

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	Group		Company	
		31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
Assets					
Cash and short-term funds		7,353,881	7,787,132	6,611,272	7,768,634
Deposits and placements with financial institutions		882,668	747,403	54,813	51,368
Statutory deposits with Bank Negara Malaysia		18,924	-	-	-
Trade receivables		334	295	-	-
Other receivables		158,150	218,413	173,559	234,815
Derivative assets		152	-	-	-
Inventories		103,226	103,242	900	900
Loans, advances and financing	A8	32,934,299	32,006,244	32,023,158	32,006,244
Financial assets held- for-sale	A9	45,258	38,409	45,258	38,409
Financial investment available-for-sale	A10	-	3,171,913	-	3,171,913
Investment securities at FVOCI	A11	3,437,062	-	3,210,031	-
Investment securities at amortised cost	A12	601,009	-	-	-
Sukuk Commodity Murabahah		-	-	3,273,199	3,245,851
Investments in subsidiaries		-	-	670,391	7,397
Financing to subsidiaries		-	-	311,387	305,140
Property, plant and equipment		190,427	168,504	34,179	34,096
Land use rights		5,382	5,423	-	-
Investment properties		820	-	-	-
Tax recoverable		478,414	517,177	472,777	517,177
Intangible assets		214,665	14,633	24,366	14,588
Deferred tax assets		23,301	31,359	13,520	21,187
Total assets		46,447,972	44,810,147	46,918,810	47,417,719
Liabilities					
Deposits from customers	A13	33,256,974	32,755,137	31,987,759	32,755,137
Deposits and placements of banks and other financial institutions	A14	730,444	-	-	-
Trade payables		184	210	-	-
Other liabilities		414,817	377,327	3,215,627	3,278,537
Recourse obligation on loan/financing sold		2,175,008	2,238,167	2,175,008	2,238,167
Sukuk-MBSB Stuctured Covered ("SC") Murabahah		2,316,020	2,287,877	2,316,020	2,287,877
Provision for taxation and zakat		15,644	16,410	12,612	13,374
Deferred tax liabilities		9,121	10,156	-	-
Total liabilities		38,918,212	37,685,284	39,707,026	40,573,092
Equity					
Ordinary share capital		6,438,150	6,172,051	6,438,150	6,172,051
Reserves		(4,294)	(395)	(4,335)	(395)
Retained earnings		1,095,904	953,207	777,969	672,971
Total equity		7,529,760	7,124,863	7,211,784	6,844,627
Total Liabilities and Equity		46,447,972	44,810,147	46,918,810	47,417,719
Commitments and contingencies	A21	7,039,582	6,894,090	6,404,752	6,894,090
Net assets per share attributable to ordinary equity of the Company (RM)		1.17	1.15	1.12	1.11

The interim financial statements should be read in conjunction with the audited financial statements of the Group and Company 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 FIRST QUARTER ENDED 31 MARCH 2018

	Note	Group		Company	
		1st Quarter Ended	1st Quarter Ended	1st Quarter Ended	1st Quarter Ended
		31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
Revenue		815,039	811,204	743,740	747,552
Income derived from investment of general investment deposits and Islamic capital funds	A15	685,890	644,288	653,703	621,723
Income attributable to depositors		(316,593)	(240,475)	(304,798)	(240,475)
Income attributable to securitisation		(24,844)	(26,376)	(24,844)	(26,376)
Income attributable to sukuk		(74,653)	(85,383)	(74,653)	(85,383)
Net income from Islamic financing operations		269,800	292,054	249,408	269,489
Interest income	A16	89,334	127,838	79,301	118,986
Interest expense	A17	(25,234)	(61,332)	(25,234)	(61,332)
Net interest income		64,100	66,506	54,067	57,654
Operating income		333,900	358,560	303,475	327,143
Net other income	A18	13,729	8,501	11,190	7,058
Net income		347,629	367,061	314,665	334,201
Other operating expenses	A19	(92,862)	(72,369)	(77,099)	(68,369)
Operating profit		254,767	294,692	237,566	265,832
Credit impairment losses	A20	154,395	(167,921)	130,430	(175,099)
Profit before taxation and zakat		409,162	126,771	367,996	90,733
Taxation		(92,369)	(25,576)	(88,902)	(24,112)
Zakat		-	129	-	129
Profit for the financial period		316,793	101,324	279,094	66,750
Profit attributable to:					
Owners of the Company		316,793	101,324	279,094	66,750
Non-controlling interests		-	-	-	-
Earnings per share (sen)					
Basic		5.33	1.75	4.70	1.15
Diluted		5.33	1.75	4.70	1.15
Profit for the financial period		316,793	101,324	279,094	66,750
Other comprehensive income/(loss) :					
Other comprehensive income - FVOCI revaluation reserve, which may be reclassified subsequently to profit or loss		(3,899)	9,060	(3,940)	9,060
Other comprehensive income/(loss) for the financial period		(3,899)	9,060	(3,940)	9,060
Total comprehensive income for the financial period		312,894	110,384	275,154	75,810
Total comprehensive income attributable to:					
Owners of the Company		312,894	110,384	275,154	75,810
Non-controlling interests		-	-	-	-
		312,894	110,384	275,154	75,810

The interim financial statements should be read in conjunction with the audited financial statements of the Group and Company 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 FIRST QUARTER ENDED 31 MARCH 2018

Group	Share Capital RM'000	Share Premium ^{#1} RM'000	Capital Reserve ^{#2} RM'000	Warrants Reserve RM'000	Capital Redemption Reserve ^{#3} Redeemable Cumulative Preference Shares RM'000	← Other Reserves →			Retained profits RM'000	Total RM'000
						Share Option Reserve RM'000	Available- for-sale Reserves/ FVOCI RM'000	Total 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	-	-	-	-	-	-	-	-	(174,096)	(174,096)
	6,172,051	-	-	-	-	6,261	(6,656)	(395)	779,111	6,950,767
Profit for the financial period	-	-	-	-	-	-	-	-	316,793	316,793
Other comprehensive income for the financial period	-	-	-	-	-	-	(3,899)	(3,899)	-	(3,899)
Total comprehensive income for the financial period	-	-	-	-	-	-	(3,899)	(3,899)	316,793	312,894
Dividends	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to exercise of DRP	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to exercise of warrants	-	-	-	-	-	-	-	-	-	-
Issuance of shares for acquisition of a subsidiary	266,099	-	-	-	-	-	-	-	-	266,099
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2018	6,438,150	-	-	-	-	6,261	(10,555)	(4,294)	1,095,904	7,529,760
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	-	-	-	-	-	-	-	-	101,324	101,324
Other comprehensive income for the financial period	-	-	-	-	-	-	9,060	9,060	-	9,060
Total comprehensive income for the financial period	-	-	-	-	-	-	9,060	9,060	101,324	110,384
Dividends	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to exercise of DRP	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to exercise of ESOS	-	-	-	-	-	-	-	-	-	-
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	-	-	(180)	-	(180)	180	-
Balance as at 31 March 2017	5,798,774	198,449	17,838	3,633	12,486	6,630	(10,750)	(4,120)	807,372	6,834,432

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.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2018 (CONTINUED)

Company	Note	← Other Reserves →							Retained profits	Total	
		Share Capital	Share Premium ^{#1}	Capital Reserve ^{#2}	Warrants Reserve	Capital Redemption Reserve ^{#3}	Share Option Reserve	Available-for-sale Reserves/ FVOCI			
		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		-	-	-	-	-	-	-	-	(174,096)	(174,096)
		6,172,051	-	-	-	-	6,261	(6,656)	(395)	498,875	6,670,531
Profit for the financial period		-	-	-	-	-	-	-	-	279,094	279,094
Other comprehensive income for the financial period		-	-	-	-	-	-	(3,940)	(3,940)	-	(3,940)
Total comprehensive income for the financial period		-	-	-	-	-	-	(3,940)	(3,940)	279,094	275,154
Dividends		-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to exercise of DRP		-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to exercise of warrants		-	-	-	-	-	-	-	-	-	-
Issuance of shares for acquisition of a subsidiary		266,099	-	-	-	-	-	-	-	-	266,099
Transfer of share option reserve to retained profits upon expiry of share options		-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2018		6,438,150	-	-	-	-	6,261	(10,596)	(4,335)	777,969	7,211,784
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		-	-	-	-	-	-	-	-	66,750	66,750
Other comprehensive income for the financial period		-	-	-	-	-	-	9,060	9,060	-	9,060
Total comprehensive income for the financial period		-	-	-	-	-	-	9,060	9,060	66,750	75,810
Dividends		-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to exercise of DRP		-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to exercise of ESOS		-	-	-	-	-	-	-	-	-	-
Transfer of share option reserve to retained profits upon expiry of share options		-	-	-	-	-	(180)	-	(180)	180	-
Balance as at 31 March 2017		5,798,774	198,449	17,838	3,633	12,486	6,630	(10,750)	(4,120)	605,420	6,632,480

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.

