

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021

		Bank Group		Bank	
		30-June-21 RM'000	31-Dec-20 RM'000	30-June-21 RM'000	31-Dec-20 RM'000
Assets					
Cash and short-term funds	7(a)	806,458	731,160	777,293	726,996
Deposits and placements with banks and other financial institutions	7(b)	817,820	781,682	-	-
Derivative financial assets	8	907	1,724	907	1,724
Financial investments at fair value through profit and loss ("FVTPL")		390,110	-	390,110	-
Financial investments at fair value through other comprehensive income ("FVOCI")	9	12,095,190	10,192,272	12,095,190	10,192,272
Financial investments at amortised cost	10	609,388	488,102	609,388	488,102
Financing and advances	11	33,182,815	32,863,504	33,182,815	32,863,504
Assets held-for-sale	12	10,497	-	10,497	-
Sukuk Commodity Murabahah		-	-	2,216,458	2,317,054
Other receivables	13	534,574	508,125	589,576	557,861
Investment in subsidiary	14	-	-	-	-
Statutory deposits with Bank Negara Malaysia		630,000	620,000	630,000	620,000
Investment property		820	820	820	820
Property and equipment		38,947	27,882	38,947	27,882
Intangible assets		103,905	111,449	103,905	111,449
Right-of-use assets		11,265	14,880	11,265	14,880
Tax recoverable		730	85,620	-	84,966
Total assets		49,233,427	46,427,220	50,657,172	48,007,510
Liabilities					
Deposits from customers	15	35,953,057	33,781,496	35,953,057	33,781,496
Deposits and placements of banks	16	1,460	101,244	1,460	101,244
Investment accounts of customers	17	1,011,458	-	1,011,458	-
Derivative financial liabilities	8	1,049	1,614	1,049	1,614
Other payables	18	636,952	741,166	2,672,744	2,897,220
Lease liabilities		11,529	15,193	11,529	15,193
Recourse obligation on financing sold		1,796,290	2,262,531	1,796,290	2,262,531
Sukuk-MBSB Structured Covered ("SC") Murabahah		1,267,353	1,366,563	1,267,353	1,366,563
Sukuk Wakalah		1,293,508	1,293,335	1,293,508	1,293,335
Deferred tax liabilities		12,553	92,368	12,553	92,368
Provision for zakat and taxation		42,050	4,367	42,050	4,367
Total liabilities		42,027,257	39,659,877	44,063,049	41,815,931
Equity					
Share capital		5,427,972	5,159,859	5,427,972	5,159,859
Reserves		1,778,198	1,607,484	1,166,151	1,031,720
Total equity		7,206,170	6,767,343	6,594,123	6,191,579
Total Liabilities and Equity		49,233,427	46,427,220	50,657,172	48,007,510
Commitments and contingencies	28	3,446,955	2,724,749	3,446,955	2,724,749
Capital Adequacy		Bank Group		Bank	
CET1 capital		16.871%	16.263%	15.432%	14.879%
Tier 1 capital		16.871%	16.263%	15.432%	14.879%
Total capital ratio		21.561%	20.798%	19.955%	19.253%

The interim financial statements should be read in conjunction with the audited financial statements of the Bank Group and the Bank for the financial year ended 31 December 2020

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2021

		Bank Group			
		2nd Quarter Ended		Six Months Ended	
		30-June-21	30-June-20	30-June-21	30-June-20
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	19	530,878	593,549	1,076,075	1,223,999
Income derived from investment of shareholders' funds	20	116,441	243,835	227,575	341,976
Income derived from investment of investment accounts' funds	21	16,284	-	17,973	-
Net writeback/(allowance) for impairment on financing and advances and other financial assets	22	245,454	60,363	87,729	(208,446)
Loss on modification of cash flows		(13,201)	(510,797)	(49,664)	(510,797)
Total distributable income		895,856	386,950	1,359,688	846,732
Income attributable to depositors and others	23	(265,911)	(363,027)	(528,550)	(753,236)
Total net income		629,945	23,923	831,138	93,496
Personnel expenses	24	(41,559)	(72,252)	(108,680)	(140,606)
Other overhead expenses	25	(60,278)	(21,145)	(88,715)	(49,870)
Profit/(loss) before taxation and zakat		528,108	(69,474)	633,743	(96,980)
Taxation		(129,248)	28,113	(171,161)	(4,530)
Zakat		-	1,000	(675)	(3,000)
Profit/(loss) for the financial period		398,860	(40,361)	461,907	(104,510)
Profit/(loss) attributable to:					
Owner of the Bank		398,860	(40,361)	461,907	(104,510)
		398,860	(40,361)	461,907	(104,510)
Profit/(loss) for the financial period		398,860	(40,361)	461,907	(104,510)
Other comprehensive income/(loss), net of tax	26	78,606	159,704	(291,193)	100,003
		78,606	159,704	(291,193)	100,003
Total comprehensive income/(loss) for the financial period		477,466	119,343	170,714	(4,507)
Total comprehensive income/(loss) attributable to:					
Owner of the Bank Group		477,466	119,343	170,714	(4,507)
		477,466	119,343	170,714	(4,507)
Earnings per share (sen)		29.39	(3.13)	17.02	(4.05)

The interim financial statements should be read in conjunction with the audited financial statements of the Bank Group and the Bank for the financial year ended 31 December 2020

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

		Bank			
		2nd Quarter Ended		Six Months Ended	
		30-June-21	30-June-20	30-June-21	30-June-20
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	19	542,223	609,482	1,099,132	1,258,997
Income derived from investment of shareholders' funds	20	118,508	241,663	231,760	334,432
Income derived from investment of investment accounts' funds	21	16,284	-	17,973	-
Net writeback/(allowance) for impairment on financing and advances and other financial assets	22	245,454	60,363	87,729	(208,446)
Loss on modification of cash flows		(13,201)	(510,797)	(49,664)	(510,797)
Total distributable income		909,268	400,711	1,386,930	874,186
Income attributable to depositors and others	23	(299,369)	(399,181)	(595,937)	(826,855)
Total net income		609,899	1,530	790,993	47,331
Personnel expenses	24	(41,559)	(72,252)	(108,680)	(140,606)
Other overhead expenses	25	(59,669)	(20,551)	(87,454)	(48,713)
Profit/(loss) before taxation and zakat		508,671	(91,273)	594,859	(141,988)
Taxation		(127,947)	29,279	(168,560)	(1,833)
Zakat		-	1,000	(675)	(3,000)
Profit/(loss) for the financial period		380,724	(60,994)	425,624	(146,821)
Profit/(loss) attributable to:					
Owner of the Bank		380,724	(60,994)	425,624	(146,821)
		380,724	(60,994)	425,624	(146,821)
Profit/(loss) for the financial period		380,724	(60,994)	425,624	(146,821)
Other comprehensive income/(loss), net of tax	26	78,606	159,704	(291,193)	100,003
		78,606	159,704	(291,193)	100,003
Total comprehensive income/(loss) for the financial period		459,330	98,710	134,431	(46,818)
Total comprehensive income/(loss) attributable to:					
Owner of the Bank Group		459,330	98,710	134,431	(46,818)
		459,330	98,710	134,431	(46,818)

The interim financial statements should be read in conjunction with the audited financial statements of the Bank Group and the Bank for the financial year ended 31 December 2020.

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

	← Non-distributable →			Distributable	Total
	Share Capital	Regulatory Reserve	Fair value reserve	Retained profits	
Bank Group	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2021	5,159,859	5,234	234,762	1,367,488	6,767,343
Profit for the financial period	-	-	-	461,907	461,907
Other comprehensive loss for the financial period	-	-	(291,193)	-	(291,193)
Total comprehensive (loss)/income for the financial period	-	-	(291,193)	461,907	170,714
Issuance of ordinary shares	268,113	-	-	-	268,113
Balance as at 30 June 2021	5,427,972	5,234	(56,431)	1,829,395	7,206,170
Balance as at 1 January 2020	5,159,859	5,234	155,090	1,221,956	6,542,139
Loss for the financial period	-	-	-	(104,510)	(104,510)
Other comprehensive income for the financial period	-	-	100,003	-	100,003
Total comprehensive income/(loss) for the financial period	-	-	100,003	(104,510)	(4,507)
Dividends	-	-	-	(133,657)	(133,657)
Balance as at 30 June 2020	5,159,859	5,234	255,093	983,789	6,403,975

The interim financial statements should be read in conjunction with the Audited Financial Statements of the Bank Group and the Bank for the financial year ended 31 December 2020.

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF CHANGES IN EQUITY****FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (CONTINUED)**

	← Non-distributable →			Distributable	Total
	Share Capital	Regulatory Reserve	Fair value reserve	Retained profits	
Bank	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2021	5,159,859	5,234	234,762	791,724	6,191,579
Profit for the financial period	-	-	-	425,624	425,624
Other comprehensive loss for the financial period	-	-	(291,193)	-	(291,193)
Total comprehensive (loss)/income for the financial period	-	-	(291,193)	425,624	134,431
Issuance of ordinary shares	268,113	-	-	-	268,113
Balance as at 30 June 2021	5,427,972	5,234	(56,431)	1,217,348	6,594,123
Balance as at 1 January 2020	5,159,859	5,234	155,090	728,583	6,048,766
Loss for the financial period	-	-	-	(146,821)	(146,821)
Other comprehensive income for the financial period	-	-	100,003	-	100,003
Total comprehensive income/(loss) for the financial period	-	-	100,003	(146,821)	(46,818)
Issuance of ordinary shares	-	-	-	(133,657)	(133,657)
Balance as at 30 June 2020	5,159,859	5,234	255,093	448,105	5,868,291

The interim financial statements should be read in conjunction with the Audited Financial Statements of the Bank Group and the Bank for the financial year ended 31 December 2020.

**INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

	Bank Group		Bank	
	6 months ended		6 months ended	
	30-June-21	30-June-20	30-June-21	30-June-20
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit/(loss) before taxation	633,743	(96,980)	594,859	(141,988)
Adjustments for non-cash items	(177,147)	9,800	(210,798)	(31,061)
Operating profit/(loss) before working capital changes	456,596	(87,180)	384,061	(173,049)
Working capital changes:				
Net changes in operating assets	(360,044)	388,764	(172,754)	377,820
Net changes in operating liabilities	3,025,698	(1,846,887)	2,749,018	(1,895,769)
Income taxes and zakat paid	(37,117)	(80,749)	(34,440)	(77,220)
Net cash generated from/(used in) operating activities	3,085,133	(1,626,052)	2,925,885	(1,768,218)
Cash flows from investing activities				
Purchase of property and equipment	(15,839)	(4,618)	(15,839)	(4,618)
Purchase of intangible assets	(9,294)	(11,426)	(9,294)	(11,426)
Profit income from financial investments	217,322	210,886	217,322	210,886
Net (purchase)/sale of financial investments	(2,787,888)	995,802	(2,787,888)	995,802
Profit income from Sukuk Commodity Murabahah	-	-	33,651	40,861
Proceeds from Sukuk Commodity Murabahah	-	-	100,596	95,553
Net cash (used in)/generated from investing activities	(2,595,699)	1,190,644	(2,461,452)	1,327,058
Cash flows from financing activities				
Repayment of recourse obligation on financing sold	(464,858)	(103,426)	(464,858)	(103,426)
Profit expense paid on recourse obligation on financing sold	(44,002)	(52,590)	(44,002)	(52,590)
Profit expense paid on Sukuk MBSB-SC Murabahah	(34,247)	(41,414)	(34,247)	(41,414)
Repayment of Sukuk MBSB-SC Murabahah	(98,614)	(93,475)	(98,614)	(93,475)
Profit expense paid on Sukuk Wakalah	(33,740)	(34,620)	(33,740)	(34,620)
Payment of lease liabilities	(6,788)	(6,579)	(6,788)	(6,579)
Dividend paid on ordinary shares	-	(133,657)	-	(133,657)
Issuance of ordinary shares	268,113	-	268,113	-
Net cash used in financing activities	(414,136)	(465,761)	(414,136)	(465,761)
Net increase/(decrease) in cash and cash equivalents	75,298	(901,169)	50,297	(906,921)
Cash and cash equivalents at the beginning of financial period	731,160	1,829,715	726,996	1,827,458
Cash and cash equivalents at the end of financial period	806,458	928,546	777,293	920,537

The interim financial statements should be read in conjunction with the audited financial statements of the Bank Group and the Bank for the financial year ended 31 December 2020

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2021**

1. Basis of preparation

The unaudited condensed interim financial statements for the financial quarter ended 30 June 2021 have been prepared under the historical cost convention except for financial assets 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 profit method: financing, 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") and Financial Reporting for Islamic Banking Institutions policy issued by Bank Negara Malaysia ("BNM"). The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of MBSB Bank Group and MBSB Bank for the financial year ended 31 December 2020. 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 MBSB Bank Group and MBSB Bank since the financial year ended 31 December 2020.

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 2020.

On 1 January 2021, where applicable, MBSB Bank Group and MBSB Bank adopted the following MFRSs and Amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2021:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Bank Group and the Bank:

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

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*

2. Audit Report of Preceding Financial Year Ended 31 December 2020

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

3. Seasonality and Cyclicity of Operation

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

4. Exceptional or Unusual Items

There were no exceptional or unusual items during the quarter.

5. Changes in Estimates of Amounts Reported Previously

The following comparative amount has been reclassified to conform with the current year's presentation which more accurately reflect the nature of the relevant transactions. The Bank Group and the Bank's prior financial year's results were not affected by this reclassification.

Bank Group and Bank	As previously reported RM'000	Re- classification RM'000	As restated RM'000
<u>Statements of financial position</u>			
Deposits from customers	24,353,435	9,428,061	33,781,496
Deposits and placements of banks	9,529,305	(9,428,061)	101,244
	<u>33,882,740</u>	<u>-</u>	<u>33,882,740</u>

6. Dividend

No dividend was paid during the current financial quarter.

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

	Bank Group		Bank	
	30-June-21 RM'000	31-Dec-20 RM'000	30-June-21 RM'000	31-Dec-20 RM'000
(a) Cash and balances with banks and other financial institutions	169,428	125,131	140,263	120,967
Money at call and deposit placements maturing within one month	637,030	606,029	637,030	606,029
Total cash and short-term funds	806,458	731,160	777,293	726,996
(b) Deposits and placements with financial institutions with original maturity of more than one month				
- Licensed Islamic banks	817,820	781,682	-	-
	<u>1,624,278</u>	<u>1,512,842</u>	<u>777,293</u>	<u>726,996</u>

The ECL for cash and short-term funds and deposits and placements with banks and other financial institutions above is nil (2020: nil).

8. 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.

	Bank Group and Bank					
	30-June-21			31-Dec-20		
	Contract/ Notional amount RM'000	Fair value		Contract/ Notional amount RM'000	Fair value	
	Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000	
Trading derivatives						
<u>Foreign exchange contracts:</u>						
Currency forward						
- Less than one year	689,378	907	(1,049)	278,310	1,724	(1,614)

9. Financial investments at FVOCI

	Bank Group and Bank	
	30-June-21	31-Dec-20
	RM'000	RM'000
At fair value		
Money Market Instruments		
Malaysian Government Investment Issues	8,488,808	6,906,159
Debt securities:		
<u>In Malaysia</u>		
Private and Islamic debt securities	1,125,670	1,089,533
Government Guaranteed corporate sukuk	2,480,712	2,196,580
	12,095,190	10,192,272

ECL movement for financial investments at FVOCI:

The carrying amount of financial investments measured at FVOCI is its fair value. Accordingly, the recognition of 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.

	Bank Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	7	-	-	7
Total charge to profit or loss:	12	-	-	12
New financial investments purchased during the year	17	-	-	17
Matured financial investments during the year	(5)	-	-	(5)
At 30 June 2021	19	-	-	19
	Bank Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	18	-	-	18
Total reversed to profit or loss:	(11)	-	-	(11)
Change in credit risk	(11)	-	-	(11)
At 31 December 2020	7	-	-	7

10. Financial investments at amortised cost

	Bank Group and Bank	
	30-June-21	31-Dec-20
	RM'000	RM'000
At amortised cost		
Quoted securities:		
<u>In Malaysia</u>		
Private and Islamic debt securities	610,670	488,693
Less: ECL stage 1	(844)	(90)
ECL stage 2	(438)	(501)
	609,388	488,102

ECL movement for financial investments at amortised cost:

	Bank Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL at 1 January 2021	90	501	-	591
Charged to profit or loss	754	(63)	-	691
Change in credit risk	-	(63)	-	(63)
New financial investments purchased during the year	754	-	-	754
ECL at 30 June 2021	844	438	-	1,282

	Bank Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL at 1 January 2020	152	-	-	152
Charged to profit or loss	(62)	501	-	439
Transfer to stage 2	(45)	45	-	-
Change in credit risk	(17)	456	-	439
ECL at 31 December 2020	90	501	-	591

11. Financing and advances (continued)

(iv) By type of customers

	Bank Group and Bank	
	30-June-21	31-Dec-20
	RM'000	RM'000
Individuals	26,101,915	25,996,300
Domestic business enterprises		
- Small medium enterprise	2,041,204	2,107,333
- Government	-	51,161
- Non-bank financial institutions	715,764	740,803
- Others	5,576,732	5,315,587
Foreign entities	44,159	31,097
	<u>34,479,774</u>	<u>34,242,281</u>

(v) By sector

	Bank Group and Bank	
	30-June-21	31-Dec-20
	RM'000	RM'000
Household sectors	26,101,915	25,996,300
Construction	3,341,187	3,362,508
Finance, insurance and business services	2,773,034	2,839,973
Wholesale & retail trade and restaurants & hotels	757,699	713,945
Manufacturing	676,529	489,653
Transport, storage and communication	234,181	225,719
Mining and quarrying	188,629	216,711
Electricity, gas and water	173,429	169,087
Education, health and others	145,789	133,441
Agriculture	87,382	94,944
	<u>34,479,774</u>	<u>34,242,281</u>

(vi) By profit rate sensitivity

	Bank Group and Bank	
	30-June-21	31-Dec-20
	RM'000	RM'000
Fixed rate:		
Personal financing	16,281,351	16,721,791
Auto financing	92,847	108,607
Property financing	433,369	439,418
Bridging, structured and term financing	932,620	956,420
Variable rate:		
Personal financing	3,276,228	3,129,748
Property financing	6,087,832	5,674,680
Bridging, structured and term financing	7,375,527	7,211,617
	<u>34,479,774</u>	<u>34,242,281</u>

(vii) By geographical distribution

	Bank Group and Bank	
	30-June-21	31-Dec-20
	RM'000	RM'000
Malaysia	<u>34,479,774</u>	<u>34,242,281</u>

11. Financing and advances (continued)

(viii) Financing by types and Shariah contracts

**Bank Group and Bank
30-June-21**

Type	Tawarruq RM'000	Bai' RM'000	Ijarah RM'000	Total RM'000
Term Financing	29,478,218	2,002,105	1,445,595	32,925,918
Property financing	4,575,409	1,913,728	2,005	6,491,142
Bridging financing	458,083	-	-	458,083
Hire purchase receivables	-	-	690,537	690,537
Auto financing	-	-	90,002	90,002
Personal financing	19,545,401	152	-	19,545,553
Other term financing	4,899,325	88,225	663,051	5,650,601
Cash line	114,439	-	-	114,439
Staff financing	42,039	50	3,247	45,336
Revolving credit	194,845	-	-	194,845
Others	1,199,236	-	-	1,199,236
	31,028,777	2,002,155	1,448,842	34,479,774

