

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	As at	As at
	31 December 2015	31 December 2014
	(RM'000)	(RM'000)
ASSETS		
Cash and short term funds	6,928,263	5,683,939
Deposits and placements with financial institutions	406,529	83,418
Trade receivables	819	365
Other receivables	195,078	213,564
Inventories	103,287	103,233
Loans, advances and financing	31,784,970	31,032,148
Financial investments available-for-sale	983,354	-
Property, plant and equipment	138,052	137,773
Land use rights	5,746	5,908
Intangible assets	28,679	36,129
Tax recoverable	3,181	-
Deferred tax assets	511,050	369,426
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TOTAL ASSETS	41,089,008	37,665,903
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits from customers	28,585,387	27,530,858
Bank borrowings	1,645,591	1,415,844
Other borrowings	50,181	150,544
Trade payables	214	184
Other payables	325,968	313,753
Provision for taxation and zakat	10,850	33,867
Recourse obligation on loans/financing sold	2,767,242	2,373,039
Sukuk - MBSB Structured Covered ("SC") Murabahah	2,827,955	1,150,124
Deferred tax liabilities	14,080	15,277
	<hr/>	<hr/>
TOTAL LIABILITIES	36,227,468	32,983,490
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Share capital	2,838,551	2,709,623
Share premium	1,392,980	1,278,873
Other reserves	40,733	36,810
Accumulated profit	589,276	657,107
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Shareholders' equity	4,861,540	4,682,413
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	41,089,008	37,665,903
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COMMITMENTS AND CONTINGENCIES	7,395,789	8,138,212
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Net assets per share attributable to shareholders (RM)	1.71	1.73
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The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014.

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER 2015

	4th quarter ended		Twelve months ended	
	31 December		31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Revenue	825,687	594,330	3,050,098	2,612,512
Interest income	123,660	125,218	487,358	519,387
Interest expenses	(69,582)	(68,717)	(278,344)	(274,898)
Net interest income	54,078	56,501	209,014	244,489
Net income from Islamic banking operations	272,179	187,224	1,089,009	1,027,404
Operating income	326,257	243,725	1,298,023	1,271,893
Other income	16,967	26,780	62,542	91,787
Total income	343,224	270,505	1,360,565	1,363,680
Other operating expenses	(75,820)	(83,127)	(308,303)	(304,949)
Operating profit	267,404	187,378	1,052,262	1,058,731
Allowance for impairment losses on loans, advances and financing	(266,092)	(100,096)	(697,237)	(126,175)
Profit before taxation and zakat	1,312	87,282	355,025	932,556
Taxation	(11,522)	310,520	(91,834)	87,818
Zakat	(5,599)	(4,730)	(5,599)	(5,345)
Profit/(loss) for the year	(15,809)	393,072	257,592	1,015,029
Other comprehensive income	1,566	-	1,566	-
Total comprehensive income/(loss) for the year	(14,243)	393,072	259,158	1,015,029
Earnings/(loss) per share (sen):				
Basic	(0.56)	14.56	9.24	39.15
Diluted	(0.56)	14.49	9.22	38.96

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014.

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 YEAR ENDED 31 DECEMBER 2015

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

	Ordinary Shares RM'000	Share Premium RM'000	Capital Reserve #1 RM'000	Share Option Reserve RM'000	Warrants Reserve RM'000	Capital Redemption Reserve #2 RM'000	Available- for-sale Reserve RM'000	Accumulated Profit/(Losses) RM'000	Total Equity RM'000
At 1 January 2014	1,747,868	631,189	17,838	2,713	3,633	12,486	-	(229,517)	2,186,210
Total comprehensive income for the year	-	-	-	-	-	-	-	1,015,029	1,015,029
Dividend	-	-	-	-	-	-	-	(131,240)	(131,240)
Share options granted under ESOS recognised in profit or loss	-	-	-	12,389	-	-	-	-	12,389
Issue of ordinary shares pursuant to exercise of rights issue	873,929	558,448	-	-	-	-	-	1,027	1,433,404
Issue of ordinary shares pursuant to exercise of DRP	49,327	50,807	-	-	-	-	-	-	100,134
Issue of ordinary shares pursuant to exercise of ESOS	38,115	38,429	-	(10,441)	-	-	-	-	66,103
Issue of ordinary shares pursuant to exercise of warrants	384	-	-	-	-	-	-	-	384
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(1,808)	-	-	-	1,808	-
At 31 December 2014	2,709,623	1,278,873	17,838	2,853	3,633	12,486	-	657,107	4,682,413
At 1 January 2015	2,709,623	1,278,873	17,838	2,853	3,633	12,486	-	657,107	4,682,413
Profit for the year	-	-	-	-	-	-	-	257,592	257,592
Other comprehensive income for the year	-	-	-	-	-	-	1,566	-	1,566
Total comprehensive income for the year	-	-	-	-	-	-	1,566	257,592	259,158
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 rights issue	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to DRP	121,210	110,291	-	-	-	-	-	-	231,501
Issue of ordinary shares pursuant to exercise of ESOS	3,691	3,816	-	(2,065)	-	-	-	-	5,442
Issue of ordinary shares pursuant to exercise of warrants	4,027	-	-	-	-	-	-	-	4,027
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(579)	-	-	-	579	-
At 31 December 2015	2,838,551	1,392,980	17,838	5,210	3,633	12,486	1,566	589,276	4,861,540

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

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

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014.