The interim financial statements should be read in conjunction with the Audited Financial Statements of the Group and Company 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 FIRST QUARTER ENDED 31 MARCH 2018

	Group		Company	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
Cash flows from operating activities				
Profit before taxation	409,162	550,732	367,996	431,925
Adjustments for:				
Depreciation of property, plant and equipment	2,228	11,008	1,451	8,225
Amortisation:				
land use rights	5	161	-	-
intangible assets	1,846	10,841	1,733	10,823
Loss on disposal of property, plant and equipment	25	9	25	9
Gain on disposal of foreclosed properties	-	(2,095)	-	(2,095)
Loss on liquidation of subsidiaries	-	-	-	15,018
Loss on sale of financial investments	20	-	-	-
Allowance for impairment of:				
- investments in subsidiaries	-	-	-	2
- financing to subsidiaries	-	-	4,587	34,420
- foreclosed properties	-	652	-	652
- amount due from subsidiaries	-	-	1,561	4,686
- trade receivables	-	8	-	-
- unsecured advances in respect of certain projects	10,886	41,945	-	-
Credit impairment losses	(154,395)	598,611	(130,430)	606,382
Accruals during the year	(44,348)	22,485	(44,295)	22,420
Interest/profit income adjustment on:				
- loans, advance and financing	(19,088)	(24,215)	(19,088)	(24,215)
- investment securities at FVOCI	9,140	(7,880)	10,730	(7,880)
- investment securities at amortised cost	(6,210)	-	-	-
- Sukuk - MBSB SC Murabahah	(27,789)	(4)	(27,789)	(4)
- Sukuk Commodity Murabahah	-	-	(27,348)	(121,612)
Net accretion of discount less amortisation of premium	10	-	-	-
Operating profit before working capital changes	181,492	1,202,258	139,133	978,756
Working capital changes:				
Decrease/(increase) in deposits with financial institutions with maturity of more than one month	(135,265)	328,675	(3,445)	410,838
Increase in statutory deposits with BNM	(18,924)	-	-	-
(Increase)/decrease in loans, advances and financing	(907,200)	(387,162)	(41,491)	(387,746)
Increase in securities at amortised cost	(594,799)	-	-	-
Increase in financial asset held-for-sale	(6,849)	(38,409)	(6,849)	(38,408)
(Increase)/decrease in inventories	16	(41)	-	-
Decrease/(increase) in trade receivables	(39)	239	-	-
(Increase)/decrease in other receivables	(58,871)	(111,575)	59,694	(83,400)
Decrease in other derivative	(152)	-	-	-
Increase/(decrease) in deposits from customers	501,837	2,143,813	(767,378)	2,143,813
Increase in deposits and placements from other banks	730,444	-	-	-
Increase/(decrease) in trade payables	(26)	23	-	-
Increase/(decrease) in other payables	81,325	50,856	(18,614)	(269,224)
Increase in financing to subsidiaries	-	-	(10,834)	(59,057)
Cash generated from operations	(227,011)	3,188,677	(649,784)	2,695,572
Tax paid	(38,540)	(92,291)	(36,833)	(86,333)
Zakat paid	(764)	(3,275)	(764)	(3,275)
Net cash generated from operating activities	(266,315)	3,093,111	(687,381)	2,605,964

The interim financial statements should be read in conjunction with the audited financial statements of the Group and MBSB Bank for the financial year ended 31 December 2017.

MALAYSIA BUILDING SOCIETY BERHAD
(Company No. 9417-K)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Group		Company	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(36,143)	(37,832)	(1,561)	(3,723)
Purchase of intangible assets	(34,788)	(10,059)	(11,511)	(10,042)
Net cash inflow on acquisition of a subsidiary	181,077	-	(396,894)	-
Proceeds from disposal of foreclosed properties	-	3,315	-	3,315
Proceeds from disposal of property, plant and equipment	1	24	-	24
Purchase of financial investments available- for- sale	(278,188)	(786,128)	(52,788)	(786,129)
Proceeds of sale financial instruments	8,332	-	-	-
Proceeds from maturity of Sukuk Commodity Murabahah	-	-	-	452,903
Net cash used in investing activities	<u>(159,709)</u>	<u>(830,680)</u>	<u>(462,754)</u>	<u>(343,652)</u>
Cash flows from financing activities				
Repayment of bank borrowings	-	(575,275)	-	(575,275)
Repayment from recourse obligation on loans/financing sold	(63,159)	(182,008)	(63,159)	(182,008)
Repayment of Sukuk - MBSB SC Murabahah	55,932	(327,926)	55,932	(327,926)
Dividends paid on ordinary shares	-	(173,963)	-	(173,963)
Net proceeds from issuance of ordinary shares	-	144,504	-	144,504
Net cash used in financing activities	<u>(7,227)</u>	<u>(1,114,668)</u>	<u>(7,227)</u>	<u>(1,114,668)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(433,251)</u>	<u>1,147,763</u>	<u>(1,157,362)</u>	<u>1,147,644</u>
Cash and cash equivalents at beginning of year	<u>7,787,132</u>	<u>6,639,369</u>	<u>7,768,634</u>	<u>6,620,990</u>
Cash and cash equivalents at end of year	<u>7,353,881</u>	<u>7,787,132</u>	<u>6,611,272</u>	<u>7,768,634</u>
Cash and cash equivalents is represented by:				
Cash and short-term funds	<u>7,353,881</u>	<u>7,787,132</u>	<u>6,611,272</u>	<u>7,768,634</u>

The interim financial statements should be read in conjunction with the audited financial statements of the Group and MBSB Bank 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 31 MARCH 2018
- PART A - EXPLANATORY NOTES PURSUANT TO MFRS134

A1. Basis of preparation

The unaudited condensed interim financial statements for the financial quarter ended 31 March 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”) and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 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 incorporated those activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah. The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 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)

Effective for annual periods commencing on or after 1 January 2019 (Early adoption)

- Amendments to MFRS 11 (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- MFRS 16 Leases
- Amendments to MFRS 112 (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119 (Plan Amendment, Curtailment or Settlement)
- Amendments to MFRS 123 (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Long-term Interest in Associates and Joint Ventures (Amendments to MFRS 128)

Effective for annual periods commencing on or after 1 January 2021

- MFRS 17 Insurance Contracts

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

A1. Basis of preparation (continued)

Impact of application of MFRS 9 Financial Instruments

The Company 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)
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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	(170,307)*	31,835,937
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	(170,307)*	31,835,937
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

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

Impact of application of MFRS 9 Financial Instruments (continued)

GROUP Islamic

	<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	6,732,883	-	6,732,883
Deposits and placements with financial institutions	Loans and receivables	Financial assets at amortised cost	747,100	-	747,100
Trade receivables	Loans and receivables	Financial assets at amortised cost	-	-	-
Other receivables	Loans and receivables	Financial assets at amortised cost	1,958,135	-	1,958,135
Loans, advances and financing	Loans and receivables	Financial assets at amortised cost	28,553,830	(263,803)	28,290,027
Financial assets held-for-sale	Loans and receivables	Financial assets at amortised cost	8,734	(2,454)	6,280
Financial investments available-for-sale	Available-for-sale investments	Financial assets at FVOCI	3,171,913	-	3,171,913

* Note:

	Group		
	Islamic RM'000	Conventional RM'000	Total Day-1 RM'000
Loans, advances and financing	263,803	(93,496)	170,307
Financial assets held-for-sale	2,454	1,335	3,789
	<u>266,257</u>	<u>(92,161)</u>	<u>174,096</u>

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

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

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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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 Group's operations have not been affected by any seasonal or cyclical factors.

A4. Exceptional or Unusual Items

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

A5. Changes in Estimates of Amounts Reported Previously

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

A6. Debts and Equity Securities

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

	No of ordinary shares '000	Share capital RM'000
At 1 January 2018	5,924,425	6,172,051
Issued pursuant to exercise of Dividend Re-Investment Plan ("DRP")		
Issued pursuant to exercise of Employees Share Option Scheme ("ESOS")	-	-
Issued pursuant to the acquisition of the entire equity interest in MBSB Bank Berhad ("MBSB Bank"), formerly known as Asian Finance Bank Berhad	-	266,099
At 31 March 2018	<u>5,924,425</u>	<u>6,438,150</u>

A7. Dividend Paid

No dividends were paid during the current financial quarter.

