

FRS 134 – DISCLOSURE REQUIREMENTS PER PARAGRAPH 16

A1. Accounting Policies and Method of Computation

The interim report is prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's financial statements for the financial year ended 31 December 2007.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the financial statements for the year ended 31 December 2007 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") and IC Interpretations:

- FRS 107: Cash Flow Statements
- FRS 111: Construction Contracts
- FRS 112: Income Taxes
- FRS 118: Revenue
- FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
- FRS 134: Interim Financial Reporting
- FRS 137: Provisions, Contingent Liabilities and Contingent Assets
- Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
- IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
- IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IC Interpretation 6: Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IC Interpretation 7: Applying the Restatement Approach under FRS 129 *Financial Reporting in Hyperinflationary Economies*
- IC Interpretation 8: Scope of FRS 2

The adoption of the above FRSs and Interpretations does not have any significant impact on the financial statements of the Company and of the Group.

A2. Audit Report of Preceding Financial Year Ended 31 December 2007

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

A3. Seasonality and Cyclicity of Operation

The Group's operations have not been affected by any seasonal or cyclical factors.

A4. Exceptional or Unusual Items

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

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2008

A5. Changes in Estimates of Amounts Reported Previously

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

A6. Debts and Equity Securities

Other than the issuance of new shares as shown below pursuant to the Company's Employee Share Option Scheme ("ESOS") and conversion of Redeemable Convertible Preference Shares ("RCPS"), there were no issuance and repayment of debt and equity securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year.

	No of ordinary shares of RM1.00 each	Ordinary shares RM	Share premium RM
At 1 January 2008	361,102	361,102	661,053
Issued at RM1.00 per share pursuant to ESOS	4,338	4,338	-
Issued at RM1.10 per share pursuant to ESOS	4,732	4,732	473
Issued at RM1.00 per share upon conversion of RCPS	330,000	330,000	(165,000)
Transfer of share option reserve to share premium upon exercise of ESOS	-	-	643
At 31 December 2008	700,172	700,172	497,169

The RCPS expired on 21 August 2008, upon which the RCPS were converted into 330,000,000 units of ordinary shares of RM1 each in the Company.

Pursuant to the expiry of ESOS on 25 September 2008, all the outstanding options granted to the employees of the Company under the ESOS which were not exercised up to the closing date of the offer had lapsed and ceased to be exercisable.

A7. Dividends Paid

- (i) Dividend of 4% on 165,000,000 Redeemable Convertible Preference Shares for the period from 1 January 2007 to 31 December 2007 amounted to RM6.6 million was paid on 28 February 2008.
- (ii) First and final dividend in respect of the financial year ended 31 December 2007 of 4% less 26% taxation (2.96 sen net per ordinary share) amounted to RM10.797 million was paid on 27 June 2008.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2008

A8. Segmental Information on Revenue and Results

Segmental reporting is not analysed by geographical locations due to the fact that the Group's activities are pre-dominantly in Malaysia.

	Financing RM'000	Property Development RM'000	Letting of Real Property RM 000	Hotel Operations RM 000	Others RM'000	Eliminations RM'000	Consolidated RM'000
3 months ended 31 Dec 08							
External sales	105,988	1,137	51	5,060	-	1,872	114,108
Intersegment sales	3,399	-	1,258	-	-	(4,657)	-
Total revenue	109,387	1,137	1,309	5,060	-	(2,785)	114,108
Segment results	8,299	8,810	(2,282)	(541)	(7)	(6,634)	7,645
Unallocated income (net of cost)							-
Profit from operations							<u>7,645</u>
3 months ended 31 Dec 07							
External sales	90,602	3,446	84	3,975	-	3,810	101,917
Intersegment sales	2,654	-	1,263	-	-	(3,917)	-
Total revenue	93,256	3,446	1,347	3,975	-	(107)	101,917
Segment result	12,951	2,486	(2,278)	(387)	73	5,402	18,247
Unallocated income (net of cost)							-
Profit from operations							<u>18,247</u>
12 months ended 31 Dec 08							
External sales	376,008	14,438	330	11,546	-	13,833	416,155
Intersegment sales	29,076	-	5,036	-	-	(34,112)	-
Total revenue	405,084	14,438	5,366	11,546	-	(20,279)	416,155
Segment results	63,900	1,617	(9,795)	(3,655)	(96)	2,072	54,043
Unallocated income (net of cost)							-
Profit from operations							<u>54,043</u>
12 months ended 31 Dec 07							
External sales	326,954	5,201	380	8,520	-	14,531	355,586
Intersegment sales	13,753	-	5,125	-	-	(18,878)	-
Total revenue	340,707	5,201	5,505	8,520	-	(4,347)	355,586
Segment result	41,964	(15,327)	(1,335)	(3,302)	(83)	21,460	43,377
Unallocated income (net of cost)							-
Profit from operations							<u>43,377</u>

