

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2013

**A1. Basis of Preparation**

The unaudited interim financial statements for the 4<sup>th</sup> quarter ended 31 December 2013 have been prepared under the historical cost convention except for the following financial assets and financing liabilities which are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method: Loans and receivables, investments held-to-maturity, trade and other payables, bank borrowings and recourse obligations on loans sold to Cagamas Berhad.

The unaudited interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2012.

The unaudited interim financial statements incorporated those activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The Group has adopted the Malaysian Financial Reporting Standards (“MFRS”) framework issued by the Malaysian Accounting Standards Board (“MASB”) with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia’s existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board (“IASB”). Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs.

The following MFRSs and IC Interpretations issued by the MASB have been adopted by the Group during the current period:

Effective for annual periods commencing on or after 1 January 2013

- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)
- MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
- MFRS 128 Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- Amendments to MFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities
- IC interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

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- Government Loans (Amendments to MFRS 1)
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)

The following MFRSs and IC Interpretations have been issued by the MASB and are not yet effective:

Effective for annual periods commencing on or after 1 January 2014

- Amendments to Offsetting Financial Assets and Financial Liabilities  
MFRS 132
- Amendments to Investment Entities  
MFRS 10, MFRS  
12 and MFRS  
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Effective for annual periods commencing on or after 1 January 2015

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)
- Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7)

The directors expect that the new MFRSs, IC Interpretations and Amendments to MFRSs which are issued and effective for periods beginning on or after 1 January 2013 do not have any material impact on the financial statements of the Group. The financial effects of the above MFRSs are still being assessed due to the complexity of these new MFRSs and Amendments to MFRSs, and their proposed changes.

**A2. Audit Report of Preceding Financial Year Ended 31 December 2012**

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 quarter.

**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.

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**A6. Loans, Advances and Financing**

	<b>Group</b>	
	<b>31-12-13</b>	<b>31-12-12</b>
	<b>RM'000</b>	<b>RM'000</b>
Personal financing	23,388,929	17,785,007
Mortgage loans and financing	5,395,114	5,418,970
Corporate loans and financing	2,924,759	3,521,763
Auto Financing	206,728	126,519
Gross loans, advances and financing	<u>31,915,530</u>	<u>26,852,259</u>
Allowance for impairment:		
- Collectively assessed	(1,318,443)	(902,630)
- Individually assessed	<u>(300,865)</u>	<u>(1,684,059)</u>
Net loans, advances and financing	<u>30,296,222</u>	<u>24,265,570</u>

Movements in the impaired loans, advances and financing are as follows:

	<b>Group</b>	
	<b>31-12-13</b>	<b>31-12-12</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January	3,000,788	3,137,754
Classified as impaired during the period	982,861	926,090
Reclassified as non-impaired	(946,634)	(565,840)
Amount recovered	(47,733)	(259,006)
Amount written off	<u>(1,340,899)</u>	<u>(238,210)</u>
Balance as at end of period	<u>1,648,383</u>	<u>3,000,788</u>
Collective allowance	(467,904)	(390,888)
Individual allowance	<u>(159,610)</u>	<u>(1,517,034)</u>
	<u>(627,514)</u>	<u>(1,907,922)</u>
Net impaired loans, advances and financing	<u>1,020,869</u>	<u>1,092,866</u>
Net impaired loans as per percentage of net loans, advances and financing	<u>3.4%</u>	<u>4.5%</u>

**A7. 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 warrants, 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 quarter.

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**A7. Debts and Equity Securities (continued)**

	No of ordinary shares of RM1.00 each '000	Ordinary shares RM'000	Share premium RM'000
<b>At 1 January 2013</b>	1,240,361	1,240,361	514,098
Issued at RM1.17 per share pursuant to ESOS	9,586	9,586	1,630
Issued at RM1.67 per share pursuant to ESOS	2,618	2,618	1,754
Issued at RM2.33 per share pursuant to ESOS	8,604	8,604	11,446
Issued at RM1.00 per share pursuant to warrants	486,698	486,698	-
Transfer from share option reserve	-	-	6,842
Transfer from warrants reserve	-	-	95,419
<b>As at 31 December 2013</b>	<u>1,747,867</u>	<u>1,747,867</u>	<u>631,189</u>

**A8. Dividends Paid**

An interim single tier cash dividend of 5.0% on 1,745,245,686 ordinary shares in respect of the financial year ended 31 December 2013 totalling RM87,262,284.30 was paid on 20 November 2013. The dividend payments were declared on 22 October 2013.

