

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

**INTERIM FINANCIAL STATEMENTS
OF THE GROUP AND OF THE COMPANY
FOR THE 2ND QUARTER ENDED 30 JUNE 2020**

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020

| | Note | Group | | Company | |
|--|-------|----------------------|---------------------|----------------------|---------------------|
| | | 30-June-20 RM'000 | 31-Dec-19 RM'000 | 30-June-20 RM'000 | 31-Dec-19 RM'000 |
| Assets | | | | | |
| Cash and short-term funds | A8(a) | 1,139,206 | 2,034,889 | 200,314 | 189,526 |
| Deposits and placements with financial institutions | A8(b) | 1,298,974 | 873,515 | 128,140 | - |
| Derivative financial assets | A9 | 658 | 4,239 | - | - |
| Financial investments at FVTPL | A10 | 11,073 | - | - | - |
| Financial investments at fair value through other comprehensive income ("FVOCI") | A11 | 9,963,334 | 10,694,644 | - | - |
| Financial investments at amortised cost | A12 | 488,443 | 494,705 | - | - |
| Loans, financing and advances | A13 | 33,442,205 | 33,953,822 | 959,532 | 1,146,505 |
| Trade receivables | | - | 1 | - | - |
| Other receivables | A14 | 142,100 | 188,342 | 208,419 | 104,906 |
| Statutory deposits with Bank Negara Malaysia | | 640,000 | 1,090,000 | - | - |
| Investments in subsidiaries | | - | - | 5,290,328 | 5,290,328 |
| Inventories | | 102,172 | 102,175 | - | - |
| Property and equipment | | 326,568 | 313,964 | 24,135 | 24,367 |
| Right-of-use assets | | 11,518 | 8,784 | - | - |
| Intangible assets | | 165,958 | 167,209 | - | - |
| Goodwill | | 148,031 | 148,031 | - | - |
| Investment properties | | 820 | 820 | - | - |
| Land use rights | | 511 | 521 | - | - |
| Deferred tax assets | | 14,551 | 28,218 | 11,125 | 9,585 |
| Tax recoverable | | 690,223 | 605,778 | 547,449 | 539,621 |
| Total assets | | 48,586,345 | 50,709,657 | 7,369,442 | 7,304,838 |
| Liabilities | | | | | |
| Deposits from customers | A15 | 25,331,642 | 25,271,951 | - | - |
| Deposits and placements of banks and other financial institutions | A16 | 8,660,592 | 10,621,769 | - | - |
| Derivative financial liabilities | | 53 | 1 | - | - |
| Trade payables | | 53 | 22 | - | - |
| Other payables | A17 | 581,733 | 642,278 | 58,780 | 154,484 |
| Lease liabilities | | 11,649 | 8,919 | - | - |
| Recourse obligation on financing sold | | 2,377,133 | 2,481,251 | - | - |
| Sukuk-MBSB Structured Covered ("SC") Murabahah | | 1,570,945 | 1,664,973 | - | - |
| Sukuk Wakalah | | 1,293,133 | 1,293,075 | - | - |
| Deferred tax liabilities | | 144,780 | 126,607 | - | - |
| Provision for taxation and zakat | | 13,519 | 11,940 | 548 | 538 |
| Total liabilities | | 39,985,232 | 42,122,786 | 59,328 | 155,022 |
| Equity | | | | | |
| Ordinary share capital | | 6,941,542 | 6,941,542 | 6,941,542 | 6,941,542 |
| Reserves | | 260,840 | 160,837 | 5,843 | 5,843 |
| Retained earnings | | 1,398,731 | 1,484,492 | 362,729 | 202,431 |
| Total equity | | 8,601,113 | 8,586,871 | 7,310,114 | 7,149,816 |
| Total liabilities and equity | | 48,586,345 | 50,709,657 | 7,369,442 | 7,304,838 |
| Commitments and contingencies | A24 | 4,067,380 | 5,098,853 | 25,714 | 29,749 |
| Net assets per share attributable to ordinary equity of the Company (RM) | | 1.28 | 1.28 | 1.09 | 1.07 |

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2020

| | Note | Group | | | |
|--|--------|-------------------|------------|------------------|------------|
| | | 2nd Quarter Ended | | Six Months Ended | |
| | | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | 886,350 | 757,362 | 1,627,756 | 1,476,231 |
| Income derived from investment of general investment deposits and Islamic capital funds | A18 | 721,581 | 684,837 | 1,398,716 | 1,355,631 |
| Income attributable to depositors | | (299,875) | (368,571) | (626,407) | (709,902) |
| Income attributable to securitisation | | (25,659) | (23,307) | (51,898) | (47,109) |
| Income attributable to sukuk | | (37,493) | (23,700) | (74,931) | (47,530) |
| Net income from Islamic operations | | 358,554 | 269,259 | 645,480 | 551,090 |
| Interest income | A19 | 53,699 | 36,607 | 84,672 | 77,797 |
| Interest expense | A20 | (5) | (5) | (10) | (10) |
| Net interest income | | 53,694 | 36,602 | 84,662 | 77,787 |
| Operating income | | 412,248 | 305,861 | 730,142 | 628,877 |
| Net other income | A21 | 117,423 | 30,453 | 162,103 | 72,471 |
| Net income | | 529,671 | 336,314 | 892,245 | 701,348 |
| Other operating expenses | A22 | (104,440) | (105,345) | (214,213) | (201,500) |
| Operating profit | | 425,231 | 230,969 | 678,032 | 499,848 |
| Net allowance for impairment on loans, financing and advances and other financial assets | A23 | 53,874 | (92,421) | (237,910) | (245,442) |
| Modification loss | A4(ii) | (512,611) | - | (512,611) | - |
| (Loss)/profit before taxation and zakat | | (33,506) | 138,548 | (72,489) | 254,406 |
| Taxation | | 20,000 | (34,151) | (10,272) | (61,179) |
| Zakat | | 1,000 | 1,828 | (3,000) | (3,172) |
| (Loss)/profit for the financial period | | (12,506) | 106,225 | (85,761) | 190,055 |
| (Loss)/profit attributable to: | | | | | |
| Owners of the Company | | (12,506) | 106,225 | (85,761) | 190,055 |
| | | (12,506) | 106,225 | (85,761) | 190,055 |
| Earnings per share (sen) | | | | | |
| Basic | | (0.19) | 1.66 | (1.28) | 2.97 |
| Diluted | | (0.19) | 1.66 | (1.28) | 2.97 |
| (Loss)/profit for the financial period | | (12,506) | 106,225 | (85,761) | 190,055 |
| Other comprehensive income, net of tax : | | | | | |
| Movement in fair value reserve, which may be reclassified subsequently to profit or loss | | 159,704 | 60,115 | 100,003 | 90,347 |
| | | 159,704 | 60,115 | 100,003 | 90,347 |
| Total comprehensive income for the financial period | | 147,198 | 166,340 | 14,242 | 280,402 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 147,198 | 166,340 | 14,242 | 280,402 |
| | | 147,198 | 166,340 | 14,242 | 280,402 |

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2020

| | Note | Company | | | |
|--|--------|-------------------|------------|------------------|------------|
| | | 2nd Quarter Ended | | Six Months Ended | |
| | | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | 41,399 | 29,222 | 60,684 | 63,815 |
| Income derived from investment of general investment deposits and Islamic capital funds | A18 | - | - | - | - |
| Income attributable to depositors | | - | - | - | - |
| Income attributable to securitisation | | - | - | - | - |
| Income attributable to sukuk | | - | - | - | - |
| Net income from Islamic operations | | - | - | - | - |
| Interest income | A19 | 40,670 | 25,108 | 59,017 | 55,225 |
| Interest expense | A20 | (5) | (5) | (10) | (10) |
| Net interest income | | 40,665 | 25,103 | 59,007 | 55,215 |
| Operating income | | 40,665 | 25,103 | 59,007 | 55,215 |
| Net other income | A21 | 139,019 | 23,440 | 144,856 | 43,084 |
| Net income | | 179,684 | 48,543 | 203,863 | 98,299 |
| Other operating expenses | A22 | (10,885) | (9,961) | (22,798) | (18,004) |
| Operating profit | | 168,799 | 38,582 | 181,065 | 80,295 |
| Net writeback/(allowance) for impairment on loans, financing and advances and other financial assets | A23 | 6,283 | 8,016 | (13,179) | (5,447) |
| Modification loss | A4(ii) | (1,814) | - | (1,814) | - |
| Profit before taxation | | 173,268 | 46,598 | 166,072 | 74,848 |
| Taxation | | (8,130) | (12,208) | (5,774) | (22,742) |
| Profit for the financial period | | 165,138 | 34,390 | 160,298 | 52,106 |
| Profit attributable to: | | | | | |
| Owners of the Company | | 165,138 | 34,390 | 160,298 | 52,106 |
| Earnings per share (sen) | | | | | |
| Basic | | 2.46 | 0.54 | 2.39 | 0.82 |
| Diluted | | 2.46 | 0.54 | 2.39 | 0.82 |
| Profit for the financial period | | 165,138 | 34,390 | 160,298 | 52,106 |
| Other comprehensive income, net of tax : | | | | | |
| Movement in fair value reserve, which may be reclassified subsequently to profit or loss | | - | - | - | - |
| Total comprehensive income for the financial period | | 165,138 | 34,390 | 160,298 | 52,106 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 165,138 | 34,390 | 160,298 | 52,106 |

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2020

← Non-distributable → Distributable

| Group | Share Capital RM'000 | Share Option Reserve RM'000 | Fair Value Reserves RM'000 | Retained Profits RM'000 | Total RM'000 |
|--|-------------------------------------|--|---|--|-------------------------|
| At 1 January 2020 | 6,941,542 | 5,843 | 154,994 | 1,484,492 | 8,586,871 |
| Loss for the financial period | - | - | - | (85,761) | (85,761) |
| Other comprehensive income for the financial period | - | - | 100,003 | - | 100,003 |
| At 30 June 2020 | 6,941,542 | 5,843 | 254,997 | 1,398,731 | 8,601,113 |
| At 1 January 2019 | 6,682,102 | 6,261 | 10,612 | 1,086,629 | 7,785,604 |
| Profit for the financial period | - | - | - | 190,055 | 190,055 |
| Other comprehensive income for the financial period | - | - | 90,347 | - | 90,347 |
| At 30 June 2019 | 6,682,102 | 6,261 | 100,959 | 1,276,684 | 8,066,006 |

← Non-distributable → Distributable

| Company | Share Capital RM'000 | Share Option Reserve RM'000 | Fair Value Reserves RM'000 | Retained Profits RM'000 | Total RM'000 |
|---------------------------------|-------------------------------------|--|---|--|-------------------------|
| At 1 January 2020 | 6,941,542 | 5,843 | - | 202,431 | 7,149,816 |
| Profit for the financial period | - | - | - | 160,298 | 160,298 |
| At 30 June 2020 | 6,941,542 | 5,843 | - | 362,729 | 7,310,114 |
| At 1 January 2019 | 6,682,102 | 6,261 | - | 359,235 | 7,047,598 |
| Profit for the financial period | - | - | - | 52,106 | 52,106 |
| At 30 June 2019 | 6,682,102 | 6,261 | - | 411,341 | 7,099,704 |

