

MALAYSIA BUILDING SOCIETY BERHAD
(Company No. 9417-K)
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	As at 31 March 2017 (RM'000)	As at 31 December 2016 (RM'000)
ASSETS		
Cash and short term funds	6,831,888	6,639,369
Deposits and placements with financial institutions	1,611,443	1,076,078
Trade receivables	284	542
Other receivables	149,198	150,553
Inventories	103,207	103,201
Loans, advances and financing	32,588,530	32,193,478
Financial investments available-for-sale	2,729,751	2,364,750
Property, plant and equipment	148,626	141,713
Land use rights	5,545	5,584
Tax recoverable	12,155	549,248
Intangible assets	530,416	15,415
Deferred tax assets	32,934	28,113
TOTAL ASSETS	44,743,977	43,268,044
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits from customers	32,057,198	30,611,324
Bank borrowings	450,121	575,275
Trade payables	134	187
Other payables	344,650	303,986
Provision for taxation and zakat	7,416	7,814
Recourse obligation on loans/financing sold	2,394,381	2,420,175
Sukuk - MBSB Structured Covered ("SC") Murabahah	2,647,450	2,615,807
Deferred tax liabilities	8,195	9,428
TOTAL LIABILITIES	37,909,545	36,543,996
Share capital	5,798,774	5,798,774
Share premium	198,449	198,449
Other reserves	29,837	20,957
Retained earnings	807,372	705,868
Total equity	6,834,432	6,724,048
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	44,743,977	43,268,044
COMMITMENTS AND CONTINGENCIES	5,942,127	5,030,529
Net assets per share attributable to shareholders (RM)	1.18	1.16

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

MALAYSIA BUILDING SOCIETY BERHAD
(Company No. 9417-K)
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD
ENDED 31 MARCH 2017

	1st quarter ended 31 March		Three months ended 31 March	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	811,204	812,626	811,204	812,626
Income derived from investment of general investment deposits and Islamic capital funds	644,288	682,299	644,288	682,299
Income attributable to depositors	(240,475)	(254,644)	(240,475)	(254,644)
Income attributable to securitisation	(26,376)	(32,615)	(26,376)	(32,615)
Income attributable to sukuk	(85,383)	(129,181)	(85,383)	(129,181)
Net income from Islamic financing operations	292,054	265,859	292,054	265,859
Interest income	127,838	116,844	127,838	116,844
Interest expenses	(61,332)	(66,091)	(61,332)	(66,091)
Net interest income	66,506	50,753	66,506	50,753
Net operating income	358,560	316,612	358,560	316,612
Net other income	8,501	14,312	8,501	14,312
Net income	367,061	330,924	367,061	330,924
Other operating expenses	(72,369)	(73,289)	(72,369)	(73,289)
Operating profit	294,692	257,635	294,692	257,635
Allowance for impairment losses on loans, advances and financing	(167,921)	(218,535)	(167,921)	(218,535)
Profit before taxation and zakat	126,771	39,100	126,771	39,100
Taxation	(25,576)	(4,265)	(25,576)	(4,265)
Zakat	129	-	129	-
Profit for the period	101,324	34,835	101,324	34,835
Other comprehensive income - AFS revaluation reserve	9,060	12,127	9,060	12,127
Total comprehensive income for the period, net of tax	110,384	46,962	110,384	46,962
Earnings per share: - Basic/diluted (sen)	1.75	1.23	1.75	1.23

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

MALAYSIA BUILDING SOCIETY BERHAD
(Company No. 9417-K)
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2017

<----- Non Distributable ----->

	Ordinary Shares RM'000	Share Premium RM'000	Capital Reserve #1 RM'000	Share Option Reserve RM'000	Warrants Reserve RM'000	Capital Redemption Reserve #2 RM'000	Available- for-sale Reserve RM'000	Accumulated Profit/(Losses) RM'000	Total Equity RM'000
At 1 January 2016	2,838,551	1,392,980	17,838	5,210	3,633	12,486	1,566	589,276	4,861,540
Profit for the period	-	-	-	-	-	-	-	34,835	34,835
Other comprehensive income for the period	-	-	-	-	-	-	12,127	-	12,127
Total comprehensive profit for the period	-	-	-	-	-	-	12,127	34,835	46,962
Dividends	-	-	-	-	-	-	-	-	-
Share options granted under ESOS recognised in profit or loss	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to exercise of DRP	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to exercise of ESOS	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to exercise of warrants	227	-	-	-	-	-	-	-	227
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(103)	-	-	-	103	-
At 31 March 2016	2,838,778	1,392,980	17,838	5,107	3,633	12,486	13,693	624,214	4,908,729
At 1 January 2017	5,798,774	198,449	17,838	6,810	3,633	12,486	(19,810)	705,868	6,724,048
Profit for the period	-	-	-	-	-	-	-	101,324	101,324
Other comprehensive loss for the period	-	-	-	-	-	-	9,060	-	9,060
Total comprehensive profit for the period	-	-	-	-	-	-	9,060	101,324	110,384
Dividends	-	-	-	-	-	-	-	-	-
Share options granted under ESOS recognised in profit or loss	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to rights issue	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to DRP	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to exercise of warrants	-	-	-	-	-	-	-	-	-
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(180)	-	-	-	180	-
At 31 March 2017	5,798,774	198,449	17,838	6,630	3,633	12,486	(10,750)	807,372	6,834,432

#1 Capital reserve arose out of the transfer of the Malaya Borneo Building Society Limited as at 29 February 1972 to the Company on 1 March 1972 via a Scheme of Arrangement and is not distributable as cash dividends.

