

**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 2016**

|   | <b>As at<br/>31 March 2016<br/>(RM'000)</b> | <b>As at<br/>31 December 2015<br/>(RM'000)</b> |
|---|---|--|
| <b>ASSETS</b>   |   |  |
| Cash and short term funds                                     | 6,886,001                                   | 6,928,263                                      |
| Deposits and placements with financial institutions           | 836,714                                     | 406,529  |
| Trade receivables   | 435   | 819  |
| Other receivables   | 158,498                                     | 195,078  |
| Inventories   | 103,290                                     | 103,287  |
| Loans, advances and financing                                 | 31,909,532                                  | 31,784,970                                     |
| Financial investments available-for-sale                      | 1,165,167                                   | 983,354  |
| Property, plant and equipment                                 | 136,138                                     | 138,052  |
| Land use rights   | 5,707                                       | 5,746  |
| Intangible assets   | 25,383                                      | 28,679   |
| Tax recoverable   | 4,979                                       | 3,181  |
| Deferred tax assets   | 561,868                                     | 511,050  |
| <b>TOTAL ASSETS</b>   | <b>41,793,712</b>                           | <b>41,089,008</b>                              |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                   |   |  |
| Deposits from customers                                       | 30,492,555                                  | 28,585,387                                     |
| Bank borrowings   | 450,175                                     | 1,645,591                                      |
| Other borrowings  | 25,090                                      | 50,181   |
| Trade payables  | 140   | 214  |
| Other payables  | 293,844                                     | 325,968  |
| Provision for taxation and zakat                              | 10,233                                      | 10,850   |
| Recourse obligation on loans/financing sold                   | 2,737,955                                   | 2,767,242                                      |
| Sukuk - MBSB Structured Covered ("SC") Murabahah              | 2,862,202                                   | 2,827,955                                      |
| Deferred tax liabilities                                      | 12,789                                      | 14,080   |
| <b>TOTAL LIABILITIES</b>                                      | <b>36,884,983</b>                           | <b>36,227,468</b>                              |
| Share capital   | 2,838,778                                   | 2,838,551                                      |
| Share premium   | 1,392,980                                   | 1,392,980                                      |
| Other reserves  | 52,757                                      | 40,733   |
| Retained earnings   | 624,214                                     | 589,276  |
| <b>Total equity</b>   | <b>4,908,729</b>                            | <b>4,861,540</b>                               |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>             | <b>41,793,712</b>                           | <b>41,089,008</b>                              |
| <b>COMMITMENTS AND CONTINGENCIES</b>                          | <b>7,755,017</b>                            | <b>8,536,085</b>                               |
| <b>Net assets per share attributable to shareholders (RM)</b> | <b>1.73</b>                                 | <b>1.71</b>                                    |

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)**  
**(Incorporated in Malaysia)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD**  
**ENDED 31 MARCH 2016**

|  | 1st quarter ended<br>31 March |                | Three months ended<br>31 March |                |
|--|-------------------------------|----------------|--------------------------------|----------------|
|  | 2016<br>RM'000                | 2015<br>RM'000 | 2016<br>RM'000                 | 2015<br>RM'000 |
| Revenue  | 812,626                       | 690,602        | 812,626                        | 690,602        |
| Interest income  | 116,844                       | 119,283        | 116,844                        | 119,283        |
| Interest expenses  | (66,091)                      | (69,664)       | (66,091)                       | (69,664)       |
| Net interest income  | 50,753                        | 49,619         | 50,753                         | 49,619         |
| Income derived from investment of general<br>investment deposits and Islamic capital funds | 682,299                       | 557,050        | 682,299                        | 557,050        |
| Income attributable to depositors  | (287,259)                     | (232,501)      | (287,259)                      | (232,501)      |
| Income attributable to sukuk   | (129,181)                     | (49,518)       | (129,181)                      | (49,518)       |
| Net income from Islamic financing operations   | 265,859                       | 275,031        | 265,859                        | 275,031        |
| Operating income   | 316,612                       | 324,650        | 316,612                        | 324,650        |
| Other income   | 14,312                        | 18,437         | 14,312                         | 18,437         |
| Net income   | 330,924                       | 343,087        | 330,924                        | 343,087        |
| Other operating expenses   | (73,289)                      | (84,116)       | (73,289)                       | (84,116)       |
| Operating profit   | 257,635                       | 258,971        | 257,635                        | 258,971        |
| Allowance for impairment losses on loans,<br>advances and financing                        | (218,535)                     | (101,319)      | (218,535)                      | (101,319)      |
| Profit before taxation and zakat   | 39,100                        | 157,652        | 39,100                         | 157,652        |
| Taxation and zakat   | (4,265)                       | (33,340)       | (4,265)                        | (33,340)       |
| Profit for the period  | 34,835                        | 124,312        | 34,835                         | 124,312        |
| Other comprehensive income   | 12,127                        | -              | 12,127                         | -              |
| Total comprehensive income for the period, net of tax                                      | 46,962                        | 124,312        | 46,962                         | 124,312        |
| Earnings per share (sen):  |                               |                |                                |                |
| Basic  | 4.91                          | 4.59           | 4.91                           | 4.59           |
| Diluted  | 4.91                          | 4.57           | 4.91                           | 4.57           |

**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 CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2016**

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

|   | Ordinary<br>Shares<br><i>RM'000</i> | Share<br>Premium<br><i>RM'000</i> | Capital<br>Reserve <sup>#1</sup><br><i>RM'000</i> | Share<br>Option<br>Reserve<br><i>RM'000</i> | Warrants<br>Reserve<br><i>RM'000</i> | Capital<br>Redemption<br>Reserve <sup>#2</sup><br><i>RM'000</i> | Available-<br>for-sale<br>Reserve<br><i>RM'000</i> | Accumulated<br>Profit/(Losses)<br><i>RM'000</i> | Total<br>Equity<br><i>RM'000</i> |
|---|-------------------------------------|-----------------------------------|---|---|--------------------------------------|---|--|---|----------------------------------|
| <b>At 1 January 2015</b>  | 2,709,623                           | 1,278,873                         | 17,838  | 2,853                                       | 3,633                                | 12,486  | -  | 657,107   | 4,682,413                        |
| Profit for the period   | -                                   | -                                 | -   | -   | -                                    | -   | -  | 124,312   | 124,312                          |
| Other comprehensive income for the period   | -                                   | -                                 | -   | -   | -                                    | -   | -  | -   | -                                |
| Total comprehensive income for the period   | -                                   | -                                 | -   | -   | -                                    | -   | -  | 124,312   | 124,312                          |
| Share options granted under ESOS recognised in profit or loss                     | -                                   | -                                 | -   | 5,001                                       | -                                    | -   | -  | -   | 5,001                            |
| Issue of ordinary shares pursuant to exercise of ESOS                             | 1,929                               | 1,995                             | -   | (1,060)                                     | -                                    | -   | -  | -   | 2,864                            |
| Issue of ordinary shares pursuant to exercise of warrants                         | 1,697                               | -                                 | -   | -   | -                                    | -   | -  | -   | 1,697                            |
| Transfer of share option reserve to retained profits upon expiry of share options | -                                   | -                                 | -   | (88)  | -                                    | -   | -  | 88  | -                                |
| <b>At 31 March 2015</b>   | 2,713,249                           | 1,280,868                         | 17,838  | 6,706                                       | 3,633                                | 12,486  | -  | 905,819   | 4,816,287                        |
| <b>At 1 January 2016</b>  | 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 income for the period   | -                                   | -                                 | -   | -   | -                                    | -   | 12,127   | 34,835  | 46,962                           |
| Dividend  | -                                   | -                                 | -   | -   | -                                    | -   | -  | -   | -                                |
| 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 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 | -                                   | -                                 | -   | -   | -                                    | -   | -  | -   | -                                |
| <b>At 31 March 2016</b>   | 2,838,778                           | 1,392,980                         | 17,838  | 5,210                                       | 3,633                                | 12,486  | 13,693   | 624,111   | 4,908,729                        |

<sup>#1</sup> 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.