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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A8. Loans, Advances and Financing

	Group		Company	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
(i) By type				
At amortised cost				
End finance:				
Normal housing programme	1,820,306	3,197,981	1,820,306	3,197,981
Low cost housing programme	16,613	16,580	16,613	16,580
Islamic:	-			
Property	3,845,061	2,407,876	3,824,778	2,407,876
Personal	22,429,328	22,505,977	22,429,328	22,505,977
Auto finance	269,205	281,574	269,205	281,574
Bridging, structured and term loans and financing	8,303,173	7,260,549	7,351,606	7,260,549
Staff financing	42,643	43,685	42,365	43,685
Reclassification to assets held-for-sale (Note A9)	<u>(1,524,245)</u>	<u>(1,513,043)</u>	<u>(1,524,245)</u>	<u>(1,513,043)</u>
Gross loans, advances and financing	<u>35,202,084</u>	<u>34,201,179</u>	<u>34,229,956</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)
Less: Loss allowance				
- Stage 1	(556,028)	-	(546,369)	-
- Stage 2	(608,762)	-	(603,132)	-
- Stage 3	<u>(1,102,995)</u>	<u>-</u>	<u>(1,057,297)</u>	<u>-</u>
Net loans, advances and financing	<u><u>32,934,299</u></u>	<u><u>32,006,244</u></u>	<u><u>32,023,158</u></u>	<u><u>32,006,244</u></u>
(ii) By maturity structure				
	Group		Company	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	2,215,195	1,028,128	1,614,336	1,028,128
More than one year to three years	1,388,252	1,655,580	1,262,502	1,655,580
More than three years to five years	2,046,470	2,123,963	1,966,852	2,123,963
More than five years	29,552,167	29,393,508	29,386,266	29,393,508
	<u>35,202,084</u>	<u>34,201,179</u>	<u>34,229,956</u>	<u>34,201,179</u>
(iii) By economic purpose				
	Group		Company	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Personal Use	21,328,664	21,417,605	21,328,644	21,417,605
Working Capital	3,317,961	2,563,760	2,542,041	2,563,760
Property development	4,215,576	4,031,832	4,215,576	4,031,832
Purchase of landed property:				
- Residential	4,986,981	4,937,712	4,968,035	4,937,712
- Non-Residential	413,144	301,205	310,346	301,205
Purchase of transport vehicles	271,421	284,109	271,324	284,109
Others	668,336	664,956	593,990	664,956
	<u>35,202,084</u>	<u>34,201,179</u>	<u>34,229,956</u>	<u>34,201,179</u>

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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A8. Loans, Advances and Financing (continued)

(iv) By type of customers

	Group		Company	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprises				
- Small medium enterprise	2,401,950	2,540,062	2,401,618	2,540,062
- Government	241,951	-	-	-
- Non-bank financial institutions	428,648	-	428,648	-
- Others	5,359,529	4,850,648	4,650,859	4,850,648
Individuals	26,761,791	26,810,469	26,748,831	26,810,469
Foreign entities	8,215	-	-	-
	<u>35,202,084</u>	<u>34,201,179</u>	<u>34,229,956</u>	<u>34,201,179</u>

(v) By profit/interest rate sensitivity

	Group		Company	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Personal financing	20,312,622	20,598,230	20,312,622	20,598,230
Auto finance	271,324	284,109	271,324	284,109
Mortgage and property				
Islamic	596,639	667,953	596,639	667,953
Bridging, structured and term loans and financing	954,863	1,291,123	954,863	1,291,123
Other fixed rate financing and loans	33,289	-	-	-
Variable rate:				
Floating and Tiered Rate	2,413,253	-	2,413,253	-
Base Financing Rate	9,875,062	11,309,587	9,529,663	11,309,587
Base Rate	454	-	-	-
Cost-plus	592,978	-	-	-
Other variable rates	151,592	50,177	151,592	50,177
Non-profit sensitive	8	-	-	-
	<u>35,202,084</u>	<u>34,201,179</u>	<u>34,229,956</u>	<u>34,201,179</u>

(vi) By geographical distribution

	Group		Company	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Malaysia	35,201,657	34,201,179	34,229,956	34,201,179
United Kingdom	427	-	-	-
	<u>35,202,084</u>	<u>34,201,179</u>	<u>34,229,956</u>	<u>34,201,179</u>

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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A8. Loans, Advances and Financing (continued)

(vii) Movement in gross loans, advances and financing

	Group			
	31-MAR-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 as at 1 January 2018	28,976,110	4,644,530	1,669,330	35,289,970
Changes in the loss allowance				
- Transfer to stage 1	999,290	(953,966)	(45,324)	-
- Transfer to stage 2	(615,290)	761,979	(146,689)	-
- Transfer to stage 3	(9,026)	(215,666)	224,692	-
- Changes in credit risk	(756,580)	(284,881)	(48,073)	(1,089,534)
Loans/Financing derecognised during the period (other than write-offs)	(1,360,233)	(218,924)	(7,763)	(1,586,920)
New loans/financing originated or purchased	2,216,994	371,448	126	2,588,568
Gross carrying amount as at 31 March 2018	<u>29,451,265</u>	<u>4,104,520</u>	<u>1,646,299</u>	<u>35,202,084</u>

	Company			
	31-MAR-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 as at 1 January 2018	28,246,612	4,396,659	1,557,906	34,201,177
Changes in the loss allowance				
- Transfer to stage 1	961,086	(953,966)	(7,120)	-
- Transfer to stage 2	(615,290)	761,979	(146,689)	-
- Transfer to stage 3	(9,026)	(214,789)	223,815	-
- Changes in credit risk	(756,580)	(283,752)	(10,123)	(1,050,455)
Loans/Financing derecognised during the period (other than write-offs)	(1,285,809)	(214,635)	(8,890)	(1,509,334)
New loans/financing originated or purchased	2,216,994	371,448	126	2,588,568
Gross carrying amount as at 31 March 2018	<u>28,757,987</u>	<u>3,862,944</u>	<u>1,609,025</u>	<u>34,229,956</u>

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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A8. Loans, Advances and Financing (continued)

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

Group

	31-Mar-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	<u>(1,892,818)</u>	-
- as restated	-	2,809,131
Impairment made during the financial period	-	558,321
Reclassified to AHS	-	<u>(1,474,634)</u>
Balance as at end of financial period	<u>-</u>	<u>1,892,818</u>
Individual Assessment Allowance		
Balance as at 1 January	302,117	282,005
- effects of MFRS 9 adoption	<u>(302,117)</u>	-
- as restated	-	282,005
Impairment made during the financial period	-	20,400
Written-off	-	<u>(288)</u>
Balance as at end of financial period	<u>-</u>	<u>302,117</u>

	Stage 1	Stage 2	Stage 3	31-Mar-18
	RM'000	RM'000	RM'000	RM'000
Loss allowance upon adoption of MFRS 9 as at 1 January 2018	582,075	759,015	1,098,233	2,439,323
Changes in the loss allowance				
- Transfer to stage 1	243,973	(222,287)	(21,686)	-
- Transfer to stage 2	(16,209)	134,284	(118,075)	-
- Transfer to stage 3	(352)	(53,885)	54,237	-
- Changes in credit risk	(259,184)	139,942	93,478	(25,764)
- Write-offs	-	-	(8,909)	(8,909)
Charge/(writeback) to income statement (Note A20)	(14,373)	(153,647)	12,623	(155,397)
Loans/Financing derecognised during the period (other than write-offs)	(58,520)	(41,150)	(6,988)	(106,658)
New loans/financing originated or purchased	78,618	46,490	82	125,190
Loss allowance as at 31 March 2018	<u>556,028</u>	<u>608,762</u>	<u>1,102,995</u>	<u>2,267,785</u>

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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A8. Loans, Advances and Financing (continued)

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

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

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	31-Mar-18 RM'000
Loss allowance upon adoption of MFRS 9 as at 1 January 2018	560,725	751,487	1,052,516	2,364,728
Changes in the loss allowance				
- Transfer to stage 1	243,973	(222,287)	(21,686)	-
- Transfer to stage 2	(16,209)	134,284	(118,075)	-
- Transfer to stage 3	(352)	(53,885)	54,237	-
- Changes in credit risk	(247,510)	136,548	92,430	(18,532)
- Write-offs	-	-	(8,909)	(8,909)
Charge/(writeback) to income statement (Note A20)	(14,356)	(148,355)	13,690	(149,021)
Loans/Financing derecognised during the period (other than write-offs)	(58,520)	(41,150)	(6,988)	(106,658)
New loans/financing originated or purchased	78,618	46,490	82	125,190
Loss allowance as at 31 March 2018	<u>546,369</u>	<u>603,132</u>	<u>1,057,297</u>	<u>2,206,798</u>

(ix) Movement for impaired loans, advances and financing

	Group		Company	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
Balance as at 1 January	3,083,045	2,829,626	3,083,045	2,836,814
Opening balance of MBSB Bank acquired on 2 February 2018	111,424	-	-	-
Classified as impaired during the period	275,986	757,166	274,859	749,978
Reclassified as non-impaired	(211,004)	(417,763)	(172,800)	(417,763)
Amount recovered	(33,987)	(85,696)	(33,986)	(85,696)
Amount written off	(12,676)	(288)	(12,676)	(288)
Reclassification to assets held-for-sale	<u>(1,511,560)</u>	<u>(1,509,870)</u>	<u>(1,511,560)</u>	<u>(1,509,870)</u>
Balance as at end of financial period	1,701,228	1,573,175	1,626,882	1,573,175
*Collective allowance	-	(2,121,500)	-	(2,121,500)
Reclassification to assets held-for-sale	-	1,474,087	-	1,474,087
Individual allowance	-	(251,226)	-	(251,226)
Stage 3	<u>(1,102,995)</u>	-	<u>(1,057,297)</u>	-
	<u>(1,102,995)</u>	<u>(898,639)</u>	<u>(1,057,297)</u>	<u>(898,639)</u>
Net impaired financing and advances	<u>598,233</u>	<u>674,536</u>	<u>569,585</u>	<u>674,536</u>

