

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	As at	As at
	31 March 2016	31 December 2015
	(RM'000)	(RM'000)
ASSETS		
Cash and short term funds	6,886,001	6,928,263
Deposits and placements with financial institutions	836,714	406,529
Trade receivables	435	819
Other receivables	158,498	195,078
Inventories	103,290	103,287
Loans, advances and financing	31,909,532	31,784,970
Financial investments available-for-sale	1,165,167	983,354
Property, plant and equipment	136,138	138,052
Land use rights	5,707	5,746
Intangible assets	25,383	28,679
Tax recoverable	4,979	3,181
Deferred tax assets	561,868	511,050
TOTAL ASSETS	41,793,712	41,089,008
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits from customers	30,492,555	28,585,387
Bank borrowings	450,175	1,645,591
Other borrowings	25,090	50,181
Trade payables	140	214
Other payables	293,844	325,968
Provision for taxation and zakat	10,233	10,850
Recourse obligation on loans/financing sold	2,737,955	2,767,242
Sukuk - MBSB Structured Covered ("SC") Murabahah	2,862,202	2,827,955
Deferred tax liabilities	12,789	14,080
TOTAL LIABILITIES	36,884,983	36,227,468
Share capital	2,838,778	2,838,551
Share premium	1,392,980	1,392,980
Other reserves	52,757	40,733
Retained earnings	624,214	589,276
Total equity	4,908,729	4,861,540
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	41,793,712	41,089,008
COMMITMENTS AND CONTINGENCIES	7,755,017	7,395,789
Net assets per share attributable to shareholders (RM)	1.73	1.71

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

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

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

	1st quarter ended		Three months ended	
	31 March		31 March	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Revenue	812,626	690,602	812,626	690,602
Interest income	116,844	119,283	116,844	119,283
Interest expenses	(66,091)	(69,664)	(66,091)	(69,664)
Net interest income	50,753	49,619	50,753	49,619
Income derived from investment of general investment deposits and Islamic capital funds	682,299	557,050	682,299	557,050
Income attributable to depositors	(287,259)	(232,501)	(287,259)	(232,501)
Income attributable to sukuk	(129,181)	(49,518)	(129,181)	(49,518)
Net income from Islamic financing operations	265,859	275,031	265,859	275,031
Operating income	316,612	324,650	316,612	324,650
Other income	14,312	18,437	14,312	18,437
Net income	330,924	343,087	330,924	343,087
Other operating expenses	(73,289)	(84,116)	(73,289)	(84,116)
Operating profit	257,635	258,971	257,635	258,971
Allowance for impairment losses on loans, advances and financing	(218,535)	(101,319)	(218,535)	(101,319)
Profit before taxation and zakat	39,100	157,652	39,100	157,652
Taxation and zakat	(4,265)	(33,340)	(4,265)	(33,340)
Profit for the period	34,835	124,312	34,835	124,312
Other comprehensive income	12,127	-	12,127	-
Total comprehensive income for the period, net of tax	46,962	124,312	46,962	124,312
Earnings per share (sen):				
Basic	1.23	4.59	1.23	4.59
Diluted	1.23	4.57	1.23	4.57

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

MALAYSIA BUILDING SOCIETY BERHAD
(Company No. 9417-K)
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2016

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

	Ordinary Shares <i>RM'000</i>	Share Premium <i>RM'000</i>	Capital Reserve ^{#1} <i>RM'000</i>	Share Option Reserve <i>RM'000</i>	Warrants Reserve <i>RM'000</i>	Capital Redemption Reserve ^{#2} <i>RM'000</i>	Available- for-sale Reserve <i>RM'000</i>	Accumulated Profit/(Losses) <i>RM'000</i>	Total Equity <i>RM'000</i>
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 period	-	-	-	-	-	-	-	124,312	124,312
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	124,312	124,312
Share options granted under ESOS recognised in profit or loss	-	-	-	5,001	-	-	-	-	5,001
Issue of ordinary shares pursuant to exercise of ESOS	1,929	1,995	-	(1,060)	-	-	-	-	2,864
Issue of ordinary shares pursuant to exercise of warrants	1,697	-	-	-	-	-	-	-	1,697
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(88)	-	-	-	88	-
At 31 March 2015	2,713,249	1,280,868	17,838	6,706	3,633	12,486	-	905,819	4,816,287
At 1 January 2016	2,838,551	1,392,980	17,838	5,210	3,633	12,486	1,566	589,276	4,861,540
Profit for the period	-	-	-	-	-	-	-	34,835	34,835
Other comprehensive income for the period	-	-	-	-	-	-	12,127	-	12,127
Total comprehensive income for the period	-	-	-	-	-	-	12,127	34,835	46,962
Dividend	-	-	-	-	-	-	-	-	-
Share options granted under ESOS recognised in profit or loss	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to rights issue	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to DRP	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to exercise of ESOS	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to exercise of warrants	227	-	-	-	-	-	-	-	227
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	-	-	-	-	-	-
At 31 March 2016	2,838,778	1,392,980	17,838	5,210	3,633	12,486	13,693	624,111	4,908,729

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

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

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

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

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

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

(Contd.)

