

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

INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

		Bank Group		Bank	
		30-Sep-18 RM'000	31-Dec-17 RM'000	30-Sep-18 RM'000	31-Dec-17 RM'000
Assets					
Cash and short-term funds	7(a)	3,869,628	478,674	3,746,172	478,674
Deposits and placements with financial institutions	7(b)	803,705	-	1,827	-
Derivative assets	8	-	3,091	-	3,091
Financial assets at fair value through other comprehensive income ("FVOCI")	9	3,855,126	-	3,855,126	-
Financial investment available-for-sale	10	-	227,086	-	227,086
Financial assets at amortised cost	11	601,038	600,600	601,038	600,600
Sukuk Commodity Murabahah		-	-	3,171,992	-
Financing and advances	12	31,830,718	1,035,668	31,830,718	1,035,668
Financial assets held- for-sale	13	7,505	-	7,505	-
Financing to subsidiary		-	-	26,436	-
Financing to related companies		375,325	-	375,325	-
Other assets	14	979,979	8,140	976,499	8,140
Statutory deposits with Bank Negara Malaysia		1,029,287	26,774	1,029,287	26,774
Deferred tax assets		33,245	625	33,245	625
Tax recoverable		5,300	5,750	5,300	5,750
Investment properties		820	820	820	820
Property, plant and equipment		13,392	965	13,392	965
Intangible assets		80,108	1,619	80,108	1,619
Total assets		43,485,177	2,389,812	45,754,791	2,389,812
Liabilities					
Deposits from customers	15	31,730,354	1,198,676	31,730,354	1,198,676
Deposits and placements of banks and other financial institutions	16	1,839,756	681,268	1,839,756	681,268
Derivative liabilities		50	777	50	777
Other liabilities	17	308,065	14,622	307,282	14,622
Recourse obligation on financing sold		2,150,137	-	2,150,137	-
Sukuk-MBSB Structured Covered ("SC") Murabahah		2,214,559	-	2,214,559	-
Amount due to subsidiary		-	-	2,661,063	-
Amount due to related companies		40,642	-	40,642	-
Provision for taxation and zakat		10,325	-	10,325	-
Deferred tax liabilities		10,156	-	10,156	-
Total liabilities		38,304,044	1,895,343	40,964,324	1,895,343
Equity					
Ordinary share capital		4,625,859	532,530	4,625,859	532,530
Reserves		555,274	(38,061)	164,608	(38,061)
Total equity		5,181,133	494,469	4,790,467	494,469
Total Liabilities and Equity		43,485,177	2,389,812	45,754,791	2,389,812
Commitments and contingencies	24	6,219,808	598,062	6,219,808	598,062
Capital Adequacy					
		Bank Group		Bank	
CET1 capital		14.059%	30.236%	12.849%	30.236%
Tier 1 capital		14.059%	30.236%	12.849%	30.236%
Total capital ratio		15.293%	30.947%	14.086%	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.

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

		Bank Group			
		3rd Quarter Ended		Nine Months Ended	
		30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	18(a)	648,802	22,643	1,284,120	66,256
Income derived from investment of shareholders' funds	18(b)	61,916	7,366	178,997	22,723
Impairment allowance	19	(52,102)	(38)	(78,040)	(22,785)
Total distributable income		<u>658,616</u>	<u>29,971</u>	<u>1,385,077</u>	<u>66,194</u>
Income attributable to depositors	20(a)	(326,523)	(19,411)	(658,192)	(55,978)
Income attributable to securitisation	20(b)	(24,266)	-	(48,688)	-
Income attributable to sukuk	20(c)	(70,787)	-	(143,732)	-
Total net income/(loss)		<u>237,041</u>	<u>10,560</u>	<u>534,465</u>	<u>10,216</u>
Personnel expenses	21	(58,947)	(4,977)	(118,190)	(14,675)
Other overhead expenses	22	(37,301)	(4,157)	(78,644)	(13,102)
Profit/(loss) before zakat and taxation		<u>140,793</u>	<u>1,426</u>	<u>337,631</u>	<u>(17,561)</u>
Zakat and taxation		(28,611)	-	(79,646)	-
Profit/(loss) for the financial period		<u>112,182</u>	<u>1,426</u>	<u>257,985</u>	<u>(17,561)</u>
Profit/(loss) attributable to:					
Owners of the Bank		112,182	1,426	257,985	(17,561)
		<u>112,182</u>	<u>1,426</u>	<u>257,985</u>	<u>(17,561)</u>
Profit/(loss) for the financial period		112,182	1,426	257,985	(17,561)
Other comprehensive (loss)/income :					
Other comprehensive income - FVOCI revaluation reserve, which may be reclassified subsequently to profit or loss	23	25,469	236	9,938	1,380
		<u>25,469</u>	<u>236</u>	<u>9,938</u>	<u>1,380</u>
Total comprehensive income/(loss) for the financial period		<u>137,651</u>	<u>1,662</u>	<u>267,923</u>	<u>(16,181)</u>
Total comprehensive income/(loss) attributable to:					
Owners of the Bank		137,651	1,662	267,923	(16,181)
		<u>137,651</u>	<u>1,662</u>	<u>267,923</u>	<u>(16,181)</u>
Earnings per share (sen)		<u>9.70</u>	<u>1.07</u>	<u>7.44</u>	<u>(4.40)</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.

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

		Bank			
		3rd Quarter Ended		Nine Months Ended	
		30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	18(a)	627,122	22,643	1,241,343	66,256
Income derived from investment of shareholders' funds	18(b)	60,313	7,366	174,213	22,723
Impairment allowance	19	(52,102)	(38)	(78,040)	(22,785)
Total distributable income		635,333	29,971	1,337,516	66,194
Income attributable to depositors	20(a)	(326,523)	(19,411)	(658,192)	(55,978)
Income attributable to securitisation	20(b)	(24,266)	-	(48,688)	-
Income attributable to sukuk	20(c)	(70,787)	-	(143,732)	-
Total net income/(loss)		213,758	10,560	486,904	10,216
Personnel expenses	21	(58,947)	(4,977)	(118,190)	(14,675)
Other overhead expenses	22	(37,184)	(4,157)	(77,952)	(13,102)
Profit/(loss) before zakat and taxation		117,626	1,426	290,761	(17,561)
Zakat and taxation		(26,976)	-	(76,561)	-
Profit/(loss) for the financial period		90,650	1,426	214,200	(17,561)
Profit/(loss) attributable to:					
Owners of the Bank		90,650	1,426	214,200	(17,561)
		90,650	1,426	214,200	(17,561)
Profit/(loss) for the financial period		90,650	1,426	214,200	(17,561)
Other comprehensive (loss)/income :					
Other comprehensive income - FVOCI revaluation reserve, which may be reclassified subsequently to profit or loss	23	25,469	236	9,938	1,380
		25,469	236	9,938	1,380
Total comprehensive income/(loss) for the financial period		116,119	1,662	224,138	(16,181)
Total comprehensive income/(loss) attributable to:					
Owners of the Bank		116,119	1,662	224,138	(16,181)
		116,119	1,662	224,138	(16,181)

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.