#2 Capital redemption reserve arose out of the redemption of redeemable cumulative preference shares and is not distributable as cash dividends.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

MALAYSIA BUILDING SOCIETY BERHAD
(Company No. 9417-K)
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017

	31 March 2017 RM'000	31 March 2016 RM'000
Cash flows from operating activities		
Profit before taxation	126,771	39,100
Adjustments for:		
Depreciation:		
- property, plant and equipment	3,147	3,513
Amortisation:		
- land use rights	5	6
- intangible assets	3,338	3,381
Loss/(gain) on disposal of property, plant and equipment	1	(2)
Gain on disposal of foreclosed properties	(90)	-
Allowance for impairment of:		
- provision for diminution from foreclosed properties	-	-
- unsecured advances in respect of certain projects	9,790	8,050
Allowance for impairment losses on loans, advances and financing	167,921	218,535
Accruals/(reversal) made during the period	3,284	(14,373)
Interest/profit income adjustment on:		
- loans, advances and financing	2,094	10,174
- profit payable on financial investments AFS	1,797	(10,164)
- Sukuk - MBSB SC Murabahah	(31,288)	(32,193)
Operating profit before working capital changes	286,770	226,027
Increase in deposits with financial institutions with maturity of more than one month	(535,365)	(430,185)
Increase in loans, advances and financing	(565,067)	(353,271)
Increase in inventories	(6)	(3)
Decrease in trade receivables	258	384
(Increase)/decrease in other receivables	(8,593)	28,549
Increase in deposits from customers	1,445,874	1,907,168
Decrease in trade payables	(53)	(74)
Increase/(decrease) in other payables	37,378	(17,751)
Cash generated from operations	661,196	1,360,844
Tax paid	(12,902)	(58,172)
Zakat paid	-	(618)
Net cash generated from operating activities	648,294	1,302,054

(Contd.)

MALAYSIA BUILDING SOCIETY BERHAD
(Company No. 9417-K)
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017

	31 March 2017 RM'000	31 March 2016 RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,033)	(1,581)
Purchase of intangible assets	(77)	(88)
Proceeds from disposal of property, plant and equipment and land use rights	-	2
Proceeds from disposal of foreclosed properties	90	-
Increase in financial investments available-for-sale	(357,738)	(159,522)
Net cash used in investing activities	(367,758)	(161,189)
Cash flows from financing activities		
Repayment of bank borrowings	(125,154)	(1,195,416)
Repayment of other borrowings	-	(25,091)
Repayment of from recourse obligation on loans/financing sold	(25,794)	(29,287)
Proceeds from Sukuk - MBSB SC Murabahah	62,931	66,440
Net proceeds from issuance of ordinary shares	-	227
Net cash used in financing activities	(88,017)	(1,183,127)
Net increase/(decrease) in cash and cash equivalents	192,519	(42,262)
Cash and cash equivalents at beginning of financial period	6,639,369	6,928,263
Cash and cash equivalents at end of financial period	6,831,888	6,886,001
Cash and cash equivalents comprise :		
Cash and short term funds	6,831,888	6,886,001

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

A1. Basis of Preparation

The unaudited condensed interim financial statements for the financial quarter ended 31 March 2017 have been prepared under the historical cost convention except for financial investments available-for-sale 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 interest/profit method: loans and financing, trade and other payables, bank borrowings and recourse obligations on financing/loans 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 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 2016. 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 since the financial year ended 31 December 2016.

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 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 2016.

On 1 January 2017, where applicable the Group adopted the following MFRSs, Amendments to MFRSs, Issues Committee (“IC”) Interpretations and Technical Release (“TR”) mandatory for annual financial periods beginning on or after 1 January 2017:

Effective for annual periods commencing on or after 1 January 2017

- Amendments to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Amendments to MFRS 7: Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11: Accounting for Acquisitions of Interest in Joint Operations
- MFRS 14 Regulatory Deferral Accounts
- Amendments to MFRS 101: Disclosure Initiatives
- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
- Amendments to MFRS 119: Employee Benefits (Annual Improvements to MFRSs 2012 – 2013 Cycle)
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements to MFRSs 2012 – 2014 Cycle)

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

A1. Basis of Preparation (continued)

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective to the Group:

Effective for annual periods commencing on or after 1 January 2017

- Amendments to MFRS 12 Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Disclosure Initiative (Amendments to MFRS 107)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

Effective for annual periods commencing on or after 1 January 2018 (Early adoption)

- MFRS 1 first-time Adoption of Malaysian Financial Reporting Standards
- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- MFRS 9 Financial Instruments (2014)
- MFRS 15 Revenue from Contracts with Customers
- Clarifications to MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 128 Investments in Associates & Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Transfer of Investment Property (Amendments to MFRS 140)

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases

The directors expect that the new MFRSs and Amendments to MFRSs which have been issued by the MASB but are yet to be effective to the Group do not have any material impact on the financial statements of the Group for the current financial quarter. 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.

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 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.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

A2. Audit Report of Preceding Financial Year Ended 31 December 2016

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.

A6. 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 financial quarter.

