6.9%), attributed to slower capital spending across major economic sectors. However, ongoing multi-year projects particularly in the manufacturing sector continued to provide support to overall growth.

Public consumption expanded at a slower pace of 4.0% (3Q 2018: 5.2%), attributable to a more moderate growth in supplies and services. Public investment remained in contraction during the quarter (-4.9%; 3Q 2018: -5.5%), due mainly to a decline in capital spending by public corporations.

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**B2. Prospects (continued)**

**Brief overview and outlook of the Malaysian economy (continued)**

Gross fixed capital formation (GFCF) expanded marginally by 0.3% (3Q 2018: 3.2%), as private sector capital expenditure moderated amid a contraction in public sector investment. By type of assets, capital spending on structures expanded by 0.8% (3Q 2018: 1.8%), while investment in machinery and equipment declined (-1.5%; 3Q 2018: 5.9%).

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

**Overnight Policy Rate ("OPR") reduction to 3.00 percent**

On 7 May 2019, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to reduce the Overnight Policy Rate (OPR) to 3.00 percent. The ceiling and floor rates of the corridor for the OPR are correspondingly reduced to 3.25 percent and 2.75 percent respectively.

The global economy continues to expand moderately. While growth outcomes for several major economies were better than expected during the first quarter, underlying economic conditions continue to suggest moderation going forward. Considerable downside risks to global growth remain, stemming from unresolved trade tensions and prolonged country-specific weaknesses in the major economies, further dampening global trade and investment activities. Although the tightening in global financial conditions has eased somewhat, heightened policy uncertainties could lead to sharp financial market adjustments, further weighing on the overall outlook.

For Malaysia, latest developments point towards moderate economic activity in the first quarter of 2019. Looking ahead, slowing global demand conditions and subdued growth of key trading partners will continue to weigh on the external sector. Domestically, stable labour market conditions and capacity expansion in key sectors will continue to drive household and capital spending. The baseline projection is for the Malaysian economy to grow within the projected range of 4.3% - 4.8%. However, there are downside risks to growth from heightened uncertainties in the global and domestic environment, trade tensions and extended weakness in commodity-related sectors.

Headline inflation increased to 0.2% in March 2019 (February: -0.4%), due mainly to the less negative transport inflation at -3.0% (February: -6.8%). Underlying inflation, as measured by core inflation, remained stable at 1.6% in March 2019. In the immediate term, inflation is expected to remain low mainly due to policy measures. These include the price ceiling on domestic retail fuel prices until mid-2019 and the impact of the changes in consumption tax policy on headline inflation. For 2019 as a whole, average headline inflation is expected to be broadly stable compared to 2018. The trajectory of headline inflation will continue to be dependent on global oil prices. Underlying inflation is expected to remain stable, supported by the continued expansion in economic activity and in the absence of strong demand pressures.

The domestic financial markets have remained resilient, despite periods of volatility primarily due to global developments. While domestic monetary and financial conditions remain supportive of economic growth, there are some signs of tightening of financial conditions. The adjustment to the OPR is therefore intended to preserve the degree of monetary accommodativeness. This is consistent with the monetary policy stance of supporting a steady growth path amid price stability. The MPC will continue to monitor and assess the balance of risks surrounding the outlook for domestic growth and inflation.

*(Source: Extracted from the latest BNM 'Monetary Policy Statement' press release, 7 May 2019)*

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**B2. Prospects (continued)**

**Monetary and financial developments**

Ringgit currency

The ringgit appreciated marginally against the US dollar during the fourth quarter of 2018, despite cautious investor sentiments in global financial markets and non-resident portfolio outflows from the domestic bond and equity markets. These outflows were driven mainly by expectations for a faster pace of US monetary policy normalisation, prior to the US Federal Reserve's (Fed) downward revision of its policy rate projection for 2019 in December 2018. In addition, uncertainties surrounding the moderating momentum of global growth and global trade also led to the unwinding of non-resident investments from regional financial markets, including Malaysia. However, these outflows were offset by resident inflows, mainly from goods and services, leading to the marginal appreciation of the ringgit. Going forward, lingering uncertainties on global trade and the trajectory of monetary policy normalisation in the US will continue to influence the performance of regional currencies, including the ringgit.