**Bank Group and Bank
31-Dec-20**

Type	Tawarruq RM'000	Bai' RM'000	Ijarah RM'000	Total RM'000
Term Financing	29,275,341	2,077,415	1,563,526	32,916,282
Property financing	4,093,273	1,989,191	2,491	6,084,955
Bridging financing	483,947	-	-	483,947
Hire purchase receivables	-	-	761,732	761,732
Auto financing	-	-	106,198	106,198
Personal financing	19,837,278	161	-	19,837,439
Other term financing	4,860,843	88,063	693,105	5,642,011
Cash line	81,539	-	-	81,539
Staff financing	43,180	67	2,823	46,070
Revolving credit	190,840	-	-	190,840
Trade finance	1,007,550	-	-	1,007,550
	30,598,450	2,077,482	1,566,349	34,242,281

11. Financing and advances (continued)

(ix) Movement of gross financing and advances
30-June-21

	Bank Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount as at 1 January 2021	28,711,142	4,543,908	987,231	34,242,281
Transfer to stage 1	1,303,756	(1,277,432)	(26,324)	-
Transfer to stage 2	(744,388)	811,733	(67,345)	-
Transfer to stage 3	(34,795)	(246,201)	280,996	-
New financing / disbursement during the year	2,738,822	245,923	8,871	2,993,616
Repayment during the year	(2,576,248)	(338,735)	(37,267)	(2,952,250)
Other movements	208,822	42,009	18,546	269,377
Loss on modification of cash flows	(26,454)	(23,210)	-	(49,664)
Reclassification to assets held-for-sale	(73)	(13)	(23,500)	(23,586)
Write-offs	-	-	-	-
Gross carrying amount as at 30 June 2021	<u>29,580,584</u>	<u>3,757,982</u>	<u>1,141,208</u>	<u>34,479,774</u>

31-Dec-20

	Bank Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount as at 1 January 2020	29,065,287	4,106,709	818,025	33,990,021
Transfer to stage 1	1,071,111	(1,028,981)	(42,130)	-
Transfer to stage 2	(1,486,173)	1,583,613	(97,440)	-
Transfer to stage 3	(205,368)	(199,343)	404,711	-
New financing / disbursement during the year	4,554,480	514,891	62,228	5,131,599
Repayment during the year	(4,313,511)	(452,737)	(57,997)	(4,824,245)
Other movements	489,287	60,461	95,486	645,234
Loss on modification of cash flows	(463,971)	(40,705)	-	(504,676)
Write-offs	-	-	(195,652)	(195,652)
Gross carrying amount as at 31 December 2020	<u>28,711,142</u>	<u>4,543,908</u>	<u>987,231</u>	<u>34,242,281</u>

(x) Movement of ECL for financing and advances

	Bank Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL as at 1 January 2021	365,538	587,652	425,587	1,378,777
Charges to profit or loss, of which:	(84,398)	(121,157)	136,826	(68,729)
Changes in the impairment allowance:				
- Transfer to stage 1	158,453	(142,270)	(16,183)	-
- Transfer to stage 2	(12,389)	47,275	(34,886)	-
- Transfer to stage 3	(372)	(69,156)	69,528	-
New financing / disbursement during the year	20,992	21,179	5,850	48,021
Repayment during the year	(252,681)	(162,352)	(60,403)	(475,436)
Change in credit risk parameters #	1,599	184,167	172,920	358,686
Reclassification to assets held-for-sale	(2)	(1)	(13,086)	(13,089)
Write-offs	-	-	-	-
ECL as at 30 June 2021	<u>281,138</u>	<u>466,494</u>	<u>549,327</u>	<u>1,296,959</u>

The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

11. Financing and advances (continued)

(x) Movement of ECL for financing and advances (continued)

31-Dec-20	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2020	401,290	368,934	412,480	1,182,704
Charged to profit or loss, of which:	(35,752)	218,718	208,397	391,363
Changes in the impairment allowance:				
- Transfer to stage 1	96,261	(70,682)	(25,579)	-
- Transfer to stage 2	(31,598)	93,768	(62,170)	-
- Transfer to stage 3	(4,289)	(21,943)	26,232	-
New financing / disbursement during the year	66,724	58,879	19,092	144,695
Repayment during the year	(173,546)	(128,500)	(59,607)	(361,653)
Change in credit risk parameters #	10,696	287,196	310,429	608,321
Write-offs	-	-	(195,290)	(195,290)
ECL as at 31 December 2020	365,538	587,652	425,587	1,378,777

The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

(xi) Movement for impaired financing and advances

	Bank Group and Bank	
	30-June-21 RM'000	31-Dec-20 RM'000
Balance as at 1 January	987,231	818,025
Classified as impaired during the period	289,867	466,939
Reclassified as non-impaired	(93,669)	(139,570)
Amount recovered	(37,267)	(57,997)
Amount written off	-	(195,652)
Other movements	18,546	95,486
Reclassification to assets held-for-sale	(23,500)	-
Balance as at end of financial period	1,141,208	987,231
Gross impaired financing and advances as a % of gross financing and advances	3.31%	2.88%

11. Financing and advances (continued)

(xii) Impaired financing and advances by economic purpose

	Bank Group and Bank	
	30-June-21	31-Dec-20
	RM'000	RM'000
Personal use	171,837	80,584
Construction	578,272	563,518
Purchase of landed property:		
- Residential	198,050	188,424
- Non-residential	41,552	39,377
Working Capital	97,360	47,500
Purchase of other fixed assets	45,580	42,041
Purchase of transport vehicles	7,612	6,517
Purchase of other securities	-	2,890
Purchase of consumer durables	785	789
Others	160	15,591
	<u>1,141,208</u>	<u>987,231</u>

(xiii) Impaired financing and advances by sector

	Bank Group and Bank	
	30-June-21	31-Dec-20
	RM'000	RM'000
Household sector	390,001	288,793
Construction	332,217	327,173
Finance, insurance and business services	149,436	146,704
Manufacturing	112,612	70,435
Education, health and others	86,189	85,667
Mining and quarrying	39,017	39,313
Wholesale & retail trade and restaurants & hotels	25,463	25,151
Transport, storage and communication	6,273	3,995
	<u>1,141,208</u>	<u>987,231</u>

(xiii) Impaired financing by geographical distribution

	Bank Group and Bank	
	30-June-21	31-Dec-20
	RM'000	RM'000
Malaysia	<u>1,141,208</u>	<u>987,231</u>

12. Assets held- for-sale

	Bank Group and Bank 30-June-21 RM'000
Balance as at 1 January	-
Reclassification from financing	23,586
Gross assets held-for-sale	<u>23,586</u>
Less impairment allowance:	
Balance as at 1 January	-
Reclassification from financing	(13,089)
Total impairment allowance	<u>(13,089)</u>
Net assets held-for-sale	<u><u>10,497</u></u>
By economic purpose:	
Purchase of residential properties	22,383
Purchase of non-residential properties	960
Purchase of Other Fixed Assets	138
Purchase of transport vehicles	60
Others	45
	<u><u>23,586</u></u>

During the quarter, the Bank entered into an agreement to dispose identified retail financing to an external party. The sale is expected to complete in third quarter 2021.

13. Other receivables

	Bank Group		Bank	
	30-June-21 RM'000	31-Dec-20 RM'000	30-June-21 RM'000	31-Dec-20 RM'000
Amount due from subsidiary	-	-	59,059	53,618
Financing to related companies	518,414	571,042	518,414	571,042
Amount due from related companies	-	1,824	-	1,824
Prepayments and deposits	7,533	8,967	7,438	8,866
Deferred expenses	1,815	1,946	1,815	1,946
Sundry receivables	70,640	56,357	66,679	52,576
	<u>598,402</u>	<u>640,136</u>	<u>653,404</u>	<u>689,872</u>
Less: ECL at stage 3	(63,828)	(132,011)	(63,828)	(132,011)
	<u><u>534,574</u></u>	<u><u>508,125</u></u>	<u><u>589,576</u></u>	<u><u>557,861</u></u>

14. Investment in subsidiary

The Bank has a wholly owned subsidiary, Jana Kapital Sdn.Bhd. ("JKSB"), an investment holding company that was transferred from the holding company on 2 April 2018. The unquoted shares at cost in JKSB as at 30 June 2021 is RM 2 (31 December 2020: RM 2).

The subsidiary was incorporated in Malaysia.

15. Deposits from customers

(i) By type of deposit:

	Bank Group and Bank	
	30-June-21	31-Dec-20
	RM'000	RM'000
<u>Non-Mudharabah Funds:</u>		
Commodity Murabahah Term Deposit	35,330,014	33,193,269
Demand deposits	371,861	305,042
Savings deposits	251,182	283,185
	<u>35,953,057</u>	<u>33,781,496</u>

The deposit above are under the Islamic contract of Tawarruq.

(ii) Maturity structure of term deposits are as follows:

	Bank Group and Bank	
	30-June-21	31-Dec-20
	RM'000	RM'000
Within six months	26,493,947	24,191,607
More than six months to one year	5,297,710	5,748,734
More than one year to three years	3,227,328	2,886,851
More than three years	311,029	366,077
	<u>35,330,014</u>	<u>33,193,269</u>

(iii) By type of customers:

	Bank Group and Bank	
	30-June-21	31-Dec-20
	RM'000	RM'000
Government and statutory bodies	13,307,068	12,058,760
Business enterprises	9,289,427	7,568,566
Individuals	4,550,691	4,726,109
Other financial institutions	8,805,871	9,428,061
	<u>35,953,057</u>	<u>33,781,496</u>

16. Deposits and placements of banks

	Bank Group and Bank	
	30-June-21	31-Dec-20
	RM'000	RM'000
(i) By type of deposit:		
<u>Non-Mudharabah Funds:</u>		
-Licensed Investment Banks	943	1,234
-Licensed Islamic Banks	517	100,010
	1,460	101,244
(ii) By type of contract:		
Tawarruq	1,460	101,244
	1,460	101,244

17. Investment accounts of customers

	Bank Group and Bank 30-June-21 RM'000
Wakalah	1,011,458
	1,011,458
	Bank Group and Bank 30-June-21 RM'000
Movement in investment accounts	
At beginning of the financial period	-
New placement during the financial period	1,005,353
Finance expense	6,105
At end of financial period	1,011,458

MBSB Bank launched a new Wakalah investment account in the first quarter ended 31 March 2021.

