

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016**

	<b>As at 30 June 2016 (RM'000)</b>	<b>As at 31 December 2015 (RM'000)</b>
<b>ASSETS</b>		
Cash and short term funds	6,198,615	6,928,263
Deposits and placements with financial institutions	1,774,698	406,529
Trade receivables	224	819
Other receivables	146,804	195,078
Inventories	103,298	103,287
Loans, advances and financing	32,079,763	31,784,970
Financial investments available-for-sale	1,497,655	983,354
Property, plant and equipment	137,077	138,052
Land use rights	5,665	5,746
Intangible assets	22,013	28,679
Tax recoverable	-	3,181
Deferred tax assets	607,613	511,050
<b>TOTAL ASSETS</b>	<b>42,573,425</b>	<b>41,089,008</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits from customers	31,114,609	28,585,387
Bank borrowings	650,157	1,645,591
Other borrowings	-	50,181
Trade payables	164	214
Other payables	331,426	325,968
Provision for taxation and zakat	6,708	10,850
Recourse obligation on loans/financing sold	2,705,483	2,767,242
Sukuk - MBSB Structured Covered ("SC") Murabahah	2,793,910	2,827,955
Deferred tax liabilities	12,017	14,080
<b>TOTAL LIABILITIES</b>	<b>37,614,474</b>	<b>36,227,468</b>
Share capital	2,899,387	2,838,551
Share premium	1,399,660	1,392,980
Other reserves	57,867	40,733
Retained earnings	602,037	589,276
<b>Total equity</b>	<b>4,958,951</b>	<b>4,861,540</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>42,573,425</b>	<b>41,089,008</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>5,058,660</b>	<b>8,536,085</b>
<b>Net assets per share attributable to shareholders (RM)</b>	<b>1.71</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)**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD**  
**ENDED 30 JUNE 2016**

	2nd quarter ended 30 June		Six months ended 30 June	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	812,515	765,783	1,625,140	1,456,385
Interest income	100,371	127,048	217,215	246,331
Interest expenses	(62,981)	(68,995)	(129,072)	(138,659)
Net interest income	37,390	58,053	88,143	107,672
Income derived from investment of general investment deposits and Islamic capital funds	666,160	588,963	1,315,029	1,133,366
Income attributable to depositors	(257,039)	(223,854)	(511,684)	(426,067)
Income attributable to securitisation	(31,771)	(34,687)	(64,386)	(64,975)
Income attributable to sukuk	(93,661)	(62,572)	(189,412)	(99,443)
Net income from Islamic financing operations	283,689	267,850	549,547	542,881
Operating income	321,079	325,903	637,690	650,553
Other income	17,431	12,841	31,743	31,278
Net income	338,510	338,744	669,433	681,831
Other operating expenses	(83,905)	(75,219)	(157,193)	(159,335)
Operating profit	254,605	263,525	512,240	522,496
Allowance for impairment losses on loans, advances and financing	(179,886)	(134,255)	(398,421)	(235,574)
Profit before taxation and zakat	74,719	129,270	113,819	286,922
Taxation	(14,173)	(43,716)	(18,438)	(77,056)
Zakat	2,463	-	2,463	-
Profit for the period	63,009	85,554	97,844	209,866
Other comprehensive income	5,202	-	17,329	-
Total comprehensive income for the period, net of tax	68,211	85,554	115,173	209,866
Earnings per share (sen):				
Basic	2.21	3.41	3.44	7.67
Diluted	2.21	3.40	3.44	7.65

**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 30 JUNE 2016**

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

	Ordinary Shares RM'000	Share Premium RM'000	Capital Reserve <sup>#1</sup> RM'000	Share Option Reserve RM'000	Warrants Reserve RM'000	Capital Redemption Reserve <sup>#2</sup> RM'000	Available- for-sale Reserve RM'000	Accumulated Profit/(Losses) RM'000	Total Equity RM'000
<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	-	-	-	-	-	-	-	209,866	209,866
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	209,866	209,866
Dividend	-	-	-	-	-	-	-	(326,002)	(326,002)
Share options granted under ESOS recognised in profit or loss	-	-	-	5,001	-	-	-	-	5,001
Issue of ordinary shares pursuant to exercise of ESOS	3,597	3,704	-	(1,991)	-	-	-	-	5,310
Issue of ordinary shares pursuant to exercise of warrants	3,913	-	-	-	-	-	-	-	3,913
Issue of ordinary shares pursuant to DRP	121,210	110,291	-	-	-	-	-	-	231,502
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(260)	-	-	-	260	-
<b>At 30 June 2015</b>	2,838,343	1,392,868	17,838	5,603	3,633	12,486	-	541,231	4,812,002
<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	-	-	-	-	-	-	-	97,844	97,844
Other comprehensive income for the period	-	-	-	-	-	-	17,329	-	17,329
Total comprehensive income for the period	-	-	-	-	-	-	17,329	97,844	115,173
Dividend	-	-	-	-	-	-	-	(85,278)	(85,278)
Share options granted under ESOS recognised in profit or loss	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to rights issue	-	(845)	-	-	-	-	-	-	(845)
Issue of ordinary shares pursuant to DRP	50,169	7,525	-	-	-	-	-	-	57,694
Issue of ordinary shares pursuant to exercise of ESOS	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to exercise of warrants	10,667	-	-	-	-	-	-	-	10,667
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(195)	-	-	-	195	-
<b>At 30 June 2016</b>	2,899,387	1,399,660	17,838	5,015	3,633	12,486	18,895	602,037	4,958,951