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2020

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from operating activities | | | | |
| (Loss)/profit before taxation | (72,489) | 254,406 | 166,072 | 74,848 |
| Adjustments for non-cash items | 37,914 | 357,554 | 13,411 | (2,312) |
| Operating profit before working capital changes | (34,575) | 611,960 | 179,483 | 72,536 |
| Working capital changes: | | | | |
| Net changes in operating assets | 368,295 | (1,658,385) | (191,453) | 85,727 |
| Net changes in operating liabilities | (2,016,199) | 4,109,510 | (95,757) | (41,652) |
| Cash (used in)/generated from operations | (1,682,479) | 3,063,085 | (107,727) | 116,611 |
| Dividends received | - | - | 133,657 | - |
| Income taxes and zakat paid | (95,890) | (225,341) | (15,142) | (110,092) |
| Net cash (used in)/generated from operating activities | (1,778,369) | 2,837,744 | 10,788 | 6,519 |
| Cash flows from investing activities | | | | |
| Purchase of property and equipment | (17,158) | (36,194) | - | - |
| Purchase of intangible assets | (11,426) | (15,624) | - | - |
| Proceeds from disposal of foreclosed properties | (1) | 13,582 | - | 13,582 |
| Net purchase of financial investments | 1,206,687 | (3,584,358) | - | - |
| Net cash generated from/(used in) investing activities | 1,178,102 | (3,622,594) | - | 13,582 |

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2020 (CONTINUED)

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from financing activities | | | | |
| Proceeds from recourse obligation on loans/financing sold | (103,426) | (54,089) | - | - |
| Profit expense paid - recourse obligation on loans/financing sold | (52,590) | (34,475) | - | - |
| Repayment of Sukuk - MBSB SC Murabahah | (93,475) | (82,018) | - | - |
| Profit expense paid - Sukuk MBSB SC Murabahah | (41,414) | (12,033) | - | - |
| Payment of lease liabilities | (4,511) | - | - | - |
| Net cash used in financing activities | (295,416) | (182,615) | - | - |
| Net (decrease)/increase in cash and cash equivalents | (895,683) | (967,465) | 10,788 | 20,101 |
| Cash and cash equivalents at beginning of financial period | 2,034,889 | 3,411,986 | 189,526 | 155,077 |
| Cash and cash equivalents at end of financial period (Note A8(a)) | 1,139,206 | 2,444,521 | 200,314 | 175,178 |
| Cash and cash equivalents is represented by: | | | | |
| Cash and short-term funds | 1,139,206 | 2,444,521 | 200,314 | 175,178 |
| Cash and cash equivalents at end of financial period (Note A8(a)) | 1,139,206 | 2,444,521 | 200,314 | 175,178 |

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2020
PART A - EXPLANATORY NOTES PURSUANT TO MFRS134

A1. Basis of preparation

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

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

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

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

Effective for annual periods commencing on or after 1 January 2020

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

Effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

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

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

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

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

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

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

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

A3. Seasonality and cyclicity of operation

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

A4. Exceptional or unusual items

- (i) On 25 March 2020, BNM announced that to ease the cash flow of individuals and SMEs that are likely to be the most affected by Covid-19, banking institutions will offer a deferment of all loan/financing repayments for a period of 6 months, with effect from 1 April 2020. This offer is applicable to performing loans, denominated in Malaysian Ringgit, that have not been in arrears for more than 90 days as at 1 April 2020. Following the announcement, MBSB Group had granted six-month moratorium to eligible individuals and SMEs effective 1 April 2020.
- (ii) For 2nd Quarter 2020 ("2Q20"), MBSB Group and the Company recognised modification loss of RM512.61 million and RM1.81 million respectively arising from moratorium granted. The Group's modification loss amount is material following high exposure to fixed rate personal financing at the banking subsidiary, MBSB Bank Berhad.
- (iii) In relation to the forward-looking adjustments ("FLA") for the ECL assessment, MBSB Group and the Company adopted latest available forecast data as at the reporting date to reflect the economic condition and prevailing circumstances.

A5. Changes in estimates of amounts reported previously

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

A6. Issue of shares and debentures

There were no issuance 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.

| | 30-Jun-20 | 31-Dec-19 |
|----------------------------------|------------------|------------------|
| Number of ordinary shares ('000) | 6,713,402 | 6,713,402 |
| Share Capital (RM'000) | 6,941,542 | 6,941,542 |

A7. Dividend

No dividend was paid in the current quarter.

On 6 May 2020, the Company received single-tier final dividend of RM133,657,081 in respect of financial year ended 31 December 2019 from the banking subsidiary, MBSB Bank.

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

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

| | Group | | Company | |
|---|-------------------|------------------|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (a) Cash and short-term funds: | | | | |
| Cash at banks and on hand | 151,208 | 196,865 | 28,361 | 45,637 |
| Money at call and deposit placements maturing within one month | 987,998 | 1,838,024 | 171,953 | 143,889 |
| | 1,139,206 | 2,034,889 | 200,314 | 189,526 |
| (b) Deposits and placements with financial institutions with original maturity of more than one month | | | | |
| - Licensed Islamic banks | 870,125 | 873,515 | - | - |
| - Financial institutions | 428,849 | - | 128,140 | - |
| | 2,438,180 | 2,908,404 | 328,454 | 189,526 |

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

A9. Derivative financial assets/(liabilities)

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

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

| | Group | | |
|---|------------------------|---------------|--------------------|
| | Notional amount | Assets | Fair value |
| | RM'000 | RM'000 | Liabilities |
| | | | RM'000 |
| 2020 | | | |
| <u>Trading derivatives</u> | | | |
| <u>Foreign exchange contracts:</u> | | | |
| Currency forward | | | |
| - Less than one year | 54,527 | 658 | (53) |
| 2019 | | | |
| <u>Trading derivatives</u> | | | |
| <u>Foreign exchange contracts:</u> | | | |
| Currency forward | | | |
| - Less than one year | 228,295 | 4,239 | (1) |

A10. Financial investments at FVTPL

| | Group | |
|--|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 |
| At fair value | | |
| Quoted securities: | | |
| <u>In Malaysia</u> | | |
| Malaysian Government Investment Issues | 11,073 | - |
| | 11,073 | - |

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

| | Group | |
|--|-------------------|-------------------|
| | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 |
| At fair value | | |
| Money Market Instruments | | |
| Malaysian Government Investment Issues | 6,891,622 | 7,530,627 |
| Debt securities: | | |
| In Malaysia | | |
| Private and Islamic debt securities | 1,062,574 | 1,109,787 |
| Government Guaranteed debt securities | 2,009,138 | 2,054,230 |
| | 9,963,334 | 10,694,644 |

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

ECL movement for financial investments at FVOCI:

| | Group | | | |
|---------------------------------|----------------|----------------|----------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2020 | 18 | - | - | 18 |
| Total charge to profit or loss: | (7) | - | - | (7) |
| Change in credit risk | (7) | - | - | (7) |
| At 30 June 2020 | 11 | - | - | 11 |

| | Group | | | |
|---------------------------------|----------------|----------------|----------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2019 | - | - | - | - |
| Total charge to profit or loss: | 18 | - | - | 18 |
| Change in credit risk | 18 | - | - | 18 |
| At 31 December 2019 | 18 | - | - | 18 |

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

A12. Financial investments at amortised cost

| | Group | |
|-------------------------------------|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 |
| At amortised cost | | |
| Quoted securities: | | |
| <u>In Malaysia</u> | | |
| Private and Islamic debt securities | 488,571 | 494,857 |
| Less: ECL stage 1 | (128) | (152) |
| | <u>488,443</u> | <u>494,705</u> |

ECL movement for financial investments at amortised cost:

| | Group | | | |
|----------------------------------|----------------|----------------|----------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| ECL at 1 January 2020 | 152 | - | - | 152 |
| Total charge to profit or loss - | | | | |
| Change in credit risk (Note A23) | (24) | - | - | (24) |
| ECL at 30 June 2020 | <u>128</u> | <u>-</u> | <u>-</u> | <u>128</u> |
| | | | | |
| | Group | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| ECL at 1 January 2019 | 6 | - | - | 6 |
| Total charge to profit or loss - | | | | |
| Change in credit risk (Note A23) | 146 | - | - | 146 |
| ECL at 31 December 2019 | <u>152</u> | <u>-</u> | <u>-</u> | <u>152</u> |

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

A13. Loans, financing and advances

| | Group | | Company | |
|-------------------------------------|-------------------|-------------------|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (i) By type | | | | |
| At amortised cost | | | | |
| <i>Islamic:</i> | | | | |
| Term financing: | | | | |
| Personal financing | 19,704,030 | 19,994,419 | - | - |
| Property financing | 5,642,439 | 5,169,539 | - | - |
| Industrial hire purchase | 792,381 | 808,958 | - | - |
| Bridging financing | 558,188 | 593,906 | - | - |
| Auto financing | 144,769 | 160,479 | - | - |
| Other term financing | 5,758,048 | 5,949,892 | - | - |
| Revolving Credit | 496,565 | 703,389 | - | - |
| Trade finance | 706,500 | 560,978 | - | - |
| Cash line | 14,136 | 3,663 | - | - |
| Staff financing | 43,947 | 44,798 | - | - |
| <i>Conventional:</i> | | | | |
| End finance: | | | | |
| Normal housing programme | 656,071 | 864,289 | 656,071 | 864,289 |
| Low cost housing programme | 3,427 | 3,252 | 3,427 | 3,252 |
| Other term financing | 786,297 | 761,218 | 786,297 | 761,218 |
| Bridging financing | 246,748 | 228,310 | 246,748 | 228,310 |
| Auto financing | 17,004 | 17,080 | 17,004 | 17,080 |
| Staff financing | 169 | 320 | 169 | 320 |
| Gross loans, financing and advances | <u>35,570,719</u> | <u>35,864,490</u> | <u>1,709,716</u> | <u>1,874,469</u> |
| Less: ECL | | | | |
| - Stage 1 | (345,942) | (411,822) | (5,761) | (10,532) |
| - Stage 2 | (500,501) | (433,194) | (61,193) | (64,260) |
| - Stage 3 | (1,282,071) | (1,065,652) | (683,230) | (653,172) |
| Net loans, financing and advances | <u>33,442,205</u> | <u>33,953,822</u> | <u>959,532</u> | <u>1,146,505</u> |

(ii) By maturity structure

| | Group | | Company | |
|-------------------------------------|-------------------|-------------------|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Within one year | 2,368,347 | 2,632,716 | 617,311 | 578,839 |
| More than one year to three years | 1,934,945 | 1,778,969 | 123,932 | 128,050 |
| More than three years to five years | 1,844,406 | 2,239,227 | 124,668 | 123,980 |
| More than five years | 29,423,021 | 29,213,578 | 843,805 | 1,043,600 |
| | <u>35,570,719</u> | <u>35,864,490</u> | <u>1,709,716</u> | <u>1,874,469</u> |

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

A13. Loans, financing and advances (continued)

(iii) By economic purpose

| | Group | | Company | |
|--------------------------------|-------------------|-------------------|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personal Use | 19,797,471 | 20,090,515 | 300 | 311 |
| Construction | 4,501,593 | 4,833,569 | 468,619 | 436,805 |
| Purchase of landed property: | | | | |
| - Residential | 5,871,034 | 5,604,901 | 596,784 | 800,903 |
| - Non-Residential | 749,929 | 740,556 | 102,166 | 104,275 |
| Working Capital | 2,514,857 | 2,477,796 | 89,063 | 85,125 |
| Purchase of other fixed assets | 974,059 | 955,086 | 4,669 | 5,752 |
| Purchase of transport vehicles | 160,221 | 175,924 | 14,594 | 14,681 |
| Purchase of other securities | 47,605 | 34,452 | - | - |
| Purchase of consumer durables | 111 | 5,738 | - | - |
| Others | 953,839 | 945,953 | 433,521 | 426,617 |
| | 35,570,719 | 35,864,490 | 1,709,716 | 1,874,469 |

