

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 2016

	As at 31 December 2016 (RM'000)	As at 31 December 2015 (RM'000)
ASSETS		
Cash and short term funds	6,639,369	6,928,263
Deposits and placements with financial institutions	1,076,078	406,529
Trade receivables	542	819
Other receivables	150,553	195,078
Inventories	103,201	103,287
Loans, advances and financing	32,193,478	31,784,970
Financial investments available-for-sale	2,364,750	983,354
Property, plant and equipment	141,713	138,052
Land use rights	5,584	5,746
Tax recoverable	549,248	3,181
Intangible assets	15,415	28,679
Deferred tax assets	28,113	511,050
TOTAL ASSETS	43,268,044	41,089,008
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits from customers	30,611,324	28,585,387
Bank borrowings	575,275	1,645,591
Other borrowings	-	50,181
Trade payables	187	214
Other payables	303,986	325,968
Provision for taxation and zakat	7,814	10,850
Recourse obligation on loans/financing sold	2,420,175	2,767,242
Sukuk - MBSB Structured Covered ("SC") Murabahah	2,615,807	2,827,955
Deferred tax liabilities	9,428	14,080
TOTAL LIABILITIES	36,543,996	36,227,468
Share capital	5,798,774	2,838,551
Share premium	198,449	1,392,980
Other reserves	20,957	40,733
Retained earnings	705,868	589,276
Total equity	6,724,048	4,861,540
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	43,268,044	41,089,008
COMMITMENTS AND CONTINGENCIES	5,030,529	8,536,085
Net assets per share attributable to shareholders (RM)	1.16	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 YEAR
ENDED 31 DECEMBER 2016

	4th quarter ended		Twelve months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Revenue	819,402	825,687	3,274,795	3,050,098
Income derived from investment of general investment deposits and Islamic capital funds	666,116	647,824	2,652,328	2,395,635
Income attributable to depositors	(241,862)	(238,354)	(1,001,417)	(902,984)
Income attributable to securitisation	(30,121)	(33,347)	(125,748)	(132,260)
Income attributable to sukuk	(89,392)	(103,943)	(370,663)	(271,382)
Net income from Islamic financing operations	304,741	272,179	1,154,500	1,089,009
Interest income	118,108	123,660	451,412	487,358
Interest expenses	(61,227)	(69,582)	(253,823)	(278,344)
Net interest income	56,881	54,078	197,589	209,014
Operating income	361,622	326,257	1,352,089	1,298,023
Other income	16,363	16,967	56,878	62,542
Net income	377,985	343,224	1,408,967	1,360,565
Other operating expenses	(58,238)	(75,820)	(293,281)	(308,303)
Operating profit	319,747	267,404	1,115,686	1,052,262
Allowance for impairment losses on loans, advances and financing	(168,861)	(266,092)	(777,265)	(697,237)
Profit before taxation and zakat	150,886	1,312	338,421	355,025
Taxation	(101,801)	(11,522)	(136,028)	(91,834)
Zakat	(3,444)	(5,599)	(981)	(5,599)
Profit/(loss) for the period/year	45,641	(15,809)	201,412	257,592
Other comprehensive (loss)/income - AFS revaluation reserve	(46,293)	1,566	(21,376)	1,566
Total comprehensive (loss)/income for the period/year, net of tax	(652)	(14,243)	180,036	259,158
Earnings/(loss) per share (sen):				
Basic	0.79	(0.56)	4.90	9.24
Diluted	0.79	(0.56)	4.90	9.22

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

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

<----- 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 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
Dividends	-	-	-	-	-	-	-	(326,002)	(326,002)
Share options granted under ESOS recognised in profit or loss	-	-	-	5,001	-	-	-	-	5,001
Issue of ordinary shares pursuant to exercise of 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
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 year	-	-	-	-	-	-	-	201,412	201,412
Other comprehensive loss for the year	-	-	-	-	-	-	(21,376)	-	(21,376)
Total comprehensive (loss)/profit for the year	-	-	-	-	-	-	(21,376)	201,412	180,036
Dividends	-	-	-	-	-	-	-	(85,278)	(85,278)
Share options granted under ESOS recognised in profit or loss	-	-	-	2,058	-	-	-	-	2,058
Issue of ordinary shares pursuant to rights issue	2,899,387	(1,202,056)	-	-	-	-	-	-	1,697,331
Issue of ordinary shares pursuant to DRP	50,169	7,525	-	-	-	-	-	-	57,694
Issue of ordinary shares pursuant to exercise of warrants	10,667	-	-	-	-	-	-	-	10,667
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(458)	-	-	-	458	-
At 31 December 2016	5,798,774	198,449	17,838	6,810	3,633	12,486	(19,810)	705,868	6,724,048