**A9. Segmental Information on Revenue and Results**

The Group's activities are based in Malaysia, therefore segmental reporting is not analysed by geographical locations.

	Financing RM'000	Hotel Operations RM'000	Eliminations RM'000	Consolidated RM'000
<b>3 months ended 31 December 13</b>				
External sales	683,133	2,870	9,467	695,470
Intersegment sales	12,124	888	(13,012)	-
Total revenue	<u>695,257</u>	<u>3,758</u>	<u>(3,545)</u>	<u>695,470</u>
Segment results	247,493	(1,685)	5,607	251,415
Unallocated income (net of cost)				-
Profit from operations				<u>251,415</u>
<b>3 months ended 31 December 12</b>				
External sales	487,900	3,019	(3,394)	487,525
Intersegment sales	1,775	680	(2,455)	-
Total revenue	<u>489,675</u>	<u>3,699</u>	<u>(5,849)</u>	<u>487,525</u>
Segment result	280,456	(2,152)	(32,557)	245,747
Unallocated income (net of cost)				-
Profit from operations				<u>245,747</u>

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**A9. Segmental Information on Revenue and Results (continued)**

	<b>Financing RM'000</b>	<b>Hotel Operations RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>12 months ended 31 December 13</b>				
External sales	2,472,993	9,755	28,071	2,510,819
Intersegment sales	42,401	2,965	(45,366)	-
<b>Total revenue</b>	<b>2,515,394</b>	<b>12,720</b>	<b>(17,295)</b>	<b>2,510,819</b>
Segment results	900,119	(7,505)	39,735	932,349
Unallocated income (net of cost)				-
<b>Profit from operations</b>				<b>932,349</b>
<b>12 months ended 31 December 12</b>				
External sales	1,840,552	10,755	(19,747)	1,831,560
Intersegment sales	3,434	1,972	(5,406)	-
<b>Total revenue</b>	<b>1,843,986</b>	<b>12,727</b>	<b>(25,153)</b>	<b>1,831,560</b>
Segment result	655,913	(8,043)	8,357	656,227
Unallocated income (net of cost)				-
<b>Profit from operations</b>				<b>656,227</b>

**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**

The shareholders of MBSB had approved the renounceable rights issue of new Company shares to entitled shareholders to raise maximum gross proceeds of up to RM1.47 billion during the Company's Extraordinary General Meeting on 10 December 2013. The rights issue is part of the Company's capital management strategy to strengthen its core capital and, consequently, improve the Company's shareholders funds as well as gearing.

The total valid acceptances and excess applications received at the close of acceptance and payment for the Rights Issue at 5.00 p.m. on 13 January 2014, were 980,059,450 Rights Shares, representing an over subscription of 106,130,096 Rights Shares or approximately 12.1% over the total of 873,929,354 Rights Shares, the details of which are as follows:-

	<b>No. of Rights Shares</b>	<b>% of total Rights Issue</b>
Total valid acceptances	867,950,020	99.3
Total valid excess applications	112,109,430	12.8
<b>Total valid acceptances and excess applications</b>	<b>980,059,450</b>	<b>112.1</b>
Total available for subscription	873,929,354 <sup>(a)</sup>	100.0
<b>Oversubscription</b>	<b>106,130,096</b>	<b>12.1</b>

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**Note:-**

*Based on the total number of MBSB Shares in issue as at the Entitlement Date*

The Rights Shares are expected to be listed on the Main Market of Bursa Malaysia Securities Berhad on 29 January 2014.