19. Income derived from investment of depositors' funds

Income derived from investment of other deposits

	Bank Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-21	30-June-20	30-June-21	30-June-20
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances	427,325	468,891	876,878	981,342
Financial investments at FVTPL	509	69	617	148
Financial investments at FVOCI	89,161	100,650	172,383	201,136
Financial investments at amortised cost	5,650	5,755	10,948	6,292
Money at call and deposits with financial institutions	6,354	16,983	11,540	32,422
Others	1,879	6,271	3,709	14,141
	<u>530,878</u>	<u>598,619</u>	<u>1,076,075</u>	<u>1,235,481</u>
of which financing income earned on impaired financing	<u>2,809</u>	<u>3,502</u>	<u>5,215</u>	<u>7,951</u>

	Bank			
	2nd Quarter Ended		Six Months Ended	
	30-June-21	30-June-20	30-June-21	30-June-20
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances	427,325	468,891	876,878	981,342
Financial investments at FVTPL	509	69	617	48
Financial investments at FVOCI	89,161	100,650	172,383	201,136
Financial investments at amortised cost	5,650	5,755	10,948	6,292
Money at call and deposits with financial institutions	2,913	11,378	4,826	19,762
Profit on Sukuk commodity murabahah	14,125	15,933	28,483	34,998
Others	2,540	6,806	4,997	15,319
	<u>542,223</u>	<u>609,482</u>	<u>1,099,132</u>	<u>1,258,897</u>
of which financing income earned on impaired financing	<u>2,809</u>	<u>3,502</u>	<u>5,215</u>	<u>7,951</u>

20. Income derived from investment of shareholders' funds

	Bank Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-21	30-June-20	30-June-21	30-June-20
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances	80,742	121,166	162,356	162,911
Financial investments at FVTPL	92	1	112	2
Financial investments at FVOCI	16,224	1,164	31,276	2,326
Financial investments at amortised cost	1,028	956	1,986	984
Money at call and deposits with financial institutions	1,155	1,672	2,093	2,349
Others	342	1,722	673	2,369
	<u>99,583</u>	<u>126,681</u>	<u>198,496</u>	<u>170,941</u>
of which financing income earned on impaired financing	<u>511</u>	<u>966</u>	<u>946</u>	<u>1,332</u>
Other operating (expenses)/income:				
Financing related fees	(3,345)	493	(5,458)	179
Commission	3,216	2,017	5,476	4,804
Gain from sale of financial investments at FVOCI	30	107,490	10,311	136,152
Gain/(loss) on financial investments at FVTPL	164	337	(33)	1,536
Sundry income	16,793	1,747	18,783	16,882
	<u>16,858</u>	<u>112,084</u>	<u>29,079</u>	<u>159,553</u>
	<u>116,441</u>	<u>238,765</u>	<u>227,575</u>	<u>330,494</u>

	Bank			
	2nd Quarter Ended		Six Months Ended	
	30-June-21	30-June-20	30-June-21	30-June-20
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances	80,742	121,166	162,356	162,911
Financial investments at FVTPL	92	1	112	2
Financial investments at FVOCI	16,224	1,164	31,276	2,326
Financial investments at amortised cost	1,028	956	1,986	984
Money at call and deposits with financial institutions	530	132	876	229
Profit on Sukuk commodity murabahah	2,571	4,296	5,168	5,863
Others	463	1,864	907	2,564
	<u>101,650</u>	<u>129,579</u>	<u>202,681</u>	<u>174,879</u>
of which financing income earned on impaired financing	<u>511</u>	<u>966</u>	<u>946</u>	<u>1,332</u>
Other operating (expenses)/income:				
Financing related fees	(3,345)	493	(5,458)	179
Commission	3,216	2,017	5,476	4,804
Gain from sale of financial investments at FVOCI	30	107,490	10,311	136,152
Gain/(loss) on financial investments at FVTPL	164	337	(33)	1,536
Sundry income	16,793	1,747	18,783	16,882
	<u>16,858</u>	<u>112,084</u>	<u>29,079</u>	<u>159,553</u>
	<u>118,508</u>	<u>241,663</u>	<u>231,760</u>	<u>334,432</u>

21. Income derived from investment of investment account funds

	Bank Group and Bank			
	2nd Quarter Ended		Six Months Ended	
	30-June-21	30-June-20	30-June-21	30-June-20
	RM'000	RM'000	RM'000	RM'000
Financing and advances	16,284	-	17,973	-
	<u>16,284</u>	<u>-</u>	<u>17,973</u>	<u>-</u>

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

30-June-21

	Bank Group and Bank			
	2nd Quarter Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial investments at FVOCI	8	-	-	8
Financial investments at amortised cost	774	(29)	-	745
Financing and advances	23,371	(306,018)	38,037	(244,610)
Financing to related companies	-	-	2,115	2,115
Financing commitments and financial guarantee	(1,322)	(6,992)	6,288	(2,026)
Sundry receivables	-	-	-	-
	<u>22,831</u>	<u>(313,039)</u>	<u>46,440</u>	<u>(243,768)</u>
Impaired financing and advances:				
- Written off	-	-	647	647
- Recovered	-	-	(2,333)	(2,333)
	<u>22,831</u>	<u>(313,039)</u>	<u>44,754</u>	<u>(245,454)</u>

	Bank Group and Bank			
	Six Months Ended			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial investments at FVOCI	12	-	-	12
Financial investments at amortised cost	754	(63)	-	691
Financing and advances	(84,398)	(121,157)	136,826	(68,729)
Financing to related companies	-	-	(7,453)	(7,453)
Financing commitments and financial guarantee	(2,905)	(644)	(4,992)	(8,541)
Sundry receivables	-	-	(2)	(2)
	<u>(86,537)</u>	<u>(121,864)</u>	<u>124,379</u>	<u>(84,022)</u>
Impaired financing and advances:				
- Written off	-	-	779	779
- Recovered	-	-	(4,486)	(4,486)
	<u>(86,537)</u>	<u>(121,864)</u>	<u>120,672</u>	<u>(87,729)</u>

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

30-June-20

	Bank Group and Bank			Total
	2nd Quarter Ended			
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
Financial investments at FVOCI	(2)	-	-	(2)
Financial assets at amortised cost	(22)	-	-	(22)
Financing and advances	(51,696)	(100,475)	99,282	(52,889)
Other receivables	-	-	156	156
Financing commitments and financial guarantee	(13,368)	(8,254)	14,541	(7,081)
	<u>(65,088)</u>	<u>(108,729)</u>	<u>113,979</u>	<u>(59,838)</u>
Impaired financing and advances:				
- Written off	-	-	1,188	1,188
- Recovered	-	-	(1,713)	(1,713)
	<u>(65,088)</u>	<u>(108,729)</u>	<u>113,454</u>	<u>(60,363)</u>

	Bank Group and Bank			Total
	Six Months Ended			
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
Financial investments at FVOCI	(7)	-	-	(7)
Financial assets at amortised cost	(24)	-	-	(24)
Financing and advances	(61,109)	70,374	186,807	196,072
Other receivables	-	-	8,413	8,413
Financing commitments and financial guarantee	(15,255)	6,595	15,263	6,603
	<u>(76,395)</u>	<u>76,969</u>	<u>210,483</u>	<u>211,057</u>
Impaired financing and advances:				
- Written off	-	-	1,965	1,965
- Recovered	-	-	(4,576)	(4,576)
	<u>(76,395)</u>	<u>76,969</u>	<u>207,872</u>	<u>208,446</u>

23. Income attributable to depositors and others

	Bank Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-21	30-June-20	30-June-21	30-June-20
	RM'000	RM'000	RM'000	RM'000
(a) Income attributable to depositors				
Deposits from customers:				
- Non-mudharabah funds	205,457	297,825	409,202	622,125
Deposits and placements of banks				
- Non-mudharabah funds	1,414	2,050	2,816	4,282
	<u>206,871</u>	<u>299,875</u>	<u>412,018</u>	<u>626,407</u>
(b) Income attributable to securitisation	19,406	25,659	42,619	51,898
(c) Income attributable to sukuk	33,567	37,493	67,207	74,931
(d) Income attributable to wakalah unrestricted investment account	6,067	-	6,706	-
(e) Others	-	-	-	-
	<u>265,911</u>	<u>363,027</u>	<u>528,550</u>	<u>753,236</u>

	Bank			
	2nd Quarter Ended		Six Months Ended	
	30-June-21	30-June-20	30-June-21	30-June-20
	RM'000	RM'000	RM'000	RM'000
(a) Income attributable to depositors				
Deposits from customers:				
- Non-mudharabah funds	205,457	235,564	409,202	481,533
Deposits and placements of banks				
- Non-mudharabah funds	1,414	64,311	2,816	144,874
	<u>206,871</u>	<u>299,875</u>	<u>412,018</u>	<u>626,407</u>
(b) Income attributable to securitisation	19,406	25,659	42,619	51,898
(c) Income attributable to sukuk	33,567	37,493	67,207	74,931
(d) Income attributable to wakalah unrestricted investment account	6,067	-	6,706	-
(e) Others	33,458	36,154	67,387	73,619
	<u>299,369</u>	<u>399,181</u>	<u>595,937</u>	<u>826,855</u>