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

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

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

MALAYSIA BUILDING SOCIETY BERHAD
(Company No. 9417-K)
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	31 December 2016 RM'000	31 December 2015 RM'000
Cash flows from operating activities		
Profit before taxation	338,421	355,025
Adjustments for:		
Depreciation:		
- property, plant and equipment	13,573	14,720
Amortisation:		
- land use rights	162	162
- intangible assets	13,500	13,408
Loss on disposal of property, plant and equipment	456	24
Gain on disposal of foreclosed properties	-	(3,307)
Allowance/(write back of allowance) for impairment of:		
- provision for diminution from foreclosed properties	1,482	(12,020)
- unsecured advances in respect of certain projects	36,515	33,589
Allowance for impairment losses on loans, advances and financing	777,265	701,943
Accruals during the year	6,507	3,342
Interest/profit income adjustment on:		
- loans, advances and financing	14,924	90,233
- profit payable on financial investments AFS	(20,186)	(8,884)
- Sukuk - MBSB SC Murabahah	(1,277)	(13,652)
Operating profit before working capital changes	1,181,342	1,174,583
Increase in deposits with financial institutions with maturity of more than one month	(669,549)	(323,111)
Increase in loans, advances and financing	(1,198,902)	(1,544,340)
Decrease/(increase) in inventories	86	(54)
Decrease/(increase) in trade receivables	277	(454)
Decrease/(increase) in other receivables	6,528	(20,444)
Increase in deposits from customers	2,025,937	1,054,529
(Decrease)/increase in trade payables	(27)	30
(Decrease)/increase in other payables	(28,489)	8,872
Cash generated from operations	1,317,203	349,611
Tax paid	(203,547)	(258,750)
Zakat paid	(4,017)	(3,475)
Net cash generated from operating activities	1,109,639	87,386

(Contd.)

MALAYSIA BUILDING SOCIETY BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	31 December 2016 RM'000	31 December 2015 RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,816)	(15,058)
Purchase of intangible assets	(236)	(6,313)
Proceeds from disposal of property, plant and equipment and land use rights	126	35
Proceeds from disposal of foreclosed properties	-	19,075
Increase in financial investments available-for-sale	(1,382,586)	(972,904)
Net cash used in investing activities	(1,400,512)	(975,165)
Cash flows from financing activities		
(Repayment)/drawdown of bank borrowings	(1,070,316)	229,747
Repayment of other borrowings	(50,181)	(100,363)
(Repayment of)/proceeds from recourse obligation on loans/financing sold	(347,067)	394,203
(Repayment of)/proceeds from Sukuk - MBSB SC Murabahah	(210,871)	1,691,483
Dividend paid - ordinary shares	(85,278)	(326,002)
Net proceeds from issuance of ordinary shares	1,765,692	243,035
Net cash generated from financing activities	1,979	2,132,103
Net (decrease)/increase in cash and cash equivalents	(288,894)	1,244,324
Cash and cash equivalents at beginning of financial year	6,928,263	5,683,939
Cash and cash equivalents at end of financial year	6,639,369	6,928,263
Cash and cash equivalents comprise :		
Cash and short term funds	6,639,369	6,928,263

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 DECEMBER 2016

A1. Basis of Preparation

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

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

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

On 1 January 2016, where applicable the Group adopted the following MFRSs, Amendments to MFRSs, Issues Committee (“IC”) Interpretations and Technical Release (“TR”) mandatory for annual financial periods beginning on or after 1 January 2016:

Effective for annual periods commencing on or after 1 January 2016

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

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

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

Effective for annual periods commencing on or after 1 January 2018

- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- MFRS 9 Financial Instruments (2014)
- MFRS 15 Revenue from Contracts with Customers
- Clarifications to MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 128 (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Transfer of Investment Property (Amendments to MFRS 140)

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases

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

The preparation of the unaudited condensed interim financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the unaudited condensed interim financial statements, and the reported amounts of income and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and assumptions are based on the directors' best knowledge of current events and actions, actual results may differ from those estimates.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 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 DRP, Rights Issue 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/ (discounted) RM'000
At 1 January 2016	2,838,551	2,838,551	1,392,980
Issued at RM1.15 per share pursuant to Dividend Re-Investment Plan ("DRP")	50,169	50,169	7,525
Rights Issue exercised @ RM1.00	2,899,387	2,899,387	(1,202,056)
Issued at RM1.00 per share pursuant to Warrants	10,667	10,667	-
As at 31 December 2016	5,798,774	5,798,774	198,449

A7. Dividend Paid

None.