<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**  
**(Company No. 9417-K)**  
**(Incorporated in Malaysia)**

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

	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	113,819	286,922
Adjustments for:		
Depreciation:		
- property, plant and equipment	6,990	7,412
Amortisation:		
- land use rights	13	81
- intangible assets	6,759	6,805
Gain on disposal of property, plant and equipment	12	-
Allowance for impairment of:		
- unsecured advances in respect of certain projects	17,174	16,219
Allowance for impairment losses on loans, advances and financing	398,421	235,574
Accruals made during the period	(6,943)	(19,147)
Interest/profit income adjustment on:		
- loans, advances and financing	20,227	59,544
- profit payable on financial investments AFS	(14,344)	-
- Sukuk - MBSB SC Murabahah	(20,770)	(6,141)
Operating profit before working capital changes	521,358	587,269
Increase in deposits with financial institutions with maturity of more than one month	(1,368,169)	(216,743)
Increase in loans, advances and financing	(713,441)	(771,305)
Increase in inventories	(11)	(26)
Decrease/(increase) in trade receivables	595	(248)
Decrease/(increase) in other receivables	30,951	(85,007)
Increase in deposits from customers	2,529,222	2,395,479
(Decrease)/increase in trade payables	(50)	79
Increase/(decrease) in other payables	12,401	(44,086)
Cash generated from operations	1,012,856	1,865,412
Tax paid	(112,698)	(127,500)
Zakat paid	(2,694)	(2,528)
Net cash generated from operating activities	897,464	1,735,384

(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 30 JUNE 2016**

	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(5,980)	(7,927)
Purchase of intangible assets	(95)	(9,752)
Proceeds from disposal of property, plant and equipment	2	-
Increase in financial investments available-for-sale	(482,628)	-
Net cash used in investing activities	<u>(488,701)</u>	<u>(17,679)</u>
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings	(995,434)	(415,293)
Repayment of other borrowings	(50,181)	(50,200)
(Repayment of)/proceeds from recourse obligation on loans/financing sold	(61,759)	452,094
(Payment)/proceeds from Sukuk - MBSB SC Murabahah	(13,275)	899,531
Dividend paid - ordinary shares	(85,278)	(326,002)
Net proceeds from issuance of ordinary shares	67,516	242,715
Net cash (used in)/generated from financing activities	<u>(1,138,411)</u>	<u>802,845</u>
Net (decrease)/increase in cash and cash equivalents	(729,648)	2,520,550
Cash and cash equivalents at beginning of financial year	6,928,263	5,683,939
Cash and cash equivalents at end of financial period	<u><u>6,198,615</u></u>	<u><u>8,204,489</u></u>
Cash and cash equivalents comprise :		
Cash and short term funds	<u><u>6,198,615</u></u>	<u><u>8,204,489</u></u>

**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 30 JUNE 2016

**A1. Basis of Preparation**

The unaudited condensed interim financial statements for the financial quarter ended 30 June 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 30 JUNE 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 30 JUNE 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 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**

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 shares of RM1.00 each '000</b>	<b>Ordinary shares RM'000</b>	<b>Share premium RM'000</b>
<b>At 1 January 2016</b>	2,838,551	2,838,551	1,392,980
Issued at RM1.15 per share pursuant to Dividend Re-Investment Plan ("DRP")	50,169	50,169	7,525
Rights Issue expenses	-	-	(845)
Issued at RM1.00 per share pursuant to Warrants	10,667	10,667	-
<b>As at 30 June 2016</b>	<u>2,899,387</u>	<u>2,899,387</u>	<u>1,399,660</u>

**A7. Dividend Paid**

During the financial quarter ended 30 June 2016, the single-tier final dividend of 3% on 2,842,603,706 ordinary shares in respect of the financial year ended 31 December 2015 declared on 24 February 2016, amounting to RM85,278,112.98 were paid on 16 June 2016.