**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**  
**31-12-13**  
**RM'000**

**Fully secured:**

Financial guarantee to secure payments by borrowers	120,046
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**(b) Material Litigations**

- (i) A contractor appointed by one of the Company's borrowers has instituted civil suits against the Company for an alleged breach of contract and is claiming damages amounting to RM2.54 million.

The contractor's application to amend the statement of claim was dismissed on 22 June 2010 and the Court fixed 10 November 2011 for case management. The Court of Appeal had on 13 December 2011 allowed the contractor's application to amend statement of claim.

Pre-trial case management was fixed on 21 March 2012 and for full trial from 26 to 30 March 2012. The matter came up for decision on 30 April 2012 and the claim against MBSB was dismissed with costs. The contractor had on 29 May 2012 filed an appeal against MBSB. The Court of Appeal had fixed the matter for hearing on 5 September 2013, and subsequently fixed for further hearing on 26 February 2014.

- (ii) A third party and its holding company (collectively "the Plaintiffs") have instituted a civil suit against the Company and its subsidiary for an alleged breach of facility agreement.

The Company and its subsidiary had filed its defence and counterclaim in response to the suit. The matter came up for Trial from 19 to 21 August 2013 and for Continuation of Trial on 12 October 2013 and 19 October 2013 respectively. Subsequently the Court has fixed for new Trial dates to be set on 28 February 2014 with additional Trial dates on 6, 7 and 10 March 2014.

Separately, the Plaintiffs had on 25 April 2013 served an originating summons on the Company seeking for an order from the Johor Bahru High Court that the charge created in favour of the Company be set aside and is of no effect and for a removal and cancellation of the same. The Court matter came up for hearing on 13 December 2013 the Plaintiffs' application was allowed. The Company filed an appeal and a stay application on 17 December 2013. The Court on 8 January 2014 granted the stay until disposal of the appeal. The Court of Appeal has yet to fix a hearing date for the appeal.

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**A13. Contingent Liabilities (continued)**

**(b) Material Litigations (continued)**

- (iii) A third party (“the Plaintiff”) entered into a Sales and Purchase Agreement with the Liquidator of the Company’s Borrower based on a Scheme of Arrangement pursuant to Section 176 of the Companies Act 1965. The Plaintiff failed to complete the Project and Scheme of Arrangement which resulted in the Liquidators terminating the Sales and Purchase Agreement. The Plaintiff has instituted a civil suit against the Liquidators and the Company for an alleged breach of Sales and Purchase Agreement.

The Plaintiff claimed that the unilateral termination of the Conditional Scheme of Arrangement was unlawful and that the Liquidators had failed to act professionally and independently. They also claimed that the Company had with mala fide intention induced the other Defendants to breach the Sales and Purchase Agreement.

Consequently, the Plaintiff are claiming for the stakeholder sum of RM7.00 million together with interests, special damages of RM15.53 million, interest of 5% per annum for the total sum of RM22.53 million, general damages and any other costs that the Court deems fit.

Court had fixed the matter for Continuation of Trial on 21 November 2013 and 22 November 2013. The trial proceeded as scheduled and was fixed for further trial date on 4 December 2013.

On 4 December 2013, the Plaintiff and the 1<sup>st</sup> Defendant agreed to a settlement and a consent judgment was recorded on 6 December 2013 encompassing all parties to the suit. The matter is now closed.

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**

	<b>As at 31-12-13 RM’000</b>
Additions	
Building renovation	7,285
Furniture & equipment	3,069
Data processing equipment	1,394
Motor vehicle	174
	<u>11,922</u>

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**A15. Significant Related Party Transactions**

	Quarter		Cumulative	
	Current	Preceding	Current	Preceding
	Quarter 30-12-13 RM'000	Quarter 30-09-13 RM'000	Year To Date 31-12-13 RM'000	Year To Date 31-12-12 RM'000
Transactions with Employees Provident Fund Board, the ultimate holding body:				
Funding cost on securitised financing	3,781	4,125	17,187	22,259
Rental paid	70	72	286	287
	<u>70</u>	<u>72</u>	<u>286</u>	<u>287</u>

**A16. Capital Commitments**

As at 31 December 2013, there were no commitments other than those stated below:

	RM'000
Approved but not contracted for	
- purchase of property, plant and equipment and software	63,561
Approved and contracted for	
- purchase of real estate	239,237
	<u>302,798</u>

**A17. Impairment Loss**

There were no other impairment losses other than those disclosed in note A6 above.



