

Unless otherwise stated, all terms and abbreviations contained in this Abridged Prospectus are defined in the “Definitions” Section of this Abridged Prospectus.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your MBSB Shares, you should at once hand the Documents to the agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue, which is the subject of this Abridged Prospectus, should be addressed to MBSB’s Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents, has also been lodged with the Registrar of Companies, who takes no responsibility for the contents.

The approval for the Rights Issue has been obtained from MBSB Shareholders at the EGM held on 5 May 2016. The approval for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities has been obtained from Bursa Securities vide its letter dated 14 April 2016. The listing of and quotation for the Rights Shares are in no way reflective of the merits of the Rights Issue. The listing of and quotation for the Rights Shares will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who have subscribed for the Rights Shares, have been duly credited and notices of allotment have been despatched to them.

The Board has seen and approved all the documentation relating to the Rights Issue. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these documents false or misleading.

The Documents will be despatched to the Entitled Shareholders two (2) Market Days after the Entitlement Date. The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue is not intended to be (and will not be) made or offered or deemed to be made or offered for purchase or subscription, in any countries or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. Persons receiving the Documents (including without limitation, custodians, nominees and trustees) must not, in connection with the Rights Issue, offer, distribute or send the Documents outside of Malaysia. No action has been or will be taken to ensure that the Rights Issue complies with the laws of any countries or jurisdictions other than the laws of Malaysia. The Rights Issue to which the Documents relate is only available to persons receiving the Documents within Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue in any jurisdictions other than Malaysia or to any person whom it may be unlawful to make such an offer, solicitation or invitation. The Entitled Shareholders and/or their renounee(s)/transferee(s) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and other professional advisers as to whether the acceptance and/or renunciation (as the case may be) of all or any part of their entitlements to the Rights Issue would result in a contravention of any laws of such countries or jurisdiction. Neither MBSB, AmInvestment Bank, RHB Investment Bank nor any other professional advisers to the Rights Issue shall accept any responsibility or liability in the event that any acceptance and/or renunciation (as the case may be) made by the Entitled Shareholders and/or their renounee(s)/transferee(s) is or shall become illegal, unenforceable, voidable or void in any such country or jurisdiction. For further information, see “Laws of foreign jurisdiction” as set out in Section 10.8 of this Abridged Prospectus.

AmInvestment Bank and RHB Investment Bank, being the Joint Advisers, acknowledge that, based on all available information and to the best of their knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO “RISK FACTORS” AS SET OUT IN SECTION 6 OF THIS ABRIDGED PROSPECTUS.



MALAYSIA BUILDING SOCIETY BERHAD

(Company No. 9417-K)

(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE TWO-CALL RIGHTS ISSUE OF 2,899,387,079 NEW ORDINARY SHARES OF RM1.00 EACH IN MALAYSIA BUILDING SOCIETY BERHAD (“MBSB” OR “COMPANY”) (“MBSB SHARE(S)”) (“RIGHTS SHARE(S)”) ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING MBSB SHARE HELD BY THE ENTITLED SHAREHOLDERS AS AT 5.00 P.M. ON 24 JUNE 2016 AT AN ISSUE PRICE OF RM1.00 PER RIGHTS SHARE, OF WHICH THE FIRST CALL OF RM0.59 PER RIGHTS SHARE IS PAYABLE IN CASH ON APPLICATION AND THE SECOND CALL OF RM0.41 IS TO BE CAPITALISED FROM MBSB’S SHARE PREMIUM ACCOUNT (“RIGHTS ISSUE”)

Joint Advisers, Joint Managing Underwriters and Joint Underwriters



AmInvestment Bank

AmInvestment Bank Berhad

(Company No. 23742-V)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

RHB Investment Bank

RHB Investment Bank Berhad

(Company No.19663-P)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Underwriters



**AFFIN HWANG
CAPITAL**

Affin Hwang Investment Bank Berhad

(Company No. 14389-U)

(A Participating Organisation of
Bursa Malaysia Securities Berhad)



Maybank Investment Bank Berhad

(A Participating Organisation of Bursa Malaysia Securities Berhad)

**midf
INVESTMENT**

MDF AMANAH INVESTMENT BANK BERHAD

IMPORTANT RELEVANT DATES AND TIMES

Entitlement Date	: Friday, 24 June 2016 at 5.00 p.m.
Last date and time for the:	
Sale of Provisional Rights Shares	: Friday, 1 July 2016 at 5.00 p.m.
Transfer of Provisional Rights Shares	: Friday, 8 July 2016 at 4.00 p.m.
Acceptance and payment	: Wednesday, 13 July 2016 at 5.00 p.m.*
Excess Application and payment	: Wednesday, 13 July 2016 at 5.00 p.m.*

* or such later date and time as the Board may decide in its absolute discretion and announce not less than two (2) Market Days before the stipulated date and time

This Abridged Prospectus is dated 24 June 2016.

Unless otherwise stated, all terms and abbreviations contained in this Abridged Prospectus are defined in the "Definitions" Section of this Abridged Prospectus.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF MBSB AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS. A COPY OF THIS ABRIDGED PROSPECTUS HAS BEEN REGISTERED WITH THE SC.

SHAREHOLDERS/INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, SHAREHOLDERS/INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, SHOULD CONSULT THEIR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

BURSA SECURITIES HAS APPROVED THE LISTING OF AND QUOTATION FOR THE RIGHTS SHARES ON THE MAIN MARKET OF BURSA SECURITIES. HOWEVER, THIS IS NOT AN INDICATION THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE.

INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. OUR DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO MALAYSIAN LAWS. MBSB AND ITS ADVISERS FOR THE RIGHTS ISSUE ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. MBSB AND ITS ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF MBSB SHARES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY MBSB SHARES IN ANY OTHER COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA. MBSB AND ITS ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. MBSB AND ITS ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

DEFINITIONS

For the purpose of this Abridged Prospectus, unless where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus:-

Abridged Prospectus	:	This abridged prospectus dated 24 June 2016 issued by MBSB in relation to the Rights Issue
Act	:	Companies Act, 1965
Affin Hwang IB	:	Affin Hwang Investment Bank Berhad
AmInvestment Bank	:	AmInvestment Bank Berhad
Bloomberg	:	Bloomberg Finance L.P.
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of MBSB
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
Cagamas	:	Cagamas Berhad
CDS Account(s)	:	The account(s) established by Bursa Depository for the recording of deposit and withdrawal of securities and for the dealing in such securities by the depositor
CMSA	:	Capital Markets and Services Act, 2007
Director(s)	:	Director(s) of MBSB
Documents	:	This Abridged Prospectus together with the NPA and the RSF
DRP	:	Dividend reinvestment plan is a scheme which provides shareholder(s) the opportunity to reinvest cash dividend(s) declared by the Company, into new shares in the company at a pre-determined issue price. For the purposes of this Abridged Prospectus, references to DRP are made with respect to the DRP which was applied to the entire Final Dividend as announced by the Board on 24 February 2016. The DRP was completed on 17 June 2016 following the listing of the DRP Shares on the Main Market of Bursa Securities on even date
DRP Shares	:	50,168,876 new MBSB Shares issued pursuant to the DRP
EGM	:	Extraordinary General Meeting of MBSB
Entitled Shareholder(s)	:	Shareholder(s) of MBSB whose name(s) appear in the Record of Depositors of MBSB on the Entitlement Date
Entitlement Date	:	24 June 2016 at 5.00 p.m., being the date and time at which the name(s) of the Shareholder(s) must be registered in the Record of Depositors of MBSB in order to be entitled to participate in the Rights Issue
EPF	:	Employees Provident Fund Board

DEFINITIONS (CONT'D)

EPF Undertaking	:	The written undertaking dated 10 March 2016 from MBSB's major shareholder, EPF, which has undertaken to subscribe in full for its entitlement under the Rights Issue based on its shareholdings of 1,847,895,724 MBSB Shares, representing approximately 65.10% of the issued and paid-up share capital of MBSB as at 4 March 2016
EPS	:	Earnings per Share
Ernst & Young or Auditors or Reporting Accountants	:	Ernst & Young, being the Auditors for MBSB and Reporting Accountants for the Rights Issue
ESOS	:	Employees' share option scheme of MBSB
ESOS Option(s)	:	Option(s) granted and/or to be granted to eligible employees and directors of the MBSB Group in accordance with the by-laws of MBSB's ESOS to subscribe for new MBSB Shares
Excess Application	:	Application for additional Rights Shares in excess of the Entitled Shareholders' and/or their renounee(s)/transferee(s)' entitlements under the Rights Issue, the procedures of which are set out in Section 10.5 of this Abridged Prospectus
Excess Rights Share(s)	:	Rights Share(s) which are not taken up or not validly taken up by the Entitled Shareholders and/or their renounee(s)/transferee(s) prior to the Excess Application
Final Dividend	:	The single-tier final dividend of 3.0% (3.0 sen net per MBSB Share) for the FYE 31 December 2015 which was approved by the Shareholders at the annual general meeting held on 5 May 2016
First Call	:	The portion of the Issue Price of RM0.59 per Rights Share payable in cash on application by an Entitled Shareholder and/or his renounee(s)/transferee(s) to subscribe for the Rights Shares
Foreign Entitled Shareholder(s)	:	Entitled Shareholder(s) who have not provided an address in Malaysia for the service of documents to be issued for the purpose of the Rights Issue
FPE	:	Financial period ended
FYE	:	Financial year(s) ended/ending, as the case may be
Government	:	Government of Malaysia
Gross Proceeds	:	The gross proceeds of approximately RM1.71 billion to be raised pursuant to the Rights Issue
High Court	:	High Court of Malaya
Issue Price	:	RM1.00, being the issue price for each Rights Share which will be payable in two (2) calls, namely the First Call and the Second Call
Joint Advisers	:	AmInvestment Bank and RHB Investment Bank, collectively

DEFINITIONS (CONT'D)

Joint Managing Underwriters	:	AmInvestment Bank and RHB Investment Bank, collectively
Joint Underwriters	:	AmInvestment Bank, RHB Investment Bank, Maybank IB, Affin Hwang IB and MIDF Amanah IB, collectively
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	3 June 2016, being the latest practicable date prior to the printing of this Abridged Prospectus
Managing and Underwriting Agreement	:	Managing and Underwriting Agreement dated 9 June 2016 entered into between MBSB, the Joint Managing Underwriters and the Joint Underwriters in relation to the Rights Issue
Market Day	:	A day on which Bursa Securities is open for trading in securities
Maybank IB	:	Maybank Investment Bank Berhad
MBSB or Company	:	Malaysia Building Society Berhad
MBSB Group or Group	:	MBSB and its subsidiaries, collectively
MBSB Share(s) or Share(s)	:	Ordinary share(s) of RM1.00 each in MBSB
MBSB Shareholder(s) or Shareholder(s)	:	Shareholder(s) of MBSB
MIDF Amanah IB	:	MIDF Amanah Investment Bank Berhad
NA	:	Net assets
NPA	:	Notice of provisional allotment issued pursuant to the Rights Issue
NTA	:	Net tangible assets
PAT	:	Profit after tax and zakat
PBT	:	Profit before tax and zakat
Price-Fixing Date	:	9 June 2016, being the date on which the Board fixed the Issue Price and First Call of the Rights Issue
Provisional Rights Shares	:	Rights Shares provisionally allotted to the Entitled Shareholders
Record of Depositors	:	A record of depositors provided by Bursa Depository to MBSB under Chapter 24.0 of the Rules of Bursa Depository
RHB Investment Bank	:	RHB Investment Bank Berhad

DEFINITIONS (CONT'D)

Rights Issue	:	Renounceable two-call rights issue of 2,899,387,079 Rights Shares on the basis of one (1) Rights Share for every one (1) existing MBSB Share held by the Entitled Shareholders on the Entitlement Date at an Issue Price of RM1.00 per Rights Share, of which the First Call of RM0.59 is payable in cash on application and the Second Call of RM0.41 is to be capitalised from MBSB's share premium account
Rights Share(s)	:	2,899,387,079 new MBSB Share(s) to be issued under the Rights Issue
RM and sen	:	Ringgit Malaysia and sen respectively
RSF	:	Rights subscription form for the Rights Issue
Rules of Bursa Depository	:	The rules of Bursa Depository as issued pursuant to the SICDA
SC	:	Securities Commission Malaysia
Second Call	:	The portion of the issue price of RM0.41 per Rights Share, which is to be capitalised from MBSB's share premium account pursuant to the Rights Issue
Share Registrar	:	Tricor Investor & Issuing House Services Sdn Bhd
SICDA	:	Securities Industry (Central Depositories) Act, 1991
Solicitors	:	Albar & Partners, being the Solicitors for the Rights Issue
Structured Covered Sukuk Murabahah	:	The 15-year structured covered sukuk commodity murabahah programme of up to RM3 billion established by MBSB
TERP	:	Theoretical ex-rights price
VWAP	:	Volume weighted average market price
Warrant(s)	:	Warrant(s) of MBSB constituted by a deed poll executed by MBSB on 21 April 2011 which had expired on 31 May 2016

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Abridged Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise stated.

All references to "you" and "your" in this Abridged Prospectus are made to the Entitled Shareholders and/or, where the context otherwise requires, their renounee(s)/transferee(s).

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancy between the figures shown herein and figures published by MBSB, such as quarterly reports or annual reports, is due to rounding.

DEFINITIONS (CONT'D)

Certain statements in this Abridged Prospectus may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of forward-looking statements in this Abridged Prospectus should not be regarded as representation or warranty that MBSB's plans and objectives will be achieved.

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name (Designation)	Age	Address	Nationality	Profession
Tan Sri Abdul Halim bin Ali <i>(Chairman and Non-Independent Non-Executive Director)</i>	72	No. 21, Jalan Setiaraya Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director
Datuk Syed Zaid bin Syed Jaffar Albar <i>(Non-Independent Non-Executive Director)</i>	61	No. 5, Jalan Setiamurni 8 Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director
Datuk Shahril Ridza bin Ridzuan <i>(Non-Independent Non-Executive Director)</i>	45	No. 5, Jalan Rimba Riang 9/1C, Seksyen 9 Kota Damansara 47810 Petaling Jaya Selangor	Malaysian	Company Director
Aw Hong Boo <i>(Senior Independent Non-Executive Director)</i>	66	No. 15, SS21/17 Damansara Utama 47400 Petaling Jaya Selangor	Malaysian	Company Director
Dato' Jasmy bin Ismail <i>(Independent Non-Executive Director)</i>	52	No. 22, Jalan 16/6 46350 Petaling Jaya Selangor	Malaysian	Company Director
Lim Tian Huat <i>(Independent Non-Executive Director)</i>	61	B-03-01, Bangsar Peak No. 17, Jalan Medang Serai, Bangsar 59100 Kuala Lumpur	Malaysian	Company Director
Ravinder Kaur a/p Mahan Singh <i>(Independent Non-Executive Director)</i>	56	A-3A-3, Mont Kiara Aman 4, Jalan Kiara 2 Mont Kiara 50480 Kuala Lumpur	Malaysian	Company Director
Ir Moslim bin Othman <i>(Independent Non-Executive Director)</i>	61	19, Jalan Sultan Ibrahim 9/8 Seksyen 9 40100 Shah Alam Selangor	Malaysian	Company Director

CORPORATE DIRECTORY (CONT'D)

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Name	Address	Nationality	Profession
Dato' Ahmad Zaini bin Othman	No. 9, Jalan 12/10 Seksyen 12 46200 Petaling Jaya Selangor	Malaysian	President and Chief Executive Officer

AUDIT COMMITTEE

Name	Responsibility	Designation
Aw Hong Boo	Chairman	Senior Independent Non-Executive Director
Datuk Shahril Ridza bin Ridzuan	Member	Non-Independent Non-Executive Director
Lim Tian Huat	Member	Independent Non-Executive Director
Dato' Jasmy bin Ismail	Member	Independent Non-Executive Director

COMPANY SECRETARIES

: Koh Ai Hoon (MAICSA 7006997)
B0715 Amadesa Resort Condominium
Jalan 5/125
Desa Petaling
57100 Kuala Lumpur

Tong Lee Mee (MAICSA 7053445)
B-30-03, Hamilton
Royal Regent Sri Putramas 3
Off Jalan Kuching
51200 Kuala Lumpur

**REGISTERED/
HEAD/MANAGEMENT OFFICE**

: 11th Floor, Wisma MBSB
48, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2096 3000
Email : enquiry@mbsb.com.my
Website : www.mbsb.com.my

**AUDITORS AND REPORTING
ACCOUNTANTS**

: Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

SOLICITORS

: Albar & Partners
6th Floor, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

CORPORATE DIRECTORY (CONT'D)

PRINCIPAL BANKERS
(in alphabetical order)

: AmBank Islamic Berhad
22nd Floor, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur

AmBank (M) Berhad
22nd Floor, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur

Affin Bank Berhad
17th Floor, Menara Affin
80, Jalan Raja Chulan
50200 Kuala Lumpur

Malayan Banking Berhad
Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

RHB Bank Berhad
Level 9, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

RHB Islamic Bank Berhad
Level 9, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

SHARE REGISTRAR

: Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

**JOINT ADVISERS AND JOINT
MANAGING UNDERWRITERS
FOR THE RIGHTS ISSUE**
(in alphabetical order)

: AmInvestment Bank Berhad
22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur

RHB Investment Bank Berhad
Level 9, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

CORPORATE DIRECTORY (CONT'D)

JOINT UNDERWRITERS
(in alphabetical order)

: Affin Hwang Investment Bank Berhad
27th Floor, Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur

AmInvestment Bank Berhad
22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur

Maybank Investment Bank Berhad
32nd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

MIDF Amanah Investment Bank Berhad
Level 21, Menara MIDF
82, Jalan Raja Chulan
50200 Kuala Lumpur

RHB Investment Bank Berhad
Level 9, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

STOCK EXCHANGE LISTED AND LISTING : Main Market of Bursa Securities



MALAYSIA BUILDING SOCIETY BERHAD
(Company No. 9417-K)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office

11th Floor, Wisma MBSB
48, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

24 June 2016

Board of Directors

Tan Sri Abdul Halim bin Ali (*Chairman and Non-Independent Non-Executive Director*)
Datuk Syed Zaid bin Syed Jaffar Albar (*Non-Independent Non-Executive Director*)
Datuk Shahril Ridza bin Ridzuan (*Non-Independent Non-Executive Director*)
Aw Hong Boo (*Senior Independent Non-Executive Director*)
Dato' Jasmy bin Ismail (*Independent Non-Executive Director*)
Lim Tian Huat (*Independent Non-Executive Director*)
Ravinder Kaur a/p Mahan Singh (*Independent Non-Executive Director*)
Ir Moslim bin Othman (*Independent Non-Executive Director*)

To: The Entitled Shareholders

Dear Sir/Madam,

RENOUNCEABLE TWO-CALL RIGHTS ISSUE OF 2,899,387,079 NEW MBSB SHARES ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING MBSB SHARE HELD BY THE ENTITLED SHAREHOLDERS AS AT 5.00 P.M. ON 24 JUNE 2016 AT AN ISSUE PRICE OF RM1.00 PER RIGHTS SHARE, OF WHICH THE FIRST CALL OF RM0.59 PER RIGHTS SHARE IS PAYABLE IN CASH ON APPLICATION AND THE SECOND CALL OF RM0.41 IS TO BE CAPITALISED FROM MBSB'S SHARE PREMIUM ACCOUNT

1. INTRODUCTION

On 10 March 2016, the Joint Advisers had, on behalf of the Board, announced that MBSB proposes to undertake a renounceable two-call rights issue of new MBSB Shares to the Entitled Shareholders on a basis and issue price to be determined and announced later, to raise gross proceeds of up to RM2.00 billion.

On 14 March 2016, the Joint Advisers had, on behalf of the Board, announced that the additional listing application in relation to the Rights Issue had been submitted to Bursa Securities. On 15 April 2016, the Joint Advisers had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 14 April 2016, approved the listing of and quotation for the new MBSB Shares to be issued pursuant to the Rights Issue on the Main Market of Bursa Securities, subject to, amongst others, the following conditions:-

No.	Conditions	Status of compliance
(a)	MBSB and the Joint Advisers must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue;	To be complied
(b)	MBSB and the Joint Advisers to inform Bursa Securities upon the completion of the Rights Issue; and	To be complied
(c)	MBSB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue is completed.	To be complied

On 5 May 2016, the Joint Advisers had, on behalf of the Board, announced that the Shareholders had approved the Rights Issue at the EGM. A certified true copy of the extract of the ordinary resolution approving the Rights Issue at the said EGM is attached as Appendix I of this Abridged Prospectus.

On 9 June 2016, the Joint Advisers had, on behalf of the Board, announced that:-

- (i) the Issue Price of the Rights Shares has been fixed at RM1.00 per Rights Share, of which the First Call has been fixed at RM0.59 and the Second Call of RM0.41 is to be capitalised from MBSB's share premium account on an entitlement basis of one (1) Rights Share for every one (1) existing MBSB Share held by the Entitled Shareholders;
- (ii) MBSB has entered into the Managing and Underwriting Agreement with the Joint Managing Underwriters and the Joint Underwriters; and
- (iii) the Entitlement Date has been fixed on 24 June 2016.

On 10 June 2016, the Joint Advisers had, on behalf of the Board, announced the variation in the utilisation of proceeds from the Rights Issue in view of the lower proceeds to be raised following the price-fixing announcement on 9 June 2016.

The official listing of and quotation for the Rights Shares will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/or their renounee(s)/transferee(s) who have subscribed for the Rights Shares, have been duly credited and notices of allotment have been despatched to them.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus in connection with the Rights Issue and if given or made, such information or representation must not be relied upon as having been authorised by the Joint Advisers or MBSB.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE

2.1 Introduction

In accordance with the terms of the Rights Issue as approved by Bursa Securities as well as the Shareholders and subject to the terms of the Documents, the Rights Issue entails a provisional allotment of 2,899,387,079 Rights Shares on the basis of one (1) Rights Share for every one (1) existing MBSB Share held by the Entitled Shareholders at the Issue Price.

The Issue Price will be payable in two (2) calls; the First Call of RM0.59 per Rights Share is payable in cash on application by the Entitled Shareholder(s) and/or his renounee(s)/transferee(s) who wishes to subscribe for the Rights Shares and the Second Call of RM0.41 per Rights Share is capitalised from MBSB's share premium account.

The Rights Issue will raise gross proceeds of approximately RM1.71 billion.

Shareholders whose names appear on the Record of Depositors as at the Entitlement Date are entitled to participate in the Rights Issue. However, only the Entitled Shareholders who have an address in Malaysia as stated in the Record of Depositors or who have provided the Share Registrar with an address in Malaysia in writing by the Entitlement Date will receive the Documents.

The Entitled Shareholders can fully or partially renounce their entitlements to the Rights Shares. The Rights Shares which are not taken-up or validly taken-up shall be made available for Excess Application by the Entitled Shareholders and thereafter shall be taken up by the Joint Underwriters. It is the intention of the Board to allocate the Excess Rights Shares on a fair and equitable manner as set out in Section 10.5 of this Abridged Prospectus.

Fractional entitlements of the Rights Shares, if any, arising from the Rights Issue shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient and in the best interest of MBSB.

As you are an Entitled Shareholder, you will find enclosed with this Abridged Prospectus, a NPA setting out the number of Rights Shares which you are entitled to subscribe for and a RSF which is to be used for the acceptance of the Rights Shares provisionally allotted to you, and for the application of any Rights Shares pursuant to the Excess Application, should you wish to do so.