	No of ordinary shares '000	Ordinary shares RM'000	Share premium/ (discounted) RM'000
At 1 January /31 March 2017	5,798,774	5,798,774	198,449
	5,798,774	5,798,774	198,449

A7. Dividend Paid

None.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

A8. Loans, Advances and Financing**(i) By type**

	31-03-17	31-12-16
	RM'000	RM'000
Personal financing	22,753,407	22,822,210
Mortgage loans and financing	5,494,745	5,479,796
Corporate loans and financing	7,236,457	6,599,879
Auto Financing	321,940	334,524
Staff loans	46,971	48,205
Gross loans, advances and financing	<u>35,853,520</u>	<u>35,284,614</u>
Allowance for impairment:		
- Collectively assessed	(2,970,324)	(2,809,131)
- Individually assessed	(294,666)	(282,005)
Net loans, advances and financing	<u>32,588,530</u>	<u>32,193,478</u>

(ii) By maturity structure

	31-03-17	31-12-16
	RM'000	RM'000
Maturing within one year	860,071	843,533
One year to three years	1,738,145	1,410,298
Three years to five years	2,167,227	1,788,154
Over five years	31,088,077	31,242,629
	<u>35,853,520</u>	<u>35,284,614</u>

(iii) By economic purpose

	31-03-17	31-12-16
	RM'000	RM'000
Purchase of residential properties	5,207,123	5,194,235
Purchase of non-residential properties	311,220	309,683
Personal use	22,774,770	22,844,358
Property development	4,093,974	3,548,614
Working capital	2,451,982	2,402,615
Purchase of transport vehicles	323,949	336,457
Others	690,502	648,652
	<u>35,853,520</u>	<u>35,284,614</u>

(iv) By type of customers

	31-03-17	31-12-16
	RM'000	RM'000
Domestic business enterprises:		
- Small medium enterprises	2,776,706	3,734,289
- Others	4,570,524	2,976,192
Individuals	28,506,290	28,574,133
	<u>35,853,520</u>	<u>35,284,614</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

A8. Loans, Advances and Financing (continued)**(v) By interest/profit rate sensitivity**

	31-03-17	31-12-16
	RM'000	RM'000
Fixed rate:		
- Personal financing	22,422,676	22,631,668
- Auto finance	323,949	336,457
- Mortgage and property islamic	785,886	802,211
- Bridging, structured and term loans and financing	1,231,797	921,733
Variable rate:		
- Personal financing	352,095	212,690
- Mortgage and property Islamic	4,732,457	4,701,707
- Bridging, structured and term loans and financing	6,004,660	5,678,148
	<u>35,853,520</u>	<u>35,284,614</u>

(vi) Movements in impaired loans, advances and financing

	31-03-17	31-12-16
	RM'000	RM'000
Balance as at 1 January	2,829,626	2,519,633
Classified as impaired during the period	500,603	2,353,095
Reclassified as non-impaired	(391,389)	(1,974,478)
Amount recovered	(57,002)	(68,610)
Amount (written off)/written back	-	(14)
Balance as at end of period	<u>2,881,838</u>	<u>2,829,626</u>
Collective allowance	(1,741,660)	(1,700,602)
Individual allowance	(240,021)	(205,951)
	<u>(1,981,681)</u>	<u>(1,906,553)</u>
Net impaired loans, advances and financing	<u>900,157</u>	<u>923,073</u>
Net impaired loans as per percentage of net loans, advances and financing	<u>2.8%</u>	<u>2.9%</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

A8. Loans, Advances and Financing (continued)

	31-03-17	31-12-16
	RM'000	RM'000
Collective Impairment		
Opening balance	2,809,131	2,045,943
Impairment during the period	161,193	763,188
Closing balance	<u>2,970,324</u>	<u>2,809,131</u>
As a % of gross loans, advances and financing less individual allowance	8.4%	8.0%
Individual Impairment		
Opening balance	282,005	277,916
Impairment during the period	12,661	4,103
Written off	-	(14)
Closing balance	<u>294,666</u>	<u>282,005</u>

A9. Financial investments available-for-sale

	31-03-17	31-12-16
	RM'000	RM'000
At Fair Value		
Money Market Instruments:		
- Malaysian Government Investment Issues	<u>1,129,403</u>	<u>972,180</u>
	<u>1,129,403</u>	<u>972,180</u>
Debt Securities:		
- Private and Islamic debt securities	439,526	181,242
- Government Guaranteed debt securities	<u>1,160,822</u>	<u>1,211,328</u>
	<u>1,600,348</u>	<u>1,392,570</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

A10. Deposits from customers

	31-03-17	31-12-16
	RM'000	RM'000
By type of products:		
- Savings	104,979	97,444
- Fixed deposits	31,952,219	30,513,880
	<u>32,057,198</u>	<u>30,611,324</u>
By type of customers:		
- Government and statutory bodies	12,817,735	12,690,543
- Business enterprises	16,576,748	15,435,413
- Individuals	2,662,715	2,485,368
	<u>32,057,198</u>	<u>30,611,324</u>
Maturity of deposits from customers:		
- Within one year	30,590,747	28,639,144
- More than one year	1,466,451	1,972,180
	<u>32,057,198</u>	<u>30,611,324</u>

A11. Interest Income

	1st quarter ended		3 months ended	
	31 March		31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	99,177	103,905	99,177	103,905
Deposits and placements with banks and other financial institutions	28,661	12,939	28,661	12,939
	<u>127,838</u>	<u>116,844</u>	<u>127,838</u>	<u>116,844</u>

A12. Interest Expenses

	1st quarter ended		3 months ended	
	31 March		31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Bank borrowings	308	2,138	308	2,138
Deposits from customers	61,024	63,953	61,024	63,953
	<u>61,332</u>	<u>66,091</u>	<u>61,332</u>	<u>66,091</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