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

**B1. Performance Review**

**Current Year-to-date vs Previous Year-to-date**

The Group profit before tax for the financial year ended 31 December 2013 of RM932.349 million increased by RM276.122 million or 42% as compared to the previous year corresponding period profit before taxation of RM656.227 million. The increase was mainly due to higher income from Islamic banking operations via personal financing and higher net other income.

The performance of the respective operating business segments for the year ended 31 December 2013 as compared to the previous year is analysed as follows:

Personal financing – The gross income from personal financing was higher due to the growth of personal financing portfolio.

Mortgage loans and financing – The gross income from mortgage loans and financing was slightly lower mainly due to lower disbursement during the current year.

Corporate loans and financing – The gross income from corporate loans and financing were higher due to higher disbursements and lower individual assessment impairment allowance for the current year due to settlement of impairment accounts.

**B2. Variance of Results against Preceding Quarter**

The Group profit before tax for the 4<sup>th</sup> quarter 2013 of RM251.415 million increased by RM55.180 million or 28% as compared to the preceding quarter of RM196.235 million. The increase was mainly as a result of higher profit contribution from Islamic operations due to continuing growth of personal financing portfolio and lower impairment losses on loans, advances and financing, partially set off by higher other operating expenses and lower other operating income.

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**B3. Prospects****Brief Overview and Outlook of the Malaysian Economy**

The Malaysian economy recorded a stronger growth of 5.0% in the third quarter of 2013 with domestic demand continuing to drive growth. Growth in private sector spending was higher, supported by both private consumption and investment. After four consecutive quarters of contraction, exports turned around to record a positive growth during the quarter. This resulted in a positive contribution of net exports to growth, despite higher import in the third quarter. On a quarter-on-quarter seasonally adjusted basis, the economy recorded a growth of 1.7% (2Q 2013: 1.4%).

Private consumption expanded by 8.2% (2Q 2013: 7.2%), supported by sustained employment conditions and wage growth. Growth in public consumption moderated in the third quarter to 7.8% (2Q 2013: 11.8%), reflecting mainly lower Government spending on supplies and services.

Going forward, emerging signs of a recovery in the major advanced economies are expected to support overall global growth. Uncertainties surrounding the fiscal and monetary policy adjustments in these economies, however, may affect market sentiment and overall growth prospects in the global economy. While global policy spillovers may have some impact on Asia, growth will continue to be underpinned by domestic demand.

For the Malaysian economy, the gradual recovery in the external sector will support growth. Domestic demand from the private sector will remain supportive of economic activity amid the continued consolidation of the public sector. The economy is therefore expected to remain on its steady growth trajectory.

*(Source: Extracted from BNM, Quarterly Bulletin, Developments in the Malaysian Economy, Third Quarter 2013)*

The Malaysian economy is expected to expand further by 5% - 5.5% in 2014 (2013: 4.5% - 5%), supported by favourable domestic demand and an improving external environment. Growth will be private-led, supported by strong private capital spending while private consumption continues to remain resilient. Although some degree of uncertainty exists in the global environment due to the volatility of capital flows associated with the possibility of reduced global liquidity, Malaysia's external sector is expected to improve. This is in tandem with the continued recovery of growth across advanced economies as well as stronger regional trade activities which is evident in the second half of 2013. The better outlook of Malaysia's external sector is premised upon China's real gross domestic product growth, which is expected to be sustained at around 7.5%, while global trade will continue to grow at a steady pace of 5% in 2014.