<sup>#2</sup> 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**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 MARCH 2016**

|  | <b>31 March<br/>2016<br/>RM'000</b> | <b>31 March<br/>2015<br/>RM'000</b> |
|--|-------------------------------------|-------------------------------------|
| <b>Cash flows from operating activities</b>  |                                     |                                     |
| Profit before taxation   | 39,100                              | 157,652                             |
| Adjustments for:   |                                     |                                     |
| Depreciation:  |                                     |                                     |
| - property, plant and equipment  | 3,513                               | 3,724                               |
| Amortisation:  |                                     |                                     |
| - land use rights  | 6                                   | 40                                  |
| - intangible assets  | 3,381                               | 3,290                               |
| Gain on disposal of property, plant and equipment  | (2)                                 | -                                   |
| Allowance for impairment of:   |                                     |                                     |
| - unsecured advances in respect of certain projects                                      | 8,050                               | 7,959                               |
| Allowance for impairment losses on loans, advances and financing                         | 218,535                             | 101,319                             |
| Accruals made during the period  | (14,373)                            | (20,945)                            |
| Interest/profit income adjustment on:  |                                     |                                     |
| - loans, advances and financing  | 10,174                              | 34,470                              |
| - profit payable on financial investments AFS  | (10,164)                            | -                                   |
| - Sukuk - MBSB SC Murabahah  | (32,193)                            | (12,563)                            |
| Operating profit before working capital changes  | 226,027                             | 274,946                             |
| Increase in deposits with financial institutions<br>with maturity of more than one month | (430,185)                           | (94,231)                            |
| Increase in loans, advances and financing  | (353,271)                           | (278,381)                           |
| Increase in inventories  | (3)                                 | -                                   |
| Decrease in trade receivables  | 384                                 | -                                   |
| Decrease in other receivables  | 28,549                              | 118                                 |
| Increase/(decrease) in deposits from customers   | 1,907,168                           | (67,677)                            |
| Decrease in trade payables   | (74)                                | -                                   |
| Decrease in other payables   | (17,751)                            | (42,051)                            |
| Cash generated from/(used in) operations   | 1,360,844                           | (207,276)                           |
| Tax paid   | (58,172)                            | (21,250)                            |
| Zakat paid   | (618)                               | (274)                               |
| Net cash generated from/(used in) operating activities                                   | 1,302,054                           | (228,800)                           |

(Contd.)

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 MARCH 2016**

|  | <b>31 March<br/>2016<br/>RM'000</b> | <b>31 March<br/>2015<br/>RM'000</b> |
|--|-------------------------------------|-------------------------------------|
| <b>Cash flows from investing activities</b>                              |                                     |                                     |
| Purchase of property, plant and equipment                                | (1,581)                             | (4,901)                             |
| Purchase of intangible assets  | (88)                                | (5,294)                             |
| Proceeds from disposal of property, plant and equipment                  | 2                                   | -                                   |
| Increase in financial investments available-for-sale                     | (159,522)                           | (43,600)                            |
| Net cash used in investing activities                                    | (161,189)                           | (53,795)                            |
| <b>Cash flows from financing activities</b>                              |                                     |                                     |
| Repayment of bank borrowings   | (1,195,416)                         | (565,292)                           |
| Repayment of other borrowings  | (25,091)                            | (25,110)                            |
| (Repayment of)/proceeds from recourse obligation on loans/financing sold | (29,287)                            | 480,193                             |
| Proceeds from Sukuk - MBSB SC Murabahah                                  | 66,440                              | 12,708                              |
| Net proceeds from issuance of ordinary shares                            | 227                                 | 5,620                               |
| Net cash used in financing activities                                    | (1,183,127)                         | (91,881)                            |
| Net decrease in cash and cash equivalents                                | (42,262)                            | (374,476)                           |
| Cash and cash equivalents at beginning of financial year                 | 6,928,263                           | 5,683,939                           |
| Cash and cash equivalents at end of financial period                     | 6,886,001                           | 5,309,463                           |
| Cash and cash equivalents comprise :                                     |                                     |                                     |
| Cash and short term funds  | 6,886,001                           | 5,309,463                           |

**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)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016

**A1. Basis of Preparation**

The unaudited condensed interim financial statements for the financial quarter ended 31 March 2016 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 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 2015. 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 2015.

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 year ended 31 December 2015.

On 1 January 2016, 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 2016:

Effective for annual periods commencing on or after 1 January 2016

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016

**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

- MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments

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 2016

**A2. Audit Report of Preceding Financial Year Ended 31 December 2015**

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

**A3. Seasonality and Cyclicalities 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**

Other than the issuance of new shares as shown below pursuant to the 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.

|   | <b>No of ordinary<br/>shares of<br/>RM1.00 each<br/>'000</b> | <b>Ordinary<br/>shares<br/>RM'000</b> | <b>Share<br/>premium<br/>RM'000</b> |
|---|--|---------------------------------------|-------------------------------------|
| <b>At 1 January 2016</b>                        | 2,838,551  | 2,838,551                             | 1,392,980                           |
| Issued at RM1.00 per share pursuant to warrants | 226  | 226                                   | -                                   |
| <b>As at 31 March 2016</b>                      | <u>2,838,777</u>   | <u>2,838,777</u>                      | <u>1,392,980</u>                    |

**A7. Dividend Paid**

None.