Upon allotment and issuance by MBSB, the Rights Shares will be credited directly into the respective CDS Account(s) of yourself and/or your renounee(s)/transferee(s) who have successfully subscribed for the Rights Shares. No physical share certificates will be issued to you and/or your renounee(s)/transferee(s).

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2.2 First Call and Second Call

The Issue Price of RM1.00 shall be satisfied in two calls as follows:-

- (a) First Call : RM0.59 per Rights Share payable in cash by the Entitled Shareholders and/or their renouncee(s)/transferee(s) who subscribe for the Rights Shares; and
- (b) Second Call : RM0.41 per Rights Share to be capitalised from MBSB's share premium account

The proforma effects of the capitalisation on the audited and unaudited share premium and retained earnings account of MBSB as at 31 December 2015 and 31 March 2016 respectively (after taking into consideration the Final Dividend) are as set out below:-

	← Audited →		← Unaudited →	
	As at 31 December 2015		As at 31 March 2016	
	Share Premium RM'000	Retained Earnings RM'000	Share Premium RM'000	Retained Earnings RM'000
	1,392,980	530,670	1,392,980	535,606
Adjusted for:-				
- Final Dividend	-	(85,678) ^(a)	-	(85,678) ^(a)
After the Final Dividend	1,392,980	444,992	1,392,980	449,928
Less:-				
- Capitalisation for the Second Call	(1,188,749)	-	(1,188,749)	-
- Estimated expenses for the Rights Issue	(14,000)	-	(14,000)	-
After the Rights Issue	190,231	444,992	190,231	449,928

Note:-

(a) Inclusive of estimated expenses for the DRP of RM400,000 which include, amongst others, advisory fees, fees paid to authorities, stamp duty borne by the Company on behalf of the shareholders, printing expenses, share registrar charges and fees and other associated charges.

The Board confirms that based on MBSB's latest audited consolidated financial statements for the FYE 31 December 2015 and the latest unaudited quarterly report for the three (3)-months FPE 31 March 2016, the reserves required for capitalisation of the Second Call of the Rights Issue are adequate and unimpaired by losses on a consolidated basis in accordance with Paragraph 6.30 of the Listing Requirements.

By capitalising the share premium account for the Second Call, the Entitled Shareholders and/or their renouncee(s)/transferee(s) who subscribe for the Rights Shares will only be required to make a cash payment for the First Call.

2.3 Basis of determining the Issue Price of the Rights Shares

As announced on 10 March 2016, it is the intention of the Board that the First Call shall be priced at a discount of at least 25% to the TERP based on the five (5)-market day VWAP of MBSB Shares immediately preceding the price-fixing date.

As announced on 9 June 2016, the Issue Price has been fixed at RM1.00 per Rights Share and the First Call and the Second Call are fixed at RM0.59 and RM0.41 respectively for each Rights Share.

The First Call of RM0.59 represents a discount of approximately 33.0% to the TERP of MBSB Shares of RM0.88 based on the five (5)-Market Day VWAP of MBSB Shares up to and including 8 June 2016, being the last trading date prior to the Price-Fixing Date, of RM1.1739.

The First Call and the Second Call, the aggregate of which constitutes the Issue Price, were determined by the Board after taking into consideration, *inter alia*, the following:-

- (a) the TERP based on the five (5)-Market Day VWAP of MBSB Shares immediately preceding the Price-Fixing Date; and
- (b) the share premium account and/or retained earnings position in MBSB.

The Board also noted the discount adopted in the pricing of rights issue exercises undertaken by other Malaysian financial institutions. For information only, other Malaysian financial institutions which have undertaken a rights issue with at least a 25% discount to the TERP include Public Bank Berhad in 2014 (33% discount), Hong Leong Bank Berhad in 2011 (27% discount), Malayan Banking Berhad in 2009 (34% discount) as well as MBSB's rights issue in 2013 (29% discount).

2.4 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing MBSB Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the Rights Shares.

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3. MAJOR SHAREHOLDER'S UNDERTAKING AND UNDERWRITING ARRANGEMENT

3.1 Major Shareholder's Undertaking

The Rights Issue is to be undertaken on a full subscription basis.

MBSB had procured a written undertaking dated 10 March 2016 from its major shareholder, EPF, which has undertaken to subscribe in full for its entitlement under the Rights Issue based on its shareholdings of 1,847,895,724 MBSB Shares as at 4 March 2016, representing approximately 65.10% of the issued and paid-up share capital of MBSB as at 4 March 2016 subject to, *inter alia*, the First Call being priced at a minimum discount of 25% to the TERP based on the five (5)-Market Day VWAP of MBSB Shares up to the Market Day preceding the announcement of the price-fixing.

The table below sets out EPF's entitlement under the Rights Issue and the number of Rights Shares to be subscribed by EPF pursuant to the EPF Undertaking:-

Shareholdings after DRP and exercise of Warrants		EPF's entitlement under the Rights Issue		Shareholdings per EPF Undertaking		Rights Shares to be subscribed under EPF Undertaking ^(b)	
No. '000	%	No. '000	%	No. '000	%	No. '000	%
1,896,102	65.4 ^(a)	1,896,102	65.4	1,847,896	63.7 ^(a)	1,847,896	63.7

Notes:-

(a) Based on the enlarged issued and paid-up share capital of MBSB of 2,899,387,079 MBSB Shares, after taking into consideration the issued and paid-up share capital of MBSB as at the LPD as well as the new MBSB Shares which were issued pursuant to the DRP and the exercise of the Warrants after the LPD but prior to the Entitlement Date.

(b) The difference between EPF's entitlement under the Rights Issue and EPF Undertaking have been underwritten.

In view that EPF already has a controlling stake of more than 50% of the voting shares in MBSB, there will not be any implication under the Malaysian Code on Take-Overs and Mergers, 2010 in the event EPF subscribes in full for its entitlement or applies for Excess Rights Shares.

3.2 Underwriting arrangement

On 9 June 2016, MBSB had entered into the Managing and Underwriting Agreement with the Joint Managing Underwriters and the Joint Underwriters to underwrite 1,051,491,355 Rights Shares ("Underwritten Shares") representing approximately 36.3% of the Rights Shares, being the portion of Rights Shares which is not covered by the EPF Undertaking.

The Underwritten Shares are underwritten at a managing underwriting commission of 0.50% of the value of total Underwritten Shares ("Managing Underwriting Commission"), and at an underwriting commission of 1.35% of the value of total Underwritten Shares ("Underwriting Commission"). The total managing and underwriting commission payable by MBSB is approximately RM11.48 million.

The number of Underwritten Shares underwritten by each Joint Underwriter is as follows:-

Joint Underwriters	Role	No. of Underwritten Shares
AmInvestment Bank	Joint Managing Underwriter and Joint Underwriter	382,525,338
RHB Investment Bank	Joint Managing Underwriter and Joint Underwriter	382,525,338
Maybank IB	Joint Underwriter	122,033,899
Affin Hwang IB	Joint Underwriter	122,033,899
MIDF Amanah IB	Joint Underwriter	42,372,881
Total		<u>1,051,491,355</u>

The Managing Underwriting Commission and the Underwriting Commission for the Underwritten Shares and all reasonable costs in relation to the underwriting arrangement will be fully borne by MBSB.

4. OTHER CORPORATE PROPOSALS APPROVED BUT PENDING COMPLETION

Save for the Rights Issue and the DRP, there are no other corporate proposals involving the MBSB Group which have been approved by regulatory authorities but have yet to be completed as at the LPD.

For information, as at LPD, the completion of the DRP is pending the listing of the DRP Shares on Bursa Securities. The DRP Shares were subsequently listed on 17 June 2016.

5. RATIONALE FOR THE RIGHTS ISSUE AND UTILISATION OF PROCEEDS

5.1 Rationale for the Rights Issue

The Rights Issue is in line with MBSB's strategy to strengthen its core capital. The Rights Issue will enable MBSB to increase its leverage ratio to at least 12.5%, in compliance with BNM's requirement.

Pursuant to the Rights Issue, MBSB will also be able to capitalise on its stronger capital base to grow and expand its business.

After due consideration of the various methods of fund-raising, the Board is of the view that the Rights Issue is the most appropriate means of raising the necessary funds to meet its capital requirement after taking into consideration, *inter alia*, the Rights Issue will provide the Entitled Shareholders the opportunity to maintain their equity participation in MBSB.

5.2 Utilisation of proceeds from the Rights Issue

The gross proceeds to be raised by MBSB under the Rights Issue are proposed to be utilised in the following manner:-

Details of utilisation	Timeframe for utilisation ^(a)	RM'million
(i) Purchase of liquefiable assets ^(b)	Within 12 months	511
(ii) Expansion of financing business ^(c)	Within 12 months	1,100
(iii) Working capital purposes ^(d)	Within 12 months	86
(iv) Defrayment of estimated expenses in relation to the Rights Issue ^(e)	Within 6 months	14
		1,711

Notes:-

(a) *From the date of listing of the Rights Shares.*

(b) Purchase of liquefiable assets

The liquefiable assets are such assets that fulfill the qualifying characteristics specified under the BNM's Liquidity Framework Guidelines and are eligible for liquefiable assets status. Examples of liquefiable assets include, but not limited to, RM marketable securities/papers issued/guaranteed by the Government or BNM, RM-denominated bonds issued by Multilateral Development Banks or Multilateral Financial Institutions and ABF Malaysia Bond Index Fund.

The maintenance of liquefiable assets which facilitates MBSB to operate under a liquidity framework in a financial regulatory environment will enhance the funding structure of MBSB and its ability to handle short- to medium-term liquidity management as well as provide better means of assessing the present and future liquidity of MBSB. As at the LPD, MBSB has not determined the liquefiable assets to be purchased as such purchase will be dependent on the pricing and yield of the assets as and when MBSB requires the liquefiable assets for its liquidity management purposes.

(c) Expansion of financing business

In order to facilitate the expansion of MBSB's financing business, the proceeds will be utilised to disburse loans/financing as well as to purchase financial instruments for MBSB's liquidity management purposes. The financing business includes but is not limited to personal financing, mortgage and property financing, auto financing, corporate and project loans/financing, equipment financing as well as funding purchase of financial instruments.

(d) Working capital purposes

The working capital is mainly for the purposes of defraying operating expenses to be incurred in the course of day-to-day business operations such as general administrative expenses and promotion/marketing relating expenses. The breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture. The actual amount to be utilised by each component of working capital will vary according to the operating requirements of MBSB and its subsidiaries at the time of utilisation.

(e) Defrayment of estimated expenses in relation to the Rights Issue

The expenses relating to the Rights Issue comprise, amongst others, estimated professional fees, fees payable to the relevant authorities, underwriting commission, expenses to convene the EGM for the Rights Issue and other miscellaneous charges.

Pending utilisation of the proceeds from the Rights Issue, the proceeds will be placed in deposits with financial institutions or in short-term money market instruments.

6. RISK FACTORS

MBSB is principally engaged in investment holding, money market activities, provision of financing, advancing and financial guarantees on a secured and unsecured basis which includes Islamic financing and other related financial services. Its subsidiaries are involved in investment holding, hotel operations, leasing of real property and property development.

Based on the MBSB Group's audited consolidated financial statements for the FYE 31 December 2015, the financing segment contributed 92.84% of the consolidated revenue of the MBSB Group of approximately RM3.05 billion.

Accordingly, the discussion set out in this Section is primarily focused on the financing segment.

You should carefully consider, in addition to the other information contained in this Abridged Prospectus, the following risk factors (which may not be exhaustive) before making your decision on whether to subscribe for your entitlements to the Rights Issue.

6.1 Risks relating to the MBSB Group and industry in which the MBSB Group operates

6.1.1 Political and economic risks

The MBSB Group operates principally in Malaysia and accordingly, its continued growth depends on a large extent on the political and economic conditions in Malaysia. Any adverse political and economic conditions, such as political instability, severe fluctuation in interest and currency exchange rates, and prolonged low commodity prices (particularly crude oil and crude palm oil) could create uncertainties and result in adverse developments in national economic activity. This in turn may have a material impact on the business and financial performance of the MBSB Group.

Additionally, the onset of globalisation has resulted in the increasing integration of economic and market activities, so much so that economic and political changes or instabilities in a country or region could affect regional and global economic conditions, which may in turn affect the MBSB Group's business and financial performance.

6.1.2 Regulatory risks

MBSB is an exempt finance company under the Financial Services Act 2013 ("FSA"). As an exempt finance company, MBSB is allowed, in the absence of a banking license, to undertake financing business albeit the products that can be offered by MBSB are not as wide as those offered by full-fledged banking financial institutions. Nevertheless, failure to comply with any of the laws and/or directives of the regulatory authorities (including BNM), may result in the MBSB Group being imposed with fines and/or sanctions which may adversely impact the operations and financial performance of the MBSB Group.

MBSB is exposed to changes to the regulatory measures introduced by the Government and relevant authorities for the financing business which will have an impact on the Group's financial performance and operations. Such measures may include, but not limited to, changes in the prudential limit in relation to liquidity and capital requirements as well as the rules pertaining to financing matters. MBSB's Compliance Department regularly monitors changes in regulatory requirements whilst constantly instills compliance awareness in the organisation.

There is no assurance that changes to the laws, regulations and regulatory policies will not have a material adverse effect on the MBSB Group's financial performance and operations.

6.1.3 Credit risk

The MBSB Group is exposed to credit risk primarily through its financing activities. Credit risks arising from adverse changes in the credit quality and recoverability of loans/financing are inherent to the MBSB Group's businesses. Such risks could arise from a deterioration in the credit-worthiness of the MBSB Group's borrowers and consequently their ability to discharge their contractual obligations to the MBSB Group, from a general deterioration in local or global economic conditions, or from systemic risks within the financial system.

The MBSB Group's main borrowers are civil servants which account for more than 60% of its loans and advances as at 31 December 2015. The MBSB Group has access to the Angkatan Koperasi Kebangsaan Malaysia Bhd ("**Angkasa**") code as well as the Accountant-General ("**AG**") code which allow financing repayments to be deducted directly from civil servants' salaries.

In addition, in circumstances where loans/financing extended by MBSB Group are collateralised, there is no assurance that the value of such collateral will not decline due to the economic condition or market outlook. In the event the value of the underlying collateral deteriorates below the value of MBSB Group's financing granted or the MBSB Group is unable to obtain additional collateral or the MBSB Group is unable to realise sufficient value from existing collateral, the MBSB Group may be required to increase its loan/financing loss provisions or necessitate write-offs.

Whilst the MBSB Group has in place risk management processes, including monitoring and reporting, to manage the MBSB Group's credit risk exposure, there can be no assurance that the MBSB Group's risk management process will be able to adequately address potential credit risks or adverse impact arising therefrom on the financial position of the MBSB Group. There can also be no assurance that the MBSB Group will continue to have access to the Angkasa and/or AG codes and any change in/to this access could have a material adverse impact on the financial performance of the MBSB Group.

6.1.4 Concentration on the personal financing segment

The MBSB Group's revenue contribution is derived mainly from the personal financing extended to civil servants which contributed approximately 52% to the MBSB Group's revenue for the FYE 31 December 2015. The continued growth in this area is dependent on, amongst others, domestic economic growth, sustained income/salary growth, attractiveness of the interest rates, positive consumer sentiments and competition. It is also dependent on Government policies that are implemented from time to time.

Whilst MBSB has introduced various strategies to increase its marketing efforts in this segment, including but not limited to increasing the number of marketers, agents and outlets as well as improving financing-processing efficiency, there is no assurance that MBSB will be able to continue to grow or maintain its market position in the civil servants' personal financing segment. Nonetheless, MBSB has been diversifying its financing portfolios by expanding its corporate business portfolio, which has resulted in growth in the corporate business sector.

6.1.5 Capital and liquidity requirements by BNM

The MBSB Group is subject to capital and liquidity requirements imposed by BNM and failure to maintain the stipulated capital ratios may result in administrative actions or sanctions.

BNM has imposed on MBSB to comply with certain prudential ratios, namely the leverage ratio, liquid assets ratio and gross loan and financing-to-deposits ratio. As at the LPD, MBSB has met the prudential ratios imposed by BNM for the liquid assets ratio of a minimum 25% and gross loan and financing-to-deposits ratio of a maximum 100%. MBSB also met the existing minimum leverage ratio of 8% and is expected to fulfil the future required minimum leverage ratio of 12.5% by end-July 2016 upon completion of the Rights Issue.

However, there is no assurance that any changes to the regulatory capital and/or liquidity requirements will not be detrimental to MBSB in future. Should there be any adverse changes to the regulatory capital and/or liquidity requirements in the future, MBSB's return on equity and profitability could be adversely affected. Furthermore, there can be no assurance that MBSB will be able to obtain additional capital in a timely manner or on acceptable terms, if at all, in the future. Any failure by MBSB to satisfy such increased regulatory capital and/or liquidity requirements within the stipulated timeline could result in administrative actions or sanctions, which in turn may have a material adverse effect on MBSB's business, financial condition and results of operations. Also, additional capital raised through the issuance of equity securities to third (3rd) parties or which are not on a *pro rata* manner to MBSB's shareholders may result in dilution to the shareholders' equity interest.

6.1.6 Liquidity and funding risk

As at this juncture, there are limitations on the MBSB Group in accessing the interbank money market. As such, customer deposits remain as the MBSB Group's primary source of funding. Decreases in customer deposits will reduce the MBSB Group's liquidity reserves, which in turn, will reduce its ability to extend new loans/financing. Liquidity and funding risks could arise from mismatches in the timing of cash flows due to unforeseen decreases or changes in funding sources as well as the inability to access funds at reasonable cost, which could have adverse consequences on the MBSB Group's ability to meet its obligations when they fall due.

The MBSB Group maintains sufficient liquidity reserves and has in place a monitoring system to monitor its liquidity and funding risks, in light of the challenges it faces. In addition to the customer deposits, the MBSB Group, as part of its liquidity management, has a diversified source of funding which include tapping into the capital market via securitisation of receivables and borrowings/financing from banks/Cagamas and issuance of Sukuk. Part of the proceeds from the Rights Issue are also proposed to be utilised to purchase liquefiable assets which will enhance the funding structure of the MBSB Group and its ability to handle short to medium-term liquidity management, as well as provide better means of assessing the present and future liquidity of the MBSB Group.

The liquidity risk management of the MBSB Group is governed by established risk tolerance level under the MBSB Group's internal market risk framework and liquidity management framework which includes early warning system and contingency funding plans to alert and enable management to act during a liquidity crisis. However, liquidity risk may still arise from events such as deterioration in financial markets or from systemic risks within the financial systems. In such an event, the MBSB Group's ability to raise the required funds in a timely manner may be affected, thus adversely affecting the MBSB Group's reputation, financial conditions and business operations. There can be no assurance that the MBSB Group will not be adversely affected by liquidity risks despite having such a system in place. There can also be no assurance that the MBSB Group will be able to maintain the growth rate of customer deposits, prevent unusually high level of withdrawals, adhere to the financial covenants for its borrowings as well as to meet its debt repayment obligations as and when they fall due.

6.1.7 Impairment

The MBSB Group's existing impairment provisions are made in compliance with the current Malaysian Financial Reporting Standards. In addition, as stated in Section 7.3 of this Abridged Prospectus, MBSB has initiated an impairment programme in the fourth (4th) quarter of 2014 as an effort to "close the gap", to bridge MBSB's framework to be in line with banking standards and best practices. As announced in its 2015 fourth (4th) quarter results on 24 February 2016, the MBSB Group expects its impairment programme to end in 2017 with an estimated average credit cost of 2% (approximately RM700 million) per annum for years 2016 and 2017 respectively, based on MBSB's gross loans/financing of RM34 billion as at 31 December 2015.

There is no assurance that the level of impairment provisions made by the MBSB Group (including the amount estimated under the impairment programme above) will be adequate or that the MBSB Group will be able to produce acceptable level of post-tax profits in the future. There is also no assurance that MBSB would be able to realise adequate proceeds from the disposal of collaterals to cover the amount of the impaired loans/financing net of loan/financing loss allowance, should the need arise.

6.1.8 Competition

The MBSB Group operates in a very competitive environment. For the civil servants' segment i.e. mainly in the personal financing business, the MBSB Group is in competition with other financial institutions which can also provide salary deductions via the Angkasa code and/or the AG code. For the corporate financing business, the MBSB Group is in competition with commercial banks. Increased competition could have an adverse effect on the MBSB Group's financial performance which could include, amongst others, reduced margins, smaller market share and reduced income generally.

Whilst the MBSB Group continuously seeks to improve its competitiveness through operational efficiency, competitively-priced solutions and new financial products, there can be no assurance that MBSB will be able to maintain or expand its present market share or the increased competition will not have any material and adverse impact on the MBSB Group's financial performance and prospects.

6.1.9 Operational risk

The MBSB Group is subject to operational risks and losses from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, failure of internal systems, equipment and external systems and occurrence of natural disasters. Although the MBSB Group has implemented risk controls and loss mitigation strategies such as risk and control self-assessment (RCSA), key risk indicators (KRI), loss/incident event reporting, risk appetite statement and business continuity plans, there can be no assurance that such measures will be successful in preventing all manner of operational risks.

In addition, the computer systems and network infrastructure of MBSB are protected from physical break-ins as well as security breaches and other problems attributed to the MBSB Group's increased use of the internet. The MBSB Group employs security systems, including firewalls and password encryption, with the objective of minimising the risk of security breaches.

While the MBSB Group has implemented control measures, there can be no assurance that such measures will be entirely successful or adequately effective in preventing losses resulting from operational risks. It is also not possible to entirely eliminate such operational risks.

6.1.10 Dependence on key personnel

The continued success of the MBSB Group, to a significant extent, relies on the competency, experience, business directions and strategies of the Directors and senior management. The loss of any of the Directors and/or key personnel could adversely affect the MBSB Group's ability to operate its business or compete effectively and ultimately, could have an adverse impact on the MBSB Group's financial performance and prospects.

Whilst the MBSB Group has in place succession plans and human resource incentives such as ESOS, competitive remuneration packages and relevant training to retain its key personnel and attract experienced personnel to join the MBSB Group, there is no assurance that these measures will be successful in retaining and/or attracting key personnel.

6.1.11 Market fluctuation risk

The MBSB Group is susceptible to market risk, which is the risk of potential loss as a result of a change in the intrinsic value of financial instruments caused by movements in market variables such as interest/profit rates, equity pricing and other related macroeconomic factors that will eventually affect the MBSB Group's profitability and capital preservation.

The MBSB Group adopts a systematic approach and has internal controls in place to monitor fluctuations in its revenue or investment value due to changes in the relevant market risk factors. Market risks and exposures cannot be mitigated or perfectly hedged in the event of economic downturns or volatile markets, including but not limited to risks that are unidentified or unanticipated. There can be no assurance that the MBSB Group will not be adversely affected by such market risk factors.

6.1.12 Rapid technological change

The MBSB Group's ability to compete will depend, in part, on its ability to respond to technological advances in a cost-effective and timely manner. Failure to keep pace with technological advances or to maintain an appropriate level of investment in information technology may affect the MBSB Group's competitiveness, business, financial condition and results of operations.

While the MBSB Group has dedicated resources to implement advances in information technology systems to improve the accessibility of its services, there can be no assurance that the MBSB Group will be able to effectively embrace and implement these new technologies or adapt its transaction-processing systems to customers' requirements, which may, in turn, have a material effect on its business and financial condition.