* 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 as percentage of net financing and advances	<u>1.82%</u>	<u>2.11%</u>	<u>1.78%</u>	<u>2.11%</u>
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MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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A9. Financial assets held- for-sale

	Group and Company	
	31-Mar-18	31-Dec-17
	RM'000	RM'000
Balance as at 1 January	1,513,043	1,513,043
Reclassification for current period	11,202	-
Gross assets held-for-sale	<u>1,524,245</u>	<u>1,513,043</u>
Balance as at 1 January	(1,474,634)	(1,474,634)
- Effects of MFRS 9 adoption	(3,789)	-
- Impairment charged for current period	(564)	-
Total allowance for impairment collectively assessed	<u>(1,478,987)</u>	<u>(1,474,634)</u>
Net assets held-for-sale	<u>45,258</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
Purchase of residential properties	367,714	367,759
Purchase of non-residential properties	36,170	36,183
Personal use	1,120,361	1,109,101
	<u>1,524,245</u>	<u>1,513,043</u>

A10. Financial investment available-for-sale

	Group		Company	
	31-Mar-18	31-Dec-17	31-Mar-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>

A11. Investment securities at FVOCI

	Group		Company	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money Market Instruments				
Malaysian Government Investment Issues	1,131,956	-	1,131,956	-
Debt securities:				
<u>In Malaysia</u>				
Private and Islamic debt securities	768,488	-	768,488	-
Government Guaranteed debt securities	1,309,587	-	1,309,587	-
Quoted securities:				
Islamic Medium Term Notes	211,985	-	-	-
Corporate Sukuk	15,046	-	-	-
	<u>3,437,062</u>	<u>-</u>	<u>3,210,031</u>	<u>-</u>

MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
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A12. Investment securities at amortised cost

	Group		Company	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
At amortised cost				
Quoted securities:				
<u>In Malaysia</u>				
Islamic Medium Term Notes	601,009	-	-	-
	<u>601,009</u>	<u>-</u>	<u>-</u>	<u>-</u>

A13. Deposits from customers

	Group		Company	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
(i) By type of deposit:				
<u>Non-Mudharabah Funds:</u>				
Fixed deposits	31,845,687	32,658,386	31,845,687	32,658,386
Demand deposits	72,953	-	-	-
Savings deposits	143,929	96,751	142,072	96,751
Commodity Murabahah	1,186,418	-	-	-
General investment deposits	-	-	-	-
	<u>33,248,987</u>	<u>32,755,137</u>	<u>31,987,759</u>	<u>32,755,137</u>
<u>Mudharabah Funds:</u>				
Savings deposits	458	-	-	-
General investment deposits	7,529	-	-	-
	<u>7,987</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>33,256,974</u>	<u>32,755,137</u>	<u>31,987,759</u>	<u>32,755,137</u>

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

	Group		Company	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
Government and statutory bodies	15,210,996	15,276,437	15,210,996	15,276,437
Business enterprises	15,172,165	14,672,905	13,917,662	14,672,905
Individuals	2,873,813	2,805,795	2,859,101	2,805,795
	<u>33,256,974</u>	<u>32,755,137</u>	<u>31,987,759</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	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
Due within six months	1,058,117	-	-	-
More than six months to one year	29,286,750	30,129,603	29,218,178	30,129,603
More than one year to three years	2,912,107	2,625,534	2,769,581	2,625,534
	<u>33,256,974</u>	<u>32,755,137</u>	<u>31,987,759</u>	<u>32,755,137</u>

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A13. Deposits from customers (continued)

(iv) By type of contract:

	Group		Company	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
Mudharabah	7,987	-	-	-
Tawarruq	33,009,139	31,883,328	31,822,721	31,883,328
Wadiah	216,456	56,728	141,646	56,728
Conventional deposits	23,392	815,081	23,392	815,081
	<u>33,256,974</u>	<u>32,755,137</u>	<u>31,987,759</u>	<u>32,755,137</u>

A14. Deposits and placements of banks and other financial institutions

	Group		Company	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
(i) By type of deposit:				
<u>Non-Mudharabah Funds:</u>				
Licensed Islamic banks	211,349	-	-	-
Other financial institutions	519,095	-	-	-
	<u>730,444</u>	<u>-</u>	<u>-</u>	<u>-</u>
(ii) By type of contract:				
Tawarruq	729,806	-	-	-
Wadiah	638	-	-	-
	<u>730,444</u>	<u>-</u>	<u>-</u>	<u>-</u>

A15. Income derived from investment of general investment deposits and Islamic capital funds

	Group		Company	
	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
Financing	560,102	528,197	551,450	528,197
Income from securities	5,630	-	-	-
Profit income from				
Sukuk Commodity Murabahah	42,487	59,115	27,348	30,866
Investment securities at FVOCI	33,043	25,378	33,043	25,378
Deposits with				
financial institutions	42,614	30,318	33,247	30,318
Profit on subsidiaries	2,014	1,280	8,615	6,964
	<u>685,890</u>	<u>644,288</u>	<u>653,703</u>	<u>621,723</u>

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A16. Interest income

	Group		Company	
	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
Interest income from:				
- Loans, advances and financing	75,042	99,177	65,009	90,325
- Deposits and placements with banks and other financial institutions	14,292	28,661	14,292	28,661
	<u>89,334</u>	<u>127,838</u>	<u>79,301</u>	<u>118,986</u>

A17. Interest expense

	Group and Company	
	31-Mar-18 RM'000	31-Mar-17 RM'000
Bank borrowings	190	308
Deposits from customers	25,044	61,024
	<u>25,234</u>	<u>61,332</u>

A18. Net other income

	Group		Company	
	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
Rental income	43	54	2	13
Revenue from hotel operations	1,516	1,375	-	-
Loan related fees	7,726	4,406	7,726	4,406
Insurance commission	1,636	1,082	1,636	1,082
Legal notice fees	-	1,411	-	1,411
Sundry income	2,833	84	1,851	57
Gain/(loss) from disposal of:				
Property, plant and equipment and land use rights	(25)	(1)	(25)	(1)
Foreclosed properties	-	90	-	90
	<u>13,729</u>	<u>8,501</u>	<u>11,190</u>	<u>7,058</u>

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A19. Other operating expenses

	Group		Company	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	RM'000	RM'000	RM'000	RM'000
Personnel expenses *	44,606	36,970	39,697	35,949
Establishment related expenses	4,786	3,529	3,167	3,181
Promotion and marketing related expenses	1,703	1,616	1,667	1,584
General administrative expenses	23,701	14,112	20,802	12,353
Angkasa charges	7,180	6,352	7,180	6,352
Allowance for impairment of:				
Financing to subsidiaries	-	-	3,025	8,062
Amount due from subsidiaries	-	-	1,561	888
Foreclosed properties	-	-	-	-
Impairment losses on advances in respect of certain projects	10,886	9,790	-	-
	<u>92,862</u>	<u>72,369</u>	<u>77,099</u>	<u>68,369</u>

*** Personnel expenses**

	Group		Company	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	35,541	29,826	31,495	28,971
Social security costs	302	238	279	229
Pension costs - Employees Provident Fund	5,617	4,799	5,228	4,723
Mutual separation scheme	-	-	-	-
Other staff related expenses	3,146	2,107	2,695	2,026
	<u>44,606</u>	<u>36,970</u>	<u>39,697</u>	<u>35,949</u>

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A20. Credit impairment losses on loans, advances and financing

	Group		Company	
	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
Allowance charge/(write back) for impaired loans, advances and financing:				
- Individual impairment allowance	-	5,483	17,589	12,661
- Collective impairment allowance	-	161,193	-	161,193
- Expected credit losses (ECL):				
ECL Stage 1	(14,373)	-	(14,356)	-
ECL Stage 2	(153,647)	-	(148,355)	-
ECL Stage 3	12,623	-	13,690	-
Total ECL (Note A8 (viii))	(155,397)	-	(149,021)	-
- Expected credit losses (ECL):				
Financial asset held-for-sale	564	-	564	-
Bad debts on loans and financing				
- Written off/(write back)	4,575	2,163	4,575	2,163
- Recovered	(4,137)	(918)	(4,137)	(918)
	(154,395)	167,921	(130,430)	175,099

A21. 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-Mar-18				
Direct credit substitutes	259,808	-	259,808	24,325
Trade-related contingencies	231,349	-	74,048	27,751
Irrevocable commitments to extend credit:				
- one year or less	1,730,400	-	464,373	194,480
- over one year to five years	4,545,068	-	2,272,533	12,177
- over five years	270,816	-	135,408	25,407
Foreign exchange related contracts				
- one year or less	2,142	152	185	185
Total	7,039,582	152	3,206,356	284,327

Group	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	-

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A21. Commitments and contingencies (continued)

(i) Operational Commitments

Company	Gross Positive			Risk weighted amount RM'000
	Principal amount RM'000	Fair Value - Derivative Contract RM'000	Credit equivalent amount RM'000	
31-Mar-18				
Direct credit substitutes	235,357	-	235,357	-
Trade-related contingencies	92,593	-	46,297	-
Irrevocable commitments				
to extend credit:				
- one year or less	1,336,089	-	2,370,355	-
- over one year to five years	4,520,713	-	267,217	-
- over five years	220,000	-	-	-
Foreign exchange related contracts				
- one year or less	-	-	-	-
Total	6,404,752	-	2,919,227	-

	Gross Positive			Risk weighted amount RM'000
	Principal amount RM'000	Fair Value - Derivative Contract RM'000	Credit equivalent 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	
	31-Mar-18 RM'000	31-Dec-17 RM'000
Property, plant and equipment:		
- Approved and contracted for	110,888	132,043
	110,888	132,043

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A22. 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 Appeal is fixed for further Case Management on 10 July 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 High Court .