**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016

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

|                                     | <b>31-03-16</b>   | <b>31-12-15</b>   |
|-------------------------------------|-------------------|-------------------|
|                                     | <b>RM'000</b>     | <b>RM'000</b>     |
| Personal financing                  | 23,110,665        | 23,159,664        |
| Mortgage loans and financing        | 5,445,237         | 5,440,447         |
| Corporate loans and financing       | 5,473,062         | 5,081,068         |
| Auto Financing                      | 372,759           | 376,630           |
| Staff loans                         | 49,627            | 51,020            |
| Gross loans, advances and financing | <u>34,451,350</u> | <u>34,108,829</u> |
| Allowance for impairment:           |                   |                   |
| - Collectively assessed             | (2,270,092)       | (2,045,943)       |
| - Individually assessed             | <u>(271,726)</u>  | <u>(277,916)</u>  |
| Net loans, advances and financing   | <u>31,909,532</u> | <u>31,784,970</u> |

**(ii) By maturity structure**

|                           | <b>31-03-16</b>   | <b>31-12-15</b>   |
|---------------------------|-------------------|-------------------|
|                           | <b>RM'000</b>     | <b>RM'000</b>     |
| Maturing within one year  | 789,551           | 575,232           |
| One year to three years   | 976,381           | 1,037,731         |
| Three years to five years | 1,156,301         | 941,459           |
| Over five years           | <u>31,529,117</u> | <u>31,554,407</u> |
|                           | <u>34,451,350</u> | <u>34,108,829</u> |

**(iii) By economic purpose**

|  | <b>31-03-16</b>   | <b>31-12-15</b>   |
|--|-------------------|-------------------|
|  | <b>RM'000</b>     | <b>RM'000</b>     |
| Purchase of residential properties     | 5,174,485         | 5,173,290         |
| Purchase of non-residential properties | 297,597           | 293,858           |
| Personal use                           | 23,131,695        | 23,182,139        |
| Property development                   | 2,799,888         | 2,685,005         |
| Working capital                        | 2,128,232         | 1,706,762         |
| Purchase of transport vehicles         | 374,513           | 378,473           |
| Others                                 | 544,940           | 689,302           |
|  | <u>34,451,350</u> | <u>34,108,829</u> |

**(iv) By type of customers**

|                                | <b>31-3-16</b>    | <b>31-12-15</b>   |
|--------------------------------|-------------------|-------------------|
|                                | <b>RM'000</b>     | <b>RM'000</b>     |
| Domestic business enterprises: |                   |                   |
| - Small medium enterprises     | 2,689,157         | 2,637,084         |
| - Others                       | 2,890,229         | 2,557,619         |
| Individuals                    | <u>28,871,964</u> | <u>28,914,126</u> |
|                                | <u>34,451,350</u> | <u>34,108,829</u> |

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016

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

|   | <b>31-3-16</b>    | <b>31-12-15</b>   |
|---|-------------------|-------------------|
|   | <b>RM'000</b>     | <b>RM'000</b>     |
| Fixed rate:                                       |                   |                   |
| Personal financing                                | 23,090,965        | 23,145,495        |
| Auto finance                                      | 374,513           | 378,473           |
| Mortgage and property islamic                     | 851,654           | 867,843           |
| Bridging, structured and term loans and financing | 550,799           | 413,920           |
| Variable rate:                                    |                   |                   |
| Personal financing                                | 40,729            | 36,644            |
| Mortgage and property Islamic                     | 4,620,428         | 4,599,305         |
| Bridging, structured and term loans and financing | 4,922,262         | 4,667,149         |
|   | <u>34,451,350</u> | <u>34,108,829</u> |

**(vi) Movements in impaired loans, advances and financing**

|   | <b>31-3-16</b>     | <b>31-12-15</b>    |
|---|--------------------|--------------------|
|   | <b>RM'000</b>      | <b>RM'000</b>      |
| Balance as at 1 January   | 2,519,633          | 2,145,793          |
| Classified as impaired during the period                                  | 2,881,072          | 2,370,388          |
| Reclassified as non-impaired  | (2,678,437)        | (1,983,079)        |
| Amount recovered  | (9,382)            | (22,482)           |
| Amount written off  | -                  | 9,013              |
| Balance as at end of period   | <u>2,712,886</u>   | <u>2,519,633</u>   |
| Collective allowance  | (1,539,934)        | (1,442,441)        |
| Individual allowance  | (192,544)          | (183,679)          |
|   | <u>(1,732,478)</u> | <u>(1,626,120)</u> |
| Net impaired loans, advances and financing                                | <u>980,408</u>     | <u>893,513</u>     |
| Net impaired loans as per percentage of net loans, advances and financing | <u>3.1%</u>        | <u>2.8%</u>        |

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**A8. Loans, Advances and Financing (continued)****(vii) Movements in allowance for impairment**

|   | <b>31-3-16</b>   | <b>31-12-15</b>  |
|---|------------------|------------------|
|   | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Collective Impairment</b>  |                  |                  |
| Opening balance   | 2,045,943        | 1,437,747        |
| Impairment during the period  | 224,149          | 608,196          |
| Closing balance   | <u>2,270,092</u> | <u>2,045,943</u> |
| <br>  |                  |                  |
| As of % of gross loans, advances and financing<br>less individual allowance | 6.7%             | 6.1%             |
| <b>Individual Impairment</b>  |                  |                  |
| Opening balance   | 277,916          | 208,679          |
| (Reversal)/impairment during the period                                     | (6,190)          | 67,597           |
| Written off   | -                | 10,010           |
| Transfer to impairment for foreclosed properties                            | -                | (8,370)          |
| Closing balance   | <u>271,726</u>   | <u>277,916</u>   |

**A9. Financial investments available-for-sale**

|  | <b>31-3-16</b>   | <b>31-12-15</b> |
|--|------------------|-----------------|
|  | <b>RM'000</b>    | <b>RM'000</b>   |
| <b><u>Money Market Instruments</u></b> |                  |                 |
| Malaysian Government Investment Issues | <u>652,540</u>   | <u>584,787</u>  |
|  | <u>652,540</u>   | <u>584,787</u>  |
| <b><u>Quoted Securities:</u></b>       |                  |                 |
| In Malaysia                            |                  |                 |
| Private and Islamic debt securities    | <u>512,627</u>   | <u>398,567</u>  |
|  | <u>512,627</u>   | <u>398,567</u>  |
|  | <u>1,165,167</u> | <u>983,354</u>  |

**A10. Deposits from customers**

|   | <b>31-3-16</b>    | <b>31-12-15</b>   |
|---|-------------------|-------------------|
|   | <b>RM'000</b>     | <b>RM'000</b>     |
| <b>By type of products:</b>                 |                   |                   |
| Savings                                     | 83,532            | 82,014            |
| Fixed deposits                              | <u>30,409,023</u> | <u>28,503,373</u> |
|   | <u>30,492,555</u> | <u>28,585,387</u> |
| <b>By type of customers:</b>                |                   |                   |
| Government and statutory bodies             | 12,961,572        | 18,558,905        |
| Business enterprises                        | 15,252,662        | 7,761,195         |
| Individuals                                 | <u>2,278,321</u>  | <u>2,265,287</u>  |
|   | <u>30,492,555</u> | <u>28,585,387</u> |
| <b>Maturity of deposits from customers:</b> |                   |                   |
| Within one year                             | 27,689,228        | 25,610,754        |
| More than one year                          | <u>2,803,327</u>  | <u>2,974,633</u>  |
|   | <u>30,492,555</u> | <u>28,585,387</u> |