(iv) By type of customers

| | Group | | Company | |
|-----------------------------------|-------------------|-------------------|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Individuals | 26,079,930 | 26,120,060 | 631,177 | 839,081 |
| Domestic business enterprises | | | | |
| - Small medium enterprise | 3,004,276 | 2,500,266 | 817,134 | 700,906 |
| - Non-bank financial institutions | 676,584 | 710,454 | - | - |
| - Government | 51,225 | 141,302 | - | - |
| - Others | 5,723,591 | 6,384,211 | 261,405 | 334,482 |
| Foreign entities | 35,113 | 8,197 | - | - |
| | 35,570,719 | 35,864,490 | 1,709,716 | 1,874,469 |

(v) By sector

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Household sectors | 26,079,931 | 26,120,060 | 631,177 | 839,081 |
| Construction | 4,682,200 | 5,061,309 | 728,455 | 690,520 |
| Finance, insurance and business services | 2,646,435 | 2,798,729 | 10,964 | 11,002 |
| Wholesale & retail trade and restaurants & hotels | 479,352 | 472,966 | 3,384 | 3,420 |
| Manufacturing | 495,698 | 374,515 | 95,842 | 92,047 |
| Education, health and others | 384,629 | 317,522 | 234,827 | 233,346 |
| Electricity, gas and water | 387,099 | 262,076 | - | - |
| Transport, storage and communication | 183,009 | 206,583 | 1,853 | 1,896 |
| Agriculture | 92,296 | 133,443 | 3,214 | 3,157 |
| Mining and quarrying | 140,070 | 117,287 | - | - |
| | 35,570,719 | 35,864,490 | 1,709,716 | 1,874,469 |

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

A13. Loans, financing and advances (continued)

(vi) By profit/interest rate sensitivity

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fixed rate: | | | | |
| Personal financing | 16,942,467 | 17,477,316 | - | - |
| Bridging, structured and term financing | 1,046,798 | 1,063,641 | 129,688 | 127,066 |
| Mortgage and property Islamic | 460,923 | 471,125 | 1,723 | 2,211 |
| Auto finance | 164,150 | 180,167 | 17,004 | 17,080 |
| Variable rate: | | | | |
| Bridging, structured and term financing | 8,312,491 | 8,547,101 | 903,357 | 862,462 |
| Mortgage and property Islamic | 5,867,608 | 5,591,882 | 657,944 | 865,650 |
| Personal financing | 2,776,282 | 2,533,258 | - | - |
| | 35,570,719 | 35,864,490 | 1,709,716 | 1,874,469 |

(vii) By geographical distribution

| | Group | | Company | |
|----------|-------------------|-------------------|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysia | 35,570,719 | 35,864,490 | 1,709,716 | 1,874,469 |
| | 35,570,719 | 35,864,490 | 1,709,716 | 1,874,469 |

(viii) Movement of gross loans, advances and financing

30-June-20

| | Group | | | |
|--|-------------------|------------------|------------------|-------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Gross carrying amount as at 1 January 2020 | 29,415,952 | 4,586,996 | 1,861,542 | 35,864,490 |
| Transfer to stage 1 | 951,024 | (928,037) | (22,987) | - |
| Transfer to stage 2 | (1,396,686) | 1,534,649 | (137,963) | - |
| Transfer to stage 3 | (153,266) | (260,230) | 413,496 | - |
| New financing / disbursement during the year | 2,647,825 | 148,428 | 49,854 | 2,846,107 |
| Repayment during the year | (2,682,269) | (270,916) | (48,084) | (3,001,269) |
| Other movements | 262,100 | 63,481 | 49,229 | 374,810 |
| Modification loss | (476,483) | (36,128) | - | (512,611) |
| Write-offs | - | - | (808) | (808) |
| Gross carrying amount as at 30 June 2020 | 28,568,197 | 4,838,243 | 2,164,279 | 35,570,719 |

30-June-20

| | Company | | | |
|--|----------------|----------------|------------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Gross carrying amount as at 1 January 2020 | 350,665 | 480,287 | 1,043,517 | 1,874,469 |
| Transfer to stage 1 | 21,494 | (21,494) | - | - |
| Transfer to stage 2 | (21,070) | 63,505 | (42,435) | - |
| Transfer to stage 3 | (100) | (18,306) | 18,406 | - |
| Disbursement during the year | - | - | - | - |
| Repayment during the year | (107,187) | (109,741) | (11,369) | (228,297) |
| Other movements | 6,704 | 14,437 | 44,217 | 65,358 |
| Modification loss | (513) | (1,301) | - | (1,814) |
| Gross carrying amount as at 30 June 2020 | 249,993 | 407,387 | 1,052,336 | 1,709,716 |

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

A13. Loans, financing and advances (continued)

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

| 31-Dec-19 | Group | | | |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Gross carrying amount as at 1 January 2019 | 28,721,082 | 4,528,051 | 1,923,471 | 35,172,604 |
| Transfer to stage 1 | 963,825 | (869,735) | (94,090) | - |
| Transfer to stage 2 | (1,163,094) | 1,405,858 | (242,764) | - |
| Transfer to stage 3 | (137,451) | (285,312) | 422,763 | - |
| New financing / disbursement during the year | 5,007,227 | 461,038 | 66,694 | 5,534,959 |
| Repayment during the year | (4,033,508) | (658,155) | (155,110) | (4,846,773) |
| Other movements | 57,871 | 5,251 | 162,470 | 225,592 |
| Write-offs | - | - | (221,892) | (221,892) |
| Gross carrying amount as at 31 December 2019 | 29,415,952 | 4,586,996 | 1,861,542 | 35,864,490 |

| 31-Dec-19 | Company | | | |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Gross carrying amount as at 1 January 2019 | 406,208 | 590,545 | 1,131,177 | 2,127,930 |
| Transfer to stage 1 | 55,468 | (49,302) | (6,166) | - |
| Transfer to stage 2 | (29,468) | 95,223 | (65,755) | - |
| Transfer to stage 3 | (2,184) | (32,206) | 34,390 | - |
| New financing / disbursement during the year | - | 95 | - | 95 |
| Repayment during the year | (83,245) | (136,678) | (93,883) | (313,806) |
| Other movements | 3,886 | 12,610 | 43,754 | 60,250 |
| Gross carrying amount as at 31 December 2019 | 350,665 | 480,287 | 1,043,517 | 1,874,469 |

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

A13. Loans, financing and advances (continued)

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

| 30-June-20 | Group | | | |
|---|---------------------------|---------------------------|---------------------------|-------------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| ECL as at 1 January 2020 | 411,822 | 433,194 | 1,065,652 | 1,910,668 |
| Charged to profit or loss, of which (Note A23): | (65,880) | 67,307 | 216,865 | 218,292 |
| Changes in ECL | | | | |
| - Transfer to stage 1 | 60,401 | (46,406) | (13,995) | - |
| - Transfer to stage 2 | (31,051) | 111,327 | (80,276) | - |
| - Transfer to stage 3 | (3,254) | (43,745) | 46,999 | - |
| New financing / disbursement during the year | 40,763 | 26,724 | 8,435 | 75,922 |
| Repayment during the year | (134,035) | (146,285) | (47,710) | (328,030) |
| Changes in credit risk parameters | 1,296 | 165,692 | 303,412 | 470,400 |
| Write-offs | - | - | (446) | (446) |
| ECL as at 30 June 2020 | 345,942 | 500,501 | 1,282,071 | 2,128,514 |
| 30-June-20 | Company | | | |
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| ECL as at 1 January 2020 | 10,532 | 64,260 | 653,172 | 727,964 |
| Charged to profit or loss, of which (Note A23): | (4,771) | (3,067) | 30,058 | 22,220 |
| Changes in ECL | | | | |
| - Transfer to stage 1 | 1,814 | (1,814) | - | - |
| - Transfer to stage 2 | (695) | 20,995 | (20,300) | - |
| - Transfer to stage 3 | (3) | (4,129) | 4,132 | - |
| New financing / disbursement during the year | - | - | - | - |
| Repayment during the year | (5,888) | (37,033) | (11,685) | (54,606) |
| Changes in credit risk parameters | 1 | 18,914 | 57,911 | 76,826 |
| Write-offs | - | - | - | - |
| ECL as at 30 June 2020 | 5,761 | 61,193 | 683,230 | 750,184 |

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

A13. Loans, financing and advances (continued)

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

31-Dec-19

| | Group | | | |
|---|----------------|----------------|------------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| ECL as at 1 January 2019 | 358,907 | 550,621 | 1,129,957 | 2,039,485 |
| Charged to profit or loss, of which (Note A23): | 52,915 | (117,427) | 157,589 | 93,077 |
| Changes in ECL | | | | |
| - Transfer to stage 1 | 142,567 | (96,973) | (45,594) | - |
| - Transfer to stage 2 | (20,096) | 162,154 | (142,058) | - |
| - Transfer to stage 3 | (1,885) | (67,373) | 69,258 | - |
| New financing / disbursement during the year | 110,426 | 39,036 | 38,274 | 187,736 |
| Repayment during the year | (178,959) | (249,340) | (85,700) | (513,999) |
| Changes in credit risk parameters | 48,045 | 183,422 | 396,017 | 627,484 |
| Change to model assumptions and methodologies ^ | (47,183) | (88,353) | (72,608) | (208,144) |
| Write-offs | - | - | (221,894) | (221,894) |
| ECL as at 31 December 2019 | <u>411,822</u> | <u>433,194</u> | <u>1,065,652</u> | <u>1,910,668</u> |

31-Dec-19

| | Company | | | |
|---|----------------|----------------|----------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| ECL as at 1 January 2019 | 12,370 | 94,982 | 694,076 | 801,428 |
| Charged to profit or loss, of which (Note A23): | (1,838) | (30,722) | (40,904) | (73,464) |
| Changes in ECL | | | | |
| - Transfer to stage 1 | 10,486 | (6,012) | (4,474) | - |
| - Transfer to stage 2 | (1,023) | 49,235 | (48,212) | - |
| - Transfer to stage 3 | (73) | (6,448) | 6,521 | - |
| New financing / disbursement during the year | - | 8 | - | 8 |
| Repayment during the year | (9,951) | (78,636) | (33,852) | (122,439) |
| Changes in credit risk parameters | 1,147 | 25,813 | 68,598 | 95,558 |
| Change to model assumptions and methodologies ^ | (2,424) | (14,682) | (29,485) | (46,591) |
| ECL as at 31 December 2019 | <u>10,532</u> | <u>64,260</u> | <u>653,172</u> | <u>727,964</u> |

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

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

A13. Loans, financing and advances (continued)

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

| | Group | | Company | |
|--|-------------------|------------------|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance as at 1 January | 1,861,542 | 1,923,471 | 1,043,517 | 1,131,177 |
| Classified as impaired during the period | 463,350 | 489,457 | 18,406 | 34,390 |
| Reclassified as non-impaired | (160,950) | (336,854) | (42,435) | (71,921) |
| Amount recovered | (48,084) | (155,110) | (11,369) | (93,883) |
| Other movements | 49,229 | 162,470 | 44,217 | 43,754 |
| Amount written off | (808) | (221,892) | - | - |
| Balance as at end of financial period | <u>2,164,279</u> | <u>1,861,542</u> | <u>1,052,336</u> | <u>1,043,517</u> |
| Less: ECL stage 3 | (1,282,071) | (1,065,652) | (683,230) | (653,172) |
| Net impaired financing and advances | <u>882,208</u> | <u>795,890</u> | <u>369,106</u> | <u>390,345</u> |
| Net impaired loans as a percentage of net financing and advances | <u>2.64%</u> | <u>2.34%</u> | <u>38.47%</u> | <u>34.05%</u> |
| Gross impaired loans as a percentage of gross financing and advances | <u>6.08%</u> | <u>5.19%</u> | <u>61.55%</u> | <u>55.67%</u> |

