

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 2008.

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 2008.

The following new FRS and Interpretations were issued but not yet effective and have not been applied by the Group:

FRS, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010

The new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

A2. Audit Report of Preceding Financial Year Ended 31 December 2008

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 period.

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A5. Changes in Estimates of Amounts Reported Previously

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

A6. Loans, Advances and Financing

	Group	
	30/06/2009	31/12/2008
	RM'000	RM'000
Gross loans, advances and financing	10,875,576	10,353,332
Interest/income-in-suspense	(2,950,617)	(2,978,111)
Allowance for bad and doubtful debts and financing:		
- General	(74,419)	(69,460)
- Specific	(574,421)	(522,626)
Net loans, advances and financing	<u>7,276,119</u>	<u>6,783,135</u>

A7. Debts and Equity Securities

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 quarter.

A8. Dividends Paid

The first and final dividend in respect of the financial year ended 31 December 2008 of 3% less 25% taxation (2.25 sen net per ordinary share) amounted to RM15.754 million was paid on 22 May 2008.

A9. 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	Property	Letting of	Hotel	Others	Eliminations	Consolidated
	RM'000	Development	Real Property	Operations	RM'000	RM'000	RM'000
		RM'000	RM 000	RM 000			
3 months ended 30 Jun 09							
External sales	105,772	30	60	2,919	-	3,838	112,619
Intersegment sales	2,447	-	1,262	-	-	(3,709)	-
Total revenue	<u>108,219</u>	<u>30</u>	<u>1,322</u>	<u>2,919</u>	<u>-</u>	<u>129</u>	<u>112,619</u>
Segment results	12,903	(6,381)	(249)	(783)	(23)	6,968	12,435
Unallocated income (net of cost)							-
Profit from operations							<u>12,435</u>
3 months ended 30 Jun 08							
External sales	95,430	178	95	2,535	-	3,971	102,209
Intersegment sales	3,694	-	1,257	-	-	(4,951)	-
Total revenue	<u>99,124</u>	<u>178</u>	<u>1,352</u>	<u>2,535</u>	<u>-</u>	<u>(980)</u>	<u>102,209</u>
Segment result	14,760	(6,694)	(2,218)	(706)	(27)	9,056	14,171
Unallocated income (net of cost)							-
Profit from operations							<u>14,171</u>

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	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
6 months ended 30 Jun 09							
External sales	201,590	2,030	136	5,494	-	7,540	216,790
Intersegment sales	5,072	-	2,520	-	-	(7,592)	-
Total revenue	<u>206,662</u>	<u>2,030</u>	<u>2,656</u>	<u>5,494</u>	<u>-</u>	<u>(52)</u>	<u>216,790</u>
Segment results	21,314	(10,345)	(2,837)	(1,886)	(43)	16,021	22,224
Unallocated income (net of cost)							-
Profit from operations							<u>22,224</u>
6 months ended 30 Jun 08							
External sales	190,100	5,882	186	4,508	-	7,838	208,514
Intersegment sales	6,402	-	2,517	-	-	(8,919)	-
Total revenue	<u>196,502</u>	<u>5,882</u>	<u>2,703</u>	<u>4,508</u>	<u>-</u>	<u>(1,081)</u>	<u>208,514</u>
Segment result	33,673	(12,011)	(4,763)	(1,839)	(47)	18,747	33,760
Unallocated income (net of cost)							-
Profit from operations							<u>33,760</u>

A10. Valuation of Property, Plant and Equipment

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

A11. Subsequent Events

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

A12. Changes in the Composition of the Group

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

A13. Contingent Liabilities

(a) Contingencies

	As at 30/06/2009 RM'000	As at 31/12/2008 RM'000
Fully secured:		
Financial guarantee to secure payments by borrowers	42,080	42,080
Partly secured:		
Obligation to secure performance by third parties	<u>285,911</u>	<u>285,911</u>
	<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 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. The matter is now fixed for Case Management on 12 October 2009.

The Trial dates have been rescheduled and will be held from 9 November 2009 to 12 November 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.