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INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF CHANGES IN EQUITY****FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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	-	-	-	-	257,985	257,985
Other comprehensive income for the financial period	-	-	-	9,938	-	9,938
Negative goodwill arising from consolidation	-	-	-	-	346,881	346,881
Total comprehensive income for the financial period	-	-	-	9,938	604,866	614,805
Issuance of ordinary shares	4,093,329	-	-	-	-	4,093,329
Balance as at 30 September 2018	4,625,859	-	5,234	9,979	540,061	5,181,133
Balance as at 1 January 2017	532,530	13,363	5,234	(777)	(53,094)	497,256
Loss for the financial period	-	-	-	-	(17,561)	(17,561)
Other comprehensive income for the financial period	-	-	-	1,380	-	1,380
Total comprehensive income/(loss) for the financial period	-	-	-	1,380	(17,561)	(16,181)
Dividends	-	-	-	-	-	-
Transfer from statutory reserves	-	(13,363)	-	-	13,363	-
Balance as at 30 September 2017	532,530	-	5,234	603	(57,292)	481,075

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.

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

Bank	Share Capital RM'000	Statutory Reserve RM'000	Regulatory Reserve RM'000	Available- for-sale Reserves/ FVOCI RM'000	(Accumulated losses)/ Retained profit RM'000	Total 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	-	-	-	-	214,200	214,200
Other comprehensive income for the financial period	-	-	-	9,938	-	9,938
Total comprehensive income for the financial period	-	-	-	9,938	214,200	224,138
Dividends	-	-	-	-	-	-
Issuance of ordinary shares	4,093,329	-	-	-	-	4,093,329
Balance as at 30 September 2018	4,625,859	-	5,234	9,979	149,395	4,790,467
Balance as at 1 January 2017	532,530	13,363	5,234	(777)	(53,094)	497,256
Loss for the financial period	-	-	-	-	(17,561)	(17,561)
Other comprehensive income for the financial period	-	-	-	1,380	-	1,380
Total comprehensive income/(loss) for the financial period	-	-	-	1,380	(17,561)	(16,181)
Dividends	-	-	-	-	-	-
Transfer from statutory reserves	-	(13,363)	-	-	13,363	-
Balance as at 30 September 2017	532,530	-	5,234	603	(57,292)	481,075

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)

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

	Bank Group		Bank	
	9 months ended		9 months ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit/(loss) before taxation	337,631	(17,561)	290,761	(17,561)
Adjustments for non-cash items	13,247	1,814	(40,807)	1,814
Operating profit/(loss) before working capital changes	350,878	(15,747)	249,954	(15,747)
Working capital changes:				
Net changes in operating assets	(34,014,780)	139,904	(33,235,673)	139,904
Net changes in operating liabilities	31,982,882	22,300	34,643,162	22,300
Income taxes and zakat paid	(3,348)	(794)	(448)	(794)
Net cash (used in)/generated from operating activities	(1,684,368)	145,663	1,656,995	145,663
Cash flows from investing activities				
Purchase of property, plant and equipment	(16,659)	(153)	(16,659)	(153)
Purchase of intangible assets	(87,690)	(305)	(87,690)	(305)
Goodwill from purchase of subsidiary	346,881	-	-	-
Proceeds from disposal of property, plant and equipment	24	-	24	-
Proceeds from sale of investments securities held-for-trading	-	20,374	-	20,374
Proceeds from (purchase)/sale of financial assets at FVOCI	(3,616,157)	63,036	(3,616,156)	63,036
Proceeds from sale/(purchase) of financial assets at amortised cost	18,398	(75,929)	18,398	(75,929)
Purchase of Sukuk Commodity Murabahah	-	-	(3,117,938)	-
Net cash (used in)/generated from investing activities	(3,355,203)	7,023	(6,820,021)	7,023
Cash flows from financing activities				
Proceeds from recourse obligation on loans/financing sold	2,150,137	-	2,150,137	-
Proceeds of Sukuk - MBSB SC Murabahah	2,187,058	-	2,187,058	-
Net proceeds from issuance of ordinary shares	4,093,329	-	4,093,329	-
Net cash generated from financing activities	8,430,524	-	8,430,524	-
Net increase in cash and cash equivalents	3,390,954	152,686	3,267,499	152,686
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	3,869,628	362,810	3,746,173	362,810

The above movements include Shariah-compliant assets and liabilities vested from Malaysia Building Society Berhad ("MBSB") on 2 April 2018. 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.

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

1. Basis of preparation

The unaudited condensed interim financial statements for the financial quarter ended 30 September 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").

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1. Basis of preparation (continued)**Impact of application of MFRS 9 Financial Instruments (continued)**

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

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

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

Classification and measurement of financial instruments

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

- i) Those previously classified as available for sale are now classified as measured at FVOCI
- ii) Those previously classified as financing 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

	Measurement category		Movement of carrying amount		New carrying amount
	MFRS 139	MFRS 9	MFRS 139	Adjustments	MFRS 9
			RM'000	RM'000	RM'000
Cash and short-term funds	Financing and receivables	Financial assets 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
Financing and advances	Financing and receivables	Financial assets at amortised cost	1,035,668	(15,947)	1,019,721
Derivative assets	Financial assets at FVTPL	Financial assets at FVTPL	3,091	-	3,091
Other assets	Financing and receivables	Financial assets at amortised cost	8,140	-	8,140
Deposit from customers	Financial liabilities at amortised cost	Financial liabilities at amortised cost	1,198,676	-	1,198,676
Deposit and placements of the banks and other financial	Financial liabilities at amortised cost	Financial liabilities at amortised cost	681,268	-	681,268
Derivatives liabilities	Financial liabilities at FVTPL	Financial liabilities at FVTPL	777	-	777
Other liabilities	Financial liabilities at amortised cost	Financial liabilities at amortised cost	14,622	(5,522)	20,144

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

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1. Basis of preparation (continued)**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, Malaysia Building Society Berhad, the financial holding company ("MBSB") via the First Tranche Transfer, completed the transfer all of its Shariah-compliant assets and liabilities ("Identified A&L") to the Bank as a going concern. The transfer of the Identified A&L 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 A&L comprised the following:

Identified A&L	Assets RM Million		Liabilities RM Million
Cash & short terms funds	6,269	Deposits from customers	31,964
Net advances & financing	30,118	Securitisation - Cagamas	2,175
Financial instruments	3,210	Sukuk	2,316
Other assets	4,227	Other liabilities	3,275
	<u>43,824</u>		<u>39,731</u>
Net assets transferred	<u>4,093</u>		

Consequent to the First Tranche Transfer, the Sukuk Exchange was also completed following the successful issuance of the Bank Structured Covered Sukuk (debt nature) in exchange for MBSB Covered Sukuk held by MBSB Sukukholders. Accordingly, Jana Kapital Sdn Bhd, the special purpose vehicle for the Sukuk programme, an investment being part of Identified A&L is now a wholly-owned subsidiary of Bank. Upon consolidation at the Bank Group level, a negative goodwill was recognised in the statement of equity.

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

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.