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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A23. Segmental Information on Revenue and Results

Group	Hotel			Consolidated RM'000
	Financing RM'000	Operations RM'000	Eliminations RM'000	
3 months ended 31 March 2018				
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	409,162
Unallocated income (net of cost)				-
Profit from operations				<u>409,162</u>
Segment assets	53,343,365	65,767	(6,961,160)	46,447,972
Unallocated corporate assets				-
Consolidated total assets				<u>46,447,972</u>
Segment liabilities	46,000,571	194,219	(7,276,578)	38,918,212
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>38,918,212</u>

	Hotel			Consolidated RM'000
	Financing RM'000	Operations RM'000	Eliminations RM'000	
3 months ended 31 March 2017				
External sales	813,283	1,375	(3,454)	811,204
Intersegment transactions	2,501	892	(4,285)	-
Total revenue	<u>815,784</u>	<u>2,267</u>	<u>(7,739)</u>	<u>811,204</u>
Segment results	102,036	(4,441)	29,176	126,771
Unallocated income (net of cost)				-
Profit from operations				<u>126,771</u>
Segment assets	51,777,688	68,766	(7,102,477)	44,743,977
Unallocated corporate assets				-
Consolidated total assets				<u>44,743,977</u>
Segment liabilities	45,496,791	177,278	(7,764,524)	37,909,545
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>37,909,545</u>

A24. Valuation of Property, Plant and Equipment

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

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A25. Subsequent Events

None other than those disclosed in note A26(ii), A26(iii) and A26(iv).

A26. 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	<u>2,075</u>
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	<u>485</u>
Total liabilities	<u>38,940</u>
Shareholders' equity	
Ordinary share capital	4,626
Reserves	(53)
Negative goodwill	<u>347</u>
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.

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A27. Acquisition/Disposal of Property, Plant and Equipment

	As at 31-03-18 RM'000
Additions	
Building in progress	21,627
Building renovation	5,334
Furniture & equipment	3,093
Data processing equipment	6,001
Motor vehicle	88
	<u>36,143</u>
Disposals	
Furniture & equipment	(1)
Data processing equipment	(34)
	<u>(35)</u>

A28. Significant Related Party Transactions

	Group	
	31-Mar-18 RM'000	31-Mar-17 RM'000
(i) Transactions with Employees Provident Fund Board, the ultimate holding body:		
Expenses		
Profit expense paid on Sukuk to EPF	14,002	14,281
Rental expense	72	71
	<u>14,074</u>	<u>14,352</u>
Balances		
Sukuk - MBSB SC Murabahah	1,136,551	1,167,390
Rental deposit	97	94
	<u>1,136,648</u>	<u>1,167,484</u>
(ii) Transactions with RHB Banking Group of companies, being companies directly controlled by EPF:		
Income		
Interest/profit from deposit placements	1,742	1,726
	<u>1,742</u>	<u>1,726</u>
Expenses		
Interest expense for bank borrowing	-	23
Interest expenses for recourse obligation on loan/financing sold	-	4,381
	<u>-</u>	<u>4,404</u>
Balances		
Deposits and placements with financial institutions	400,112	501,726
Bank borrowings	-	100,023
Recourse obligation on loans sold to Cagamas Berhad	-	426,045
	<u>400,112</u>	<u>1,027,794</u>
(iii) Collectively, but not individually, significant balances:		
Expenses		
Interest expense to depositors	18,711	11,894
	<u>18,711</u>	<u>11,894</u>
Balances		
Deposit from customers	1,062,579	863,032
	<u>1,062,579</u>	<u>863,032</u>

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INTERIM FINANCIAL STATEMENTS

A29a. UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	Group		Company	
		31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
Assets					
Cash and short-term funds		7,309,839	6,732,883	6,581,591	6,729,248
Deposits and placements with financial institutions		882,668	747,100	54,813	51,065
Statutory deposits with Bank Negara Malaysia		18,924	-	-	-
Other receivables		858,714	1,958,135	852,477	1,955,569
Derivative assets		152	-	-	-
Inventories		-	-	-	-
Financing and advances	A29c	31,029,319	28,553,830	30,118,180	28,553,830
Financial assets held- for-sale	A29d	18,346	8,734	18,346	8,734
Investment securities at amortised cost		601,009	-	-	-
Sukuk Commodity Murabahah		-	-	3,273,199	3,245,851
Investment securities at FVOCI		3,437,062	3,171,913	3,210,030	3,171,913
Financing to subsidiaries		-	-	311,387	305,140
Investment in subsidiaries		-	-	662,993	-
Amount due from a subsidiary		-	-	21,915	19,367
Property, plant and equipment		896	-	-	-
Investment properties		820	-	-	-
Tax recoverable		5,637	-	-	-
Intangible assets		190,256	-	-	-
Deferred tax assets		626	-	-	-
Total assets		44,354,268	41,172,595	45,104,931	44,040,717
Liabilities					
Deposits from customers	A29e	33,233,583	31,940,055	31,964,367	31,940,055
Deposits and placements of banks and other financial institutions		730,444	-	-	-
Other liabilities		2,741,505	2,432,036	3,002,533	2,690,541
Recourse obligation on loan/financing sold		2,175,008	1,269,652	2,175,008	1,269,652
Amount due to a subsidiary, Jana Kapital Sdn. Bhd. ("JKSB")		-	-	2,811,064	2,891,912
Sukuk-MBSB Structured Covered ("SC") Murabahah		2,316,020	2,287,877	2,316,020	2,287,877
Provision for taxation and zakat		62,610	73,982	62,610	73,982
Deferred tax liabilities		-	-	-	-
Total liabilities		41,259,171	38,003,602	42,331,602	41,154,019
Equity					
Ordinary share capital		4,000	4,000	4,000	4,000
Reserves		(10,556)	(6,656)	(10,597)	(6,656)
Retained earnings		3,101,653	3,171,649	2,779,926	2,889,354
Total equity		3,095,097	3,168,993	2,773,329	2,886,698
Total Liabilities and Equity		44,354,268	41,172,595	45,104,931	44,040,717

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INTERIM FINANCIAL STATEMENTS
GROUP OPERATIONS OF ISLAMIC BANKING

A29b. UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2018

	Group		Company	
	1st Quarter Ended 31-Mar-18 RM'000	1st Quarter Ended 31-Mar-17 RM'000	1st Quarter Ended 31-Mar-18 RM'000	1st Quarter Ended 31-Mar-17 RM'000
Income derived from investment of general investment deposits and Islamic capital funds	685,890	644,288	653,704	621,723
Income attributable to depositors	(316,593)	(240,475)	(304,799)	(240,475)
Income attributable to securitisation	(24,844)	(26,376)	(24,844)	(26,376)
Income attributable to sukuk	(74,653)	(85,383)	(74,653)	(85,383)
Net income from Islamic financing operations	269,800	292,054	249,408	269,489
Other income	9,378	6,917	8,402	6,917
Profit expenses	(345)	(194)	-	-
Other expenses	(65,179)	(49,583)	(63,099)	(49,391)
Credit impairment losses	36,080	(126,788)	12,116	(126,788)
Profit before taxation and zakat	249,734	122,406	206,827	100,227
Taxation	(53,471)	(25,598)	(49,998)	(24,116)
Zakat	-	129	-	129
Profit for the financial period	196,263	96,937	156,829	76,240
Profit attributable to:				
Owners of the Company	196,263	96,937	156,829	76,240
Non-controlling interest	-	-	-	-
	196,263	96,937	156,829	76,240
Profit for the financial period	196,263	96,937	156,829	76,240
Other comprehensive income/(loss) :				
Other comprehensive income - FVOCI revaluation reserve, which may be reclassified subsequently to profit or loss	(3,899)	9,060	(3,940)	9,060
Other comprehensive income/(loss) for the financial period	(3,899)	9,060	(3,940)	9,060
Total comprehensive income for the financial period	192,364	105,997	152,889	85,300
Total comprehensive income attributable to:				
Owners of the Company	192,364	105,997	152,889	85,300
	192,364	105,997	152,889	85,300