MALAYSIA BUILDING SOCIETY BERHAD
(Company No. 9417-K)
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	31 December 2015 RM'000	31 December 2014 RM'000
Cash flows from operating activities		
Profit before taxation	355,025	932,556
Adjustments for :		
Depreciation		
- Investment properties	-	12
- Property, plant and equipment	14,720	14,497
Amortisation		
- land use rights	162	160
- Intangible assets	13,408	12,794
Gain on disposal of property, plant and equipment and land use rights	24	(3)
Gain on disposal of inventory	-	(20,379)
Gain on disposal of foreclosed properties	(3,308)	(4,050)
Gain on disposal of investment properties	-	(166)
Allowance for impairment of:		
- unsecured advances in respect of certain projects	33,589	30,257
Allowance for impairment losses on loans, advances and financing	697,237	126,175
Accruals made during the year	(3,812)	2,074
Interest/profit income adjustment on:		
- loans, advances and financing	89,714	265,765
- Sukuk - MBSB SC Murabahah	(49,906)	(2,173)
Operating profit before working capital changes	1,146,853	1,357,519
Increase in deposits with financial institutions with maturity of more than one month	(323,111)	(76,465)
Increase in loans, advances and financing	(1,485,930)	(897,841)
(Increase)/decrease in trade receivables	(454)	159
Increase in other receivables	(33,534)	(55,868)
Increase in financial investments available-for-sale	(981,788)	-
Increase/(decrease) in deposits from customers	1,054,529	(661,811)
Increase/(decrease) in trade payables	30	(40)
Increase/(decrease) in other payables	12,216	(68,104)
Cash used in operations	(611,189)	(402,451)
Tax paid	(257,098)	(334,100)
Tax refund	-	103
Zakat paid	(3,495)	(3,620)
Net cash used in operating activities	(871,782)	(740,068)

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MALAYSIA BUILDING SOCIETY BERHAD
(Company No. 9417-K)
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	31 December 2015 RM'000	31 December 2014 RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,058)	(53,420)
Purchase of inventories	(54)	(111,804)
Purchase of intangible assets	(6,327)	(11,252)
Proceeds from disposal of property, plant and equipment and land use rights	19	3
Proceeds from disposal of investment properties	-	600
Proceeds from disposal of foreclosed properties	19,075	4,050
Proceeds from disposal of inventories	-	24,458
Net cash used in investing activities	<u>(2,345)</u>	<u>(147,365)</u>
Cash flows from financing activities		
Drawdown/(repayment) of bank borrowings	229,747	(24,475)
Repayment of other borrowings	(100,363)	(100,325)
Proceeds from/(repayment of) recourse obligation on loans/financing sold	394,203	105,815
Proceeds from Sukuk - MBSB SC Murabahah	1,677,831	535,449
Dividend paid - ordinary shares	(326,002)	(131,240)
Net proceeds from issuance of ordinary shares	243,035	1,609,437
Net cash generated from financing activities	<u>2,118,451</u>	<u>1,994,661</u>
Net increase in cash and cash equivalents	1,244,324	1,107,228
Cash and cash equivalents at beginning of financial year	5,683,939	4,576,711
Cash and cash equivalents at end of financial year	<u><u>6,928,263</u></u>	<u><u>5,683,939</u></u>
Cash and cash equivalents comprise :		
Cash and short term funds	<u><u>6,928,263</u></u>	<u><u>5,683,939</u></u>

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2015

A1. Basis of Preparation

The unaudited condensed interim financial statements for the financial quarter ended 31 December 2015 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 2014. 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 2014.

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 2014.

On 1 January 2015, 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 2015:

Effective for annual periods commencing on or after 1 January 2015

- Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
- Amendments to MFRS 2: Share-based Payment (Annual Improvement to MFRSs 2010 – 2012 Cycle)
- Amendments to MFRS 3: Business Combinations (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendments to MFRS 3: Business Combinations (Annual Improvements to MFRSs 2010 – 2013 Cycle)
- Amendments to MFRS 8: Operating Segments (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendments to MFRS 13: Fair Value Measurement (Annual Improvements to MFRSs 2011 – 2013 Cycle)
- Amendments to MFRS 116: Property, Plant & Equipment
- Amendments to MFRS 138: Intangible Assets (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendments to MFRS 124: Related Party Disclosures (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendments to MFRS 140: Investment Property (Annual Improvements to MFRSs 2011 – 2013 Cycle)

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2015

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 2016

- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments of 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

Effective for annual periods commencing on or after 1 January 2017

- MFRS 15 Revenue from Contracts with Customers

Effective for annual periods commencing on or after 1 January 2018

- 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 audited 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 audited 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 DECEMBER 2015

A2. Audit Report of Preceding Financial Year Ended 31 December 2014

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 Company's Employee Share Option Scheme ("ESOS") and warrants, there were no issuance and repayment of debt and equity securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter.