A13. Net Income from Islamic Banking Operations

	1st quarter ended 31 March		3 months ended 31 March	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financing	528,197	521,218	528,197	521,218
Profit income from				
Sukuk Commodity Murabahah	53,331	99,789	53,331	99,789
Profit on financial investments	25,378	9,636	25,378	9,636
Deposits placements	36,102	51,656	36,102	51,656
Profit on subsidiaries	1,280	-	1,280	-
Less: Income attributable to depositors	(240,475)	(254,644)	(240,475)	(254,644)
Less: Income attributable to securitisation	(26,376)	(32,615)	(26,376)	(32,615)
Less: Income attributable to sukuk	(85,383)	(129,181)	(85,383)	(129,181)
	<u>292,054</u>	<u>265,859</u>	<u>292,054</u>	<u>265,859</u>

A14. Net Other Income

	1st quarter ended 31 March		3 months ended 31 March	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Rental income	54	-	54	-
Revenue from hotel operations	1,375	1,532	1,375	1,532
Loan processing fees	4,406	8,345	4,406	8,345
Insurance commission	1,082	501	1,082	501
Loan facility fees	1,411	1,458	1,411	1,458
Legal notice fees	49	484	49	484
Sundry income	35	1,990	35	1,990
Gain/(loss) from disposal of:				
- Property, plant and equipment	(1)	2	(1)	2
- Foreclosed properties	90	-	90	-
	<u>8,501</u>	<u>14,312</u>	<u>8,501</u>	<u>14,312</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

A15. Other Operating Expenses

	1st quarter ended 31 March		3 months ended 31 March	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Personnel expenses:				
- Wages and salaries	29,826	30,030	29,826	30,030
- Social security costs	238	202	238	202
- Pension costs	4,799	4,724	4,799	4,724
- Other staff related expenses	2,107	1,205	2,107	1,205
	36,970	36,161	36,970	36,161
Establishment related expenses	3,529	3,548	3,529	3,548
Promotion and marketing related expenses	1,616	2,740	1,616	2,740
General administrative expenses	30,254	30,840	30,254	30,840
	<u>72,369</u>	<u>73,289</u>	<u>72,369</u>	<u>73,289</u>

A16. Allowance for Impairment Losses on Loans, Advances and Financing

	1st quarter ended 31 March		3 months ended 31 March	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Allowance for/(write back of) impairment on loans, advances and financing:				
- Collective impairment	161,193	224,149	161,193	224,149
- Individual impairment	5,483	-	5,483	-
- Written off	2,163	576	2,163	576
- Written back	(918)	(6,190)	(918)	(6,190)
	<u>167,921</u>	<u>218,535</u>	<u>167,921</u>	<u>218,535</u>

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A17. Commitments and Contingencies

	31-03-17	31-12-16
	RM'000	RM'000
(i) Operational Commitments		
Loan commitments not yet recognised in the financial statements:		
- End finance	89,875	115,127
- Islamic properties	161,438	166,194
- Islamic personal financing	583	230
- Islamic auto financing	253	253
- Bridging, structured and term loans and financing	4,891,570	4,019,883
- Financial guarantees	<u>376,880</u>	<u>307,314</u>
	<u>5,520,599</u>	<u>4,609,001</u>
Approved and contracted for property development	<u>421,528</u>	<u>421,528</u>
Total	<u>5,942,127</u>	<u>5,030,529</u>
(ii) Capital Commitments		
Property, plant and equipment:		
- Approved and contracted for	155,942	165,914
- Approved but not contracted for	<u>23,841</u>	<u>-</u>
	<u>179,783</u>	<u>165,914</u>

The financial guarantees are secured by way of fixed charge over the borrowers' development project land or debenture created over the fixed and floating charge over the specific or entire assets of the borrowers.

A18. Unsecured Contingent Liabilities

- (i) Bongsor Bina Sendirian Berhad ("BBSB"), a contractor appointed by one of the Company's borrowers has, on 19 August 1999, 4 November 1999 and 20 March 2000 instituted three (3) civil suits against the Company for an alleged breach of contract and is claiming damages amounting to RM2.54 million.

On conclusion of the Full Trial, the claim against the Company was dismissed with costs. BBSB's appeal to the Court of Appeal was allowed while the Company filed an application for leave to appeal to the Federal Court. The Deputy Registrar has fixed the matter for Hearing on 11 May 2017.

The Federal Court vacated the hearing scheduled for 11 May 2017 and adjourned the same to 31 May 2017.

The directors after obtaining advice from the Company's solicitors are of the opinion that the Company has reasonably good case in respect of the claim against the Company.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

A18. Unsecured Contingent Liabilities (continued)

- (ii) KCSB Konsortium Sdn Bhd and Kausar Corporation Sdn Bhd (collectively referred to as “the Plaintiffs/the Appellant”) have instituted a civil suit against the Company and its subsidiary for an alleged breach of facility agreement.

On conclusion of the Full Trial, the Court dismissed the Plaintiffs’ claim with costs and allowed the Company’s counterclaim. The Plaintiffs filed an appeal to the Court of Appeal against the decision and the matter was fixed for Case Management on 9 October 2015 and thereafter on 4 March 2016 pending release of the grounds of judgment from the High Court. The matter was then fixed for Hearing on 17 August 2016 but was adjourned to 28 September 2016 where the hearing was then fixed for 1 November 2016. On 1 November 2016, the Court of Appeal allowed the appeal with no order as to costs and sent the matter back to the High Court for retrial before a different Judge as they were of the view that the Grounds of Judgment were wholly inadequate and in the circumstances they could not be certain as to the basis on which the decision was reached. The High Court has yet to inform parties of a new date for the matter.

The directors after obtaining advice from the Company’s solicitors are of the opinion that the Company has reasonably fair chance in respect of the civil suit against the Company and its subsidiary.