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

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

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

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

A1. Basis of Preparation

The unaudited condensed interim financial statements for the financial quarter ended 31 March 2016 have been prepared under the historical cost convention except for the following financial assets and financing liabilities which are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method: Loans and financing, trade and other payables, bank borrowings and recourse obligations on financing/loans sold.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2015. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year 2015.

The unaudited interim financial statements incorporated those activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah. The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2015.

On 1 January 2016, 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 ó 2014 Cycle)
- Amendments to MFRS 7: Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012 ó 2014 Cycle)
- Amendments to MFRS 119: Employee Benefits (Annual Improvements to MFRSs 2012 ó 2013 Cycle)
- Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements to MFRSs 2012 ó 2014 Cycle)
- Annual Improvements to MFRSs 2012 ó 2014 Cycle
- Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 11: Accounting for Acquisitions of Interest in Joint Operations
- Amendments to MFRS 101: Disclosure Initiatives
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
- MFRS 14 Regulatory Deferral Accounts

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

A1. Basis of Preparation (continued)

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

Effective for annual periods commencing on or after 1 January 2017

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

The directors expect that the new MFRSs and Amendments to MFRSs which have been issued by the MASB but are yet to be effective to the Group do not have any material impact on the financial statements of the Group for the current financial quarter. The financial effects of the above MFRSs are still being assessed due to the complexity of these new MFRSs and Amendments to MFRSs, and their proposed changes.

The preparation of the 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 MARCH 2016

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

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

A3. Seasonality and 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 2016	2,838,551	2,838,551	1,392,980
Issued at RM1.00 per share pursuant to warrants	226	226	-
As at 31 March 2016	<u>2,838,777</u>	<u>2,838,777</u>	<u>1,392,980</u>

A7. Dividend Paid

None.

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

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

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

(ii) By maturity structure

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

(iii) By economic purpose

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

(iv) By type of customers

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

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

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

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

(vi) Movements in impaired loans, advances and financing

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

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

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

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

A9. Financial investments available-for-sale

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

A10. Deposits from customers

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

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

A11. Interest Income

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

A12. Interest Expenses

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

A13. Net Income from Islamic Banking Operations

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

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

A14. Other Income

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

A15. Other Operating Expenses

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

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

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

	1st quarter ended 31 March		3 months ended 31 March	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Allowance for/(write back of) impairment on loans, advances and financing:				
- Collective impairment	224,151	93,694	224,151	93,694
- Individual impairment	(6,189)	7,498	(6,189)	7,498
- Written off/(written back)	573	127	573	127
	<u>218,535</u>	<u>101,319</u>	<u>218,535</u>	<u>101,319</u>

A17. Commitments and Contingencies

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

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

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

A18. Contingent Liabilities (Unsecured)

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

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

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

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

(For information only: Bongsor Bina Sdn Bhd)

- (ii) A third party and its holding company (collectively the Plaintiffs) have instituted a civil suit against the Company and its subsidiary for an alleged breach of facility agreement. On conclusion of the Full Trial, the Court dismissed the Plaintiffs' claim with costs and allowed the Company's counterclaim. The Plaintiffs have filed an appeal to the Court of Appeal against the decision and is fixed for further Case Management on 9 October 2015 pending release of the grounds of judgment from the High Court.

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

Separately, the Plaintiffs had on 25 April 2013 served an originating summons on the Company seeking for an order from the Johor Bahru High Court that the charge created in favour of the Company be set aside and is of no effect and for a removal and cancellation of the same. On 13 December 2013 after the hearing, the Plaintiffs' application was allowed. The Court of Appeal dismissed the Company's appeal. The Company's application to the Federal Court for leave to appeal was allowed on 29 January 2015. The matter is now pending a date for decision by the Federal Court after Hearing on 10 March 2016.

(For information only: KCSB Konsortium & Kausar Corporation)

The directors after obtaining advice from the Company's solicitors are of the opinion that the Company has reasonably good cases in respect of all the claims against the Company and as such, provision has been made where appropriate in the financial statements.

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

A19. Segmental Information on Revenue and Results

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

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

A20. Valuation of Property, Plant and Equipment

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

A21. Subsequent Events

None.