A9. Valuation of Property, Plant and Equipment

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

A10. Subsequent Events

As at the date of this report, there were no material events occurring subsequent to the end of the current financial period that have not been reflected in the financial statements for the current financial year.

A11. Changes in the Composition of the Group

There were no major changes in the composition of the Group for the current financial year.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2008

A12. Contingent Liabilities

(a) Contingencies

	As at 31/12/2008 RM'000	As at 31/12/2007 RM'000
Fully secured:		
Financial guarantee to secure payments by a borrower	42,080	42,080
Partly secured:		
Obligation to secure performance by third parties	285,911	285,911
	<u>327,991</u>	<u>327,991</u>

(b) Material Litigations

- (i) In two (2) civil suits brought against the Company, a contractor appointed by one of the Company's borrowers is claiming damages amounting to RM2.54 million for an alleged breach of contract. The suits were filed in the High Court at Kuala Lumpur as well as in the High Court at Kota Bharu.

The Court has dismissed the contractor's application for Summary Judgment. Both suits have since been consolidated and will be heard in the High Court at Kuala Lumpur. Case Management was fixed on 15 January 2009. On the said date, the Court has fixed for further Case Management on 13 March 2009.

The trial dates have been fixed and will be held from 21 September 2009 to 24 September 2009.

- (ii) Upon the winding up of an unrelated company, the creditor of the said unrelated company has named a subsidiary of the Company ("the Company's subsidiary") as well as three (3) other defendants as co-conspirators in a scheme to sell off a major asset of the unrelated company and thereafter allowing the said unrelated company to be wound up in order to defeat the said creditor's claim for payment from the unrelated company amounting to RM4.8 million for goods sold and delivered.

An Order 14A application has been filed. The parties have been instructed to complete the submissions by 9 October 2008. The Court had fixed 4 November 2008 as the decision date for the abovesaid actions. Unfortunately, the Court was not ready to deliver the decision on the matter and has fixed 25 February 2009 as the new date for decision.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2008

- (iii) A former borrower of the Company has instituted a civil suit against the Company for an alleged breach of an agreement to grant loan facilities to the former Borrower for their commercial development project. The Company had terminated the said facilities due to the former borrower's breach of the said agreement and had thereafter sold the loan asset to Pengurusan Danaharta Nasional Berhad. Notwithstanding the same, the former borrower now alleged that the Company had failed to fully disburse the said facilities pursuant to the terms of the Facility Agreement.

As such, the former borrower has sought for damages amounting to RM18.011 million as at 31 July 2002, interest on a monthly rest basis at the rate of 2% per annum above Base Lending Rate on the sum of RM18.011million from 1 August 2002 until the date of full settlement, penalty interest of 1% per annum on the sum of RM18.011 million from 1 August 2002 until the date of full settlement with regard to the liabilities incurred by the former borrower in relation to the said commercial development project or in the alternative to the abovementioned relief, damages amounting to RM18.240 million being the total development expenditure incurred by the former borrower, damages amounting to RM43.311 million for loss of profit or alternatively damages to be assessed by the Court as well as costs.

The Statement of Defence was filed by the Company on 5 September 2005. Case Management was held on 30 January 2009. On the said date, the Court fixed for further Case Management on 29 April 2009

- (iv) A former borrower of the Company has instituted a civil suit against the Company for an alleged breach of loan agreement. The former borrower alleged that the Company had failed to fully disburse the said facilities pursuant to the terms of the loan agreement.

As such the former borrower has sought for damages amounting to RM5.0 million or any other sum as determined by the Court, interest at the rate of 8% on the sum of RM5.0 million or any other sum as determined by the Court from the date of the Writs of Summon until the date of full realisation, as well as costs. The Statement of Defence was filed on 31 July 2006.