Domestic demand is expected to continue its strong growth momentum, driven mainly by the private sector. Strong domestic fundamentals, including low unemployment, rising household income and sustained consumer confidence, will support the continued expansion of private consumption. Growth in private investment is expected to remain strong in line with improving external demand and increasing domestic activity. Public expenditure will be largely underpinned by increased spending on supplies and services.

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**B3. Prospects (continued)**

**Brief Overview and Outlook of the Malaysian Economy (continued)**

Malaysia's macroeconomic fundamentals are expected to remain strong. Of significance, labour market conditions are expected to be favourable with the unemployment rate at 3.1%. The labour market is expected to be supported by increased employment, particularly in the services-related industries and export-oriented manufacturing industries in tandem with strong domestic consumption and improving external demand. Headline inflation is expected to remain manageable at 2%-3 in 2014. The increase in the CPI largely reflects fuel price adjustment in September 2013.

*(Source: Extracted from the Economic Report 2013/2014, Economic Performance and Prospects, Ministry of Finance)*

In the third quarter, total gross financing raised by the private sector through banking system and the capital market amounted to RM260.5 billion (2Q 2013: RM251.0 billion). Banking system loans outstanding expanded at an annual growth rate of 9.5% as at end-September (end-June 2013: 9.1%).

In the business sector, outstanding banking system loans during the quarter expanded by a lower amount of RM3.8 billion compared to the previous quarter (2Q 2013: RM13.8 billion). This contributed to the slower growth of 7.2% on an annual basis (end-June 2013: 8.2%). Nevertheless, the level of loans disbursed to businesses remained high compared to previous periods with higher loans disbursed to the finance, insurance and business services, real estate, construction and agriculture sectors during the quarter. Demand for new financing by businesses also increased with higher loan applications recorded from most major sectors.

Financing to the household sector from the banking system expanded by RM19.7 billion during the quarter (2Q 2013: RM17.3 billion). On an annual basis, household loans outstanding grew at a stable pace of 11.9% as at end-September (end-June 2013: 11.8%). Household demand for loans during the quarter came mainly from the purchase of residential property, passenger cars, securities and for personal use.

*(Source: Extracted from BNM, Quarterly Bulletin, Monetary and Financial Developments in the Malaysian Economy, Third Quarter 2013)*

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**B3. Prospects (continued)****Group Prospects**

Since Bank Negara Malaysia's announcement on the measures to further promote a sound and sustainable household sector, the growth of the Group's personal financing and mortgage portfolios would be more challenging in 2014. Although at a slower growth rate, personal financing would continue to be the main driver of asset growth in the Company's retail segment.

Whilst sustaining the personal financing portfolio, the Group has been expanding the corporate business segment including tapping into opportunities under the Federal Government's Economic Transformation Programme. The Group believes that a well-planned expansion programme into corporate segment will contribute positively to the Group in terms of assets and earnings growth whilst diversifying the assets base.

Enhancing risk management framework to improve operational workflows and assets quality would remain the top priority for the Group. The Group continues to strengthen its retail and corporate business and other new business strategies in anticipation of the expected challenges and changes in the operating environment to maintain its competitiveness.

Barring any unforeseen circumstances, the Group expects performance in 2014 to be satisfactory.

**B4. Variance from Profit Forecast and Profit Guarantee**

None.

**B5. Taxation**

	<b>Quarter</b>		<b>Cumulative</b>	
	<b>Current Quarter 31-12-13 RM'000</b>	<b>Preceding Quarter 30-09-13 RM'000</b>	<b>Current Year To Date 31-12-13 RM'000</b>	<b>Preceding Year To Date 31-12-12 RM'000</b>
Current income tax:				
Malaysian income tax	114,173	62,768	330,000	202,681
Tax refund	-	-	(5)	-
Under provision in prior years:				
Malaysian income tax	20	764	567	386
	<u>114,193</u>	<u>63,532</u>	<u>330,562</u>	<u>203,067</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	597	(18)	542	3,773
	<u>597</u>	<u>(18)</u>	<u>542</u>	<u>3,773</u>
Total income tax expense	<u>114,790</u>	<u>63,514</u>	<u>331,104</u>	<u>206,840</u>

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Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the quarter. The higher effective tax rate for the current quarter was mainly due to adjustments made for non-allowable items.