Domestic bond

Domestic bond yields increased only marginally during the quarter despite non-resident outflows due to continued support from domestic institutional investors. Non-resident outflows from the MGS market were driven mainly by expectations for a faster pace of US monetary policy normalisation. This led to international investors rebalancing their portfolio investments in EMEs towards US financial assets. During the period, the 3-year, 5-year and 10-year MGS yields increased by 2.8, 1.9 and 0.9 basis points, respectively.

Liquidity condition

In the banking system, liquidity conditions remained sufficient at both the institutional and system-wide levels. The level of surplus liquidity placed with the Bank remained relatively stable during the quarter, reflecting a moderation of net outflows. At the institutional level, most banks continued to maintain surplus liquidity positions.

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

**Development of the Islamic finance industry**

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

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

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

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

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**B2. Prospects (continued)**

**The Group's prospects**

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

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

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

**B3. Variance from profit forecast**

No significant variation.

**B4. Taxation**

	<b>Group</b>		<b>Company</b>	
	<b>1st Quarter Ended</b>		<b>1st Quarter Ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>	<b>31-Mar-19</b>	<b>31-Mar-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax:				
Current income tax	26,174	84,718	10,090	81,233
	<u>26,174</u>	<u>84,718</u>	<u>10,090</u>	<u>81,233</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	854	7,651	444	7,669
	<u>854</u>	<u>7,651</u>	<u>444</u>	<u>7,669</u>
Total income tax expense	<u>27,028</u>	<u>92,369</u>	<u>10,534</u>	<u>88,902</u>

**B5. Status of corporate proposals**

There are no pending corporate proposals.

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**B6. Borrowings and debts**

Borrowings of the Group were as follows:

	<b>Current Year Quarter 31 March 2019</b>		
	<b>Long term</b>	<b>Short term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>borrowings</b>
			<b>RM'000</b>
<b>Secured</b>			
Recourse obligation on financing sold	<u>1,578,949</u>	<u>533,854</u>	<u>2,112,803</u>
	<b>Preceding Year Corresponding Quarter</b>		
	<b>Long term</b>	<b>Short term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>borrowings</b>
			<b>RM'000</b>
<b>Secured</b>			
Recourse obligation on financing sold	<u>1,541,665</u>	<u>593,853</u>	<u>2,135,518</u>

**B7. Off balance sheet financial instruments**

The details of the off balance sheet financial instruments are as per note A22.

**B8. Material litigation**

The details of the pending material litigation are as per note A23.

**B9. Earnings per share**

**Basic**

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

	<b>Group</b>		<b>Company</b>	
	<b>1st Quarter Ended</b>		<b>1st Quarter Ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>	<b>31-Mar-19</b>	<b>31-Mar-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to shareholders for the period (RM'000)	83,830	316,793	17,716	279,094
Weighted average number of ordinary shares in issue ('000)	6,389,101	5,957,170	6,389,101	5,957,170
Basic earnings per share (sen)	<u>1.31</u>	<u>5.32</u>	<u>0.28</u>	<u>4.69</u>

**MALAYSIA BUILDING SOCIETY BERHAD (9417-k)**  
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**B9. Earning Per Share (continued)**

**Diluted**

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

	<b>Group</b>		<b>Company</b>	
	<b>1st Quarter Ended</b>		<b>1st Quarter Ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>	<b>31-Mar-19</b>	<b>31-Mar-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to shareholders for the period (RM'000)	83,830	316,793	17,716	279,094
Weighted average number of ordinary shares in issue ('000)	6,389,101	5,957,170	6,389,101	5,957,170
Adjusted for assumed conversion of ESOS ('000)	-	320	-	320
Adjusted weighted average number of ordinary shares in issue ('000)	<u>6,389,101</u>	<u>5,957,490</u>	<u>6,389,101</u>	<u>5,957,490</u>
Basic earnings per share (sen)	<u>1.31</u>	<u>5.32</u>	<u>0.28</u>	<u>4.69</u>

**B10. Authorisation for issue**

The unaudited interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15 May 2019.

BY ORDER OF THE BOARD

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