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

	Bank Group		Bank	
	30-Sep-18 RM'000	31-Dec-17 RM'000	30-Sep-18 RM'000	31-Dec-17 RM'000
(a) Cash and balances with banks and other financial institutions	329,628	47,674	206,172	47,674
Money at call and deposit placements maturing within one month	3,540,000	431,000	3,540,000	431,000
Total cash and short-term funds	3,869,628	478,674	3,746,172	478,674
(b) Deposits and placements with financial institutions with original maturity of more than one month	803,705	-	1,827	-
Total cash and short-term funds and deposits and placements with financial institutions	4,673,333	478,674	3,747,999	478,674

8. 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-Sep-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						
<u>Foreign exchange contracts:</u>						
Currency forward						
- Less than one year	9,405	-	(50)	130,503	3,091	(777)

9. Financial assets at FVOCI

	Bank Group and Bank	
	30-Sep-18 RM'000	31-Dec-17 RM'000
At fair value		
Money Market Instruments		
Malaysian Government Investment Issues	1,656,350	-
Quoted securities:		
<u>In Malaysia</u>		
Private and Islamic debt securities	779,546	-
Government Guaranteed debt securities	1,227,413	-
Islamic Medium Term Notes	191,817	-
	3,855,126	-

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(Incorporated in Malaysia)

10. Financial investment available-for-sale

Bank Group and Bank
30-Sep-18 31-Dec-17
RM'000 RM'000

At fair value

Money Market Instruments

Malaysian Government Investment Issues

- -

Quoted securities:

In Malaysia

Islamic Medium Term Notes

- 206,894

Corporate Sukuk

- 20,192

- 227,086

11. Financial assets at amortised cost

Bank Group and Bank
30-Sep-18 31-Dec-17
RM'000 RM'000

At amortised cost

Quoted securities:

In Malaysia

Islamic Medium Term Notes

601,038 600,600

601,038 600,600

12. Financing and advances

Bank Group and Bank
30-Sep-18 31-Dec-17
RM'000 RM'000

(i) By type

At amortised cost

Term financing

- Property financing

4,127,376 20,391

- Bridging financing

929,824 -

- Hire purchase receivables

745,487 -

- Auto Financing

227,637 -

- Personal financing

21,109,443 12

- Other term financing

5,429,933 269,831

Trusts receipts

22,883 -

Staff financing

44,360 307

Revolving Credit

820,354 712,223

Others

133,813 86,029

33,591,110 1,088,793

Less: Impairment allowance

- Individual assessment allowance

- (45,716)

- Collective assessment allowance

- (7,409)

- Stage 1

(395,318) -

- Stage 2

(542,830) -

- Stage 3

(822,244) -

Net financing and advances

31,830,718 1,035,668

12. Financing and advances (continued)

(ii) By residual contractual maturity

	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Maturity within one year	1,465,397	748,567
More than one year to three years	1,795,945	112,152
More than three years to five years	2,043,980	92,550
More than five years	28,285,788	135,524
	<u>33,591,110</u>	<u>1,088,793</u>

(iii) By economic purpose

	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Personal Use	21,129,783	43
Working Capital	3,525,505	884,527
Property development	4,251,043	-
Purchase of landed property:		
- Residential	3,945,870	19,556
- Non-Residential	276,139	73,142
Purchase of transport vehicles	230,314	101
Others	232,456	111,424
	<u>33,591,110</u>	<u>1,088,793</u>

(iv) By type of customers

	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Domestic business enterprises		
- Small medium enterprise	2,304,499	341
- Government	292,243	242,261
- Non-bank financial institutions	816,771	-
- Others	4,749,074	824,853
Individuals	25,422,156	13,061
Foreign entities	6,367	8,277
	<u>33,591,110</u>	<u>1,088,793</u>

(v) By sector

	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Household sectors	25,410,679	-
Agriculture	240,489	160,378
Mining and quarrying	58,269	70,390
Manufacturing	221,569	129,759
Electricity, gas and water	206,750	60,130
Construction	5,308,715	153,895
Purchase of landed property	18,298	21,195
Wholesale & retail trade and restaurants & hotels	164,415	104,963
Transport, storage and communication	135,874	62,950
Finance, insurance and business services	1,428,280	324,988
Purchase of transport vehicles	394,951	101
Consumption credit	10	44
Others	2,810	-
	<u>33,591,110</u>	<u>1,088,793</u>

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

12. Financing and advances (continued)

(vi) By profit rate sensitivity

	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Fixed rate:		
Personal financing	19,600,100	43
Auto financing	230,226	-
Property financing	501,652	-
Bridging, structured and term financing	895,058	39,112
Variable rate:		
Personal financing	1,529,683	-
Auto financing	88	101
Property financing	3,647,078	20,567
Bridging, structured and term financing	7,187,225	1,028,970
	<u>33,591,110</u>	<u>1,088,793</u>

(vi) By geographical distribution

	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Malaysia	33,590,711	1,088,352
United Kingdom	399	441
	<u>33,591,110</u>	<u>1,088,793</u>

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

12. Financing and advances (continued)**(viii) Financing by types and Shariah contracts****Bank Group and Bank
30-Sep-18**

Type	Tawarruq RM'000	Bai' RM'000	Ijarah RM'000	Istisna' RM'000	Qard RM'000	Total financing and advances RM'000
Term Financing	28,287,071	2,591,437	977,215	713,978	-	32,569,700
Property financing	1,908,084	2,217,281	2,011	-	-	4,127,376
Bridging financing	929,824	-	-	-	-	929,824
Hire purchase receivables	-	-	745,487	-	-	745,487
Auto financing	-	-	227,637	-	-	227,637
Personal financing	21,108,949	494	-	-	-	21,109,443
Other term financing	4,340,214	373,661	2,080	713,978	-	5,429,933
Trust receipts	-	22,883	-	-	-	22,883
Staff financing	40,944	382	3,034	-	-	44,360
Revolving credit	301,777	518,577	-	-	-	820,354
Others	-	133,813	-	-	-	133,813
	<u>28,629,792</u>	<u>3,267,092</u>	<u>980,249</u>	<u>713,978</u>	<u>-</u>	<u>33,591,110</u>

**Bank Group and Bank
31-Dec-17**

Type	Tawarruq RM'000	Bai' RM'000	Ijarah RM'000	Istisna' RM'000	Qard RM'000	Total financing and advances RM'000
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	176	-	32	307
Revolving credit	-	712,223	-	-	-	712,223
Others	-	86,029	-	-	-	86,029
	<u>-</u>	<u>1,083,697</u>	<u>5,065</u>	<u>-</u>	<u>32</u>	<u>1,088,793</u>

Movement of Qard financing:

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

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

12. Financing and advances (continued)**(ix) Movement in gross financing and advances**

	Bank Group and Bank 30-September-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	729,499	247,871	111,424	1,088,793
Changes in the loss allowance				
- Transfer to stage 1	1,023,319	(982,020)	(41,299)	-
- Transfer to stage 2	(1,508,680)	1,642,621	(133,941)	-
- Transfer to stage 3	(133,171)	(316,719)	449,890	-
Vesting of assets from MBSB Group	27,886,081	3,046,418	716,776	31,649,275
Changes in credit risk	(3,520,380)	(125,173)	(20,727)	(3,666,280)
Financing derecognised during the period (other than write-offs)	(885,082)	(282,162)	(45,639)	(1,212,883)
New financing originated or purchased	4,730,844	974,298	27,063	5,732,205
Gross carrying amount as at 30 Sep 2018	<u>28,322,430</u>	<u>4,205,134</u>	<u>1,063,547</u>	<u>33,591,110</u>