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**A11. Interest Income**

|  | <b>1st quarter ended<br/>31 March</b> |                        | <b>3 months ended<br/>31 March</b> |                        |
|--|---------------------------------------|------------------------|------------------------------------|------------------------|
|  | <b>2016<br/>RM'000</b>                | <b>2015<br/>RM'000</b> | <b>2016<br/>RM'000</b>             | <b>2015<br/>RM'000</b> |
| Loans, advances and financing  | 103,905                               | 109,105                | 103,905                            | 109,105                |
| Deposits and placements with banks<br>and other financial institutions | 12,939                                | 10,178                 | 12,939                             | 10,178                 |
|  | <u>116,844</u>                        | <u>119,283</u>         | <u>116,844</u>                     | <u>119,283</u>         |

**A12. Interest Expenses**

|                         | <b>1st quarter ended<br/>31 March</b> |                        | <b>3 months ended<br/>31 March</b> |                        |
|-------------------------|---------------------------------------|------------------------|------------------------------------|------------------------|
|                         | <b>2016<br/>RM'000</b>                | <b>2015<br/>RM'000</b> | <b>2016<br/>RM'000</b>             | <b>2015<br/>RM'000</b> |
| Bank borrowings         | 2,138                                 | 4,623                  | 2,138                              | 4,623                  |
| Deposits from customers | 63,953                                | 65,041                 | 63,953                             | 65,041                 |
|                         | <u>66,091</u>                         | <u>69,664</u>          | <u>66,091</u>                      | <u>69,664</u>          |

**A13. Net Income from Islamic Banking Operations**

|   | <b>31 March</b>        |                        | <b>31 March</b>        |                        |
|---|------------------------|------------------------|------------------------|------------------------|
|   | <b>2016<br/>RM'000</b> | <b>2015<br/>RM'000</b> | <b>2016<br/>RM'000</b> | <b>2015<br/>RM'000</b> |
| Financing                               | 521,218                | 477,797                | 521,218                | 477,797                |
| Profit income from                      |                        |                        |                        |                        |
| Sukuk Commodity Murabahah               | 66,359                 | 36,872                 | 66,359                 | 36,872                 |
| Profit on financial investments         | 9,636                  | -                      | 9,636                  | -                      |
| Deposits placements                     | 51,656                 | 29,735                 | 51,656                 | 29,735                 |
| Less: Income attributable to depositors | (287,259)              | (232,502)              | (287,259)              | (232,502)              |
| Less: Income attributable to sukuk      | (95,751)               | (36,871)               | (95,751)               | (36,871)               |
|   | <u>265,859</u>         | <u>275,031</u>         | <u>265,859</u>         | <u>275,031</u>         |

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**A14. Other Income**

|                               | 1st quarter ended<br>31 March |               | 3 months ended<br>31 March |               |
|-------------------------------|-------------------------------|---------------|----------------------------|---------------|
|                               | 2016                          | 2015          | 2016                       | 2015          |
|                               | RM'000                        | RM'000        | RM'000                     | RM'000        |
| Revenue from hotel operations | 1,532                         | 1,637         | 1,532                      | 1,637         |
| Loan processing fees          | 8,345                         | 10,981        | 8,345                      | 10,981        |
| Insurance commission          | 501                           | 798           | 501                        | 798           |
| Loan facility fees            | 1,458                         | -             | 1,458                      | -             |
| Legal notice fees             | 484                           | 421           | 484                        | 421           |
| Sundry income                 | 1,990                         | 4,600         | 1,990                      | 4,600         |
| Gain from disposal of:        |                               |               |                            |               |
| Property, plant and equipment | 2                             | -             | 2                          | -             |
|                               | <u>14,312</u>                 | <u>18,437</u> | <u>14,312</u>              | <u>18,437</u> |

**A15. Other Operating Expenses**

|  | 1st quarter ended<br>31 March |               | 3 months ended<br>31 March |               |
|--|-------------------------------|---------------|----------------------------|---------------|
|  | 2016                          | 2015          | 2016                       | 2015          |
|  | RM'000                        | RM'000        | RM'000                     | RM'000        |
| Personnel expenses:                      |                               |               |                            |               |
| - Wages and salaries                     | 30,030                        | 33,768        | 30,030                     | 33,768        |
| - Social security costs                  | 202                           | 219           | 202                        | 219           |
| - Pension costs                          | 4,724                         | 5,299         | 4,724                      | 5,299         |
| - Share options granted under ESOS       | -                             | 5,001         | -                          | 5,001         |
| - Other staff related expenses           | 1,205                         | 1,779         | 1,205                      | 1,779         |
|  | 36,161                        | 46,066        | 36,161                     | 46,066        |
| Establishment related expenses           | 3,548                         | 2,883         | 3,548                      | 2,883         |
| Promotion and marketing related expenses | 2,740                         | 4,761         | 2,740                      | 4,761         |
| General administrative expenses          | 24,602                        | 22,791        | 24,602                     | 22,791        |
| Others                                   | 6,238                         | 7,615         | 6,238                      | 7,615         |
|  | <u>73,289</u>                 | <u>84,116</u> | <u>73,289</u>              | <u>84,116</u> |

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

|  | 1st quarter ended |                | 3 months ended |                |
|--|-------------------|----------------|----------------|----------------|
|  | 31 March          |                | 31 March       |                |
|  | 2016              | 2015           | 2016           | 2015           |
|  | RM'000            | RM'000         | RM'000         | RM'000         |
| Allowance for/(write back of)<br>impairment on loans, advances and<br>financing: |                   |                |                |                |
| - Collective impairment  | 224,149           | 93,694         | 224,149        | 93,694         |
| - Individual impairment  | (6,190)           | 7,498          | (6,190)        | 7,498          |
| - Written off  | 576               | 127            | 576            | 127            |
|  | <u>218,535</u>    | <u>101,319</u> | <u>218,535</u> | <u>101,319</u> |

**A17. Commitments and Contingencies**

|   | 31-3-16          | 31-12-15         |
|---|------------------|------------------|
|   | RM'000           | RM'000           |
| <b>(i) Operational Commitments</b>                                  |                  |                  |
| Loan commitments not yet recognised in the<br>financial statements: |                  |                  |
| End finance   | 227,740          | 251,351          |
| Islamic properties  | 158,422          | 142,849          |
| Islamic personal financing  | 1,011            | 1,323            |
| Islamic auto financing  | 582              | -                |
| Auto finance  | 200              | -                |
| Bridging, structured and term loans and financing                   | 6,860,925        | 7,614,958        |
| Financial guarantees  | 84,609           | 104,076          |
|   | <u>7,333,489</u> | <u>8,114,557</u> |
| Approved and contracted for property development                    | 421,528          | 421,528          |
| Total   | <u>7,755,017</u> | <u>8,536,085</u> |
| <b>(ii) Capital Commitments</b>                                     |                  |                  |
| Property, plant and equipment:                                      |                  |                  |
| Approved and contracted for   | 181,595          | 183,105          |
| Approved but not contracted for                                     | 9,109            | 46,702           |
|   | <u>190,704</u>   | <u>229,807</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.

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**A18. Contingent Liabilities (Unsecured)**

- (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.