**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2016

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

	<b>30-06-16</b>	<b>31-12-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Personal financing	23,031,577	23,159,664
Mortgage loans and financing	5,460,904	5,440,447
Corporate loans and financing	5,893,983	5,081,068
Auto Financing	361,763	376,630
Staff loans	51,297	51,020
Gross loans, advances and financing	<u>34,799,524</u>	<u>34,108,829</u>
Allowance for impairment:		
- Collectively assessed	(2,450,021)	(2,045,943)
- Individually assessed	<u>(269,740)</u>	<u>(277,916)</u>
Net loans, advances and financing	<u>32,079,763</u>	<u>31,784,970</u>

**(ii) By maturity structure**

	<b>30-06-16</b>	<b>31-12-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	755,366	575,232
One year to three years	1,060,156	1,037,731
Three years to five years	1,407,320	941,459
Over five years	31,576,682	31,554,407
	<u>34,799,524</u>	<u>34,108,829</u>

**(iii) By economic purpose**

	<b>30-06-16</b>	<b>31-12-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of residential properties	5,192,103	5,173,290
Purchase of non-residential properties	294,881	293,858
Personal use	23,054,776	23,182,139
Property development	2,978,537	2,685,005
Working capital	2,140,251	1,706,762
Purchase of transport vehicles	363,780	378,473
Others	775,196	689,302
	<u>34,799,524</u>	<u>34,108,829</u>

**(iv) By type of customers**

	<b>30-06-16</b>	<b>31-12-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic business enterprises:		
- Small medium enterprises	2,701,608	2,637,084
- Others	3,426,459	2,557,619
Individuals	<u>28,671,457</u>	<u>28,914,126</u>
	<u>34,799,524</u>	<u>34,108,829</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2016

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

	<b>30-06-16</b>	<b>31-12-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate:		
Personal financing	23,010,527	23,145,495
Auto finance	363,780	378,473
Mortgage and property islamic	835,039	867,843
Bridging, structured and term loans and financing	682,034	413,920
Variable rate:		
Personal financing	44,249	36,644
Mortgage and property Islamic	4,651,946	4,599,305
Bridging, structured and term loans and financing	5,211,949	4,667,149
	<u>34,799,524</u>	<u>34,108,829</u>

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

	<b>30-06-16</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	1,328,210	2,370,388
Reclassified as non-impaired	(1,022,444)	(1,983,079)
Amount recovered	(46,970)	(22,482)
Amount written off	-	9,013
Balance as at end of period	<u>2,778,429</u>	<u>2,519,633</u>
Collective allowance	(1,531,471)	(1,442,441)
Individual allowance	<u>(192,690)</u>	<u>(183,679)</u>
	<u>(1,724,161)</u>	<u>(1,626,120)</u>
Net impaired loans, advances and financing	<u>1,054,268</u>	<u>893,513</u>
Net impaired loans as per percentage of net loans, advances and financing	<u>3.3%</u>	<u>2.8%</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2016

**A8. Loans, Advances and Financing (continued)**

	<b>30-06-16</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	404,078	608,196
Closing balance	<u>2,450,021</u>	<u>2,045,943</u>
As of % of gross loans, advances and financing less individual allowance	7.1%	6.0%
<b>Individual Impairment</b>		
Opening balance	277,916	208,679
(Reversal)/impairment during the period	(8,176)	67,597
Written off	-	10,010
Transfer to impairment for foreclosed properties	-	(8,370)
Closing balance	<u>269,740</u>	<u>277,916</u>

**(vii) Movements in allowance for impairment****A9. Financial investments available-for-sale**

	<b>30-06-16</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	592,930	584,787
	<u>592,930</u>	<u>584,787</u>
<b><u>Quoted Securities:</u></b>		
In Malaysia		
Private and Islamic debt securities	904,726	398,567
	<u>904,726</u>	<u>398,567</u>
	<u>1,497,655</u>	<u>983,354</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2016

**A10. Deposits from customers**

	<b>30-06-16</b>	<b>31-12-15</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>By type of products:</b>		
Savings	101,080	82,014
Fixed deposits	31,013,529	28,503,373
	<u>31,114,609</u>	<u>28,585,387</u>
<b>By type of customers:</b>		
Government and statutory bodies	11,427,959	18,558,905
Business enterprises	17,435,152	7,761,195
Individuals	2,251,498	2,265,287
	<u>31,114,609</u>	<u>28,585,387</u>
<b>Maturity of deposits from customers:</b>		
Within one year	28,638,448	25,610,754
More than one year	2,476,161	2,974,633
	<u>31,114,609</u>	<u>28,585,387</u>