24. Personnel expenses

	Bank Group/Bank			
	2nd Quarter Ended		Six Months Ended	
	30-June-21	30-June-20	30-June-21	30-June-20
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	30,269	56,966	82,165	109,816
Contributions to Employee				
Provident Fund and SOCSO	4,953	9,700	14,402	18,877
Directors' remuneration	630	733	1,514	1,269
Shariah Advisory Committee members' remuneration	144	89	220	179
Other staff related expenses	5,563	4,764	10,379	10,465
	<u>41,559</u>	<u>72,252</u>	<u>108,680</u>	<u>140,606</u>

25. Other overhead expenses

	Bank Group			
	2nd Quarter Ended		Six Months Ended	
	30-June-21	30-June-20	30-June-21	30-June-20
	RM'000	RM'000	RM'000	RM'000
<u>Establishment related expenses</u>				
Depreciation of property and equipment	2,724	1,927	4,774	3,828
Depreciation of right use of assets	3,365	3,294	6,744	6,595
Amortisation of intangible assets	8,564	6,454	16,838	12,676
Rental of premises	7,180	-	7,180	-
Software and hardware maintenance	12,658	7,776	15,246	16,234
Security expenses	788	765	1,433	1,055
Lease profit expense	118	172	260	355
Others	2,691	944	4,692	1,506
	<u>38,088</u>	<u>21,332</u>	<u>57,167</u>	<u>42,249</u>
<u>Promotion and marketing related expenses</u>				
Advertising and promotional activities	3,287	2,439	4,755	4,718
	<u>3,287</u>	<u>2,439</u>	<u>4,755</u>	<u>4,718</u>
<u>General administrative expenses</u>				
License and association fees and levies	311	37	474	75
Travelling, transport and accomodation expenses	479	406	903	1,179
Printing, stationery, postage and clearing charges	1,553	1,112	2,491	2,275
Electricity and water	899	727	1,765	1,672
Other professional fees	7,912	837	9,636	1,977
Auditors remuneration	325	425	651	751
Repair and maintenance of office equipment	62	30	195	59
Others	3,512	2,686	5,553	5,187
	<u>15,053</u>	<u>6,260</u>	<u>21,668</u>	<u>13,175</u>
<u>Commission fees</u>				
Commission fees	529	750	1,010	2,303
Angkasa charges	7,253	284	12,055	7,264
	<u>7,782</u>	<u>1,034</u>	<u>13,065</u>	<u>9,567</u>
Inter-company recharges	(3,932)	(9,920)	(7,940)	(19,839)
	<u>60,278</u>	<u>21,145</u>	<u>88,715</u>	<u>49,870</u>

25. Other overhead expenses (continued)

	Bank			
	2nd Quarter Ended		Six Months Ended	
	30-June-21 RM'000	30-June-20 RM'000	30-June-21 RM'000	30-June-20 RM'000
<u>Establishment related expenses</u>				
Depreciation of property and equipment	2,724	1,927	4,774	3,828
Depreciation of right use of assets	3,365	3,294	6,744	6,595
Amortisation of intangible assets	8,564	6,454	16,838	12,676
Rental of premises	7,180	-	7,180	-
Software and hardware maintenance	12,658	7,776	15,246	16,234
Security expenses	788	765	1,433	1,055
Lease profit expense	118	172	260	355
Others	2,691	944	4,692	1,506
	<u>38,088</u>	<u>21,332</u>	<u>57,167</u>	<u>42,249</u>
<u>Promotion and marketing related expenses</u>				
Advertising and promotional activities	3,287	2,439	4,755	4,718
	<u>3,287</u>	<u>2,439</u>	<u>4,755</u>	<u>4,718</u>
<u>General administrative expenses</u>				
License and association fees and levies	311	37	474	75
Travelling, transport and accomodation expenses	479	406	903	1,179
Printing, stationery, postage and clearing charges	1,553	1,112	2,491	2,275
Electricity and water	899	727	1,765	1,672
Other professional fees	7,890	782	9,552	1,897
Auditors remuneration	322	422	645	745
Repair and maintenance of office equipment	62	30	195	59
Others	3,387	2,559	5,300	4,936
	<u>14,903</u>	<u>6,075</u>	<u>21,325</u>	<u>12,838</u>
<u>Commission fees</u>				
Commission fees	529	750	1,010	2,303
Angkasa charges	7,253	284	12,055	7,264
	<u>7,782</u>	<u>1,034</u>	<u>13,065</u>	<u>9,567</u>
Inter-company recharges	(4,391)	(10,328)	(8,858)	(20,658)
	<u>59,669</u>	<u>20,551</u>	<u>87,454</u>	<u>48,713</u>

26. Other comprehensive income/(loss), net of tax

	Bank Group and Bank			
	2nd Quarter Ended		Six Months Ended	
	30-June-21	30-June-20	30-June-21	30-June-20
	RM'000	RM'000	RM'000	RM'000
Net gain/(loss) from change in fair value of financial investments at FVOCI	78,598	159,706	(291,205)	99,992
Changes in expected credit losses of financial investments at FVOCI	8	(2)	12	11
	<u>78,606</u>	<u>159,704</u>	<u>(291,193)</u>	<u>100,003</u>

27. Credit exposures arising from transactions with connected parties

Credit exposures with connected parties as per Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties ('Revised BNM/GP6') are as follows:

	Bank Group and Bank	
	30-June-21	31-Dec-20
	RM'000	RM'000
Outstanding credit exposures with connected parties	<u>1,132,266</u>	<u>1,291,162</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>2.95%</u>	<u>3.44%</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<u>0.17%</u>	<u>0.36%</u>

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

28. Commitments and contingencies

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

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Bank Group and Bank			
30-June-21			
Direct credit substitutes	45,783	45,783	45,783
Trade-related contingencies	84,910	36,163	36,163
Short Term Self Liquidating trade related contingencies	46,493	9,299	9,299
Irrevocable commitments to extend credit:			
- one year or less	1,138,056	236,611	236,611
- over one year to five years	1,439,989	718,988	636,718
- over five years	2,304	1,150	1,150
Foreign exchange related contracts			
- one year or less	689,422	11,246	4,920
	<u>3,446,955</u>	<u>1,059,240</u>	<u>970,644</u>

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Bank Group and Bank			
31-Dec-20			
Direct credit substitutes	61,797	52,254	52,254
Trade-related contingencies	93,426	46,713	46,713
Short term Self Liquidating Trade-related contingencies	107,698	21,540	21,540
Irrevocable commitments to extend credit:			
- one year or less	612,780	155,399	155,399
- over one year to five years	1,562,430	778,569	701,984
- over five years	8,308	4,153	4,152
Foreign exchange related contracts			
- one year or less	278,310	5,896	3,345
	<u>2,724,749</u>	<u>1,064,524</u>	<u>985,387</u>

29. Financial risk management

29.1 Credit quality

(i) Financing and advances

Financing and advances are summarised as follows:

30-June-21	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<i>Neither past due nor impaired</i>				
Corporate financing				
Excellent	429	-	-	429
Good	1,245,504	13,974	-	1,259,478
Average	4,856,236	506,624	-	5,362,860
Below Average	473,286	159,414	-	632,700
Poor	11,422	145,724	-	157,146
Retail financing	22,993,707	1,570,238	-	24,563,945
	<u>29,580,584</u>	<u>2,395,974</u>	<u>-</u>	<u>31,976,558</u>
<i>Past due up to 3 months</i>				
Corporate financing				
Good	-	21,969	-	21,969
Average	-	117,156	-	117,156
Below Average	-	6,293	-	6,293
Poor	-	-	-	-
Retail financing	-	1,216,590	-	1,216,590
	<u>-</u>	<u>1,362,008</u>	<u>-</u>	<u>1,362,008</u>
<i>Impaired</i>	-	-	1,141,208	1,141,208
Gross financing and advances	<u>29,580,584</u>	<u>3,757,982</u>	<u>1,141,208</u>	<u>34,479,774</u>
Less ECL	<u>(281,138)</u>	<u>(466,494)</u>	<u>(549,327)</u>	<u>(1,296,959)</u>
Net financing and advances	<u>29,299,446</u>	<u>3,291,488</u>	<u>591,881</u>	<u>33,182,815</u>

29. Financial risk management (continued)

29.1 Credit quality (continued)

(i) Financing and advances (continued)

Financing and advances are summarised as follows (continued):

31-Dec-20	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<i>Neither past due nor impaired</i>				
Corporate financing				
Excellent	573	-	-	573
Good	2,033,957	192,991	-	2,226,948
Average	3,812,752	778,555	-	4,591,307
Below Average	135,071	201,557	-	336,628
Poor	6,800	139,532	-	146,332
Retail financing	22,721,990	2,029,118	-	24,751,108
	<u>28,711,143</u>	<u>3,341,753</u>	<u>-</u>	<u>32,052,896</u>
<i>Past due up to 3 months</i>				
Corporate financing				
Good	-	18,219	-	18,219
Average	-	150,819	-	150,819
Below Average	-	-	-	-
Poor	-	-	-	-
Retail financing	-	1,033,116	-	1,033,116
Total Past due up to 3 months	<u>-</u>	<u>1,202,154</u>	<u>-</u>	<u>1,202,154</u>
<i>Impaired</i>	-	-	987,231	987,231
Gross financing and advances	<u>28,711,143</u>	<u>4,543,907</u>	<u>987,231</u>	<u>34,242,281</u>
Less ECL	<u>(365,538)</u>	<u>(587,652)</u>	<u>(425,587)</u>	<u>(1,378,777)</u>
Net financing and advances	<u>28,345,605</u>	<u>3,956,255</u>	<u>561,644</u>	<u>32,863,504</u>

29. Financial risk management (continued)

29.1 Credit risk management (continued)

(ii) Other financial assets

Credit quality of other financial assets by external rating is as follows:

Bank Group	Stage 1 	Stage 2	Stage 3	Total
Neither past due nor impaired	RM'000	RM'000	RM'000	RM'000
30-June-21				
Cash and short-term funds				
AAA	645,891	-	-	645,891
AA and below	93,456	-	-	93,456
Unrated	67,111	-	-	67,111
	<u>806,458</u>	<u>-</u>	<u>-</u>	<u>806,458</u>
Deposits and placements with banks and other financial institutions				
AAA	817,788	-	-	817,788
AA and below	32	-	-	32
	<u>817,820</u>	<u>-</u>	<u>-</u>	<u>817,820</u>
Debt investments				
AAA	941,774	-	-	941,774
AA and below	183,915	-	-	183,915
Unrated *	11,764,375	204,624	-	11,968,999
	<u>12,890,064</u>	<u>204,624</u>	<u>-</u>	<u>13,094,688</u>
Other financial assets				
Unrated	70,628	-	-	70,628
	<u>70,628</u>	<u>-</u>	<u>-</u>	<u>70,628</u>

Bank Group	Stage 1 	Stage 2	Stage 3	Total
Neither past due nor impaired	RM'000	RM'000	RM'000	RM'000
31-Dec-20				
Cash and short-term funds				
AAA	637,894	-	-	637,894
AA and below	34,704	-	-	34,704
Unrated	58,562	-	-	58,562
	<u>731,160</u>	<u>-</u>	<u>-</u>	<u>731,160</u>
Deposits and placements with banks and other financial institutions				
AAA	781,650	-	-	781,650
AA and below	32	-	-	32
	<u>781,682</u>	<u>-</u>	<u>-</u>	<u>781,682</u>
Debt investments				
AAA	955,534	-	-	955,534
AA and below	133,999	-	-	133,999
Unrated *	9,391,275	199,566	-	9,590,841
	<u>10,480,808</u>	<u>199,566</u>	<u>-</u>	<u>10,680,374</u>
Other financial assets				
Unrated	58,167	-	-	58,167
	<u>58,167</u>	<u>-</u>	<u>-</u>	<u>58,167</u>

* Unrated debt investments for Bank Group and Bank include government guaranteed securities of RM10,969,520,000 (2020: RM9,102,739,000)

29. Financial risk management (continued)

29.1 Credit risk management (continued)

(ii) Other financial assets (continued)

Bank

Neither past due nor impaired	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
30-June-21				
Cash and short-term funds				
AAA	645,891	-	-	645,891
AA and below	64,291	-	-	64,291
Unrated	67,111	-	-	67,111
	<u>777,293</u>	<u>-</u>	<u>-</u>	<u>777,293</u>
Deposits and placements with banks and other financial institutions				
AAA	-	-	-	-
AA and below	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt investments				
AAA	941,774	-	-	941,774
AA and below	183,915	-	-	183,915
Unrated *	11,764,375	204,624	-	11,968,999
	<u>12,890,064</u>	<u>204,624</u>	<u>-</u>	<u>13,094,688</u>
Other financial assets				
Unrated	125,725	-	-	125,725
	<u>125,725</u>	<u>-</u>	<u>-</u>	<u>125,725</u>

Bank

Neither past due nor impaired	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
31-Dec-20				
Cash and short-term funds				
AAA	637,894	-	-	637,894
AA and below	30,540	-	-	30,540
Unrated	58,562	-	-	58,562
	<u>726,996</u>	<u>-</u>	<u>-</u>	<u>726,996</u>
Debt investments				
AAA	955,534	-	-	955,534
AA and below	133,999	-	-	133,999
Unrated *	9,391,275	199,566	-	9,590,841
	<u>10,480,808</u>	<u>199,566</u>	<u>-</u>	<u>10,680,374</u>
Other financial assets				
Unrated	108,004	-	-	108,004
	<u>108,004</u>	<u>-</u>	<u>-</u>	<u>108,004</u>

* Unrated debt investments for Bank Group and Bank include government guaranteed securities of RM10,969,520,000 (2020: RM9,102,739,000)

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29. Financial risk management (continued)

29.2 Market risk

(i) Profit Rate Risk

Bank Group	----- Non-trading book -----						Trading book	Total	Effective profit rate
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
30-June-21									
Assets									
Cash and short-term funds	637,030	-	-	-	-	169,428	-	806,458	1.65
Deposits and placements with financial institutions	32	-	817,788	-	-	-	-	817,820	1.95
Derivative financial assets	907	-	-	-	-	-	-	907	
Financial investments at FVTPL	-	-	-	-	-	-	390,110	390,110	2.37
Financial investments at FVOCI	30,656	117,062	521,681	3,261,247	8,164,544	-	-	12,095,190	3.56
Financial investments at amortised cost	-	-	20,308	307,073	282,007	-	-	609,388	5.50
Financing and advances									
- non-impaired	355,625	647,706	827,028	2,928,393	28,579,815	(747,633)	-	32,590,934	5.10
- impaired, net of allowances*	-	-	-	-	-	591,881	-	591,881	
Financial assets held for sale	10	-	4	-	72	10,411	-	10,497	4.32
Other receivables^	-	-	-	-	-	525,226	-	525,226	
Statutory deposits with Bank Negara Malaysia**	-	-	-	110,000	520,000	-	-	630,000	4.26
Total financial assets	1,024,260	764,768	2,186,809	6,606,713	37,546,438	549,313	390,110	49,068,411	

* This is arrived after deducting impairment allowances from gross impaired financing.

^ Other receivables exclude prepayments and deposits and deferred expenses as these items are classified as non-financial assets.

** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 December 2022.

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29. Financial risk management (continued)

29.2 Market risk (continued)

(i) Profit Rate Risk (continued)

Bank Group	----- Non-trading book -----						Trading book	Total	Effective profit rate
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
30-June-21									
Liabilities									
Deposits from customers	10,213,780	8,285,114	13,739,336	3,527,707	10,648	176,472	-	35,953,057	2.36
Deposits and placements of banks	1,460	-	-	-	-	-	-	1,460	1.78
Investment accounts of customers	21,807	-	989,651	-	-	-	-	1,011,458	2.64
Derivative financial liabilities	1,049	-	-	-	-	-	-	1,049	
Other payables #	-	-	-	-	-	572,705	-	572,705	
Lease liabilities	11	25	5,719	5,774	-	-	-	11,529	3.67
Recourse obligation on financing sold	17,180	13,669	61,014	1,704,427	-	-	-	1,796,290	3.89
Sukuk-MBSB Structured Covered ("SC")									
Murabahah	-	-	289,668	763,941	213,744	-	-	1,267,353	4.58
Sukuk Wakalah	-	-	1,834	-	1,291,674	-	-	1,293,508	5.24
Total financial liabilities	10,255,287	8,298,808	15,087,222	6,001,849	1,516,066	749,177	-	41,908,409	
Total profit-sensitivity gap	(9,231,027)	(7,534,040)	(12,900,413)	604,864	36,030,372	(199,864)	390,110	7,160,002	

Other payables exclude other provisions, accruals and deferred income as these items are classified as non-financial liabilities.

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29. Financial risk management (continued)

29.2 Market risk (continued)

(i) Profit Rate Risk (continued)

Bank	----- Non-trading book -----						Trading book	Total	Effective profit rate
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
30-June-21									
Assets									
Cash and short-term funds	637,030	-	-	-	-	140,263	-	777,293	1.65
Deposits and placements with financial institutions	-	-	-	-	-	-	-	-	-
Derivative financial assets	907	-	-	-	-	-	-	907	-
Financial investments at FVTPL	-	-	-	-	-	-	390,110	390,110	2.37
Financial investments at FVOCI	30,656	117,062	521,681	3,261,247	8,164,544	-	-	12,095,190	3.56
Financial investments at amortised cost	-	-	20,308	307,073	282,007	-	-	609,388	5.50
Financing and advances									
- non-impaired	355,625	647,706	827,028	2,928,393	28,579,815	(747,633)	-	32,590,934	5.10
- impaired, net of allowances*	-	-	-	-	-	591,881	-	591,881	-
Financial assets held for sale	10	-	4	-	72	10,411	-	10,497	4.32
Sukuk Commodity Murabahah	53,538	-	318,026	1,481,561	363,333	-	-	2,216,458	2.86
Other receivables^	59,059	-	-	-	-	521,265	-	580,324	5.50
Statutory deposits with Bank Negara Malaysia**	-	-	-	110,000	520,000	-	-	630,000	4.26
Total financial assets	1,136,825	764,768	1,687,047	8,088,274	37,909,771	516,187	390,110	50,492,982	

* This is arrived after deducting impairment allowances from gross impaired financing.

^ Other receivables exclude prepayments and deposits and deferred expenses as these items are classified as non-financial assets.

** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 December 2022.

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29. Financial risk management (continued)

29.2 Market risk (continued)

(i) Profit Rate Risk (continued)

Bank	----- Non-trading book -----						Trading book	Total	Effective profit rate
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
30-June-21									
Liabilities									
Deposits from customers	10,213,780	8,285,114	13,739,336	3,527,707	10,648	176,472	-	35,953,057	2.36
Deposits and placements of banks	1,460	-	-	-	-	-	-	1,460	1.78
Investment accounts of customers	21,807	-	989,651	-	-	-	-	1,011,458	2.64
Derivative financial liabilities	1,049	-	-	-	-	-	-	1,049	
Other payables #	2,036,006	-	-	-	-	572,706	-	2,608,712	6.87
Lease liabilities	11	25	5,719	5,774	-	-	-	11,529	3.67
Recourse obligation on financing sold	17,180	13,669	61,014	1,704,427	-	-	-	1,796,290	3.89
Sukuk-MBSB Structured Covered ("SC")									
Murabahah	-	-	289,668	763,941	213,744	-	-	1,267,353	4.58
Sukuk Wakalah	-	-	1,834	-	1,291,674	-	-	1,293,508	5.24
Total financial liabilities	12,291,293	8,298,808	15,087,222	6,001,849	1,516,066	749,178	-	43,944,416	
Total profit-sensitivity gap	(11,154,468)	(7,534,040)	(13,400,175)	2,086,425	36,393,705	(232,991)	390,110	6,548,566	

Other payables exclude other provisions, accruals and deferred income as these items are classified as non-financial liabilities.