A19. Segmental Information on Revenue and Results

	Financing	Hotel	Eliminations	Consolidated
	RM’000	Operations	RM’000	RM’000
		RM’000		
			RM’000	RM’000
3 months ended 31 March 2017				
External sales	813,283	1,375	(3,454)	811,204
Intersegment transactions	3,393	892	(4,285)	-
Total revenue	<u>816,676</u>	<u>2,267</u>	<u>(7,739)</u>	<u>811,204</u>
Segment results	102,036	(4,441)	29,176	126,771
Unallocated income (net of cost)				-
Profit from operations				<u>126,771</u>
3 months ended 31 March 2016				
External sales	813,714	1,533	(2,621)	812,626
Intersegment transactions	2,937	831	(3,768)	-
Total revenue	<u>816,651</u>	<u>2,364</u>	<u>(6,389)</u>	<u>812,626</u>
Segment results	26,551	(4,099)	16,648	39,100
Unallocated income (net of cost)				-
Profit from operations				<u>39,100</u>

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

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A20. Valuation of Property, Plant and Equipment

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

A21. Subsequent Events

None.

A22. Changes in the Composition of the Group

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

A23. Acquisition/Disposal of Property, Plant and Equipment

	As at 31-03-17 RM'000
Additions	
Building in progress	9,972
Building renovation	16
Furniture & equipment	17
Data processing equipment	28
	10,033

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A24. Significant Related Party Transactions

		Three months ended 31 March	
		2016 RM'000	2016 RM'000
(i)	Transactions with Employees Provident Fund Board, the ultimate holding body:		
	Expenses		
	Interest on loans	-	596
	Rental expense	71	70
	Balances		
	Other borrowings	-	25,090
(ii)	Transactions with RHB Banking Group of companies, being companies directly controlled		
	Balances		
	Deposits and placements with financial institutions	1,811,442	1,995,705
	Deposits from customers	-	376,149
	Bank borrowings	100,023	200,159
	Recourse obligation on loans sold to Cagamas Berhad	426,045	859,098
(iii)	Collectively, but not individually, significant balances		
	Balances		
	Deposit from customers	139,799	762,989

A25. Impairment Loss

There were no other impairment losses other than those disclosed in note A8 above.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
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A26. Operations of Islamic Banking**A26a. Unaudited Consolidated Statements of Financial Position as at 31 March 2017**

	Note	31-Mar-17 RM'000	31-Dec-16 RM'000
Assets			
Cash and short-term funds		5,286,155	4,398,300
Deposits and placements with financial institutions		952,998	763,329
Financing	A26c	28,647,069	28,106,938
Other receivables		278,102	262,532
Financing to subsidiaries		-	-
Financial investment available-for-sale		2,729,751	2,364,750
Total assets		<u>37,894,075</u>	<u>35,895,849</u>
Liabilities			
Deposits from customers	A26d	26,044,423	24,149,761
Other payables		4,374,758	4,337,318
Bank borrowings		400,115	400,211
Financing sold to Cagamas Berhad		1,371,507	1,385,248
Sukuk - MBSB SC Murabahah		2,647,450	2,615,807
Provision for taxation		24,116	81,398
Provision for zakat		4,384	4,780
Total liabilities		<u>34,866,753</u>	<u>32,974,523</u>
Islamic fund		4,000	4,000
Financial investment available-for-sale		(10,751)	(19,810)
Retained profits		<u>3,034,073</u>	<u>2,937,136</u>
		<u>3,027,322</u>	<u>2,921,326</u>
Total liabilities and Islamic fund		<u>37,894,075</u>	<u>35,895,849</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

A26b. Unaudited Consolidated Statements of Comprehensive Income for the Year Ended 31 March 2017

	1st quarter ended		3 months ended	
	31 March		31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of general investment deposits and Islamic capital funds	644,288	682,299	644,288	682,299
Less: Income attributable to depositors	(240,475)	(254,644)	(240,475)	(254,644)
Less: Income attributable to securitisation	(26,376)	(32,615)	(26,376)	(32,615)
Less: Income attributable to sukuk	(85,383)	(129,181)	(85,383)	(129,181)
Net income from financing operations	292,054	265,859	292,054	265,859
Other income	6,917	12,587	6,917	12,587
Other expenses	(49,777)	(41,432)	(49,777)	(41,432)
Allowance for losses on financing	(126,788)	(150,018)	(126,788)	(150,018)
Profit before taxation and zakat	122,406	86,996	122,406	86,996
Taxation	(25,598)	(13,875)	(25,598)	(13,875)
Zakat	129	-	129	-
Profit after taxation and zakat	96,937	73,120	96,937	73,120
Other comprehensive income	9,060	-	9,060	-
Total comprehensive income for the period	<u>105,997</u>	<u>73,120</u>	<u>105,997</u>	<u>73,120</u>

A26c. Financing

(i) By type

	31-03-17	31-12-16
	RM'000	RM'000
Term financing:		
- Corporate financing	10,766,804	9,625,862
- Property financing	6,122,963	5,936,416
- Personal financing	35,024,250	35,398,821
- Auto financing	349,798	359,625
Staff financing	19,313	19,960
Less: Unearned income	(21,639,784)	(21,362,958)
Gross loans, advances and financing	30,643,344	29,977,726
Allowance for impairment:		
- Collectively assessed	(1,995,840)	(1,870,623)
- Individually assessed	(435)	(165)
Net financing	<u>28,647,069</u>	<u>28,106,938</u>

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A26c. Financing (continued)**(ii) By contract**