On conclusion of the Full Trial, the claim against the Company was dismissed with costs. The contractor's appeal to the Court of Appeal was allowed. The Company has filed an application for leave to appeal to the Federal Court and a tentative Hearing date on 16 April 2015 has been vacated with the matter fixed for Case Management on 11 August 2015.

Subsequently, the Federal Court had fixed the matter for further Case Management on 2 March 2016 pending settlement.

Federal Court fixed the matter for further Case Management on 1 July 2016.

- (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. On conclusion of the Full Trial, the Court dismissed the Plaintiffs' claim with costs and allowed the Company's counterclaim. The Plaintiffs have filed an appeal to the Court of Appeal against the decision and is fixed for further Case Management on 9 October 2015 pending release of the grounds of judgment from the High Court.

The Court of Appeal had fixed the matter for Case Management on 4 March 2016 pending release of the grounds of judgment from High Court. Court of Appeal fixed the matter for Hearing on 17 August 2016.

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. On 13 December 2013 after the hearing, the Plaintiffs' application was allowed. The Court of Appeal dismissed the Company's appeal. The Company's application to the Federal Court for leave to appeal was allowed on 29 January 2015. The matter is now pending a date for decision by the Federal Court after Hearing on 10 March 2016.

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, provision has been made where appropriate in the financial statements.

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**A19. Segmental Information on Revenue and Results**

|                                   | <b>Financing<br/>RM'000</b> | <b>Hotel<br/>Operations<br/>RM 000</b> | <b>Eliminations<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|-----------------------------------|-----------------------------|--|--------------------------------|--------------------------------|
| <b>3 months ended 31 March 16</b> |                             |  |                                |                                |
| External sales                    | 813,714                     | 1,533                                  | (2,621)                        | 812,626                        |
| Intersegment transactions         | 2,937                       | 831                                    | (3,768)                        | -                              |
| <b>Total revenue</b>              | <b>816,651</b>              | <b>2,364</b>                           | <b>(6,389)</b>                 | <b>812,626</b>                 |
| Segment results                   | 26,551                      | (4,099)                                | 16,648                         | 39,100                         |
| Unallocated income (net of cost)  |                             |  |                                | -                              |
| <b>Profit from operations</b>     |                             |  |                                | <b>39,100</b>                  |
| <b>3 months ended 31 March 15</b> |                             |  |                                |                                |
| External sales                    | 686,074                     | 1,637                                  | 2,891                          | 690,602                        |
| Intersegment transactions         | 9,659                       | 824                                    | (10,483)                       | -                              |
| <b>Total revenue</b>              | <b>695,733</b>              | <b>2,461</b>                           | <b>(7,592)</b>                 | <b>690,602</b>                 |
| Segment result                    | 146,229                     | (3,679)                                | 15,102                         | 157,652                        |
| Unallocated income (net of cost)  |                             |  |                                | -                              |
| <b>Profit from operations</b>     |                             |  |                                | <b>157,652</b>                 |

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

**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**

|                           | <b>As at<br/>31-3-16<br/>RM'000</b> |
|---------------------------|-------------------------------------|
| <b>Additions</b>          |                                     |
| Building in progress      | 1,510                               |
| Building renovation       | 25                                  |
| Furniture & equipment     | 42                                  |
| Motor vehicles            | -                                   |
| Data processing equipment | 4                                   |
|                           | <b>1,581</b>                        |



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**A24. Significant Related Party Transactions**

|  | <b>Three months ended<br/>31 March</b> |               |
|--|--|---------------|
|  | <b>2016</b>                            | <b>2015</b>   |
|  | <b>RM'000</b>                          | <b>RM'000</b> |
| (i) Transactions with Employees Provident Fund Board, the ultimate holding body: |  |               |
| <b>Expenses</b>  |  |               |
| Interest on loans  | 596                                    | 1,953         |
| Rental expense   | 70                                     | 70            |
| <b>Balances</b>  |  |               |
| Other borrowings   | 25,090                                 | 125,434       |
| (ii) Transactions with RHB Banking Group of companies:                           |  |               |
| <b>Balances</b>  |  |               |
| Deposits and placements with financial institutions                              | 1,995,705                              | 549,956       |
| Deposits from customers  | 376,149                                | -             |
| Bank borrowings  | 200,159                                | 300,529       |
| Recourse obligation on loans sold to Cagamas Berhad                              | 859,098                                | 900,788       |
| (iii) Collectively, but not individually, significant balances                   |  |               |
| <b>Balances</b>  |  |               |
| Deposit from customers   | 600,435                                | 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 2016**

|   | Note | 31-Mar-16<br>RM'000 | 31-Dec-15<br>RM'000 |
|---|------|---------------------|---------------------|
| <b>Assets</b>                                       |      |                     |                     |
| Cash and short-term funds                           |      | 6,540,933           | 6,026,443           |
| Deposits and placements with financial institutions |      | 836,427             | 404,402             |
| Financing   | A26c | 27,409,033          | 27,152,155          |
| Other receivables                                   |      | 662,115             | 670,594             |
| Financial investment available-for-sale             |      | 1,165,167           | 983,354             |
| <b>Total assets</b>                                 |      | <u>36,613,675</u>   | <u>35,236,948</u>   |
| <b>Liabilities</b>                                  |      |                     |                     |
| Deposits from customers                             | A26d | 24,346,557          | 22,491,784          |
| Other payables                                      |      | 4,825,499           | 4,871,169           |
| Bank borrowings                                     |      | 400,164             | 750,419             |
| Other borrowings                                    |      | 25,090              | 50,181              |
| Financing sold to Cagamas Berhad                    |      | 1,421,855           | 1,433,445           |
| Sukuk - MBSB SC Murabahah                           |      | 2,862,202           | 2,827,955           |
| Provision for taxation                              |      | 48,965              | 72,434              |
| Provision for zakat                                 |      | 7,199               | 7,816               |
| <b>Total liabilities</b>                            |      | <u>33,937,531</u>   | <u>32,505,203</u>   |
| Islamic fund  |      | 4,000               | 4,000               |
| Financial investment available-for-sale             |      | 13,693              | 1,566               |
| Retained profits                                    |      | 2,658,451           | 2,726,179           |
|   |      | <u>2,676,144</u>    | <u>2,731,745</u>    |
| <b>Total liabilities and Islamic fund</b>           |      | <u>36,613,675</u>   | <u>35,236,948</u>   |

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**A26b. Unaudited Consolidated Statements of Comprehensive Income for the Year Ended 31 March 2016**

|   | 1st quarter ended |           | 3 months ended |           |
|---|-------------------|-----------|----------------|-----------|
|   | 31 March          |           | 31 March       |           |
|   | 2016              | 2015      | 2016           | 2015      |
|   | RM'000            | RM'000    | RM'000         | RM'000    |
| Income derived from investment of general investment deposits and Islamic capital funds | 682,299           | 557,050   | 682,299        | 557,050   |
| Income attributable to depositors   | (287,259)         | (232,501) | (287,259)      | (232,501) |
| Income attributable to sukuk  | (129,181)         | (49,518)  | (129,181)      | (49,518)  |
| Net income from financing operations  | 265,859           | 275,031   | 265,859        | 275,031   |
| Other income  | 12,587            | 15,059    | 12,587         | 15,059    |
| Other expenses  | (41,432)          | (53,996)  | (41,432)       | (53,996)  |
| Allowance for losses on financing   | (150,018)         | (77,529)  | (150,018)      | (77,529)  |
| Profit before taxation and zakat  | 86,996            | 158,565   | 86,996         | 158,565   |
| Taxation  | (13,875)          | (43,942)  | (13,875)       | (43,942)  |
| Zakat   | -                 | -         | -              | -         |
| Profit after taxation and zakat   | 73,120            | 114,623   | 73,120         | 114,623   |
| Profit after taxation and zakat   | -                 | -         | -              | -         |
| Total comprehensive income for the year   | 73,120            | 114,623   | 73,120         | 114,623   |