	No of ordinary shares of RM1.00 each '000	Ordinary shares RM'000	Share premium RM'000
At 1 January 2015	2,709,623	2,709,623	1,278,873
Issued at RM1.01 per share pursuant to ESOS	891	891	9
Issued at RM1.44 per share pursuant to ESOS	1,942	1,942	855
Issued at RM2.01 per share pursuant to ESOS	707	707	714
Issued at RM2.15 per share pursuant to ESOS	151	151	173
Issued at RM1.91 per share pursuant to DRP #	121,210	121,210	110,291
Issued at RM1.00 per share pursuant to warrants	4,027	4,027	-
Transfer from share option reserve	-	-	2,065
As at 31 December 2015	2,838,551	2,838,551	1,392,980

A7. Dividend Paid

None.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2015

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

	31-12-15	31-12-14
	RM'000	RM'000
Personal financing	23,159,664	23,395,418
Mortgage loans and financing	5,440,447	5,279,788
Corporate loans and financing	5,081,068	3,677,660
Auto Financing	376,630	280,344
Staff loans	51,020	45,364
Gross loans, advances and financing	<u>34,108,829</u>	<u>32,678,574</u>
Allowance for impairment:		
- Collectively assessed	(2,045,943)	(1,437,747)
- Individually assessed	(277,916)	(208,679)
Net loans, advances and financing	<u>31,784,970</u>	<u>31,032,148</u>

(ii) By maturity structure

	31-12-15	31-12-14
	RM'000	RM'000
Maturing within one year	575,232	1,691,198
One year to three years	1,037,731	592,130
Three years to five years	941,459	769,799
Over five years	31,554,407	29,625,447
	<u>34,108,829</u>	<u>32,678,574</u>

(iii) By economic purpose

	31-12-15	31-12-14
	RM'000	RM'000
Purchase of residential properties	5,173,290	5,011,516
Purchase of non-residential properties	293,858	291,085
Personal use	23,182,139	23,416,107
Property development	2,685,005	2,070,967
Working capital	1,706,762	817,857
Purchase of transport vehicles	378,473	282,202
Others	689,302	788,840
	<u>34,108,829</u>	<u>32,678,574</u>

(iv) By type of customers

	31-12-15	31-12-14
	RM'000	RM'000
Domestic business enterprises:		
- Small medium enterprises	2,637,084	1,318,941
- Others	2,557,619	2,474,248
Individuals	28,914,126	28,885,385
	<u>34,108,829</u>	<u>32,678,574</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2015

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

	31-12-15	31-12-14
	RM'000	RM'000
Fixed rate:		
Personal financing	23,145,495	23,401,781
Auto finance	378,473	282,202
Mortgage and property islamic	867,843	937,824
Bridging, structured and term loans and financing	413,920	540,241
Variable rate:		
Personal financing	36,644	14,327
Mortgage and property Islamic	4,599,305	4,364,778
Bridging, structured and term loans and financing	4,667,149	3,137,421
	<u>34,108,829</u>	<u>32,678,574</u>

(vi) Movements in impaired loans, advances and financing

	31-12-15	31-12-14
	RM'000	RM'000
Balance as at 1 January	2,145,793	2,521,870
Classified as impaired during the period	2,370,388	2,606,390
Reclassified as non-impaired	(1,983,079)	(2,744,898)
Amount recovered	(22,482)	(168,422)
Amount written off	9,013	(69,147)
Balance as at end of period	<u>2,519,633</u>	<u>2,145,793</u>
Collective allowance	(1,442,441)	(839,425)
Individual allowance	<u>(183,679)</u>	<u>(48,774)</u>
	<u>(1,626,120)</u>	<u>(888,199)</u>
Net impaired loans, advances and financing	<u>893,513</u>	<u>1,257,594</u>
Net impaired loans as per percentage of net loans, advances and financing	<u>2.8%</u>	<u>4.1%</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2015

A8. Loans, Advances and Financing (continued)**(vii) Movements in the allowance for impaired loans, advances and financing**

	31-12-15	31-12-14
	RM'000	RM'000
Collective Impairment		
Opening balance	1,437,747	1,318,453
Impairment during the period	608,196	119,294
Closing balance	<u>2,045,943</u>	<u>1,437,747</u>
As of % of gross loans, advances and financing less individual allowance	6.1%	4.4%
Individual Impairment		
Opening balance	208,679	300,865
Impairment during the period	67,597	7,824
Written off	10,010	(94,032)
Transfer to subsidiaries	-	(5,978)
Transfer to impairment for foreclosed properties	(8,370)	-
Closing balance	<u>277,916</u>	<u>208,679</u>

A9. Financial investments available-for-sale**Money Market Instruments**

Malaysian Government Investment Issues	584,787	-
	<u>584,787</u>	<u>-</u>

Quoted Securities:

In Malaysia		
Private and Islamic debt securities	398,567	-
	<u>398,567</u>	<u>-</u>
	<u>983,354</u>	<u>-</u>