(x) Movement in impairment allowance for financing and advances

	Bank Group and Bank			
	30-Sep-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-Sep-18 RM'000
Impairment allowance upon adoption of MFRS 9 as at 1 January 2018	21,350	7,528	45,717	74,595
Changes in the impairment allowance				
- Transfer to stage 1	169,105	(140,662)	(28,443)	-
- Transfer to stage 2	(39,262)	114,721	(75,459)	-
- Transfer to stage 3	(4,423)	(71,342)	75,765	-
Vesting of assets from MBSB Group	523,891	467,281	539,919	1,531,090
Changes in credit risk	(173,814)	(12,750)	23,014	(163,550)
Write-offs	-	-	(6)	(6)
Charge to income statement (Note 19)	(188,100)	55,443	236,612	103,955
Financing derecognised during the period (other than write-offs)	(43,841)	(36,481)	(14,079)	(94,401)
New financing originated or purchased	130,412	159,093	19,204	308,710
Impairment allowance as at 30 Sep 2018	<u>395,318</u>	<u>542,830</u>	<u>822,244</u>	<u>1,760,392</u>

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

12. Financing and advances (continued)**(xi) Movement for impaired financing and advances**

	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Balance as at 1 January	111,424	124,935
Impaired financing vested from MBSB FHC	697,611	-
Classified as impaired during the period	506,095	2,963
Reclassified as non-impaired	(193,315)	(686)
Amount recovered	(58,261)	(5,930)
Amount written off	(6)	(9,858)
Balance as at end of financial period	<u>1,063,548</u>	<u>111,424</u>
Gross impaired financing and advances as a % of gross financing and advances	<u>3.17%</u>	<u>10.23%</u>

(xii) Impaired financing by sector

	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Household sector	822,296	-
Agriculture	154	-
Mining and quarrying	38,891	70,391
Finance, insurance and business services	10,380	37,493
Construction	93,321	-
Purchase of landed property	3,194	3,540
Wholesale & retail trade and restaurants & hotels	20,716	-
Transport, storage and communication	1	-
Education, health and others	73,772	-
Consumption credit	4	-
Others	818	-
	<u>1,063,548</u>	<u>111,424</u>

(xiii) Impaired financing by geographical distribution

Malaysia	<u>1,063,548</u>	<u>111,424</u>
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MBSB BANK BERHAD (716122-P)
(Formerly known as Asian Finance Bank Berhad)
(Incorporated in Malaysia)

13. Financial assets held- for-sale

	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Vested from MBSB FHC	1,155,396	-
Adjustment for current period	(27,047)	-
Gross assets held-for-sale	<u>1,128,349</u>	<u>-</u>
Less: Impairment allowance		
Vested from MBSB FHC	(1,137,050)	-
Net impairment for current period	16,025	-
Adjustment for current period	181	-
Total impairment allowance	<u>(1,120,844)</u>	<u>-</u>
Net assets held-for-sale	<u><u>7,505</u></u>	<u><u>-</u></u>
By economic purpose:		
Purchase of residential properties	32,314	-
Purchase of non-residential properties	954	-
Personal use	1,095,081	-
	<u><u>1,128,349</u></u>	<u><u>-</u></u>

14. Other assets

	Bank Group		Bank	
	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Amount due from MBSB FHC	565,849	-	565,849	-
Prepayments and deposits	2,813	3,877	2,813	3,877
Sundry receivables	406,898	4,263	403,418	4,263
Deferred expenses due to issuance of Sukuk - MBSB SC Murabahah	4,419	-	4,419	-
	<u><u>979,979</u></u>	<u><u>8,140</u></u>	<u><u>976,499</u></u>	<u><u>8,140</u></u>

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

15. Deposits from customers

	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
(i) By type of deposit:		
<u>Non-Mudharabah Funds:</u>		
Savings deposits:		
<i>Tawarruq</i>	77,377	-
<i>Wadiah</i>	-	1,821
Demand deposits:		
<i>Tawarruq</i>	187,047	-
<i>Wadiah</i>	-	70,796
Commodity Murabahah Term Deposit:		
<i>Tawarruq</i>	31,465,930	1,118,029
	<u>31,730,354</u>	<u>1,190,646</u>
<u>Mudharabah Funds:</u>		
Savings deposits	-	514
General investment deposits	-	7,516
	<u>-</u>	<u>8,030</u>
	<u>31,730,354</u>	<u>1,198,676</u>
(ii) Maturity structure of term deposits are as follows:		
	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Due within six months	24,672,948	902,184
More than six months to one year	3,848,232	73,321
More than one year to three years	913,648	142,524
More than three years	2,031,102	-
	<u>31,465,930</u>	<u>1,118,029</u>
(iii) By type of customers:		
	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Government and statutory bodies	15,346,417	336,488
Business enterprises	13,387,393	846,838
Individuals	2,996,544	15,350
	<u>31,730,354</u>	<u>1,198,676</u>
(iv) By Shariah contracts:		
	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Mudharabah	-	8,030
Tawarruq	31,730,354	1,118,030
Wadiah	-	72,616
	<u>31,730,354</u>	<u>1,198,676</u>

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-Sep-18	31-Dec-17
	RM'000	RM'000
(i) By type of deposit:		
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	302,776	180,708
Other financial institutions	1,536,980	500,560
	<u>1,839,756</u>	<u>681,268</u>
(ii) By type of contract:		
Tawarruq	1,839,756	680,808
Wadiah	-	460
	<u>1,839,756</u>	<u>681,268</u>

17. Other liabilities

	Bank Group		Bank	
	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
AI-Mudharabah security deposit	119,629	-	119,629	-
Sundry creditors	164,284	8,632	164,284	8,632
Other provisions and accruals	23,933	5,990	23,150	5,990
Deferred income	219	-	219	-
	<u>308,065</u>	<u>14,622</u>	<u>307,282</u>	<u>14,622</u>

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

18. Income derived from investment of general investment deposits and Islamic capital funds**18(a) Income derived from investment of depositors' funds**