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

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

	31-12-16	31-12-15
	RM'000	RM'000
Personal financing	22,822,210	23,159,664
Mortgage loans and financing	5,479,796	5,440,447
Corporate loans and financing	6,599,879	5,081,068
Auto Financing	334,524	376,630
Staff loans	48,205	51,020
Gross loans, advances and financing	<u>35,284,614</u>	<u>34,108,829</u>
Allowance for impairment:		
- Collectively assessed	(2,809,131)	(2,045,943)
- Individually assessed	<u>(282,005)</u>	<u>(277,916)</u>
Net loans, advances and financing	<u>32,193,478</u>	<u>31,784,970</u>

(ii) By maturity structure

	31-12-16	31-12-15
	RM'000	RM'000
Maturing within one year	843,533	575,232
One year to three years	1,410,298	1,037,731
Three years to five years	1,788,154	941,459
Over five years	<u>31,242,629</u>	<u>31,554,407</u>
	<u>35,284,614</u>	<u>34,108,829</u>

(iii) By economic purpose

	31-12-16	31-12-15
	RM'000	RM'000
Purchase of residential properties	5,194,235	5,173,290
Purchase of non-residential properties	309,683	293,858
Personal use	22,844,358	23,182,139
Property development	3,548,614	2,685,005
Working capital	2,402,615	1,706,762
Purchase of transport vehicles	336,457	378,473
Others	648,652	689,302
	<u>35,284,614</u>	<u>34,108,829</u>

(iv) By type of customers

	31-12-16	31-12-15
	RM'000	RM'000
Domestic business enterprises:		
- Small medium enterprises	3,734,289	2,637,084
- Others	2,976,192	2,557,619
Individuals	<u>28,574,133</u>	<u>28,914,126</u>
	<u>35,284,614</u>	<u>34,108,829</u>

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

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

	31-12-16	31-12-15
	RM'000	RM'000
Fixed rate:		
- Personal financing	22,631,668	23,145,495
- Auto finance	336,457	378,473
- Mortgage and property islamic	802,211	867,843
- Bridging, structured and term loans and financing	921,733	413,920
Variable rate:		
- Personal financing	212,690	36,644
- Mortgage and property Islamic	4,701,707	4,599,305
- Bridging, structured and term loans and financing	5,678,148	4,667,149
	<u>35,284,614</u>	<u>34,108,829</u>

(vi) Movements in impaired loans, advances and financing

	31-12-16	31-12-15
	RM'000	RM'000
Balance as at 1 January	2,519,633	2,145,793
Classified as impaired during the period	2,353,095	2,370,388
Reclassified as non-impaired	(1,974,478)	(1,983,079)
Amount recovered	(68,610)	(22,482)
Amount (written off)/written back	(14)	9,013
Balance as at end of period	<u>2,829,626</u>	<u>2,519,633</u>
Collective allowance	(1,700,602)	(1,442,441)
Individual allowance	<u>(205,951)</u>	<u>(183,679)</u>
	<u>(1,906,553)</u>	<u>(1,626,120)</u>
Net impaired loans, advances and financing	<u>923,073</u>	<u>893,513</u>
Net impaired loans as per percentage of net loans, advances and financing	<u>2.9%</u>	<u>2.8%</u>

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

A8. Loans, Advances and Financing (continued)

	31-12-16	31-12-15
	RM'000	RM'000
Collective Impairment		
Opening balance	2,045,943	1,437,747
Impairment during the period	763,188	608,196
Closing balance	<u>2,809,131</u>	<u>2,045,943</u>
As a % of gross loans, advances and financing less individual allowance	8.0%	6.0%
Individual Impairment		
Opening balance	277,916	208,679
(Reversal)/impairment during the period	4,103	67,597
Written off	(14)	10,010
Transfer to impairment for foreclosed properties	-	(8,370)
Closing balance	<u>282,005</u>	<u>277,916</u>

A9. Financial investments available-for-sale

At Fair Value:	31-12-16	31-12-15
	RM'000	RM'000
<u>Money Market Instruments</u>		
Malaysian Government Investment Issues	972,180	584,787
	<u>972,180</u>	<u>584,787</u>
<u>Quoted Securities</u>		
In Malaysia		
Private and Islamic debt securities	181,242	398,567
Government Guaranteed	1,211,328	-
	<u>1,392,570</u>	<u>398,567</u>
	<u>2,364,750</u>	<u>983,354</u>

A10. Deposits from customers

	31-12-16	31-12-15
	RM'000	RM'000
By type of products:		
- Savings	97,444	82,014
- Fixed deposits	30,513,880	28,503,373
	<u>30,611,324</u>	<u>28,585,387</u>
By type of customers:		
- Government and statutory bodies	12,690,543	18,558,905
- Business enterprises	15,435,413	7,761,195
- Individuals	2,485,368	2,265,287
	<u>30,611,324</u>	<u>28,585,387</u>
Maturity of deposits from customers:		
- Within one year	28,639,144	25,610,754
- More than one year	1,972,180	2,974,633
	<u>30,611,324</u>	<u>28,585,387</u>