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

29. Financial risk management (continued)

29.2 Market risk (continued)

(i) Profit Rate Risk (continued)

Bank Group	----- Non-trading book -----							Total	Effective profit rate %
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-profit sensitive	Trading book		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
31-Dec-20									
Assets									
Cash and short-term funds	606,029	-	-	-	-	125,131	-	731,160	2.31
Deposits and placements with financial institutions	32	-	781,650	-	-	-	-	781,682	1.92
Derivative financial assets	1,724	-	-	-	-	-	-	1,724	-
Financial investments at FVOCI	5,106	80,923	276,566	3,268,004	6,561,673	-	-	10,192,272	3.64
Financial investments at amortised cost	-	-	-	30,315	457,787	-	-	488,102	4.97
Financing and advances									
- non-impaired	437,488	643,313	428,831	3,119,285	28,626,133	(953,190)	-	32,301,860	6.52
- impaired, net of allowances*	-	-	-	-	-	561,644	-	561,644	-
Other receivables^	-	-	-	-	-	497,212	-	497,212	4.25
Statutory deposits with Bank Negara Malaysia**	-	-	-	110,000	510,000	-	-	620,000	-
Total financial assets	1,050,379	724,236	1,487,047	6,527,604	36,155,593	230,797	-	46,175,656	

* This is arrived after deducting impairment allowances from gross impaired financing.

^ Other receivables exclude prepayments and deposits and deferred expenses as these items are classified as non-financial assets.

** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 December 2022.

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

29. Financial risk management (continued)

29.2 Market risk (continued)

(i) Profit Rate Risk (continued)

Bank Group	----- Non-trading book -----							Total	Effective profit rate %
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-profit sensitive	Trading book		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
31-Dec-20									
<u>Liabilities</u>									
Deposits from customers	9,679,251	8,046,312	12,637,729	3,191,832	61,097	165,276	-	33,781,496	2.87
Deposits and placements of banks	101,244	-	-	-	-	-	-	101,244	1.78
Derivative financial liabilities	1,614	-	-	-	-	-	-	1,614	
Other payables #	-	-	-	-	-	627,412	-	627,411	
Lease liabilities	13	50	5,460	9,670	-	-	-	15,193	3.67
Recourse obligation on financing sold	19,030	321,470	60,740	1,861,291	-	-	-	2,262,531	4.31
Sukuk-MBSB Structured Covered ("SC")									
Murabahah	-	-	294,388	858,635	213,540	-	-	1,366,563	5.00
Sukuk Wakalah	-	-	2,018	-	1,291,317	-	-	1,293,335	5.24
Total financial liabilities	9,801,152	8,367,832	13,000,335	5,921,428	1,565,954	792,688	-	39,449,387	
Total profit-sensitivity gap	(8,750,773)	(7,643,596)	(11,513,288)	606,176	34,589,639	(561,891)	-	6,726,269	

Other payables exclude other provisions, accruals and deferred income as these items are classified as non-financial liabilities.

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29. Financial risk management (continued)**29.2 Market risk (continued)****(i) Profit Rate Risk (continued)**

Bank	----- Non-trading book -----						Trading book	Total	Effective profit rate
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
31-Dec-20									
Assets									
Cash and short-term funds	606,029	-	-	-	-	120,967	-	726,996	2.31
Derivative financial assets	1,724	-	-	-	-	-	-	1,724	
Financial investments at FVOCI	5,106	80,923	276,566	3,268,004	6,561,673	-	-	10,192,272	3.64
Financial investments at amortised cost	-	-	-	30,315	457,787	-	-	488,102	4.97
Financing and advances									
- non-impaired	437,488	643,313	428,831	3,119,285	28,626,133	(953,190)	-	32,301,860	6.52
- impaired, net of allowances*	-	-	-	-	-	561,644	-	561,644	
Sukuk Commodity Murabahah	53,538	-	322,926	1,227,424	713,166	-	-	2,317,054	2.94
Other receivables^	53,618	-	-	-	-	493,431	-	547,049	5.50
Statutory deposits with Bank Negara Malaysia	-	-	-	110,000	510,000	-	-	620,000	4.25
Total financial assets	1,157,503	724,236	1,028,323	7,755,028	36,868,759	222,852	-	47,756,701	

* This is arrived after deducting impairment allowances from gross impaired financing.

^ Other receivables exclude prepayments and deposits and deferred expenses as these items are classified as non-financial assets.

** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 December 2022.

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

29. Financial risk management (continued)

29.2 Market risk (continued)

(i) Profit Rate Risk (continued)

Bank	----- Non-trading book -----						Trading book	Total	Effective profit rate
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
31-Dec-20									
Liabilities									
Deposits from customers	9,679,251	8,046,312	12,637,729	3,191,832	61,097	165,276	-	33,781,496	2.87
Deposits and placements of banks	101,244	-	-	-	-	-	-	101,244	1.78
Derivative financial liabilities	1,614	-	-	-	-	-	-	1,614	
Other payables #	2,156,258	-	-	-	-	627,228	-	2,783,485	7.10
Lease liabilities	13	50	5,460	9,670	-	-	-	15,193	3.67
Recourse obligation on financing sold	19,030	321,470	60,740	1,861,291	-	-	-	2,262,531	4.31
Sukuk-MBSB Structured Covered ("SC")									
Murabahah	-	-	294,388	858,635	213,540	-	-	1,366,563	5.00
Sukuk Wakalah	-	-	2,018	-	1,291,317	-	-	1,293,335	5.24
Total financial liabilities	11,957,410	8,367,832	13,000,335	5,921,428	1,565,954	792,504	-	41,605,461	
Total profit-sensitivity gap	(10,799,907)	(7,643,596)	(11,972,012)	1,833,600	35,302,805	(569,652)	-	6,151,240	

Other payables exclude other provisions and accruals and deferred income as these items are classified as non-financial liabilities.

30. Capital adequacy

The capital adequacy ratios have been computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets). The total risk-weighted assets are computed based on Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

In December 2020, Bank Negara Malaysia issued a revised Policy Document on the Capital Adequacy Framework for Islamic Banks (Capital Components) ("CAFIB") and with immediate effect, superseding the version previously issued in February 2020. The revised CAFIB has provided for an optional transitional arrangement for regulatory capital treatment of expected credit losses ("ECL") provisions.

This new optional transitional arrangement allows Islamic financial institutions to add back the amount of loss allowance measured at an amount equal to 12-month and lifetime ECL to the extent they are ascribed to non-credit impaired exposures (hereinafter referred to as Stage 1 and Stage 2 provisions) to CET1 capital on a gradual phase-out basis either over a four-year period from the financial year beginning 2020, or over a three-year period from the financial year beginning 2021.

The Bank Group and the Bank have elected to apply this transitional arrangement ("TA") for four financial years from the financial year beginning 1 January 2020 to 31 December 2023.

For the purpose of disclosures, the capital adequacy of the Bank Group and the Bank are disclosed 'with TA' and 'without TA'

30. Capital adequacy (continued)

The capital adequacy ratios have been computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II – Risk Weighted Assets). The total risk weighted assets are computed based on Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

	Bank Group			
	with TA	without TA	with TA	without TA
	30-June-21	30-June-21	31-Dec-20	31-Dec-20
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET 1") Capital</u>				
Ordinary share capital	5,427,972	5,427,972	5,159,859	5,159,859
Retained profits exclude merger reserve	1,020,604	1,020,604	1,020,604	1,020,604
Other reserves	(51,197)	(51,197)	239,996	239,996
	<u>6,397,379</u>	<u>6,397,379</u>	<u>6,420,459</u>	<u>6,420,459</u>
Less : Regulatory adjustments				
Cumulative gains of financial investments at FVOCI	(106,628)	(106,628)	(191,046)	(191,046)
Regulatory reserve	(5,234)	(5,234)	(5,234)	(5,234)
Intangible assets	(103,905)	(103,905)	(111,449)	(111,449)
Deferred tax assets	-	-	-	-
Other CET 1 regulatory adjustments	-	-	153,372	-
Total CET 1 Capital	<u>6,181,612</u>	<u>6,181,612</u>	<u>6,266,102</u>	<u>6,112,730</u>
<u>Tier 1 Capital</u>				
Additional Tier 1 capital instruments	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-
Total Tier 1 capital	<u>6,181,612</u>	<u>6,181,612</u>	<u>6,266,102</u>	<u>6,112,730</u>
<u>Tier 2 Capital</u>				
Stage 1 & Stage 2 expected credit loss allowances [^]	424,818	424,818	453,807	453,807
Tier 2 capital instruments	1,293,508	1,293,508	1,293,335	1,293,335
Total Tier 2 capital	<u>1,718,326</u>	<u>1,718,326</u>	<u>1,747,142</u>	<u>1,747,142</u>
Total capital base	<u>7,899,938</u>	<u>7,899,938</u>	<u>8,013,244</u>	<u>7,859,872</u>
[^] Expected credit loss allowance on non-credit impaired exposure and regulatory reserves is subject to a maximum of 1.25% of total credit risk-weighted assets.				
Breakdown of risk weighted assets in various categories of risk weights are as follows:				
	Bank Group			
	with TA	without TA	with TA	without TA
	30-June-21	30-June-21	31-Dec-20	31-Dec-20
	RM'000	RM'000	RM'000	RM'000
<u>Total risk weighted assets ("RWA")</u>				
- Credit risk	33,985,457	33,985,457	36,304,570	36,304,570
- Market risk	190,692	190,692	36,226	36,226
- Operational risk	2,463,738	2,463,738	2,188,152	2,188,152
Total RWA	<u>36,639,887</u>	<u>36,639,887</u>	<u>38,528,948</u>	<u>38,528,948</u>
<u>Capital adequacy ratios</u>				
CET 1 capital ratio	16.871%	16.871%	16.263%	15.865%
Tier 1 capital ratio	16.871%	16.871%	16.263%	15.865%
Total capital ratio	<u>21.561%</u>	<u>21.561%</u>	<u>20.798%</u>	<u>20.400%</u>

