

MBSB BANK BERHAD (716122-P)
(Formerly known as Asian Finance Bank Berhad)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)
(Incorporated in Malaysia)

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

		Bank Group		Bank	
		30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
		RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	7(a)	2,142,685	478,674	2,139,425	478,674
Deposits and placements with financial institutions	7(b)	797,047	-	1,812	-
Statutory deposits with Bank Negara Malaysia		1,024,287	26,774	1,024,287	26,774
Other assets	8	810,363	8,140	808,129	8,140
Derivative assets	9	15	3,091	15	3,091
Financing and advances	10	31,631,918	1,035,668	31,631,918	1,035,668
Financial assets held- for-sale	11	6,318	-	6,318	-
Financial investment available-for-sale	12	-	227,086	-	227,086
Financial assets at fair value through other comprehensive income ("FVOCI")	13	3,736,171	-	3,736,171	-
Financial assets at amortised cost	14	600,496	600,600	600,496	600,600
Sukuk Commodity Murabahah		-	-	3,145,171	-
Financing to subsidiary		-	-	24,351	-
Financing to related companies		350,581	-	350,581	-
Property, plant and equipment		12,254	965	12,254	965
Investment properties		820	820	820	820
Tax recoverable		5,469	5,750	5,469	5,750
Intangible assets		64,333	1,619	64,333	1,619
Deferred tax assets		6,542	625	6,542	625
Total assets		41,189,299	2,389,812	43,558,092	2,389,812
Liabilities					
Deposits from customers	15	31,024,633	1,198,676	31,024,633	1,198,676
Deposits and placements of banks and other financial institutions	16	434,058	681,268	434,058	681,268
Derivative liabilities		31	777	31	777
Other liabilities	17	249,508	14,622	248,825	14,622
Recourse obligation on financing sold		2,164,543	-	2,164,543	-
Sukuk-MBSB Structured Covered ("SC") Murabahah		2,186,830	-	2,186,830	-
Amount due to subsidiary		-	-	2,738,607	-
Amount due to related companies		40,439	-	40,439	-
Provision for taxation and zakat		36,527	-	36,527	-
Deferred tax liabilities		9,249	-	9,249	-
Total liabilities		36,145,818	1,895,343	38,883,742	1,895,343
Equity					
Ordinary share capital		4,625,859	532,530	4,625,859	532,530
Reserves		417,622	(38,061)	48,491	(38,061)
Total equity		5,043,481	494,469	4,674,350	494,469
Total Liabilities and Equity		41,189,299	2,389,812	43,558,092	2,389,812
Commitments and contingencies	25	6,985,558	598,062	6,985,558	598,062
Capital Adequacy					
		Bank Group		Bank	
CET1 capital		12.883%	30.236%	12.714%	30.236%
Tier 1 capital		12.883%	30.236%	12.714%	30.236%
Total capital ratio		14.124%	30.947%	13.956%	30.947%

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

MBSB BANK BERHAD (716122-P)
(Formerly known as Asian Finance Bank Berhad)
(Incorporated in Malaysia)

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

		Bank Group			
		2nd Quarter Ended		Six Months Ended	
		30-June-18	30-June-17	30-June-18	30-June-17
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	18(a)	613,881	22,892	635,317	43,613
Income derived from investment of shareholders' funds	18(b)	110,662	7,949	117,081	15,357
Expected credit losses on financing and advances	19	(33,200)	(22,572)	(25,937)	(22,746)
Total distributable income		691,343	8,269	726,461	36,224
Income attributable to depositors	20(a)	(313,831)	(19,117)	(331,669)	(36,567)
Income attributable to securitisation	20(b)	(24,422)	-	(24,422)	-
Income attributable to sukuk	20(c)	(72,945)	-	(72,945)	-
Total net income/(loss)		280,145	(10,848)	297,425	(343)
Personnel expenses	21	(53,958)	(5,330)	(59,243)	(9,698)
Other overhead expenses	22	(37,234)	(4,647)	(41,345)	(8,944)
Profit/(loss) before taxation and zakat		188,953	(20,825)	196,837	(18,985)
Taxation and zakat		(49,144)	441	(51,035)	-
Profit/(loss) for the financial period		139,809	(20,384)	145,802	(18,985)
Profit/(loss) attributable to:					
Owners of the Bank		139,809	(20,384)	145,802	(18,985)
		<u>139,809</u>	<u>(20,384)</u>	<u>145,802</u>	<u>(18,985)</u>
Profit/(loss) for the financial period		139,809	(20,384)	145,802	(18,985)
Other comprehensive (loss)/income :					
Other comprehensive (loss)/income - FVOCI revaluation reserve, which may be reclassified subsequently to profit or loss	23	(15,629)	102	(15,531)	1,143
Negative goodwill arising from consolidation		346,881	-	-	-
		<u>331,252</u>	<u>102</u>	<u>(15,531)</u>	<u>1,143</u>
Other comprehensive (loss)/income for the financial period		331,252	102	(15,531)	1,143
Total comprehensive income/(loss) for the financial period		471,061	(20,282)	130,272	(17,842)
Total comprehensive income/(loss) attributable to:					
Owners of the Bank		471,061	(20,282)	130,272	(17,842)
		<u>471,061</u>	<u>(20,282)</u>	<u>130,272</u>	<u>(17,842)</u>
Earnings per share (sen)		<u>12.09</u>	<u>(15.31)</u>	<u>6.30</u>	<u>(7.13)</u>

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

MBSB BANK BERHAD (716122-P)
(Formerly known as Asian Finance Bank Berhad)
(Incorporated in Malaysia)

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

		Bank			
		2nd Quarter Ended		Six Months Ended	
		30-June-18	30-June-17	30-June-18	30-June-17
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	18(a)	592,785	22,892	614,221	43,613
Income derived from investment of shareholders' funds	18(b)	107,481	7,949	113,900	15,357
Expected credit losses on financing and advances	19	(33,200)	(22,572)	(25,937)	(22,746)
Total distributable income		667,066	8,269	702,184	36,224
Income attributable to depositors	20(a)	(313,831)	(19,117)	(331,669)	(36,567)
Income attributable to securitisation	20(b)	(24,422)	-	(24,422)	-
Income attributable to sukuk	20(c)	(72,945)	-	(72,945)	-
Total net income/(loss)		255,868	(10,848)	273,148	(343)
Personnel expenses	21	(53,958)	(5,330)	(59,243)	(9,698)
Other overhead expenses	22	(36,657)	(4,647)	(40,768)	(8,944)
Profit/(loss) before taxation and zakat		165,253	(20,825)	173,137	(18,985)
Taxation and zakat		(47,694)	441	(49,585)	-
Profit/(loss) for the financial period		117,559	(20,384)	123,552	(18,985)
Profit/(loss) attributable to:					
Owners of the Bank		117,559	(20,384)	123,552	(18,985)
		117,559	(20,384)	123,552	(18,985)
Profit/(loss) for the financial period		117,559	(20,384)	123,552	(18,985)
Other comprehensive (loss)/income :					
Other comprehensive (loss)/income - FVOCI revaluation reserve, which may be reclassified subsequently to profit or loss	23	(15,629)	102	(15,531)	1,143
Other comprehensive (loss)/income for the financial period		(15,629)	102	(15,531)	1,143
Total comprehensive income/(loss) for the financial period		101,931	(20,282)	108,022	(17,842)
Total comprehensive income/(loss) attributable to:					
Owners of the Bank		101,931	(20,282)	108,022	(17,842)
		101,931	(20,282)	108,022	(17,842)

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

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

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

Bank Group	Share Capital	Statutory Reserve	Regulatory Reserve	Available- for-sale Reserves/ FVOCI	(Accumulated losses)/ Retained profit	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018	532,530	-	5,234	41	(43,336)	494,469
Effects of adopting MFRS 9	-	-	-	-	(21,469)	(21,469)
	532,530	-	5,234	41	(64,805)	473,000
Profit for the financial period	-	-	-	-	145,802	145,802
Other comprehensive (loss)/income for the financial period	-	-	-	(15,531)	346,881	331,350
Total comprehensive (loss)/income for the financial period	-	-	-	(15,531)	492,683	477,153
Issuance of ordinary shares	4,093,329	-	-	-	-	4,093,329
Balance as at 30 June 2018	4,625,859	-	5,234	(15,490)	427,878	5,043,482
Balance as at 1 January 2017	532,530	13,363	5,234	(777)	(53,094)	497,256
loss for the financial period	-	-	-	-	(18,985)	(18,985)
Other comprehensive income for the financial period	-	-	-	1,143	-	1,143
Total comprehensive income/(loss) for the financial period	-	-	-	1,143	(18,985)	(17,842)
Dividends	-	-	-	-	-	-
Transfer from statutory reserves	-	(13,363)	-	-	13,363	-
Balance as at 30 June 2017	532,530	-	5,234	366	(58,716)	479,414