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A29c. Financing and advances

	Group		Company	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
(i) By type				
At amortised cost				
Term financing				
Corporate financing	12,122,766	11,310,360	12,122,766	11,310,360
Property financing	10,870,218	7,058,100	10,870,218	7,058,100
Personal financing	33,637,976	33,958,447	33,637,976	33,958,447
Auto financing	286,040	300,651	286,040	300,651
Staff financing	18,118	18,571	17,840	18,571
Less: Unearned income	(24,130,174)	(21,651,643)	(24,130,174)	(21,651,643)
Term financing				
- house financing	20,283	-	-	-
- other term financing	272,939	-	-	-
Trusts receipts	725	-	-	-
Revolving Credit	568,104	-	-	-
Others	109,797	-	-	-
Reclassification to AHS	(1,155,396)	(1,144,160)	(1,155,396)	(1,144,160)
Gross financing and advances	<u>32,621,396</u>	<u>29,850,326</u>	<u>31,649,270</u>	<u>29,850,326</u>
Less: Allowance for impaired financing and advances:				
- individual impairment allowance	-	(435)	-	(435)
- collective impairment allowance	-	(1,296,061)	-	(1,296,061)
Less: Loss allowance				
- Stage 1	(533,550)	-	(523,890)	-
- Stage 2	(472,912)	-	(467,283)	-
- Stage 3	(585,615)	-	(539,917)	-
Net financing and advances	<u><u>31,029,319</u></u>	<u><u>28,553,830</u></u>	<u><u>30,118,180</u></u>	<u><u>28,553,830</u></u>

Note: The loss allowance pertains to the outstanding financing.

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A29c. Financing and advances

(ii) Financing by types and Shariah contracts

Group
31-Mar-18

Type	Tawarruq RM'000	Bai' RM'000	Ijarah RM'000	Istisna' RM'000	Qard RM'000	Total financing and advances RM'000
Personal financing	21,327,810	436	-	-	141	21,328,387
Islamic property	1,549,649	2,240,095	-	-	-	3,789,744
Auto finance	-	-	252,281	-	-	252,281
Bridging, structured and term loans and financing	4,725,473	94,475	696,764	739,583	-	6,256,295
Term Financing	-	288,154	5,066	-	-	293,220
House Financing	-	17,660	2,623	-	-	20,283
Other term financing	-	270,495	2,444	-	-	272,939
Trust receipts	-	725	-	-	-	725
Staff financing	20,188	353	2,293	-	8	22,842
Revolving credit	-	568,105	-	-	-	568,105
Others	-	109,797	-	-	-	109,797
	27,623,120	3,302,141	956,404	739,583	149	32,621,396

31-Dec-17

Type	Tawarruq RM'000	Bai' RM'000	Ijarah RM'000	Istisna' RM'000	Qard RM'000	Total financing and advances RM'000
Personal financing	21,396,550	394	-	-	-	21,396,944
Islamic property	118,558	2,254,189	-	-	-	2,372,747
Auto finance	-	-	262,898	-	-	262,898
Bridging, structured and term loans and financing	4,312,492	94,270	638,404	749,377	-	5,794,543
Staff financing	20,102	358	2,464	-	270	23,194
	25,847,702	2,349,211	903,766	749,377	270	29,850,326

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A29c. Financing and advances (continued)

(ii) Financing by types and Shariah contracts (continued)

Company
31-Mar-18

Type	Tawarruq RM'000	Bai' RM'000	Ijarah RM'000	Istisna' RM'000	Qard RM'000	Total financing and advances RM'000
Personal financing	21,327,809	436	-	-	141	21,328,386
End finance	-	-	-	-	-	-
Islamic property	1,549,649	2,240,095	-	-	-	3,789,744
Auto finance	-	-	252,281	-	-	252,281
Bridging, structured and term loans and financing	4,725,473	94,475	696,764	739,583	-	6,256,295
Staff financing	20,188	257	2,119	-	-	22,564
	<u>27,623,119</u>	<u>2,335,263</u>	<u>951,164</u>	<u>739,583</u>	<u>141</u>	<u>31,649,270</u>

31-Dec-17

Type	Tawarruq RM'000	Bai' RM'000	Ijarah RM'000	Istisna' RM'000	Qard RM'000	Total financing and advances RM'000
Personal financing	21,396,550	394	-	-	-	21,396,944
Islamic property	118,558	2,254,189	-	-	-	2,372,747
Auto finance	-	-	262,898	-	-	262,898
Bridging, structured and term loans and financing	4,312,492	94,270	638,404	749,377	-	5,794,543
Staff financing	20,102	358	2,464	-	270	23,194
	<u>25,847,702</u>	<u>2,349,211</u>	<u>903,766</u>	<u>749,377</u>	<u>270</u>	<u>29,850,326</u>

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A29c. Financing and advances (continued)

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

Group

	31-Mar-18	31-Dec-17
	RM'000	RM'000
Collective Assessment Allowance		
Balance as at 1 January	735,757	1,870,623
- effects of MFRS 9 adoption	(735,757)	-
- as restated	-	1,870,623
Impairment made during the financial period	-	560
Reclassified to AHS	-	(1,135,426)
Balance as at end of financial period	-	735,757
Individual Assessment Allowance		
Balance as at 1 January	435	165
- effects of MFRS 9 adoption	(435)	-
- as restated	-	165
Impairment made during the financial period	-	270
Written-off	-	-
Balance as at end of financial period	-	435

	Stage 1	Stage 2	Stage 3	31-Mar-18
	RM'000	RM'000	RM'000	RM'000
Loss allowance upon adoption of MFRS 9 as at 1 January 2018	510,837	555,712	568,162	1,634,711
Changes in the loss allowance				
- Transfer to stage 1	190,141	(181,437)	(8,704)	-
- Transfer to stage 2	(14,155)	103,730	(89,575)	-
- Transfer to stage 3	(343)	(45,697)	46,040	-
- Changes in credit risk	(253,554)	88,779	55,656	(109,119)
- Write-offs			(6)	(6)
Charge/(writeback) to income statement (Note A29f)	34,388	(86,193)	16,411	(35,394)
Loans/Financing derecognised during the period (other than write-offs)	(12,313)	(8,472)	(2,451)	(23,236)
New loans/financing originated or purchased	78,549	46,490	82	125,121
Loss allowance as at 31 March 2018	533,550	472,912	585,615	1,592,077

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A29c. Financing and advances (continued)

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

Company	31-Mar-18	31-Dec-17		
	RM'000	RM'000		
Collective Assessment Allowance				
Balance as at 1 January	735,757	1,870,623		
- effects of MFRS 9 adoption	(735,757)	-		
- as restated	-	1,870,623		
Impairment made during the financial period	-	560		
Reclassified to AHS	-	(1,135,426)		
Balance as at end of financial period	-	735,757		
Individual Assessment Allowance				
Balance as at 1 January	435	165		
- effects of MFRS 9 adoption	(435)	-		
- as restated	-	165		
Impairment made during the financial period	-	270		
Written-off	-	-		
Balance as at end of financial period	-	435		
	Stage 1	Stage 2	Stage 3	31-Mar-18
	RM'000	RM'000	RM'000	RM'000
Loss allowance upon adoption of MFRS 9 as at 1 January 2018	489,487	548,184	522,445	1,560,116
Changes in the loss allowance				
- Transfer to stage 1	190,141	(181,437)	(8,704)	-
- Transfer to stage 2	(14,155)	103,730	(89,575)	-
- Transfer to stage 3	(343)	(45,697)	46,040	-
- Changes in credit risk	(241,880)	85,387	54,607	(101,886)
- Write-offs			(6)	(6)
Charge/(writeback) to income statement (Note A29f)	34,404	(80,902)	17,479	(29,019)
Loans/Financing derecognised during the period (other than write-offs)	(12,313)	(8,472)	(2,451)	(23,236)
New loans/financing originated or purchased	78,549	46,490	82	125,121
Loss allowance as at 31 March 2018	523,890	467,283	539,917	1,531,090

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A29c. Financing and advances

(iv) Movement for impaired loans, advances and financing

	Group		Company	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January	1,841,419	1,657,995	1,841,419	1,657,995
Opening balance of MBSB Bank acquired on 2 February 2018	111,424	-	-	-
Classified as impaired during the period	175,983	517,959	174,856	517,959
Reclassified as non-impaired	(167,668)	(326,361)	(129,463)	(326,361)
Amount recovered	(6,298)	(8,174)	(6,298)	(8,174)
Amount written off	(6)	-	(6)	-
Reclassification to assets held-for-sale	(1,145,371)	(1,143,808)	(1,145,371)	(1,143,808)
Balance as at end of financial period	809,483	697,611	735,137	697,611
*Collective allowance	-	(1,515,803)	-	(1,515,803)
Reclassification to assets held-for-sale	-	1,135,338	-	1,135,338
Individual allowance	-	(435)	-	(435)
Stage 3	(585,615)	-	(539,917)	-
	<u>(585,615)</u>	<u>(380,900)</u>	<u>(539,917)</u>	<u>(380,900)</u>
Net impaired financing and advances	<u>223,868</u>	<u>316,711</u>	<u>195,220</u>	<u>316,711</u>
Net impaired as percentage of net financing and advances	<u>0.72%</u>	<u>1.11%</u>	<u>0.65%</u>	<u>1.11%</u>

* 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.