**A26c. Financing**

| (i) By type                         | 31-3-16      | 31-12-15     |
|-------------------------------------|--------------|--------------|
|                                     | RM'000       | RM'000       |
| Term financing:                     |              |              |
| Corporate financing                 | 7,599,010    | 6,933,062    |
| Property financing                  | 5,394,692    | 5,182,894    |
| Personal financing                  | 36,813,042   | 37,283,850   |
| Auto financing                      | 278,368      | 277,847      |
| Staff financing                     | 18,081       | 19,528       |
| Less: Unearned income               | (21,221,566) | (21,221,960) |
| Gross loans, advances and financing | 28,881,627   | 28,475,221   |
| Allowance for impairment:           |              |              |
| - Collectively assessed             | (1,472,594)  | (1,323,066)  |
| Net financing                       | 27,409,033   | 27,152,155   |

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

|   | <b>31-3-16</b>    | <b>31-12-15</b>   |
|---|-------------------|-------------------|
|   | <b>RM'000</b>     | <b>RM'000</b>     |
| Bai Bithaman Ajil (deferred payment sale) | 1,932,938         | 1,884,525         |
| Bai Al-Inah (cost plus)                   | 13,970,720        | 14,055,842        |
| Tawarruq                                  | 9,393,400         | 9,357,064         |
| Contract financing                        | 3,584,569         | 3,177,790         |
|   | <u>28,881,627</u> | <u>28,475,221</u> |

**(iii) Impaired financing**

|  | <b>31-3-16</b>     | <b>31-12-15</b>  |
|--|--------------------|------------------|
|  | <b>RM'000</b>      | <b>RM'000</b>    |
| Balance as at 1 January                                    | 1,426,173          | 1,158,286        |
| Classified as impaired during the year                     | 1,609,454          | 1,222,724        |
| Reclassified as non-impaired during the year               | (1,486,801)        | (954,837)        |
| Amount written off   | -                  | -                |
| Balance as at 31 December                                  | <u>1,548,826</u>   | <u>1,426,173</u> |
| Collective allowance                                       | <u>(1,040,512)</u> | <u>(952,458)</u> |
| Net financing  | <u>508,314</u>     | <u>473,715</u>   |
| Net impaired financing as a percentage<br>of net financing | <u>1.9%</u>        | <u>1.7%</u>      |

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

|                              | <b>RM'000</b>    | <b>RM'000</b>    |
|------------------------------|------------------|------------------|
| <b>Collective impairment</b> |                  |                  |
| Balance as at 1 January      | 1,323,066        | 743,719          |
| Impairment during the year   | 528              | 578,858          |
| Reclassification *           | -                | 489              |
| Balance as at 31 December    | <u>1,323,594</u> | <u>1,323,066</u> |

\* Reclassification of collective allowance into the Islamic Fund

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016

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

|                           | <b>31-3-16</b>    | <b>31-12-15</b>   |
|---------------------------|-------------------|-------------------|
|                           | <b>RM'000</b>     | <b>RM'000</b>     |
| Al-Wadiah savings account | 37,437            | 36,634            |
| Mudharabah fund           | 24,309,120        | 22,455,150        |
|                           | <u>24,346,557</u> | <u>22,491,784</u> |

**(ii) By type of customer**

|                      | <b>31-3-16</b>    | <b>31-12-15</b>   |
|----------------------|-------------------|-------------------|
|                      | <b>RM'000</b>     | <b>RM'000</b>     |
| Business enterprises | 23,785,107        | 22,024,227        |
| Individuals          | 561,450           | 467,557           |
|                      | <u>24,346,557</u> | <u>22,491,784</u> |

**(iii) By maturity of deposits from customers**

|                    | <b>31-3-16</b>    | <b>31-12-15</b>   |
|--------------------|-------------------|-------------------|
|                    | <b>RM'000</b>     | <b>RM'000</b>     |
| Within one year    | 22,705,147        | 20,749,239        |
| More than one year | 1,641,409         | 1,742,545         |
|                    | <u>24,346,556</u> | <u>22,491,784</u> |

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016

**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 financial period ended 31 March 2016 of RM812.626 million increased by RM122.024 million or 17.7% as compared to the previous year revenue of RM690.602 million. The increase was mainly due to higher income from investments in liquid assets and higher financing income from corporate segment. The Group cost to income ratio has also remained consistent with the previous year to stand at 22.2%.

Group profit before tax for the financial period ended 31 March 2016 of RM39.100 million decreased by RM118.552 million or 75.2% as compared to the previous year profit before tax of RM157.652 million. The decrease was mainly due to higher 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 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 period due to the continued growth of corporate loans and financing assets bases.

Mortgage loans and financing – The gross income from mortgage loans and financing was relatively consistent with the previous period.

Auto finance loans and financing – The gross income from auto finance loans and financing was relatively consistent with the previous period.

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

The Group profit before tax for the 1<sup>st</sup> quarter 2016 of RM39.100 million increased by RM37.788 million as compared to the preceding quarter profit before tax of RM1.312 million. The increase was mainly due to lower allowances for impairment losses on loans, advances and financing.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016

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

The Malaysian economy registered a growth of 4.5% in the fourth quarter of 2015 (3Q 2015: 4.7%). Private sector expenditure remained moderate but continued to be the key driver of growth (4.9%; 3Q 2015: 4.4%). In addition, growth was supported by net exports, which recorded a stronger growth of 4.2% during the quarter (3Q 2015: 3.3%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.5% (3Q 2015: 0.7%).

Domestic demand continued to expand by 4.0% in the fourth quarter of 2015 (3Q 2015: 4.0%). Despite the challenging economic environment, private sector expenditure grew by 4.9% (3Q 2015: 4.4%). Private consumption growth improved to 4.9% (3Q 2015: 4.1%), supported by stable wage growth and labour market conditions. The stronger growth was contributed mainly by increased spending in the transport category, as households frontloaded vehicle purchases in anticipation of announced price adjustments that would come into effect in 2016. Private investment expanded by 5.0% (3Q 2015: 5.5%), supported mainly by the progress of on-going projects in the manufacturing and services sectors.