A10. Deposits from customers

	31-12-15	31-12-14
	RM'000	RM'000
By type of products:		
Savings	82,014	117,323
Fixed deposits	28,503,373	27,413,535
	<u>28,585,387</u>	<u>27,530,858</u>
By type of customers:		
Government and statutory bodies	18,558,905	19,318,499
Business enterprises	7,761,195	5,906,404
Individuals	2,265,287	2,305,955
	<u>28,585,387</u>	<u>27,530,858</u>
Maturity of deposits from customers:		
Within one year	25,610,754	25,159,654
More than one year	2,974,633	2,371,204
	<u>28,585,387</u>	<u>27,530,858</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2015

A11. Interest Income

	4th quarter ended		12 months ended	
	31 December		31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	107,964	114,605	435,535	465,029
Deposits and placements with banks and other financial institutions	15,696	10,613	51,823	54,358
	<u>123,660</u>	<u>125,218</u>	<u>487,358</u>	<u>519,387</u>

A12. Interest Expenses

	4th quarter ended		12 months ended	
	31 December		31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Bank borrowings	6,845	3,735	16,541	13,132
Deposits from customers	62,737	64,982	261,803	261,766
	<u>69,582</u>	<u>68,717</u>	<u>278,344</u>	<u>274,898</u>

A13. Net Income from Islamic Banking Operations

	4th quarter ended		12 months ended	
	31 December		31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Financing	518,191	395,919	2,021,890	1,836,402
Profit income from				
Sukuk Commodity Murabahah	65,760	4,709	181,746	53,854
Profit on financial investments	6,284	-	7,322	-
Deposits placements	57,588	29,529	184,677	105,073
Less: Income attributable to depositors	(375,644)	(242,933)	(1,306,626)	(967,925)
	<u>272,179</u>	<u>187,224</u>	<u>1,089,009</u>	<u>1,027,404</u>

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EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2015

A14. Other Income

	4th quarter ended		12 months ended	
	31 December		31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Rental income	21	84	38	459
Revenue from hotel operations	2,232	2,616	7,721	9,155
Loan agency fees	-	1	1	5
Loan processing fees	7,881	12,322	31,934	51,798
Insurance commission	264	453	1,727	10,895
Loan facility fees	3,100	-	9,348	-
Legal notice fees	664	70	1,960	1,820
Sundry income	(390)	2,704	6,530	8,957
Gain/(loss) from disposal of:				
Property, plant and equipment	(37)	1	(24)	3
Investment properties	-	-	-	166
Foreclosed properties	3,232	4,050	3,307	4,050
Inventories	-	4,479	-	4,479
	16,967	26,780	62,542	91,787

A15. Other Operating Expenses

	4th quarter ended		12 months ended	
	31 December		31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Personnel expenses:				
- Wages and salaries	21,240	29,521	107,974	99,554
- Social security costs	204	216	839	808
- Pension costs	3,304	4,537	16,932	15,098
- Share options granted under ESOS	-	1,566	5,001	12,389
- Other staff related expenses	3,268	3,810	10,971	13,338
	28,016	39,650	141,717	141,187
Establishment related expenses	3,766	4,671	14,621	15,857
Promotion and marketing related expenses	4,701	-	13,224	13,603
General administrative expenses	29,443	24,273	71,731	72,869
Allowance for impairment on other receivables	1	-	12	-
Others	9,893	14,533	66,998	61,433
	75,820	83,127	308,303	304,949

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

	4th quarter ended 31 December		12 months ended 31 December	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Allowance for/(write back of) impairment on loans, advances and financing:				
- Collective impairment	201,770	64,250	608,196	119,294
- Individual impairment	61,750	21,177	84,335	7,824
- Written off/(written back)	2,572	14,669	4,706	(943)
	<u>266,092</u>	<u>100,096</u>	<u>697,237</u>	<u>126,175</u>

A17. Commitments and Contingencies

	31-12-15 RM'000	31-12-14 RM'000
(i) Operational Commitments		
Loan commitments not yet recognised in the financial statements:		
End finance	251,351	314,516
Islamic properties	142,849	63,221
Islamic personal financing	1,323	2,493
Islamic auto financing	-	-
Auto finance	-	-
Bridging, structured and term loans and financing	7,614,958	7,251,844
Financial guarantees	104,076	85,110
	<u>8,114,557</u>	<u>7,717,184</u>
Approved and contracted for property development	421,528	421,528
Total	<u>8,536,085</u>	<u>8,138,712</u>
(ii) Capital Commitments		
Property, plant and equipment:		
Approved and contracted for	183,105	196,822
Approved but not contracted for	46,702	-
	<u>229,807</u>	<u>196,822</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.

- (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.