6.2 Risks relating to the Rights Issue

6.2.1 Capital markets risks

The price of MBSB Shares as traded on Bursa Securities may fluctuate, like all other listed securities. Numerous factors could cause the price of MBSB Shares to fluctuate, including but not limited to, trades of substantial amounts of MBSB Shares in the open market, announcements of developments relating to the financial industry or the MBSB Group, fluctuations in the MBSB Group's financial performance and/or position and economic conditions, competitors, etc.

In addition to the above, the price performance of MBSB Shares also depends on various other factors such as general economic, political and industry conditions, sentiments and liquidity of the local stock market, performance of regional and world bourses, etc.

There is no assurance that the market price of MBSB Shares will be maintained at any particular level subsequent to the Rights Issue and/or the MBSB Shares will trade above any particular price range on the Main Market of Bursa Securities.

6.2.2 Delay in the implementation or non-completion of the Rights Issue

There is a risk that the Rights Issue may be delayed or its implementation not completed due to, among others, the occurrence of the following events:-

- (a) material adverse change of events/circumstances, such as flood, storm and epidemic, which are beyond the control of the MBSB Group arising prior to or during the implementation of the Rights Issue; and
- (b) the Managing Underwriters and/or the Joint Underwriters exercising their rights under the Managing and Underwriting Agreement to terminate their commitments and discharge themselves from their obligations for any reason whatsoever.

In the event of a failure in the implementation of the Rights Issue, all monies received in respect of all applications for any Rights Shares will be returned in full without interest. Where applicable, if any money received from the Entitled Shareholders and/or renounee(s)/transferee(s) are not repaid within fourteen (14) days after MBSB becomes liable to pay, MBSB will repay such money with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

However, in the event the Rights Issue is aborted/terminated, and the Rights Shares have been allotted to the Entitled Shareholders, a return of monies to all holders of the Rights Shares could only be achieved by way of cancellation of share capital as provided under the Act. Such cancellation requires the sanction of the MBSB Shareholders by way of special resolution in a general meeting and the confirmation of the High Court.

While the MBSB Board will exercise its best endeavour to ensure that every effort is made to ensure the successful implementation of the Rights Issue, there can be no assurance that the abovementioned factors/events or any other factors/events will not cause a delay in or result in the non-completion of the Rights Issue.

6.2.3 Potential dilution

Entitled Shareholders who do not or are not able to accept the Rights Shares provisionally allotted to them will have their proportionate ownership and voting interests in MBSB reduced, and the percentage of their shareholdings in MBSB will also be reduced accordingly.

6.3 Forward-looking statements

This Abridged Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Abridged Prospectus, including, without limitation, those regarding the financial position, business strategies, prospects, plans and objectives of the MBSB Group for future operations, are forward-looking statements. Although the Board believes that these statements and assumptions are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies and the environment in which the MBSB Group will operate in the future. Such forward-looking statements reflect the MBSB Group's current views with respect to the future events and are not a guarantee of future performance.

The MBSB Group's actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors including, but not limited to, the general economic conditions in the markets in which the MBSB Group operates, ability to compete with other financial institutions in a highly competitive industry, etc.

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7. INDUSTRY OVERVIEW AND PROSPECTS OF THE MBSB GROUP

The MBSB Group is principally involved in money market activities, provision of financing, advancing and financial guarantees on a secured and unsecured basis, which includes Islamic financing and other related financial services. Accordingly, the MBSB Group's prospects are inherently linked to the outlook of the financial market in Malaysia. In view of the above, the overview of the Malaysian economy and outlook of the financial market are set out below:-

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 4.2% in the first quarter of 2016 (fourth quarter ("4Q") 2015: 4.5%). The slight moderation in growth mainly reflected external shocks to the economy and cautious spending by the private sector. On the supply side, growth continued to be driven by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.0% (4Q 2015: 1.2%).

Private sector activity remained the key driver of growth, although the pace of expansion moderated amid on-going adjustments in the economy. Private consumption expanded by 5.3% (4Q 2015: 4.9%), supported by continued wage and employment growth. Private investment grew at a slower rate of 2.2% (4Q 2015: 4.9%). This was mainly attributable to the cautious business sentiments and lower investments in the upstream mining sector. Growth of public consumption improved to 3.8% in the first quarter (4Q 2015: 3.3%) due to higher spending on emoluments. On the other hand, public investment declined by 4.5% (4Q 2015: 0.4%), due to lower spending on fixed assets by the public corporations.

On the supply side, the major economic sectors registered a moderate growth performance. The services sector recorded a sustained growth on account of the continued expansion in domestic demand. In the manufacturing sector, growth was supported by the continued expansion in both export and domestic-oriented industries, although at a slower pace. The agriculture sector registered a contraction, as adverse weather conditions led to lower production of palm oil. The mining sector turned around to record a marginally positive growth following an improvement in the production of natural gas.

Inflation, as measured by the annual change in the Consumer Price Index, was higher at 3.4% in the first quarter of 2016 due to the reduction in electricity tariff rebates in January 2016 and the base effect from the larger decline in domestic fuel prices in the first quarter of 2015.

Going forward, the Malaysian economy is expected to remain on a sustained growth path of 4-4.5%, despite the challenging economic environment globally and domestically. Domestic demand will continue to be the principal driver of growth, sustained primarily by private sector spending. However, domestic consumption is expected to grow at a moderate pace as households continue to adjust to the higher cost of living. Overall investment is also expected to grow at a slower pace but will remain supported by the implementation of infrastructure development projects and capital spending in the manufacturing and services sectors. Uncertainties in the external environment and the on-going adjustments in the domestic economy pose downside risks to growth.

(Source: Quarterly Bulletin, First (1st) Quarter 2016, www.bnm.gov.my)

As for 2017, real gross domestic product growth is expected to edge up moderately, registering a growth of between 4.5-5.5%. Domestic demand continues to be the engine of growth by growing at 5.0%. However, the export demand is expected to improve further growing at 3.0% a year.

(Source: Malaysian Economic Outlook, First (1st) Quarter 2016, Malaysian Institute of Economic Research, www.mier.org.my)

7.2 Overview and outlook of the Malaysian financial sector

In the first quarter of 2016, total gross financing raised by the private sector through the banking system and the capital market amounted to RM286.6 billion (4Q 2015: RM331.4 billion). On a net basis, outstanding banking system loans and private debt securities (“PDS”) expanded by 7.6% as at end-March (end-December 2015: 8.6%). Net lending to businesses by the banking system was lower by RM3.6 billion during the quarter (4Q 2015: RM4.9 billion). On an annual basis, outstanding business loans also grew at a slower pace of 5.2% as at end-March (end-December 2015: 8.0%) due to the stronger growth in loan repayments relative to disbursements. The level of loans disbursed to overall businesses grew by 1.1% on an annual basis to RM191 billion during the quarter (1Q 2015: RM189 billion). Nevertheless, loans disbursed to large corporations increased to RM130 billion (1Q 2015: RM123 billion). Net financing to the household sector expanded by RM7.1 billion during the quarter (4Q 2015: RM16.9 billion). On an annual basis, outstanding household loans growth moderated to 6.4% as at end-March (end-December 2015: 7.7%), reflecting mainly the moderation in loans for the purchase of securities, purchase of non-residential property and credit card spending. Net funds raised in the capital market moderated to RM25.4 billion in the first quarter of 2016 (4Q 2015: RM51.4 billion). While fundraising activity was mainly supported by higher public sector issuances, the increase was mostly offset by lower private sector financing in both the debt and equity markets.

The Malaysian financial system remained resilient against potential risks related to spillovers from the weaker global growth prospects and continued volatility in the international financial and commodity markets. Domestic risks more broadly have continued to moderate. However, more challenging business conditions and rising costs will likely weigh on the revenue and loan performance of financial institutions in the period ahead, requiring close vigilance. Any adverse developments are expected to remain well within the loss absorption capacity of financial institutions given the healthy capital buffers which strengthened further since end-2015. This, along with sound underwriting practices observed by financial institutions, will continue to lend firm support to domestic financial intermediation. Ample domestic liquidity has also remained supportive of credit growth and orderly market conditions. Malaysian banks, insurers and takaful operators continued to maintain a high level and quality of capitalisation, of which more than 90% is in the form of retained earnings, paid-up capital and reserves. At end first quarter of 2016, the common equity tier-1 capital, tier-1 capital and total capital ratios of banks were sustained well above the minimum regulatory levels at 13.0%, 13.9% and 16.5%, respectively. The capital adequacy ratio for the insurance and takaful sectors stood healthy at 242.6% (4Q 2015: 245.4%). Financial institutions are well-positioned to withstand potential adverse macroeconomic and financial shocks, with combined capital buffers of RM170.4 billion as at end first quarter of 2016 (banks: RM121.9 billion; insurers and takaful operators: RM48.5 billion).

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Credit risk exposures of banks remained manageable, underpinned by the sustained debt servicing capacity of borrowers. Loan impairments and delinquencies as a share of total bank loans were largely unchanged at 1.2% and 2.1% respectively. Growth in household borrowings continued to moderate in the first quarter of 2016 (1Q 2016: +6.5%; 4Q 2015: +7.3%; 1Q 2015: +9.1%). House financing remained robust, expanding by 10.7% (4Q 2015: +11%; 1Q 2015: +12%) amid sustained strong demand for affordable housing. Growth in personal financing picked up slightly to 5.4% (4Q 2015: +4.6%), likely reflecting adjustments to higher costs of living by households. Generally, prudent debt service ratios continued to be observed by both banks and non-banks for new household lending. This has led to improved quality of new financing to households, and preserved overall household resilience. The average debt service ratio (against net income) for new household loans remained below 60%. About half of new financing approved for the period were to borrowers with a debt service ratio below 40%.

The banking system also continued to record improvements in the retail lending portfolio during the quarter, with impairments and delinquencies accounting for 1.0% and 1.4% of bank lending to households respectively as at end first quarter of 2016. The overall debt servicing capacity of households is also supported by the net accumulation of financial assets over debt which increased further by RM27.4 billion during the quarter. Risks from banks' exposures to the business sector remain contained. The aggregate leverage of Malaysian businesses^(a), as measured by the median debt-to-equity ratio, improved to 44.5% in the fourth quarter of 2015 (3Q 2015: 46.8%). Business sector borrowings expanded at a slower pace of 8.8% as at end first quarter of 2016 (4Q 2015: +13.2%) in line with the moderation in domestic economic activity. Bank financing to businesses expanded by 4.9% (4Q 2015: +8%), with financing to small and medium enterprises remaining a key driver of business loan growth (+9.0%). Outstanding external borrowings by businesses amounted to RM287.4 billion, lower than in the previous quarter (RM296.5 billion), on account of sustained healthy repayments and the strengthened ringgit as at end fourth quarter of 2015. More than 40% of total external borrowings remained in the form of inter-company obligations by multinational corporations with operations in Malaysia, which continue to present limited potential rollover and funding risks.

Note:-

(a) Based on 160 companies listed on Bursa Securities with market capitalisation of 80% (excluding financial institutions) covering 10 key economic sectors.

(Source: Quarterly Bulletin, First (1st) Quarter 2016, www.bnm.gov.my)

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7.3 Prospects of the MBSB Group

The MBSB Group's financing business are mainly in the retail segment and the corporate business segment.

The MBSB Group's retail business segment comprises mainly of the personal financing and property financing businesses. The personal financing business remained the largest contributor to MBSB Group's revenue. The gross income from the retail segment for year 2015 was consistent with the year 2014, with growth of the loan and financing portfolio at a flattish level. MBSB anticipates that the growth trend for the retail segment would remain flattish for 2016 as a result of the current challenging operating and economic environment. MBSB intends to continue to sustain and grow its retail business through new products, campaigns and by strategically expanding its marketing force.

MBSB Group's corporate business has been growing over the past years. Gross income from corporate business segment amounted to RM293.1 million for 2015, an increase of 28.8% as compared to 2014. This was primarily attributable to the financing extended to property developers who secured the Government projects including the affordable housing projects and education infrastructure projects. MBSB Group expects to continue to expand its corporate business through funding Government related projects such as construction of hospitals, educational facilities, roads and other infrastructure projects. MBSB Group also intends to further expand its new business in equipment financing which commenced in September 2014. In December 2015, the Group had established a processing hub in MBSB's Tebrau Service Centre in Southern region and opened another processing hub in Northern region in late April 2016. MBSB believes it is well-positioned to grow its equipment financing business.

Since 2010, MBSB Group has embarked on a "Closing the Gaps" exercise to bridge its frameworks to be in line with the banking standards and best practices. The impairment programme initiated by MBSB in the fourth (4th) quarter of 2014 is in addition to MBSB Group's existing impairment provisioning that is in compliance with the current Malaysian Financial Reporting Standards. This impairment programme is in line with the recommendations of BNM. For year 2015, MBSB has provided approximately RM526 million under the impairment programme. As announced in its 2015 fourth (4th) quarter results on 24 February 2016, MBSB Group expects its impairment programme to end in 2017 with an estimated average credit cost of 2% (approximately RM700 million) per annum for year 2016 and 2017 respectively based on its gross loans/financing of RM34 billion as at 31 December 2015. Accordingly, MBSB Group's financial performance for 2016 and 2017 would be weighed down by the impairment programme. For information, for the first (1st) quarter of 2016, MBSB had provided approximately RM115 million under the impairment programme.

Premised on the above and the outlook of the Malaysian economy and financial sector, the Board is of the view that 2016 would remain a challenging year for the MBSB Group.

(Source: The management of MBSB)

8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE**8.1 Issued and paid-up share capital**

The proforma effects of the Rights Issue on the issued and paid-up share capital of MBSB are as follows:-

	No. of Shares '000	RM'000
Authorised share capital	10,000,000	10,000,000
Issued and paid-up share capital:-		
As at the LPD	2,847,246	2,847,246
To be issued pursuant to:-		
- Exercise of Warrants ^(a)	1,972	1,972
- DRP ^(b)	50,169	50,169
- Rights Issue	2,899,387	2,899,387
Enlarged issued and paid-up share capital	5,798,774	5,798,774

Notes:-

(a) *New MBSB Shares which were issued pursuant to the exercise of the Warrants post-LPD and prior to the Entitlement Date.*

(b) *DRP Shares which were issued post-LPD and prior to the Entitlement Date.*

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8.2 NA and gearing

For illustrative purposes, based on the audited consolidated statement of financial position of MBSB as at 31 December 2015, the proforma effects of the Rights Issue on the consolidated NA per share and gearing of MBSB assuming that the Rights Issue had been implemented and completed on 31 December 2015 are as follows:-

	Audited 31 December 2015 RM'000	After subsequent events ^(a) RM'000	After (I) and Rights Issue RM'000
Share capital	2,838,551	2,899,387	5,798,774
Share premium	1,392,980	1,400,505	197,756 ^(b)
Accumulated profit	589,276	503,598	503,598
Other reserves	40,733	40,733	40,733
Total equity/NA	4,861,540	4,844,223	6,540,861
Number of MBSB Shares ('000)	2,838,551	2,899,387	5,798,774
NA per MBSB Share (RM)	1.71	1.67	1.13
NTA per MBSB Share (RM)	1.70	1.66	1.12
Total borrowings ^(c) (RM'000)			
- including recourse obligation on loans sold to Cagamas	7,290,969	7,290,969	7,290,969
- excluding recourse obligation on loans sold to Cagamas	4,523,727	4,523,727	4,523,727
Gearing ratio (times)			
- including recourse obligation on loans sold to Cagamas	1.50	1.51	1.11
- excluding recourse obligation on loans sold to Cagamas	0.93	0.93	0.69

Notes:-

(a) After adjusting for:

(i) the allotment of the 8,694,674 MBSB Shares from 1 January 2016 up to the LPD, as well as the allotment of the 1,972,327 MBSB Shares subsequent to the LPD up to 9 June 2016, pursuant to the exercise of the Warrants which had expired on 31 May 2016;

(ii) payment of Final Dividend of RM85,278,113 in respect of the FYE 31 December 2015; and

(iii) the listing of 50,168,876 DRP Shares and estimated expenses for the DRP of RM400,000.

(b) After capitalising approximately RM1,189 million for the Second Call and deducting the estimated expenses relating to the Rights Issue of approximately RM14.00 million.

(c) Borrowings consist of bank borrowings, other borrowings and Structured Covered Sukuk Murabahah.

8.3 Earnings and EPS

The effects of the Rights Issue on the consolidated earnings and EPS of the MBSB Group will depend on the returns generated from the utilisation of proceeds raised from the Rights Issue.

The Rights Issue will result in an immediate dilution in the consolidated EPS of the MBSB Group as a result of the enlarged share capital upon completion of the Rights Issue.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL CAPITAL COMMITMENTS

9.1 Working capital

The Board is of the opinion that after taking into account the amount to be raised from the Rights Issue, the banking facilities available to the Group and the funds to be generated from the Group's operations, the Group will have sufficient working capital for a period of twelve (12) months from the date of this Abridged Prospectus.

9.2 Borrowings and funding

As at the LPD, the total outstanding borrowings and funding of the Group amounted to approximately RM5.642 billion, the details of which are set out below:-

	RM'000
Short-term borrowings/funding:-	
Interest-bearing	
- Recourse obligation on loans sold to Cagamas	858,829
Profit-bearing	
- Revolving financing facility (unsecured)	100,115
- Islamic financing facility (secured)	25,329
- Recourse obligation on financing sold to Cagamas	59,453
- Structured Covered Sukuk Murabahah	364,870
	1,408,596
Long-term borrowings/funding:-	
Interest-bearing	
- Recourse obligation on loans sold to Cagamas	443,204
Profit-bearing	
- Recourse obligation on financing sold to Cagamas	1,347,248
- Structured Covered Sukuk Murabahah	2,442,716
	4,233,168
Total borrowings/funding	5,641,764

There has been no default or any known event that could give rise to a default on payments of either interest and/or principal sum in relation to any of the MBSB Group's borrowings for the past one (1) financial year preceding the LPD, and the subsequent financial period up to the LPD.

9.3 Contingent liabilities

Save as disclosed below, as at the LPD, there are no other material contingent liabilities incurred or known to be incurred by MBSB Group, which upon becoming enforceable, may have a material impact on the profit or NA of MBSB Group:-

	RM'000
Financial guarantees ^(a)	91,199

Note:-

(a) 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.

9.4 Material capital commitments

Save as disclosed below, as at the LPD, there are no other material commitments incurred or known to be incurred by MBSB Group, which upon becoming enforceable, may have a material impact on the profit or NA of MBSB Group:-

	RM'000
Loan commitments not yet recognised in the financial statements:-	
- End finance	192,761
- Islamic properties financing	161,956
- Islamic personal financing	923
- Islamic auto financing	253
- Auto finance	200
- Bridging, structured and term loans	4,479,028
Property development:-	
- Approved and contracted for	421,528
Property, plant and equipment:-	
- Approved and contracted for	177,645
- Approved but not contracted for	9,095
Total	5,443,389

The above capital commitments will be funded by internally-generated funds, proceeds from the Rights Issue (only for the loan commitments approved for which is in relation to the expansion of the financing business) and/or bank borrowings.

10. INSTRUCTIONS FOR ACCEPTANCE, SALE OR TRANSFER, EXCESS APPLICATION AND PAYMENT

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES, EXCESS APPLICATION AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR YOUR RENOUNCEE(S)/TRANFEREE(S) (IF APPLICABLE) WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR/THEIR ENTITLEMENTS ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEE(S)/TRANFEREE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY. IN ACCORDANCE WITH THE CMSA, THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS ABRIDGED PROSPECTUS.

10.1 General

The Provisional Rights Shares are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in such Provisional Rights Shares will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renounee(s)/transferee(s) are required to have valid and subsisting CDS Account when making application to subscribe for the Rights Shares.

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Rights Shares, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue (fractional allotment, if any, shall be dealt with in such manner as the Board shall at its sole and absolute discretion deems fit or expedient and in the best interest of MBSB). You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Rights Shares into your CDS Account and a RSF to enable you to subscribe for the Provisional Rights Shares, as well as to apply for any Excess Rights Shares if you choose to do so.

10.2 Last date and time for acceptance and payment

The last date and time for acceptance of and payment for the Rights Shares is on **Wednesday, 13 July 2016 at 5.00 p.m.**, or such other later date and time as the Board at its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar.

10.3 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Rights Shares must be made on the RSF, a copy which is issued with this Abridged Prospectus, and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances and/or payments which do not strictly conform to the terms and conditions of this Abridged Prospectus or the RSF together with notes and instructions printed therein or which are illegible may not be accepted at the absolute discretion of the Board.

If you wish to accept your entitlement to the Provisional Rights Shares, either in full or in part, please complete Parts I(a) and II of the RSF in accordance with the notes and instructions contained in the RSF. Thereafter, please send each completed and signed RSF with the appropriate remittance either by ORDINARY POST, COURIER or DELIVERED BY HAND by using the reply envelope enclosed with this Abridged Prospectus (at your own risk) to the Share Registrar at either of the following addresses:

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel: 03-2783 9299

or **Customer Service Centre**
Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur

not later than Wednesday, 13 July 2016 at 5.00 p.m., being the last date and time for acceptance and payment, or such later date and time as the Board at its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time.

One (1) RSF can only be used for acceptance of the Provisional Rights Shares standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for the acceptance of the Provisional Rights Shares standing to the credit of more than one (1) CDS Account(s). If successful, the Rights Shares subscribed for will be credited into your respective CDS Account(s) where the Provisional Rights Shares are standing to the credit, in accordance with the procedures as set out in the RSF.

A reply envelope is enclosed in the Abridged Prospectus. In order to facilitate the processing of the RSF by the Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

If you do not wish to accept the Provisional Rights Shares in full, you are entitled to accept part of your entitlements that can be subscribed/applied for. You should take note that a trading board lot for the Rights Shares comprises of one hundred (100) Rights Shares. The minimum number of Rights Share that can be subscribed for or acceptance is one (1) Rights Share. Fractions of the Rights Shares, if any, will be disregarded, and shall be dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of MBSB.

If acceptance and payment for the Provisional Rights Shares (whether in full or in part, as the case may be) are received by the Share Registrar later than **Wednesday 13 July 2016 at 5.00 p.m.**, being the last date and time for acceptance and payment, or such later date and time as may be determined and announced by the Board at their absolute discretion, not less than two (2) Market Days before the stipulated date and time, the said Provisional Rights Shares will be deemed to have been declined and will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar. In the event that the Rights Shares are not fully taken up by such applicants, the Board will then have the right to allot such securities to applicants who have applied for Excess Application in the manner as set out in Section 10.5 of this Abridged Prospectus.

If you or your renounee(s)/transferee(s) lose, misplace or for any other reasons require another copy of this Abridged Prospectus or the RSF, you may obtain additional copies from the following:

- (a) Bursa Securities' website at the following address:
<http://www.bursamalaysia.com>;
- (b) the Share Registrar at either of the following addresses:
- | | | |
|---|----|--------------------------------|
| Tricor Investor & Issuing House Services Sdn Bhd | or | Customer Service Centre |
| Unit 32-01, Level 32, Tower A | | Unit G-3, Ground Floor |
| Vertical Business Suite | | Vertical Podium |
| Avenue 3, Bangsar South | | Avenue 3, Bangsar South |
| No. 8, Jalan Kerinchi | | No.8, Jalan Kerinchi |
| 59200 Kuala Lumpur | | 59200 Kuala Lumpur; |
| Tel: 03-2783 9299 | | |
- (c) the registered office of MBSB at:
11th Floor, Wisma MBSB
48, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2096 3000; or
- (d) participating organisations pursuant to paragraph 6.27 of the Listing Requirements.

Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights Shares accepted in the form of banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia and must be made payable to "MBSB RIGHTS SHARES ACCOUNT", crossed "A/C PAYEE ONLY" and endorsed on the reverse side with your name and CDS Account number so as to be received by the Share Registrar not later than the last date and time for acceptance and payment as set out in the cover page of this Abridged Prospectus. The remittance must be made in the exact amount payable for the Provisional Rights Shares accepted (rounded up to the nearest sen). Cheques or any other mode(s) of payment are not acceptable.

Applications accompanied by payments other than in the manner stated above or with excess or insufficient remittances may or may not be accepted at the absolute discretion of the Board. Details of the remittances must be filled in the appropriate boxes provided in the RSF.

The Board reserves the right not to accept any application or to accept in part only any application accompanied by payment other than in the manner prescribed herein or which is otherwise howsoever incomplete or not in order, without assigning any reason thereof.

NO ACKNOWLEDGEMENT OF THE RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY MBSB OR THE SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARE(S) AND NOTICE(S) OF ALLOTMENT WILL BE DESPATCHED BY ORDINARY POST TO THE ADDRESS AS SHOWN IN THE RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES LODGED WITH THE SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

APPLICATION SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

IN RESPECT OF UNSUCCESSFUL OR LATE APPLICATIONS OR PARTIALLY SUCCESSFUL APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS AT YOUR OWN RISK.

10.4 Procedures for sale and/or transfer of the Provisional Rights Shares

The Provisional Rights Shares are renounceable and will be traded on Bursa Securities commencing from **Monday, 27 June 2016** up to and including **Friday, 1 July 2016**. As such, you and/or your renounee(s)/transferee(s) may sell and/or transfer all or part of your/their entitlements to the Rights Shares.

As the Provisional Rights Shares are prescribed securities, you and/or your renounee(s)/transferee(s) who wish to dispose of all or part of your entitlements to the Rights Shares may do so immediately through your/their stockbroker for the period up to the last day of trading of the Provisional Rights Shares on **Friday, 1 July 2016**, without first having to request for a split of the Provisional Rights Shares standing to the credit of your/their CDS Accounts.

To dispose of all or part of your provisional entitlements to the Rights Shares, you and/or your renounee(s)/transferee(s) may sell such entitlements on the open market of Bursa Securities or transfer such entitlements to such persons as may be allowed pursuant to the Rules of Bursa Depository.

IN SELLING AND/OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL RIGHTS SHARES, YOU AND/OR YOUR RENOUNCEE(S)/TRANSFEREE(S) NEED NOT DELIVER ANY DOCUMENT (INCLUDING THE RSF), TO THE STOCKBROKER. HOWEVER, YOU AND/OR YOUR RENOUNCEE(S)/TRANSFEREE(S) MUST ENSURE THAT YOU HAVE SUFFICIENT PROVISIONAL RIGHTS SHARES STANDING TO THE CREDIT OF YOUR CDS ACCOUNTS THAT ARE AVAILABLE FOR SETTLEMENT OF THE SALE AND/OR TRANSFER.

If you and/or your renounee(s)/transferee(s) have disposed of and/or transferred only part of your/their entitlements of the Rights Shares, you/they may still accept the balance of your/their entitlements of the Rights Shares by completing Parts I(a) and II of the RSF and forwarding the RSF together with the relevant payment for the balance of your/their entitlements to the Share Registrar in accordance with the instructions as set out in Section 10.3 of this Abridged Prospectus.

IF YOU AND/OR YOUR RENOUNCEE(S)/TRANSFEREE(S) SELL AND/OR TRANSFER ALL OR PART OF YOUR/THEIR PROVISIONAL RIGHTS SHARES, YOU OR THEY WILL AUTOMATICALLY BE DISPOSING YOUR/THEIR ENTITLEMENTS TO THE PROVISIONAL RIGHTS SHARES.

YOU AND/OR YOUR RENOUNCEE(S)/TRANSFEREE(S) ARE ADVISED TO READ AND ADHERE TO THE RSF TOGETHER WITH THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

Purchaser(s) of the Provisional Rights Shares may obtain a copy of this Abridged Prospectus and the RSF from the following:-

- (a) Bursa Securities' website at the following address:
<http://www.bursamalaysia.com>;
- (b) the Share Registrar at either of the following addresses:
Tricor Investor & Issuing House Services Sdn Bhd or **Customer Service Centre**
Unit 32-01, Level 32, Tower A Unit G-3, Ground Floor
Vertical Business Suite Vertical Podium
Avenue 3, Bangsar South Avenue 3, Bangsar South
No. 8, Jalan Kerinchi No.8, Jalan Kerinchi
59200 Kuala Lumpur 59200 Kuala Lumpur;
Tel: 03-2783 9299
- (c) the registered office of MBSB at:
11th Floor, Wisma MBSB
48, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2096 3000; or
- (d) participating organisations pursuant to paragraph 6.27 of the Listing Requirements.

10.5 Procedures for Excess Application

If you and/or your renounee(s)/transferee(s) wish to apply for additional Rights Shares in excess of those provisionally allotted to you, you may do so by completing Part I(b) of the RSF (in addition to Parts I(a) and II of the RSF) and forwarding it with a **separate remittance** for the full amount payable in respect of the Excess Rights Shares applied for, to the Share Registrar at either of the following addresses:

Tricor Investor & Issuing House Services Sdn Bhd or **Customer Service Centre**
Unit 32-01, Level 32, Tower A Unit G-3, Ground Floor
Vertical Business Suite Vertical Podium
Avenue 3, Bangsar South Avenue 3, Bangsar South
No. 8, Jalan Kerinchi No.8, Jalan Kerinchi
59200 Kuala Lumpur 59200 Kuala Lumpur
Tel: 03-2783 9299

not later than 13 July 2016 at 5.00 p.m., being the last date and time for Excess Application and payment, or such later date and time as the Board at its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time.

Payment under the Excess Application should be made in the same manner described in Section 10.3 of this Abridged Prospectus and in the form of banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia made payable to "**MBSB EXCESS RIGHTS SHARES ACCOUNT**", crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and CDS Account number so as to be received by the Share Registrar not later than the last date and time for the Excess Application and payment as set out in the cover page of the Abridged Prospectus. Cheques or any other mode(s) of payment are not acceptable.

It is the intention of the Board to allot the Excess Rights Shares, if any, in a fair and equitable manner in the following priority:-

- (a) Firstly, to minimise the incidence of odd lots;
- (b) Secondly, for allocation to Entitled Shareholders who have applied for the Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on their respective shareholdings as per their CDS Accounts as at the Entitlement Date;
- (c) Thirdly, for allocation to Entitled Shareholders who have applied for the Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights Shares applied for; and
- (d) Finally, for allocation to renounee(s) and/or transferee(s) who have applied for the Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights Shares applied for.

Nevertheless, the Board reserves the right to allot any Excess Rights Shares applied under Part I(b) of the RSF in such manner as the Board deems fit and expedient in the best interest of MBSB subject always to such allocation being made on a fair and equitable basis and that the intention of the Board as set out in Section **10.5 (a) to (d)** above is achieved.

NO ACKNOWLEDGEMENT OF THE RECEIPT OF THE RSF FOR THE EXCESS APPLICATION OR APPLICATION MONIES WILL BE ISSUED BY MBSB OR THE SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARE(S) AND NOTICE(S) OF ALLOTMENT WILL BE DESPATCHED BY ORDINARY POST TO THE APPLICANTS AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE AND TIME FOR THE EXCESS APPLICATION AND PAYMENT.

IN RESPECT OF UNSUCCESSFUL OR LATE APPLICATIONS OR PARTIALLY SUCCESSFUL EXCESS APPLICATION, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE AND TIME FOR THE EXCESS APPLICATION AND PAYMENT BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS AT YOUR OWN RISK.

10.6 Procedures for acceptance by renounee(s)/transferee(s)

The procedures applicable to renounee(s)/transferee(s) for the acceptance and payment for selling/transferring of the Provisional Rights Shares and the application and payment for the Excess Rights Shares are the same as those which are applicable to the Entitled Shareholders as described in Sections 10.2, 10.3, 10.4 10.5 and 10.8 of this Abridged Prospectus. Please refer to the relevant Sections for the procedures to be followed.

You may obtain additional copies of this Abridged Prospectus and/or the RSF from the following:

- (a) Bursa Securities' website at the following address:
<http://www.bursamalaysia.com>;
- (b) the Share Registrar at either of the following addresses:
Tricor Investor & Issuing House Services Sdn Bhd or **Customer Service Centre**
Unit 32-01, Level 32, Tower A Unit G-3, Ground Floor
Vertical Business Suite Vertical Podium
Avenue 3, Bangsar South Avenue 3, Bangsar South
No. 8, Jalan Kerinchi No.8, Jalan Kerinchi
59200 Kuala Lumpur 59200 Kuala Lumpur;
Tel: 03-2783 9299
- (c) the registered office of MBSB at:
11th Floor, Wisma MBSB
48, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2096 3000; or
- (d) participating organisations pursuant to paragraph 6.27 of the Listing Requirements.

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10.7 Form of issuance

Bursa Securities has already prescribed the MBSB Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares are prescribed securities and as such, the SICDA and the Rules of Bursa Depository shall apply to the dealings of the Rights Shares.

You are required to have valid and subsisting CDS Account in order to subscribe for the Rights Shares.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. No physical share certificates shall be issued to you under the Rights Issue. Instead, the Rights Shares will be credited directly into your CDS Account.

Any person who intends to subscribe for the Rights Shares as renounee(s)/transferee(s) by purchasing the Provisional Rights Shares from an Entitled Shareholder will have his/its Rights Shares credited directly as prescribed securities into his/its CDS Account.

If you have multiple CDS Accounts into which the Provisional Rights Shares have been credited, you cannot use a single RSF to apply for all these Provisional Rights Shares. Separate RSF must be used if you have more than one (1) CDS Account having been credited with the Provisional Rights Shares. If successful, the Rights Shares that you applied for will be credited into the respective CDS Accounts into which the Provisional Rights Shares have been credited.

10.8 Laws of foreign jurisdiction

The Documents have not been and will not be made to comply with the laws of any foreign jurisdiction and have not been and will not be lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) for subscription of any foreign jurisdiction other than Malaysia. The Rights Issue will not be made or offered for subscription in any foreign jurisdiction other than Malaysia.

Accordingly, the Documents will not be despatched to the Foreign Entitled Shareholder(s) and/or their renounee(s)/transferee(s) who do not have a registered address in Malaysia as stated in the Record of Depositors on the Entitlement Date. However, you may collect this Abridged Prospectus and the accompanying documents from the Share Registrar, in which event the Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the aforesaid documents.

The Foreign Entitled Shareholder(s) and/or their renounee(s)/transferee(s) may accept or renounce (as the case may be) all or part of their entitlements and exercise any other rights in respect of the Rights Issue only to the extent that he/it would be lawful to do so.

The Joint Advisers, the Share Registrar, MBSB, Directors, officers and other advisers (“collectively known as “Parties”) would not, in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which the Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) are or may be subject to. Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. The Parties shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

The Foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) will be responsible for payment of any issue or transfer fees or costs, or any other taxes or requisite payments due in such jurisdiction and the Parties shall be entitled to be fully indemnified and held harmless by such Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) for any issue, transfer or any other taxes or duties as such person may be required to pay. They will have no claims whatsoever against the Parties in respect of their rights, entitlements or any net proceeds arising from the Rights Issue. Such Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal or regulatory requirements to enable them to exercise their rights in relation to the Rights Issue.

MBSB reserves the right, in its absolute discretion, to treat any acceptance as invalid, if it believes or has reason to believe that such acceptance may violate any applicable legal or regulatory requirements. The Provisional Rights Shares relating to any acceptance which is treated as invalid will be included in the pool of Excess Rights Shares available for Excess Application by the other Entitled Shareholders and/or their renouncee(s)/transferee(s).

Any payment made in respect of any RSF that does not meet the foregoing criteria will be returned without interest by ordinary post to the address as shown in the Record of Depositors at his/its own risk within fifteen (15) Market Days from the last date for the acceptance and payment of Rights Shares.

By signing the RSF, the Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) the Parties that:-

- (a) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction which the Foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) are or may be subject to;
- (b) the Foreign Entitled Shareholder(s) and or their renouncee(s)/transferee(s) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the Provisional Rights Shares;
- (c) the Foreign Entitled Shareholder(s) and or their renouncee(s)/transferee(s) are not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance or renunciation of the Provisional Rights Shares, be in breach of the laws of any jurisdiction which that person is or may be subject to;

- (d) the Foreign Entitled Shareholder(s) and or their renounee(s)/transferee(s) are aware that the Provisional Rights Shares can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged or dealt with in any way in accordance with all applicable laws in Malaysia;
- (e) the Foreign Entitled Shareholder(s) and or their renounee(s)/transferee(s) have respectively received a copy of this Abridged Prospectus and have read and understood the contents of this Abridged Prospectus and relied on their own evaluation to assess the merits and risks of the investment; and
- (f) the Foreign Entitled Shareholder(s) and or their renounee(s)/transferee(s) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Rights Shares, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the Rights Issue, offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or other relevant laws or regulations. If the Documents are received by any person in such jurisdictions, or by the agent or nominee of such a person, he/it must not seek to accept the offer unless he/it has complied with and observed the laws of the relevant jurisdiction.

Any person who does forward the Documents to any foreign jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Section and MBSB reserves the right to reject a purported acceptance of the Rights Shares from any application by Foreign Entitled Shareholders and/or their renounee(s)/transferee(s) in any jurisdiction other than Malaysia.

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11. TERMS AND CONDITIONS

The issue of the Rights Shares pursuant to the Rights Issue is governed by the terms and conditions set out in the Documents.

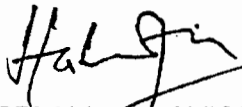
12. FURTHER INFORMATION

Please refer to the attached Appendices for further information.

Yours faithfully

For and on behalf of the Board of

MALAYSIA BUILDING SOCIETY BERHAD



TAN SRI ABDUL HALIM BIN ALI
Chairman

APPENDIX I CERTIFIED TRUE COPY OF THE EXTRACT OF THE ORDINARY RESOLUTION IN RESPECT OF THE RIGHTS ISSUE PASSED AT THE EGM HELD ON 5 MAY 2016

**MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
(Incorporated in Malaysia)**

Extract Minutes of the Extraordinary General Meeting of Malaysia Building Society Berhad (9417-K) held at Grand Nexus, Level 3A, Connexion@Nexus, No 7 Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur on Thursday, 5 May 2016 at 1.00 p.m.

PROPOSED RENOUNCEABLE TWO-CALL RIGHTS ISSUE OF NEW ORDINARY SHARES OF RM1.00 EACH IN MBSB ("MBSB SHARES") ("RIGHTS SHARES") TO RAISE GROSS PROCEEDS OF UP TO RM2.00 BILLION ("PROPOSED RIGHTS ISSUE")

The Company Secretary announced the poll results in respect of the Ordinary Resolution which was carried as follows:-

Resolution	Votes For		Vote Against		Total Votes Present & Voted	
	Share/Unit	%	Share/Unit	%	Share/Unit	%
Ordinary Resolution	1,917,218,644	99.771	4,398,131	0.229	1,921,616,775	100

Tan Sri Chairman declared that the Ordinary Resolution was duly passed as follows:-

"THAT subject to the approvals of all relevant regulatory authorities being obtained (if required), the Board of Directors of MBSB ("**Board**") be and is hereby authorised to provisionally allot by way of a renounceable two-call rights issue of such number of new MBSB Shares to raise gross proceeds of up to RM2.00 billion, of which the first call will be payable in cash on application and the second call will be capitalised from the Company's share premium and/or retained earnings account, at an issue price and entitlement basis to be determined and announced by the Board, to the shareholders of MBSB ("**Shareholders**") whose names appear in the Record of Depositors of MBSB at 5.00 p.m. on an entitlement date to be determined and announced later by the Board ("**Entitled Shareholders**");

THAT fractional entitlements of the Rights Shares, if any, arising from the Proposed Rights Issue shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient and in the best interest of the Company;

THAT any Rights Shares which are not taken up or are not validly taken up or which are not allotted for any reason whatsoever shall first be made available for excess applications by the other Entitled Shareholders and/or their renounee(s) in a fair and equitable manner on a basis to be determined by the Board;

THAT the proceeds of the Proposed Rights Issue be utilised for the purposes as set out in Section 2.8 of the Circular to the Shareholders dated 20 April 2016, and the Board be authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject to the approval of the relevant authorities, where required;

THAT the Rights Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing MBSB Shares, save and except that the Rights Shares will not be entitled to any dividend, right, allotment and/or other distribution, the entitlement date of which is prior to the date of allotment of the Rights Shares;

AND THAT the Board be and is hereby authorised to:-

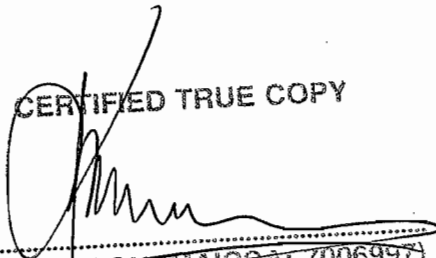
- (a) capitalise from the Company's share premium and/or retained earnings towards paying in full the second call of the Rights Shares pursuant to the Proposed Rights Issue;

APPENDIX I CERTIFIED TRUE COPY OF THE EXTRACT OF THE ORDINARY RESOLUTION IN RESPECT OF THE RIGHTS ISSUE PASSED AT THE EGM HELD ON 5 MAY 2016 (CONT'D)

Extraordinary General Meeting of Malaysia Building Society Berhad (9417-K) held on Thursday, 5 May 2016 at 1.00 p.m.

- (b) enter into any underwriting agreement(s) for the underwriting of any part of the open portion of the Rights Shares and all other documents, agreements and/or arrangements in connection with the underwriting of the Rights Shares with such parties and upon such terms and conditions as the Board may deem fit; and
- (c) do all acts, deeds and things and execute, sign, deliver and cause to be delivered on behalf of MBSB all such transactions, arrangements, agreements and/or documents as may be necessary or expedient in order to implement, give effect to and complete the Proposed Rights Issue with full powers to assent to any condition, modification, variation and/or amendment to the terms of the Proposed Rights Issue as the Board may deem fit, necessary and/or expedient in the interest of the Company or as may be imposed by any relevant authority or consequent upon the implementation of the said conditions, modifications, variations and/or amendments and to take all steps as it considers necessary in connection with the Proposed Rights Issue.”

CERTIFIED TRUE COPY



KOH AL HOON (MAICSA: 7006997)
COMPANY SECRETARY
13 JUN 2016

APPENDIX II INFORMATION ON MBSB**1. HISTORY OF THE BUSINESS AND PRINCIPAL ACTIVITIES**

MBSB was incorporated in Malaysia under the Act on 17 March 1970. By way of a scheme of arrangement, the business undertakings and operations of Malaya Borneo Building Society Limited (“MBBSL”) in Peninsular Malaysia were transferred to MBSB effective from 1 March 1972. Following this scheme of arrangement, MBBSL became MBSB’s wholly-owned subsidiary. MBSB was subsequently listed on the Kuala Lumpur Stock Exchange (now known as Bursa Securities) on 14 March 1972. EPF is currently its holding company.

MBSB is principally engaged in investment holding, money market activities, provision of financing, advancing and financial guarantees on a secured and unsecured basis, which includes Islamic financing, and other related financial services.

Further details of the principal activities of the subsidiaries of MBSB are disclosed in Section 5 of this Appendix.

2. SHARE CAPITAL AND MOVEMENTS IN SHARE CAPITAL

The authorised, issued and paid-up share capital of MBSB as at the LPD are as follows:-

Type	No. of MBSB Shares '000	Par Value RM	RM'000
Authorised	10,000,000	1.00	10,000,000
Issued and paid-up	2,847,246	1.00	2,847,246

For information only, 1,972,327 MBSB Shares were allotted subsequent to the LPD up to 9 June 2016 pursuant to the exercise of the Warrants which had expired on 31 May 2016, and 50,168,876 DRP Shares have been allotted and subsequently listed on Bursa Securities on 17 June 2016.

Save for the 20,691,870 ESOS Options, MBSB does not have any other convertible securities as at the LPD.