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

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

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

	Share Capital	Statutory Reserve	Regulatory Reserve	Available- for-sale Reserves/ FVOCI	(Accumulated losses)/ Retained profit	Total
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018	532,530	-	5,234	41	(43,336)	494,469
Effects of adopting MFRS 9	-	-	-	-	(21,469)	(21,469)
	532,530	-	5,234	41	(64,805)	473,000
Profit for the financial period	-	-	-	-	123,552	123,552
Other comprehensive loss for the financial period	-	-	-	(15,531)	-	(15,531)
Total comprehensive (loss)/income for the financial period	-	-	-	(15,531)	123,552	108,021
Dividends	-	-	-	-	-	-
Issuance of ordinary shares	4,093,329	-	-	-	-	4,093,329
Balance as at 30 June 2018	4,625,859	-	5,234	(15,490)	58,747	4,674,350
Balance as at 1 January 2017	532,530	13,363	5,234	(777)	(53,094)	497,256
Loss for the financial period	-	-	-	-	(18,985)	(18,985)
Other comprehensive loss for the financial period	-	-	-	1,143	-	1,143
Total comprehensive income/(loss) for the financial period	-	-	-	1,143	(18,985)	(17,842)
Dividends	-	-	-	-	-	-
Transfer from statutory reserves	-	(13,363)	-	-	13,363	-
Balance as at 30 June 2017	532,530	-	5,234	366	(58,716)	479,414

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

MBSB BANK BERHAD (716122-P)
(Formerly known as Asian Finance Bank Berhad)
(Incorporated in Malaysia)

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

	Bank Group		Bank	
	6 months ended 30-Jun-18	6 months ended 30-Jun-17	6 months ended 30-Jun-18	6 months ended 30-Jun-17
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit/(loss) before taxation	196,837	(18,985)	173,137	(18,985)
Adjustments for non-cash items	9,033	8,735	(18,200)	8,735
Operating profit/(loss) before working capital changes	205,870	(10,250)	154,937	(10,250)
Working capital changes:				
Net changes in operating assets	(33,552,011)	45,527	(32,780,476)	45,527
Net changes in operating liabilities	29,813,631	159,258	32,551,557	159,258
Income taxes and zakat paid	(3,311)	(794)	(280)	(794)
Net cash (used in)/generated from operating activities	(3,535,821)	193,741	(74,262)	193,741
Cash flows from investing activities				
Purchase of property, plant and equipment	(14,080)	(125)	(14,080)	(125)
Purchase of intangible assets	(67,454)	(304)	(67,454)	(304)
Goodwill from purchase of subsidiary	346,881	-	-	-
Proceeds from disposal of property, plant and equipment	26	-	26	-
Proceeds from sale of investments securities held-for-trading	-	20,374	-	20,374
Proceeds from (purchase)/sale of financial assets at FVOCI	(3,523,033)	75,814	(3,523,033)	75,814
Proceeds from (purchase)/sale of financial assets at amortised cost	12,593	(10,273)	12,593	(10,273)
Purchase of Sukuk Commodity Murabahah	-	-	(3,117,938)	-
Net cash (used in)/generated from investing activities	(3,245,067)	85,486	(6,709,886)	85,486
Cash flows from financing activities				
Proceeds from recourse obligation on loans/financing sold	2,164,543	-	2,164,543	-
Proceeds of Sukuk - MBSB SC Murabahah	2,187,026	-	2,187,026	-
Net proceeds from issuance of ordinary shares	4,093,329	-	4,093,329	-
Net cash generated from financing activities	8,444,898	-	8,444,898	-
Net increase in cash and cash equivalents	1,664,011	279,227	1,660,751	279,227
Cash and cash equivalents at the beginning of financial period	478,674	210,124	478,674	210,124
Cash and cash equivalents at the end of financial period	2,142,685	489,351	2,139,425	489,351

The above movements include Shariah-compliant assets and liabilities vested from Malaysia Building Society Berhad ("MBSB"). The details of the vesting are disclosed in Note 4.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2018**

1. Basis of preparation

The unaudited condensed interim financial statements for the financial quarter ended 30 June 2018 have been prepared under the historical cost convention except for financial 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"), provisions of Companies Act 2016 and Shariah requirements. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Bank for the financial year ended 31 December 2017. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the financial year ended 31 December 2017.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2017.

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

Effective for annual periods commencing on or after 1 January 2018

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

Impact of application of MFRS 9 Financial Instruments

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

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

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

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

1. Basis of preparation (continued)

Impact of application of MFRS 9 Financial Instruments (continued)

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

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

Classification and measurement of financial instruments

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

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

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

Bank Group and Bank

	<u>Measurement category</u>		<u>Movement of carrying amount</u>		<u>New carrying amount</u>
	<u>MFRS 139</u>	<u>MFRS 9</u>	<u>MFRS 139</u>	<u>Adjustments</u>	<u>MFRS 9</u>
			RM'000	RM'000	RM'000
		Financial assets			
Cash and short-term funds	Loans and receivables	at amortised cost	478,674	-	478,674
Financial investment available-for-sale	Available-for-sale investments	Financial assets at FVOCI	227,086	-	227,086
Financial investment held-to-maturity	Held-to-maturity investments	Financial assets at amortised cost	600,600	-	600,600
		Financial assets			
Financing and advances	Loans and receivables	at amortised cost	1,035,668	(15,947)	1,019,721
		Financial assets at			
Derivative assets	FVTPL	at FVTPL	3,091	-	3,091
		Financial assets			
Other assets	Loans and receivables	at amortised cost	8,140	-	8,140
		Financial liabilities at			
Deposit from customers	Financial liabilities at	at amortised cost	1,198,676	-	1,198,676
the banks and other financial institutions	Financial liabilities at	at amortised cost	681,268	-	681,268
		Financial liabilities at			
Derivatives liabilities	Financial liabilities at	at FVTPL	777	-	777
		Financial liabilities at			
Other liabilities	Financial liabilities at	at amortised cost	14,623	(5,522)	9,101

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

Impact of application of MFRS 9 Financial Instruments (continued)

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

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

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

3. Seasonality and Cyclicity of Operation

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

4. Exceptional or Unusual Items

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

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

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

With the First Tranche transfer, the Bank acquired control of Jana Kapital Sdn Bhd, a special purpose vehicle for the issuance of the Sukuk MBSB Bank's Structured Covered ("SC") Murabahah programme ("sukuk programme"). The Sukuk programme previously held under MBSB is now under the Bank post the Sukuk exchange programme concluded on 2 April 2018. JKSB is now a 100% owned subsidiary of the Bank. With the consolidation of this subsidiary, herein referred as "Bank Group", a negative goodwill was recognised in the statement of comprehensive income.

5. 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.

6. Dividend Paid

No dividends were paid during the current financial quarter.

MBSB BANK BERHAD (716122-P)
(Formerly known as Asian Finance Bank Berhad)
(Incorporated in Malaysia)

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

	Bank Group		Bank	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
(a) Cash and balances with banks and other financial institutions	197,390	47,674	194,130	47,674
Money at call and deposit placements maturing within one month	1,945,295	431,000	1,945,295	431,000
Total cash and short-term funds	2,142,685	478,674	2,139,425	478,674
(b) Deposits and placements with financial institutions with original maturity of more than one month	797,047	-	1,812	-
Total cash and short-term funds and deposits and placements financial institutions	2,939,732	478,674	2,141,237	478,674

8. Other assets

	Bank Group		Bank	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
Amount due from MBSB FHC	420,125	-	420,125	-
Prepayments and deposits	3,301	3,877	3,301	3,877
Sundry receivables	382,382	4,263	380,148	4,263
Deferred expenses due to issuance of Sukuk - MBSB SC Murabahah	4,555	-	4,555	-
	810,363	8,140	808,129	8,140

9. Derivative assets

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of derivative's underlying asset, reference rate or index and is the basis upon which change in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period/year end and are indicative of neither the market risks nor the credit risk.