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

There were no significant sales of unquoted investments or properties during the current quarter.

**B7. Purchase and Sale of Quoted Securities**

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

**B8. Status of Corporate Proposals**

<b>Proposals</b>	<b>Announcement Date</b>	<b>Status</b>
<ul style="list-style-type: none"> <li>Proposed acquisition by MBSB Tower Sdn Bhd (formerly known as Ambang Hartamas Sdn Bhd), a wholly owned subsidiary of the Company, of a proposed office building to be developed for a total cash consideration of RM239,236,750.</li> </ul>	12 Dec 2012	Obtained shareholders' approval on 10 December 2013.
<ul style="list-style-type: none"> <li>Proposed renounceable rights issue of new MBSB Shares to the entitled shareholders of MBSB to raise maximum gross proceeds of up to RM1.47 billion.</li> </ul>	10 Oct 2013	Obtained shareholders' approval on 10 December 2013. The new Rights Shares will be listed on 29 January 2014.
<ul style="list-style-type: none"> <li>Proposed dividend reinvestment plan that gives shareholders of MBSB the option to elect to reinvest their dividend entitlements.</li> </ul>	10 Oct 2013	Obtained shareholders' approval on 10 December 2013.

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**B9. Borrowings and Debts**

Borrowings of the Group as at 31 December 2013 were as follows:

	<b>As at 31-12-13 RM'000</b>	<b>As at 31-12-12 RM'000</b>
Short term bank borrowings	1,440,319	350,217
Islamic financing facility (secured)	250,869	351,203
	<u>1,691,188</u>	<u>701,420</u>
Maturity of borrowings:		
- One year or less	1,541,188	467,403
- More than one year	150,000	234,017
Total	<u>1,691,188</u>	<u>701,420</u>
Recourse obligation on loans sold to Cagamas Berhad (secured):		
- One year or less	97,167	111,099
- More than one year	2,170,057	2,250,898
Total	<u>2,267,224</u>	<u>2,361,997</u>

All borrowings are denominated in Ringgit Malaysia.

**B10. Off Balance Sheet Financial Instruments**

None.

**B11. Realised and Unrealised Profits and Losses**

The breakdown of accumulated losses of the Group as at the reporting date, into realised and unrealised losses, as disclosed pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010, is as follows:

	<b>Cumulative</b>	
	<b>As at 31-12-13 RM'000</b>	<b>As at 31-12-12 RM'000</b>
Total accumulated losses of the Group:		
- Realised	(780,443)	(890,448)
- Unrealised in respect of deferred tax recognised in the income statement	(542)	(10,355)
Total Group accumulated losses as per consolidated accounts	<u>(780,985)</u>	<u>(900,803)</u>
Add: Consolidated adjustments	551,469	511,660
	<u>(229,516)</u>	<u>(389,143)</u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

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**B12. Material Litigation**

The details of the pending material litigation are as per note A13 above.

**B13A. Dividends Proposed**

The Board of Directors has proposed a single tier final dividend of 5% for the financial year ended 31 December 2013. Based on the enlarged number of shares in issue of 2,621,797,777 shares (after taking into account the Rights Shares of 873,929,354) the final dividend payable would amount to approximately RM131.090 million.

**B13B. MBSB Dividend Reinvestment Plan**

On 10 December 2013, the shareholders of the Company approved the Dividend Reinvestment Plan (“DRP”) to enable the Company’s efforts to enhance and maximise shareholders’ value. DRP is part of the Company’s capital management plan in retaining capital for future expansion of the business.

It should be noted that the Company is not obliged to undertake the DRP and provide the option to reinvest for every dividend declared.

The Board of Directors of the Company (“Board”) has now determined that the option to reinvest via the DRP shall apply to the entire portion of the proposed single-tier final dividend of 5% for the financial year ended 31 December 2013. The approval for the proposed single-tier final dividend of 5% will be sought at the coming Annual General Meeting.