A29d. Financial assets held- for-sale

	Group and Company	
	31-Mar-18	31-Dec-17
	RM'000	RM'000
Purchase of residential properties	33,927	33,958
Purchase of non-residential properties	1,108	1,101
Personal use	1,120,361	1,109,101
	<u>1,155,396</u>	<u>1,144,160</u>
Balance as at 1 January	1,144,160	1,144,160
Reclassification for current period	11,236	-
Gross assets held-for-sale	<u>1,155,396</u>	<u>1,144,160</u>
Balance as at 1 January	(1,135,426)	(1,135,426)
- Effects of MFRS 9 adoption	(2,454)	-
- Impairment for current period	830	-
Total allowance for impairment collectively assessed	<u>(1,137,050)</u>	<u>(1,135,426)</u>
Net assets held-for-sale	<u>18,346</u>	<u>8,734</u>

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A29e. Deposits from customers

	Group		Company	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
(i) By type of deposit:				
<u>Non-Mudharabah Funds:</u>				
Fixed deposits	31,822,722	31,883,327	31,822,722	31,883,327
Demand deposits	72,953	-	-	-
Savings deposits	143,503	56,728	141,645	56,728
Commodity Murabahah	1,186,418	-	-	-
	<u>33,225,596</u>	<u>31,940,055</u>	<u>31,964,367</u>	<u>31,940,055</u>
<u>Mudharabah Funds:</u>				
Savings deposits	458	-	-	-
General investment deposits	7,529	-	-	-
	<u>7,987</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>33,233,583</u>	<u>31,940,055</u>	<u>31,964,367</u>	<u>31,940,055</u>
(ii) The deposits are sourced from the following classes of customers:				
	Group		Company	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
Business enterprises	30,302,844	29,797,831	29,048,340	29,797,831
Individuals	2,930,739	2,142,224	2,916,027	2,142,224
	<u>33,233,583</u>	<u>31,940,055</u>	<u>31,964,367</u>	<u>31,940,055</u>
(iii) The maturity structure of saving deposits, amount payable on demand and term deposits are as follows:				
	Group		Company	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
Due within six months	1,058,117	-	-	-
More than six months to one year	29,277,161	29,571,999	29,208,589	29,571,999
More than one year to three years	2,898,305	2,368,056	2,755,778	2,368,056
	<u>33,233,583</u>	<u>31,940,055</u>	<u>31,964,367</u>	<u>31,940,055</u>
(iv) By type of contract:				
	Group		Company	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
Mudharabah	7,987	-	-	-
Tawarruq	33,009,140	31,883,327	31,822,721	31,883,327
Wadiah	216,456	56,728	141,646	56,728
	<u>33,233,583</u>	<u>31,940,055</u>	<u>31,964,367</u>	<u>31,940,055</u>

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A29f. Credit impairment losses on loans, advances and financing

	Group		Company	
	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
Allowance charge/(write back) for impaired loans, advances and financing:				
- Individual impairment allowance	-	271	17,589	271
- Collective impairment allowance	-	125,216	-	125,216
- Expected credit losses (ECL):				
ECL Stage 1	34,388	-	34,404	-
ECL Stage 2	(86,193)	-	(80,902)	-
ECL Stage 3	16,411	-	17,479	-
Total ECL (Note A29c (iii))	<u>(35,394)</u>	<u>-</u>	<u>(29,019)</u>	<u>-</u>
- Expected credit losses (ECL):				
Financial asset held-for-sale	(831)	-	(831)	-
Bad debts on loans and financing				
- Written off/(write back)	145	1,301	145	1,301
- Recovered	-	-	-	-
	<u>(36,080)</u>	<u>126,788</u>	<u>(12,116)</u>	<u>126,788</u>

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A30. Capital adequacy

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

	Group		Company	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
<u>Common Equity Tier 1 Capital</u>				
Ordinary share capital	6,438,150	6,172,051	6,438,150	6,172,051
Retained earnings	827,476	1,127,170	540,981	846,934
Other reserve	6,261	6,261	6,261	6,261
Statutory reserve ¹	-	-	-	-
Regulatory reserve**	-	-	-	-
Less: Dividend paid in the current financial year	(307,497)	(481,460)	(307,497)	(481,460)
	<u>6,964,390</u>	<u>6,824,022</u>	<u>6,677,895</u>	<u>6,543,786</u>
Less : Common Equity Tier 1 regulatory adjustments				
Provisional goodwill	(188,790)	-	-	-
Deferred tax assets	(14,180)	(21,204)	(13,519)	(21,187)
Cumulative (gains)/losses of Investment securities at FVOCI/AFS financial instruments	(10,555)	(6,656)	(10,596)	(6,656)
Regulatory reserve attributable to financing**	-	-	-	-
Total Common Equity Tier 1 Capital	<u>6,750,865</u>	<u>6,796,162</u>	<u>6,653,780</u>	<u>6,515,943</u>
<u>Tier 1 Capital</u>				
Additional Tier 1 capital instruments	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-
Total Tier 1 capital	<u>6,750,865</u>	<u>6,796,162</u>	<u>6,653,780</u>	<u>6,515,943</u>
<u>Tier II Capital</u>				
Collective impairment/allowance for bad and doubtful financing [^]	458,775	436,425	456,382	456,382
Regulatory reserve**	-	-	-	-
Investment in subsidiaries companies	-	-	-	-
Total Tier II capital	<u>458,775</u>	<u>436,425</u>	<u>456,382</u>	<u>456,382</u>
Total capital base	<u>7,209,640</u>	<u>7,232,587</u>	<u>7,110,162</u>	<u>6,972,325</u>

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

	Group		Company	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
<u>Total risk weighted assets ("RWA")</u>				
- Credit risk ²	36,698,736	35,685,831	36,477,508	36,773,713
- Market risk ²	10,674	21,681	-	21,681
- Operational risk ²	2,299,266	2,237,016	2,213,766	2,237,016
Total RWA	<u>39,008,675</u>	<u>37,944,529</u>	<u>38,691,274</u>	<u>39,032,410</u>
<u>Capital ratios</u>				
Common equity tier 1 capital	17.306%	17.911%	17.197%	16.694%
Tier 1 capital	17.306%	17.911%	17.197%	16.694%
Total capital ratio	<u>18.482%</u>	<u>19.061%</u>	<u>18.377%</u>	<u>17.863%</u>

[^] Excludes collective assessment impairment allowance 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.

** The regulatory reserve is maintained in aggregate with collective impairment allowance representing financing loss provision required to be maintained at a minimum level of 1.2% of total outstanding financing and advances less individual impairment allowance.

¹ The requirement to maintain a reserve fund has been removed pursuant to BNM's Guideline on "Capital Funds for Islamic Banks" issued 3 May 2017, following which the outstanding balance was transferred to accumulated loss.

² Includes Risk Weighted Assets (RWA) of MBSB Bank.

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PERFORMANCE REVIEW FOR THE 1ST QUARTER ENDED 31 MARCH 2018

B1. Performance Review

Variation of Results against Preceding Year Corresponding Quarter

	Current Year Quarter 31-Mar-18 RM'000	Preceding Year Corresponding Quarter 31-Mar-17 RM'000	Changes RM'000	
Personal financing	21,328,660	22,774,771	(1,446,111)	-6.3%
Corporate loans and financing	8,302,565	7,236,457	1,066,108	14.7%
Property financing and mortgage loans	5,299,439	5,518,343	(218,904)	-4.0%
Auto financing	271,420	323,949	(52,529)	-16.2%
Total gross loans and financing	35,202,084	35,853,520	(651,436)	-1.8%

Variation of Results against Preceding Quarter

	Current Year Quarter 31-Mar-18 RM'000	Immediate Preceding Quarter 31-Dec-17 RM'000	Changes RM'000	
Personal financing	21,328,660	21,417,605	(88,945)	-0.4%
Corporate loans and financing	8,302,565	7,260,548	1,042,017	14.4%
Property financing and mortgage loans	5,299,439	5,238,917	60,522	1.2%
Auto financing	271,420	284,109	(12,689)	-4.5%
Total gross loans and financing	35,202,084	34,201,179	1,000,905	2.9%

The Group gross loans and financing for the 1st quarter 2018 ("1Q18") declined by 1.8% as compared to 1st quarter 2017 ("1Q17") 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 24:76 from 1Q17 of 20:80. 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 RM1.1 billion in 1Q18 representing 75% of the total quarter disbursement of RM1.5 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 decreasing portfolio base.