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 Federal Court had fixed the matter for 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, provisions have been made where appropriate in the financial statements.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2015

A19. Segmental Information on Revenue and Results

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

	Hotel			
	Financing RM'000	Operations RM 000	Eliminations RM'000	Consolidated RM'000
3 months ended 31 December 15				
External sales	821,167	2,232	2,288	825,687
Intersegment transactions	9,620	895	(10,515)	-
Total revenue	<u>830,787</u>	<u>3,127</u>	<u>(8,227)</u>	<u>825,687</u>
Segment results	6,154	(3,577)	(1,265)	1,312
Unallocated income (net of cost)				-
Profit from operations				<u>1,312</u>
3 months ended 31 December 14				
External sales	584,904	2,616	6,810	594,330
Intersegment transactions	11,582	859	(12,441)	-
Total revenue	<u>596,486</u>	<u>3,475</u>	<u>(5,631)</u>	<u>594,330</u>
Segment result	99,181	(3,134)	(8,765)	87,282
Unallocated income (net of cost)				-
Profit from operations				<u>87,282</u>
12 months ended 31 December 15				
External sales	3,024,472	7,721	17,905	3,050,098
Intersegment sales	42,597	3,471	(46,068)	-
Total revenue	<u>3,067,069</u>	<u>11,192</u>	<u>(28,163)</u>	<u>3,050,098</u>
Segment results	309,342	(14,697)	60,380	355,025
Unallocated income (net of cost)				-
Profit from operations				<u>355,025</u>
12 months ended 31 December 14				
External sales	2,569,981	9,155	33,376	2,612,512
Intersegment sales	47,947	3,416	(51,363)	-
Total revenue	<u>2,617,928</u>	<u>12,571</u>	<u>(17,987)</u>	<u>2,612,512</u>
Segment result	914,707	(10,887)	28,736	932,556
Unallocated income (net of cost)				-
Profit from operations				<u>932,556</u>

A20. Valuation of Property, Plant and Equipment

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

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2015

A21. Subsequent Events

None.

A22. Changes in the Composition of the Group

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

A23. Acquisition/Disposal of Property, Plant and Equipment

	As at 31-12-15 RM'000
Additions	
Building in progress	13,718
Building renovation	559
Furniture & equipment	532
Motor vehicles	163
Data processing equipment	86
	15,058

A24. Significant Related Party Transactions

	Twelve months ended 31 December	
	2015 RM'000	2014 RM'000
(i) Transactions with Employees Provident Fund Board, the ultimate holding body:		
Expenses		
Interest on loans	5,825	11,363
Rental expense	280	275
	50,181	150,544
Balances		
Other borrowings	50,181	150,544
(ii) Transactions with RHB Banking Group of companies:		
Expenses		
Sukuk facility agent fees	12,128	4,755
	1,300,392	2,193
Balances		
Deposits and placements with financial institutions	1,300,392	2,193
Deposits from customers	-	-
Bank borrowings	450,126	475,396
Recourse obligation on loans sold to Cagamas Berhad	456,251	910,727
	-	774,428
(iii) Collectively, but not individually, significant balances		
Balances		
Deposit from customers	-	774,428

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)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2015

A26. Operations of Islamic Banking**A26a. Unaudited Consolidated Statements of Financial Position as at 31 December 2015**

	Note	31-Dec-15 RM'000	31-Dec-14 RM'000
Assets			
Cash and short-term funds		6,026,443	4,447,110
Deposits and placements with financial institutions		404,402	83,142
Financing	A25c	27,152,155	25,962,554
Other receivables		670,594	776,974
Financial investment available-for-sale		983,354	-
Total assets		<u>35,236,948</u>	<u>31,269,780</u>
Liabilities			
Deposits from customers	A25d	22,491,784	21,054,086
Other payables		4,871,169	4,328,524
Bank borrowings		750,419	600,510
Other borrowings		50,181	150,544
Financing sold to Cagamas Berhad		1,433,445	1,477,120
Sukuk - MBSB SC Murabahah		2,827,955	1,150,124
Provision for taxation		72,434	201,552
Provision for zakat		7,816	5,712
Total liabilities		<u>32,505,203</u>	<u>28,968,172</u>
Islamic fund		4,000	4,000
Financial investment available-for-sale		1,566	-
Retained profits		<u>2,726,179</u>	<u>2,297,608</u>
		<u>2,731,745</u>	<u>2,301,608</u>
Total liabilities and Islamic fund		<u>35,236,948</u>	<u>31,269,780</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2015

A26b. Unaudited Consolidated Statements of Comprehensive Income for the Year Ended 31 December 2015

	4th quarter ended		12 months ended	
	31 December		31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of general investment deposits and Islamic capital funds	574,386	430,157	2,395,635	1,995,329
Income attributable to depositors	(302,207)	(242,933)	(1,306,626)	(967,925)
Net income from financing operations	272,179	187,224	1,089,009	1,027,404
Other income	13,078	15,082	54,358	68,844
Other expenses	(81,197)	(47,857)	(193,389)	(186,293)
Allowance for losses on financing	(197,660)	(10,023)	(583,417)	(73,350)
Profit before taxation and zakat	6,400	144,426	366,561	836,605
Taxation	163,618	(29,029)	67,609	(202,005)
Zakat	(5,599)	(4,730)	(5,599)	(5,345)
Profit after taxation and zakat	164,419	110,667	428,571	629,255
Other comprehensive income	1,566	-	1,566	-
Total comprehensive income for the year	165,985	110,667	430,137	629,255