The changes in the issued and paid-up ordinary share capital of MBSB for the last three (3) years and up to the LPD, are as follows:-

Date of Allotment	No. of MBSB Shares Allotted^(a)	Consideration Given	Type of Issue	Cumulative Issued and Paid-up
7.01.2013	2,142	RM1.00	Exercise of Warrants	RM1,240,363,024
7.01.2013	26,000	RM1.17	Exercise of ESOS Options	RM1,240,389,024
11.01.2013	36,320	RM1.17	Exercise of ESOS Options	RM1,240,425,344
21.01.2013	107,700	RM1.17	Exercise of ESOS Options	RM1,240,533,044
08.02.2013	79,500	RM1.00	Exercise of Warrants	RM1,240,612,544
15.02.2013	92,296	RM1.17	Exercise of ESOS Options	RM1,240,704,840
15.02.2013	6,821,200	RM1.00	Exercise of Warrants	RM1,247,526,040
15.02.2013	80,934	RM1.17	Exercise of ESOS Options	RM1,247,606,974

APPENDIX II INFORMATION ON MBSB (CONT'D)

Date of Allotment	No. of MBSB Shares Allotted^(a)	Consideration Given	Type of Issue	Cumulative Issued and Paid-up
19.02.2013	2,768,100	RM1.00	Exercise of Warrants	RM1,250,375,074
20.02.2013	42,951	RM1.17	Exercise of ESOS Options	RM1,250,418,025
21.02.2013	3,428,014	RM1.00	Exercise of Warrants	RM1,253,846,039
22.02.2013	5,100	RM1.17	Exercise of ESOS Options	RM1,253,851,139
25.02.2013	1,195,300	RM1.00	Exercise of Warrants	RM1,255,046,439
27.02.2013	186,736	RM1.17	Exercise of ESOS Options	RM1,255,233,175
01.03.2013	2,863,685	RM1.00	Exercise of Warrants	RM1,258,096,860
01.03.2013	96,480	RM1.17	Exercise of ESOS Options	RM1,258,193,340
05.03.2013	2,175,100	RM1.00	Exercise of Warrants	RM1,260,368,440
08.03.2013	972,200	RM1.00	Exercise of Warrants	RM1,261,340,640
08.03.2013	137,880	RM1.17	Exercise of ESOS Options	RM1,261,478,520
08.03.2013	27,400	RM2.33	Exercise of ESOS Options	RM1,261,505,920
11.03.2013	343,000	RM1.00	Exercise of Warrants	RM1,261,848,920
11.03.2013	1,089,200	RM1.00	Exercise of Warrants	RM1,262,938,120
11.03.2013	42,547	RM1.17	Exercise of ESOS Options	RM1,262,980,667
11.03.2013	15,000	RM2.33	Exercise of ESOS Options	RM1,262,995,667
13.03.2013	982,600	RM1.67	Exercise of ESOS Options	RM1,263,978,267
13.03.2013	41,592	RM1.17	Exercise of ESOS Options	RM1,264,019,859
13.03.2013	37,420	RM2.33	Exercise of ESOS Options	RM1,264,057,279
14.03.2013	119,513	RM1.17	Exercise of ESOS Options	RM1,264,176,792
14.03.2013	351,200	RM1.67	Exercise of ESOS Options	RM1,264,527,992
14.03.2013	4,033	RM2.33	Exercise of ESOS Options	RM1,264,532,025
15.03.2013	105,651	RM1.17	Exercise of ESOS Options	RM1,264,637,676
15.03.2013	252,750	RM1.67	Exercise of ESOS Options	RM1,264,890,426
15.03.2013	89,989	RM2.33	Exercise of ESOS Options	RM1,264,980,415
15.03.2013	6,769,556	RM1.00	Exercise of Warrants	RM1,271,749,971
19.03.2013	1,784,000	RM1.00	Exercise of Warrants	RM1,273,533,971
19.03.2013	131,050	RM1.67	Exercise of ESOS Options	RM1,273,665,021
19.03.2013	219,900	RM2.33	Exercise of ESOS Options	RM1,273,884,921
19.03.2013	73,122	RM1.17	Exercise of ESOS Options	RM1,273,958,043
20.03.2013	4,644,200	RM1.00	Exercise of Warrants	RM1,278,602,243
22.03.2013	276,900	RM1.67	Exercise of ESOS Options	RM1,278,879,143
22.03.2013	31,608	RM2.33	Exercise of ESOS Options	RM1,278,910,751
22.03.2013	29,950	RM1.17	Exercise of ESOS Options	RM1,278,940,701
26.03.2013	332,649,994	RM1.00	Exercise of Warrants	RM1,611,590,695
26.03.2013	56,415	RM1.17	Exercise of ESOS Options	RM1,611,647,110

APPENDIX II INFORMATION ON MBSB (CONT'D)

Date of Allotment	No. of MBSB Shares Allotted^(a)	Consideration Given	Type of Issue	Cumulative Issued and Paid-up
26.03.2013	73,850	RM1.67	Exercise of ESOS Options	RM1,611,720,960
26.03.2013	73,366	RM2.33	Exercise of ESOS Options	RM1,611,794,326
27.03.2013	12,200	RM1.17	Exercise of ESOS Options	RM1,611,806,526
27.03.2013	33,050	RM1.67	Exercise of ESOS Options	RM1,611,839,576
27.03.2013	111,520	RM2.33	Exercise of ESOS Options	RM1,611,951,096
28.03.2013	2,190,100	RM1.00	Exercise of Warrants	RM1,614,141,196
29.03.2013	23,320	RM1.17	Exercise of ESOS Options	RM1,614,164,516
29.03.2013	40,750	RM1.67	Exercise of ESOS Options	RM1,614,205,266
29.03.2013	44,620	RM2.33	Exercise of ESOS Options	RM1,614,249,886
04.04.2013	1,231,000	RM1.00	Exercise of Warrants	RM1,615,480,886
05.04.2013	19,776	RM1.17	Exercise of ESOS Options	RM1,615,500,662
05.04.2013	131,450	RM1.67	Exercise of ESOS Options	RM1,615,632,112
05.04.2013	18,300	RM2.33	Exercise of ESOS Options	RM1,615,650,412
09.04.2013	512,400	RM1.00	Exercise of Warrants	RM1,616,162,812
10.04.2013	70,939	RM1.17	Exercise of ESOS Options	RM1,616,233,751
10.04.2013	26,500	RM1.67	Exercise of ESOS Options	RM1,616,260,251
10.04.2013	44,100	RM2.33	Exercise of ESOS Options	RM1,616,304,351
12.04.2013	811,300	RM1.00	Exercise of Warrants	RM1,617,115,651
16.04.2013	40,300	RM2.33	Exercise of ESOS Options	RM1,617,155,951
19.04.2013	54,000	RM1.17	Exercise of ESOS Options	RM1,617,209,951
19.04.2013	24,000	RM1.67	Exercise of ESOS Options	RM1,617,233,951
19.04.2013	35,740	RM2.33	Exercise of ESOS Options	RM1,617,269,691
19.04.2013	445,600	RM1.00	Exercise of Warrants	RM1,617,715,291
24.04.2013	1,654,557	RM1.00	Exercise of Warrants	RM1,619,369,848
26.04.2013	36,892	RM1.17	Exercise of ESOS Options	RM1,619,406,740
26.04.2013	7,784	RM1.67	Exercise of ESOS Options	RM1,619,414,524
26.04.2013	44,200	RM2.33	Exercise of ESOS Options	RM1,619,458,724
26.04.2013	12,642,513	RM1.00	Exercise of Warrants	RM1,632,101,237
29.04.2013	988,100	RM1.00	Exercise of Warrants	RM1,633,089,337
29.04.2013	48,480	RM1.17	Exercise of ESOS Options	RM1,633,137,817
29.04.2013	43,250	RM1.67	Exercise of ESOS Options	RM1,633,181,067
29.04.2013	904,112	RM2.33	Exercise of ESOS Options	RM1,634,085,179
30.04.2013	1,816,199	RM1.00	Exercise of Warrants	RM1,635,901,378
03.05.2013	42,077	RM1.17	Exercise of ESOS Options	RM1,635,943,455
03.05.2013	27,450	RM1.67	Exercise of ESOS Options	RM1,635,970,905
03.05.2013	3,420,628	RM1.00	Exercise of Warrants	RM1,639,391,533

APPENDIX II INFORMATION ON MBSB (CONT'D)

Date of Allotment	No. of MBSB Shares Allotted^(a)	Consideration Given	Type of Issue	Cumulative Issued and Paid-up
06.05.2013	482,093	RM2.33	Exercise of ESOS Options	RM1,639,873,626
06.05.2013	1,768,100	RM1.00	Exercise of Warrants	RM1,641,641,726
06.05.2013	42,200	RM1.67	Exercise of ESOS Options	RM1,641,683,926
07.05.2013	87,238,284	RM1.00	Exercise of Warrants	RM1,728,922,210
08.05.2013	1,464,519	RM2.33	Exercise of ESOS Options	RM1,730,386,729
08.05.2013	108,500	RM2.33	Exercise of ESOS Options	RM1,730,495,229
08.05.2013	100,016	RM2.33	Exercise of ESOS Options	RM1,730,595,245
08.05.2013	41,400	RM2.33	Exercise of ESOS Options	RM1,730,636,645
10.05.2013	1,670,400	RM1.00	Exercise of Warrants	RM1,732,307,045
13.05.2013	63,600	RM2.33	Exercise of ESOS Options	RM1,732,370,645
14.05.2013	281,000	RM1.00	Exercise of Warrants	RM1,732,651,645
15.05.2013	12,714	RM1.00	Exercise of Warrants	RM1,732,664,359
17.05.2013	34,300	RM2.33	Exercise of ESOS Options	RM1,732,698,659
17.05.2013	6,250	RM1.67	Exercise of ESOS Options	RM1,732,704,909
27.05.2013	1,124,309	RM2.33	Exercise of ESOS Options	RM1,733,829,218
28.05.2013	5,500	RM1.00	Exercise of Warrants	RM1,733,834,718
28.05.2013	294,708	RM2.33	Exercise of ESOS Options	RM1,734,129,426
31.05.2013	40,000	RM1.67	Exercise of ESOS Options	RM1,734,169,426
31.05.2013	31,300	RM2.33	Exercise of ESOS Options	RM1,734,200,726
03.06.2013	879	RM1.00	Exercise of Warrants	RM1,734,201,605
03.06.2013	13,200	RM1.67	Exercise of ESOS Options	RM1,734,214,805
03.06.2013	551,291	RM2.33	Exercise of ESOS Options	RM1,734,766,096
05.06.2013	119,300	RM2.33	Exercise of ESOS Options	RM1,734,885,396
11.06.2013	364,649	RM2.33	Exercise of ESOS Options	RM1,735,250,045
11.06.2013	1,000	RM1.00	Exercise of Warrants	RM1,735,251,045
12.06.2013	95,528	RM2.33	Exercise of ESOS Options	RM1,735,346,573
18.06.2013	39,200	RM1.17	Exercise of ESOS Options	RM1,735,385,773
18.06.2013	7,900	RM1.67	Exercise of ESOS Options	RM1,735,393,673
18.06.2013	99,625	RM2.33	Exercise of ESOS Options	RM1,735,493,298
25.06.2013	275,836	RM2.33	Exercise of ESOS Options	RM1,735,769,134
26.06.2013	1,500	RM1.00	Exercise of Warrants	RM1,735,770,634
28.06.2013	331,042	RM2.33	Exercise of ESOS Options	RM1,736,101,676
02.07.2013	4,000	RM1.67	Exercise of ESOS Options	RM1,736,105,676
02.07.2013	130,340	RM2.33	Exercise of ESOS Options	RM1,736,236,016
04.07.2013	32,020	RM2.33	Exercise of ESOS Options	RM1,736,268,036
04.07.2013	8,000	RM1.67	Exercise of ESOS Options	RM1,736,276,036

APPENDIX II INFORMATION ON MBSB (CONT'D)

Date of Allotment	No. of MBSB Shares Allotted^(a)	Consideration Given	Type of Issue	Cumulative Issued and Paid-up
12.07.2013	78,596	RM2.33	Exercise of ESOS Options	RM1,736,354,632
12.07.2013	110,758	RM2.33	Exercise of ESOS Options	RM1,736,465,390
22.07.2013	21,000	RM1.00	Exercise of Warrants	RM1,736,486,390
24.07.2013	32,679	RM2.33	Exercise of ESOS Options	RM1,736,519,069
29.07.2013	143,780	RM2.33	Exercise of ESOS Options	RM1,736,662,849
31.07.2013	5,000	RM1.00	Exercise of Warrants	RM1,736,667,849
31.07.2013	12,300	RM1.17	Exercise of ESOS Options	RM1,736,680,149
31.07.2013	13,200	RM1.67	Exercise of ESOS Options	RM1,736,693,349
31.07.2013	78,658	RM2.33	Exercise of ESOS Options	RM1,736,772,007
05.08.2013	62,873	RM2.33	Exercise of ESOS Options	RM1,736,834,880
07.08.2013	13,400	RM2.33	Exercise of ESOS Options	RM1,736,848,280
16.08.2013	4,200	RM2.33	Exercise of ESOS Options	RM1,736,852,480
21.08.2013	20,000	RM1.67	Exercise of ESOS Options	RM1,736,872,480
21.08.2013	4,000	RM2.33	Exercise of ESOS Options	RM1,736,876,480
29.08.2013	68,116	RM2.33	Exercise of ESOS Options	RM1,736,944,596
13.09.2013	19,500	RM1.00	Exercise of Warrants	RM1,736,964,096
17.09.2013	521,016	RM1.17	Exercise of ESOS Options	RM1,737,485,112
19.09.2013	1,001,973	RM1.17	Exercise of ESOS Options	RM1,738,487,085
20.09.2013	464,158	RM1.17	Exercise of ESOS Options	RM1,738,951,243
23.09.2013	2,015,493	RM1.17	Exercise of ESOS Options	RM1,740,966,736
26.09.2013	1,131,412	RM1.17	Exercise of ESOS Options	RM1,742,098,148
01.10.2013	26,420	RM2.33	Exercise of ESOS Options	RM1,742,124,568
01.10.2013	984,991	RM1.17	Exercise of ESOS Options	RM1,743,109,559
09.10.2013	401,278	RM1.17	Exercise of ESOS Options	RM1,743,510,837
09.10.2013	13,000	RM1.67	Exercise of ESOS Options	RM1,743,523,837
09.10.2013	40,720	RM2.33	Exercise of ESOS Options	RM1,743,564,557
22.10.2013	237,358	RM1.17	Exercise of ESOS Options	RM1,743,801,915
22.10.2013	10,000	RM2.33	Exercise of ESOS Options	RM1,743,811,915
24.10.2013	20,000	RM1.00	Exercise of Warrants	RM1,743,831,915
29.10.2013	332,700	RM1.17	Exercise of ESOS Options	RM1,744,164,615
29.10.2013	49,420	RM2.33	Exercise of ESOS Options	RM1,744,214,035
29.10.2013	228,100	RM1.00	Exercise of Warrants	RM1,744,442,135
30.10.2013	471,300	RM1.00	Exercise of Warrants	RM1,744,913,435
31.10.2013	151,351	RM1.17	Exercise of ESOS Options	RM1,745,064,786
31.10.2013	6,000	RM2.33	Exercise of ESOS Options	RM1,745,070,786
31.10.2013	17,000	RM1.00	Exercise of Warrants	RM1,745,087,786

APPENDIX II INFORMATION ON MBSB (CONT'D)

Date of Allotment	No. of MBSB Shares Allotted^(a)	Consideration Given	Type of Issue	Cumulative Issued and Paid-up
01.11.2013	90,900	RM1.00	Exercise of Warrants	RM1,745,178,686
04.11.2013	67,000	RM1.00	Exercise of Warrants	RM1,745,245,686
07.11.2013	6,000	RM1.00	Exercise of Warrants	RM1,745,251,686
08.11.2013	36,332	RM1.17	Exercise of ESOS Options	RM1,745,288,018
19.11.2013	61,480	RM1.17	Exercise of ESOS Options	RM1,745,349,498
26.11.2013	7,500	RM1.17	Exercise of ESOS Options	RM1,745,356,998
04.12.2013	52,200	RM1.00	Exercise of Warrants	RM1,745,409,198
06.12.2013	40,000	RM1.17	Exercise of ESOS Options	RM1,745,449,198
09.12.2013	33,256	RM2.33	Exercise of ESOS Options	RM1,745,482,454
12.12.2013	122,960	RM1.17	Exercise of ESOS Options	RM1,745,605,414
16.12.2013	17,296	RM1.17	Exercise of ESOS Options	RM1,745,622,710
16.12.2013	11,358	RM2.33	Exercise of ESOS Options	RM1,745,634,068
16.12.2013	170,431	RM1.17	Exercise of ESOS Options	RM1,745,804,499
16.12.2013	48,000	RM1.67	Exercise of ESOS Options	RM1,745,852,499
18.12.2013	890,684	RM1.00	Exercise of Warrants	RM1,746,743,183
18.12.2013	317,573	RM2.33	Exercise of ESOS Options	RM1,747,060,756
18.12.2013	247,654	RM1.17	Exercise of ESOS Options	RM1,747,308,410
18.12.2013	512,299	RM1.00	Exercise of Warrants	RM1,747,820,709
18.12.2013	12,000	RM1.00	Exercise of Warrants	RM1,747,832,709
19.12.2013	26,000	RM2.33	Exercise of ESOS Options	RM1,747,858,709
31.12.2013	8,614	RM1.00	Exercise of Warrants	RM1,747,867,323
22.01.2014	1,100	RM1.00	Exercise of Warrants	RM1,747,868,423
28.01.2014	873,929,354	RM1.65	Issuance of new MBSB Shares pursuant to the rights issue in 2014	RM2,621,797,777
19.02.2014	1,161	RM1.00	Exercise of Warrants	RM2,621,798,938
05.03.2014	24,450	RM1.01	Exercise of ESOS Options	RM2,621,823,388
11.03.2014	90,035	RM1.01	Exercise of ESOS Options	RM2,621,913,423
11.03.2014	34,002	RM2.01	Exercise of ESOS Options	RM2,621,947,425
14.03.2014	118,549	RM1.44	Exercise of ESOS Options	RM2,622,065,974
19.03.2014	8,597	RM1.01	Exercise of ESOS Options	RM2,622,074,571
19.03.2014	486,939	RM1.44	Exercise of ESOS Options	RM2,622,561,510
19.03.2014	14,280	RM1.01	Exercise of ESOS Options	RM2,622,575,790
19.03.2014	230,882	RM1.44	Exercise of ESOS Options	RM2,622,806,672
25.03.2014	22,558	RM1.01	Exercise of ESOS Options	RM2,622,829,230
25.03.2014	25,202	RM2.01	Exercise of ESOS Options	RM2,622,854,432

APPENDIX II INFORMATION ON MBSB (CONT'D)

Date of Allotment	No. of MBSB Shares Allotted^(a)	Consideration Given	Type of Issue	Cumulative Issued and Paid-up
25.03.2014	239,142	RM1.44	Exercise of ESOS Options	RM2,623,093,574
03.04.2014	9,737	RM1.01	Exercise of ESOS Options	RM2,623,103,311
03.04.2014	95,522	RM1.44	Exercise of ESOS Options	RM2,623,198,833
04.04.2014	46,066	RM1.01	Exercise of ESOS Options	RM2,623,244,899
04.04.2014	144,646	RM1.44	Exercise of ESOS Options	RM2,623,389,545
11.04.2014	180,792	RM1.44	Exercise of ESOS Options	RM2,623,570,337
11.04.2014	22,880	RM1.01	Exercise of ESOS Options	RM2,623,593,217
16.04.2014	80,021	RM1.44	Exercise of ESOS Options	RM2,623,673,238
18.04.2014	113,653	RM1.01	Exercise of ESOS Options	RM2,623,786,891
18.04.2014	178,499	RM1.44	Exercise of ESOS Options	RM2,623,965,390
24.04.2014	80,161	RM1.00	Exercise of Warrants	RM2,624,045,551
24.04.2014	19,300	RM1.01	Exercise of ESOS Options	RM2,624,064,851
24.04.2014	46,164	RM1.44	Exercise of ESOS Options	RM2,624,111,015
24.04.2014	55,202	RM2.01	Exercise of ESOS Options	RM2,624,166,217
29.04.2014	58,842	RM1.01	Exercise of ESOS Options	RM2,624,225,059
29.04.2014	34,221	RM2.01	Exercise of ESOS Options	RM2,624,259,280
29.04.2014	10,000	RM2.15	Exercise of ESOS Options	RM2,624,269,280
29.04.2014	133,282	RM1.44	Exercise of ESOS Options	RM2,624,402,562
29.04.2014	57,851	RM1.01	Exercise of ESOS Options	RM2,624,460,413
29.04.2014	17,333	RM1.44	Exercise of ESOS Options	RM2,624,477,746
29.04.2014	56,328	RM2.01	Exercise of ESOS Options	RM2,624,534,074
29.04.2014	279,526	RM1.00	Exercise of Warrants	RM2,624,813,600
14.05.2014	20,000	RM1.01	Exercise of ESOS Options	RM2,624,833,600
14.05.2014	31,855	RM1.44	Exercise of ESOS Options	RM2,624,865,455
14.05.2014	15,000	RM2.01	Exercise of ESOS Options	RM2,624,880,455
14.05.2014	14,280	RM1.01	Exercise of ESOS Options	RM2,624,894,735
14.05.2014	46,076	RM1.44	Exercise of ESOS Options	RM2,624,940,811
20.05.2014	27,699	RM1.44	Exercise of ESOS Options	RM2,624,968,510
05.06.2014	49,327,347	RM2.03	Issuance of new MBSB Shares pursuant to the dividend reinvestment plan for final dividend for the FYE 31 December 2013	RM2,674,295,857
06.06.2014	2,196	RM1.44	Exercise of ESOS Options	RM2,674,298,053
06.06.2014	3,019	RM1.00	Exercise of Warrants	RM2,674,301,072
16.06.2014	25,000	RM1.01	Exercise of ESOS Options	RM2,674,326,072
16.06.2014	15,388	RM1.44	Exercise of ESOS Options	RM2,674,341,460

APPENDIX II INFORMATION ON MBSB (CONT'D)

Date of Allotment	No. of MBSB Shares Allotted^(a)	Consideration Given	Type of Issue	Cumulative Issued and Paid-up
23.06.2014	15,000	RM2.01	Exercise of ESOS Options	RM2,674,356,460
01.07.2014	12,500	RM1.44	Exercise of ESOS Options	RM2,674,368,960
01.07.2014	4,064	RM1.00	Exercise of Warrants	RM2,674,373,024
18.07.2014	5,000	RM1.01	Exercise of ESOS Options	RM2,674,378,024
18.07.2014	30,000	RM2.01	Exercise of ESOS Options	RM2,674,408,024
23.07.2014	105,722	RM1.01	Exercise of ESOS Options	RM2,674,513,746
23.07.2014	120,236	RM1.44	Exercise of ESOS Options	RM2,674,633,982
23.07.2014	189,951	RM2.01	Exercise of ESOS Options	RM2,674,823,933
23.07.2014	106,160	RM2.15	Exercise of ESOS Options	RM2,674,930,093
30.07.2014	113,157	RM2.01	Exercise of ESOS Options	RM2,675,043,250
30.07.2014	89,684	RM1.01	Exercise of ESOS Options	RM2,675,132,934
30.07.2014	2,254	RM1.44	Exercise of ESOS Options	RM2,675,135,188
30.07.2014	38,868	RM2.01	Exercise of ESOS Options	RM2,675,174,056
06.08.2014	38,870	RM2.01	Exercise of ESOS Options	RM2,675,212,926
06.08.2014	47,000	RM2.15	Exercise of ESOS Options	RM2,675,259,926
08.08.2014	49,591	RM1.44	Exercise of ESOS Options	RM2,675,309,517
14.08.2014	8,568	RM1.01	Exercise of ESOS Options	RM2,675,318,085
14.08.2014	50,404	RM2.01	Exercise of ESOS Options	RM2,675,368,489
20.08.2014	15,388	RM1.44	Exercise of ESOS Options	RM2,675,383,877
20.08.2014	10,000	RM1.01	Exercise of ESOS Options	RM2,675,393,877
20.08.2014	74,235	RM2.01	Exercise of ESOS Options	RM2,675,468,112
20.08.2014	64,231	RM2.01	Exercise of ESOS Options	RM2,675,532,343
26.08.2014	10,766	RM1.01	Exercise of ESOS Options	RM2,675,543,109
26.08.2014	9,233	RM1.44	Exercise of ESOS Options	RM2,675,552,342
26.08.2014	287,676	RM2.01	Exercise of ESOS Options	RM2,675,840,018
26.08.2014	185,180	RM2.15	Exercise of ESOS Options	RM2,676,025,198
03.09.2014	37,453	RM1.44	Exercise of ESOS Options	RM2,676,062,651
03.09.2014	1,116,691	RM2.01	Exercise of ESOS Options	RM2,677,179,342
03.09.2014	418,077	RM2.15	Exercise of ESOS Options	RM2,677,597,419
05.09.2014	10,725	RM1.01	Exercise of ESOS Options	RM2,677,608,144
12.09.2014	44,704	RM1.01	Exercise of ESOS Options	RM2,677,652,848
12.09.2014	33,912	RM1.44	Exercise of ESOS Options	RM2,677,686,760
12.09.2014	1,010,221	RM2.01	Exercise of ESOS Options	RM2,678,696,981
12.09.2014	473,190	RM2.15	Exercise of ESOS Options	RM2,679,170,171
18.09.2014	6,500	RM1.01	Exercise of ESOS Options	RM2,679,176,671
18.09.2014	15,388	RM1.44	Exercise of ESOS Options	RM2,679,192,059

APPENDIX II INFORMATION ON MBSB (CONT'D)