	Bank Group			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-18 RM'000	30-Sep-17 RM'000	30-Sep-18 RM'000	30-Sep-17 RM'000
Income derived from investment of:				
i) General investment deposit	2,007	98	10,310	318
ii) Other deposits	646,795	22,545	1,273,810	65,938
	<u>648,802</u>	<u>22,643</u>	<u>1,284,120</u>	<u>66,256</u>
i) Income derived from investment of general investment deposits				
<u>Finance income and hibah:</u>				
Financing and advances	1,655	61	8,567	201
Financial assets held-for-trading	-	-	-	1
Investment securities at FVOCI	102	7	606	28
Investment securities at amortised cost	18	18	59	55
Money at call and deposits with financial institutions	75	12	267	33
Profit on Sukuk commodity murabahah	121	-	670	-
Others	35	-	140	-
	<u>2,007</u>	<u>98</u>	<u>10,310</u>	<u>318</u>
of which				
financing income earned on impaired financing	<u>191</u>	<u>-</u>	<u>414</u>	<u>-</u>
ii) Income derived from investment of other deposits				
<u>Finance income and hibah:</u>				
Financing and advances	531,153	13,891	1,036,176	41,496
Financial assets held-for-trading	-	-	-	185
Investment securities at FVOCI	36,561	1,694	74,891	5,758
Investment securities at amortised cost	4,869	4,119	14,641	11,491
Money at call and deposits with financial institutions	24,113	2,841	51,725	7,008
Profit on Sukuk commodity murabahah	40,774	-	79,682	-
Others	9,325	-	16,695	-
	<u>646,795</u>	<u>22,545</u>	<u>1,273,810</u>	<u>65,938</u>
of which				
financing income earned on impaired financing	<u>32,965</u>	<u>-</u>	<u>48,767</u>	<u>-</u>

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

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

	Bank			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
i) General investment deposit	1,945	98	9,953	318
ii) Other deposits	625,177	22,545	1,231,390	65,938
	<u>627,122</u>	<u>22,643</u>	<u>1,241,343</u>	<u>66,256</u>
i) Income derived from investment of general investment deposits				
<u>Finance income and hibah:</u>				
Financing and advances	1,655	61	8,567	201
Financial assets held-for-trading	-	-	-	1
Investment securities at FVOCI	102	7	606	28
Investment securities at amortised cost	18	18	59	55
Money at call and deposits with financial institutions	56	12	168	33
Profit on Sukuk commodity murabahah	76	-	406	-
Others	38	-	147	-
	<u>1,945</u>	<u>98</u>	<u>9,953</u>	<u>318</u>
of which				
financing income earned on impaired financing	<u>191</u>	<u>-</u>	<u>414</u>	<u>-</u>

	Bank			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
ii) Income derived from investment of other deposits				
<u>Finance income and hibah:</u>				
Financing and advances	531,153	13,891	1,036,176	41,496
Financial assets held-for-trading	-	-	-	185
Investment securities at FVOCI	36,561	1,694	74,891	5,758
Investment securities at amortised cost	4,869	4,119	14,641	11,491
Money at call and deposits with financial institutions	17,957	2,841	39,927	7,008
Profit on Sukuk commodity murabahah	24,902	-	48,314	-
Others	9,736	-	17,442	-
	<u>625,177</u>	<u>22,545</u>	<u>1,231,390</u>	<u>65,938</u>
of which				
financing income earned on impaired financing	<u>33,951</u>	<u>-</u>	<u>49,753</u>	<u>-</u>

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

18. Income derived from investment of general investment deposits and Islamic capital funds**18(b) Income derived from investment of shareholders' funds**

	Bank Group			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances	42,541	3,351	122,310	10,318
Financial assets held-for-trading	-	-	-	48
Investment securities at FVOCI	3,047	409	9,352	1,436
Investment securities at amortised cost	1,447	994	4,097	2,852
Money at call and deposits with financial institutions	5,752	685	12,790	1,732
Profit on Sukuk commodity murabahah	3,035	-	8,985	-
Others	757	-	1,883	-
Total finance income and hibah	<u>56,580</u>	<u>5,439</u>	<u>159,418</u>	<u>16,386</u>
of which				
financing income earned on impaired financing	<u>2,337</u>	<u>-</u>	<u>5,794</u>	<u>-</u>
<u>Other operating income:</u>				
Financing related fees	2,669	1,905	8,125	6,049
Commission	2,533	89	6,442	506
Sundry income	176	-	5,054	-
Net gain/(loss) on derivatives foreign exchange contracts	(42)	(67)	(42)	(218)
	<u>5,336</u>	<u>1,927</u>	<u>19,579</u>	<u>6,337</u>
Grand total	<u>61,916</u>	<u>7,366</u>	<u>178,997</u>	<u>22,723</u>

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

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			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances	42,541	3,351	122,310	10,318
Financial assets held-for-trading	-	-	-	48
Investment securities at FVOCI	3,047	409	9,352	1,436
Investment securities at amortised cost	1,447	994	4,097	2,852
Money at call and deposits with financial institutions	5,285	685	11,460	1,732
Profit on Sukuk commodity murabahah	1,868	-	5,448	-
Others	789	-	1,967	-
Total finance income and hibah	<u>54,977</u>	<u>5,439</u>	<u>154,634</u>	<u>16,386</u>
of which				
financing income earned on impaired financing	<u>2,337</u>	<u>-</u>	<u>5,794</u>	<u>-</u>
Other operating income:				
Loan related fees	2,669	1,905	8,125	6,049
Insurance commission	2,533	89	6,442	506
Sundry income	176	-	5,054	-
Net gain/(loss) on derivatives foreign exchange contracts	(42)	(67)	-	(218)
	<u>5,336</u>	<u>1,927</u>	<u>19,579</u>	<u>6,337</u>
Grand total	<u>60,313</u>	<u>7,366</u>	<u>174,213</u>	<u>22,723</u>

19. Impairment allowance

	Bank Group and Bank			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
Impairment allowance for financing and advances:				
- Individual assessment allowance	-	39	-	22,720
- Collective assessment allowance	-	4	-	70
- Stage 1	(69,888)	-	(188,100)	-
- Stage 2	58,475	-	55,443	-
- Stage 3	96,650	-	236,612	-
Total (Note 12(x))	<u>85,236</u>	<u>-</u>	<u>103,955</u>	<u>-</u>
Impaired on financing and advances:				
- Written off	4,587	-	6,108	-
- Recovered	(2,009)	(5)	(16,006)	(5)
Total	<u>87,814</u>	<u>(5)</u>	<u>94,057</u>	<u>(5)</u>
Impairment allowance for other financial assets:				
- Financial asset held-for-sale	(35,720)	-	(16,025)	-
- Debt instruments at amortised cost	8	-	8	-
Total	<u>(35,712)</u>	<u>-</u>	<u>(16,017)</u>	<u>-</u>
Grand total	<u>52,102</u>	<u>38</u>	<u>78,040</u>	<u>22,785</u>

20. Income attributable

	Bank Group and Bank			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
(a) Income attributable to depositors				
Deposits from customers:				
- Mudharabah funds	309,617	40	612,381	135
- Non-mudharabah funds	2,325	8,667	20,697	25,355
Deposits and placements of banks and other financial institutions:				
- Non-mudharabah funds	14,581	10,704	25,114	30,488
	<u>326,523</u>	<u>19,411</u>	<u>658,192</u>	<u>55,978</u>
(b) Income attributable to securitisation	24,266	-	48,688	-
(c) Income attributable to sukuk	70,787	-	143,732	-
	<u>421,576</u>	<u>19,411</u>	<u>850,612</u>	<u>55,978</u>

21. Personnel expenses

	Bank Group and Bank			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	45,049	4,154	93,033	12,326
Social security costs	378	17	717	51
Pension costs - Employees Provident Fund	7,446	431	15,115	1,265
Other staff related expenses	6,074	375	9,325	1,033
	<u>58,947</u>	<u>4,977</u>	<u>118,190</u>	<u>14,675</u>