On 14 April 2009, the Court dismissed the application for Summary Judgement made by the Plaintiff/creditor. The matter has since come up for Case Management on 23 June 2009 and 25 June 2009 to settle outstanding issues between the Plaintiff/creditor and the 1st Defendant.

Further Case Management was fixed for 23 July 2009 to enable the Plaintiff/creditor to file the common bundle, issues to be tried and the agreed facts. Subsequently, the Court has fixed 14, 15, 17 and 18 September 2009 for full Trial of this matter.

- (iii) A former borrower of the Company has instituted a civil suit against the Company for an alleged breach of the terms of the facility agreement i.e. failure to fully disburse the said 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.

The former borrower seeks damages amounting to RM18.011 million as at 31 July 2002, interest on a monthly rest 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. The Court has fixed 1 July 2009 for further Case Management.

The Court has fixed 19 August 2009 for next Case Management.

- (iv) A former borrower of the Company instituted a civil suit against the Company for an alleged breach of loan agreement i.e. failure to fully disburse the said facilities pursuant to the terms of the loan agreement.

The former borrower is seeking damages amounting to RM5.0 million or such other sum as determined by the Court, interest at the rate of 8% on the RM5.0 million or such other sum as determined by the Court from the date of the Writ until the date of full realisation, as well as costs. The Company's Statement of Defence was filed on 31 July 2006.

In the interim, the Company filed an Application to strike out the suit but the application was dismissed on 22 April 2008. The Company's appeal against the dismissal was also disallowed.

On 8 May 2009, the Court dismissed the Company's application for the Court to hold a trial of a preliminary issue. The Court has yet to fix a date for Case Management.

The Notice of Appeal to the Court of Appeal was filed on 22 May 2009. Upon receipt of the Grounds of Judgment, the Company's Solicitors will proceed to prepare the Record of Appeal.

- (v) A former borrower of the Company has instituted a civil suit against the Company for losses suffered in project they were developing due to an alleged breach by the Company i.e. terminating the unutilised balance of the bridging loan facility.

The former borrower seeks damages amounting to RM16.136 million, general and punitive damages for an 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 as the Court deems fit and reasonable.

The Statement of Defence was filed on 17 August 2007. On 6 May 2009, the Court allowed the Company's application to strike out the Plaintiff's claim with costs.

The Plaintiff's solicitors have filed a Notice of Appeal to the Court of Appeal on 29 May 2009. No date has been fixed yet.

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- (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 suits against the borrower in relation to its failure to repay MBSB's term loans of RM178 million and RM61 million respectively.

For the Melaka Project, the borrower's Defence and Counterclaim were deemed to be filed within time and the Company's Reply to Yeng Chong's Defence and Counterclaim was filed on 29 May 2009. The matter is now pending a date for case management.

For the Penang Project, the Company's application for Summary Judgement was dismissed with costs.

The Court has fixed 20 August 2009 for Hearing of the Company's application to strike off the Counterclaim.

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.

A14. Acquisition/Disposal of Property, Plant and Equipment

There were no major acquisition and disposal of property, plant and equipment during the current quarter.

A15. Significant Related Party Transactions

	2nd Quarter		Cumulative	
	Current Quarter 30/06/2009 RM'000	Preceding Quarter 31/03/2009 RM'000	Current Year To Date 30/06/2009 RM'000	Preceding Year To Date 30/06/2008 RM'000
Transactions with Employees Provident Fund Board, the ultimate holding body				
Interest on debenture loans	917	1,046	1,963	3,233
Rental paid	74	75	149	159
Agency fees received	(1)	1	(2)	(5)

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A16. Capital Commitments

As at 30 June 2009, 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>

A17. Impairment Loss

There was no significant impairment loss for the current quarter.

**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 RM12.435 million for the current quarter was higher than the preceding quarter of RM9.789 million. This was mainly due to higher other operating income, higher income from Islamic banking operations and higher net interest income. These were partly set off by higher allowance for losses on loans and financing and higher other operating expenses in the current quarter compared to the previous quarter.