A26c. Financing

(i) By type

	31-12-15	31-12-14
	RM'000	RM'000
Term financing:		
Corporate financing	6,933,062	2,204,727
Property financing	5,182,894	4,244,196
Personal financing	37,283,850	39,240,740
Auto financing	277,847	139,741
Staff financing	19,528	20,324
Less: Unearned income	(21,221,960)	(19,143,455)
Gross loans, advances and financing	28,475,221	26,706,273
Allowance for impairment:		
- Collectively assessed	(1,323,066)	(743,719)
Net financing	27,152,155	25,962,554

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

	31-12-15	31-12-14
	RM'000	RM'000
Bai Bithaman Ajil (deferred payment sale)	1,884,525	1,699,574
Bai Al-Inah (cost plus)	14,055,842	14,354,164
Tawarruq	9,357,064	9,178,015
Contract financing	3,177,790	1,474,520
	<u>28,475,221</u>	<u>26,706,273</u>

(iii) Impaired financing

	31-12-15	31-12-14
	RM'000	RM'000
Balance as at 1 January	1,158,286	616,734
Classified as impaired during the year	1,222,724	1,678,475
Reclassified as non-impaired during the year	(954,837)	(1,136,111)
Amount written off	-	(812)
Balance as at 31 December	<u>1,426,173</u>	<u>1,158,286</u>
Individual/Collective allowance	<u>(952,458)</u>	<u>(404,518)</u>
Net financing	<u>473,715</u>	<u>753,768</u>
Net impaired financing as a percentage of net financing	<u>1.7%</u>	<u>2.9%</u>

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

	31-12-15	31-12-14
	RM'000	RM'000
Collective impairment		
Balance as at 1 January	743,719	672,230
Impairment during the year	578,858	71,428
Reclassification *	489	61
Balance as at 31 December	<u>1,323,066</u>	<u>743,719</u>
Individual impairment		
Balance as at 1 January	-	246
Impairment during the year	-	(246)
Balance as at 31 December	<u>-</u>	<u>-</u>

* Reclassification of collective allowance into the Islamic Fund

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

	31-12-15	31-12-14
	RM'000	RM'000
Al-Wadiah savings account	36,634	39,173
Mudharabah fund	22,455,150	21,014,913
	<u>22,491,784</u>	<u>21,054,086</u>

(ii) By type of customer

	31-12-15	31-12-14
	RM'000	RM'000
Business enterprises	22,024,227	20,974,357
Individuals	467,557	79,729
	<u>22,491,784</u>	<u>21,054,086</u>

(iii) By maturity of deposits from customers

	31-12-15	31-12-14
	RM'000	RM'000
Within one year	20,749,239	19,972,862
More than one year	1,742,545	1,081,224
	<u>22,491,784</u>	<u>21,054,086</u>

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

B1. Performance Review

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

Group revenue for the financial year ended 31 December 2015 of RM3.050 billion increased by RM437.585 million or 16.7% as compared to the previous year revenue of RM2.613 billion. The increase was mainly due to higher income from investments of 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 22.7%.

Group profit before tax for the financial year ended 31 December 2015 of RM355.025 million decreased by RM577.531 million or 61.9% as compared to the previous year profit before taxation of RM932.556 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. In 2015, the impairment program contributed 75% of the total allowance for impairment losses.

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 impairment program will end in 2017 with an estimated average credit cost of 2% for each year based on gross loans/financing of RM34 billion as at 31 December 2015.

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 year 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 year was higher compared to the previous year 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 year.

Auto finance loans and financing – The gross income from auto finance loans and financing was higher mainly due to growth of loans and financing bases.

B2. Variation of Results against Preceding Quarter

The Group profit before tax for the 4th quarter 2015 of RM1.312 million decreased by RM65.478 million or 98.0% as compared to the preceding quarter profit before tax of RM66.790 million. The decrease was mainly due to higher allowances for impairment losses on loans, advances and financing.

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

The Malaysian economy registered a growth of 4.7% in the third quarter of 2015 (2Q 2015: 4.9%). Private sector expenditure continued to be the key driver of growth (4.4%; 2Q 2015: 5.7%), and contributed towards the expansion in domestic demand. In addition, growth was supported by the improvement in public sector spending (2.8%; 2Q 2015: 0.9%) and the turnaround in net exports, which recorded a positive growth during the quarter (3.3%; 2Q 2015: -10.5%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.7% (2Q 2015: 1.1%).

Domestic demand expanded by 4.0% in the third quarter of 2015 (2Q 2015: 4.6%). This was driven mainly by private sector activity, which grew by 4.4% (2Q 2015: 5.7%) following continued growth in investment and consumption activities. Private investment expanded by 5.5% (2Q 2015: 3.9%), supported by continued capital spending in the manufacturing and services sectors. Private consumption growth moderated to 4.1% (2Q 2015: 6.4%), as households continued to adjust to the implementation of GST. However, wage growth and stable labour market conditions remained supportive of overall consumer spending.