**A11. Interest Income**

	<b>2nd quarter ended</b>		<b>6 months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans, advances and financing	88,718	114,736	192,623	223,841
Deposits and placements with banks and other financial institutions	11,653	12,312	24,592	22,490
	<u>100,371</u>	<u>127,048</u>	<u>217,215</u>	<u>246,331</u>

**A12. Interest Expenses**

	<b>2nd quarter ended</b>		<b>6 months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Bank borrowings	395	981	2,532	5,604
Deposits from customers	62,586	68,014	126,540	133,055
	<u>62,981</u>	<u>68,995</u>	<u>129,072</u>	<u>138,659</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2016

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

	2nd quarter ended		6 months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financing	563,656	512,906	1,113,077	990,702
Profit income from				
Sukuk Commodity Murabahah	28,572	34,220	66,729	71,092
Profit on financial investments	12,144	-	21,780	-
Deposits placements	61,788	41,837	113,443	71,572
Less: Income attributable to depositors	(257,039)	(223,854)	(511,684)	(426,067)
Less: Income attributable to securitisation	(31,771)	(34,687)	(64,386)	(64,975)
Less: Income attributable to sukuk	(93,661)	(62,572)	(189,412)	(99,443)
	<u>283,689</u>	<u>267,850</u>	<u>549,547</u>	<u>542,881</u>

**A14. Other Income**

	2nd quarter ended		6 months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Rental income	78	22	78	6
Revenue from hotel operations	1,451	2,036	2,983	3,673
Loan processing fees	7,277	7,830	15,622	16,880
Insurance commission	104	87	456	885
Loan facility fees	1,350	2,118	2,808	4,049
Legal notice fees	314	423	798	844
Sundry income	6,871	325	9,010	4,941
Loss from disposal of:				
Property, plant and equipment	(14)	-	(12)	-
	<u>17,431</u>	<u>12,841</u>	<u>31,743</u>	<u>31,278</u>

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**A15. Other Operating Expenses**

	2nd quarter ended		6 months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Personnel expenses:				
- Wages and salaries	30,022	23,889	60,054	57,657
- Social security costs	84	211	412	430
- Pension costs	4,754	3,745	9,478	9,044
- Share options granted under ESOS	-	-	-	5,001
- Mutual separation scheme	1,644	-	1,644	-
- Other staff related expenses	2,984	3,913	4,062	5,692
	39,488	31,758	75,650	77,824
Establishment related expenses	3,789	4,330	7,337	7,213
Promotion and marketing related expenses	5,218	957	7,958	5,718
General administrative expenses	28,436	29,874	53,036	52,326
Others	6,974	8,300	13,212	16,254
	<u>83,905</u>	<u>75,219</u>	<u>157,193</u>	<u>159,335</u>

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

	2nd quarter ended		6 months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Allowance for/(write back of) impairment on loans, advances and financing:				
- Collective impairment	179,929	135,109	404,078	228,803
- Individual impairment	(1,987)	(2,256)	(8,176)	5,242
- Written off	1,944	1,402	2,519	1,529
	<u>179,886</u>	<u>134,255</u>	<u>398,421</u>	<u>235,574</u>

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**A17. Commitments and Contingencies**

	<b>30-06-16</b>	<b>31-12-15</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Operational Commitments</b>		
Loan commitments not yet recognised in the financial statements:		
End finance	182,312	251,351
Islamic properties	174,972	142,849
Islamic personal financing	923	1,323
Islamic auto financing	253	-
Auto finance	200	-
Bridging, structured and term loans and financing	4,198,529	7,614,958
Financial guarantees	79,943	104,076
	<u>4,637,132</u>	<u>8,114,557</u>
Approved and contracted for property development	<u>421,528</u>	<u>421,528</u>
Total	<u>5,058,660</u>	<u>8,536,085</u>
<b>(ii) Capital Commitments</b>		
Property, plant and equipment:		
Approved and contracted for	177,299	183,105
Approved but not contracted for	9,019	46,702
	<u>186,318</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.

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

The Federal Court had fixed the Case Management on 23 September 2016 for parties to update the Court with current status of the matter.

- (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 appeal has been fixed for hearing on 17 August 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.