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

| | Group | | Company | |
|--------------------------------|-------------------|------------------|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 | 30-June-20 | 31-Dec-19 |
| Construction | 890,456 | 630,722 | 357,940 | 339,853 |
| Personal use | 201,949 | 140,300 | - | - |
| Purchase of landed property: | | | | |
| - Residential | 422,171 | 447,465 | 216,568 | 232,072 |
| - Non-Residential | 110,348 | 105,258 | 72,140 | 71,857 |
| Working capital | 47,706 | 45,465 | - | - |
| Purchase of transport vehicles | 45,589 | 45,818 | 13,786 | 13,948 |
| Purchase of other fixed assets | 39,589 | 39,745 | 1,129 | 1,400 |
| Purchase of consumer durables | - | 5,626 | - | - |
| Others | 406,471 | 401,143 | 390,773 | 384,387 |
| | <u>2,164,279</u> | <u>1,861,542</u> | <u>1,052,336</u> | <u>1,043,517</u> |

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

A13. Loans, financing and advances (continued)

(xii) Impaired loans, financing and advances by sector

| | Group | | Company | |
|---|-------------------|------------------|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Household sector | 707,056 | 669,634 | 254,973 | 271,089 |
| Construction | 868,510 | 751,711 | 568,523 | 544,444 |
| Education, health and others | 311,573 | 298,183 | 227,033 | 225,648 |
| Finance, insurance and business services | 143,968 | 15,737 | 1,017 | 1,012 |
| Manufacturing | 64,160 | 60,863 | 560 | 1,096 |
| Mining and quarrying | 38,474 | 38,691 | - | - |
| Wholesale & retail trade and restaurants & hotels | 25,258 | 22,744 | 174 | 172 |
| Transport, storage and communication | 5,110 | 3,810 | 56 | 56 |
| Agriculture | 170 | 169 | - | - |
| | 2,164,279 | 1,861,542 | 1,052,336 | 1,043,517 |

A14. Other receivables

| | Group | | Company | |
|---|-------------------|------------------|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Advances in respect of certain projects | 541,958 | 514,318 | - | - |
| Amount due from MBSB Bank | - | - | 103,226 | - |
| Amount due from subsidiaries | - | - | 57,008 | 65,041 |
| Foreclosed properties | 113,264 | 113,262 | 113,264 | 113,262 |
| Prepayments and deposits | 18,562 | 17,297 | 8,765 | 8,633 |
| Sundry receivables | 31,594 | 90,961 | 6,646 | 18,490 |
| Deferred expenses | 2,185 | 2,322 | - | - |
| | 707,563 | 738,160 | 288,909 | 205,426 |
| Less: Allowance for impairment | (565,463) | (549,818) | (80,490) | (100,520) |
| | 142,100 | 188,342 | 208,419 | 104,906 |

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

A15. Deposits from customers

(i) By type of deposit:

| | Group | |
|----------------------------------|-------------------|-------------------|
| | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 |
| Commodity Murabahah Term Deposit | 24,631,703 | 24,738,093 |
| Demand deposits | 279,953 | 192,381 |
| Savings deposits | 419,986 | 341,477 |
| | <u>25,331,642</u> | <u>25,271,951</u> |

(ii) Maturity of deposits from customers:

| | Group | |
|-----------------------------------|-------------------|-------------------|
| | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 |
| Within six months | 17,801,663 | 16,480,775 |
| More than six months to one year | 4,550,946 | 5,426,032 |
| More than one year to three years | 1,920,451 | 1,891,341 |
| More than three years | 358,643 | 939,945 |
| | <u>24,631,703</u> | <u>24,738,093</u> |

(iii) By type of customers:

| | Group | |
|---------------------------------|-------------------|-------------------|
| | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 |
| Government and statutory bodies | 11,453,750 | 12,696,568 |
| Business enterprises | 8,739,262 | 7,229,721 |
| Individuals | 5,138,630 | 5,345,662 |
| | <u>25,331,642</u> | <u>25,271,951</u> |

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

A15. Deposits from customers (continued)

(iv) By type of contract:

| | Group | |
|----------|-------------------|-------------------|
| | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 |
| Tawarruq | 25,331,642 | 25,271,951 |
| | <u>25,331,642</u> | <u>25,271,951</u> |

A16. Deposits and placements of banks and other financial institutions

(i) By type of deposit:

| | Group | |
|-------------------------------|-------------------|-------------------|
| | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 |
| <u>Non-Mudharabah Funds:</u> | | |
| Other financial institutions: | | |
| -Licensed Investment Banks | 1,342 | 152,390 |
| -Licensed Islamic Banks | 307,275 | 112,937 |
| -Other Financial Institutions | 8,351,975 | 10,356,442 |
| | <u>8,660,592</u> | <u>10,621,769</u> |

(ii) By type of contract:

| | Group | |
|----------|-------------------|-------------------|
| | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 |
| Tawarruq | 8,660,592 | 10,621,769 |
| | <u>8,660,592</u> | <u>10,621,769</u> |

A17. Other payables

| | Group | | Company | |
|---|-------------------|------------------|-------------------|------------------|
| | 30-June-20 | 31-Dec-19 | 30-June-20 | 31-Dec-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Amount due to MBSB Bank Berhad | - | - | - | 78,416 |
| Sundry creditors | 276,800 | 319,544 | 44,732 | 60,920 |
| AI-Mudharabah security fund | 140,547 | 137,309 | - | - |
| Expected credit loss ("ECL") for commitments and contingencies (i) | 77,346 | 70,680 | 5,504 | 5,441 |
| Deferred income | 34,877 | 38,362 | 3,267 | 3,524 |
| Other provisions and accruals | 52,163 | 76,383 | 5,277 | 6,183 |
| | <u>581,733</u> | <u>642,278</u> | <u>58,780</u> | <u>154,484</u> |

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

A17. Other payables (continued)

(i) ECL for commitments and contingencies

Movement of ECL for commitments and contingencies are as follows:

30-June-20

| | Group | | | |
|---|----------------|----------------|----------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| ECL as at 1 January 2020 | 44,196 | 17,978 | 8,506 | 70,680 |
| Charge to profit or loss (Note A23) | (15,344) | 6,628 | 15,382 | 6,666 |
| Changes in the impairment allowance | | | | |
| - Transfer to stage 1 | 2,867 | (2,817) | (50) | - |
| - Transfer to stage 2 | (4,203) | 4,432 | (229) | - |
| - Transfer to stage 3 | (66) | (1,531) | 1,597 | - |
| New financing /disbursement during the year | 6,104 | 3,081 | 202 | 9,387 |
| Derecognised to loans/financing | | | | |
| during the period (other than write-offs) | (5,030) | (1,624) | (400) | (7,054) |
| Changes in credit risk parameters | (15,016) | 5,087 | 14,262 | 4,333 |
| ECL as at 30 June 2020 | 28,852 | 24,606 | 23,888 | 77,346 |

30-June-20

| | Company | | | |
|---|----------------|----------------|----------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loss allowance as at 1 January 2020 | 251 | 176 | 5,014 | 5,441 |
| Charge to profit or loss (Note A23) | (89) | 33 | 119 | 63 |
| Changes in the impairment allowance | | | | |
| - Transfer to stage 1 | 23 | (23) | - | - |
| - Transfer to stage 2 | (8) | 87 | (79) | - |
| - Transfer to stage 3 | - | (5) | 5 | - |
| New financing /disbursement during the year | 1 | 16 | 201 | 218 |
| Derecognised/converted to loans/financing | | | | |
| during the period (other than write-offs) | (13) | (14) | (60) | (87) |
| Changes in credit risk parameters | (92) | (28) | 52 | (68) |
| ECL as at 30 June 2020 | 162 | 209 | 5,133 | 5,504 |

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

A17. Other payables (continued)

(i) ECL for commitments and contingencies (continued)

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

| 31-Dec-19 | Group | | | |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| ECL as at 1 January 2019 | 53,130 | 36,829 | 10,453 | 100,412 |
| Charge to profit or loss (Note A23) | (8,934) | (18,851) | (1,947) | (29,732) |
| Changes in the impairment allowance | | | | |
| - Transfer to stage 1 | 4,940 | (2,357) | (2,583) | - |
| - Transfer to stage 2 | (4,914) | 5,263 | (349) | - |
| - Transfer to stage 3 | (798) | (4,814) | 5,612 | - |
| New financing /disbursement during the year | 25,153 | 1,791 | 426 | 27,370 |
| Derecognised to loans/financing during the period (other than write-offs) | (12,511) | (6,126) | (815) | (19,452) |
| Changes in credit risk parameters | (14,394) | (4,718) | (3,203) | (22,315) |
| Changes to model assumptions and methodologies [^] | (6,410) | (7,890) | (1,035) | (15,335) |
| ECL as at 31 December 2019 | 44,196 | 17,978 | 8,506 | 70,680 |

| 31-Dec-19 | Company | | | |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| ECL as at 1 January 2019 | 413 | 198 | 5,858 | 6,469 |
| Charge to profit or loss (Note A23) | (162) | (22) | (844) | (1,028) |
| Changes in the impairment allowance | | | | |
| - Transfer to stage 1 | 86 | (7) | (79) | - |
| - Transfer to stage 2 | (24) | 73 | (49) | - |
| - Transfer to stage 3 | (7) | (12) | 19 | - |
| Derecognised/converted to loans/financing during the period (other than write-offs) | (51) | (63) | (194) | (308) |
| Changes in credit risk parameters | (114) | 29 | 23 | (62) |
| Changes to model assumptions and methodologies [^] | (52) | (42) | (564) | (658) |
| ECL as at 31 December 2019 | 251 | 176 | 5,014 | 5,441 |

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

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

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

| | Group | | Group | |
|---|-------------------|----------------|------------------|------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financing | 594,331 | 578,563 | 1,153,057 | 1,142,899 |
| Income from financial investments at FVTPL | 69 | 43 | 149 | 95 |
| Income from financial investments at FVOCI | 102,155 | 65,903 | 204,137 | 129,682 |
| Income from financial investments at amortised cost | 6,370 | (164) | 6,601 | (260) |
| Deposits with financial institutions | 18,656 | 40,492 | 34,772 | 83,216 |
| | <u>721,581</u> | <u>684,837</u> | <u>1,398,716</u> | <u>1,355,632</u> |

A19. Interest income

| | Group | | | |
|--|-------------------|---------------|------------------|---------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income from: | | | | |
| - Loans, advances and financing | 52,483 | 34,886 | 82,265 | 74,006 |
| - Deposits and placements with banks and other financial institutions | 1,216 | 1,721 | 2,407 | 3,791 |
| | <u>53,699</u> | <u>36,607</u> | <u>84,672</u> | <u>77,797</u> |

| | Company | | | |
|--|-------------------|---------------|------------------|---------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income from: | | | | |
| - Loans, advances and financing | 39,454 | 23,387 | 56,610 | 51,434 |
| - Deposits and placements with banks and other financial institutions | 1,216 | 1,721 | 2,407 | 3,791 |
| | <u>40,670</u> | <u>25,108</u> | <u>59,017</u> | <u>55,225</u> |

A20. Interest expense

| | Group and Company | | | |
|--------|-------------------|------------|------------------|------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Others | 5 | 5 | 10 | 10 |
| | <u>5</u> | <u>5</u> | <u>10</u> | <u>10</u> |