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

22. Other overhead expenses

	Bank Group			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	78	84	2,868	317
Amortisation of intangible assets	2,729	184	7,469	549
Rental of premises	2,410	488	4,416	1,459
Software and hardware maintenance	212	1,293	2,615	4,693
Rental of equipment and network line	-	32	55	162
Security expenses	414	104	505	308
Others	576	701	2,205	2,060
	<u>6,419</u>	<u>2,886</u>	<u>20,133</u>	<u>9,548</u>
<u>Promotion and marketing related expenses</u>				
Advertising and promotional activities	1,767	6	4,332	61
Others	-	7	9	72
	<u>1,767</u>	<u>13</u>	<u>4,341</u>	<u>133</u>
<u>General administrative expenses</u>				
License and association fees and levies	198	118	543	323
Travelling, transport and accommodation expenses	839	21	1,351	181
Printing, stationery, postage and clearing charges	7,184	76	9,391	266
Electricity and water	1,384	53	1,454	210
Directors related fees	546	191	1,721	552
Other professional fees	5,325	363	9,954	580
Auditors remuneration	245	100	591	291
Others	4,831	336	13,029	1,018
	<u>20,552</u>	<u>1,258</u>	<u>38,034</u>	<u>3,421</u>
<u>Commission fees</u>				
Commission fees	1,360	-	1,360	-
Angkasa charges	7,203	-	14,776	-
	<u>8,563</u>	<u>-</u>	<u>16,136</u>	<u>-</u>
	<u>37,301</u>	<u>4,157</u>	<u>78,644</u>	<u>13,102</u>

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

22. Other overhead expenses (continued)

	Bank			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	78	84	2,868	317
Amortisation of intangible assets	2,729	184	7,469	549
Rental of premises	2,410	488	4,416	1,459
Software and hardware maintenance	212	1,293	2,615	4,693
Rental of equipment and network line	-	32	55	162
Security expenses	414	104	505	308
Others	576	701	2,205	2,060
	<u>6,419</u>	<u>2,886</u>	<u>20,133</u>	<u>9,548</u>
<u>Promotion and marketing related expenses</u>				
Advertising and promotional activities	1,767	6	4,332	61
Others	-	7	9	72
	<u>1,767</u>	<u>13</u>	<u>4,341</u>	<u>133</u>
<u>General administrative expenses</u>				
License and association fees and levies	198	118	543	323
Travelling, transport and accomodation expenses	839	21	1,351	181
Printing, stationery, postage and clearing charges	7,184	76	9,391	266
Electricity and water	1,384	53	1,454	210
Directors related fees	546	191	1,721	552
Other professional fees	5,325	363	9,954	580
Auditors remuneration	245	100	591	291
Others	4,714	336	12,337	1,018
	<u>20,435</u>	<u>1,258</u>	<u>37,342</u>	<u>3,421</u>
<u>Collection fees</u>				
Commission fees	1,360	-	1,360	-
Angkasa charges	7,203	-	14,776	-
	<u>8,563</u>	<u>-</u>	<u>16,136</u>	<u>-</u>
	<u>37,184</u>	<u>4,157</u>	<u>77,952</u>	<u>13,102</u>

23. Other comprehensive income

	Bank Group			
	3rd Quarter Ended		Nine Months Ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
Financial investment available-for-sale				
- Unrealised net gain / (loss) on revaluation	25,469	236	9,938	1,380
Negative goodwill arising from consolidation	-	-	346,881	-
	<u>25,469</u>	<u>236</u>	<u>356,819</u>	<u>1,380</u>
<u>Bank</u>				
<u>3rd Quarter Ended</u>				
<u>30-Sep-18</u>				
<u>30-Sep-17</u>				
<u>Nine Months Ended</u>				
<u>30-Sep-18</u>				
<u>30-Sep-17</u>				
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Financial investment available-for-sale				
- Unrealised net gain / (loss) on revaluation	25,469	236	9,938	1,380
	<u>25,469</u>	<u>236</u>	<u>9,938</u>	<u>1,380</u>

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

24. 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.

	Gross Positive			Risk weighted amount
	Principal amount	Fair Value - Derivative Contract	Credit equivalent amount*	
Bank Group and Bank	RM'000	RM'000	RM'000	RM'000
30-Sep-18				
Direct credit substitutes	178,786	-	178,786	178,660
Trade-related contingencies	265,897	-	100,091	100,091
Irrevocable commitments to extend credit:				
- one year or less	1,257,358	-	320,601	316,999
- over one year to five years	4,229,844	-	2,114,922	2,114,922
- over five years	278,517	-	139,258	139,258
Foreign exchange related contracts				
- one year or less	9,405	-	141	141
Total	6,219,808	-	2,853,799	2,850,071

	Gross Positive			Risk weighted amount
	Principal amount	Fair Value - Derivative Contract	Credit equivalent amount*	
Bank Group and Bank	RM'000	RM'000	RM'000	RM'000
31-Dec-17				
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	598,062	3,091	241,828	235,997

25. Financial risk management

25.1 Credit risk management

(i) Financing and advances

Financing and advances are summarised as follows:

	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Neither past due nor impaired	30,458,271	966,758
Past due but not impaired	2,069,292	10,611
Impaired	1,063,547	111,424
Gross financing and advances	<u>33,591,110</u>	<u>1,088,793</u>
Less: Impairment allowance		
Individual assessment allowance	-	(45,716)
Collective assessment allowance	-	(7,409)
Less: Loss allowance		
Stage 1	(395,318)	-
Stage 2	(542,830)	-
Stage 3	(822,244)	-
Net financing and advances	<u><u>31,830,718</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-Sep-18	31-Dec-17
	RM'000	RM'000
<u>Internal Credit Grading</u>		
AAA-A / CRR1-CRR3	4,215,389	122,041
BBB-B / CRR4-CRR6	6,236,925	822,801
CCC-C / CRR7-CRR10	240,814	14,732
Unrated / Non rated CRR	19,765,143	7,184
	<u><u>30,458,271</u></u>	<u><u>966,758</u></u>

(b) Financing and advances past due but not impaired

Analysis of ageing of financing and advances that are past due but not impaired is as follows:

	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Past due up to 30 days	1,464,944	9,685
Past due 30 to 60 days	603,666	926
Past due 60 to 90 days	682	-
	<u><u>2,069,292</u></u>	<u><u>10,611</u></u>

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

25. Financial risk management (continued)**25.1 Credit risk management (continued)****(i) Financing and advances (continued)****(c) Impaired financing and advances**

	Bank Group and Bank	
	30-Sep-18	31-Dec-17
	RM'000	RM'000
Gross impaired financing and advances	1,063,547	111,424
Less: impairment allowance	(822,244)	(45,716)
Net impaired financing and advances	<u>241,303</u>	<u>65,708</u>

The movements of allowances for impaired financing and advances are set out in Note 12(xi).