B2. Review of Performance

The Group profit before taxation for the 6 months period ended 30 June 2009 of RM22.224 million was lower than the previous year corresponding period profit before tax of RM33.760 million. This was mainly due to higher allowance for losses on loans, advances and financing, lower net interest income and higher other operating expenses. These were partly set off by higher net income from Islamic banking operations and higher other operating income.

B3. Prospects for 2009

In view of the global financial and economic crisis, the operating environment for the finance industry has become more challenging and competitive especially in terms of retail and corporate loans. The Group is focused on managing asset quality, mortgage and related retail business, fee-based income business as well as recoveries. The Group will continue to enhance 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 ending 31 December 2009.

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B5. Taxation

	2nd Quarter		Cumulative	
	Current Quarter 30/06/2009 RM'000	Preceding Quarter 31/03/2009 RM'000	Current Year To Date 30/06/2009 RM'000	Preceding Year To Date 30/06/2008 RM'000
Income tax:				
Current income tax	24	23	47	-
Tax refund	-	(19)	(19)	-
	<u>24</u>	<u>4</u>	<u>28</u>	<u>-</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	3,981	3,982	7,963	(37)
Relating to changes in tax rates	-	-	-	-
Overprovision in prior years	-	-	-	-
	<u>3,981</u>	<u>3,982</u>	<u>7,963</u>	<u>(37)</u>
	<u>4,005</u>	<u>3,986</u>	<u>7,991</u>	<u>(37)</u>

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 quarter amounted to RM0.065 million.

B7. Purchase and Sale of Quoted Securities

There were no dealings in quoted securities for the current quarter.

B8. Status of Corporate Proposals

No corporate proposals were announced.

B9. Borrowings and Debts

Borrowings and debts securities of the Group as at 30 June 2009 are as follows:

	RM'000
Short term borrowings	
Secured	50,015
Unsecured	455,136
	<u>505,151</u>
Long term borrowings	
Secured	24,994
Unsecured	-
	<u>24,994</u>
Total	<u>530,145</u>

All borrowings and debts securities are denominated in Ringgit Malaysia.

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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

No dividends have been declared for the current quarter.

B13. Earnings Per Share**(i) Basic**

Basic earnings 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 period.

	2nd Quarter		Cumulative	
	Current Quarter 30/06/2009 RM'000	Preceding Quarter 31/03/2009 RM'000	Current Year to Date 30/06/2009 RM'000	Preceding Year to Date 30/06/2008 RM'000
Net profit attributable to shareholders	8,430	5,803	14,233	33,797
Weighted average number of ordinary shares in issue	700,172	700,172	700,172	351,334
Basic earnings per share (sen)	1.20	0.83	2.03	9.62

(ii) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the previous year corresponding cumulative quarter ended 30 June 2008 and the weighted average number of ordinary shares in issue during that quarter have been adjusted for the dilutive effects of all potential shares. For the current year under review, there were no dilutive financial instruments. The Redeemable Convertible Preference Shares ("RCPS") have been converted fully into ordinary shares in August 2008 whilst the Employee Share Option Scheme ("ESOS") had expired in September 2008.

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	2nd Quarter		Cumulative	
	Current Quarter	Preceding Quarter	Current Year to Date	Preceding Year to Date
	30/06/2009 RM'000	31/03/2009 RM'000	30/06/2009 RM'000	30/06/2008 RM'000
Net profit attributable to shareholders	8,430	5,803	14,233	33,797
After tax effect of finance cost on ESOS	-	-	-	62
Adjusted net profit attributable to shareholders	<u>8,430</u>	<u>5,803</u>	<u>14,233</u>	<u>33,859</u>
Weighted average of number of shares in issue ('000)	700,172	700,172	700,172	351,334
Effect of dilution:				
RCPS	-	-	-	330,000
ESOS	-	-	-	1,487
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>700,172</u>	<u>700,172</u>	<u>700,172</u>	<u>682,821</u>
Diluted earnings per share (sen)	<u>1.20</u>	<u>0.83</u>	<u>2.03</u>	<u>4.96</u>

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 11 August 2009.

BY ORDER OF THE BOARD

Koh Ai Hoon
Huzaifah Zainuddin
Joint Company Secretaries
Kuala Lumpur
11 August 2009