	Bank Group and Bank					
	30-June-18			31-Dec-17		
	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						
Foreign exchange contracts:						
Currency forward						
- Less than one year	14,508	15	(31)	130,503	3,091	(777)

10. Financing and advances

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
(i) By type		
At amortised cost		
Term financing		
- Property financing	4,135,994	20,391
- Bridging financing	947,467	-
- Hire purchase receivables	691,131	-
- Auto Finance	240,145	-
- Personal financing	22,305,004	12
- Other term financing	5,172,001	269,831
Trusts receipts	2,923	-
Staff financing	39,835	307
Revolving Credit	809,637	712,223
Others	126,000	86,029
Reclassification to AHS	(1,163,063)	-
Gross financing and advances	<u>33,307,074</u>	<u>1,088,793</u>
Less: Allowance for impaired financing and advances:		
- individual impairment allowance	-	(45,716)
- collective impairment allowance	-	(7,409)
Less: Loss allowance		
- Stage 1	(465,208)	-
- Stage 2	(484,356)	-
- Stage 3	(725,592)	-
Net financing and advances	<u><u>31,631,918</u></u>	<u><u>1,035,668</u></u>

Note: The loss allowance pertains to the outstanding financing.

(ii) By residual contractual maturity

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
Maturity within one year	1,860,248	748,567
More than one year to three years	1,317,781	112,152
More than three years to five years	2,114,194	92,550
More than five years	28,014,851	135,524
	<u><u>33,307,074</u></u>	<u><u>1,088,793</u></u>

10. Financing and advances (continued)

(iii) By economic purpose

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
Personal Use	21,195,243	43
Working Capital	3,449,152	884,527
Property development	3,968,550	-
Purchase of landed property:		
- Residential	3,893,675	19,556
- Non-Residential	312,596	73,142
Purchase of transport vehicles	242,433	101
Others	245,425	111,424
	<u>33,307,074</u>	<u>1,088,793</u>

(iv) By type of customers

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
Domestic business enterprises		
- Small medium enterprise	2,074,481	341
- Government	241,930	242,261
- Non-bank financial institutions	472,395	-
- Others	5,033,581	824,853
Individuals	25,466,538	13,061
Foreign entities	18,149	8,277
	<u>33,307,074</u>	<u>1,088,793</u>

(v) By sector

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
Household sectors	25,501,464	-
Property development	5,054,950	-
Agriculture	229,874	160,378
Mining and quarrying	87,015	70,390
Manufacturing	176,680	129,759
Electricity, gas and water	-	60,130
Construction	87,161	153,895
Purchase of landed property	21,269	21,195
Wholesale & retail trade and restaurants & hotels	151,578	104,963
Transport, storage and communication	110,746	62,950
Finance, insurance and business services	1,561,882	324,988
Purchase of transport vehicles	93	101
Consumption credit	10	44
Others	324,352	-
	<u>33,307,074</u>	<u>1,088,793</u>

10. Financing and advances (continued)

(vi) By profit rate sensitivity

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
Fixed rate:		
Personal financing	20,040,961	43
Auto financing	242,340	-
Property islamic	510,628	-
Bridging, structured and term financing	847,748	39,112
Variable rate:		
Personal financing	1,154,282	-
Auto financing	93	101
Property islamic	3,609,609	20,567
Bridging, structured and term financing	6,901,413	1,028,970
	33,307,074	1,088,793

(vi) By geographical distribution

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
Malaysia	33,306,660	1,088,352
United Kingdom	414	441
	33,307,074	1,088,793

10. Financing and advances (continued)

(viii) Financing by types and Shariah contracts

Bank Group and Bank 30-June-18						Total financing and advances
Type	Tawarruq RM'000	Bai' RM'000	Ijarah RM'000	Istisna' RM'000	Qard RM'000	RM'000
Term Financing	29,162,319	2,666,343	935,987	727,091	-	33,491,741
Property financing	1,860,284	2,273,230	2,480	-	-	4,135,994
Bridging financing	947,467	-	-	-	-	947,467
Hire purchase receivables	-	-	691,131	-	-	691,131
Auto finance	-	-	240,145	-	-	240,145
Personal financing	22,304,173	831	-	-	-	22,305,004
Other term financing	4,050,395	392,282	2,232	727,091	-	5,172,001
Trust receipts	-	2,923	-	-	-	2,923
Staff financing	35,064	329	2,645	-	1,797	39,835
Revolving credit	268,491	541,146	-	-	-	809,637
Others	-	126,000	-	-	-	126,000
Reclassification to AHS	(1,126,681)	(36,382)	-	-	-	(1,163,063)
	<u>28,339,193</u>	<u>3,300,360</u>	<u>938,632</u>	<u>727,091</u>	<u>1,797</u>	<u>33,307,074</u>

Bank Group and Bank 31-Dec-17						Total financing and advances
Type	Tawarruq RM'000	Bai' RM'000	Ijarah RM'000	Istisna' RM'000	Qard RM'000	RM'000
Term Financing	-	285,345	4,889	-	-	290,234
House Financing	-	18,031	2,360	-	-	20,391
Other term financing	-	267,314	2,529	-	-	269,843
Trust receipts	-	-	-	-	-	-
Staff financing	-	99	177	-	32	308
Revolving credit	-	712,223	-	-	-	712,223
Others	-	86,028	-	-	-	86,028
	<u>-</u>	<u>1,083,696</u>	<u>5,066</u>	<u>-</u>	<u>32</u>	<u>1,088,793</u>

Movement of Qard financing:

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
At 1 January 2018/2017	32	321
New disbursement	1,797	182
Repayment	(32)	(471)
As at 30 June 2018/31 December 2017	<u>1,797</u>	<u>32</u>
Sources of Qard fund:		
Depositors' fund	-	-
Shareholders' fund	1,797	32
	<u>1,797</u>	<u>32</u>
Uses of Qard fund:		
Personal use	1,797	32
Business purpose	-	-
	<u>1,797</u>	<u>32</u>

10. Financing and advances (continued)

(ix) Movement in gross financing and advances

	Bank Group and Bank 30-June-18			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount upon adoption of MFRS 9 as at 1 January	729,498	247,871	111,424	1,088,793
Changes in the loss allowance				
- Transfer to stage 1	1,102,375	(1,070,877)	(31,498)	-
- Transfer to stage 2	(709,170)	839,235	(130,065)	-
- Transfer to stage 3	(73,777)	(297,295)	371,072	-
Vesting of assets from MBSB Group	27,886,081	3,046,418	716,776	31,649,275
Changes in credit risk Financing derecognised during the period (other than write-offs)	(2,966,880)	(75,618)	(34,313)	(3,076,811)
	(304,534)	(20,580)	(11,286)	(336,400)
New financing originated or purchased	<u>3,644,582</u>	<u>330,524</u>	<u>7,111</u>	<u>3,982,217</u>
Gross carrying amount as at 30 June 2018	<u>29,308,175</u>	<u>2,999,678</u>	<u>999,221</u>	<u>33,307,074</u>

(x) Movement in ECL allowance for financing and advances

Bank Group and Bank

	30-Jun-18 RM'000	31-Dec-17 RM'000
Individual Assessment Allowance		
Balance as at 1 January	45,716	37,823
- effects of MFRS 9 adoption	(45,716)	-
- as restated	-	37,823
Impairment made during the financial period	-	17,867
Amount written back	-	(115)
Amount written-off	-	(9,859)
Balance as at end of financial period	<u>-</u>	<u>45,716</u>
Collective Assessment Allowance		
Balance as at 1 January	7,409	12,399
- effects of MFRS 9 adoption	(7,409)	-
- as restated	-	12,399
Reclassified to individual allowance	-	(4,990)
Written-off	-	-
Balance as at end of financial period	<u>-</u>	<u>7,409</u>