30. Capital adequacy (continued)

	Bank			
	with TA 30-June-21 RM'000	without TA 30-June-21 RM'000	with TA 31-Dec-20 RM'000	without TA 31-Dec-20 RM'000
<u>Common Equity Tier 1 ("CET 1") Capital</u>				
Ordinary share capital	5,427,972	5,427,972	5,159,859	5,159,859
Retained profits exclude merger reserve	791,724	791,724	791,724	791,724
Other reserves	(51,197)	(51,197)	239,996	239,996
	<u>6,168,499</u>	<u>6,168,499</u>	<u>6,191,579</u>	<u>6,191,579</u>
Less : Regulatory adjustments				
Cumulative gains of financial investments at FVOCI	(106,628)	(106,628)	(191,046)	(191,046)
Regulatory reserve	(5,234)	(5,234)	(5,234)	(5,234)
Intangible assets	(103,905)	(103,905)	(111,449)	(111,449)
Deferred tax assets	-	-	-	-
Other CET 1 regulatory adjustments	-	-	153,372	-
Total CET 1 Capital	<u>5,952,732</u>	<u>5,952,732</u>	<u>6,037,222</u>	<u>5,883,850</u>
<u>Tier 1 Capital</u>				
Additional Tier 1 capital instruments	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-
Total Tier 1 capital	<u>5,952,732</u>	<u>5,952,732</u>	<u>6,037,222</u>	<u>5,883,850</u>
<u>Tier 2 Capital</u>				
Stage 1 & Stage 2 expected credit loss allowances [^]	451,158	451,158	481,430	481,430
Tier 2 capital instruments	1,293,508	1,293,508	1,293,335	1,293,335
Total Tier 2 capital	<u>1,744,666</u>	<u>1,744,666</u>	<u>1,774,765</u>	<u>1,774,765</u>
Total capital base	<u>7,697,398</u>	<u>7,697,398</u>	<u>7,811,987</u>	<u>7,658,615</u>
[^] Expected credit loss allowance on non-credit impaired exposure and regulatory reserves is subject to a maximum of 1.25% of total credit risk-weighted assets.				
Breakdown of risk weighted assets in various categories of risk weights are as follows:				
	Bank			
	with TA 30-June-21 RM'000	without TA 30-June-21 RM'000	with TA 31-Dec-20 RM'000	without TA 31-Dec-20 RM'000
<u>Total risk weighted assets ("RWA")</u>				
- Credit risk	36,092,625	36,092,625	38,514,371	38,514,371
- Market risk	190,692	190,692	36,226	36,226
- Operational risk	2,290,357	2,290,357	2,025,263	2,025,263
Total RWA	<u>38,573,674</u>	<u>38,573,674</u>	<u>40,575,860</u>	<u>40,575,860</u>
<u>Capital adequacy ratios</u>				
CET 1 capital ratio	15.432%	15.432%	14.879%	14.501%
Tier 1 capital ratio	15.432%	15.432%	14.879%	14.501%
Total capital ratio	<u>19.955%</u>	<u>19.955%</u>	<u>19.253%</u>	<u>18.875%</u>

PERFORMANCE REVIEW FOR THE 2ND QUARTER ENDED 30 JUNE 2021

1. Performance Review

The Bank Group recorded year to date profit before tax for of RM633.74 million (1H20: loss of RM96.98 million) mainly contributed by writeback of impairment on financial assets by RM296.18 million and lower modification loss by RM461.13 million as compared to 2Q20.

As at 30 June 2021, gross financing and advances for the Bank Group stood at RM34.48 billion, a slight increase by 0.7% from 31 December 2020. Financial investments grew by RM2.41 billion or 22.6% to RM13.09 billion mainly from additional financial investments. Both financing and financial investments are supported by our total deposits and investment account of RM36.96 billion, and sukuk and securitisation of RM4.36 billion.

(a) Financing

Variation of Results against Preceding Year Corresponding Quarter

	Current	Preceding	Changes	
	Year	Year		
	Quarter	Corresponding		
	30-June-21	30-June-20		
	(2Q21)	(2Q20)		
	RM'000	RM'000	RM'000	%
Personal financing	19,557,585	19,718,754	(161,169)	-0.8%
Corporate financing	8,308,324	8,326,937	(18,613)	-0.2%
Property financing	6,521,020	5,668,166	852,854	15.0%
Auto financing	92,845	147,146	(54,301)	-36.9%
Total gross financing and advances	<u>34,479,774</u>	<u>33,861,003</u>	<u>618,771</u>	<u>1.8%</u>

Variation of Results against Immediate Preceding Quarter

Financing

	Current	Immediate	Changes	
	Year	Preceding		
	Quarter	Quarter		
	30-June-21	31-March-21		
	(2Q21)	(1Q21)		
	RM'000	RM'000	RM'000	%
Personal financing	19,557,585	19,626,377	(68,792)	-0.4%
Corporate financing	8,308,324	8,098,310	210,014	2.6%
Property financing	6,521,020	6,320,859	200,161	3.2%
Auto financing	92,845	100,824	(7,979)	-7.9%
Total gross financing and advances	<u>34,479,774</u>	<u>34,146,370</u>	<u>333,404</u>	<u>1.0%</u>

Bank Group gross financing and advances increased by 1.8% and 1.0% for 2Q21 compared to 2Q20 and 1Q21 respectively. Property financing for the quarter is seeing growth as compared to both snapshots contributed by new financing disbursed. The gross amount for personal financing decreased by 0.8% and 0.4% for 2Q21 compared to 2Q20 and 1Q21 respectively due to lower disbursements and decreasing portfolio base. Personal financing remains as the biggest financing portfolio for MBSB Bank.

PERFORMANCE REVIEW FOR THE 2ND QUARTER ENDED 30 JUNE 2021

1. Performance Review (continued)

(b) Income statement

Current Year Quarter vs Preceding Year Corresponding Quarter

	Current Year Quarter 30-June-21 (2Q21) RM'000	Preceding Year Corresponding Quarter 30-June-20 (2Q20) RM'000	Changes	
			RM'000	%
Income derived from investment of depositors' funds	530,878	593,549	(62,671)	-10.6%
Income derived from investment of shareholders' funds	116,441	243,835	(127,394)	-52.2%
Income derived from investment of investment accounts' funds	<u>16,284</u>	<u>-</u>		
Total income derived from investment of depositors, shareholders and investment account funds	663,603	837,384	(173,781)	-20.8%
Net allowance for impairment	245,454	60,363	185,091	>100%
Loss on modification of cash flows	(13,201)	(510,797)	497,596	-97.4%
Total net income	629,945	23,923	606,022	>100%
Total overhead expenses	<u>(101,837)</u>	<u>(93,397)</u>	(8,440)	9.0%
Profit/(loss) before tax	<u>528,108</u>	<u>(69,474)</u>	597,582	>-100%
Profit/(loss) after tax	<u>398,860</u>	<u>(40,361)</u>	439,221	>-100%
Profit/(loss) attributable to owners of the Bank	<u>398,860</u>	<u>(40,361)</u>	439,221	>-100%

Current Year Quarter vs Immediate Preceding Quarter

	Current Year Quarter 30-June-21 (2Q21) RM'000	Immediate Preceding Quarter 31-Mar-21 (1Q21) RM'000	Changes	
			RM'000	%
Income derived from investment of depositors' funds	530,878	542,550	(11,672)	-2.2%
Income derived from investment of shareholders' funds	116,441	113,780	2,661	2.3%
Income derived from investment of investment accounts' funds	<u>16,284</u>	<u>1,689</u>		
Total income derived from investment of depositors, shareholders and investment account funds	663,603	658,020	5,583	0.8%
Net allowance for impairment	245,454	(157,725)	403,179	>-100%
Loss on modification of cash flows	(13,201)	(36,463)	23,262	-63.8%
Total net income	629,945	201,193	428,752	>100%
Total overhead expenses	<u>(101,837)</u>	<u>(95,558)</u>	(6,279)	6.6%
Profit before tax	<u>528,108</u>	<u>105,635</u>	422,473	>100%
Profit after tax	<u>398,860</u>	<u>63,047</u>	335,813	>100%
Profit attributable to owners of the Bank	<u>398,860</u>	<u>63,047</u>	335,813	>100%

The Bank Group's total income derived from investment of depositors', shareholders' and investment accounts' funds decreased by 20.8% and increased by 0.8% as compared to 2Q20 and 1Q21 respectively. The reduction of total income as compared to 2Q20 was due to lower financing income in the current quarter and lower gain from sale of financial investments at FVOCI.

PERFORMANCE REVIEW FOR THE 2ND QUARTER ENDED 30 JUNE 2021

1. Performance Review (continued)

The Bank recorded net writeback of impairment allowance of RM245.45 million in 2Q21 mainly due to improvement of stage 2 and stage 3 corporate customers as well as favourable forward looking factor to ECL model. The Bank also recorded lower loss on modification of cash flows for 2Q21 as there were lesser financing that were granted moratorium in the current quarter. The loss on modification of cash flows was significant in 2Q20 due to auto moratorium to customer and SME in prior year.

The total overhead expenses for 2Q21 recorded higher than 2Q20 and 1Q21 mainly due to increase in establishment related expenses. The expenses increased as more staff of the Bank has occupied the new headquarter, Menara MBSB Bank at PJ Sentral in 2Q21.

2. Authorisation for issue

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