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

A21. Net other income

| | Group | | | |
|---|--------------------------|-------------------|-------------------------|-------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Rental income | 41 | 49 | 82 | 93 |
| Revenue from hotel operations | 3 | 1,155 | 29 | 2,359 |
| Loan related fees | 1,223 | 2,729 | 1,846 | 5,228 |
| Insurance commission | 2,017 | 4,138 | 4,804 | 6,149 |
| Ta'awidh/Penalty | 4,633 | 11,928 | 8,472 | 22,506 |
| Gain from sale of FVTPL | 337 | - | 1,536 | - |
| Gain from sale of FVOCI | 107,490 | 14,543 | 136,152 | 29,067 |
| Sundry income/(expense) | 796 | (12,080) | 16,060 | (922) |
| Gain from disposal of foreclosed properties | - | 7,991 | - | 7,991 |
| Others | 883 | - | (6,878) | - |
| | 117,423 | 30,453 | 162,103 | 72,471 |

| | Company | | | |
|---|--------------------------|-------------------|-------------------------|-------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Rental income | 949 | 951 | 1,899 | 4,754 |
| Loan related fees | 730 | 4,153 | 1,667 | 8,582 |
| Insurance commission | - | (40) | - | 7 |
| Ta'awidh/Penalty | 4,159 | 11,173 | 8,492 | 21,634 |
| Sundry (expense)/income | (476) | (788) | (859) | 116 |
| Dividend income | 133,657 | - | 133,657 | - |
| Gain from disposal of foreclosed properties | - | 7,991 | - | 7,991 |
| | 139,019 | 23,440 | 144,856 | 43,084 |

A22. Other operating expenses

| | Group | | | |
|--|--------------------------|-------------------|-------------------------|-------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel expenses * | 72,659 | 65,207 | 141,262 | 127,523 |
| Establishment related expenses | 20,674 | 15,031 | 41,680 | 27,702 |
| General administrative expenses | 7,553 | 13,747 | 16,502 | 24,737 |
| Promotion and marketing related expenses | 2,440 | 2,823 | 4,723 | 4,515 |
| Commission fees | 1,114 | 8,537 | 10,046 | 17,023 |
| | 104,440 | 105,345 | 214,213 | 201,500 |

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

A22. Other operating expenses (continued)

| | Company | | | |
|---------------------------------|--------------------------|-------------------|-------------------------|-------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel expenses * | 340 | 300 | 635 | 610 |
| Establishment related expenses | 125 | 347 | 820 | 955 |
| General administrative expenses | 1,035 | 3,307 | 2,254 | 4,326 |
| Intercompany charges | 9,305 | 5,981 | 18,610 | 11,962 |
| Commission fees | 80 | 26 | 479 | 151 |
| | 10,885 | 9,961 | 22,798 | 18,004 |

Included in the other operating expenses:

| | Group | | | |
|--|--------------------------|-------------------|-------------------------|-------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation of property and equipment | 2,291 | 2,311 | 4,555 | 4,665 |
| Amortisation of intangible assets | 6,459 | 5,233 | 12,687 | 10,282 |
| Depreciation of right-of-use assets | 2,250 | 3,907 | 4,507 | 3,907 |

Included in the other operating expenses:

| | Company | | | |
|--|--------------------------|-------------------|-------------------------|-------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation of property and equipment | 116 | 116 | 232 | 232 |

*** Personnel expenses**

| | Group | | | |
|--|--------------------------|-------------------|-------------------------|-------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Wages and salaries | 57,022 | 50,421 | 109,926 | 98,645 |
| Pension costs - Employees Provident Fund | 9,192 | 8,949 | 17,890 | 16,953 |
| Social security costs | 515 | 426 | 1,002 | 800 |
| Directors fees | 1,074 | 853 | 1,897 | 1,804 |
| Shariah Committee remuneration | 89 | 120 | 179 | 234 |
| Other staff related expenses | 4,767 | 4,438 | 10,368 | 9,087 |
| | 72,659 | 65,207 | 141,262 | 127,523 |

*** Personnel expenses**

| | Company | | | |
|------------------------------|--------------------------|-------------------|-------------------------|-------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors fees | 340 | 300 | 627 | 607 |
| Other staff related expenses | - | - | 8 | 3 |
| | 340 | 300 | 635 | 610 |

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

A23. Net (writeback)/allowance for impairment on loans, financing and advances and other financial assets

30-June-20

| | Group | | | |
|---|--------------------------|------------------|----------------|-----------------|
| | 2nd Quarter Ended | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial investments at FVOCI | (2) | - | - | (2) |
| Financial investments at amortised cost | (21) | - | - | (21) |
| Loans, financing and advances (Note A13(ix)) | (54,648) | (109,421) | 103,800 | (60,269) |
| Other receivables | - | - | 13,867 | 13,867 |
| Financing commitments and financial guarantee (Note A17) | (13,403) | (8,216) | 14,691 | (6,928) |
| | (68,074) | (117,637) | 132,358 | (53,353) |
| Impaired financing and advances: | | | | |
| - Write off | - | - | 1,204 | 1,204 |
| - Recovered | - | - | (1,725) | (1,725) |
| | - | - | (521) | (521) |
| | (68,074) | (117,637) | 131,837 | (53,874) |

| | Group | | | |
|---|-------------------------|----------------|----------------|----------------|
| | Six Months Ended | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial investments at FVOCI | (7) | - | - | (7) |
| Financial investments at amortised cost | (24) | - | - | (24) |
| Loans, financing and advances (Note A13(ix)) | (65,880) | 67,307 | 216,865 | 218,292 |
| Other receivables | - | - | 15,448 | 15,448 |
| Financing commitments and financial guarantee (Note A17) | (15,344) | 6,628 | 15,382 | 6,666 |
| | (81,255) | 73,935 | 247,695 | 240,375 |
| Impaired financing and advances: | | | | |
| - Write off | - | - | 2,220 | 2,220 |
| - Recovered | - | - | (4,685) | (4,685) |
| | - | - | (2,465) | (2,465) |
| | (81,255) | 73,935 | 245,230 | 237,910 |

30-June-20

| | Company | | | |
|---|--------------------------|----------------|----------------|----------------|
| | 2nd Quarter Ended | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans, financing and advances (Note A13(ix)) | (2,951) | (8,946) | 4,517 | (7,380) |
| Amount due from subsidiaries | - | - | 940 | 940 |
| Financing commitments and financial guarantee (Note A17) | (35) | 38 | 150 | 153 |
| | (2,986) | (8,908) | 5,607 | (6,287) |
| Impaired financing and advances: | | | | |
| - Write off | - | - | 16 | 16 |
| - Recovered | - | - | (12) | (12) |
| | - | - | 4 | 4 |
| | (2,986) | (8,908) | 5,611 | (6,283) |

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

A23. Net (writeback)/allowance for impairment on loans, financing and advances and other financial assets
(continued)

30-June-20

| | Company | | | |
|---|-------------------------|----------------|----------------|---------------|
| | Six Months Ended | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans, financing and advances (Note A13(ix)) | (4,771) | (3,067) | 30,058 | 22,220 |
| Amount due from subsidiaries | - | - | 2,750 | 2,750 |
| Other receivables | - | - | (12,000) | (12,000) |
| Financing commitments and financial guarantee (Note A17) | (89) | 33 | 119 | 63 |
| | (4,860) | (3,034) | 20,927 | 13,033 |
| Impaired financing and advances: | | | | |
| - Write off | - | - | 255 | 255 |
| - Recovered | - | - | (109) | (109) |
| | - | - | 146 | 146 |
| | (4,860) | (3,034) | 21,073 | 13,179 |

30-June-19

| | Group | | | |
|---|--------------------------|-----------------|----------------|---------------|
| | 2nd Quarter Ended | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial investments at FVOCI | 18 | - | - | 18 |
| Financial investments at amortised cost | (2) | - | - | (2) |
| Loans, financing and advances (Note A13(ix)) | 46,717 | (18,640) | 58,284 | 86,361 |
| Other receivables | - | - | 24,568 | 24,568 |
| Financing commitments and financial guarantee (Note A17) | (5,557) | (18,658) | 5,503 | (18,712) |
| | 41,176 | (37,298) | 88,355 | 92,233 |
| Impaired financing and advances: | | | | |
| - Write off | - | - | 6,422 | 6,422 |
| - Recovered | - | - | (6,234) | (6,234) |
| | - | - | 188 | 188 |
| | 41,176 | (37,298) | 88,543 | 92,421 |

| | Group | | | |
|---|-------------------------|----------------|----------------|----------------|
| | Six Months Ended | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial investments at FVOCI | 18 | - | - | 18 |
| Loans, financing and advances (Note A13(ix)) | 70,738 | 21,626 | 106,665 | 199,029 |
| Other receivables | - | - | 36,658 | 36,658 |
| Financing commitments and financial guarantee (Note A17) | 880 | 3,520 | 6,683 | 11,083 |
| | 71,636 | 25,146 | 150,006 | 246,788 |
| Impaired financing and advances: | | | | |
| - Write off | - | - | 7,002 | 7,002 |
| - Recovered | - | - | (8,348) | (8,348) |
| | - | - | (1,346) | (1,346) |
| | 71,636 | 25,146 | 148,660 | 245,442 |

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

A23. Net (writeback)/allowance for impairment on loans, financing and advances and other financial assets
(continued)

30-June-19

| | Company | | | |
|---|--------------------------|-----------------|----------------|----------------|
| | 2nd Quarter Ended | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans, financing and advances (Note A13(ix)) | (211) | (21,496) | (1,148) | (22,855) |
| Amount due from subsidiaries | - | - | 1,676 | 1,676 |
| Other receivables | - | - | 12,000 | 12,000 |
| Financing commitments and financial guarantee (Note A17) | (10) | (160) | 317 | 147 |
| | (221) | (21,656) | 12,845 | (9,032) |
| Impaired financing and advances: | | | | |
| - Write off | - | - | 2,922 | 2,922 |
| - Recovered | - | - | (1,906) | (1,906) |
| | - | - | 1,016 | 1,016 |
| | (221) | (21,656) | 13,861 | (8,016) |

| | Company | | | |
|---|-------------------------|----------------|----------------|---------------|
| | Six Months Ended | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans, financing and advances (Note A13(ix)) | 920 | (6,892) | (4,974) | (10,946) |
| Amount due from subsidiaries | - | - | 3,500 | 3,500 |
| Other receivables | - | - | 12,000 | 12,000 |
| Financing commitments and financial guarantee (Note A17) | (97) | (36) | 55 | (78) |
| | 823 | (6,928) | 10,581 | 4,476 |
| Impaired financing and advances: | | | | |
| - Write off | - | - | 3,126 | 3,126 |
| - Recovered | - | - | (2,155) | (2,155) |
| | - | - | 971 | 971 |
| | 823 | (6,928) | 11,552 | 5,447 |

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

A24. Commitments and contingencies

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

| | Principal amount RM'000 | Credit equivalent amount RM'000 | Risk weighted amount RM'000 |
|--|--|--|--|
| Group | | | |
| 30-June-20 | | | |
| Direct credit substitutes | 83,989 | 72,190 | 72,190 |
| Trade-related contingencies | 127,039 | 63,520 | 63,520 |
| Short Term Self Liquidating trade related contingencies | 65,074 | 13,015 | 13,015 |
| Irrevocable commitments to extend credit: | | | |
| - one year or less | 1,149,814 | 261,447 | 261,447 |
| - over one year to five years | 2,453,221 | 1,216,850 | 1,140,854 |
| - over five years | 72,005 | 36,000 | 36,000 |
| Foreign exchange related contracts | | | |
| - one year or less | 116,238 | 2,399 | 1,818 |
| | <u>4,067,380</u> | <u>1,665,421</u> | <u>1,588,844</u> |
| | Principal amount RM'000 | Credit equivalent amount RM'000 | Risk weighted amount RM'000 |
| Company | | | |
| 30-June-20 | | | |
| Direct credit substitutes | 3,530 | 1,382 | 1,382 |
| Trade-related contingencies | - | - | - |
| Irrevocable commitments to extend credit: | | | |
| - over one year to five years | 22,184 | 8,108 | 5,959 |
| | <u>25,714</u> | <u>9,490</u> | <u>7,341</u> |

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

A24. Commitments and contingencies (continued)

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

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

(i) Capital Commitments

| | Group | |
|---|------------------------------|-----------------------------|
| | 30-June-20 RM'000 | 31-Dec-19 RM'000 |
| Property and equipment/Intangible assets: | | |
| - Approved and contracted for | 36,993 | 50,342 |
| | 36,993 | 50,342 |

A25. Unsecured contingent liabilities

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

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

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

The matter has been fixed for case management and the court fixed the trial on 27 August 2020.