The Federal Government fiscal deficit remained stable at 1.6% of GDP in the third quarter of 2015 (2Q 2015: -1.4% of GDP). Government revenue was sustained at RM56.3 billion in the quarter (2Q 2015: RM55.3 billion), supported by higher Goods and Services Tax (GST) collections. Operating expenditure registered a slower increase to RM52.3 billion (2Q 2015: RM51.8 billion), primarily due to lower spending on subsidies. As a result, the Federal Government current account recorded a higher surplus of RM4 billion (2Q 2015: RM3.4 billion). Development expenditure expanded to RM8.7 billion (2Q 2015: RM7.3 billion), mainly for housing and transportation. As at end-September 2015, total outstanding debt of the Federal Government amounted to RM623.3 billion or 53.7% of the estimated 2015 GDP.

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

Resilient Banking System

The banking sector remained resilient and well-capitalised during the third quarter of 2015. This was reflected by the common equity tier 1 capital ratio at 12.1%, tier 1 capital ratio (12.8%) and total capital ratio (14.8%), all above the minimum regulatory levels (end-June 2015: 12.3%; 13.1%; 15.2%). The banking sector recorded a pre-tax profit of RM7.3 billion (Q2 2015: RM7.5 billion). Loan quality of the banking system continued to be stable with the net impaired loans ratio remaining at 1.2% as at end-September 2015 (end-June 2015: 1.2%).

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

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

In the third quarter, total gross financing raised by the private sector through the banking system and the capital market amounted to RM287.9 billion (2Q 2015: RM287.1 billion). On a net basis, outstanding banking system loans and PDS expanded at a higher growth rate of 8.8% as at end-September (end-June 2015: 8.3%).

Net lending to businesses by the banking system expanded by RM16.7 billion during the quarter (2Q 2015: RM8.2 billion). On an annual basis, outstanding business loans grew at a stronger pace of 11.0% as at end-September (end-June 2015: 8.7%), with the higher level of credit extended mainly to the manufacturing; wholesale and retail trade, and restaurants and hotels; real estate and finance, insurance and business services sectors. Financing for SMEs continued to be robust, with outstanding SME loans growing at 17.6% as at end-September (end-June 2015: 17.1%). Demand for new financing by businesses increased compared to the previous quarter, with higher loan applications by both large corporates and SMEs. This was matched by higher loan approvals to businesses, in particular to SMEs.

Net financing to the household sector expanded at a stable amount of RM12.8 billion during the quarter (2Q 2015: RM12.9 billion). On an annual basis, outstanding household loans growth moderated to 8.1% as at end-September (end-June 2015: 8.7%). Demand for new financing by household sector was also sustained during the quarter, with higher household loan applications matched by stable loan approvals.

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

Group Prospects

The Group's focus on expansion of corporate business segment continued to show positive contribution, with growth in corporate financing/loans assets and earnings. The retail segment businesses, however, continued to be on a moderate level. The operating environment for 2016 would be challenging. 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 2016 to continue to present challenges as in 2015.

B4. Variance from Profit Forecast and Profit Guarantee

None.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2015

B5. Taxation

	4th quarter ended 31 December		12 months ended 31 December	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current income tax:				
Malaysian income tax	57,683	43,906	239,827	275,549
Tax refund	-	-	-	(103)
Over provision in prior years:				
Malaysian income tax	-	11,635	(5,172)	2,852
	<u>57,683</u>	<u>55,541</u>	<u>234,655</u>	<u>278,298</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	<u>(46,161)</u>	<u>(366,061)</u>	<u>(142,821)</u>	<u>(366,116)</u>
	<u>(46,161)</u>	<u>(366,061)</u>	<u>(142,821)</u>	<u>(366,116)</u>
Total income tax expense	<u>11,522</u>	<u>(310,520)</u>	<u>91,834</u>	<u>(87,818)</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 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 DECEMBER 2015

B8. Status of Corporate Proposals

After a series of discussions and negotiations, MBSB, DRB-HICOM Berhad and Khazanah Nasional Berhad have not been able to reach an agreement on the terms and conditions of the Proposed Merger. Accordingly, the parties have mutually agreed to end all discussions and not proceed with the Proposed Merger. An official announcement was made to Bursa on 2 February 2016.

B9. Borrowings and Debts

Borrowings of the Group as at 31 December 2015 were as follows:

	As at 31-12-15 RM'000	As at 31-12-14 RM'000
Short term bank borrowings	1,645,591	1,415,844
Islamic financing facility (secured)	50,181	150,544
	<u>1,695,772</u>	<u>1,566,388</u>
Maturity of borrowings:		
- One year or less	1,695,772	1,516,388
- More than one year	-	50,000
Total	<u>1,695,772</u>	<u>1,566,388</u>
Recourse obligation on loans sold to Cagamas Berhad (secured):		
- One year or less	940,078	101,888
- More than one year	1,827,164	2,271,151
Total	<u>2,767,242</u>	<u>2,373,039</u>

All borrowings are denominated in Ringgit Malaysia.

B10. Off Balance Sheet Financial Instruments

None.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2015

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:

	Cumulative	
	As at 31-12-15 RM'000	As at 31-12-14 RM'000
Total accumulated losses of the Group:		
- Realised	(586,792)	(279,815)
- Unrealised in respect of deferred tax recognised in the income statement	496,970	354,149
Total Group accumulated losses as per consolidated accounts	(89,822)	74,334
Add: Consolidated adjustments	679,098	582,773
	589,276	657,107

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 A17 above.