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

A11. Interest Income

	4th quarter ended		12 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	96,508	107,964	376,615	435,535
Deposits and placements with banks and other financial institutions	21,600	15,696	74,797	51,823
	<u>118,108</u>	<u>123,660</u>	<u>451,412</u>	<u>487,358</u>

A12. Interest Expenses

	4th quarter ended		12 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Bank borrowings	364	6,845	3,103	16,541
Deposits from customers	60,863	62,737	250,720	261,803
	<u>61,227</u>	<u>69,582</u>	<u>253,823</u>	<u>278,344</u>

A13. Net Income from Islamic Banking Operations

	4th quarter ended		12 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financing	539,521	518,192	2,122,741	2,021,890
Profit income from				
Sukuk Commodity Murabahah	56,525	65,760	236,113	181,746
Profit on financial investments	24,761	6,284	69,381	7,322
Deposits placements	38,446	57,588	197,605	184,677
Profit on subsidiaries	6,863	-	26,488	-
Less: Income attributable to depositors	(241,862)	(238,354)	(1,001,417)	(902,984)
Less: Income attributable to securitisation	(30,121)	(33,347)	(125,748)	(132,260)
Less: Income attributable to sukuk	(89,392)	(103,943)	(370,663)	(271,382)
	<u>304,741</u>	<u>272,179</u>	<u>1,154,500</u>	<u>1,089,009</u>

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

A14. Other Income

	4th quarter ended 31 December		12 months ended 31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Rental income	42	21	168	38
Revenue from hotel operations	2,228	2,232	6,739	7,721
Loan processing fees	-	7,881	7,340	31,934
Insurance commission	162	264	4,772	1,727
Loan facility fees	784	3,100	17,334	9,348
Legal notice fees	571	664	1,696	1,960
Sundry income	12,995	(390)	19,285	6,531
(Loss)/gain from disposal of:				
- Property, plant and equipment	(419)	(37)	(456)	(24)
- Foreclosed properties	-	3,232	-	3,307
	16,363	16,967	56,878	62,542

A15. Other Operating Expenses

	4th quarter ended 31 December		12 months ended 31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Personnel expenses:				
- Wages and salaries	12,965	21,240	102,769	107,974
- Social security costs	244	204	893	839
- Pension costs	2,134	3,304	16,427	16,932
- Share options granted under ESOS	-	-	2,059	5,001
- Mutual separation scheme	-	-	1,644	-
- Other staff related expenses	2,970	3,268	8,992	10,971
	18,313	28,016	132,784	141,717
Establishment related expenses	3,249	3,766	14,327	14,621
Promotion and marketing related expenses	2,143	4,701	11,631	13,224
General administrative expenses	27,106	29,443	67,352	71,731
Allowance for impairment on other receivables	-	1	-	12
Others	7,427	9,893	67,187	66,998
	58,238	75,820	293,281	308,303

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

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

	4th quarter ended		12 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Allowance for/(write back of) impairment on loans, advances and financing:				
- Collective impairment	164,658	201,770	763,188	608,196
- Individual impairment	1,688	61,750	4,103	84,335
- Written off	4,118	2,572	11,577	4,706
- Written back	(1,603)	-	(1,603)	-
	<u>168,861</u>	<u>266,092</u>	<u>777,265</u>	<u>697,237</u>

A17. Commitments and Contingencies

	31-12-16	31-12-15
	RM'000	RM'000
(i) Operational Commitments		
Loan commitments not yet recognised in the financial statements:		
- End finance	115,127	251,351
- Islamic properties	166,194	142,849
- Islamic personal financing	230	1,011
- Islamic auto financing	253	312
- Bridging, structured and term loans and financing	4,019,883	7,614,958
- Financial guarantees	307,314	104,076
	<u>4,609,001</u>	<u>8,114,557</u>
Approved and contracted for property development	421,528	421,528
Total	<u>5,030,529</u>	<u>8,536,085</u>
(ii) Capital Commitments		
Property, plant and equipment:		
- Approved and contracted for	165,914	183,105
- Approved but not contracted for	-	46,702
	<u>165,914</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 DECEMBER 2016

A18. Unsecured Contingent Liabilities

- (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 while the Company filed an application for leave to appeal to the Federal Court. The Deputy Registrar has fixed the matter for Hearing on 11 May 2017.