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-Sep-18</u>				
Neither past due nor impaired				
AAA	3,541,657	986,159	-	-
AA and below	33,618	142,306	-	-
Unrated	43	1,671,347	-	23,275
	<u>3,575,318</u>	<u>2,799,812</u>	<u>-</u>	<u>23,275</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)

25. Financial risk management (continued)**25.2 Market risk****(i) Profit Rate Risk**

Bank Group	----- Non-trading book -----						Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
30-Sep-18										
Assets										
Cash and short-term funds	3,540,000	-	-	-	-	329,628	-	3,869,628	3.30	
Deposits and placements										
with financial institutions	-	-	-	-	-	803,705	-	803,705		
Statutory deposits with BNM	-	-	-	-	-	1,029,287	-	1,029,287		
Other assets	-	-	-	-	-	979,979	-	979,979		
Financing and advances										
- performing	559,721	221,793	539,775	2,203,202	7,872,658	20,192,266	-	31,589,415	6.70	
- non performing	-	-	-	-	-	241,303	-	241,303		
Financial assets held- for-sale	-	-	-	-	-	7,505	-	7,505		
Financial assets at FVOCI	-	35,447	55,210	91,137	10,019	3,663,313	-	3,855,126	4.10	
Financial assets at amortised cost	-	50,693	160,817	288,053	101,475	-	-	601,038	4.21	
Financing to related companies	-	-	-	-	-	375,325	-	375,325		
Property, plant and equipment	-	-	-	-	-	13,392	-	13,392		
Investment properties	-	-	-	-	-	820	-	820		
Tax recoverable	-	-	-	-	-	5,300	-	5,300		
Intangible assets	-	-	-	-	-	80,108	-	80,108		
Deferred tax assets	-	-	-	-	-	33,245	-	33,245		
Total assets	4,099,721	307,933	755,802	2,582,392	7,984,152	27,755,176	-	43,485,176		

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

25. Financial risk management (continued)**25.2 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-Sep-18									
Liabilities									
Deposits from customers	99,701	111,774	-	142,000	-	31,376,879	-	31,730,354	3.96
Deposits and placements of banks and other financial institutions	288,117	511,904	1,027,664	-	-	12,071	-	1,839,756	3.83
Amount due to related companies	-	-	-	-	-	40,642	-	40,642	
Derivative liabilities	50	-	-	-	-	-	-	50	
Other liabilities	-	-	-	-	-	308,065	-	308,065	
Recourse obligation on loan/financing sold	-	-	-	-	-	2,150,137	-	2,150,137	4.53
Sukuk-MBSB Structured Covered ("SC")									
Murabahah	-	-	-	-	-	2,214,559	-	2,214,559	4.78
Provision for taxation and zakat	-	-	-	-	-	10,325	-	10,325	
Deferred tax liabilities	-	-	-	-	-	10,156	-	10,156	
Total liabilities	387,868	623,678	1,027,664	142,000	-	36,122,834	-	38,304,044	
Total shareholders equity	-	-	-	-	503,503	4,677,630	-	5,181,133	
	387,868	623,678	1,027,664	142,000	503,503	40,800,464	-	43,485,177	
Total profit-sensitivity gap	3,711,853	(315,745)	(271,862)	2,440,392	7,480,649	(13,045,288)	-	-	

MBSB BANK BERHAD (716122-P)

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

25. Financial risk management (continued)**25.2 Market risk (continued)****(i) Profit Rate Risk (continued)**

Bank	----- Non-trading book -----						Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
30-Sep-18										
Assets										
Cash and short-term funds	3,540,000	-	-	-	-	206,172	-	3,746,172	3.28	
Deposits and placements										
with financial institutions	-	-	-	-	-	1,827	-	1,827		
Statutory deposits with BNM	-	-	-	-	-	1,029,287	-	1,029,287		
Other assets	-	-	-	-	-	976,499	-	976,499		
Derivative assets	-	-	-	-	-	-	-	-		
Financing and advances										
- performing	559,721	221,793	539,775	2,203,202	7,872,658	20,192,266	-	31,589,415	6.70	
- non performing	-	-	-	-	-	241,303	-	241,303		
Financial assets held- for-sale	-	-	-	-	-	7,505	-	7,505		
Financial assets at FVOCI	-	35,447	55,210	91,137	10,019	3,663,313	-	3,855,126	4.10	
Financial assets at amortised cost	-	50,693	160,817	288,053	101,475	-	-	601,038	4.21	
Sukuk Commodity Murabahah	-	-	-	-	-	3,171,992	-	3,171,992		
Financing to subsidiary	-	-	-	-	-	26,436	-	26,436		
Financing to related companies	-	-	-	-	-	375,325	-	375,325		
Property, plant and equipment	-	-	-	-	-	13,392	-	13,392		
Investment properties	-	-	-	-	-	820	-	820		
Tax recoverable	-	-	-	-	-	5,300	-	5,300		
Intangible assets	-	-	-	-	-	80,108	-	80,108		
Deferred tax assets	-	-	-	-	-	33,245	-	33,245		
Total assets	4,099,721	307,933	755,802	2,582,392	7,984,152	30,024,790	-	45,754,790		

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

25. Financial risk management (continued)**25.2 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-Sep-18									
Liabilities									
Deposits from customers	99,701	111,774	-	142,000	-	31,376,879	-	31,730,354	3.96
Deposits and placements of banks and other financial institutions	288,117	511,904	1,027,664	-	-	12,071	-	1,839,756	3.83
Amount due to related companies	-	-	-	-	-	40,642	-	40,642	
Derivative liabilities	50	-	-	-	-	-	-	50	
Other liabilities	-	-	-	-	-	307,282	-	307,282	
Recourse obligation on loan/financing sold	-	-	-	-	-	2,150,137	-	2,150,137	4.53
Sukuk-MBSB Structured Covered ("SC")									
Murabahah	-	-	-	-	-	2,214,559	-	2,214,559	4.78
Amount due to subsidiary	-	-	-	-	-	2,661,063	-	2,661,063	
Provision for taxation and zakat	-	-	-	-	-	10,325	-	10,325	
Deferred tax liabilities	-	-	-	-	-	10,156	-	10,156	
Total liabilities	387,868	623,678	1,027,664	142,000	-	38,783,114	-	40,964,324	
Total shareholders equity	-	-	-	-	503,503	4,286,964	-	4,790,467	
	387,868	623,678	1,027,664	142,000	503,503	43,070,079	-	45,754,792	
Total profit-sensitivity gap	3,711,853	(315,745)	(271,862)	2,440,392	7,480,649	(13,045,290)	-	-	

MBSB BANK BERHAD (716122-P)

(Formerly known as Asian Finance Bank Berhad)

(Incorporated in Malaysia)

25. Financial risk management (continued)**25.2 Market risk (continued)****(i) Profit Rate Risk (continued)**

Bank Group and Bank	----- Non-trading book -----						Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
31-Dec-17										
Assets										
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)