Federal Government spending remained supportive of growth in the fourth quarter of 2015, with total net expenditure amounting to RM72.9 billion (3Q 2015: RM61 billion). Operating expenditure increased to RM57.5 billion (3Q 2015: RM52.3 billion) on account of higher spending on supplies and services. Development expenditure similarly expanded to RM15.5 billion (3Q 2015: RM8.7 billion) and was disbursed mainly to the education, and trade and industry sectors. Revenue was sustained at RM56.0 billion (3Q 2015: RM56.3 billion), driven by the improved collection of corporate income tax and the Goods and Services Tax (GST). For the year as a whole, the Federal Government achieved a fiscal deficit target of 3.2% of GDP (2014: 3.4% of GDP). Total outstanding debt of the Federal Government stood at RM630.5 billion or 54.5% of GDP as at end-2015.

*(Source: Extracted from the latest BNM Quarterly Bulletin - Developments in the Malaysian Economy, Fourth Quarter 2015)*

***Sound Banking System***

In the fourth quarter of 2015, the banking sector continued to remain strong and well-capitalised. As at end-December 2015, the common equity tier 1 capital ratio, tier 1 capital ratio and the total capital ratio recorded 12.8%, 13.8% and 16.1%, respectively, all above the minimum regulatory levels (end-September 2015: 12.1%; 12.8%; 14.8%). Pre-tax profit of the banking system was marginally lower at RM7.2 billion during the quarter (Q3 2015: RM7.3 billion) due to higher staff cost and overhead expenses which partly offset the growth in interest and fee-income and lower provisioning. As at end-December 2015, the quality of banking loan portfolio was maintained with the net impaired loans ratio remaining at 1.2% of net total loans (end-September 2015: 1.2%).

*(Source: Extracted from the latest Quarterly Update on the Malaysian Economy – Fourth Quarter 2015, Ministry of Finance)*

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016

**B3. Prospects (continued)**

*Brief Overview on Monetary and Financial Developments*

In the fourth quarter of 2015, total gross financing raised by the private sector through the banking system and the capital market amounted to RM331.4 billion (3Q 2015: RM287.9 billion). On a net basis, outstanding banking system loans and PDS expanded at a relatively stable growth rate of 8.6% as at end-December (end-September 2015: 8.8%).

Net lending to businesses by the banking system expanded by RM4.9 billion during the quarter (3Q 2015: RM16.7 billion). On an annual basis, outstanding business loans grew at a slower pace of 8.0% as at end-December (end-September 2015: 11.0%). However, 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; wholesale and retail trade, and restaurants and hotels; and mining and quarrying sectors. Financing provided to SMEs remained high, with outstanding SME loans recording an annual growth rate of 15.0% as at end-December 2015 (end-September 2015: 17.6%).

Net financing to the household sector expanded by RM16.9 billion during the quarter (3Q 2015: RM12.8 billion). On an annual basis, outstanding household loans growth moderated to 7.7% as at end-December 2015 (end-September 2015: 8.1%), reflecting mainly the moderation in loans for the purchase of non-residential property and the purchase of securities.

*(Source: Extracted from the latest BNM, Quarterly Bulletin - Monetary and Financial Developments in the Malaysian Economy, Fourth Quarter 2015)*

*Group Prospects*

The operating environment for 2016 is expected to be challenging. The Group remains focused on the expansion of corporate business segment as it has shown positive contribution, in terms of growth in corporate financing/loans assets and earnings. The growth of retail segment businesses, however, continued to be on a moderate level. The Group will continue to strengthen, adapt and sustain its corporate and retail business activities to compete in the challenging environment. These activities include continued improvement in compliant operational workflows, enhancing assets quality based on risk management and credit frameworks, and funding from capital markets to boost the Group capital base and other funding requirements.

Barring any unforeseen circumstances, the Group expects its performance for 2016 to be satisfactory.

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

None.



**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016

**B5. Taxation**

|  | 1st quarter ended<br>31 March |                 | 3 months ended<br>31 March |                 |
|--|-------------------------------|-----------------|----------------------------|-----------------|
|  | 2016                          | 2015            | 2016                       | 2015            |
|  | RM'000                        | RM'000          | RM'000                     | RM'000          |
| Current income tax:  |                               |                 |                            |                 |
| Malaysian income tax   | 56,374                        | 49,889          | 56,374                     | 49,889          |
| Deferred tax:  |                               |                 |                            |                 |
| Relating to origination and reversal<br>of temporary differences | (52,109)                      | (16,549)        | (52,109)                   | (16,549)        |
|  | <u>(52,109)</u>               | <u>(16,549)</u> | <u>(52,109)</u>            | <u>(16,549)</u> |
| Total income tax expense   | <u>4,265</u>                  | <u>33,340</u>   | <u>4,265</u>               | <u>33,340</u>   |

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2015: 25%) 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.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016

**B8. Status of Corporate Proposals**

| Proposed Rights Issue   |  |
|---|--|
| 10 March 2016   | Company proposed to undertake a renounceable two-calls rights issue of new Company shares to the entitled shareholders on a basis and issue price to be determined and announced later, to raise a gross proceeds of up to RM2.0 billion (“Proposed Rights Issue”). The issue price will be payable in two (2) calls, the first call of which will be payable in cash on application by entitled shareholder(s) and/or his renounee(s) who wishes to subscribe for the rights shares and second call shall be capitalised from the Company’s share premium and/or retained earnings account. |
| 15 April 2016   | Bursa Malaysia Securities Berhad (“Bursa Securities”) had, vide its letter dated 14 April 2016, approved the listing of and quotation for the new rights shares to be issued pursuant to the Proposed Rights Issue on the Main Market of Bursa Securities subject to conditions as disclosed in the Circular to Shareholders dated 20 April 2016.  |
| 5 May 2016  | The shareholders of the Company approved the Proposed Rights Issue at the Extraordinary General Meeting held on 5 May 2016.  |
| As at the date hereof, the Proposed Rights Issue is pending the determination of the issue price, announcement of the entitlement date, the issuance of abridged prospectus together with the notice of provisional allotment of the rights shares and rights subscription form to entitled shareholders, and the listing of the new rights shares on the Main Market of Bursa Securities. As disclosed in the Circular to Shareholders dated 20 April 2016, the Proposed Rights Issue is expected to be completed by end of July 2016. |  |

**B9. Borrowings and Debts**

Borrowings of the Group as at 31 March 2016 were as follows:

|  | <b>As at<br/>31-3-16<br/>RM'000</b> | <b>As at<br/>31-12-15<br/>RM'000</b> |
|--|-------------------------------------|--------------------------------------|
| Short term bank borrowings                                     | 450,175                             | 1,645,591                            |
| Islamic financing facility (secured)                           | 25,090                              | 50,181                               |
|  | <u>475,265</u>                      | <u>1,695,772</u>                     |
| Maturity of borrowings:  |                                     |                                      |
| - One year or less   | 475,265                             | 1,695,772                            |
| - More than one year   | -                                   | -                                    |
| Total  | <u>475,265</u>                      | <u>1,695,772</u>                     |
| Recourse obligation on loans sold to Cagamas Berhad (secured): |                                     |                                      |
| - One year or less   | 931,527                             | 940,078                              |
| - More than one year   | 1,806,428                           | 1,827,164                            |
| Total  | <u>2,737,955</u>                    | <u>2,767,242</u>                     |

All borrowings are denominated in Ringgit Malaysia.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016

**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<br/>31-3-16<br/>RM'000</b> | <b>As at<br/>31-12-15<br/>RM'000</b> |
| Total accumulated losses of the Group:  |                                     |                                      |
| - Realised  | (584,758)                           | (586,792)                            |
| - Unrealised in respect of deferred tax recognised in the<br>income statement | 549,079                             | 496,970                              |
| Total Group accumulated losses as per consolidated accounts                   | (35,679)                            | (89,822)                             |
| Add: Consolidated adjustments   | 659,893                             | 679,098                              |
|   | 624,214                             | 589,276                              |

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.