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
Loss allowance upon adoption of MFRS 9 as at 1 January 2018	21,350	7,528	45,717	74,595	-
Changes in the loss allowance					
- Transfer to stage 1	195,686	(173,553)	(22,133)	-	-
- Transfer to stage 2	(14,915)	88,967	(74,052)	-	-
- Transfer to stage 3	(1,399)	(72,574)	73,973	-	-
Vesting of assets from MBSB Group	523,891	467,281	539,919	1,531,091	-
Changes in credit risk	(234,125)	99,470	26,200	(108,455)	-
Write-offs	-	-	(6)	(6)	-
Charge to income statement (Note 19)	(118,212)	(3,032)	139,962	18,718	-
Financing derecognised during the period (other than write-offs)	(28,080)	(17,677)	(9,153)	(54,910)	-
New financing originated or purchased	<u>121,012</u>	<u>87,946</u>	<u>5,165</u>	<u>214,123</u>	<u>-</u>
Loss allowance as at 30 June 2018	<u>465,208</u>	<u>484,356</u>	<u>725,592</u>	<u>1,675,156</u>	<u>-</u>

10. Financing and advances (continued)

(xi) Movement for impaired financing and advances

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
Balance as at 1 January	111,424	124,935
Impaired financing vested from FHC	678,893	-
Classified as impaired during the period	423,379	2,963
Reclassified as non-impaired	(192,290)	(686)
Amount recovered	(22,178)	(5,930)
Amount written off	(6)	(9,858)
Balance as at end of financial period	<u>999,222</u>	<u>111,424</u>
Gross impaired financing and advances as a % of gross financing and advances	<u>3.00%</u>	<u>10.23%</u>

(xii) Impaired financing by sector

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
Household sector	766,012	-
Property development	81,579	-
Agriculture	153	-
Mining and quarrying	70,390	70,391
Finance, insurance and business services	73,981	37,493
Purchase of landed property	6,301	3,540
Transport, storage and communication	1	-
Others	805	-
	<u>999,222</u>	<u>111,424</u>

(xiii) Impaired financing by geographical distribution

Malaysia	<u>999,222</u>	<u>111,424</u>
----------	----------------	----------------

11. Financial assets held-for-sale

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
Purchase of residential properties	35,418	-
Purchase of non-residential properties	954	-
Personal use	1,126,690	-
	<u>1,163,062</u>	<u>-</u>
Vesting of assets from MBSB Group	1,144,160	-
Reclassification for current period	18,902	-
Gross assets held-for-sale	<u>1,163,062</u>	<u>-</u>
Less: Loss allowance		
Vesting of assets from MBSB Group	(1,137,877)	-
Impairment for current period	(18,867)	-
Total loss allowance	<u>(1,156,744)</u>	<u>-</u>
Net assets held-for-sale	<u>6,318</u>	<u>-</u>

MBSB BANK BERHAD (716122-P)
(Formerly known as Asian Finance Bank Berhad)
(Incorporated in Malaysia)

12. Financial investment available-for-sale

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
At fair value		
Money Market Instruments		
Malaysian Government Investment Issues	-	-
Quoted securities:		
<u>In Malaysia</u>		
Islamic Medium Term Notes	-	206,894
Corporate Sukuk	-	20,192
	-	227,086

13. Financial assets at FVOCI

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

14. Financial assets at amortised cost

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

MBSB BANK BERHAD (716122-P)
(Formerly known as Asian Finance Bank Berhad)
(Incorporated in Malaysia)

16. Deposits and placements of banks and other financial institutions

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
(i) By type of deposit:		
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	200,048	180,708
Other financial institutions	234,010	500,560
	<u>434,058</u>	<u>681,268</u>
(ii) By type of contract:		
Tawarruq	433,874	680,808
Wadiah	184	460
	<u>434,058</u>	<u>681,268</u>

17. Other liabilities

	Bank Group		Bank	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Al-Mudharabah security deposit	116,776	-	116,776	-
Sundry creditors	68,652	8,632	67,985	8,632
Other provisions and accruals	62,711	5,990	62,694	5,990
Deferred income	1,370	-	1,370	-
	<u>249,509</u>	<u>14,622</u>	<u>248,825</u>	<u>14,622</u>

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

18(a) Income derived from investment of depositors' funds

	Bank Group			
	2nd Quarter Ended		Six Months Ended	
	30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000
Income derived from investment of:				
i) General investment deposit	8,221	288	8,302	542
ii) Other deposits	605,660	22,604	627,015	43,071
	<u>613,881</u>	<u>22,892</u>	<u>635,317</u>	<u>43,613</u>
i) Income derived from investment of general investment deposits				
<u>Finance income and hibah:</u>				
Financing and advances	6,871	181	6,912	345
Financial assets held-for-trading	-	-	-	2
Investment securities at FVOCI	497	25	504	51
Investment securities at amortised cost	22	50	41	92
Money at call and deposits with financial institutions	178	32	192	52
Profit on Sukuk commodity murabahah	549	-	549	-
Others	104	-	104	-
	<u>8,221</u>	<u>288</u>	<u>8,302</u>	<u>542</u>
of which				
financing income earned on impaired financing	<u>223</u>	<u>-</u>	<u>223</u>	<u>-</u>
ii) Income derived from investment of other deposits				
<u>Finance income and hibah:</u>				
Financing and advances	494,237	14,226	505,023	27,400
Financial assets held-for-trading	-	21	-	184
Investment securities at FVOCI	36,413	1,936	38,330	4,034
Investment securities at amortised cost	4,807	3,897	9,772	7,317
Money at call and deposits with financial institutions	23,925	2,524	27,612	4,136
Profit on Sukuk commodity murabahah	38,908	-	38,908	-
Others	7,370	-	7,370	-
	<u>605,660</u>	<u>22,604</u>	<u>627,015</u>	<u>43,071</u>
of which				
financing income earned on impaired financing	<u>15,802</u>	<u>-</u>	<u>15,802</u>	<u>-</u>

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

18(a) Income derived from investment of depositors' funds (continued)

	Bank			
	2nd Quarter Ended		Six Months Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
i) General investment deposit	7,927	288	8,008	542
ii) Other deposits	584,858	22,604	606,213	43,071
	<u>592,785</u>	<u>22,892</u>	<u>614,221</u>	<u>43,613</u>

i) Income derived from investment of general investment deposits

Finance income and hibah:

Financing and advances	6,871	181	6,912	345
Financial assets held-for-trading	-	-	-	2
Investment securities at FVOCI	497	25	504	51
Investment securities at amortised cost	22	50	41	92
Money at call and deposits with financial institutions	98	32	112	52
Profit on Sukuk commodity murabahah	330	-	330	-
Others	109	-	109	-
	<u>7,927</u>	<u>288</u>	<u>8,008</u>	<u>542</u>

of which

financing income earned on

impaired financing

	<u>223</u>	<u>-</u>	<u>223</u>	<u>-</u>
--	------------	----------	------------	----------

	Bank			
	2nd Quarter Ended		Six Months Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000

ii) Income derived from investment of other deposits

Finance income and hibah:

Financing and advances	494,237	14,226	505,023	27,400
Financial assets held-for-trading	-	21	-	184
Investment securities at FVOCI	36,413	1,936	38,330	4,034
Investment securities at amortised cost	4,807	3,897	9,772	7,317
Money at call and deposits with financial institutions	18,283	2,524	21,970	4,136
Profit on Sukuk commodity murabahah	23,412	-	23,412	-
Others	7,706	-	7,706	-
	<u>584,858</u>	<u>22,604</u>	<u>606,213</u>	<u>43,071</u>

of which

financing income earned on

impaired financing

	<u>15,802</u>	<u>-</u>	<u>15,802</u>	<u>-</u>
--	---------------	----------	---------------	----------

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

18(b) Income derived from investment of shareholders' funds

	Bank Group			
	2nd Quarter Ended		Six Months Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances	77,135	3,523	79,769	6,966
Financial assets held-for-trading	-	5	-	48
Investment securities at FVOCI	5,837	480	6,305	1,028
Investment securities at amortised cost	1,437	965	2,650	1,859
Money at call and deposits with financial institutions	6,138	625	7,038	1,046
Profit on Sukuk commodity murabahah	5,950	-	5,950	-
Others	1,126	-	1,126	-
Total finance income and hibah	<u>97,623</u>	<u>5,598</u>	<u>102,838</u>	<u>10,947</u>
of which				
financing income earned on impaired financing	<u>3,457</u>	<u>-</u>	<u>3,457</u>	<u>-</u>
Other operating income:				
Financing related fees	5,456	242	5,456	4,145
Commission	3,744	2,796	3,909	417
Sundry income	3,991	-	4,878	-
Net gain/(loss) on derivatives foreign exchange contracts	(152)	(687)	-	(152)
	<u>13,039</u>	<u>2,351</u>	<u>14,243</u>	<u>4,410</u>
Grand total	<u>110,662</u>	<u>7,949</u>	<u>117,081</u>	<u>15,357</u>