Date of Allotment	No. of MBSB Shares Allotted^(a)	Consideration Given	Type of Issue	Cumulative Issued and Paid-up
18.09.2014	137,160	RM2.15	Exercise of ESOS Options	RM2,679,329,219
18.09.2014	67,199	RM2.01	Exercise of ESOS Options	RM2,679,396,418
19.09.2014	1,329,905	RM1.01	Exercise of ESOS Options	RM2,680,726,323
19.09.2014	15,388	RM1.44	Exercise of ESOS Options	RM2,680,741,711
19.09.2014	358,331	RM2.01	Exercise of ESOS Options	RM2,681,100,042
19.09.2014	13,654	RM2.01	Exercise of ESOS Options	RM2,681,113,696
23.09.2014	2,863,558	RM1.01	Exercise of ESOS Options	RM2,683,977,254
24.09.2014	2,012,673	RM1.01	Exercise of ESOS Options	RM2,685,989,927
24.09.2014	15,504	RM1.44	Exercise of ESOS Options	RM2,686,005,431
24.09.2014	551,943	RM2.01	Exercise of ESOS Options	RM2,686,557,374
29.09.2014	1,185,963	RM1.01	Exercise of ESOS Options	RM2,687,743,337
29.09.2014	126,749	RM1.44	Exercise of ESOS Options	RM2,687,870,086
29.09.2014	622,741	RM2.01	Exercise of ESOS Options	RM2,688,492,827
29.09.2014	80,460	RM2.15	Exercise of ESOS Options	RM2,688,573,287
02.10.2014	298,271	RM1.01	Exercise of ESOS Options	RM2,688,871,558
02.10.2014	64,219	RM2.01	Exercise of ESOS Options	RM2,688,935,777
02.10.2014	199,939	RM1.01	Exercise of ESOS Options	RM2,689,135,716
02.10.2014	62,971	RM2.01	Exercise of ESOS Options	RM2,689,198,687
02.10.2014	16,275	RM2.15	Exercise of ESOS Options	RM2,689,214,962
10.10.2014	164,062	RM1.01	Exercise of ESOS Options	RM2,689,379,024
10.10.2014	15,600	RM1.44	Exercise of ESOS Options	RM2,689,394,624
10.10.2014	218,625	RM2.01	Exercise of ESOS Options	RM2,689,613,249
13.10.2014	384,136	RM1.01	Exercise of ESOS Options	RM2,689,997,385
13.10.2014	706,295	RM2.01	Exercise of ESOS Options	RM2,690,703,680
13.10.2014	237,615	RM2.15	Exercise of ESOS Options	RM2,690,941,295
17.10.2014	180,469	RM1.01	Exercise of ESOS Options	RM2,691,121,764
17.10.2014	15,504	RM1.44	Exercise of ESOS Options	RM2,691,137,268
17.10.2014	368,750	RM2.01	Exercise of ESOS Options	RM2,691,506,018
17.10.2014	677,312	RM2.15	Exercise of ESOS Options	RM2,692,183,330
17.10.2014	13,472	RM1.00	Exercise of Warrants	RM2,692,196,802
17.10.2014	102,343	RM1.01	Exercise of ESOS Options	RM2,692,299,145
17.10.2014	59,776	RM2.01	Exercise of ESOS Options	RM2,692,358,921
17.10.2014	65,100	RM2.15	Exercise of ESOS Options	RM2,692,424,021
28.10.2014	29,600	RM1.01	Exercise of ESOS Options	RM2,692,453,621
28.10.2014	9,233	RM1.44	Exercise of ESOS Options	RM2,692,462,854
28.10.2014	450,417	RM2.01	Exercise of ESOS Options	RM2,692,913,271

APPENDIX II INFORMATION ON MBSB (CONT'D)

Date of Allotment	No. of MBSB Shares Allotted^(a)	Consideration Given	Type of Issue	Cumulative Issued and Paid-up
28.10.2014	1,288,722	RM2.15	Exercise of ESOS Options	RM2,694,201,993
28.10.2014	157,286	RM1.01	Exercise of ESOS Options	RM2,694,359,279
28.10.2014	723,341	RM2.01	Exercise of ESOS Options	RM2,695,082,620
28.10.2014	767,424	RM2.15	Exercise of ESOS Options	RM2,695,850,044
04.11.2014	64,260	RM1.01	Exercise of ESOS Options	RM2,695,914,304
04.11.2014	417,189	RM2.01	Exercise of ESOS Options	RM2,696,331,493
04.11.2014	653,953	RM2.15	Exercise of ESOS Options	RM2,696,985,446
07.11.2014	98,418	RM1.01	Exercise of ESOS Options	RM2,697,083,864
07.11.2014	115,572	RM2.01	Exercise of ESOS Options	RM2,697,199,436
07.11.2014	1,039,895	RM2.15	Exercise of ESOS Options	RM2,698,239,331
11.11.2014	31,417	RM1.01	Exercise of ESOS Options	RM2,698,270,748
11.11.2014	13,341	RM2.01	Exercise of ESOS Options	RM2,698,284,089
11.11.2014	360,795	RM2.15	Exercise of ESOS Options	RM2,698,644,884
13.11.2014	46,166	RM1.44	Exercise of ESOS Options	RM2,698,691,050
13.11.2014	227,240	RM2.01	Exercise of ESOS Options	RM2,698,918,290
13.11.2014	700,003	RM2.15	Exercise of ESOS Options	RM2,699,618,293
13.11.2014	1,161	RM1.00	Exercise of Warrants	RM2,699,619,454
17.11.2014	82,835	RM1.01	Exercise of ESOS Options	RM2,699,702,289
17.11.2014	149,574	RM2.01	Exercise of ESOS Options	RM2,699,851,863
17.11.2014	340,792	RM2.15	Exercise of ESOS Options	RM2,700,192,655
21.11.2014	26,205	RM1.01	Exercise of ESOS Options	RM2,700,218,860
21.11.2014	2,888	RM1.44	Exercise of ESOS Options	RM2,700,221,748
21.11.2014	37,669	RM2.01	Exercise of ESOS Options	RM2,700,259,417
21.11.2014	393,247	RM2.15	Exercise of ESOS Options	RM2,700,652,664
21.11.2014	38,838	RM1.01	Exercise of ESOS Options	RM2,700,691,502
21.11.2014	102,858	RM2.15	Exercise of ESOS Options	RM2,700,794,360
25.11.2014	3,324,448	RM2.01	Exercise of ESOS Options	RM2,704,118,808
02.12.2014	11,480	RM1.01	Exercise of ESOS Options	RM2,704,130,288
02.12.2014	3,426,717	RM2.01	Exercise of ESOS Options	RM2,707,557,005
02.12.2014	184,160	RM2.15	Exercise of ESOS Options	RM2,707,741,165
08.12.2014	31,418	RM1.01	Exercise of ESOS Options	RM2,707,772,583
08.12.2014	707,660	RM2.01	Exercise of ESOS Options	RM2,708,480,243
08.12.2014	228,355	RM2.15	Exercise of ESOS Options	RM2,708,708,598
11.12.2014	85,684	RM1.01	Exercise of ESOS Options	RM2,708,794,282
11.12.2014	345,832	RM2.01	Exercise of ESOS Options	RM2,709,140,114
17.12.2014	12,071	RM1.01	Exercise of ESOS Options	RM2,709,152,185

APPENDIX II INFORMATION ON MBSB (CONT'D)

Date of Allotment	No. of MBSB Shares Allotted^(a)	Consideration Given	Type of Issue	Cumulative Issued and Paid-up
17.12.2014	187,486	RM2.01	Exercise of ESOS Options	RM2,709,339,671
17.12.2014	174,452	RM2.15	Exercise of ESOS Options	RM2,709,514,123
23.12.2014	84,145	RM2.01	Exercise of ESOS Options	RM2,709,598,268
31.12.2014	24,758	RM2.01	Exercise of ESOS Options	RM2,709,623,026
2.01.2015	314,600	RM1.00	Exercise of Warrants	RM2,709,937,626
7.01.2015	14,002	RM2.01	Exercise of ESOS Options	RM2,709,951,628
08.01.2015	518,700	RM1.00	Exercise of Warrants	RM2,710,470,328
15.01.2015	80,764	RM2.01	Exercise of ESOS Options	RM2,710,551,092
16.01.2015	280,000	RM1.00	Exercise of Warrants	RM2,710,831,092
20.01.2015	59,518	RM2.01	Exercise of ESOS Options	RM2,710,890,610
20.01.2015	210,000	RM1.00	Exercise of Warrants	RM2,711,100,610
22.01.2015	14,502	RM1.01	Exercise of ESOS Options	RM2,711,115,112
22.01.2015	21,586	RM2.01	Exercise of ESOS Options	RM2,711,136,698
29.01.2015	14,634	RM2.01	Exercise of ESOS Options	RM2,711,151,332
29.01.2015	125,906	RM1.00	Exercise of Warrants	RM2,711,277,238
13.02.2015	44,287	RM1.01	Exercise of ESOS Options	RM2,711,321,525
24.02.2015	3,019	RM1.00	Exercise of Warrants	RM2,711,324,544
27.02.2015	23,500	RM1.00	Exercise of Warrants	RM2,711,348,044
10.03.2015	98,631	RM2.01	Exercise of ESOS Options	RM2,711,446,675
10.03.2015	30,000	RM2.15	Exercise of ESOS Options	RM2,711,476,675
10.03.2015	139,100	RM1.00	Exercise of Warrants	RM2,711,615,775
13.03.2015	21,948	RM1.00	Exercise of Warrants	RM2,711,637,723
18.03.2015	105,684	RM1.01	Exercise of ESOS Options	RM2,711,743,407
18.03.2015	548,646	RM1.44	Exercise of ESOS Options	RM2,712,292,053
23.03.2015	60,000	RM1.00	Exercise of Warrants	RM2,712,352,053
26.03.2015	176,271	RM1.01	Exercise of ESOS Options	RM2,712,528,324
26.03.2015	511,831	RM1.44	Exercise of ESOS Options	RM2,713,040,155
26.03.2015	65,423	RM2.01	Exercise of ESOS Options	RM2,713,105,578
26.03.2015	5,000	RM2.15	Exercise of ESOS Options	RM2,713,110,578
31.03.2015	129,261	RM1.44	Exercise of ESOS Options	RM2,713,239,839
31.03.2015	9,407	RM2.01	Exercise of ESOS Options	RM2,713,249,246
03.04.2015	15,388	RM1.44	Exercise of ESOS Options	RM2,713,264,634
03.04.2015	3,720	RM2.15	Exercise of ESOS Options	RM2,713,268,354
03.04.2015	30,000	RM1.00	Exercise of Warrants	RM2,713,298,354
08.04.2015	103,886	RM1.44	Exercise of ESOS Options	RM2,713,402,240
09.04.2015	201,600	RM1.00	Exercise of Warrants	RM2,713,603,840

APPENDIX II INFORMATION ON MBSB (CONT'D)

Date of Allotment	No. of MBSB Shares Allotted^(a)	Consideration Given	Type of Issue	Cumulative Issued and Paid-up
13.04.2015	30,000	RM1.01	Exercise of ESOS Options	RM2,713,633,840
13.04.2015	113,655	RM1.44	Exercise of ESOS Options	RM2,713,747,495
13.04.2015	78,644	RM2.01	Exercise of ESOS Options	RM2,713,826,139
14.04.2015	89,228	RM1.00	Exercise of Warrants	RM2,713,915,367
16.04.2015	62,835	RM1.01	Exercise of ESOS Options	RM2,713,978,202
16.04.2015	76,942	RM1.44	Exercise of ESOS Options	RM2,714,055,144
16.04.2015	6,364	RM2.01	Exercise of ESOS Options	RM2,714,061,508
17.04.2015	50,781	RM1.44	Exercise of ESOS Options	RM2,714,112,289
17.04.2015	15,000	RM2.01	Exercise of ESOS Options	RM2,714,127,289
17.04.2015	346,884	RM1.00	Exercise of Warrants	RM2,714,474,173
22.04.2015	211,279	RM1.01	Exercise of ESOS Options	RM2,714,685,452
22.04.2015	30,864	RM1.44	Exercise of ESOS Options	RM2,714,716,316
22.04.2015	30,998	RM2.01	Exercise of ESOS Options	RM2,714,747,314
23.04.2015	1,259,364	RM1.00	Exercise of Warrants	RM2,716,006,678
23.04.2015	222,904	RM1.01	Exercise of ESOS Options	RM2,716,229,582
23.04.2015	33,182	RM1.44	Exercise of ESOS Options	RM2,716,262,764
23.04.2015	176,004	RM2.01	Exercise of ESOS Options	RM2,716,438,768
23.04.2015	39,525	RM2.15	Exercise of ESOS Options	RM2,716,478,293
23.04.2015	72,325	RM1.44	Exercise of ESOS Options	RM2,716,550,618
24.04.2015	135,100	RM1.00	Exercise of Warrants	RM2,716,685,718
7.05.2015	139,068	RM1.44	Exercise of ESOS Options	RM2,716,824,786
7.05.2015	36,254	RM2.01	Exercise of ESOS Options	RM2,716,861,040
7.05.2015	72,550	RM2.15	Exercise of ESOS Options	RM2,716,933,590
8.05.2015	116,214	RM1.00	Exercise of Warrants	RM2,717,049,804
13.05.2015	32,090	RM1.00	Exercise of Warrants	RM2,717,081,894
28.05.2015	121,210,451	RM1.91	Issuance of new MBSB Shares pursuant to the dividend reinvestment plan for the special and final dividends for the FYE 31 December 2014	RM2,838,292,345
28.05.2015	4,412	RM1.00	Exercise of Warrants	RM2,838,296,757
15.06.2015	14,280	RM1.01	Exercise of ESOS Options	RM2,838,311,037
19.06.2015	1,161	RM1.00	Exercise of Warrants	RM2,838,312,198
24.06.2015	30,776	RM1.44	Exercise of ESOS Options	RM2,838,342,974
03.07.2015	52,264	RM1.00	Exercise of Warrants	RM2,838,395,238
10.07.2015	15,009	RM1.44	Exercise of ESOS Options	RM2,838,410,247
28.07.2015	56,949	RM1.00	Exercise of Warrants	RM2,838,467,196

APPENDIX II INFORMATION ON MBSB (CONT'D)

Date of Allotment	No. of MBSB Shares Allotted^(a)	Consideration Given	Type of Issue	Cumulative Issued and Paid-up
04.08.2015	4,645	RM1.00	Exercise of Warrants	RM2,838,471,841
06.08.2015	8,574	RM1.01	Exercise of ESOS Options	RM2,838,480,415
06.08.2015	55,399	RM1.44	Exercise of ESOS Options	RM2,838,535,814
11.08.2015	15,388	RM1.44	Exercise of ESOS Options	RM2,838,551,202
05.02.2016	1,277	RM1.00	Exercise of Warrants	RM2,838,552,479
11.02.2016	1,100	RM1.00	Exercise of Warrants	RM2,838,553,579
03.03.2016	13,935	RM1.00	Exercise of Warrants	RM2,838,567,514
07.03.2016	18,581	RM1.00	Exercise of Warrants	RM2,838,586,095
09.03.2016	31,996	RM1.00	Exercise of Warrants	RM2,838,618,091
17.03.2016	108,000	RM1.00	Exercise of Warrants	RM2,838,726,091
22.03.2016	25,968	RM1.00	Exercise of Warrants	RM2,838,752,059
25.03.2016	11,944	RM1.00	Exercise of Warrants	RM2,838,764,003
30.03.2016	13,540	RM1.00	Exercise of Warrants	RM2,838,777,543
06.04.2016	100,000	RM1.00	Exercise of Warrants	RM2,838,877,543
08.04.2016	411,240	RM1.00	Exercise of Warrants	RM2,839,288,783
13.04.2016	48,807	RM1.00	Exercise of Warrants	RM2,839,337,590
15.04.2016	27,571	RM1.00	Exercise of Warrants	RM2,839,365,161
19.04.2016	76,079	RM1.00	Exercise of Warrants	RM2,839,441,240
21.04.2016	35,312	RM1.00	Exercise of Warrants	RM2,839,476,552
26.04.2016	125,789	RM1.00	Exercise of Warrants	RM2,839,602,341
29.04.2016	94,034	RM1.00	Exercise of Warrants	RM2,839,696,375
04.05.2016	127,408	RM1.00	Exercise of Warrants	RM2,839,823,783
09.05.2016	404,573	RM1.00	Exercise of Warrants	RM2,840,228,356
10.05.2016	215,258	RM1.00	Exercise of Warrants	RM2,840,443,614
12.05.2016	265,264	RM1.00	Exercise of Warrants	RM2,840,708,878
13.05.2016	1,894,888	RM1.00	Exercise of Warrants	RM2,842,603,766
20.05.2016	341,704	RM1.00	Exercise of Warrants	RM2,842,945,470
24.05.2016	382,652	RM1.00	Exercise of Warrants	RM2,843,328,122
26.05.2016	172,242	RM1.00	Exercise of Warrants	RM2,843,500,364
27.05.2016	678,815	RM1.00	Exercise of Warrants	RM2,844,179,179
30.05.2016	644,719	RM1.00	Exercise of Warrants	RM2,844,823,898
31.05.2016	1,059,280	RM1.00	Exercise of Warrants	RM2,845,883,178
01.06.2016	530,618	RM1.00	Exercise of Warrants	RM2,846,413,796
02.06.2016	374,798	RM1.00	Exercise of Warrants	RM2,846,788,594
03.06.2016	457,282	RM1.00	Exercise of Warrants	RM2,847,245,876

Note:-

(a) The par value of MBSB Shares is RM1.00.

APPENDIX II INFORMATION ON MBSB (CONT'D)

3. SUBSTANTIAL SHAREHOLDERS

The percentage shareholdings of the substantial shareholders will remain the same in the event that all the Entitled Shareholders subscribe in full for their entitlements under the Rights Issue.

For illustrative purposes, assuming that all the Entitled Shareholders subscribe in full for their entitlements under the Rights Issue, the proforma effects of the Rights Issue based on the Register of Substantial Shareholders as at the LPD are as follow:-

Substantial shareholder	As at the LPD		After the DRP and the exercise of Warrants				After the Rights Issue	
	Direct No. of Shares '000	Indirect No. of Shares '000	Direct No. of Shares '000	Indirect No. of Shares '000	Direct No. of Shares '000	Indirect No. of Shares '000	Direct No. of Shares '000	Indirect No. of Shares '000
EPF	1,847,896	-	1,896,102	-	3,792,204	-	65.40	-
Tan Sri Dato' Chua Ma Yu	106,672	65,226 ^(a)	106,672	65,226 ^(a)	213,345	130,452 ^(a)	3.68	2.25

Notes:-

- (a) Held under Maybank Securities Nominees (Asing) Sdn Bhd and Maybank Kim Eng Securities Pte Ltd for CMY Global Ltd.
- (b) Based on the enlarged issued and paid-up share capital of MBSB of 2,899,387,079 MBSB Shares, after taking into consideration the issued and paid-up share capital of MBSB as at the LPD as well as the new MBSB Shares which were issued pursuant to the DRP and the exercise of the Warrants after the LPD but prior to the Entitlement Date.

MBSB had procured a written undertaking dated 10 March 2016 from its major shareholder, EPF, which has undertaken to subscribe in full for its entitlement under the Rights Issue based on its shareholdings of 1,847,895,724 MBSB Shares as at 4 March 2016. This translates to 1,847,895,724 Rights Shares. EPF's shareholdings after the Rights Issue shall be 3,743,997,423 MBSB Shares, representing approximately 64.6% of the enlarged issued and paid-up share capital of MBSB, if EPF subscribes only for 1,847,895,724 Rights Shares pursuant to the EPF Undertaking.

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APPENDIX II INFORMATION ON MBSB (CONT'D)**4. BOARD OF DIRECTORS**

The particulars of the Board as at the LPD are as follows:-

Name (Designation)	Age	Address	Nationality	Profession
Tan Sri Abdul Halim bin Ali (Chairman and Non-Independent Non-Executive Director)	72	No. 21, Jalan Setiaraya Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director
Datuk Syed Zaid bin Syed Jaffar Albar (Non-Independent Non-Executive Director)	61	No.5, Jalan Setiamurni 8 Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director
Datuk Shahril Ridza bin Ridzuan (Non-Independent Non-Executive Director)	45	No. 5, Jalan Rimba Riang 9/1C, Seksyen 9 Kota Damansara 47810 Petaling Jaya Selangor	Malaysian	Company Director
Aw Hong Boo (Senior Independent Non-Executive Director)	66	No. 15, SS21/17 Damansara Utama 47400 Petaling Jaya Selangor	Malaysian	Company Director
Dato' Jasmy bin Ismail (Independent Non-Executive Director)	52	No. 22, Jalan 16/6 46350 Petaling Jaya Selangor	Malaysian	Company Director
Lim Tian Huat (Independent Non-Executive Director)	61	B-03-01 Bangsar Peak No. 17, Jalan Medang Serai, Bangsar 59100 Kuala Lumpur	Malaysian	Company Director
Ravinder Kaur a/p Mahan Singh (Independent Non-Executive Director)	56	A-3A-3, Mont Kiara Aman 4, Jalan Kiara 2 Mont Kiara 50480 Kuala Lumpur	Malaysian	Company Director
Ir Moslim bin Othman (Independent Non-Executive Director)	61	19, Jalan Sultan Ibrahim 9/8 Seksyen 9 40100 Shah Alam Selangor	Malaysian	Company Director

APPENDIX II INFORMATION ON MBSB (CONT'D)

4. BOARD OF DIRECTORS (CONT'D)

For illustrative purposes, the shareholdings of the Directors as at the LPD and the proforma effects of the Rights Issue on their shareholdings, assuming such Director and all the Entitled Shareholders subscribe in full for their entitlements under the Rights Issue, are as follows:-

Director	As at the LPD		After the DRP and the exercise of Warrants		After the Rights Issue	
	Direct No. of Shares '000	Indirect No. of Shares '000	Direct No. of Shares '000	Indirect No. of Shares '000	Direct No. of Shares '000	Indirect No. of Shares '000
Tan Sri Abdul Halim bin Ali	79	0.002	81	0.002	162	0.003
Datuk Syed Zaid bin Syed Jaffar Albar	-	-	-	-	-	-
Datuk Shahril Ridza bin Ridzuan	-	-	-	-	-	-
Aw Hong Boo	-	-	-	-	-	-
Dato' Jasmy bin Ismail	-	-	-	-	-	-
Lim Tian Huat	-	-	-	-	-	-
Ravinder Kaur a/p Mahan Singh	-	-	-	-	-	-
Ir Moslim bin Othman	-	-	-	-	-	-

Note:-

(a) Based on the enlarged issued and paid-up share capital of MBSB of 2,899,387,079 MBSB Shares, after taking into consideration the issued and paid-up share capital of MBSB as at the LPD as well as the new MBSB Shares which were issued pursuant to the DRP and the exercise of the Warrants after the LPD but prior to the Entitlement Date.

As at the LPD, none of the directors have any ESOS options.