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

- (ii) A third party and its holding company (collectively "the Plaintiffs/the Appellant") have instituted a civil suit against the Company and its subsidiary for an alleged breach of facility agreement. On conclusion of the Full Trial, the Court dismissed the Plaintiffs' claim with costs and allowed the Company's counterclaim. The Plaintiffs filed an appeal to the Court of Appeal against the decision and the matter was fixed for Case Management on 9 October 2015 and thereafter on 4 March 2016 pending release of the grounds of judgment from the High Court. The matter was then fixed for Hearing on 17 August 2016 but was adjourned to 28 September 2016 where the hearing was then fixed for 1 November 2016. On 1 November 2016, the Court of Appeal allowed the appeal with no order as to costs and sent the matter back to the High Court for retrial before a different Judge as they were of the view that the Grounds of Judgment were wholly inadequate and in the circumstances they could not be certain as to the basis on which the decision was reached. The High Court has yet to inform parties of a new date for the matter.

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

Separately, the Plaintiffs had on 25 April 2013 served an originating summons on the Company seeking for an order from the Johor Bahru High Court that the charge created in favour of the Company be set aside and is of no effect and for a removal and cancellation of the same. On 13 December 2013 after the hearing, the Plaintiffs' application was allowed. The Court of Appeal dismissed the Company's appeal. The Company's application to the Federal Court for leave to appeal was allowed on 29 January 2015. The appeal was heard on 10 March 2016 by the Federal Court and Decision for the matter was fixed on 14 February 2017.

On 14 February 2017, the Federal Court allowed the Company's appeal with costs of RM75,000.00 and ordered the Land Administrator of the Johor Land Office to rectify the error on the charge from a 1st party charge to a 3rd party charge. The Company's right as the chargee over the land is protected.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 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 December 16				
External sales	820,639	2,228	(3,465)	819,402
Intersegment transactions	3,381	1,005	(4,386)	-
Total revenue	<u>824,020</u>	<u>3,233</u>	<u>(7,851)</u>	<u>819,402</u>
Segment results	136,997	(3,617)	17,506	150,886
Unallocated income (net of cost)				-
Profit from operations				<u>150,886</u>
3 months ended 31 December 15				
External sales	828,817	2,232	(5,361)	825,688
Intersegment transactions	1,970	895	(2,865)	-
Total revenue	<u>830,787</u>	<u>3,127</u>	<u>(8,226)</u>	<u>825,688</u>
Segment result	6,154	(3,577)	(1,265)	1,312
Unallocated income (net of cost)				-
Profit from operations				<u>1,312</u>
12 months ended 31 December 16				
External sales	3,281,162	6,739	(13,106)	3,274,795
Intersegment sales	12,605	3,580	(16,185)	-
Total revenue	<u>3,293,767</u>	<u>10,319</u>	<u>(29,291)</u>	<u>3,274,795</u>
Segment results	286,071	(16,087)	68,437	338,421
Unallocated income (net of cost)				-
Profit from operations				<u>338,421</u>
12 months ended 31 December 15				
External sales	3,056,166	7,721	(13,789)	3,050,098
Intersegment sales	10,904	3,471	(14,375)	-
Total revenue	<u>3,067,070</u>	<u>11,192</u>	<u>(28,164)</u>	<u>3,050,098</u>
Segment result	309,342	(14,697)	60,380	355,025
Unallocated income (net of cost)				-
Profit from operations				<u>355,025</u>

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

A20. Valuation of Property, Plant and Equipment

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

A21. Subsequent Events

None.

A22. Changes in the Composition of the Group

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

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

A23. Acquisition/Disposal of Property, Plant and Equipment

	As at 31-12-16 RM'000
Additions	
Building in progress	17,191
Building renovation	277
Furniture & equipment	156
Data processing equipment	192
	17,816

A24. Significant Related Party Transactions

	31 December	
	2016	2015
	RM'000	RM'000
(i) Transactions with Employees Provident Fund Board, the ultimate holding body:		
Expenses		
Interest on loans	850	5,825
Rental expense	280	280
	-	50,181
Balances		
Other borrowings		
(ii) Transactions with RHB Banking Group of companies:		
Balances		
Deposits and placements with financial institutions	1,392,479	1,300,654
Deposits from customers	306,054	-
Bank borrowings	250,098	450,126
Recourse obligation on loans sold to Cagamas Berhad	432,378	869,805
	872,923	14,228
(iii) Collectively, but not individually, significant balances		
Balances		
Deposit from customers	872,923	14,228