18. Income derived from investment of general investment deposits and Islamic capital funds (continued)

18(b) Income derived from investment of shareholders' funds (continued)

	Bank			
	2nd Quarter Ended		Six Months Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances	77,135	3,523	79,769	6,966
Financial assets held-for-trading	-	5	-	48
Investment securities at FVOCI	5,837	480	6,305	1,028
Investment securities at amortised cost	1,437	965	2,650	1,859
Money at call and deposits with financial institutions	5,275	625	6,175	1,046
Profit on Sukuk commodity murabahah	3,580	-	3,580	-
Others	1,178	-	1,178	-
Total finance income and hibah	<u>94,442</u>	<u>5,598</u>	<u>99,657</u>	<u>10,947</u>
of which				
financing income earned on impaired financing	<u>3,457</u>	<u>-</u>	<u>3,457</u>	<u>-</u>
Other operating income:				
Loan related fees	5,456	242	5,456	4,145
Insurance commission	3,744	2,796	3,909	417
Sundry income	3,991	-	4,878	-
Net gain/(loss) on derivatives foreign exchange contracts	(152)	(687)	-	(152)
	<u>13,039</u>	<u>2,351</u>	<u>14,243</u>	<u>4,410</u>
Grand total	<u>107,481</u>	<u>7,949</u>	<u>113,900</u>	<u>15,357</u>

19. Expected credit losses on financing and advances

	Bank Group and Bank			
	2nd Quarter Ended		Six Months Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance	-	22,572	-	22,681
Collective impairment allowance	-	-	-	65
Expected credit losses (ECL):				
ECL Stage 1	(112,055)	-	(118,212)	-
ECL Stage 2	(1,943)	-	(3,032)	-
ECL Stage 3	139,979	-	139,962	-
Total ECL (Note 10(x))	<u>25,981</u>	<u>-</u>	<u>18,718</u>	<u>-</u>
Expected credit losses (ECL):				
Financial asset held-for-sale	19,695	-	19,695	-
Bad debts on loans and financing:				
Written off	1,521	-	1,521	-
Recovered	(13,997)	-	(13,997)	-
	<u>33,200</u>	<u>22,572</u>	<u>25,937</u>	<u>22,746</u>

20. Income attributable

	Bank Group and Bank			
	2nd Quarter Ended		Six Months Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
(a) Income attributable to depositors				
Deposits from customers:				
- Mudharabah funds	302,726	41	302,764	95
- Non-mudharabah funds	7,366	9,067	18,372	16,687
Deposits and placements of banks and other financial institutions:				
- Non-mudharabah funds	3,739	10,009	10,533	19,785
	<u>313,831</u>	<u>19,117</u>	<u>331,669</u>	<u>36,567</u>
(b) Income attributable to securitisation	24,422	-	24,422	-
(c) Income attributable to sukuk	72,945	-	72,945	-
	<u>411,199</u>	<u>19,117</u>	<u>429,037</u>	<u>36,567</u>

21. Personnel expenses

	Bank Group and Bank			
	2nd Quarter Ended		Six Months Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	43,373	4,518	47,984	8,172
Social security costs	320	18	339	34
Pension costs - Employees Provident Fund	7,225	441	7,669	834
Other staff related expenses	3,040	353	3,251	658
	<u>53,958</u>	<u>5,330</u>	<u>59,243</u>	<u>9,698</u>

MBSB BANK BERHAD (716122-P)
(Formerly known as Asian Finance Bank Berhad)
(Incorporated in Malaysia)

22. Other overhead expenses

	Bank Group			
	2nd Quarter Ended		Six Months Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	2,721	111	2,790	233
Amortisation of intangible assets	4,586	180	4,740	364
Rental of premises	1,677	483	2,006	971
Software and hardware maintenance	811	1,723	2,403	3,400
Rental of equipment and network line	20	56	55	130
Security expenses	22	103	91	204
Others	1,351	740	1,629	1,359
	<u>11,188</u>	<u>3,396</u>	<u>13,714</u>	<u>6,661</u>
<u>Promotion and marketing related expenses</u>				
Advertising and promotional activities	2,565	47	2,565	55
Entertainment expenses	1	5	3	10
Travelling expenses	1	17	6	55
	<u>2,567</u>	<u>69</u>	<u>2,574</u>	<u>120</u>
<u>General administrative expenses</u>				
License and association fees and levies	198	78	345	204
Travelling, transport and accommodation expenses	473	76	512	159
Printing, stationery, postage and clearing charges	2,173	122	2,207	190
Telecommunication charges	92	43	416	215
Shariah Committee remunerations	-	96	17	96
Electricity and water	23	98	70	158
Directors related fees	620	233	1,175	361
Other professional fees	4,375	115	4,629	217
Auditors remuneration	246	96	346	190
Others	15,279	225	15,340	373
	<u>23,479</u>	<u>1,182</u>	<u>25,057</u>	<u>2,163</u>
	<u><u>37,234</u></u>	<u><u>4,647</u></u>	<u><u>41,345</u></u>	<u><u>8,944</u></u>

MBSB BANK BERHAD (716122-P)
(Formerly known as Asian Finance Bank Berhad)
(Incorporated in Malaysia)

22. Other overhead expenses (continued)

	Bank			
	2nd Quarter Ended		Six Months Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	2,721	111	2,790	233
Amortisation of intangible assets	4,586	180	4,740	364
Rental of premises	1,677	483	2,006	971
Software and hardware maintenance	811	1,723	2,403	3,400
Rental of equipment and network line	20	56	55	130
Security expenses	22	103	91	204
Others	1,351	740	1,629	1,359
	<u>11,188</u>	<u>3,396</u>	<u>13,714</u>	<u>6,661</u>
<u>Promotion and marketing related expenses</u>				
Advertising and promotional activities	2,565	47	2,565	55
Entertainment expenses	1	5	3	10
Travelling expenses	1	17	6	55
Others				
	<u>2,567</u>	<u>69</u>	<u>2,574</u>	<u>120</u>
<u>General administrative expenses</u>				
License and association fees and levies	198	78	345	204
Travelling, transport and accomodation expens	473	76	512	159
Printing, stationery, postage and clearing charg	2,173	122	2,207	190
Telecommunication charges	92	43	416	215
Shariah Committee remunerations	-	96	17	96
Electricity and water	23	98	70	158
Directors related fees	620	233	1,175	361
Other professional fees	4,375	115	4,629	217
Auditors remuneration	246	96	346	190
Others	14,702	225	14,763	373
	<u>22,902</u>	<u>1,182</u>	<u>24,480</u>	<u>2,163</u>
	<u>36,657</u>	<u>4,647</u>	<u>40,768</u>	<u>8,944</u>

23. Other comprehensive income

	Bank Group and Bank			
	2nd Quarter Ended		Six Months Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
Financial investment available-for-sale				
- Unrealised net gain / (loss) on revaluation	(15,629)	102	(15,531)	1,143
Negative goodwill arising from consolidation	346,881	-	-	-
	<u>331,252</u>	<u>102</u>	<u>(15,531)</u>	<u>1,143</u>

24. Significant related party balances and transactions

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-Jun-18	31-Dec-17
	RM'000	RM'000
Outstanding credit exposures with connected parties	<u>998,638</u>	<u>49,184</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>2.90%</u>	<u>1.85%</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<u>0.00%</u>	<u>0.00%</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.

25. 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 transaction, hence, they are not provided for in the financial statements.