A22. Changes in the Composition of the Group

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

A23. Acquisition/Disposal of Property, Plant and Equipment

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

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

A24. Significant Related Party Transactions

	31 March	
	2016	2015
	RM'000	RM'000
(i) Transactions with Employees Provident Fund Board, the ultimate holding body:		
Expenses		
Interest on loans	596	1,953
Rental expense	70	70
Balances		
Other borrowings	<u>25,090</u>	<u>125,434</u>
(ii) Transactions with RHB Banking Group of companies:		
Expenses		
Sukuk facility agent fees	<u>-</u>	<u>-</u>
Balances		
Deposits and placements with financial institutions	1,995,705	549,956
Deposits from customers	376,149	-
Bank borrowings	200,159	300,529
Recourse obligation on loans sold to Cagamas Berhad	<u>859,098</u>	<u>900,788</u>
(iii) Collectively, but not individually, significant balances		
Balances		
Deposit from customers	<u>762,989</u>	<u>600,435</u>

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 MARCH 2016

A26. Operations of Islamic Banking**A26a. Unaudited Consolidated Statements of Financial Position as at 31 March 2016**

	Note	31-Mar-16 RM'000	31-Dec-15 RM'000
Assets			
Cash and short-term funds		6,540,933	6,026,443
Deposits and placements with financial institutions		836,427	404,402
Financing	A25c	27,409,033	27,152,155
Other receivables		662,115	670,594
Financial investment available-for-sale		1,165,167	983,354
Total assets		<u>36,613,675</u>	<u>35,236,948</u>
Liabilities			
Deposits from customers	A25d	24,346,557	22,491,784
Other payables		4,825,499	4,871,169
Bank borrowings		400,164	750,419
Other borrowings		25,090	50,181
Financing sold to Cagamas Berhad		1,421,855	1,433,445
Sukuk - MBSB SC Murabahah		2,862,202	2,827,955
Provision for taxation		48,965	72,434
Provision for zakat		7,199	7,816
Total liabilities		<u>33,937,531</u>	<u>32,505,203</u>
Islamic fund		4,000	4,000
Financial investment available-for-sale		13,693	1,566
Retained profits		2,658,451	2,726,179
		<u>2,676,144</u>	<u>2,731,745</u>
Total liabilities and Islamic fund		<u>36,613,675</u>	<u>35,236,948</u>

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

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

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

A26c. Financing

(i) By type

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

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

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

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

(iii) Impaired financing

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

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

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

* Reclassification of collective allowance into the Islamic Fund

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

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

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

(ii) By type of customer

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

(iii) By maturity of deposits from customers

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

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

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

B1. Performance Review

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

Group revenue for the financial period ended 31 March 2016 of RM812.626 million increased by RM122.024 million or 17.7% as compared to the previous year revenue of RM690.602 million. The increase was mainly due to higher income from investments 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 22.2%.

Group profit before tax for the financial period ended 31 March 2016 of RM39.100 million decreased by RM118.552 million or 75.2% as compared to the previous year profit before taxation of RM157.652 million. The decrease was mainly due to higher allowances for impairment losses on loans, advances and financing with the continuation of the impairment program initiated by the Group in the 4th quarter of 2014.

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

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

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

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

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

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

B2. Variation of Results against Preceding Quarter

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

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

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

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

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

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

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

Sound Banking System

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

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

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

B3. Prospects (continued)

Brief Overview on Monetary and Financial Developments

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

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

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

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

Group Prospects

The 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 is expected to 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 its performance for 2016 to be satisfactory.

B4. Variance from Profit Forecast and Profit Guarantee

None.

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

B5. Taxation

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

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2015: 25%) of the estimated assessable profit for the quarter.

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

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

B7. Purchase and Sale of Quoted Securities

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

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

B8. Status of Corporate Proposals

None.

B9. Borrowings and Debts

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

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

B10. Off Balance Sheet Financial Instruments

None.

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

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 (öBursa Malaysiaö) on 25 March 2010, is as follows:

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

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

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

B12. Material Litigation

The details of the pending material litigation are as per note A17 above.

B13. Dividends Proposed

None.

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

B14. Earnings Per Share**Basic**

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

	1st quarter ended		3 months ended	
	31 March		31 March	
	2016	2015	2016	2015
Net profit attributable to shareholders for the year (RM'000)	34,835	124,312	34,835	124,312
Weighted average number of ordinary shares in issue ('000)	2,838,552	2,711,078	2,838,552	2,711,078
Basic earnings per share (sen)	<u>1.23</u>	<u>4.59</u>	<u>1.23</u>	<u>4.59</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.

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

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

B15. Authorisation For Issue

The audited interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 11 May 2016.

BY ORDER OF THE BOARD

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

**MBSB (9417-K)
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PRESS RELEASE

KENYATAAN AKHBAR

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

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

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

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

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

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

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

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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.