In a related action, the Company has filed an Application to strike out the suit which was dismissed on 22 April 2008. The appeal against the Court's decision to dismiss the Application to strike out the suit was also disallowed.

Case Management was fixed on 24 February 2009.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2008

- (v) A former borrower of the Company has instituted a civil suit against the Company for alleged breach of loan agreement. The former borrower alleges that as a result of the Company terminating the unutilised balance of the bridging loan facility, the Plaintiff has suffered losses in the project in which they were developing.

As such, the former borrower has sought for damages amounting to RM16.136 million, general damages and punitive for the amount to be determined by the Court, interest on the total damages at a rate of 8% per annum on the sum of RM16.136 million until the date of full settlement, cost and such other relief that the Court deems fit and reasonable.

The Statement of Defence was filed in 17 August 2007. Case management was fixed on 15 January 2009. The Court has fixed for further Case Management on 26 February 2009.

- (vi) A Counterclaim was filed by a borrower seeking damages against MBSB's subsidiaries in the sum of RM445 million and RM8.540 million for alleged losses suffered by the borrower in relation to development projects in Melaka ("Melaka Project") and Penang ("Penang Project") respectively, which to date remains uncompleted.

Both the suits were in response to MBSB's civil suit against the borrower in relation to its failure to repay to MBSB's term loans of RM178 million and RM61 million respectively.

For the Melaka Project, the Court had fixed 4 December 2008 for mention on the Counterclaim. On the said date, the Court had fixed 20 January 2009 for oral clarification of the Written Submissions. The new date for the matter has been fixed on 26 February 2009.

For the Penang Project, the Court has fixed 10 February 2009 for mention for the application for Summary Judgment Striking Off application.

The directors after obtaining advice from the Company's solicitors are of the opinion that the Company has reasonably good cases in respect of all the claims against the Company and as such, no provision has been made in the financial statements.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2008

A13. Acquisition/Disposal of Property, Plant and Equipment

	12 months ended 31/12/2008 RM'000
Acquisition	
Renovation	1,650
Furniture & Equipment	1,193
Data Processing Equipment	615
	<u>3,458</u>
Disposal	
Furniture & Equipment	50
Data Processing Equipment	28
	<u>78</u>

A14. Significant Related Party Transactions

	4th Quarter		Cumulative	
	Current Quarter 31/12/2008 RM'000	Preceding Quarter 30/09/2008 RM'000	Current Year To Date 31/12/2008 RM'000	Preceding Year To Date 31/12/2007 RM'000
Transactions with Employees				
Provident Fund Board, the ultimate holding body				
Interest on debenture loans	1,297	1,384	5,914	8,566
Rental paid	75	75	309	306
Agency fees received	2	(1)	9	13
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Transaction of a subsidiary with with an associated company of the ultimate holding body in respect of disposal of properties	-	26,000	26,000	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

A15. Capital Commitments

As at 31 December 2008, there were no commitments for the purchase of property, plant and equipment other than those stated below:

	RM'000
Property, plant and equipment:	
• Approved but not contracted for	<u>10,811</u>

A16. Impairment Loss

There was no significant impairment loss for the year ended 31 December 2008 other than impairment of RM0.224 million on property for sale.

**BMSB LISTING REQUIREMENTS – DISCLOSURE REQUIREMENTS AS PART A
OF APPENDIX 9B**

B1. Comparison with the Preceding Quarter's Results

The Group profit before taxation of RM7.645 million for the current quarter was lower than the preceding quarter of RM12.639 million. This was mainly due to higher allowance for losses on loans and financing and lower other operating income. These were partly set off by higher net interest income and lower other operating expenses in the current quarter compared to the previous quarter.

B2. Review of Performance

The Group profit before taxation for the year ended 31 December 2008 of RM54.043 million was higher than the previous year profit before tax of RM43.377 million. This was mainly due to higher net income from Islamic banking operations, higher net interest income, lower allowance for losses on loans and financing and higher other operating income. These were partly set off by higher other operating expenses.

B3. Prospects for 2009

In view of the global financial and economic crisis, the Malaysian economy has now become more challenging. The operating environment for the finance industry will become more difficult and competitive especially in terms of retail and corporate loans. Notwithstanding, the Group will continue to focus on managing asset quality, mortgage and related retail business, fee-based income business as well as recoveries. The Group will also be enhancing its risk management capabilities in view of the current economic environment.