	31-03-17	31-12-16
	RM'000	RM'000
Bai Bithaman Ajil (deferred payment sale)	2,135,529	2,080,179
Bai Al-Inah (cost plus)	13,509,431	13,640,302
Tawarruq	9,568,123	9,513,046
Contract financing	<u>5,430,261</u>	<u>4,744,199</u>
	<u>30,643,344</u>	<u>29,977,726</u>

(iii) Impaired financing

	31-03-17	31-12-16
	RM'000	RM'000
Balance as at 1 January	1,657,995	1,426,173
Classified as impaired during the year	343,620	1,428,996
Reclassified as non-impaired during the year	(243,939)	(1,183,101)
Amount recovered	<u>(49,464)</u>	<u>(14,073)</u>
Balance as at 31 December	1,708,212	1,657,995
Collective allowance	(1,174,508)	(1,139,713)
Individual allowance	<u>(435)</u>	<u>(165)</u>
Allowance for impairment	<u>(1,174,943)</u>	<u>(1,139,878)</u>
Net impaired financing	<u>533,269</u>	<u>518,117</u>
Net impaired financing as a percentage of net financing	<u>1.9%</u>	<u>1.8%</u>

(iv) Movement in allowance for impairment are as follows:

	31-03-17	31-12-16
	RM'000	RM'000
Collective impairment		
Balance as at 1 January	1,870,623	1,323,066
Impairment during the year	<u>125,217</u>	<u>547,557</u>
Balance as at 31 March	<u>1,995,840</u>	<u>1,870,623</u>
Individual impairment		
Balance as at 1 January	165	-
Impairment during the year	<u>270</u>	<u>165</u>
Balance as at 31 March	<u>435</u>	<u>165</u>

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A26d. Deposits from Customers**(i) By type of deposits**

	31-03-17	31-12-16
	RM'000	RM'000
Al-Wadiah savings account	56,860	51,895
Mudharabah fund	25,987,563	24,097,866
	<u>26,044,423</u>	<u>24,149,761</u>

(ii) By type of customer

	31-03-17	31-12-16
	RM'000	RM'000
Business enterprises	25,302,840	23,545,255
Individuals	741,583	604,506
	<u>26,044,423</u>	<u>24,149,761</u>

(iii) By maturity of deposits from customers

	31-03-17	31-12-16
	RM'000	RM'000
Within one year	25,498,697	23,205,596
More than one year	545,726	944,165
	<u>26,044,423</u>	<u>24,149,761</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

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

B1. Performance Review

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

Group revenue for the 3 months ended 31 March 2017 of RM811.204 million decreased by RM1.422 million or 0.2% as compared to the previous year corresponding period revenue of RM812.626 million. The decrease was mainly due to lower financing income from retail segment and lower income from investments in liquid assets. The Group cost to income ratio improved from the previous year to stand at 19.7%.

Group profit before tax for the financial period ended 31 March 2017 of RM126.771 million increased by RM87.671 million or 224.2% as compared to the previous year corresponding period profit before tax of RM39.100 million. The increase was mainly due to higher net operating income and lower allowances for impairment losses on loans, advances and financing with the continuation of the impairment program initiated by the Group in the 4th quarter of 2014.

The Group embarked on a "Closing the Gaps" exercise since 2010 to bridge its frameworks to be in line with banking standards and best practices. The impairment program, which is in line with the recommendation by Bank Negara Malaysia, is in addition to the existing impairment provision that is in compliance with current accounting standards.

The performance of the respective operating business segments for the current period under review as compared to the previous year corresponding period is analysed as follows:

Personal financing – The gross income from personal financing in the current period was lower compared to the previous year corresponding period due to lower disbursements and decreasing portfolio base.

Corporate loans and financing – The gross income from corporate loans and financing in the current period was higher compared to the previous year corresponding period due to the continued growth of corporate loans and financing assets base.

Mortgage loans and financing – The gross income from mortgage loans and financing was lower compared to the previous year corresponding period due to lower disbursements and decreasing portfolio base.

Auto finance loans and financing – The gross income from auto finance loans and financing was lower compared to the previous year corresponding period due to lower disbursements and decreasing portfolio base.

B2. Variation of Results against Preceding Quarter

The Group profit before tax for the 1st quarter 2017 of RM126.771 million decreased by RM24.115 million as compared to the preceding quarter profit before tax of RM150.886 million. The decrease was mainly due to lower revenue from retail portfolio and lower net operating income due to write back of staff expenses provision no longer required in 4th quarter 2016.

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

The Malaysian economy expanded by 4.5% in the fourth quarter of 2016 (3Q 2016: 4.3%). Private sector expenditure remained the key driver of growth and contributed towards the continued expansion in domestic demand. However, public sector spending declined and partly offset the sustained growth in private sector activity. As a result, growth in domestic demand moderated. On the external front, net exports contributed positively to growth as real exports expanded at a faster rate than real imports. On a quarter-on-quarter seasonally adjusted basis, the economy recorded a sustained growth of 1.4% (3Q 2016: 1.4%).

Domestic demand grew by 3.3% in the fourth quarter of the year (3Q 2016: 4.6%), as the sustained growth in private sector expenditure was partly offset by the contraction in public sector expenditure. Private consumption expanded by 6.2% (3Q 2016: 6.4%), supported by continued wage and employment growth. Private investment registered a growth of 4.9% (3Q 2016: 4.7%), following continued capital spending in the services and manufacturing sectors. Businesses remained cautious in undertaking capacity expansion given headwinds from both external and domestic fronts.