B13. Dividends Proposed

The Board of Directors has recommended a Single-Tier Final Dividend of 3.0% (3.0 sen net per Ordinary Share) for the financial year ended 31 December 2015. Based on the issued and paid up share capital of 2,838,553,579 ordinary shares of RM1.00 each as at 15 February 2016, the Single-Tier Final Dividend payable would be approximately RM85.156 million.

The Board of Directors has determined that the option to reinvest via the Dividend Reinvestment Plan ("DRP") shall apply to the entire portion of the proposed Single-Tier Final Dividend of 3.0% for the financial year ended 31 December 2015. The approval for the proposed Single-Tier Final Dividend of 3.0% will be sought at the coming Annual General Meeting.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
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B13. Dividends Proposed (continued)

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

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

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.

	4th quarter ended		12 months ended	
	31 December		31 December	
	2015	2014	2015	2014
Net profit/(loss) attributable to shareholders for the year (RM'000)	(15,809)	393,072	257,592	1,015,029
Weighted average number of ordinary shares in issue ('000)	2,838,551	2,699,835	2,787,607	2,592,379
Basic earnings/(loss) per share (sen)	<u>(0.56)</u>	<u>14.56</u>	<u>9.24</u>	<u>39.15</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2015

B14. Earnings Per Share (continued)**Diluted**

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. Employee Share Option Scheme (“ESOS”) and Warrants.

	4th quarter ended		12 months ended	
	31 December		31 December	
	2015	2014	2015	2014
Net profit/(loss) attributable to shareholders for the year (RM'000)	(15,809)	393,072	257,592	1,015,029
Weighted average number of ordinary shares in issue ('000)	2,838,551	2,699,835	2,787,607	2,592,379
Weighted average effect of dilution on ESOS ('000)	(1,416)	2,637	(1,416)	2,637
Weighted average effect of dilution on Warrants ('000)	6,790	10,541	6,790	10,541
Adjusted weighted average number of ordinary shares in issue ('000)	<u>2,843,925</u>	<u>2,713,013</u>	<u>2,792,981</u>	<u>2,605,557</u>
Diluted earnings/(loss) per share (sen)	<u>(0.56)</u>	<u>14.49</u>	<u>9.22</u>	<u>38.96</u>

B15. Authorisation For Issue

The audited interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 February 2016.

BY ORDER OF THE BOARD

Koh Ai Hoon
Tong Lee Mee
Joint Company Secretaries
Kuala Lumpur
24 February 2016



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

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PRESS RELEASE

KENYATAAN AKHBAR

For Immediate Release

24 February 2016

**MBSB ACHIEVES RM3.05 BILLION IN REVENUE
FOR FYE 31 DEC 2015**

Kuala Lumpur 24 February 2016- MBSB Group today announced its 2015 full year results which posted pre-tax profits of RM355.03 million on the back of RM3.05 billion in revenue for the twelve (12) months ended 31 December 2015. The Group's fourth quarter revenue grew by 7.51% or RM57.66 million as compared to RM768.03 million in the preceding quarter.

Group's total assets of RM41.09 billion as at 31 December 2015 registered a growth of 9.09% or RM3.42 billion from RM37.67 billion for the previous financial year. Gross loans and financing growth also shows an improved trend of 4.38% from RM33.81 billion in the preceding third quarter to RM34.11 billion in the fourth quarter 2015. The company continued to achieve an impressive low cost to income ratio of 22.66% for financial year 2015, which is a further improvement of 0.19% from 22.85% in the preceding quarter.

Dato' Ahmad Zaini Othman, President and Chief Executive Officer commented, "It is visible from our financial results of 2015 that while we have persisted with our efforts to ensure a sustainable asset and revenue growth, the company's bottom line were affected by the impairment program emplaced at the end of 2014. Nonetheless, this should be taken positively as it does mark our serious commitment to meet the industry's impairment standards and close the gap."

The Group's net impaired financing ratio which stood at 2.81% as at 31 December 2015 is a marked reduction from 4.05% recorded in the preceding year 2014. It is also a progress of 0.41% from 3.22% recorded as at 30 September 2015. On this, Dato Ahmad Zaini said, "We are definitely pleased that the company's NPL continued to show a positive trend, which are the results of effective NPL preventive measures as well as strengthened credit underwriting processes".

The company's revenue remains largely contributed by retail financing assets, however Dato Ahmad Zaini informed corporate segment has also increased its income contribution. The company had continued its support for the Government's initiatives to increase supply in affordable housing units and this was achieved by securing financing for several projects nationwide. New business in equipment financing has also shown revenue growth, resulting in the establishment of another two processing hubs, each in Northern and Southern region.

On moving forward plans this year in light of the unfavourable economic conditions, Dato' Ahmad Zaini remained optimistic. He remarked, "The uncertainties have to a certain extent, hampered both retail and corporate sentiments. But for MBSB, we are operating quite efficiently as reflected by a low cost to income ratio and we intend to further reduce that this year, the retail segment largely comprises of government servants indicating stable employment meanwhile growth in corporate segment shall be continued to be sustained via selected government contracts and viable private projects".

-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.