Bank Group and Bank	Gross Positive		Credit	Risk
	Principal	Fair Value -		
30-June-18	amount	Derivative	amount*	amount
	RM'000	Contract	RM'000	RM'000
		RM'000		
Direct credit substitutes	251,541	-	251,541	251,415
Trade-related contingencies	189,618	-	61,970	61,970
Irrevocable commitments to extend credit:				
- one year or less	1,530,724	-	530,810	528,134
- over one year to five years	4,670,650	-	2,335,325	2,335,325
- over five years	328,517	-	164,258	164,258
Foreign exchange related contracts				
- one year or less	14,508	15	218	145
Total	<u>6,985,558</u>	<u>15</u>	<u>3,344,122</u>	<u>3,341,247</u>

Bank Group and Bank	Gross Positive		Credit	Risk
	Principal	Fair Value -		
31-Dec-17	amount	Derivative	amount*	amount
	RM'000	Contract	RM'000	RM'000
		RM'000		
Direct credit substitutes	24,451	-	24,451	24,326
Trade-related contingencies	28,158	-	5,632	5,632
Irrevocable commitments to extend credit:				
- one year or less	349,819	-	174,909	172,233
- over one year to five years	14,314	-	7,157	7,151
- over five years	50,817	-	25,408	25,408
Foreign exchange related contracts				
- one year or less	130,503	3,091	4,271	1,247
Total	<u>598,062</u>	<u>3,091</u>	<u>241,828</u>	<u>235,997</u>

26. Financial risk management

26.1 Credit risk management

(i) Financing and advances

Financing and advances are summarised as follows:

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
Neither past due nor impaired	30,342,789	966,758
Past due but not impaired	1,965,063	10,611
Impaired	999,222	111,424
Gross financing and advances	<u>33,307,074</u>	<u>1,088,793</u>
Less: Allowance		
Individual allowance	-	(45,716)
Collective allowance	-	(7,409)
Less: Loss allowance		
Stage 1	(465,208)	-
Stage 2	(484,356)	-
Stage 3	(725,592)	-
Net financing and advances	<u><u>31,631,918</u></u>	<u><u>1,035,668</u></u>

(a) Financing and advances neither past due nor impaired

Analysis of financing and advances that are neither past due nor impaired analysed based on the Bank's internal credit grading system is as follows:

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
<u>Internal Credit Grading</u>		
AAA-A / CRR1-CRR3	3,699,458	122,041
BBB-B / CRR4-CRR6	5,947,574	822,801
CCC-C / CRR7-CRR10	242,270	14,732
Unrated / Non rated CRR	20,453,487	7,184
	<u>30,342,789</u>	<u>966,758</u>

(b) Financing and advances past due but not impaired

Analysis of aging of financing and advances that are past due but not impaired is as

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
Past due up to 30 days	1,254,425	9,685
Past due 30 to 60 days	710,587	926
Past due 60 to 90 days	51	-
	<u>1,965,063</u>	<u>10,611</u>

26. Financial risk management (continued)

26.1 Credit risk management (continued)

(i) Financing and advances (continued)

(c) Impaired financing and advances

Financing and advances that are individually determined to be impaired are as follows:

	Bank Group and Bank	
	30-Jun-18	31-Dec-17
	RM'000	RM'000
Gross impaired financing and advances	999,222	111,424
Less: impairment allowance	(725,592)	(45,716)
Net impaired financing and advances	<u>273,630</u>	<u>65,708</u>

The movements of allowances for impaired financing and advances are set out in Note 10(x).

Credit Risk Mitigation (CRM) Disclosures

In mitigating its credit exposure, the Bank currently employs the cash collateral (one of the form of collaterals under Credit Risk Mitigants), which provides 0% risk weights. Other form of collaterals such as financing facility against charges over residential and commercial properties, pledged over shares, and supports in the form of debentures, assignments and guarantees are not taken into consideration as CRM and are therefore assigned with 100% risk weights.

(ii) Short term funds, financial assets and investments portfolios

Short-term funds, financial assets and investments portfolios for the Group and the Bank by rating agency designation are as follows:

<u>Bank Group and Bank</u>	Short term funds RM'000	Financial investments portfolios RM'000	Derivative assets RM'000	Other assets RM'000
<u>30-June-18</u>				
Neither past due nor impaired				
AAA	1,745,873	1,041,377	-	-
AA and below	12,753	140,560	-	-
Unrated	200,337	1,685,855	15	18,157
	<u>1,958,963</u>	<u>2,867,792</u>	<u>15</u>	<u>18,157</u>
<u>31-Dec-17</u>				
Neither past due nor impaired				
AAA	431,442	222,882	-	-
AA and below	45,890	181,064	2,755	-
Unrated	42	423,740	336	8,140
	<u>477,374</u>	<u>827,686</u>	<u>3,091</u>	<u>8,140</u>

*The unrated financial assets/investment portfolios are all government guaranteed securities.

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

26. Financial risk management (continued)**26.2 Market risk****(i) Profit Rate Risk**

Bank Group	----- Non-trading book -----							Total	Effective profit rate %
	Up to 1 months RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		
30-Jun-18									
<u>Assets</u>									
Cash and short-term funds	-	-	-	-	-	2,142,685	-	2,142,685	3.13
Deposits and placements									
with financial institutions	-	-	-	-	-	797,047	-	797,047	
Statutory deposits with BNM	-	-	-	-	-	1,024,287	-	1,024,287	
Other assets	-	-	-	-	-	810,363	-	810,363	
Derivative assets	-	15	-	-	-	-	-	15	
Financing and advances									
- performing	431,168	154,669	65,431	248,351	21,079	30,437,589	-	31,358,287	6.55
- non performing	-	-	-	-	-	273,630	-	273,630	
Financial assets held- for-sale	-	-	-	-	-	6,318	-	6,318	
Financial assets at FVOCI	-	15,195	35,044	146,418	10,041	3,529,473	-	3,736,171	4.10
Financial assets at amortised cost	-	-	141,332	358,789	100,375	-	-	600,496	4.19
Financing to related companies	-	-	-	-	-	350,581	-	350,581	
Property, plant and equipment	-	-	-	-	-	12,254	-	12,254	
Investment properties	-	-	-	-	-	820	-	820	
Tax recoverable	-	-	-	-	-	5,469	-	5,469	
Intangible assets	-	-	-	-	-	64,333	-	64,333	
Deferred tax assets	-	-	-	-	-	6,542	-	6,542	
Total assets	431,168	169,879	241,807	753,558	131,495	39,461,391	-	41,189,298	

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

26. Financial risk management (continued)**26.2 Market risk (continued)****(i) Profit Rate Risk (continued)**

Bank Group	----- Non-trading book -----							Total	Effective profit rate %
	Up to 1 months RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		
30-Jun-18									
Liabilities									
Deposits from customers	126,366	118,552	113,412	142,000	-	30,524,303	-	31,024,633	3.95
Deposits and placements of banks and other financial institutions	220,086	210,746	2,030	-	-	1,196	-	434,058	3.82
Amount due to related companies	-	-	-	-	-	40,439	-	40,439	
Derivative liabilities	31	-	-	-	-	-	-	31	
Other liabilities	-	-	-	-	-	249,508	-	249,508	
Recourse obligation on loan/financing sold	-	-	-	-	-	2,164,543	-	2,164,543	4.56
Sukuk-MBSB Structured Covered ("SC") Murabahah	-	-	-	-	-	2,186,830	-	2,186,830	4.86
Provision for taxation and zakat	-	-	-	-	-	36,527	-	36,527	
Deferred tax liabilities	-	-	-	-	-	9,249	-	9,249	
Total liabilities	346,483	329,298	115,442	142,000	-	35,212,595	-	36,145,818	
Total shareholders equity	-	-	-	-	503,503	4,539,978	-	5,043,481	
	346,483	329,298	115,442	142,000	503,503	39,752,573	-	41,189,299	
Total profit-sensitivity gap	84,685	(159,419)	126,365	611,558	(372,008)	(291,183)	-	-	

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

26. Financial risk management (continued)**26.2 Market risk (continued)****(i) Profit Rate Risk (continued)**

Bank	----- Non-trading book -----							Total	Effective profit rate %
	Up to 1 months RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		
30-June-18									
Assets									
Cash and short-term funds	-	-	-	-	-	2,139,425	-	2,139,425	3.27
Deposits and placements									
with financial institutions	-	-	-	-	-	1,812	-	1,812	
Statutory deposits with BNM	-	-	-	-	-	1,024,287	-	1,024,287	
Other assets	-	-	-	-	-	808,129	-	808,129	
Derivative assets	-	15	-	-	-	-	-	15	
Financing and advances									
- performing	431,168	154,669	65,431	248,351	21,079	30,437,589	-	31,358,287	6.55
- non performing	-	-	-	-	-	273,630	-	273,630	
Financial assets held- for-sale	-	-	-	-	-	6,318	-	6,318	
Financial assets at FVOCI	-	15,195	35,044	146,418	10,041	3,529,473	-	3,736,171	4.10
Financial assets at amortised cost	-	-	141,332	358,789	100,375	-	-	600,496	4.19
Sukuk Commodity Murabahah	-	-	-	-	-	3,145,171	-	3,145,171	
Financing to subsidiary	-	-	-	-	-	24,351	-	24,351	
Financing to related companies	-	-	-	-	-	350,581	-	350,581	
Property, plant and equipment	-	-	-	-	-	12,254	-	12,254	
Investment properties	-	-	-	-	-	820	-	820	
Tax recoverable	-	-	-	-	-	5,469	-	5,469	
Intangible assets	-	-	-	-	-	64,333	-	64,333	
Deferred tax assets	-	-	-	-	-	6,542	-	6,542	
Total assets	431,168	169,879	241,807	753,558	131,495	41,830,184	-	43,558,091	