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APPENDIX II INFORMATION ON MBSB (CONT'D)

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, the subsidiaries of MBSB are as follows:-

Name of Company	Date/Country of Incorporation	Issued and Paid-Up Capital RM	Effective Interest Held %	Principal Activities
MBSB Properties Sdn. Bhd.	29.02.1980 / Malaysia	24,400,000	100	Leasing of real property
MBSB Development Sdn. Bhd.	18.06.1992 / Malaysia	250,000	100	Property development
Prudent Legacy Sdn. Bhd.	09.04.1996 / Malaysia	250,000	92	Property development
Sigmaprise Sdn. Bhd.	11.09.2000 / Malaysia	42,800,002	100	Hotel operations
Ganesha Sdn. Bhd.	23.07.1979 / Malaysia	1,000,000	100	Property development
Springtide Sdn. Bhd.	02.05.1980 / Malaysia	6,569,178	-	In liquidation ^(b)
Trimonds Sdn. Bhd.	07.03.1989 / Malaysia	100,000	-	In liquidation ^(b)
MBSB Project Management Sdn. Bhd.	04.12.1997 / Malaysia	25,000	100	Ceased operations
Definite Pure Sdn. Bhd.	08.03.1996 / Malaysia	2	100	Dormant
Malaya Borneo Building Society Limited	29.03.1950 / Singapore	SGD ^(a) 2	100	Dormant
Farawide Sdn. Bhd.	09.09.2000 / Malaysia	2	100	Hotel operations services
Raynergy Sdn. Bhd.	09.09.2000 / Malaysia	2	-	In liquidation ^(b)
Idaman Usahamas Sdn. Bhd.	20.10.2005 / Malaysia	2	100	Property development

APPENDIX II INFORMATION ON MBSB (CONT'D)

Name of Company	Date/Country of Incorporation	Issued and Paid-Up Capital RM	Effective Interest Held %	Principal Activities
Ombak Pesaka Sdn. Bhd.	08.02.2011 / Malaysia	5,000	100	Hotel operations
MBSB Tower Sdn. Bhd.	12.11.2012 / Malaysia	2	100	Property development
Home Approach Sdn. Bhd.	12.04.2013 / Malaysia	2	100	Dormant
Jana Kapital Sdn. Bhd.	16.04.2013 / Malaysia	2	100	Investment holding
88 Legacy Sdn. Bhd.	15.08.2014 / Malaysia	2	100	Property development

Notes:-

- (a) SGD: Singapore Dollar.
- (b) MBSB has decided to proceed with the voluntary liquidation of these subsidiary companies as they have been dormant for several years.

As at the LPD, MBSB does not have any associated company.

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APPENDIX II INFORMATION ON MBSB (CONT'D)

6. PROFIT AND DIVIDEND RECORD

The following table summarises the relevant financial information based on the audited consolidated statements of comprehensive income for the FYE 31 December 2013, FYE 31 December 2014 and FYE 31 December 2015 and the unaudited financial statements for the three (3)-month FPE 31 March 2015 and 31 March 2016.

	< -- Audited FYE 31 December -- >			Unaudited	Unaudited
	2013	2014	2015	Three (3)- month FPE 31 March 2015	Three (3)- month FPE 31 March 2016
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,536,090	2,612,512	3,050,098	690,602	812,626
Interest income	465,771	519,387	487,358	119,283	116,844
Finance cost	(367,902)	(274,898)	(278,344)	(69,664)	(66,091)
Net interest income	97,869	244,489	209,014	49,619	50,753
Net income from Islamic banking operations	1,264,864	1,027,404	1,089,009	275,031	265,859
Operating income	1,362,733	1,271,893	1,298,023	324,650	316,612
Other income	140,485	91,787	62,542	18,437	14,312
Net income	1,503,218	1,363,680	1,360,565	343,087	330,924
Other operating expenses	(295,296)	(304,949)	(308,303)	(84,116)	(73,289)
Operating profit	1,207,922	1,058,731	1,052,262	258,971	257,635
Allowance for impairment losses on loans, advances and financing	(275,573)	(126,175)	(697,237)	(101,319)	(218,535)
PBT	932,349	932,556	355,025	157,652	39,100
Taxation & zakat	(334,781)	82,473	(97,433)	(33,340)	(4,265)
PAT	597,568	1,015,029	257,592	124,312	34,835
Profit / (loss) attributable to:-					
Owners of MBSB	597,568	1,015,029	257,592	124,312	34,835
Non-controlling interest	-	-	-	-	-
	597,568	1,015,029	257,592	124,312	34,835
Weighted average number of MBSB Shares ('000)	1,611,998	2,592,379	2,787,607	2,711,078	2,838,552
EPS attributable to owners of MBSB (sen)					
- Basic	37.07	39.15	9.24	4.59	1.23
- Diluted	36.76	38.96	9.22	4.57	1.23
Operating profit margin (%)	47.63	40.53	34.50	37.50	31.70
PAT margin (%)	23.56	38.85	8.45	18.00	4.29
Gross dividend per share declared (sen)	10.00	12.00	3.00	-	-

APPENDIX II INFORMATION ON MBSB (CONT'D)

Commentary on financial performance**FYE 31 December 2013**

The revenue for the FYE 31 December 2013 of RM2.54 billion was approximately 38.47% higher than that for the FYE 31 December 2012 of RM1.83 billion. The increase in revenue was mainly due to higher income from Islamic banking operations via personal financing. This growth was predominantly led by MBSB's personal financing portfolio.

The Group recorded a higher PBT of RM932.35 million for the FYE 31 December 2013, representing an increase of RM276.12 million or approximately 42.08% as compared to the PBT of RM656.23 million for the preceding financial year. The increase in PBT was mainly due to higher operating income of RM1.36 billion from RM1.00 billion, representing an increase of RM362.14 million or approximately 36.19% as a result of increase in income from Islamic banking operations mainly contributed by the personal financing portfolio as well as increase in other income by RM14.83 million or approximately 11.8% from RM125.67 million to RM140.49 million as compared to the FYE 31 December 2012. The increase in other income was contributed by recognition of gains from the disposal of hotel inventories and fee income. The higher other operating expenses by RM71.23 million or approximately 31.79% as compared to the FYE 31 December 2012 and increase in allowance for impairment losses on loans, advances and financing by RM29.62 million or approximately 12.04% has partially offset the increase in operating profit.

As a result of the above, PAT for the FYE 31 December 2013 improved by 33.79% from RM446.65 million for the FYE 31 December 2012 to RM597.57 million for the FYE 31 December 2013.

FYE 31 December 2014

The revenue for the FYE 31 December 2014 grew marginally by RM76.42 million or approximately 3.01% as compared to the previous year. This was contributed mainly from the modest growth in the Group's retail financing portfolio.

The Group's PBT for FYE 31 December 2014 of RM932.56 million was slightly higher than the PBT for the FYE 31 December 2013 of RM932.35 million despite a decline in operating income by RM90.84 million or approximately 6.67%. The decline in operating income was mainly due to the lower income from the Islamic financing operations as a result of higher funding cost whilst other income declined by RM48.70 million or approximately 34.66% primarily due to lower fee-based income and lower gain from disposal of inventories. Nevertheless, lower allowance for impairment losses on loans, advances and financing by RM149.40 million or approximately 54.21% as compared to the FYE 31 December 2013 has partially offset the decline in operating profit.

The Group recorded a significant increase in PAT by RM417.46 million or approximately 69.86% due to the recognition of deferred tax assets of RM366.12 million which resulted in a net tax credit of RM87.82 million.

APPENDIX II INFORMATION ON MBSB (CONT'D)

FYE 31 December 2015

The revenue for the FYE 31 December 2015 increased by RM437.59 million or approximately 16.75% compared to the previous year, mainly attributable to higher income from the operations of Islamic business via investment of general investment deposits and contribution from corporate financing segment.

Despite the increase in revenue for the FYE 31 December 2015, the Group recorded a decrease in PBT by RM577.53 million or approximately 61.93% as compared to the preceding year. The significant drop in PBT was mainly due to the impairment programme initiated by the Group in the fourth (4th) quarter of 2014, in addition to MBSB Group's existing impairment provisioning that is in compliance with the current Malaysian Financial Reporting Standards to bridge the Group's frameworks to be in line with the banking standards and best practices. The impairment programme is in line with the recommendation of BNM. The impairment programme contributed approximately 75% (RM526 million) of the total allowance for the impairment losses for the FYE 31 December 2015 and has primarily resulted in an increase in allowance for impairment losses on loans, advances and financing by RM571.06 million or approximately 452.60% from RM126.18 million in the FYE 31 December 2014 to RM697.24 million in the FYE 31 December 2015.

The Group recorded a lower PAT of RM257.59 million for the FYE 31 December 2015 as compared to RM1.02 billion in the previous year mainly due to higher impairment allowances and net tax charge position as compared to the previous year PAT of lower impairment allowances and a net tax credit position.

Three (3)-month FPE 31 March 2016

The revenue for the FPE 31 March 2016 of RM812.63 million was RM122.03 million or approximately 17.67% higher than that of the FPE 31 March 2015 of RM690.60 million. This was mainly attributable to the increase in the income contribution from the Islamic financing operations via income from investments of general investment deposits and Islamic capital funds as well as financing income from the corporate segment.

Despite the higher revenue for the FPE 31 March 2016, the Group recorded a decrease in PBT by RM118.55 million (approximately 75.20%) to RM39.10 million as compared to the previous corresponding period of RM157.65 million. The decrease in PBT was mainly due to the higher allowance for impairment losses on loans, advances and financing by RM117.22 million or approximately 115.69% to RM218.54 million from RM101.32 million recorded in the previous corresponding period as part of the Group's continuation of the impairment program initiated by the Group in the last quarter of year 2014.

As a result, PAT for the FPE 31 March 2016 dropped by RM89.48 million or approximately 71.98% to RM34.84 million as compared to the previous corresponding period of RM124.31 million.

APPENDIX II INFORMATION ON MBSB (CONT'D)**7. SHARE PRICES**

The monthly high and low prices of MBSB Shares as traded for the past twelve (12) months on the Main Market of Bursa Securities up to May 2016 are as follows:-

Month	High RM	Low RM
2015		
June	1.88	1.67
July	1.93	1.64
August	1.82	1.26
September	1.63	1.35
October	1.67	1.48
November	1.79	1.55
December	1.59	1.39
2016		
January	1.55	1.39
February	1.45	1.33
March	1.49	1.32
April	1.39	1.28
May	1.31	1.10

(Source: Bloomberg)

The last transacted price of MBSB Shares on Bursa Securities on 9 March 2016, being the last transacted market price prior to the announcement of the Rights Issue was RM1.43 per MBSB Share.

The last transacted price of MBSB Shares on Bursa Securities on 3 June 2016, being the last transacted market price on the LPD was RM1.16 per MBSB Share.

The last transacted price of the MBSB Shares on Bursa Securities on 20 June 2016, being the last transacted market price on the day prior to the ex-date on 21 June 2016 was RM1.07 per MBSB Share.

8. OTHER INFORMATION AND UPDATES

In compliance with the Listing Requirements, any material developments on the MBSB Group will be announced on the website of Bursa Securities at <http://www.bursamalaysia.com>. Kindly refer to the Bursa Securities' website for the latest development on MBSB.

**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF
THE MBSB GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE
REPORTING ACCOUNTANTS' REPORT THEREON**



Ernst & Young AF: 0039
GST Reg No: 001556430848
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

**REPORTING ACCOUNTANTS' REPORT ON THE PROFORMA CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION**

(Prepared for inclusion in the Abridged Prospectus to be dated 24 June 2016)

15 June 2016

The Board of Directors
Malaysia Building Society Berhad
11th Floor, Wisma MBSB
48 Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

Dear Sirs

**MALAYSIA BUILDING SOCIETY BERHAD ("MBSB" OR "THE COMPANY") AND ITS
SUBSIDIARIES (COLLECTIVELY KNOWN AS "THE GROUP")**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION IN RELATION TO
THE RENOUNCEABLE TWO-CALL RIGHTS ISSUE OF 2,899,387,079 NEW ORDINARY
SHARES OF RM1.00 EACH IN MBSB ("MBSB SHARES") ("RIGHTS SHARES") ON THE
BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING MBSB SHARE HELD AT
AN ISSUE PRICE OF RM1.00 PER RIGHTS SHARE, OF WHICH THE FIRST CALL OF RM0.59
PER RIGHTS SHARE IS PAYABLE IN CASH ON APPLICATION AND THE SECOND CALL OF
RM0.41 PER RIGHTS SHARE IS TO BE CAPITALISED FROM MBSB'S SHARE PREMIUM
ACCOUNT ("RIGHTS ISSUE")**

We have completed our assurance engagement to report on the compilation of proforma consolidated statements of financial position of MBSB as at 31 December 2015. The proforma consolidated statements of financial position which is set out in the Appendix (which we have stamped for the purpose of identification) have been compiled by the Directors of the Company ("Directors") for inclusion in the Abridged Prospectus to be dated 24 June 2016 in connection with the Rights Issue.

The applicable criteria on the basis of which the Directors have compiled the proforma consolidated statements of financial position are described in Note 1 of the Appendix.

The proforma consolidated statements of financial position have been compiled by the Directors, for illustrative purposes only, to show the effects of the Rights Issue on the audited consolidated statement of financial position of the Company as at 31 December 2015 had the Rights Issue been effected on that date.

As part of this process, information about the consolidated statements of financial position has been extracted by the Directors from the relevant financial statements for the year ended 31 December 2015, on which audit report have been published.

**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF
THE MBSB GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE
REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**



**Building a better
working world**

The Directors' Responsibility for the ProForma Consolidated Statements of Financial Position

The Directors are responsible for compiling the proforma consolidated statements of financial position as at 31 December 2015 on the basis of the applicable criteria.

Our responsibilities

Our responsibility is to express an opinion about whether the proforma consolidated statements of financial position has been compiled, in all material respects, by the Directors on the basis of the applicable criteria.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the proforma consolidated statements of financial position on the basis of the applicable criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the proforma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the proforma financial information.

The purpose of the proforma consolidated statements of financial position included in the Abridged Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the proforma consolidated statements of financial position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of proforma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related proforma adjustments give appropriate effect to those criteria; and
- The proforma consolidated statements of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the proforma consolidated statements of financial position has been compiled, and other relevant engagement circumstances.

**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF
THE MBSB GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE
REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**



The engagement also involves evaluating the overall presentation of the proforma consolidated statements of financial position.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (i) the proforma consolidated statements of financial position of the Group as at 31 December 2015, which have been compiled by the Directors of the Company, have been properly compiled on the basis stated in Note 1 of the Appendix using financial statements prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group; and
- (ii) the adjustments made to the information used in the preparation of the proforma consolidated statements of financial position as at 31 December 2015 is appropriate for the purposes of preparing the proforma financial information.

Other matters

This letter is issued for the sole purpose of inclusion in the Abridged Prospectus in connection with the Rights Issue. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Rights Issue described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Rights Issue.

Yours faithfully

Ernst & Young
AF: 0039
Chartered Accountants

Yeo Beng Yean
3013/10/16(J)
Chartered Accountant

APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE MBSB GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)

MALAYSIA BUILDING SOCIETY BERHAD
(INCORPORATED IN MALAYSIA)

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Proforma I	Proforma II	Proforma III	Proforma IV
	After adjusting for allotment of shares from 1 January 2016 up to 3 June 2016 arising from exercise of Warrants	After (I) and after adjusting for allotment of shares from 6 June up to 10 June 2016 arising from exercise of Warrants	After (II) and after the adjustments for Dividend Reinvestment Plan pursuant to the Proposed Single-Tier Final Dividend FYE 31 December 2015	After (III) and after the Rights Issue
	Subsequent Event Adjustment	Adjustment	Adjustment	Adjustment
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Cash and short term funds	6,928,263	8,695	1,972	6,996,584
Deposits and placements with financial institutions	406,529	406,529	406,529	406,529
Trade receivables	819	819	819	819
Other receivables	195,078	195,078	195,078	195,078
Inventories	103,287	103,287	103,287	103,287
Loans, advances and financing	31,784,970	31,784,970	31,784,970	32,884,970
Financial Investment Available For Sale	983,354	983,354	983,354	1,494,354
Property, plant and equipment	138,052	138,052	138,052	138,052
Land use rights	5,746	5,746	5,746	5,746
Tax recoverable	3,181	3,181	3,181	3,181
Intangible assets	28,679	28,679	28,679	28,679
Deferred Tax Assets	511,050	511,050	511,050	511,050
Total assets	41,089,008	41,097,703	41,071,691	42,768,329
LIABILITIES				
Bank borrowings	1,645,591	1,645,591	1,645,591	1,645,591
Deposits from customers	28,585,387	28,585,387	28,585,387	28,585,387
Other borrowings	50,181	50,181	50,181	50,181
Trade payables	214	214	214	214
Other payables	325,968	325,968	325,968	325,968
Provision for taxation and zakat	10,850	10,850	10,850	10,850
Recourse obligation on loans sold to Cagamas Berhad	2,767,242	2,767,242	2,767,242	2,767,242
Sukuk Structured Covered Murabahah	2,827,955	2,827,955	2,827,955	2,827,955
Deferred tax liabilities	14,080	14,080	14,080	14,080
Total liabilities	36,227,468	36,227,468	36,227,468	36,227,468

APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE MBSB GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)

MALAYSIA BUILDING SOCIETY BERHAD
(INCORPORATED IN MALAYSIA)

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D.)

	Proforma I	Proforma II	Proforma III	Proforma IV
	After adjusting for allotment of shares from 1 January 2016 up to 3 June 2016 arising from exercise of Warrants	After (I) and adjusting for allotment of shares from 6 June up to 10 June 2016 arising from exercise of Warrants	After (II) and after the adjustments for Dividend Reinvestment Plan pursuant to the Proposed Single-Tier Final Dividend FYE 31 December 2015	After (III) and after the Rights Issue
	Subsequent Event Adjustment RM'000	Adjustment RM'000	Adjustment RM'000	Adjustment RM'000
Audited as at 31 December 2015	RM'000	RM'000	RM'000	RM'000
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share capital	2,838,551	2,847,246	2,899,387	5,798,774
Share premium	1,392,980	1,392,980	1,400,505	197,756
Accumulated Profit	589,276	589,276	(85,678)	503,598
Other Reserves	40,733	40,733	40,733	40,733
Total equity	4,861,540	4,870,235	4,844,223	6,540,861
Total liabilities and shareholders' equity	41,089,008	41,099,675	41,071,691	42,768,329
No. of ordinary shares in issue of RM1.00 each ('000)	2,838,551	2,847,246	2,899,387	5,798,774
Net assets per share (RM)	1.71	1.71	1.67	1.13
Net tangible asset (RM'000)	4,832,861	4,841,556	4,815,544	6,512,182
Net tangible asset per share (RM)	1.70	1.70	1.66	1.12
Borrowings				
- excluding cagamas	4,523,727	4,523,727	4,523,727	4,523,727
- including cagamas	7,290,969	7,290,969	7,290,969	7,290,969
Gearing ratio				
- excluding cagamas	0.93	0.93	0.93	0.69
- including cagamas	1.50	1.50	1.51	1.11

**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF
THE MBSB GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE
REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

MALAYSIA BUILDING SOCIETY BERHAD
(INCORPORATED IN MALAYSIA)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

1. Basis of Preparation

The proforma consolidated statements of financial position of Malaysia Building Society Berhad ("MBSB") as at 31 December 2015, for which the Board of Directors of MBSB ("Board") are solely responsible, have been prepared for illustration purposes only, for the inclusion in the Abridged Prospectus dated 24 June 2016 ("Prospectus") in connection with the renounceable two-call rights issue of 2,899,387,079 new ordinary shares of RM1.00 each in MBSB ("MBSB Shares") ("Rights Shares") on the basis of one (1) Rights Share for every one (1) existing MBSB Share held by the entitled shareholders at 5.00 pm on 24 June 2016 at an issue price of RM1.00 per Rights Share, of which the first call of RM0.59 per Rights Share is payable in cash on application and the second call of RM0.41 is to be capitalised from MBSB's share premium account ("Rights Issue").

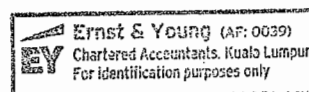
The proforma consolidated statements of financial position illustrates the effect of the Rights Issue, assuming the Rights Issue had been implemented and completed on 31 December 2015. The proforma consolidated statements of financial position of MBSB have been properly compiled using the audited consolidated financial statements of MBSB for the year ended 31 December 2015 which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") in Malaysia and in a manner consistent with both the format of the financial statements and the accounting policies of MBSB.

Furthermore, such financial information does not purport to predict the future financial position of MBSB and its subsidiaries ("MBSB Group").

The numbers detailed in the Notes to the ProForma Consolidated Statements of Financial Position are rounded to the nearest thousand (RM'000) for illustrative purposes.

1.1 Transaction costs for equity instruments

The transaction costs for equity instruments are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.



**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF
THE MBSB GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE
REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

MALAYSIA BUILDING SOCIETY BERHAD
(INCORPORATED IN MALAYSIA)

2. Proforma Adjustments

The proforma consolidated statements of financial position of MBSB incorporate the following adjustments:

i) Proforma I

Proforma I incorporates the effects of changes in equity arising from the allotment of new MBSB Shares from 1 January 2016 up to 3 June 2016 in relation to the exercise of 8,695,000 Warrants at the exercise price of RM1.00 each which resulted in an increase in issued and paid-up share capital by RM8,695,000 comprising approximately 8,695,000 MBSB Shares and a cash inflow of the same amount.

ii) Proforma II

Proforma II incorporates Proforma I and the effects of changes in equity arising from the allotment of new MBSB Shares from 6 June 2016 to 9 June 2016 in relation to the exercise of 1,972,000 Warrants at the exercise price of RM1.00 each which resulted in an increase in issued and paid-up share capital by RM1,972,000 comprising approximately 1,972,000 MBSB Shares and a cash inflow of the same amount.

iii) Proforma III

Proforma III incorporates Proforma II and the effects of the Dividend, including the following parameters in deriving the effects of the Dividend:

- (a) The dividend payout was 3.0 sen net per MBSB Share, amounting to RM85,278,000 which is based on the issued and paid-up share capital of RM2,842,604,000 as at the book closure date of the Dividend;
- (b) The Dividend will be paid out on 16 June 2016 prior to the Entitlement Date of the Rights Issue;
- (c) Expenses expected to be incurred with regard to the Dividend is approximately RM400,000; and

APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE MBSB GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)

MALAYSIA BUILDING SOCIETY BERHAD
(INCORPORATED IN MALAYSIA)

2. Proforma Adjustments (Cont'd.)

iii) Proforma III (Cont'd.)

(d) Approximately 67.7% of the Dividend or 50,169,000 MBSB Shares will be reinvested via the Company's Dividend Reinvestment Plan ("DRP") at the issue price of RM1.15 per MBSB share.

Proforma III will give rise to an increase in share capital of RM50,169,000, an increase in the share premium account of RM7,525,000, a reduction in the accumulated profit account of RM85,678,000 and a reduction in the cash and short term funds of RM27,984,000.

iv) Proforma IV

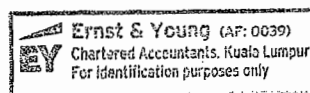
Proforma IV incorporates Proforma III and the effects of the issuance of 2,899,387,000 Rights Shares which will result in an increase in issued and paid-up share capital by RM2,899,387,000 comprising 2,899,387,000 MBSB Shares.

The First Call of the Rights Issue will be payable in cash by entitled shareholders and/or their renounees at 59 sen per Rights Share, amounting to RM1,710,638,000. The remaining balance of 41 sen per Rights Share, pertaining to the Second Call of the Rights Issue, will be capitalised from the share premium account, resulting in a reduction in the share premium account of RM1,188,749,000.

The estimated expenses relating to the Rights Issue of approximately RM14,000,000 will be accounted for as a reduction in the share premium account, resulting in an aggregate reduction of RM1,202,749,000 to the share premium account.