**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2016

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

	<b>Financing RM'000</b>	<b>Hotel Operations RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>3 months ended 30 June 16</b>				
External sales	803,681	1,451	7,383	812,515
Intersegment transactions	13,967	833	(14,800)	-
Total revenue	<u>817,648</u>	<u>2,284</u>	<u>(7,417)</u>	<u>812,515</u>
Segment results	61,875	(4,103)	16,947	74,719
Unallocated income (net of cost)				-
Profit from operations				<u>74,719</u>
<b>3 months ended 30 June 15</b>				
External sales	755,248	2,036	8,499	765,783
Intersegment transactions	12,760	882	(13,642)	-
Total revenue	<u>768,008</u>	<u>2,918</u>	<u>(5,143)</u>	<u>765,783</u>
Segment result	104,299	(3,605)	28,576	129,270
Unallocated income (net of cost)				-
Profit from operations				<u>129,270</u>
<b>6 months ended 30 June 16</b>				
External sales	1,615,731	2,983	6,426	1,625,140
Intersegment sales	18,568	1,664	(20,232)	-
Total revenue	<u>1,634,299</u>	<u>4,647</u>	<u>(13,806)</u>	<u>1,625,140</u>
Segment results	88,426	(8,202)	33,595	113,819
Unallocated income (net of cost)				-
Profit from operations				<u>113,819</u>
<b>6 months ended 30 June 15</b>				
External sales	1,441,322	3,673	11,390	1,456,385
Intersegment sales	22,419	1,706	(24,125)	-
Total revenue	<u>1,463,741</u>	<u>5,379</u>	<u>(12,735)</u>	<u>1,456,385</u>
Segment result	250,528	(7,284)	43,678	286,922
Unallocated income (net of cost)				-
Profit from operations				<u>286,922</u>

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.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2016

**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 30-06-16 RM'000</b>
<b>Additions</b>	
Building in progress	5,807
Building renovation	59
Furniture & equipment	65
Motor vehicles	-
Data processing equipment	49
	5,980

**A24. Significant Related Party Transactions**

	<b>Six months ended 30 June</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>
(i) Transactions with Employees Provident Fund Board, the ultimate holding body:		
<b>Expenses</b>		
Interest on loans	850	3,581
Rental expense	140	140
	-	100,344
<b>Balances</b>		
Other borrowings	-	100,344
(ii) Transactions with RHB Banking Group of companies:		
<b>Balances</b>		
Deposits and placements with financial institutions	811,947	742,697
Deposits from customers	402,680	-
Bank borrowings	100,013	200,204
Recourse obligation on loans sold to Cagamas Berhad	846,266	890,723
	700,876	713,355
(iii) Collectively, but not individually, significant balances		
<b>Balances</b>		
Deposit from customers	700,876	713,355

**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 30 June 2016**

	Note	30-Jun-16 RM'000	31-Dec-15 RM'000
<b>Assets</b>			
Cash and short-term funds		5,355,384	6,026,443
Deposits and placements with financial institutions		1,774,409	404,402
Financing	A26c	27,676,890	27,152,155
Other receivables		646,750	670,594
Financing to subsidiaries		6,381	-
Financial investment available-for-sale		1,497,655	983,354
<b>Total assets</b>		<u>36,957,469</u>	<u>35,236,948</u>
<b>Liabilities</b>			
Deposits from customers	A26d	24,587,593	22,491,784
Other payables		4,774,446	4,871,169
Bank borrowings		500,102	750,419
Other borrowings		-	50,181
Financing sold to Cagamas Berhad		1,409,159	1,433,445
Sukuk - MBSB SC Murabahah		2,793,910	2,827,955
Provision for taxation		100,448	72,434
Provision for zakat		2,659	7,816
<b>Total liabilities</b>		<u>34,168,317</u>	<u>32,505,203</u>
Islamic fund		4,000	4,000
Financial investment available-for-sale		18,895	1,566
Retained profits		2,766,257	2,726,179
		<u>2,789,152</u>	<u>2,731,745</u>
<b>Total liabilities and Islamic fund</b>		<u>36,957,469</u>	<u>35,236,948</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
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**A26b. Unaudited Consolidated Statements of Comprehensive Income for the Year Ended 30 June 2016**

	2nd quarter ended		6 months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of general investment deposits and Islamic capital funds	666,160	588,963	1,315,029	1,133,366
Less: Income attributable to depositors	(257,039)	(223,854)	(511,684)	(426,067)
Less: Income attributable to securitisation	(31,771)	(34,687)	(64,386)	(64,975)
Less: Income attributable to sukuk	(93,661)	(62,572)	(189,412)	(99,443)
Net income from financing operations	283,689	267,850	549,547	542,881
Other income	13,761	12,580	26,348	27,639
Other expenses	(49,839)	(46,033)	(91,271)	(100,029)
Allowance for losses on financing	(118,230)	(147,503)	(268,248)	(225,032)
Profit before taxation and zakat	129,381	86,894	216,376	245,459
Taxation	(24,035)	(23,255)	(37,910)	(67,197)
Zakat	2,463	-	2,463	-
Profit after taxation and zakat	107,809	63,639	180,929	178,262