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 2016

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

	Note	31-Dec-16 RM'000	31-Dec-15 RM'000
Assets			
Cash and short-term funds		4,398,300	6,026,443
Deposits and placements with financial institutions		763,329	404,402
Financing	A26c	28,106,938	27,152,155
Other receivables		441,142	672,837
Financing to subsidiaries		10,703	-
Financial investment available-for-sale		2,364,750	983,354
Total assets		<u>36,085,162</u>	<u>35,239,191</u>
Liabilities			
Deposits from customers	A26d	24,149,761	22,491,784
Other payables		4,643,315	4,865,787
Bank borrowings		400,211	750,419
Other borrowings		-	50,181
Financing sold to Cagamas Berhad		1,385,248	1,433,445
Sukuk - MBSB SC Murabahah		2,615,807	2,827,955
Provision for taxation		81,398	220,906
Provision for zakat		4,780	7,816
Total liabilities		<u>33,280,520</u>	<u>32,648,293</u>
Islamic fund		4,000	4,000
Financial investment available-for-sale		(19,810)	1,566
Retained profits		2,820,452	2,585,332
		<u>2,804,642</u>	<u>2,590,898</u>
Total liabilities and Islamic fund		<u>36,085,162</u>	<u>35,239,191</u>

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

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

	4th quarter ended		12 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of general investment deposits and Islamic capital funds	666,116	647,824	2,652,328	2,395,635
Less: Income attributable to depositors	(241,862)	(238,355)	(1,001,417)	(902,984)
Less: Income attributable to securitisation	(30,121)	(33,347)	(125,748)	(132,260)
Less: Income attributable to sukuk	(89,392)	(103,943)	(370,663)	(271,382)
Net income from financing operations	304,741	272,179	1,154,500	1,089,009
Other income	(1,060)	13,078	36,053	54,358
Other expenses	(34,395)	(81,197)	(171,951)	(188,007)
Allowance for losses on financing	(119,741)	(197,660)	(557,194)	(583,417)
Profit before taxation and zakat	149,545	6,400	461,408	371,943
Taxation	(170,083)	163,618	(225,307)	(78,620)
Zakat	(3,444)	(5,599)	(981)	(5,599)
Profit after taxation and zakat	(23,982)	164,419	235,120	287,724
Other comprehensive income	(21,376)	1,566	(21,376)	1,566
Total comprehensive income for the period	(45,358)	165,985	213,744	289,290

A26c. Financing

(i) By type

	31-12-16	31-12-15
	RM'000	RM'000
Term financing:		
- Corporate financing	9,625,862	6,933,062
- Property financing	5,936,416	5,182,894
- Personal financing	35,398,821	37,283,850
- Auto financing	359,625	277,847
Staff financing	19,960	19,528
Less: Unearned income	(21,362,958)	(21,221,960)
Gross loans, advances and financing	29,977,726	28,475,221
Allowance for impairment:		
- Collectively assessed	(1,870,623)	(1,323,066)
- Individually assessed	(165)	-
Net financing	28,106,938	27,152,155

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

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

	31-12-16	31-12-15
	RM'000	RM'000
Bai Bithaman Ajil (deferred payment sale)	2,080,179	1,884,525
Bai Al-Inah (cost plus)	13,640,302	14,055,842
Tawarruq	9,513,046	9,357,064
Contract financing	4,744,199	3,177,790
	<u>29,977,726</u>	<u>28,475,221</u>

(iii) Impaired financing

	31-12-16	31-12-15
	RM'000	RM'000
Balance as at 1 January	1,426,173	1,158,286
Classified as impaired during the year	1,428,996	1,222,724
Reclassified as non-impaired during the year	(1,183,101)	(954,837)
Amount recovered	(14,073)	-
Balance as at 31 December	<u>1,657,995</u>	<u>1,426,173</u>
Collective allowance	(1,139,713)	(952,458)
Individual allowance	(165)	-
Net financing	<u>518,117</u>	<u>473,715</u>
Net impaired financing as a percentage of net financing	<u>1.8%</u>	<u>1.7%</u>

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

	31-12-16	31-12-15
	RM'000	RM'000
Collective impairment		
Balance as at 1 January	1,323,066	743,719
Impairment during the year	547,557	578,858
Reclassification *	-	489
Balance as at 31 December	<u>1,870,623</u>	<u>1,323,066</u>
Individual impairment		
Balance as at 1 January	-	-
Impairment during the year	165	-
Balance as at 31 December	<u>165</u>	<u>-</u>

* Reclassification of collective allowance into the Islamic Fund

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

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

	31-12-16	31-12-15
	RM'000	RM'000
Al-Wadiah savings account	51,895	36,634
Mudharabah fund	24,097,866	22,455,150
	<u>24,149,761</u>	<u>22,491,784</u>

(ii) By type of customer

	31-12-16	31-12-15
	RM'000	RM'000
Business enterprises	23,545,255	22,024,227
Individuals	604,506	467,557
	<u>24,149,761</u>	<u>22,491,784</u>

(iii) By maturity of deposits from customers

	31-12-16	31-12-15
	RM'000	RM'000
Within one year	23,205,596	20,749,239
More than one year	944,165	1,742,545
	<u>24,149,761</u>	<u>22,491,784</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 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 12 months ended 31 December 2016 of RM3.275 billion increased by RM224.697 million or 7.4% as compared to the previous year revenue of RM3.050 billion. The increase was mainly due to higher financing income from corporate segment and higher income from investments in liquid assets. The Group cost to income ratio improved from the previous year to stand at 20.8%.