In the fourth quarter, the Federal Government recorded a fiscal deficit of 1.3% of GDP (3Q 2016: -0.6% of GDP), due to higher growth in revenue and a decline in total expenditure. Revenue increased by 6.8% on an annual basis (3Q 2016: 0.1%) driven by higher collections of Goods and Services Tax (GST). Operating expenditure declined by 13.0% on an annual basis (3Q 2016: -3.0%) due mainly to lower expenditure on supplies and services, and subsidies. Development expenditure similarly recorded a decline on an annual basis. The bulk of the expenditure during the quarter was disbursed primarily to the health sector, and agriculture and rural development. For the year as a whole, the Federal Government achieved a fiscal deficit target of 3.1% of GDP (2015: 3.2% of GDP). Total outstanding debt of the Federal Government stood at RM648.5 billion or 52.7% of GDP as at end-2016.

(Source: Extracted from the latest BNM Quarterly Bulletin - Developments in the Malaysian Economy, Fourth Quarter 2016)

Banking system remains stable

In the fourth quarter of 2016, capitalization in the banking system remained stable with sustained asset quality. As at end-December 2016, the common equity tier 1 capital ratio, tier 1 capital ratio and the total capital ratio stood at 13.1%, 14.0% and 16.5%, respectively (end-September 2016: 13.3%; 14.2%; 16.7%). Loan loss coverage ratio stood at 90.2% while net impaired loans ratio remained low at 1.2% of net total loans (end-September 2016: 89.4%; 1.3%), reflecting sufficient buffers to absorb potential credit losses held by banks.

(Source: Extracted from the latest Quarterly Update on the Malaysian Economy – Fourth Quarter 2016, Ministry of Finance)

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
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B3. Prospects (continued)

Brief Overview on Monetary and Financial Developments

In the fourth quarter of 2016, total gross financing raised by the private sector through the banking system, development financial institutions (DFIs), and the capital market amounted to RM316.2 billion (3Q 2016:RM293.8 billion). On a net basis, the growth of outstanding banking system loans, DFIs, and corporate bonds moderated to 5.5% in the fourth quarter (3Q 2016: 6.5%), reflecting mainly the moderation in the growth of net outstanding corporate bonds amid higher growth of loans extended by the banking system and development financial institutions (DFIs) during the quarter. The moderation in the growth of outstanding corporate bonds was mainly due to the higher base recorded in December 2015 given large one-off issuances by a few companies.

Net lending to businesses by the banking system and DFIs expanded by RM21.8 billion during the quarter (3Q 2016: RM7.8 billion). On an annual basis, outstanding business loans extended by the banking system and DFIs also grew strongly at 4.8% (3Q 2016: 2%). In addition, the amount of loans disbursed to businesses increased during the quarter with a higher level of credit extended mainly to the finance, insurance, and business services; transport, storage and communication and real estate sectors. Financing provided to SMEs also remained high, with outstanding SME loans recording an annual growth rate of 9% in 4Q 2016 (3Q 2016: 8.2%).

Net financing to the household sector by the banking system and DFIs expanded by RM16.1 billion during the quarter (3Q2016: RM12.1 billion). On an annual basis, the growth in outstanding household loans extended by the banking system and DFIs moderated to 5.5% in 4Q 2016 (3Q 2016:5.8%), reflecting mainly the moderation in loans for the purchase of passenger cars and the purchase of residential property. Borrowers with the capacity to service their loans continued to have access to financing during the quarter.

(Source: Extracted from the latest BNM, Quarterly Bulletin - Monetary and Financial Developments in the Malaysian Economy, Fourth Quarter 2016)

Group Prospects

The Group will focus on continued expansion of corporate business segment as it has shown positive contribution in 1st quarter 2017 flowing in from 2016, in terms of growth in corporate portfolio assets and earnings. The Group will continue to strengthen, adapt and sustain its corporate and retail business activities to compete in the challenging environment. These activities include collection efforts, continued improvement in compliant operational workflows, efficient workflows, enhancing assets quality based on risk management and credit frameworks and improving data management with business analytics.

Barring any unforeseen circumstances, the Group expects its performance for 2017 to be satisfactory.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
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B4. Variance from Profit Forecast and Profit Guarantee

None.

B5. Taxation

	1st quarter ended 31 March		3 months ended 31 March	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current income tax:				
- Malaysian income tax	31,630	56,374	31,630	56,374
Deferred tax:				
- Relating to origination and reversal of temporary differences	<u>(6,054)</u>	<u>(52,109)</u>	<u>(6,054)</u>	<u>(52,109)</u>
	<u>(6,054)</u>	<u>(52,109)</u>	<u>(6,054)</u>	<u>(52,109)</u>
Total income tax expense	<u>25,576</u>	<u>4,265</u>	<u>25,576</u>	<u>4,265</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the quarter.

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, except for debt securities as disclosed in Note A9.

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EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

B8. Status of Corporate Proposals**(a) Rights Issue**

The Rights Issue approved by the shareholders of the Company on 5 May 2016 was completed on 29 July 2016 upon the listing of and quotation for 2,899,387,079 Rights shares on Bursa Securities. Based on the first cash call of RM0.59 per share, the gross proceeds raised was approximately RM1.71 billion. The amount of share premium capitalised from the second call of RM0.41 per share was approximately RM1.19 billion.