The DRP provides the shareholders with opportunity to reinvest their dividends in new MBSB shares in lieu of receiving cash. This provides greater flexibility for the shareholders in meeting their investment objective with the choice of receiving cash or reinvesting in the Company via the subscription of new additional MBSB shares.

Under the DRP, shareholders will have the following options in respect of the electable portion:

- (a) elect to exercise the option to reinvest and thereby reinvest the entire electable portion at the issue price of the new MBSB shares (“DRP Price”) and to receive cash for the remaining portion of the dividend (in the event that only part of the electable portion is reinvested); or
- (b) elect not to exercise the option to reinvest and thereby receive their entire dividend entitlement wholly in cash.

There will be no brokerage fees and other related transaction costs payable by shareholders on the new MBSB shares allotted pursuant to the DRP.

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**B13B. MBSB Dividend Reinvestment Plan (continued)**

The DRP Price shall be at a discount of not more than ten percent (10%) to the five (5)-day volume weighted average market price (“VWAP”) of MBSB Shares immediately prior to the date of fixing of the DRP Price provided that the DRP Price shall not be less than the par value of MBSB Shares of RM1.00 each at the material time. The VWAP shall be adjusted ex-dividend before applying the discount in fixing the DRP Price. The DRP Price shall be announced on or before the announcement of the books closure date (“Books Closure Date”) in relation to the above proposed single-tier dividend of 5% to which the option to reinvest applies.

An approval for the listing of and quotation for the new MBSB Shares on the Main Market of Bursa Securities pursuant to the DRP will be obtained from Bursa Securities and the announcement on the Books Closure Date will be made after receipt of the said approval from Bursa Securities and such approval from other relevant authorities (if any).

Subsequent to the Books Closure Date, a notice of election pursuant to the DRP (“Notice of Election”) will be despatched to shareholders. Instructions will be provided in the Notice of Election in respect of the action to be taken by shareholders should they wish to exercise the option to reinvest. The Notice of Election will also state, inter-alia, the last day (which will be a date to be fixed and announced by the Board) by which an election to be made by shareholders in relation to the electable portion must be received by the Company (“Expiry Date”).

An announcement will also be made in respect of the day on which the new MBSB shares will be listed and quoted on the Main Market of Bursa Securities.

**B14. Earnings Per Share****Basic**

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

	Quarter		Cumulative	
	Current Quarter 31-12-13	Preceding Quarter 30-09-13	Current Year to Date 31-12-13	Preceding Year to Date 31-12-12
Net profit attributable to shareholders for the year (RM'000)	133,548	132,721	597,568	446,651
Weighted average number of ordinary shares in issue ('000)	1,744,102	1,737,190	1,611,998	1,215,507
Basic earnings per share (sen)	7.66	7.64	37.07	36.75



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**Diluted**

For the purpose of calculating diluted earnings per share, the net profit for the 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. Employee Share Option Scheme (“ESOS”) and Warrants.

	Quarter		Cumulative	
	Current Quarter 31-12-13	Preceding Quarter 30-09-13	Current Year to Date 31-12-13	Preceding Year to Date 31-12-12
Net profit attributable to shareholders for the year (RM'000)	133,548	132,721	597,568	446,651
Weighted average number of ordinary shares in issue ('000)	1,744,102	1,737,190	1,611,998	1,215,507
Weighted average effect of dilution on ESOS ('000)	4,013	989	4,013	817
Weighted average effect of dilution on Warrants ('000)	11,740	14,610	11,740	281,201
Adjusted weighted average number of ordinary shares in issue ('000)	<u>1,759,855</u>	<u>1,752,789</u>	<u>1,627,751</u>	<u>1,497,525</u>
Diluted earnings per share (sen)	<u>7.59</u>	<u>7.57</u>	<u>36.71</u>	<u>29.83</u>

**B15. 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 28 January 2014.

BY ORDER OF THE BOARD

Koh Ai Hoon  
Tong Lee Mee  
Joint Company Secretaries  
Kuala Lumpur  
28 January 2014