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

26. Financial risk management (continued)**26.2 Market risk (continued)****(i) Profit Rate Risk (continued)**

Bank	----- Non-trading book -----							Total	Effective profit rate %
	Up to 1 months RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		
30-June-18									
Liabilities									
Deposits from customers	126,366	118,552	113,412	142,000	-	30,524,303	-	31,024,633	3.95
Deposits and placements of banks and other financial institutions	220,086	210,746	2,030	-	-	1,196	-	434,058	3.82
Amount due to related companies	-	-	-	-	-	40,439	-	40,439	
Derivative liabilities	31	-	-	-	-	-	-	31	
Other liabilities	-	-	-	-	-	248,825	-	248,825	
Recourse obligation on loan/financing sold	-	-	-	-	-	2,164,543	-	2,164,543	4.56
Sukuk-MBSB Structured Covered ("SC") Murabahah	-	-	-	-	-	2,186,830	-	2,186,830	4.86
Amount due to subsidiary	-	-	-	-	-	2,738,607	-	2,738,607	
Provision for taxation and zakat	-	-	-	-	-	36,527	-	36,527	
Deferred tax liabilities	-	-	-	-	-	9,249	-	9,249	
Total liabilities	346,483	329,298	115,442	142,000	-	37,950,519	-	38,883,742	
Total shareholders equity	-	-	-	-	503,503	4,170,847	-	4,674,350	
	346,483	329,298	115,442	142,000	503,503	42,121,366	-	43,558,092	
Total profit-sensitivity gap	84,685	(159,419)	126,365	611,558	(372,008)	(291,182)	-	-	

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

26. Financial risk management (continued)**26.2 Market risk (continued)****(i) Profit Rate Risk (continued)**

Bank Group and Bank	----- Non-trading book -----							Total RM'000	Effective profit rate %
	Up to 1 months RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		
31-Dec-17									
<u>Assets</u>									
Cash and short term funds	431,000	-	-	-	-	47,674	-	478,674	3.01
Financial investments available-for-sale	-	-	70,380	146,609	10,092	4	-	227,085	4.31
Financial investments held-to-maturity	-	-	50,120	450,103	100,377	-	-	600,600	4.25
Financing and advances - performing	637,016	94,807	16,744	204,703	24,100	(7,409)	-	969,961	4.95
- non performing	-	-	-	-	-	65,707	-	65,707	
Derivative assets	2,845	246	-	-	-	-	-	3,091	
Other assets	-	-	-	-	-	8,140	-	8,140	
Tax recoverable	-	-	-	-	-	5,750	-	5,750	
Statutory deposits	-	-	-	-	-	26,774	-	26,774	
Deferred tax assets	-	-	-	-	-	626	-	626	
Property and equipment	-	-	-	-	-	965	-	965	
Investment properties	-	-	-	-	-	820	-	820	
Intangible assets	-	-	-	-	-	1,619	-	1,619	
Total assets	1,070,861	95,053	137,244	801,415	134,569	150,670	-	2,389,812	

MBSB BANK BERHAD (716122-P)
(Formerly known as Asian Finance Bank Berhad)
(Incorporated in Malaysia)

26. Financial risk management (continued)

26.2 Market risk (continued)

(i) Profit Rate Risk (continued)

Bank Group and Bank	----- Non-trading book -----							Total RM'000	Effective profit rate %
	Up to 1 months RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		
31-Dec-17									
<u>Liabilities</u>									
Deposits from customers	294,647	504,100	253,401	142,000	-	4,528	-	1,198,676	3.54
Deposits and placements of banks and other financial institutions	297,152	269,747	110,745	-	-	3,623	-	681,267	3.80
Derivative liabilities	777	-	-	-	-	-	-	777	
Other liabilities	-	-	-	-	-	14,623	-	14,623	
Total liabilities	592,576	773,847	364,146	142,000	-	22,774	-	1,895,343	
Total shareholders equity	-	-	-	-	494,469	-	-	494,469	
	592,576	773,847	364,146	142,000	494,469	22,774	-	2,389,812	
Total profit-sensitivity gap	478,285	(678,794)	(226,902)	659,415	(359,900)	127,896	-	-	

26. Financial risk management (continued)

26.2 Market risk (continued)

(ii) Foreign Exchange Risk

Bank Group	USD RM'000	MYR RM'000	Others RM'000	Total RM'000
30-Jun-18				
<u>Assets</u>				
Cash and short-term funds	210,379	1,929,581	2,725	2,142,685
Deposits and placements with financial institutions	-	797,047	-	797,047
Statutory deposits with BNM	-	1,024,287	-	1,024,287
Other assets	-	810,364	-	810,364
Derivative assets	-	15	-	15
Financing and advances	23,328	31,608,589	-	31,631,917
Financial assets held-for-sale	-	6,318	-	6,318
Financial assets at FVOCI	-	3,736,171	-	3,736,171
Financial assets at amortised cost	-	600,496	-	600,496
Financing to related companies	-	350,581	-	350,581
Property, plant and equipment	-	12,254	-	12,254
Investment properties	-	820	-	820
Tax recoverable	-	5,469	-	5,469
Intangible assets	-	64,333	-	64,333
Deferred tax assets	-	6,542	-	6,542
Total assets	233,707	40,952,867	2,725	41,189,299
<u>Liabilities</u>				
Deposits from customers	17,810	31,006,479	344	31,024,633
Deposits and placements of banks and other financial institutions	-	434,058	-	434,058
Derivative liabilities	-	31	-	31
Other liabilities	-	249,506	-	249,506
Recourse obligation on financing sold	-	2,164,543	-	2,164,543
Sukuk-MBSB SC Murabahah	-	2,186,830	-	2,186,830
Amount due to related companies	-	40,439	-	40,439
Provision for taxation and zakat	-	36,528	-	36,528
Deferred tax liabilities	-	9,249	-	9,249
Total Liabilities	17,810	36,127,663	344	36,145,817
Net on-balance sheet financial position	215,897	4,825,204	2,381	5,043,482

26. Financial risk management (continued)

26.2 Market risk (continued)

(ii) Foreign Exchange Risk

Bank	USD RM'000	MYR RM'000	Others RM'000	Total RM'000
30-Jun-18				
Assets				
Cash and short-term funds	210,379	1,926,321	2,725	2,139,425
Deposits and placements with financial institutions	-	1,812	-	1,812
Statutory deposits with BNM	-	1,024,287	-	1,024,287
Other assets	-	808,130	-	808,130
Derivative assets	-	15	-	15
Financing and advances	23,328	31,608,589	-	31,631,917
Financial assets held-for-sale	-	6,318	-	6,318
Financial assets at FVOCI	-	3,736,171	-	3,736,171
Financial assets at amortised cost	-	600,496	-	600,496
Sukuk Commodity Murabahah	-	3,145,171	-	3,145,171
Financing to subsidiary	-	24,351	-	24,351
Financing to related companies	-	350,581	-	350,581
Property, plant and equipment	-	12,254	-	12,254
Investment properties	-	820	-	820
Tax recoverable	-	5,469	-	5,469
Intangible assets	-	64,333	-	64,333
Deferred tax assets	-	6,542	-	6,542
Total assets	233,707	43,321,660	2,725	43,558,092
Liabilities				
Deposits from customers	17,810	31,006,479	344	31,024,633
Deposits and placements of banks and other financial institutions	-	434,058	-	434,058
Derivative liabilities	-	31	-	31
Other liabilities	-	248,824	-	248,824
Recourse obligation on financing sold	-	2,164,543	-	2,164,543
Sukuk-MBSB SC Murabahah	-	2,186,830	-	2,186,830
Amount due to subsidiary	-	2,738,607	-	2,738,607
Amount due to related companies	-	40,439	-	40,439
Provision for taxation and zakat	-	36,527	-	36,527
Deferred tax liabilities	-	9,249	-	9,249
Total Liabilities	17,810	38,865,587	344	38,883,741
Net on-balance sheet financial position	215,897	4,456,073	2,381	4,674,351