Group profit before tax for the financial year ended 31 December 2016 of RM338.421 million decreased by RM16.604 million or 4.7% as compared to the previous year profit before tax of RM355.025 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 year under review as compared to the previous year 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 base.

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

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

B2. Variation of Results against Preceding Quarter

The Group profit before tax for the 4th quarter 2016 of RM150.886 million increased by RM77.170 million as compared to the preceding quarter profit before tax of RM73.716 million. The increase was mainly due to lower allowances for impairment losses on loans, advances and financing and higher net operating income.

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

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

The Malaysian economy expanded by 4.3% during the quarter (2Q 2016: 4.0%), underpinned mainly by sustained growth in private sector activity (6.0%; 2Q 2016: 6.1%). Public sector spending, however, expanded at a slower pace. As a result, growth in domestic demand moderated as the improvement in private sector activity was outweighed by the slower growth in public expenditure. On the external front, net exports provided some impetus to growth as real imports of goods and services contracted at a faster pace (-2.3%; 2Q 2016: 2.0%) compared to real exports (-1.3%; 2Q 2016: 1.0%). On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.5% (2Q 2016: 0.7%).

Domestic demand grew by 4.7% in the third quarter of the year (2Q 2016: 6.3%), as the sustained growth in private sector activity (6.0%; 2Q 2016: 6.1%) was more than offset by the slower expansion in public sector expenditure (0.3%; 2Q 2016: 6.9%). Private consumption expanded by 6.4% (2Q 2016: 6.3%), supported by continued wage and employment growth as well as the increase in minimum wage effective 1 July 2016. Private investment grew by 4.7% (2Q 2016: 5.6%), underpinned mainly by continued capital spending in the services and manufacturing sectors. Businesses remained cautious in expanding capacity, following headwinds from the external front, including the UK's EU referendum and volatility in both financial and commodity markets.

The Federal Government recorded a lower fiscal deficit of 0.6% of GDP in the third quarter (2Q 2016: -5.0% of GDP), due to higher revenue collection and a decline in total expenditure. Revenue increased by 0.1% on an annual basis (2Q 2016: -14.0%), supported by higher tax collections. Operating expenditure declined by 3.0% on an annual basis (2Q 2016: +0.5%) due mainly to lower expenditures on subsidies and transfers to statutory bodies. Development expenditure also recorded a decline on an annual basis. The bulk of the expenditure during the quarter was disbursed primarily to the transportation and public amenities sectors. As at end-September 2016, total outstanding debt of the Federal Government amounted to RM643.6 billion or 52.2% of the estimated 2016 GDP. In October, the Government tabled the 2017 Budget outlining a lower fiscal deficit target of 3.0% of GDP for 2017, reflecting its continued commitment on fiscal consolidation.

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

Banking system remains strong

During the third quarter, capitalisation in the banking system remained strong with sustained asset quality. As at end-September 2016, the common equity tier 1 capital ratio, tier 1 capital ratio and the total capital ratio stood at 13.3%, 14.2% and 16.7%, respectively (end-June 2016: 13.4%; 14.3%; 16.8%). The net impaired loans ratio remained low at 1.3% of net total loans while loan loss coverage ratio stood at 89.4% (end-June 2016: 1.3%, 89.5%), reflecting sufficient buffers for potential credit losses held by banks.

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

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

B3. Prospects (continued)***Brief Overview on Monetary and Financial Developments***

In the third quarter, total gross financing raised by the private sector through the banking system, development financial institutions (DFIs), and the capital market amounted to RM293.8 billion (2Q 2016: RM292.9 billion). On a net basis, the growth of loans extended by the banking system, DFIs, and outstanding issuances of corporate bonds expanded by 6.5% as at end-September (end-June 2016: 6.9%).

Net lending to businesses by the banking system and DFIs increased by RM7.8 billion during the quarter (2Q 2016: RM3.1 billion). On an annual basis, although outstanding business loans grew at a slower pace of 2.0% as at end-September (end-June 2016: 3.8%), the annual growth in outstanding SME loans was sustained at 8.2% (end-June 2016: 9.2%). Similarly, while the level of loans disbursed by the banking system and DFIs to overall businesses slowed down to RM187.1 billion during the quarter (2Q 2016: RM195.2 billion), the level of loans disbursed to SMEs remained strong at RM66.7 billion during the quarter (2Q 2016: RM66.4 billion) with loans extended mainly to the manufacturing; wholesale and retail trade, and restaurants and hotels; construction and education, health and other sectors.