**A26c. Financing**

**(i) By type**

	30-06-16	31-12-15
	RM'000	RM'000
Term financing:		
Corporate financing	8,449,608	6,933,062
Property financing	5,615,710	5,182,894
Personal financing	36,317,392	37,283,850
Auto financing	268,573	277,847
Staff financing	20,268	19,528
Less: Unearned income	(21,405,584)	(21,221,960)
Gross loans, advances and financing	29,265,967	28,475,221
Allowance for impairment:		
- Collectively assessed	(1,589,071)	(1,323,066)
- Individually assessed	(6)	-
Net financing	27,676,890	27,152,155

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
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**A26c. Financing (continued)****(ii) By contract**

	<b>30-06-16</b>	<b>31-12-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Bai Bithaman Ajil (deferred payment sale)	1,980,692	1,884,525
Bai Al-Inah (cost plus)	13,856,165	14,055,842
Tawarruq	9,424,884	9,357,064
Contract financing	<u>4,004,226</u>	<u>3,177,790</u>
	<u>29,265,967</u>	<u>28,475,221</u>

**(iii) Impaired financing**

	<b>30-06-16</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	770,500	1,222,724
Reclassified as non-impaired during the year	(576,652)	(954,837)
Amount recovered	(7,378)	-
Amount written off	-	-
Balance as at 31 December	<u>1,612,643</u>	<u>1,426,173</u>
Collective allowance	<u>(1,009,818)</u>	<u>(952,458)</u>
Net financing	<u>602,825</u>	<u>473,715</u>
Net impaired financing as a percentage of net financing	<u>2.2%</u>	<u>1.7%</u>

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

	<b>30-06-16</b>	<b>31-12-15</b>
	<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	266,005	578,858
Reclassification *	-	489
Balance as at 31 December	<u>1,589,071</u>	<u>1,323,066</u>

\* Reclassification of collective allowance into the Islamic Fund

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
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**A26d. Deposits from Customers****(i) By type of deposits**

	<b>30-06-16</b>	<b>31-12-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Al-Wadiah savings account	54,165	36,634
Mudharabah fund	24,533,428	22,455,150
	<u>24,587,593</u>	<u>22,491,784</u>

**(ii) By type of customer**

	<b>30-06-16</b>	<b>31-12-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Business enterprises	24,035,800	22,024,227
Individuals	551,793	467,557
	<u>24,587,593</u>	<u>22,491,784</u>

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

	<b>30-06-16</b>	<b>31-12-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	23,243,433	20,749,239
More than one year	1,344,160	1,742,545
	<u>24,587,593</u>	<u>22,491,784</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 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 30 June 2016 of RM1.625 billion increased by RM168.755 million or 11.6% as compared to the previous year revenue of RM1.456 billion. 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 remained relatively consistent with the previous year to stand at 23.5%.

Group profit before tax for the financial period ended 30 June 2016 of RM113.819 million decreased by RM173.103 million or 60.3% as compared to the previous year profit before tax of RM286.922 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 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 bases.

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 relatively consistent with the previous year corresponding period.

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

The Group profit before tax for the 2<sup>nd</sup> quarter 2016 of RM74.719 million increased by RM35.619 million as compared to the preceding quarter profit before tax of RM39.100 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 30 JUNE 2016

### **B3. Prospects**

#### ***Brief Overview and Outlook of the Malaysian Economy***

The Malaysian economy expanded by 4.2% in the first quarter of 2016 (4Q 2015: 4.5%). The slight moderation in growth mainly reflected external shocks to the economy and cautious spending by the private sector. Nevertheless, private sector expenditure remained the key driver of growth (4.5%; 4Q 2015: 4.9%). Net exports contributed negatively to growth during the quarter following a decline in real exports of goods and services (-0.5%; 4Q 2015: +4.0%) amid continued positive growth in real imports (1.3%; 4Q 2015: 4.0%). On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.0% (4Q 2015: 1.2%).

Domestic demand grew by 3.6% in the first quarter of the year (4Q 2015: 4.0%), with private sector expenditure expanding at a slower pace of 4.5% (4Q 2015: 4.9%). Private consumption growth expanded by 5.3% (4Q 2015: 4.9%), supported by continued wage and employment growth. Private investment registered a slower growth of 2.2% in the first quarter (4Q 2015: 4.9%). The cautious business sentiments and lower commodity prices continued to weigh down on investments in the upstream mining sector. Nevertheless, there was continued investment in the manufacturing and services sectors.

Federal Government expenditure increased by 5.1% (4Q 2015: -4.2%), due to higher operating and development expenditure. Operating expenditure increased on account of higher spending on supplies and services and pension and gratuities. Development expenditure rose reflecting higher disbursements for housing projects, roads and bridges under the social services and transportation sectors, respectively. Government revenue declined by 5.3% (4Q 2015: -6.0%), due mainly to lower oil-related and corporate tax collections. Overall, the Federal Government recorded a deficit of 6.1% of GDP (4Q 2015: -5.6% of GDP) during the quarter. As at end-March 2016, total outstanding debt of the Federal Government amounted to RM626.9 billion or 51.0% of the estimated 2016 GDP.