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

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

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

Pentadbir Tanah Klang referred the matter to High Court of Shah Alam and based on trial held on 29 January 2020, the Court allowed the appeal on the compensation amount payable to 88 Legacy. The compensation amount for appeal is currently being finalised.

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

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

A26. Segmental information on revenue and results

| Group | Hotel | | | Consolidated RM'000 |
|--|-------------------|-------------------------------|------------------------|------------------------|
| | Banking RM'000 | Operations RM'000 | Eliminations RM'000 | |
| 6 months ended 30 June 2020 | | | | |
| External sales | 886,347 | 3 | - | 886,350 |
| Intersegment transactions | 61,784 | - | (61,784) | - |
| Total revenue | <u>948,131</u> | <u>3</u> | <u>(61,784)</u> | <u>886,350</u> |
| Segment results | 81,111 | 135,875 | (250,492) | <u>(33,506)</u> |
| Loss before taxation and zakat from operations | | | | <u>(33,506)</u> |
| Segment assets | 59,023,148 | 18,771 | (10,455,574) | <u>48,586,345</u> |
| Consolidated total assets | | | | <u>48,586,345</u> |
| Segment liabilities | 46,188,771 | 62,818 | (6,266,357) | <u>39,985,232</u> |
| Consolidated total liabilities | | | | <u>39,985,232</u> |
| | Banking RM'000 | Hotel Operations RM'000 | Eliminations RM'000 | Consolidated RM'000 |
| 6 months ended 30 June 2019 | | | | |
| External sales | 756,208 | 1,154 | - | 757,362 |
| Intersegment transactions | 8,757 | 970 | (9,727) | - |
| Total revenue | <u>764,965</u> | <u>2,124</u> | <u>(9,727)</u> | <u>757,362</u> |
| Segment results | 121,094 | (6,008) | 23,462 | <u>138,548</u> |
| Profit before taxation and zakat from operations | | | | <u>138,548</u> |
| Segment assets | 58,787,374 | 62,974 | (9,192,460) | <u>49,657,888</u> |
| Consolidated total assets | | | | <u>49,657,888</u> |
| Segment liabilities | 46,596,785 | 220,437 | (5,225,336) | <u>41,591,886</u> |
| Consolidated total liabilities | | | | <u>41,591,886</u> |

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

A26. Segmental information on revenue and results (continued)

| Group | Hotel | | | Consolidated RM'000 |
|--|---------------------|----------------------|------------------------|------------------------|
| | Financing RM'000 | Operations RM'000 | Eliminations RM'000 | |
| 6 months ended 30 June 2020 | | | | |
| External sales | 1,627,727 | 29 | - | 1,627,756 |
| Intersegment transactions | 125,683 | - | (125,683) | - |
| Total revenue | <u>1,753,410</u> | <u>29</u> | <u>(125,683)</u> | <u>1,627,756</u> |
| Segment results | 16,200 | 133,746 | (222,435) | <u>(72,489)</u> |
| Loss before taxation and zakat from operations | | | | <u>(72,489)</u> |
| Segment assets | 59,023,148 | 18,771 | (10,455,574) | <u>48,586,345</u> |
| Consolidated total assets | | | | <u>48,586,345</u> |
| Segment liabilities | 46,188,771 | 62,818 | (6,266,357) | <u>39,985,232</u> |
| Consolidated total liabilities | | | | <u>39,985,232</u> |
| | | | | |
| Group | Hotel | | | Consolidated RM'000 |
| | Financing RM'000 | Operations RM'000 | Eliminations RM'000 | |
| 6 months ended 30 June 2019 | | | | |
| External sales | 1,473,873 | 2,358 | - | 1,476,231 |
| Intersegment transactions | 17,186 | 1,905 | (19,091) | - |
| Total revenue | <u>1,491,059</u> | <u>4,263</u> | <u>(19,091)</u> | <u>1,476,231</u> |
| Segment results | 220,046 | (11,955) | 46,315 | <u>254,406</u> |
| Profit before taxation and zakat from operations | | | | <u>254,406</u> |
| Segment assets | 58,787,374 | 62,974 | (9,192,460) | <u>49,657,888</u> |
| Consolidated total assets | | | | <u>49,657,888</u> |
| Segment liabilities | 46,596,785 | 220,437 | (5,225,336) | <u>41,591,886</u> |
| Consolidated total liabilities | | | | <u>41,591,886</u> |

A27. Subsequent events

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

A28. Acquisition/disposal of property and equipment

| | Group As at 30-June-20 RM'000 |
|---------------------------|--|
| Additions | |
| Building in progress | 12,538 |
| Building renovation | 2,487 |
| Furniture & equipment | 210 |
| Data processing equipment | 1,923 |
| | <u>17,158</u> |

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

A29. Significant related party transactions

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

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

| | Group | |
|--------------------------------------|-------------------|-------------------|
| | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 |
| Expenses | | |
| Profit expense paid on Sukuk | 29,414 | 28,155 |
| Profit expense paid on Fixed deposit | 22,049 | 35,354 |
| Rental paid | 33 | 144 |
| | <u>33</u> | <u>144</u> |
| Balances | | |
| Sukuk - MBSB SC Murabahah | 1,092,073 | 1,131,146 |
| Accrued profit on Sukuk | 7,484 | 7,773 |
| Fixed deposit by EPF | 1,300,000 | 1,800,000 |
| Accrued profit on fixed deposit | 3,366 | 18,078 |
| Rental deposit | 97 | 97 |
| | <u>97</u> | <u>97</u> |

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

| | Group | |
|---|-------------------|-------------------|
| | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 |
| Expense | | |
| Profit to depositors | (918) | (698) |
| | <u>(918)</u> | <u>(698)</u> |
| Balances | | |
| Cash and short-term funds | 74,714 | 42,426 |
| Deposits and placements with banks and other financial institutions | 32 | 72,549 |
| | <u>32</u> | <u>72,549</u> |

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

A29. Significant related party transactions (continued)

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

| | Group | |
|-------------------------|-------------------|-------------------|
| | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 |
| Income/(expense) | | |
| Profit from financing | 9,697 | 10,180 |
| Profit to depositors | <u>(1,686)</u> | <u>(962)</u> |
| Balances | | |
| Financing | 303,532 | 303,630 |
| Deposit from customers | <u>167,633</u> | <u>148,791</u> |

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

| | Group | |
|------------------------|-------------------|-------------------|
| | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 |
| Expenses | | |
| Other expenses | <u>(4,668)</u> | <u>(1,857)</u> |
| Balances | | |
| Deposits from customer | <u>137,157</u> | <u>-</u> |

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

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 | | Bank Group | | Bank | |
|---|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
| | 30-June-20 RM'000 | 31-Dec-19 RM'000 | 30-June-20 RM'000 | 31-Dec-19 RM'000 | 30-June-20 RM'000 | 31-Dec-19 RM'000 |
| <u>Common Equity Tier 1 Capital</u> | | | | | | |
| Ordinary share capital | 6,941,542 | 6,941,542 | 5,159,859 | 5,159,859 | 5,159,859 | 5,159,859 |
| Retained earnings | 1,390,313 | 1,484,492 | 636,905 | 875,072 | 448,105 | 728,583 |
| Other reserve | 260,840 | 160,837 | 260,327 | 160,324 | 260,327 | 160,324 |
| | <u>8,592,695</u> | <u>8,586,871</u> | <u>6,057,091</u> | <u>6,195,255</u> | <u>5,868,291</u> | <u>6,048,766</u> |
| Less : Common Equity Tier 1 regulatory adjustments | | | | | | |
| Goodwill | (148,031) | (148,031) | - | - | - | - |
| Deferred tax assets | (14,551) | (28,218) | - | - | - | - |
| Cumulative gains of financial investments at FVOCI | (194,005) | (114,082) | (194,005) | (114,082) | (194,005) | (114,082) |
| Regulatory reserve | - | - | (5,234) | (5,234) | (5,234) | (5,234) |
| Other intangibles | (165,958) | (167,209) | (114,309) | (115,559) | (114,309) | (115,559) |
| Total Common Equity Tier 1 Capital | <u>8,070,150</u> | <u>8,129,331</u> | <u>5,743,543</u> | <u>5,960,380</u> | <u>5,554,743</u> | <u>5,813,891</u> |
| <u>Tier 1 Capital</u> | | | | | | |
| Additional Tier 1 capital instruments | - | - | - | - | - | - |
| Less: Tier 1 regulatory adjustments | - | - | - | - | - | - |
| Total Tier 1 capital | <u>8,070,150</u> | <u>8,129,331</u> | <u>5,743,543</u> | <u>5,960,380</u> | <u>5,554,743</u> | <u>5,813,891</u> |
| <u>Tier II Capital</u> | | | | | | |
| Collective impairment allowance and regulatory reserve | 485,466 | 497,961 | 457,586 | 468,898 | 487,515 | 499,927 |
| Tier 2 capital instruments | 1,293,133 | 1,293,075 | 1,293,133 | 1,293,075 | 1,293,133 | 1,293,075 |
| Total Tier II capital | <u>1,778,599</u> | <u>1,791,036</u> | <u>1,750,719</u> | <u>1,761,973</u> | <u>1,780,648</u> | <u>1,793,002</u> |
| Total capital base | <u>9,848,749</u> | <u>9,920,367</u> | <u>7,494,262</u> | <u>7,722,353</u> | <u>7,335,391</u> | <u>7,606,893</u> |

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

| | Group | | Bank Group | | Bank | |
|--|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
| | 30-June-20 RM'000 | 31-Dec-19 RM'000 | 30-June-20 RM'000 | 31-Dec-19 RM'000 | 30-June-20 RM'000 | 31-Dec-19 RM'000 |
| <u>Total risk weighted assets ("RWA")</u> | | | | | | |
| - Credit risk | 38,837,243 | 39,836,868 | 36,606,903 | 37,511,800 | 39,001,233 | 39,994,106 |
| - Market risk | 66,332 | 33,759 | 66,332 | 33,759 | 66,332 | 33,759 |
| - Operational risk | 2,448,764 | 2,380,936 | 1,712,669 | 1,331,960 | 1,578,510 | 1,227,512 |
| Total RWA | <u>41,352,339</u> | <u>42,251,563</u> | <u>38,385,904</u> | <u>38,877,519</u> | <u>40,646,075</u> | <u>41,255,377</u> |
| <u>Capital ratios</u> | | | | | | |
| Common equity tier 1 capital | 19.516% | 19.240% | 14.963% | 15.331% | 13.666% | 14.092% |
| Tier 1 capital | 19.516% | 19.240% | 14.963% | 15.331% | 13.666% | 14.092% |
| Total capital ratio | <u>23.817%</u> | <u>23.479%</u> | <u>19.523%</u> | <u>19.863%</u> | <u>18.047%</u> | <u>18.439%</u> |