**B12. Material Litigation**

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

**B13. Dividends Proposed**

None.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016

**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<br>31 March |           | 3 months ended<br>31 March |           |
|---|-------------------------------|-----------|----------------------------|-----------|
|   | 2016                          | 2015      | 2016                       | 2015      |
| Net profit attributable to shareholders for the year (RM'000) | 34,835                        | 124,312   | 34,835                     | 124,312   |
| Weighted average number of ordinary shares in issue ('000)    | 2,838,552                     | 2,711,078 | 2,838,552                  | 2,711,078 |
| Basic earnings per share (sen)                                | 1.23                          | 4.59      | 1.23                       | 4.59      |

**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<br>31 March |           | 3 months ended<br>31 March |           |
|---|-------------------------------|-----------|----------------------------|-----------|
|   | 2016                          | 2015      | 2016                       | 2015      |
| Net profit attributable to shareholders for the year (RM'000)       | 34,835                        | 124,312   | 34,835                     | 124,312   |
| Weighted average number of ordinary shares in issue ('000)          | 2,838,552                     | 2,711,078 | 2,838,552                  | 2,711,078 |
| Weighted average effect of dilution on ESOS ('000)                  | 253                           | 1,771     | 253                        | 1,771     |
| Weighted average effect of dilution on Warrants ('000)              | 4,035                         | 8,787     | 4,035                      | 8,787     |
| Adjusted weighted average number of ordinary shares in issue ('000) | 2,842,840                     | 2,721,636 | 2,842,840                  | 2,721,636 |
| Diluted earnings per share (sen)                                    | 1.23                          | 4.57      | 1.23                       | 4.57      |

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016

**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 11 May 2016.

BY ORDER OF THE BOARD

Koh Ai Hoon  
Tong Lee Mee  
Joint Company Secretaries  
Kuala Lumpur  
11 May 2016

**MBSB (9417-K)  
CORPORATE COMMUNICATIONS  
DEPARTMENT**

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**PRESS RELEASE**

**KENYATAAN AKHBAR**

**For Immediate Release**

**11 May 2016**

**MBSB ANNOUNCED PRE TAX PROFITS OF RM39.10 MILLION  
FOR FIRST QUARTER 2016**

**Kuala Lumpur, 11 May 2016** – For the first three (3) months ended 31 March 2016 (1Q16), MBSB Group achieved Pre-tax Profits of RM39.10 million, a substantial increase from RM1.31 million recorded in the preceding quarter (4Q15). The Group also achieved Net Profit of RM34.84 million (1Q16) as compared to the Net Losses of RM15.81 million (4Q15).

The Group Revenue is registered at RM812.63 million (1Q16), an improvement of 17.67% or RM122.03 million from RM690.6 million recorded in the previous corresponding period (1Q15). Dato' Ahmad Zaini Othman, President and Chief Executive Officer commented on the Group's results, "The profitability has improved from last quarter of 2015, due to the lower impairment losses on financing and loans as well as lower operating expenses. As for the slight drop in revenue, this was partly due to the decrease in revenue contribution from conventional corporate loans in line with a reducing loan base. However, it was set-off by the growth in disbursements from the Islamic corporate and wholesale financing."

Gross financing and loans growth shows a positive trend of 1.00% from RM34.11 billion (4Q15) to RM34.45 billion (1Q16), mainly contributed by the expansion in corporate segment. Meanwhile, the Group's net impaired financing and loan ratio stood at 3.07% (1Q16), previously at 2.81% (4Q15) and 3.98% (1Q15). On another related development, the Group's gross impaired coverage ratio had increased to 93.69% (1Q16) from 92.23% (4Q15). On this, Dato' Ahmad Zaini informed, "The impairment programme we had embarked on provided further coverage of the gross impaired loans and financing. As we have always informed our stakeholders, the programme should bring us closer to the industry's standards."

Cost to income ratio stood at 22.15% (1Q16), easing further from 22.66% (4Q15) and 24.52% (1Q15). On funding and liquidity, the Group realized a deposit growth of 6.67% or RM1.91 billion arriving at a Total Deposit balance from customers of RM30.49 billion (1Q16) from RM28.58 billion (4Q15). Investments in liquefiable assets which exceeded RM1 billion in the first quarter of this year are aimed to further strengthen the Group's liquidity position.

On another front, MBSB continued to carve its name as a prominent industry player with the award recognition from the Islamic Banking and Finance Institute Malaysia (IBFIM) for the Islamic Finance Talent Development Champion Award 2015. This does reflect the Company's commitment to equip and prepare itself for the offering of only Islamic financial products and services.

Dato' Ahmad Zaini concluded the Group's first reported results of 2016 by giving some indications of the remaining year ahead. He mentioned, "I believe the industry has made some adjustments in preparation of another difficult year. As for MBSB, we undertook initiatives to address this as well and we have seen the desired results. We will continue to increase our business focus in the affordable housing projects and Government contracts, put in more strategic efforts to preserve and strengthen asset quality plus maintaining a superior cost to income ratio."

- END

For more information or enquiries, please contact:

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**About Malaysia Building Society Berhad (MBSB)**

*The origin of Malaysia Building Society Berhad (MBSB) can be traced back to the Federal and Colonial Building Society Limited incorporated in 1950. In 1956, it changed its name to Malaya Borneo Building Society Limited (MBBS), with the Malaysian government as its major shareholder. MBBS was then listed on the Stock Exchange of Malaysia and Singapore in August 1963. The company became an incorporation in Malaysia under the Companies Act 1965 on 17 March 1970, before it was listed on the Kuala Lumpur Stock Exchange now Bursa Malaysia on 14 March 1972.*

*The Employees Provident Fund (EPF) is currently the financial holding company of MBSB. MBSB was defined as a Scheduled Institution under the repealed Banking and Financial Institution Act 1989 (BAFIA). The status of an Exempt Finance Company was granted to MBSB on 1 March 1972 by the Ministry of Finance and the status has remained since. This allows MBSB to undertake a financing business in the absence of a banking license. Under Section 272 (a) of the Financial Services Act 2013, exemptions granted under the BAFIA is deemed to have been granted under the corresponding provision of the Financial Services Act 2013 and shall remain in full force and effect until amended or revoked. As a financial provider, MBSB offers a spectrum of innovative financial products and services for both individuals and corporates throughout its branches nationwide.*