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

#### ***Resilient banking system***

The banking sector continued to remain strong and well-capitalised. As at end-March 2016, the common equity tier 1 capital ratio, tier 1 capital ratio and the total capital ratio recorded 13%, 13.9% and 16.5%, respectively, all above the minimum regulatory levels (end-December 2015: 12.8%; 13.8%; 16.1%). Pre-tax profit of the banking system continued to register an increase of RM7.7 billion for the first quarter of 2016 (Q4 2015: RM7.2 billion) following improved revenue from treasury related activities and lower operating expenses. As at end-March 2016, the net impaired loans ratio stood at 1.2% of net total loans (end-December 2015: 1.2%), reflecting the overall quality of the loan portfolio.

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



**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2016

**B3. Prospects (continued)**

*Brief Overview on Monetary and Financial Developments*

In the first quarter, total gross financing raised by the private sector through the banking system and the capital market amounted to RM286.6 billion (4Q 2015: RM331.4 billion). On a net basis, outstanding banking system loans and PDS expanded by 7.6% as at end-March (end-December 2015: 8.6%).

Net lending to businesses by the banking system was lower by RM3.6 billion during the quarter (4Q 2015: RM4.9 billion). On an annual basis, outstanding business loans also grew at a slower pace of 5.2% as at end-March (end-December 2015: 8.0%) due to the stronger growth in loan repayments relative to disbursements. The level of loans disbursed to overall businesses grew by 1.1% on an annual basis to RM191 billion during the quarter (1Q 2015: RM189 billion). Nevertheless, loans disbursed to large corporations increased to RM130 billion (1Q 2015: RM123 billion).

Net financing to the household sector expanded by RM7.1 billion during the quarter (4Q 2015: RM16.9 billion). On an annual basis, outstanding household loans growth moderated to 6.4% as at end-March (end-December 2015: 7.7%), reflecting mainly the moderation in loans for the purchase of securities, purchase of non-residential property and credit card spending.

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

*Group Prospects*

The operating environment for 2016 continued to be challenging. The Group focus on the expansion of corporate business segment has shown positive contribution, in terms of growth in corporate financing/loans assets and earnings. The growth of retail segment businesses, continued to be on a moderate level as expected. 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 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 30 JUNE 2016

**B5. Taxation**

	2nd quarter ended		6 months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Malaysian income tax	60,689	77,517	117,063	127,406
Deferred tax:				
Relating to origination and reversal of temporary differences	(46,516)	(33,801)	(98,625)	(50,350)
	<u>(46,516)</u>	<u>(33,801)</u>	<u>(98,625)</u>	<u>(50,350)</u>
Total income tax expense	<u>14,173</u>	<u>43,716</u>	<u>18,438</u>	<u>77,056</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 30 JUNE 2016

**B8. Status of Corporate Proposals**

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 renouneece(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.
24 June 2016	The Prospectus for the Rights Issue was issued on 24 June 2016.
29 July 2016	The Rights Issue 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.

**B9. Borrowings and Debts**

Borrowings of the Group as at 30 June 2016 were as follows:

	<b>As at 30-06-16 RM'000</b>	<b>As at 31-12-15 RM'000</b>
Short term bank borrowings	650,157	1,645,591
Islamic financing facility (secured)	-	50,181
	<u>650,157</u>	<u>1,695,772</u>
<b>Maturity of borrowings:</b>		
- One year or less	650,157	1,695,772
- More than one year	-	-
Total	<u>650,157</u>	<u>1,695,772</u>
<b>Recourse obligation on loans sold to Cagamas Berhad (secured):</b>		
- One year or less	922,172	940,078
- More than one year	1,783,311	1,827,164
Total	<u>2,705,483</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 30 JUNE 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 30-06-16 RM'000</b>	<b>As at 31-12-15 RM'000</b>
Total accumulated losses of the Group:		
- Realised	221,054	306,918
- Unrealised in respect of deferred tax recognised in the income statement	607,564	508,937
Total Group accumulated losses as per consolidated accounts	828,618	815,855
Add: Consolidated adjustments	(226,581)	(226,579)
	602,037	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 30 JUNE 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.