(b) Status of Utilisation of Proceeds from Rights Issue

The status of utilisation of proceeds from Rights Issue as at the date hereof is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation Amount RM'000	%	Explanation
Purchase of liquefiable assets	511,000	511,000	Within 12 months – end of July 2017	NA	NA	
Expansion of financing business	1,100,000	1,100,000	Within 12 months – end of July 2017	NA	NA	
Working capital purposes	86,000	-	Within 12 months – end of July 2017	NA	NA	
Defrayment of estimated expenses in relation to the Rights Issue	14,000	14,000	Within 6 months – end of January 2017	No deviation	NA	
Total	1,711,000	1,625,000				

*NA – Not applicable yet

(c) Proposed Merger

Corporate Proposal	Status
The Company had, on 21 December 2016, received a letter from Bank Negara Malaysia (“BNM”) dated 21 December 2016 which states that BNM has no objection in principle for the Company to commence negotiations with the existing shareholders of Asian Finance Bank Berhad (“AFB”) namely Qatar Islamic Bank, RUSB Investment Bank Inc, Tadhamon International Islamic Bank and Financial Assets Bahrain WLL for a proposed merger of the Company and AFB (“the Proposed Merger”). BNM requires that the negotiations be completed within six months from the date of BNM’s letter.	Negotiations are on-going.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

B9. Borrowings and Debts

Borrowings of the Group as at 31 March 2017 were as follows:

	As at 31-03-17 RM'000	As at 31-12-16 RM'000
Short term bank borrowings	<u>450,121</u>	<u>575,275</u>
	<u>450,121</u>	<u>575,275</u>
Maturity of borrowings:		
- One year or less	450,121	575,275
- More than one year	-	-
Total	<u>450,121</u>	<u>575,275</u>
Recourse obligation on loans sold to Cagamas Berhad (secured):		
- One year or less	1,838,451	1,436,699
- More than one year	555,930	983,476
Total	<u>2,394,381</u>	<u>2,420,175</u>

All borrowings are denominated in Ringgit Malaysia.

B10. Off Balance Sheet Financial Instruments

None.

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EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2017

B11. Realised and Unrealised Profits and Losses

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

	Cumulative	
	As at 31-03-17 RM'000	As at 31-12-16 RM'000
Total accumulated profits of the Group:		
- Realised	997,245	901,795
- Unrealised in respect of deferred tax recognised in the income statement	36,706	30,652
Total Group accumulated profits as per consolidated accounts	1,033,951	932,447
Add: Consolidated adjustments	(226,579)	(226,579)
	807,372	705,868

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 profits 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.

B12. Material Litigation

The details of the pending material litigation are as per note A18 above.

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B13. Dividends Proposed

On 22 February 2017, the Board of Directors of Malaysia Building Society Berhad (“Board”) has recommended a Single-Tier Final Dividend of 3.0% (3.0 sen net per ordinary share) for the financial year ended 31 December 2016 (“Final Dividend”) of which the Company shareholders’ approval was obtained on 12 May 2017, being the date of the 47th Annual General Meeting.

Based on the issued and paid up share capital of 5,798,774,158 ordinary shares as at 24 May 2017, the payout for the Final Dividend would be approximately RM173.963 million.

On 12 May 2017, the following dates for the Final Dividend were announced:

- Ex-date : 24 May 2017
- Entitlement date: 26 May 2017
- Payment date : 22 June 2017

The Board has determined that the option to reinvest via the Dividend Reinvestment Plan (“DRP”) shall apply to the entire portion of the Final Dividend.

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

1. elect to exercise the option to reinvest and thereby reinvest the entire electable portion (or a part thereof) 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
2. (b) elect not to exercise the option to reinvest and thereby receive their entire dividend entitlement wholly in cash.

On 12 May 2017, the Board announced the issue price per DRP share has been fixed at RM1.15 per DRP share (“Issue Price”). The Issue Price represents a discount of approximately 9.38% to the ex-dividend volume weighted average market price (“VWAP”) of MBSB Share of RM1.2691, which was arrived at after taking into consideration:

1. the five (5)-day VWAP of RM1.2991 per MBSB Share up to and including 11 May 2017, being the last trading day prior to the Price Fixing Date; and
2. a dividend adjustment of three (3) sen to the five (5)-day VWAP of MBSB Share.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
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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.

	1st quarter ended		3 months ended	
	31 March		31 March	
	2017	2016	2017	2016
Net profit attributable to shareholders for the period (RM'000)	101,324	34,835	101,324	34,835
Weighted average number of ordinary shares in issue ('000)	5,798,774	2,838,552	5,798,774	2,838,552
Basic earnings per share (sen)	<u>1.75</u>	<u>1.23</u>	<u>1.75</u>	<u>1.23</u>

B14. Earnings Per Share (continued)**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.

	1st quarter ended		3 months ended	
	31 March		31 March	
	2017	2016	2017	2016
Net profit attributable to shareholders for the period (RM'000)	101,324	34,835	101,324	34,835
Weighted average number of ordinary shares in issue ('000)	5,798,774	2,838,552	5,798,774	2,838,552
Weighted average effect of dilution on ESOS ('000)	218	253	218	253
Weighted average effect of dilution on Warrants ('000)	<u>-</u>	<u>4,035</u>	<u>-</u>	<u>4,035</u>
Adjusted weighted average number of ordinary shares in issue ('000)	<u>5,798,992</u>	<u>2,842,840</u>	<u>5,798,992</u>	<u>2,842,840</u>
Diluted earnings per share (sen)	<u>1.75</u>	<u>1.23</u>	<u>1.75</u>	<u>1.23</u>

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B15. Authorisation for Issue

The audited interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 May 2017.

BY ORDER OF THE BOARD

Koh Ai Hoon
(MAICSA 7006997)
Tong Lee Mee
(MAICSA 7053445)
Joint Company Secretaries
Kuala Lumpur
24 May 2017