Net financing to the household sector expanded by RM12.1 billion during the quarter (2Q 2016: RM12.4 billion). On an annual basis, the growth of outstanding household loans moderated to 5.8% as at end-September (end-June 2016: 6.2%), reflecting mainly the moderation in outstanding loans for the purchase of passenger cars; purchase of non-residential property; purchase of residential property; and personal financing.

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

Group Prospects

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

Barring any unforeseen circumstances, the Group expects its performance for 2017 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 DECEMBER 2016

B5. Taxation

	4th quarter ended		12 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	41,464	57,683	79,872	239,972
Over provision in prior years:				
- Malaysian income tax	(277,656)	-	(422,129)	(5,317)
	<u>(236,192)</u>	<u>57,683</u>	<u>(342,257)</u>	<u>234,655</u>
Deferred tax:				
- Relating to origination and reversal of temporary differences	337,993	(46,161)	478,285	(142,821)
	<u>337,993</u>	<u>(46,161)</u>	<u>478,285</u>	<u>(142,821)</u>
Total income tax expense	<u>101,801</u>	<u>11,522</u>	<u>136,028</u>	<u>91,834</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (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, except for as disclosed in Note A9.

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

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

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

(b) Status of Utilisation of Proceeds from Rights Issue

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

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation Amount RM'000	%	Explanation
Purchase of liquefiable assets	511,000	511,000	Within 12 months – end of July 2017	NA	NA	
Expansion of financing business	1,100,000	1,100,000	Within 12 months – end of July 2017	NA	NA	
Working capital purposes	86,000	-	Within 12 months – end of July 2017	NA	NA	
Defrayment of estimated expenses in relation to the Rights Issue	14,000	12,167	Within 6 months – end of January 2017	NA	NA	
Total	1,711,000	1,623,167				

*NA – Not applicable yet

(c) Proposed Merger

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

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B9. Borrowings and Debts

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

	As at 31-12-16 RM'000	As at 31-12-15 RM'000
Short term bank borrowings	575,275	1,645,591
Islamic financing facility (secured)	-	50,181
	<u>575,275</u>	<u>1,695,772</u>
 Maturity of borrowings:		
- One year or less	575,275	1,695,772
- More than one year	-	-
Total	<u>575,275</u>	<u>1,695,772</u>
 Recourse obligation on loans sold to Cagamas Berhad (secured):		
- One year or less	575,275	940,078
- More than one year	-	1,827,164
Total	<u>575,275</u>	<u>2,767,242</u>

All borrowings are denominated in Ringgit Malaysia.

B10. Off Balance Sheet Financial Instruments

None.

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B11. Realised and Unrealised Profits and Losses

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

	Cumulative	
	As at 31-12-16 RM'000	As at 31-12-15 RM'000
Total accumulated profits of the Group:		
- Realised	901,795	306,918
- Unrealised in respect of deferred tax recognised in the income statement	30,652	508,937
Total Group accumulated profits as per consolidated accounts	932,447	815,855
Add: Consolidated adjustments	(226,579)	(226,579)
	705,868	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 profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

B12. Material Litigation

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

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B13. Dividends Proposed

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 2016. Based on the issued and paid up share capital of 5,798,774,158 ordinary shares of RM1.00 each as at 10 February 2017, the Single-Tier Final Dividend payable would be approximately RM173.963 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 2016. The approval for the proposed Single-Tier Final Dividend of 3.0% will be sought at the coming Annual General Meeting.

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	
	2016	2015	2016	2015
Net profit/(loss) attributable to shareholders for the period/year (RM'000)	45,641	(15,809)	201,412	257,592
Weighted average number of ordinary shares in issue ('000)	5,798,774	2,838,551	4,107,971	2,787,607
Basic earnings/(loss) per share (sen)	<u>0.79</u>	<u>(0.56)</u>	<u>4.90</u>	<u>9.24</u>

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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	
	2016	2015	2016	2015
Net profit/(loss) attributable to shareholders for the period/year (RM'000)	45,641	(15,809)	201,412	257,592
Weighted average number of ordinary shares in issue ('000)	5,798,774	2,838,551	4,107,971	2,787,607
Weighted average effect of dilution on ESOS ('000)	-	581	-	581
Weighted average effect of dilution on Warrants ('000)	-	6,717	-	6,717
Adjusted weighted average number of ordinary shares in issue ('000)	<u>5,798,774</u>	<u>2,845,849</u>	<u>4,107,971</u>	<u>2,794,905</u>
Diluted earnings/(loss) per share (sen)	<u>0.79</u>	<u>(0.56)</u>	<u>4.90</u>	<u>9.22</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 22 February 2017.

BY ORDER OF THE BOARD

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