	<b>2nd quarter ended</b>		<b>6 months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net profit attributable to shareholders for the year (RM'000)	63,009	85,554	97,844	209,866
Weighted average number of ordinary shares in issue ('000)	2,850,707	2,510,618	2,844,647	2,735,847
Basic earnings per share (sen)	<u>2.21</u>	<u>3.41</u>	<u>3.44</u>	<u>7.67</u>

**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.

	<b>2nd quarter ended</b>		<b>6 months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net profit attributable to shareholders for the year (RM'000)	63,009	85,554	97,844	209,866
Weighted average number of ordinary shares in issue ('000)	2,850,707	2,510,618	2,844,647	2,735,847
Weighted average effect of dilution on ESOS ('000)	66	782	66	782
Weighted average effect of dilution on Warrants ('000)	<u>283</u>	<u>7,557</u>	<u>283</u>	<u>7,557</u>
Adjusted weighted average number of ordinary shares in issue ('000)	<u>2,851,056</u>	<u>2,518,957</u>	<u>2,844,996</u>	<u>2,744,186</u>
Diluted earnings per share (sen)	<u>2.21</u>	<u>3.40</u>	<u>3.44</u>	<u>7.65</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 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 8 August 2016.

BY ORDER OF THE BOARD

Koh Ai Hoon  
Tong Lee Mee  
Joint Company Secretaries  
Kuala Lumpur  
8 August 2016



**MBSB (9417-K)**  
**CORPORATE COMMUNICATIONS DEPARTMENT**  
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## **PRESS RELEASE**

### **KENYATAAN AKHBAR**

**For Immediate Release**

**8 August 2016**

### **MBSB'S PRE TAX PROFITS UP BY 91% FOR SECOND QUARTER 2016**

**Kuala Lumpur, 8 August 2016** – For the quarter ended 30 June 2016 (2Q16), MBSB Group achieved pre-tax profits of RM74.72 million, a striking increase of 91.1% from RM39.10 million recorded in the preceding quarter (1Q16).

The Group registered revenue of RM812.52 million (2Q16) consistent with RM812.63 million recorded in 1Q16. This is contributed by the expansion in corporate financing portfolio of 7.7% as well as the increase in treasury activities. There had been a buildup of 6.5% in the Group's liquid assets from 1Q16. The revenue is also an improvement of 6.1% from RM765.78 million achieved in the corresponding quarter last year (2Q15).

Dato' Ahmad Zaini Othman, President and Chief Executive Officer commented, "We remained cautious of new acquisitions from both corporate and retail segments to ensure asset quality remains healthy while we continued with our impairment program. Collection and financing assets' recovery efforts have also played a role as the improved pre-tax profits is partly due to the lower allowances in impairment".

The overall gross loans and financing grew moderately by 2.0% from 31 December 2015, mainly driven by the corporate segment that generated a 16% growth whilst retail financing had marginally declined by 0.4%. On a quarterly basis, the corporate financing portfolio expanded by 7.7%, achieving gross balance of RM5.89 billion (2Q16) as compared to RM5.48 billion (1Q16).

As at 30 June 2016, the gross financing asset composition between retail and corporate is 83:17, progressing from 85:15 as at end of 2015. This is in line with the Group's target of moving towards 70:30.

The Group also made further investments in liquefiable assets to enhance its liquidity position, posting a growth of 6.5% to arrive at a total value of RM8.89 billion (2Q16) from RM8.35 billion (1Q16) and RM8.22 billion (2Q15). On deposits, despite the intense market competition, the Group managed to raise deposit level by 2.0% or RM622.0 million to RM31.11 billion (2Q16) from RM30.49 billion (1Q16).

Dato' Ahmad Zaini added, "We are pleased to note that the financing/loan loss coverage ratio had increased to 97.9% for the second quarter, a marked progress from 93.7% in the preceding quarter. As at June 2016, the Group has also provided impairment coverage of almost 70% and we believe we are on track to complete it by 2017. This is evidently a positive indicator of MBSB moving closer towards industry standards".

Cost to income ratio stood at 23.48% (2Q16), slightly increasing by 1.33% from 22.15% (1Q16), nonetheless this is consistent with 23.40% (2Q15).

MBSB had completed a Rights issue on 29 July 2016 with proceeds totaling RM1.71 billion to help meet prudential requirements and finance business expansions. The rights issue was a renounceable two-call rights issue of over 2.89 billion rights shares on the basis of one rights share for every existing share held at an issue price of RM1.00. The first call was with cash price of RM0.59 per share and the second call of RM0.41 per share was capitalized from the share premium account. These rights shares have been oversubscribed by 9.13%.

Dato' Ahmad Zaini concluded, "We do not expect any significant changes in the economic environment as lately, developments have not been encouraging globally. Nonetheless, MBSB's exposure in the corporate segment are very much localized and largely our customers are not part of cross border transactions. Hence, we shall continue with our present business strategies to ensure we are able to sustain the profitability level".

- 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.*