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

PERFORMANCE REVIEW FOR THE SECOND QUARTER ENDED 30 JUNE 2020

B1. Performance review of the Group

(a) Balance Sheet

(i) Financing

Variation of Results against Preceding Year Corresponding Quarter

| | Current Year Quarter 30-June-20, 2Q20 RM'000 | Preceding Year Corresponding Quarter 30-June-19, 2Q19 RM'000 | Changes | |
|---|---|---|------------------|----------|
| | | | RM'000 | % |
| Personal financing | 19,718,754 | 20,372,495 | (653,741) | -3.2% |
| Corporate loans and financing | 9,359,982 | 9,942,476 | (582,494) | -5.9% |
| Property financing and mortgage loans | 6,327,833 | 5,714,103 | 613,730 | 10.7% |
| Auto financing | 164,150 | 208,037 | (43,887) | -21.1% |
| Total gross loans, financing and advances | <u>35,570,719</u> | <u>36,237,111</u> | <u>(666,392)</u> | -1.8% |

Variation of Results against Immediate Preceding Quarter

| | Current Year Quarter 30-June-20, 2Q20 RM'000 | Preceding Quarter 31-Mar-20, 1Q20 RM'000 | Changes | |
|---|---|---|----------------|----------|
| | | | RM'000 | % |
| Personal financing | 19,718,754 | 19,825,153 | (106,399) | -0.5% |
| Corporate loans and financing | 9,359,982 | 9,207,325 | 152,657 | 1.7% |
| Property financing and mortgage loans | 6,327,833 | 6,216,361 | 111,472 | 1.8% |
| Auto financing | 164,150 | 168,560 | (4,410) | -2.6% |
| Total gross loans, financing and advances | <u>35,570,719</u> | <u>35,417,399</u> | <u>153,320</u> | 0.4% |

The Group gross loans, financing and advances decreased by 1.8% and 0.4% for 2Q20 compared to 2Q19 and 1Q20 respectively. The performance of respective portfolio is as follows:

- (i) Personal financing – Gross balance of the portfolio in the current quarter was lower due to lower disbursements and decreasing portfolio base. The portfolio was also mainly affected by modification loss due to high exposure to fixed rate financing. This portfolio remains the biggest portfolio in the Group.
- (ii) Corporate loans and financing – the gross balance decreased as repayment outpaced disbursement in the current quarter as compared to 2Q19. However as compared to 1Q20, gross balance increased as trade finance were active.

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

B1. Performance review of the Group (continued)

(a) Balance Sheet

(i) Financing (continued)

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

(ii) Financial investments

Variation of Results against Preceding Year Corresponding Quarter

| | Current | Preceding | Changes | |
|---|-------------------|------------------|------------------|-------|
| | Year | Year | RM'000 | % |
| | Quarter | Corresponding | | |
| | 30-June-20, 2Q20 | Quarter | 30-June-19, 2Q19 | |
| | RM'000 | RM'000 | RM'000 | % |
| Financial investments at FVTPL | 11,073 | 10,156 | 917 | 9.0% |
| Financial investments at FVOCI | 9,963,334 | 8,689,006 | 1,274,328 | 14.7% |
| Financial investments at amortised cost | 488,443 | 20,341 | 468,102 | >100% |
| Total financial investments | <u>10,462,850</u> | <u>8,719,503</u> | <u>1,743,347</u> | 20.0% |

Variation of Results against Preceding Quarter

| | Current | Preceding | Changes | |
|---|-------------------|-------------------|--------------------|--------|
| | Year | Quarter | RM'000 | % |
| | Quarter | Quarter | | |
| | 30-June-20, 2Q20 | 31-Mar-20, 1Q20 | RM'000 | % |
| Financial investments at FVTPL | 11,073 | 10,495 | 578 | 5.5% |
| Financial investments at FVOCI | 9,963,334 | 11,742,066 | (1,778,732) | -15.1% |
| Financial investments at amortised cost | 488,443 | 488,558 | (115) | - |
| Total financial investments | <u>10,462,850</u> | <u>12,241,119</u> | <u>(1,778,269)</u> | -14.5% |

The Group financial investments increased by 20.0 % and decreased by 14.5% for 2Q20 compared to 2Q19 and 1Q20 respectively. The sale of financial investments at FVOCI during the quarter resulted in realised gain and contributed to higher revenue for 2Q20.

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

B1. Performance review of the Group (continued)

(b) Income statement

Current Year Quarter vs Preceding Year Corresponding Quarter

| | Current Year Quarter 30/06/2020, 2Q20 RM'000 | Preceding Year Corresponding Quarter 30/06/2019, 2Q19 RM'000 | Changes | |
|---|---|---|----------------|----------|
| | | | RM'000 | % |
| Revenue | 886,350 | 757,362 | 128,988 | 17.0% |
| Other operating expenses | (104,440) | (105,345) | 905 | 0.9% |
| Operating profit | 425,231 | 230,969 | 194,262 | 84.1% |
| ECL writeback/(charged) | 53,874 | (92,421) | 146,295 | -158.3% |
| Modification loss | (512,611) | - | (512,611) | - |
| (Loss)/profit before tax | <u>(33,506)</u> | <u>138,548</u> | (172,054) | >-100% |
| (Loss)/profit after tax | <u>(12,506)</u> | <u>106,225</u> | (118,731) | >-100% |
| (Loss)/profit attributable to ordinary equity holders of the Parent | <u>(12,506)</u> | <u>106,225</u> | (118,731) | >-100% |
| Cost to income ratio | 19.7% | 31.3% | | |

Current Year Quarter vs Immediate Preceding Quarter

| | Current Year Quarter 30/06/2020, 2Q20 RM'000 | Preceding Quarter 31/03/2020, 1Q20 RM'000 | Changes | |
|--|---|--|----------------|----------|
| | | | RM'000 | % |
| Revenue | 886,350 | 741,406 | 144,944 | 19.5% |
| Other operating expenses | (104,440) | (109,773) | 5,333 | 4.9% |
| Operating profit | 425,231 | 252,801 | 172,430 | 68.2% |
| ECL writeback/(charged) | 53,874 | (291,783) | 345,657 | >-100% |
| Modification loss | (512,611) | - | (512,611) | - |
| Loss before tax | <u>(33,506)</u> | <u>(38,982)</u> | 5,476 | -14.0% |
| Loss after tax | <u>(12,506)</u> | <u>(73,254)</u> | 60,748 | -82.9% |
| Loss attributable to ordinary equity holders of the Parent | <u>(12,506)</u> | <u>(73,254)</u> | 60,748 | -82.9% |
| Cost to income ratio | 19.7% | 30.3% | | |

The Group recorded higher revenue during the quarter mainly contributed by gain from sale of financial investments at FVOCI. However, modification loss which was recognised following moratorium granted to eligible customers resulted in loss before tax of RM33.51 million.

The Group recorded net writeback from impairment for 2Q20 due to improvement on delinquency of accounts and improvement of the forward looking factor to the ECL. In relation to the forward-looking adjustments for the ECL assessment, MBSB Group and the Company adopted latest available forecast data as at the reporting date to reflect the economic condition and prevailing circumstances.

The Group cost to income ratio for 2Q20 of 19.7% decreased compared to 31.3% for 2Q19 and 30.3% for 1Q20 respectively. Current quarter ratio is lower as the Group recorded higher revenue base, while operating expenses dropped during movement control order period.

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

B1. Performance review of the Group (continued)

Contribution of major subsidiary of the Group

| | Group Current Year Quarter 30-June-20, 2Q20 RM'000 | MBSB Bank Current Year Quarter 30-June-20, 2Q20 RM'000 | Contribution |
|------------------------|---|---|---------------------|
| Total assets | 48,586,345 | 48,115,863 | 99.0% |
| Total equity | 8,601,113 | 5,868,291 | 68.2% |
| Profit before tax | (33,506) | (91,273) | 272.4% |
| Profit after tax | (12,506) | (60,994) | 487.7% |
| Gross return on equity | -0.78% | -3.06% | |
| Gross return on assets | -0.13% | -0.37% | |

| | Group Current Year Quarter 30-June-20, 2Q20 RM'000 | MBSB Bank Current Year Quarter 30-June-19, 2Q19 RM'000 | Contribution |
|------------------------|---|---|---------------------|
| Total assets | 48,586,345 | 49,017,315 | 100.9% |
| Total equity | 8,601,113 | 5,096,446 | 59.3% |
| Profit before tax | (33,506) | 75,962 | -226.7% |
| Profit after tax | (12,506) | 57,106 | -456.6% |
| Gross return on equity | -0.78% | 3.04% | |
| Gross return on assets | -0.13% | 0.32% | |

| | Group Current Year Quarter 30-June-20, 2Q20 RM'000 | MBSB Bank Current Year Quarter 31-Mar-20, 1Q20 RM'000 | Contribution |
|------------------------|---|--|---------------------|
| Total assets | 48,586,345 | 50,370,501 | 103.7% |
| Total equity | 8,601,113 | 5,903,238 | 68.6% |
| Profit before tax | (33,506) | (50,715) | 151.4% |
| Profit after tax | (12,506) | (85,827) | 686.3% |
| Gross return on equity | -0.78% | -3.39% | |
| Gross return on assets | -0.13% | -0.40% | |

MBSB Bank Berhad ("MBSB Bank") is the biggest subsidiary in the Group. As at 2Q20 total assets of MBSB Bank of RM48.12bil account for 99.0% of total assets of the Group while the equity accounts for 68.2% of total Group equity.

B2. Prospects

Brief overview and outlook of the Malaysian economy - lower growth for first quarter of 2020

At 0.7%, this was the lowest growth since 3Q 2009 (-1.1%), reflecting the early impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the Movement Control Order (MCO) in Malaysia. On the supply side, the services and manufacturing sectors moderated, while the other sectors contracted. From the expenditure side, domestic demand moderated, while exports of goods and services recorded a sharper decline. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 2.0% (4Q 2019: 0.6%).

Following two months of steady expansion, economic activity experienced a sharp downshift in March as a result of MCO (18 – 31 March). This was evidenced by the decline in the Industrial Production Index and Index of Wholesale and Retail Trade which recorded an average growth of 3.4% and 5.5%, respectively, in January-February before contracting to -4.9% and -6.1% in March (1Q 2020: 0.4% and 1.5% respectively). The MCO comprised government closure of schools, universities and non-essential services, border closures and restrictions on public movement, work and operating hours, as well as mandatory social distancing and personal protection measures. Essential services include telecommunications, finance, production and the provision of food supplies, healthcare, utilities, E&E, as well as selected industries in the primary and consumer clusters in the manufacturing sector.

Sectors which were more labour intensive and require face-to-face interaction were more impacted by the MCO. In particular, construction activity was completely prohibited during the MCO phase. In contrast, the production capacity in industries which were more capital intensive, such as mining and the E&E manufacturing sub-sector, were affected to a lesser extent. The MCO also led to weaker private sector activity given mobility restrictions, closures of non-essential services, such as retail sub-sectors, and a temporary halt in ongoing investments.

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

B2. Prospects (continued)

Overnight Policy Rate ("OPR") reduced to 1.75 percent

The Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to reduce the Overnight Policy Rate (OPR) by 25 basis points to 1.75 percent. The ceiling and floor rates of the corridor of the OPR are correspondingly reduced to 2.00 percent and 1.50 percent, respectively.