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B1. Performance Review (continued)

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

	Current Year Quarter 31-Mar-18 RM'000	Preceding Year Corresponding Quarter 31-Mar-17 RM'000	Changes RM'000	
Revenue	815,039	811,204	3,835	0.5%
Other operating expenses	(92,862)	(72,369)	(20,493)	28.3%
Operating profit	254,767	294,692	(39,925)	-13.5%
Write back/(Allowances) for impairment losses on loans, advances and financing	154,395	(167,921)	322,316	-191.9%
Profit before tax	409,162	126,771	282,391	222.8%
Profit after tax	316,793	101,324	215,469	212.7%
Profit attributable to ordinary equity holders of the Parent	316,793	101,324	215,469	212.7%
Cost to income ratio	26.7%	19.7%		

Variation of Results against Preceding Quarter

	Current Year Quarter 31-Mar-18 RM'000	Immediate Preceding Quarter 31-Dec-17 RM'000	Changes RM'000	
Revenue	815,039	818,274	(3,235)	-0.4%
Other operating expenses	(92,862)	(94,073)	1,211	-1.3%
Operating profit	254,767	287,744	(32,977)	-11.5%
Write back/(Allowances) for impairment losses on loans, advances and financing	154,395	(109,449)	263,844	-241.1%
Profit before tax	409,162	178,295	230,867	129.5%
Profit after tax	316,793	123,982	192,811	155.5%
Profit attributable to ordinary equity holders of the Parent	316,793	123,982	192,811	155.5%
Cost to income ratio	26.7%	24.6%		

The increase and decrease in 1Q18 revenue compared to 1Q17 and 4Q17 respectively have been moderate. Contribution from personal financing towards the revenue remain the highest at 49% (1Q17: 50% 4Q18: 49%) followed by corporate portfolio at 13% (1Q17: 11% 4Q18: 12%).

The Group profit before tax for 1Q18 increased by 222.8% and 129.5% as compared to 1Q17 and 4Q17 respectively. The increase was mainly due to write back of impairment allowances on loans and financing compared to 4Q17. The write back was attributed mainly by improved staging from Stage 2 to Stage 1 (RM131.2 million) under MFRS 9. The higher operating expenses was due to costs incurred in relation to the acquisition of MBSB Bank.

The Group profit after tax for 1Q18 increased by 155.5% as compared to 4Q17. The increase was mainly due to write back of impairment allowances on loans and financing as stated in the preceding paragraph.

The Group cost to income ratio for 1Q18 of 26.7% increased from 1Q17 and 4Q17. The increase was mainly due to higher funding cost, costs relating to the acquisition of MBSB Bank and higher wages and salaries expenses as total number of staff increased from 1,565 to 1,711 (including staff from MBSB Bank as a result of the acquisition).

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B2. Prospects

Brief Overview and Outlook of the Malaysian Economy

The Malaysian economy recorded a growth of 5.9% in the fourth quarter of 2017 (3Q 2017: 6.2%). Private sector spending continued to be the primary driver of growth (7.4%; 3Q 2017: 7.3%). The external sector performance improved further (5.4%; 3Q 2017: 1.7%), as real import growth moderated faster than real export growth. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (3Q 2017: 1.8%). For the year as a whole, the economy registered a robust growth of 5.9%.

Domestic demand expanded by 6.2% (3Q 2017: 6.6%) supported by continued strength in private sector expenditure (7.4%; 3Q 2017: 7.3%), amid waning support from public sector spending (3.4%; 3Q 2017: 4.0%). Private consumption expanded by 7.0% (3Q 2017: 7.2%), supported by continued wage and employment growth. Private investment registered a higher growth of 9.2% (3Q 2017: 7.9%), driven mainly by the services and manufacturing sectors. Capital spending was supported by continued business optimism and favourable demand, which was evident across both export- and domestic-oriented industries.

Public consumption expanded by 6.9% (3Q 2017: 3.9%) mainly driven by higher spending on supplies and services by the Federal Government. Public investment contracted during the quarter (-1.4%; 3Q 2017: 4.1%), due to lower capital spending by both the General Government and public corporations.

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

Banking system resilient

The banking sector remained resilient and well capitalised during the quarter. The common equity tier 1 capital ratio; tier 1 capital ratio; and total capital ratio remained strong at 13.3%, 14.3% and 17.1%, respectively (end December 2016: 13.1%; 14%; 16.5%). The pre-tax profit of the banking system was higher at RM10 billion (Q4 2016: RM7.7 billion) mainly supported by higher fee-based income from brokerage and syndication activity. Loan quality of the banking system was stable with the net impaired loans ratio at 1.1% of net total loans (Q4 2016: 1.2%), while the loan-to-funds ratio remained steady at 84% (Q4 2016: 84.3%).

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

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B2. Prospects (continued)

Overall liquidity conditions remained sufficient for financial intermediation

In the banking system, liquidity conditions remained sufficient at both the institutional and system-wide levels. With the continued resumption of net inflows, the level of surplus liquidity placed with BNM remained relatively stable. At the institutional level, most banks continued to maintain surplus liquidity positions.

The growth of net financing sustained at 6.4% in the fourth quarter of 2017 (3Q 2017: 6.4%), reflecting mainly the continued strong double-digit growth in net outstanding issuances of corporate bonds (4Q 2017: 15.4%; 3Q 2017: 10.9%) amid a moderation in the growth of outstanding loans (4Q 2017: 3.8%; 3Q 2017: 5.0%). The lower loan growth was mainly due to the slower growth in outstanding business loans (4Q 2017: 1.3%; 3Q 2017: 5.4%), which was broad-based across most sectors. During the quarter, the growth and level of total business repayments outpaced disbursements, especially for businesses other than SMEs. The increase in repayments was mainly due to scheduled repayments, and higher prepayments amid stronger business earnings. Despite some moderation in loan growth to SMEs (4Q 2017: 5.3%; 3Q 2017: 7.0%), the amount of loans disbursed increased during the quarter (4Q 2017: RM 78.4 billion; 3Q 2017: RM 76.8 billion). Household loans remained stable at 4.9% (3Q 2017: 4.9%). Overall, the growth in financing remained supportive of the expansion of the economy during the quarter.

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

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)

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B2. Prospects (continued)

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 dispose 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 desire 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.

B3. Variance from Profit Forecast and Profit Guarantee

None.

B4. Taxation

	Group		Company	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	84,718	31,630	81,233	30,148
	<u>84,718</u>	<u>31,630</u>	<u>81,233</u>	<u>30,148</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	7,651	(6,054)	7,669	(6,036)
	<u>7,651</u>	<u>(6,054)</u>	<u>7,669</u>	<u>(6,036)</u>
Total income tax expense	<u>92,369</u>	<u>25,576</u>	<u>88,902</u>	<u>24,112</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the quarter

B5. Profit/(Loss) on Sale of Unquoted Investments and/or Properties

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

B6. Purchase and Sale of Quoted Securities

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

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B7. Status of Corporate Proposals

Corporate Proposal	Status
<ul style="list-style-type: none"> <li data-bbox="301 309 678 952">▪ 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. <li data-bbox="301 1041 678 1377">▪ 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"> <li data-bbox="694 309 1423 436">▪ On 19 June 2017, the Company submitted an application to BNM within the stipulated timeframe, to seek the approvals of BNM and/ or the Ministry of Finance, Malaysia for the Proposed Merger. <li data-bbox="694 459 1423 840">▪ 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. <li data-bbox="694 884 1423 1041">▪ 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. <li data-bbox="694 1064 1423 1288">▪ 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. <li data-bbox="694 1332 1423 1758">▪ 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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B8. Borrowings and Debts

Borrowings of the Group were as follows:

	Current Year Quarter 31 March 2018		
	Long term	Short term	Total
	RM'000	RM'000	borrowings
			RM'000
Secured			
Recourse obligation on loans/financing sold	2,113,607	61,401	2,175,008
	Preceding Year Corresponding Quarter		
	Long term	Short term	Total
	RM'000	RM'000	borrowings
			RM'000
Secured			
Recourse obligation on loans/financing sold	1,760,249	477,918	2,238,167

B9. Off Balance Sheet Financial Instruments

None.

B10. Material Litigation

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

B11. Dividend Proposed

No dividend was proposed during the current quarter.

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B12. 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		Company	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	316,793	101,324	279,094	66,750
Weighted average number of ordinary shares in issue ('000)	5,943,272	5,798,774	5,943,272	5,798,774
Basic earnings per share (sen)	<u>5.33</u>	<u>1.75</u>	<u>4.70</u>	<u>1.15</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		Company	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders for the period (RM'000)	316,793	101,324	279,094	66,750
Weighted average number of ordinary shares in issue ('000)	5,943,272	5,798,774	5,943,272	5,798,774
ESOS ('000)				
Adjusted weighted average number of ordinary shares in issue ('000)	<u>320</u>	<u>218</u>	<u>320</u>	<u>218</u>
	<u>5,943,592</u>	<u>5,798,992</u>	<u>5,943,592</u>	<u>5,798,992</u>
Basic earnings per share (sen)	<u>5.33</u>	<u>1.75</u>	<u>4.70</u>	<u>1.15</u>

B13. 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 28 May 2018.

BY ORDER OF THE BOARD

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