Barring unforeseen circumstances, the Group expects to remain profitable in 2009.

B4. Variance from Profit Forecast and Profit Guarantee

There was no profit forecast or profit guarantee issued for the financial year ended 31 December 2008.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2008

B5. Taxation

	4th Quarter		Cumulative	
	Current Quarter 31/12/2008 RM'000	Preceding Quarter 30/09/2008 RM'000	Current Year To Date 31/12/2008 RM'000	Preceding Year To Date 31/12/2007 RM'000
Income tax:				
Current income tax	84	910	994	-
Underprovision in prior years	927	3,809	4,736	8
	1,011	4,719	5,730	8
Deferred tax:				
Relating to origination and reversal of temporary differences	15,200	-	15,157	(3,074)
Relating to changes in tax rates	1,147	-	1,147	(2,555)
Overprovision in prior years	(843)	(6)	(843)	(4,445)
	15,504	(6)	15,461	(10,074)
	16,515	4,713	21,191	(10,066)

B6. Profit/(Loss) on Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investment. The gain on disposal of foreclosed properties for the current financial year amounted to RM10.028 million.

B7. Purchase and Sale of Quoted Securities

Other than the disposal of quoted warrants with carrying amount of RM0.106 million, there were no other dealings in quoted securities for the current financial year.

B8. Status of Corporate Proposals

No corporate proposals were announced.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2008

B9. Borrowings and Debts

Borrowings and debts securities of the Group as at 31 December 2008 are as follows:

	RM'000
Secured short term borrowings	50,004
Secured long term borrowings	<u>50,015</u>
 Total	 <u>100,019</u>

All borrowings and debts securities are denominated in Ringgit Malaysia.

B10. Off Balance Sheet Financial Instruments

The Company and the Group do not have any financial instruments.

B11. Material Litigation

The details of the pending material litigation are as per note A12 above.

B12. Dividends Declared

The Board of Directors has recommended a first and final dividend of 3.0% less 25% income tax (2.25 sen net per ordinary share) in respect of the financial year ended 31 December 2008, for the approval of the Company's shareholders at the forthcoming Annual General Meeting. Based on the issued and paid up as at 31 December 2008 of 700,171,527 ordinary shares, the dividend payable would amount to RM15,754,000. The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity in the financial year ending 31 December 2009.

The entitlement and payment dates in respect of this proposed dividend will be announced at a later date.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2008

B13. Earnings Per Share

(i) Basic

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

	4th Quarter		Cumulative	
	Current Quarter 31/12/2008 RM'000	Preceding Quarter 30/09/2008 RM'000	Current Year to Date 31/12/2008 RM'000	Preceding Year to Date 31/12/2007 RM'000
Net profit attributable to shareholders	(9,147)	7,926	32,575	53,319
Weighted average number of ordinary shares in issue	485,374	397,726	485,374	344,803
Basic earnings per share (sen)	<u>(1.88)</u>	<u>1.99</u>	<u>6.71</u>	<u>15.46</u>

(ii) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the financial year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares i.e. RCPS and ESOS.

	4th Quarter		Cumulative	
	Current Quarter 31/12/2008 RM'000	Preceding Quarter 30/09/2008 RM'000	Current Year to Date 31/12/2008 RM'000	Preceding Year to Date 31/12/2007 RM'000
Net profit attributable to shareholders	(9,147)	7,926	32,575	53,319
After tax effect of finance cost on RCPS	-	-	-	618
After tax effect of finance cost on ESOS	-	-	-	62
Adjusted net profit attributable to shareholders	<u>(9,147)</u>	<u>7,926</u>	<u>32,575</u>	<u>53,999</u>
Weighted average of number of shares in issue ('000)	485,374	397,726	485,374	344,803
Effect of dilution:				
RCPS	-	-	-	330,000
ESOS	-	-	-	1,487
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>485,374</u>	<u>397,726</u>	<u>485,374</u>	<u>676,290</u>
Diluted earnings per share (sen)	<u>(1.88)</u>	<u>1.99</u>	<u>6.71</u>	<u>7.98</u>

Further details on RCPS and ESOS are set out in Note A6.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2008

B14. Authorisation For Issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 February 2009.

BY ORDER OF THE BOARD

Koh Ai Hoon
Huzaifah Zainuddin
Joint Company Secretaries
Kuala Lumpur
23 February 2009