The impact of COVID-19 on the global economy is severe. Global economic conditions remain weak with global growth projected to be negative for the year. Although a trough is expected in the second quarter, broad-based weakness in labour markets and precautionary behaviour by households and businesses could affect the recovery going forward. Several major economies have begun relaxing measures to contain the COVID-19 pandemic, leading to the gradual resumption of economic activity. Financial conditions have improved, although risk aversion remains elevated. Downside risks to the global outlook remain, especially if a resurgence of the pandemic necessitates the reintroduction of containment measures.

For Malaysia, economic activity contracted sharply in the second quarter of the year, due to measures introduced to contain the pandemic globally and domestically. Following the gradual and progressive re-opening of the economy since early May, economic activities have begun to recover from the trough in the second quarter. The fiscal stimulus packages, alongside monetary and financial measures, will continue to underpin the improving economic outlook. The projected improvement in the domestic economy is expected to be further supported by a gradual recovery in global growth conditions. The pace and strength of the recovery, however, remain subject to downside risks emanating from both domestic and external factors. These include the prospect of further outbreaks of the pandemic leading to re-impositions of containment measures, more persistent weakness in labour market conditions, and a weaker-than-expected recovery in global growth.

Inflationary pressures are expected to be muted in 2020. Average headline inflation is likely to be negative this year, primarily reflecting the substantially lower global oil prices. The risks of a broad-based and persistent decline in prices are assessed to be limited as economic activity resumes and demand conditions improve. Nevertheless, the outlook remains significantly affected by global oil and commodity prices. Underlying inflation is expected to be subdued and within expectations.

The reduction in the OPR provides additional policy stimulus to accelerate the pace of economic recovery. The MPC will continue to assess evolving conditions and their implications on the overall outlook for inflation and domestic growth. The Bank will continue to utilise its policy levers as appropriate to create enabling conditions for a sustainable economic recovery.

(Source: Extracted from BNM 'Monetary Policy Statement' press release, 7 July 2020)

B2. Prospects (continued)

Monetary and financial developments

Performance of domestic financial markets

The domestic financial markets recorded a mixed performance in May as external factors continued to affect investor sentiments. Total non-resident portfolio outflows amounted to USD0.3 billion, mainly from the equity market, and led to the marginal depreciation of the ringgit by 0.5% against the US dollar.

However, the FBM KLCI increased by 4.7% amid continued support from domestic investors, particularly institutional investors. Sentiments of domestic investors were partly lifted following the release of better-than-expected 1Q GDP growth, which provided the catalyst for higher demand for domestic equities.

The 10-year MGS yield declined by 5.8 basis points, driven in part by the OPR cut in early May amid a resumption in non-resident inflows.

Banking system liquidity

Banking system liquidity coverage ratio (LCR) stood at 140.2%¹ in May 2020 (Apr-20: 143.9%).

Deposit growth remained stable at 2.8%, supported by the steady growth of deposits from individuals. The loan to fund ratio and the loan to fund and equity ratio stood at 82.3% and 71.7%, respectively.

Banking system asset quality

Overall gross and net impaired loans ratio was sustained at 1.6% and 1.0%, respectively.

Banks continue to set aside ample provisions to buffer against potential losses based on forward looking assessments.

(Source: Extracted from BNM ' Monetary and Financial Developments' press release, May 2020)

B2. Prospects (continued)

Development of the Islamic finance industry

Global financial vulnerabilities remained elevated in the second half of 2019 amid heightened uncertainties from trade and geopolitical tensions. During this period, prospects of weaker growth prompted several economies including those in Asia to reduce policy rates.

Towards the end of 2019 and heading into 2020, improvements in the outlook for global growth which followed the Phase 1 trade deal between the United States and the People's Republic of China have since given way to widespread concerns over public health and the economic impact of the COVID-19 pandemic. The global economy is now projected to register negative growth in 2020. A reassessment of risk factors by investors and global policy responses to contain the pandemic and the consequent economic impact have renewed volatility in the financial markets. Since early March 2020, prospects of lower oil prices have also risen sharply after the collapse of an expected agreement on oil production cuts, further adding to market volatility. These headwinds are expected to weigh on the domestic economy and financial markets in 2020.

Amid these developments, domestic financial stability in Malaysia continues to be preserved. Financial market conditions have remained orderly despite portfolio outflows from both the bond and equity markets, supported by the presence of strong domestic institutional investors. The Financial Stability Committee of the Bank remains vigilant over elevated levels of private sector debt and imbalances in the property market which have continued to persist. While recent developments surrounding COVID-19 have increased risks to financial stability, the financial system is also more resilient to these risks. Crucially, financial institutions in Malaysia are well-positioned to support households and businesses through these exceptional circumstances. This will enhance prospects for a stronger recovery when the virus is contained and reduce longer-term risks to financial stability.

Banks, insurers and takaful operators remained profitable in 2019 despite the more challenging operating environment. Prudent risk-taking has cushioned the impact of cuts in the overnight policy rate since May 2019 on bank margins, with higher non-interest income, sustained lending activity and lower debt-servicing burdens of borrowers continuing to lend support to profitability. In the insurance and takaful sectors, overall performance has been supported by sustained business growth as ongoing reforms continued to contribute to improvements in pricing and persistency. Sustaining the momentum of insurance reforms, including in the motor insurance sector, will remain critical to preserve affordable access to insurance and takaful protection.

Looking ahead, a prolonged and severe impact from the COVID-19 pandemic remains a key downside risk to the economy and financial stability. A significant weakening of economic conditions could increase household, business and financial market stress, and test the resilience of the financial system. As noted earlier, the financial system is on a strong footing to withstand such stress. Nevertheless, the Financial Stability Committee will continue to closely monitor developments to ensure continued support for the credit intermediation and risk protection needs of households and businesses.

(Source: Financial Stability Review - Second Half 2019, BNM)

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

B2. Prospects (continued)

The Group's prospects

Outlook for 2020

The Group registered loss before taxation and zakat of RM33.51 million for 2Q20 mainly due to recognition of RM512.61 million modification loss arising from moratorium granted. The Group's modification loss amount is material following high exposure to fixed rate personal financing at the banking subsidiary, MBSB Bank Berhad.

As at 30 June 2020, gross financing and advances for the Group stood at RM35.57 billion, a slight reduction by 0.8% from 31 December 2019, due to lower disbursements. Financial investments, however, reduced by RM0.726 million or 6.5% to RM10.46 billion. Both gross financing and advances, and financial instruments are supported by total deposits of RM33.99 billion and Sukuk and securitisation of RM5.24 billion.

For the year 2020, the Group's performance would be affected by the COVID-19 outbreak in the country.

B3. Variance from profit forecast

Not applicable

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

B4. Taxation

| | Group | | | |
|---|--------------------------|-------------------|-------------------------|-------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysian income tax: | | | | |
| Current income tax | 10,316 | 50,551 | 11,850 | 76,725 |
| | <u>10,316</u> | <u>50,551</u> | <u>11,850</u> | <u>76,725</u> |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences | (30,316) | (16,400) | (1,578) | (15,546) |
| | <u>(30,316)</u> | <u>(16,400)</u> | <u>(1,578)</u> | <u>(15,546)</u> |
| Total income tax (income)/expense | <u>(20,000)</u> | <u>34,151</u> | <u>10,272</u> | <u>61,179</u> |

| | Company | | | |
|---|--------------------------|-------------------|-------------------------|-------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysian income tax: | | | | |
| Current income tax | 7,315 | 11,510 | 7,315 | 21,600 |
| | <u>7,315</u> | <u>11,510</u> | <u>7,315</u> | <u>21,600</u> |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences | 815 | 698 | (1,541) | 1,142 |
| | <u>815</u> | <u>698</u> | <u>(1,541)</u> | <u>1,142</u> |
| Total income tax expense | <u>8,130</u> | <u>12,208</u> | <u>5,774</u> | <u>22,742</u> |

B5. Status of corporate proposals

There are no pending corporate proposals.

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

B6. Borrowings and debts

Borrowings of the Group were as follows:

| | Current Year Quarter 30 June 2020 | | |
|--|---|-------------------|-------------------|
| | Long term | Short term | Total |
| | RM'000 | RM'000 | borrowings |
| | | | RM'000 |
| Secured | | | |
| Recourse obligation on financing sold | 2,049,318 | 327,815 | 2,377,133 |
| Sukuk-MBSB Structured Covered ("SC") Murabahah | 1,266,345 | 304,600 | 1,570,945 |
| Non secured | | | |
| Sukuk Wakalah | 1,293,133 | - | 1,293,133 |
| | <u>1,293,133</u> | <u>-</u> | <u>1,293,133</u> |
| | | | |
| | Preceding Year Corresponding Quarter | | |
| | Long term | Short term | Total |
| | RM'000 | RM'000 | borrowings |
| | | | RM'000 |
| Secured | | | |
| Recourse obligation on financing sold | 2,380,394 | 100,857 | 2,481,251 |
| Sukuk-MBSB Structured Covered ("SC") Murabahah | 1,370,000 | 294,973 | 1,664,973 |
| Non secured | | | |
| Sukuk Wakalah | 1,290,874 | 2,201 | 1,293,075 |
| | <u>1,290,874</u> | <u>2,201</u> | <u>1,293,075</u> |

B7. Off balance sheet financial instruments

The details of the off balance sheet financial instruments are as per note A24.

B8. Material litigation

The details of the pending material litigation are as per note A25.

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

B9. Earnings per share

Basic

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

| | Group | | | |
|--|--------------------------|-------------------|-------------------------|-------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net (loss)/profit attributable to shareholders for the period (RM'000) | (12,506) | 106,225 | (85,761) | 190,055 |
| Weighted average number of ordinary shares in issue ('000) | 6,713,402 | 6,389,101 | 6,713,402 | 6,389,101 |
| Basic earnings per share (sen) | <u>(0.19)</u> | <u>1.66</u> | <u>(1.28)</u> | <u>2.97</u> |

| | Company | | | |
|---|--------------------------|-------------------|-------------------------|-------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net profit attributable to shareholders for the period (RM'000) | 165,138 | 34,390 | 160,298 | 52,106 |
| Weighted average number of ordinary shares in issue ('000) | 6,713,402 | 6,389,101 | 6,713,402 | 6,389,101 |
| Basic earnings per share (sen) | <u>2.46</u> | <u>0.54</u> | <u>2.39</u> | <u>0.82</u> |

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

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”).

| | Group | | | |
|--|--------------------------|-------------------|-------------------------|-------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net (loss)/profit attributable to shareholders for the period (RM'000) | (12,506) | 106,225 | (85,761) | 190,055 |
| Weighted average number of ordinary shares in issue ('000) | 6,713,402 | 6,389,101 | 6,713,402 | 6,389,101 |
| Adjusted weighted average number of ordinary shares in issue ('000) | 6,713,402 | 6,389,101 | 6,713,402 | 6,389,101 |
| Basic earnings per share (sen) | (0.19) | 1.66 | (1.28) | 2.97 |

| | Company | | | |
|---|--------------------------|-------------------|-------------------------|-------------------|
| | 2nd Quarter Ended | | Six Months Ended | |
| | 30-June-20 | 30-June-19 | 30-June-20 | 30-June-19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net profit attributable to shareholders for the period (RM'000) | 165,138 | 34,390 | 160,298 | 52,106 |
| Weighted average number of ordinary shares in issue ('000) | 6,713,402 | 6,389,101 | 6,713,402 | 6,389,101 |
| Adjusted weighted average number of ordinary shares in issue ('000) | 6,713,402 | 6,389,101 | 6,713,402 | 6,389,101 |
| Basic earnings per share (sen) | 2.46 | 0.54 | 2.39 | 0.82 |

B10. Authorisation for issue

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

BY ORDER OF THE BOARD

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

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

Joint Company Secretaries
Kuala Lumpur

26 August 2020