25. Financial risk management (continued)**25.2 Market risk (continued)****(i) Profit Rate Risk (continued)**

Bank Group and Bank	----- Non-trading book -----						Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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. 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-Sep-18 RM'000	31-Dec-17 RM'000	30-Sep-18 RM'000	31-Dec-17 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	9,979	5,275	9,979	5,275
Regulatory reserve**	5,234	-	5,234	-
	<u>4,576,267</u>	<u>494,469</u>	<u>4,576,267</u>	<u>494,469</u>
Less : Common Equity Tier 1 regulatory adjustments				
Deferred tax assets	(23,089)	(626)	(23,089)	(626)
Cumulative (gains)/losses of Investment securities at FVOCI/AFS financial instruments	(137)	(30)	(137)	(30)
Regulatory reserve attributable to financing	(5,234)	(5,234)	(5,234)	(5,234)
Other intangibles	(80,108)	(1,620)	(80,108)	(1,620)
Total Common Equity Tier 1 Capital	<u>4,467,700</u>	<u>486,959</u>	<u>4,467,700</u>	<u>486,959</u>
<u>Tier 1 Capital</u>	-	-	-	-
<u>Tier II Capital</u>				
Collective impairment/allowance for bad and doubtful financing ^	386,905	6,209	424,837	6,209
Regulatory reserve	5,234	5,234	5,234	5,234
Total Tier II capital	<u>392,139</u>	<u>11,443</u>	<u>430,071</u>	<u>11,443</u>
Total capital base	<u>4,859,839</u>	<u>498,402</u>	<u>4,897,771</u>	<u>498,402</u>

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

	Bank Group		Bank	
	30-Sep-18 RM'000	31-Dec-17 RM'000	30-Sep-18 RM'000	31-Dec-17 RM'000
<u>Total risk weighted assets ("RWA")</u>				
- Credit risk	31,371,087	1,511,252	34,405,657	1,511,252
- Market risk	9,742	9,836	9,742	9,836
- Operational risk	397,950	89,397	354,446	89,397
Total RWA	<u>31,778,779</u>	<u>1,610,485</u>	<u>34,769,845</u>	<u>1,610,485</u>
<u>Capital ratios</u>				
Common equity tier 1 capital	14.059%	30.236%	12.849%	30.236%
Tier 1 capital	14.059%	30.236%	12.849%	30.236%
Total capital ratio	<u>15.293%</u>	<u>30.947%</u>	<u>14.086%</u>	<u>30.947%</u>

** The regulatory reserve is maintained in aggregate with Stage 1 and Stage 2 allowance representing loss allowances required to be maintained at a minimum level of 1% of total credit exposures, net of Stage 3 impairment loss allowance

^ Excludes 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 3RD QUARTER ENDED 30 SEPTEMBER 2018

1. Performance Review

The Bank Group registered a profit before zakat and tax of RM117.63 million for the third quarter ended 30 September 2018. The gross financing and advances for the Bank Group stood at RM33.59 billion whilst total deposits at RM31.73 billion.

Variation of Results against Preceding Year Corresponding Quarter

Financing

	Current	Preceding	Changes		
	Year	Year	RM'000	RM'000	
	Quarter	Corresponding			
	30-Sep-18	Quarter	30-Sep-17	RM'000	
	RM'000	30-Sep-17	RM'000	RM'000	
Personal financing	21,129,781	82	21,129,699	25767925.6%	
Corporate financing	8,081,728	1,325,215	6,756,513	509.8%	
Property financing	4,149,286	23,304	4,125,982	17705.0%	Retail
Auto financing	230,315	59	230,256	390264.4%	Corp
Total gross financing and advances	<u>33,591,110</u>	<u>1,348,660</u>	<u>32,242,450</u>	2390.7%	

Variation of Results against Preceding Quarter

Financing

	Current	Immediate	Changes	
	Year	Preceding	RM'000	RM'000
	Quarter	Quarter		
	30-Sep-18	30-Jun-18	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000
Personal financing	21,129,781	21,195,245	(65,464)	-0.3%
Corporate financing	8,081,728	7,748,581	333,147	4.3%
Property financing	4,149,286	4,120,814	28,472	0.7%
Auto financing	230,315	242,434	(12,119)	-5.0%
Total gross financing and advances	<u>33,591,110</u>	<u>33,307,074</u>	<u>284,036</u>	0.9%

On 2 April 2018, Malaysia Building Society Berhad ("MBSB"), the financial holding company, had vested via a First Tranche Transfer, transferred all of its Shariah-compliant assets and liabilities to MBSB Bank Berhad ("Bank") at net book value as a going concern. The total of Islamic assets and liabilities transferred were RM43.824 billion and RM39.731 billion respectively at the total net assets of RM4.093 billion.

As a result of the vesting exercise, the Bank Group gross financing and advances for the 3rd quarter 2018 ("2Q18") increased by 2390.7% and 0.9% as compared to 3rd quarter 2017 ("3Q17") and 2nd quarter 2018 ("2Q18") respectively.

PERFORMANCE REVIEW FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2018

1. Performance Review (continued)

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

	Current Year Quarter 30-Sep-18 RM'000	Preceding Year Corresponding Quarter 30-Sep-17 RM'000	Changes RM'000	
Income derived from investment of depositors' funds	648,802	22,643	626,159	2765.4%
Income derived from investment of shareholders' funds	61,916	7,366	54,550	740.6%
Impairment allowance	(52,102)	(38)	(52,064)	137011.0%
Total net income/loss	237,041	10,560	226,481	2144.7%
Total overhead expenses	<u>(96,248)</u>	<u>(9,134)</u>	(87,114)	953.7%
Profit before tax	<u>140,793</u>	<u>1,426</u>	139,367	9773.3%
Profit/(loss) after tax	<u>112,182</u>	<u>1,426</u>	110,756	7766.9%
Profit/(loss) attributable to owners of the Bank	<u>112,182</u>	<u>1,426</u>	110,756	7766.9%
Return on equity	5.0%	0.3%		

Variation of Results against Preceding Quarter

Variation of Results against Preceding Quarter

	Current Year Quarter 30-Sep-18 RM'000	Immediate Preceding Quarter 30-Jun-18 RM'000	Changes RM'000	
Income derived from investment of depositors' funds	648,802	613,881	34,921	5.7%
Income derived from investment of shareholders' funds	61,916	110,662	(48,746)	-44.0%
Impairment allowance	(52,102)	(33,200)	(18,902)	56.9%
Total net income	237,041	280,145	(43,104)	-15.4%
Total overhead expenses	<u>(96,248)</u>	<u>(91,192)</u>	(5,056)	5.5%
Profit before tax	<u>140,793</u>	<u>188,953</u>	(48,161)	-25.5%
Profit after tax	<u>112,182</u>	<u>139,809</u>	(27,627)	-19.8%
Profit attributable to owners of the Bank	<u>112,182</u>	<u>139,809</u>	(27,627)	-19.8%

The 3Q18 increase in income derived from investment of depositors' fund compared to 3Q17 and 2Q18 were 2765.4% and 5.7% respectively. Contribution from financing and advances towards the income derived from investment of depositors' funds stood at 82% (3Q17: 62% 2Q18: 82%).

The Bank Group profit before tax for 3Q18 increased by 9773.3% as compared to 3Q17. 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 3Q18 decreased by 25.5% as compared to 2Q18. The decrease was mainly due to higher impairment allowances and overhead expenses .