26. Financial risk management (continued)

26.2 Market risk (continued)

(ii) Foreign Exchange Risk (continued)

Bank Group and Bank	USD RM'000	MYR RM'000	Others RM'000	Total RM'000
31-Dec-17				
<u>Assets</u>				
Cash and short-term funds	43,485	432,725	2,464	478,674
Statutory deposits with BNM	-	26,774	-	26,774
Other assets	-	8,140	-	8,140
Derivative assets	3,091	-	-	3,091
Financing and advances	3,423	1,032,244	-	1,035,667
Financial assets at FVOCI	-	227,086	-	227,086
Financial assets at amortised cost	-	600,600	-	600,600
Property, plant and equipment	-	965	-	965
Investment properties	-	820	-	820
Tax recoverable	-	5,750	-	5,750
Intangible assets	-	1,619	-	1,619
Deferred tax assets	-	626	-	626
Total assets	49,999	2,337,349	2,464	2,389,812
<u>Liabilities</u>				
Deposits from customers	15,543	1,182,758	374	1,198,675
Deposits and placements of banks and other financial institutions	-	681,268	-	681,268
Derivative liabilities	777	-	-	777
Other liabilities	-	14,623	-	14,623
Total Liabilities	16,320	1,878,649	374	1,895,343
Net on-balance sheet financial position	33,679	458,700	2,090	494,469

27. 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.

	Bank Group		Bank	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 Capital</u>				
Ordinary share capital	4,625,859	532,530	4,625,859	532,530
Retained earnings	(64,805)	(43,336)	(64,805)	(43,336)
Other reserve	(10,256)	5,275	(10,256)	5,275
	<u>4,550,799</u>	<u>494,469</u>	<u>4,550,799</u>	<u>494,469</u>
Less : Common Equity Tier 1 regulatory adjustments				
Deferred tax assets	-	(626)	-	(626)
Cumulative (gains)/losses of Investment securities at FVOCI/AFS financial instruments	241	(30)	241	(30)
Regulatory reserve attributable to financing	(5,234)	(5,234)	(5,234)	(5,234)
Other intangibles	(64,333)	(1,620)	(64,333)	(1,620)
Total Common Equity Tier 1 Capital	<u>4,481,473</u>	<u>486,959</u>	<u>4,481,473</u>	<u>486,959</u>
<u>Tier 1 Capital</u>	-	-	-	-
<u>Tier II Capital</u>				
Collective impairment/allowance for bad and doubtful financing ^	431,489	6,209	437,632	6,209
Regulatory reserve	-	5,234	-	5,234
Total Tier II capital	<u>431,489</u>	<u>11,443</u>	<u>437,632</u>	<u>11,443</u>
Total capital base	<u>4,912,962</u>	<u>498,402</u>	<u>4,919,105</u>	<u>498,402</u>

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

	Bank Group		Bank	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
<u>Total risk weighted assets ("RWA")</u>				
- Credit risk	34,519,089	1,511,252	35,010,542	1,511,252
- Market risk	10,574	9,836	10,574	9,836
- Operational risk	255,507	89,397	226,833	89,397
Total RWA	<u>34,785,171</u>	<u>1,610,485</u>	<u>35,247,950</u>	<u>1,610,485</u>
<u>Capital ratios</u>				
Common equity tier 1 capital	12.883%	30.236%	12.714%	30.236%
Tier 1 capital	12.883%	30.236%	12.714%	30.236%
Total capital ratio	<u>14.124%</u>	<u>30.947%</u>	<u>13.956%</u>	<u>30.947%</u>

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

PERFORMANCE REVIEW FOR THE 2ND QUARTER ENDED 30 JUNE 2018

1. Performance Review

Variation of Results against Preceding Year Corresponding Quarter

	Current Year Quarter 30-June-18 RM'000	Preceding Year Corresponding Quarter 30-June-17 RM'000		Changes RM'000	
Personal financing	21,195,245	145	21,195,100	14617310.3%	
Corporate financing	7,748,581	1,423,148	6,325,433	444.5%	
Property financing	4,120,814	21,676	4,099,138	18911.0%	
Auto financing	242,434	62	242,372	390922.6%	
Total gross financing and advances	33,307,074	1,445,031	31,862,043	2204.9%	

Variation of Results against Preceding Quarter

	Current Year Quarter 30-June-18 RM'000	Immediate Preceding Quarter 31-Mar-18 RM'000		Changes RM'000	
Personal financing	21,195,245	16	21,195,229	132470181.3%	
Corporate financing	7,748,581	950,953	6,797,628	714.8%	
Property financing	4,120,814	21,060	4,099,754	19467.0%	
Auto financing	242,434	96	242,338	252435.4%	
Total gross financing and advances	33,307,074	972,125	32,334,949	3326.2%	

On 2 April 2018, the Financial Holding Company("FHC"), MBSB had via a First Tranche Transfer, transferred all of its Shariah-compliant assets and liabilities to MBSB Bank Berhad ("Bank") as a going concern. Details of the transfer is as per disclosed under Note 4.

As a result of the vesting exercise, the Bank Group gross financing and advances for the 2nd quarter 2018 ("2Q18") increased by 2204.9% and 3326.2% as compared to 2nd quarter 2017 ("2Q17") and 1st quarter 2018 ("1Q18") respectively.

PERFORMANCE REVIEW FOR THE 2ND QUARTER ENDED 30 JUNE 2018

1. Performance Review (continued)

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

	Current Year Quarter 30-June-18 RM'000	Preceding Year Corresponding Quarter 30-June-17 RM'000	Changes RM'000	
Income derived from investment of depositors' funds	613,881	22,892	590,989	2581.6%
Income derived from investment of shareholders' funds	110,662	7,949	102,713	1292.1%
Expected credit losses on financing and advances	(33,200)	(22,572)	(10,628)	47.1%
Total net income/loss	280,145	(10,848)	290,993	-2682.5%
Total overhead expenses	<u>(91,192)</u>	<u>(9,977)</u>	(81,215)	814.0%
Profit/(loss) before tax	<u>188,953</u>	<u>(20,825)</u>	209,778	-1007.3%
Profit/(loss) after tax	<u>139,809</u>	<u>(20,384)</u>	160,193	-785.9%
Profit/(loss) attributable to owners of the Bank	<u>139,809</u>	<u>(20,384)</u>	160,193	-785.9%

Variation of Results against Preceding Quarter

	Current Year Quarter 30-June-18 RM'000	Immediate Preceding Quarter 31-Mar-18 RM'000	Changes RM'000	
Income derived from investment of depositors' funds	613,881	21,436	592,445	2763.8%
Income derived from investment of shareholders' funds	110,662	6,420	104,242	1623.7%
Expected credit losses on financing and advances	(33,200)	7,263	(40,463)	-557.1%
Total net income	280,145	17,281	262,864	1521.1%
Total overhead expenses	<u>(91,192)</u>	<u>(9,396)</u>	(81,796)	870.5%
Profit before tax	<u>188,953</u>	<u>7,885</u>	181,068	2296.4%
Profit after tax	<u>139,809</u>	<u>5,993</u>	133,816	2232.9%
Profit attributable to owners of the Bank	<u>139,809</u>	<u>5,993</u>	133,816	2232.9%

The 2Q18 increase in income derived from investment of depositors' fund compared to 2Q17 and 1Q18 were 2963.3% and 3171.3% respectively. Contribution from financing and advances towards the income derived from investment of depositors' funds stood at 82% (2Q17: 63% 1Q18: 51%).

The Bank Group profit before tax for 2Q18 increased by 940.5% as compared to 2Q17. The increase was mainly due to higher income derived from investment of depositors' fund partly set off by higher total overhead expenses. The higher total overhead expenses was due to enlarged personnel related expenses and amortisation of investments in system enhancements.

The Bank Group profit before tax for 2Q18 increased by 2119.9% as compared to 1Q18. The increase was mainly due to higher income derived from investment of depositors' fund .