The total gross proceeds of RM1,710,638,000 are assumed to be utilised as follows:

- (a) RM1,100,000,000 for the expansion of the financing business of the MBSB Group, RM511,000,000 for the purchase of liquefiable assets and RM85,638,000 for working capital purposes; and
- (b) RM14,000,000 to defray the estimated expenses relating to the Rights Issue.



**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE
AUDITORS' REPORT THEREON**



**MALAYSIA BUILDING SOCIETY BERHAD
(9417-K)
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements
31 December 2015**

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE
AUDITORS' REPORT THEREON (CONT'D)**

**Malaysia Building Society Berhad
(Incorporated in Malaysia)**

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APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Malaysia Building Society Berhad
(Incorporated in Malaysia)

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

Principal activities

The Company is principally engaged in investment holding, money market activities, provision of financing, advancing and financial guarantees on a secured and unsecured basis, which includes Islamic financing, and other related financial services. The principal activities of the subsidiaries are described in Note 11 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year	<u>257,592</u>	<u>193,466</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of comprehensive income and the statements of changes in equity. In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The amount of dividends paid by the Company since 31 December 2014 was as follows:

RM'000

In respect of the financial year ended 31 December 2014:

- single-tier final taxable dividend of 10% and single-tier special dividend of 2% on
2,716,686,000 ordinary shares declared on 29 April 2015, paid on 29 May 2015 326,002

At the forthcoming Annual General Meeting, a single-tier final dividend of 3% in respect of the financial year ended 31 December 2015 on approximately 2,838,553,597 ordinary shares of RM1.00 each as at 15 February 2016, amounting to a total dividend of RM85,156,608 will be proposed for shareholders' approval.

APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**Malaysia Building Society Berhad
(Incorporated in Malaysia)**

Dividends (cont'd.)

The financial statements for the current financial year do not reflect the proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity in the financial year ending 31 December 2016.

The entire portion of the dividend can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP") as disclosed in Note 34 to the financial statements and subject to the relevant regulatory approvals. The DRP was previously approved by the shareholders on 10 December 2013.

Directors

The directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Abdul Halim bin Ali
Datuk Syed Zaid bin Syed Jaffar Albar
Encik Aw Hong Boo
Dato' Jasmy bin Ismail
Encik Lim Tian Huat
Datuk Shahril Ridza bin Ridzuan
Cik Ravinder Kaur a/p Mahan Singh
Ir. Moslim bin Othman (appointed on 21 September 2015)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company or its subsidiaries were a party whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 30 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Malaysia Building Society Berhad
(Incorporated in Malaysia)

Directors' interests

According to the register of directors' shareholdings, the interest of a director in office at the end of the financial year in shares of the Company during the financial year were as follows:

Name of director	Number of ordinary shares of RM1.00 each			31.12.2015
	1.1.2015	Acquired	Sold	
<i>Direct interest:</i>				
<i>Ordinary shares of the Company</i>				
Tan Sri Abdul Halim bin Ali	79,042	-	-	79,042

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares or options over shares in the Company or its related corporations during the financial year.

Issue of shares

During the financial year, the Company increased its issued and paid up ordinary share capital from RM2,709,623,000 to RM 2,838,551,000 via the issuance of approximately 128,928,000 new ordinary shares of RM1.00 each for cash as follows:

Issuance of new shares pursuant to:	Number of new ordinary shares of RM1.00 each		Issue/exercise price
	Units '000	RM '000	
ESOS granted on 11.9.2010	891	891	1.01
ESOS granted on 9.3.2012	1,942	1,942	1.44
ESOS granted on 15.11.2012	707	707	2.01
ESOS granted on 9.03.2014	151	151	2.15
Exercise of Warrants	4,027	4,027	1.00
Exercise of Special Issue (DRP)	121,210	121,210	1.91
	<u>128,928</u>	<u>128,928</u>	

The new ordinary shares issued during the financial year ranked *pari passu* in all respects with the existing ordinary shares of the Company.

APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**Malaysia Building Society Berhad
(Incorporated in Malaysia)**

Employee Share Option Scheme

The Malaysia Building Society Berhad's Employee Share Option Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 29 April 2010.

The ESOS was implemented on 12 August 2010 and is in force for a period of 5 years from the date of implementation. The Board of Directors approved the extension of the duration of the ESOS for a further 5 years from 12 August 2015 to 11 August 2020 in accordance with By-Law 19.3 of Malaysia Building Society Berhad's ESOS by-Laws on 6 August 2015.

The salient features and other terms of the ESOS are disclosed in Note 22(a) to the financial statements.

Details of the options to subscribe for ordinary shares of the Company pursuant to the ESOS as at 31 December 2015 are as follows:

Grant date	Expiry date	Exercise price (RM)	Number of options
11.09.2010	11.08.2020	1.01*	893,073
09.03.2012	11.08.2020	1.44*	649,008
15.11.2012	11.08.2020	2.01*	7,030,364
09.03.2014	11.08.2020	2.15*	12,960,592

* New exercise prices adjusted pursuant to the ESOS By-Law 15.1(c)(ii) as a result of the implementation of the Rights Issue exercise.

There were no ESOS granted during the current financial year.

Other statutory information

- (a) Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**Malaysia Building Society Berhad
(Incorporated in Malaysia)**

Other statutory information (cont'd.)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company as disclosed in Note 37 to the financial statements.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.


**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE
AUDITORS' REPORT THEREON (CONT'D)**

**Malaysia Building Society Berhad
(Incorporated in Malaysia)**

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 March 2016.



Tan Sri Abdul Halim bin Ali
Chairman

Kuala Lumpur, Malaysia



Aw Hong Boo
Director

APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**Malaysia Building Society Berhad
(Incorporated in Malaysia)**

**Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965**

We, Tan Sri Abdul Halim bin Ali and Aw Hong Boo, being two of the directors of Malaysia Building Society Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 152 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 44 to the financial statements have been prepared in accordance with the Guidance on 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, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 March 2016.

Tan Sri Abdul Halim bin Ali
Chairman

Aw Hong Boo
Director

Kuala Lumpur, Malaysia

**Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965**

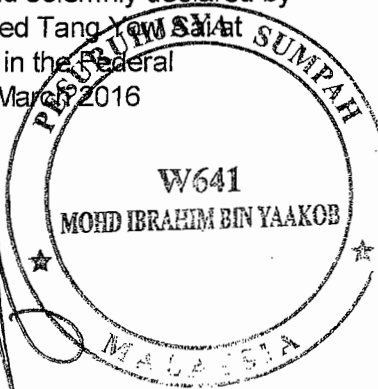
I, Tang Yow Sai, being the officer primarily responsible for the financial management of Malaysia Building Society Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 152 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Tang Yow Sai at
Kuala Lumpur in the Federal
Territory on 9 March 2016

Tang Yow Sai

Before me,

Commissioner for Oaths
Unit 50-10-1, Tingkat 10
Wisma UOA Damansara
No. 50, Jalan Dungan
Bukit Damansara
50490 Kuala Lumpur.



APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)



Ernst & Young AF: 0039
GST Reg No: 001556430848
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

**Independent auditors' report to the members of
Malaysia Building Society Berhad
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Malaysia Building Society Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 152.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)



**Independent auditors' report to the members of
Malaysia Building Society Berhad (cont'd.)
(Incorporated in Malaysia)**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' report of the subsidiary for which we have not acted as auditors, which is indicated in Note 11 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)



Independent auditors' report to the members of
Malaysia Building Society Berhad (cont'd.)
(Incorporated in Malaysia)

Other reporting responsibility

The supplementary information set out in Note 44 on page 153 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matter

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
9 March 2016

Yeo Beng Yean
No. 3013/10/16(J)
Chartered Accountant

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE
AUDITORS' REPORT THEREON (CONT'D)**

**Malaysia Building Society Berhad
(Incorporated in Malaysia)**

Statements of financial position as at 31 December 2015

	Note	Group	
		2015 RM'000	2014 RM'000
Assets			
Cash and short-term funds	5(a)	6,928,263	5,683,939
Deposits and placements with financial institutions	5(b)	406,529	83,418
Trade receivables	6	819	365
Other receivables	7	195,078	213,564
Inventories	8	103,287	103,233
Loans, advances and financing	9	31,784,970	31,032,148
Financial investments available-for-sale	12	983,354	-
Property, plant and equipment	13	138,052	137,773
Land use rights	14	5,746	5,908
Tax recoverable		3,181	-
Intangible assets	15	28,679	36,129
Deferred tax assets	21	511,050	369,426
Total assets		<u>41,089,008</u>	<u>37,665,903</u>
Liabilities and shareholders' equity			
Deposits from customers	16	28,585,387	27,530,858
Bank borrowings	17	1,645,591	1,415,844
Other borrowings	17	50,181	150,544
Trade payables	18	214	184
Other payables	19	325,968	313,753
Provision for taxation and zakat		10,850	33,867
Recourse obligation on loans/financing sold	20	2,767,242	2,373,039
Sukuk - MBSB Structured Covered ("SC") Murabahah	10(a)	2,827,955	1,150,124
Deferred tax liabilities	21	14,080	15,277
Total liabilities		<u>36,227,468</u>	<u>32,983,490</u>
Share capital	22	2,838,551	2,709,623
Share premium	22	1,392,980	1,278,873
Other reserves	23	40,733	36,810
Retained earnings		589,276	657,107
Total equity		<u>4,861,540</u>	<u>4,682,413</u>
Total liabilities and shareholders' equity		<u>41,089,008</u>	<u>37,665,903</u>

The accompanying notes form an integral part of the financial statements.

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE
AUDITORS' REPORT THEREON (CONT'D)**

Malaysia Building Society Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2015 (cont'd.)

	Note	Company	
		2015 RM'000	2014 RM'000
Assets			
Cash and short-term funds	5(a)	6,911,177	5,657,580
Deposits and placements with financial institutions	5(b)	2,127	8,117
Other receivables	7	137,506	239,546
Inventories	8	900	900
Loans, advances and financing	9	31,852,399	31,081,954
Sukuk Commodity Murabahah	10(b)	3,792,751	1,373,565
Investments in subsidiaries	11(a)	22,332	24,644
Loans to subsidiaries	11(b)	255,400	139,938
Financial investments available-for-sale	12	983,354	-
Property, plant and equipment	13	49,177	59,655
Intangible assets	15	28,590	36,032
Tax recoverable		3,181	-
Deferred tax assets	21	496,548	354,375
Total assets		44,535,442	38,976,306
Liabilities and shareholders' equity			
Deposits from customers	16	28,585,387	27,530,858
Bank borrowings	17	1,645,591	1,415,844
Other borrowings	17	50,181	150,544
Other payables	19	3,848,335	1,639,239
Provision for zakat		7,817	28,725
Recourse obligation on loans/financing sold	20	2,767,242	2,373,039
Sukuk - MBSB SC Murabahah	10(a)	2,827,955	1,150,124
Total liabilities		39,732,508	34,288,373
Share capital	22	2,838,551	2,709,623
Share premium	22	1,392,980	1,278,873
Other reserves	23	40,733	36,810
Retained earnings		530,670	662,627
Total equity		4,802,934	4,687,933
Total liabilities and shareholders' equity		44,535,442	38,976,306

The accompanying notes form an integral part of the financial statements.

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE
AUDITORS' REPORT THEREON (CONT'D)**

**Malaysia Building Society Berhad
(Incorporated in Malaysia)**

**Statements of comprehensive income
For the year ended 31 December 2015**

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	24	3,050,098	2,612,512	2,841,758	2,532,663
Interest income	25	487,358	519,387	477,458	502,699
Interest expense	26	(278,344)	(274,898)	(278,344)	(274,898)
Net interest income		209,014	244,489	199,114	227,801
Income derived from investment of general investment deposits and Islamic capital funds		2,395,635	1,995,329	2,318,043	1,964,586
Income attributable to depositors		(1,035,244)	(891,729)	(1,035,244)	(891,729)
Income attributable to sukuk		(271,382)	(76,196)	(271,382)	(76,196)
Net income from Islamic financing operations	42	1,089,009	1,027,404	1,011,417	996,661
Operating income		1,298,023	1,271,893	1,210,531	1,224,462
Other income	27	62,542	91,787	54,541	78,395
Net income		1,360,565	1,363,680	1,265,072	1,302,857
Other operating expenses	28	(308,303)	(304,949)	(295,124)	(263,387)
Operating profit		1,052,262	1,058,731	969,948	1,039,470
Allowance for impairment losses on loans, advances and financing	31	(697,237)	(126,175)	(680,499)	(126,175)
Profit before taxation and zakat		355,025	932,556	289,449	913,295
Taxation	32	(91,834)	87,818	(90,384)	90,099
Zakat		(5,599)	(5,345)	(5,599)	(5,345)
Profit for the year		257,592	1,015,029	193,466	998,049
Other comprehensive income		1,566	-	1,566	-
Total comprehensive income for the year, net of tax		259,158	1,015,029	195,032	998,049
Earnings per share (sen)					
Basic	33 (a)	9.24	39.15		
Diluted	33 (b)	9.22	38.96		

The accompanying notes form an integral part of the financial statements.

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER
2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

Malaysia Building Society Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the year ended 31 December 2015

Group	↔ Non Distributable				↔ Capital Redemption Reserve - Redeemable		Total RM'000
	Ordinary Shares RM'000	Share Premium RM'000	Capital Reserve (Note 23) RM'000	Share Option Reserve (Note 23) RM'000	Warrants Reserve (Note 23) RM'000	Preference Shares (Note 23) RM'000	
At 1 January 2014	1,747,868	631,189	17,838	2,713	3,633	12,486	2,186,210
Total comprehensive income for the year	-	-	-	-	-	-	1,015,029
Dividends (Note 34)	-	-	-	-	-	-	(131,240)
Share options granted under ESOS recognised in profit or loss (Note 29)	-	-	-	12,389	-	-	12,389
Issuance of ordinary shares pursuant to exercise of rights issue	873,929	558,448	-	-	-	-	1,433,404
Issuance of ordinary shares pursuant to exercise of DRP	49,327	50,807	-	-	-	-	100,134
Issuance of ordinary shares pursuant to exercise of ESOS	38,115	38,429	-	(10,441)	-	-	66,103
Issuance of ordinary shares pursuant to exercise of warrants	384	-	-	-	-	-	384
Transfer of share option reserve to accumulated losses upon expiry of share options	-	-	-	(1,808)	-	-	1,808
At 31 December 2014	2,709,623	1,278,873	17,838	2,853	3,633	12,486	4,682,413
Profit for the year	-	-	-	-	-	-	257,592
Other comprehensive income for the year	-	-	-	-	-	-	1,566
Total comprehensive income for the year	-	-	-	-	-	-	257,592
Dividends (Note 34)	-	-	-	-	-	-	(326,002)
Share options granted under ESOS recognised in profit or loss (Note 29)	-	-	-	-	-	-	5,001
Issuance of ordinary shares pursuant to exercise of DRP	121,210	110,291	-	-	-	-	231,501
Issuance of ordinary shares pursuant to exercise of ESOS	3,691	3,816	-	(2,065)	-	-	5,442
Issuance 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	4,861,540

The accompanying notes form an integral part of the financial statements.

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER
2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

Malaysia Building Society Berhad
(Incorporated in Malaysia)

Statements of changes in equity (cont'd.)
For the year ended 31 December 2015

Company	Ordinary Shares RM'000	Share Premium RM'000	Capital Reserve (Note 23) RM'000	Non Distributable		Warrants Reserve (Note 23) RM'000	Share Option Reserve (Note 23) RM'000	Capital Redemption Reserve - Redeemable Cumulative Preference Shares (Note 23) RM'000	Available-for-sale Reserves RM'000	(Accumulated Losses)/ Retained profits RM'000	Total RM'000
				Share Reserve (Note 23) RM'000	Capital Reserve (Note 23) RM'000						
At 1 January 2014	1,747,868	631,189	17,838	2,713	12,486	3,633	12,486	-	-	(207,017)	2,208,710
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	998,049	998,049
Dividends (Note 34)	-	-	-	-	-	-	-	-	-	(131,240)	(131,240)
Share options granted under ESOS recognised in profit or loss (Note 29)	-	-	-	12,389	-	-	-	-	-	-	12,389
Issuance of ordinary shares pursuant to exercise of rights issue	873,929	558,448	-	-	-	-	-	-	-	1,027	1,433,404
Issuance of ordinary shares pursuant to exercise of DRP	49,327	50,807	-	-	-	-	-	-	-	-	100,134
Issuance of ordinary shares pursuant to exercise of ESOS	38,115	38,429	-	(10,441)	-	-	-	-	-	-	66,103
Issuance of ordinary shares pursuant to exercise of warrants	384	-	-	-	-	-	-	-	-	-	384
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(1,808)	-	-	-	-	-	1,808	-
At 31 December 2014	2,709,623	1,278,873	17,838	2,853	12,486	3,633	12,486	-	-	662,627	4,687,933
Profit for the year	-	-	-	-	-	-	-	-	-	193,466	193,466
Other comprehensive income for the year	-	-	-	-	-	-	-	-	1,566	-	1,566
Total comprehensive income for the year	-	-	-	-	-	-	-	-	1,566	-	1,566
Dividends (Note 34)	-	-	-	-	-	-	-	-	-	(326,002)	(326,002)
Share options granted under ESOS recognised in profit or loss (Note 29)	-	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to exercise of DRP	121,210	110,291	-	5,001	-	-	-	-	-	-	5,001
Issuance of ordinary shares pursuant to exercise of ESOS	3,691	3,816	-	(2,065)	-	-	-	-	-	-	231,501
Issuance of ordinary shares pursuant to exercise of warrants	4,027	-	-	-	-	-	-	-	-	-	5,442
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	12,486	3,633	12,486	1,566	-	530,670	4,802,934

The accompanying notes form an integral part of the financial statements.

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE
AUDITORS' REPORT THEREON (CONT'D)**

**Malaysia Building Society Berhad
(Incorporated in Malaysia)**

Statements of cash flows

For the year ended 31 December 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from operating activities				
Profit before taxation	355,025	932,556	289,449	913,295
Adjustments for:				
Depreciation:				
- investment properties	-	12	-	-
- property, plant and equipment	14,720	14,497	11,602	11,203
Amortisation:				
- land use rights	162	160	-	-
- intangible assets	13,408	12,794	13,363	12,754
Loss/(gain) on disposal of property, plant and equipment and land use rights	24	(3)	24	(3)
Gain on disposal of inventories	-	(20,379)	-	(803)
Gain on disposal of foreclosed properties	(3,307)	(4,050)	(3,307)	(4,050)
Gain on disposal of investment properties	-	(166)	-	-
(Allowance)/write back of allowance for impairment of investments in subsidiaries	-	-	2,309	(5,479)
Allowance/(write back of allowance) for impairment of:				
- amount due from/loans to subsidiaries	-	-	30,803	(3,957)
- (reversal of)/additional provision for diminution from foreclosed properties	(12,020)	-	12,020	(3,271)
- provision for doubtful debts	-	-	(2,767)	2,134
- unsecured advances in respect of certain projects	33,589	30,257	-	-
Allowance for impairment losses on loans, advances and financing	701,943	126,175	685,205	126,175
Reversal of accruals during the year	3,342	2,074	3,342	2,074

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
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**Malaysia Building Society Berhad
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**Statements of cash flows
For the year ended 31 December 2015 (cont'd.)**

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from operating activities (cont'd.)				
Interest/profit income adjustment on:				
- loans, advance and financing	90,233	265,765	90,233	265,765
- profit payable on financial investments AFS	(8,884)	-	(8,884)	-
- Sukuk - MBSB SC Murabahah	(13,652)	(2,173)	(13,652)	(2,173)
- Sukuk Commodity Murabahah	-	-	(113,155)	(23,110)
Operating profit before working capital changes	1,174,583	1,357,519	996,586	1,290,554
(Increase)/decrease in deposits with financial institutions with maturity of more than one month	(323,111)	(76,465)	5,990	(1,164)
Increase in loans, advances and financing	(1,544,340)	(897,841)	(1,542,883)	(867,921)
Increase in Inventories	(54)	-	-	-
(Increase)/decrease in trade receivables	(454)	159	-	-
Increase in other receivables	(20,444)	(55,868)	(30,238)	(101,536)
Increase/(decrease) in deposits from customers	1,054,529	(661,811)	1,054,529	(661,811)
Increase/(decrease) in trade payables	30	(40)	-	-
Increase/(decrease) in other payables	8,872	(68,104)	2,211,559	667,263
Decrease in loans to subsidiaries	-	-	(44,542)	(34,626)
Cash generated from/(used in) operations	349,611	(402,451)	2,651,001	290,759
Tax paid	(258,750)	(334,100)	(258,750)	(334,100)
Tax refund	-	103	-	-
Zakat paid	(3,475)	(3,620)	(3,475)	(3,620)
Net cash generated from/(used in) operating activities	87,386	(740,068)	2,388,776	(46,961)

APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Malaysia Building Society Berhad
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Statements of cash flows
For the year ended 31 December 2015 (cont'd.)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(15,058)	(53,420)	(1,183)	(10,874)
Purchase of inventories	-	(111,804)	-	-
Purchase of intangible assets	(6,313)	(11,252)	(6,276)	(11,237)
Investment in subsidiary	-	-	3	(230)
Proceeds from disposal of property, plant and equipment and land use rights	35	3	35	3
Proceeds from disposal of investment properties	-	600	-	-
Proceeds from disposal of foreclosed properties	19,075	4,050	19,075	4,050
Proceeds from disposal of inventories	-	24,458	-	7,394
Increase in financial investments available- for- sale	(972,904)	-	(972,904)	-
Investment in Sukuk Commodity Murabahah	-	-	(2,306,031)	(833,045)
Net cash used in investing activities	(975,165)	(147,365)	(3,267,281)	(843,939)
Cash flows from financing activities				
Drawdown/(repayment) of bank borrowings	229,747	(24,475)	229,747	(24,475)
Repayment of other borrowings	(100,363)	(100,325)	(100,363)	(100,325)
Proceeds from recourse obligation on loans/financing sold	394,203	105,815	394,203	105,815
Proceeds from Sukuk - MBSB SC Murabahah	1,691,483	535,449	1,691,483	535,449
Dividends paid on ordinary shares	(326,002)	(131,240)	(326,002)	(131,240)
Net proceeds from issuance of ordinary shares	243,035	1,609,437	243,035	1,609,437
Net cash generated from financing activities	2,132,103	1,994,661	2,132,103	1,994,661

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AUDITORS' REPORT THEREON (CONT'D)**

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**Statements of cash flows
For the year ended 31 December 2015 (cont'd.)**

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net increase in cash and cash equivalents	1,244,324	1,107,228	1,253,597	1,103,761
Cash and cash equivalents at beginning of year	5,683,939	4,576,711	5,657,580	4,553,819
Cash and cash equivalents at end of year (Note 5(a))	6,928,263	5,683,939	6,911,177	5,657,580

The accompanying notes form an integral part of the financial statements.

APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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Notes to the financial statements - 31 December 2015

1. Corporate information

The Company is a public limited liability company, incorporated under the Companies Act, 1965 in Malaysia, domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 11th Floor, Wisma MBSB, 48, Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur.

The immediate and ultimate holding body of the Company is Employees Provident Fund, a statutory body established in Malaysia.

The Company is principally engaged in investment holding, money market activities, provision of financing, advances and financial guarantees on a secured and unsecured basis, which includes Islamic financing, and other related financial services.

The principal activities of the subsidiaries are described in Note 11. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The consolidated and separate financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 9 March 2016.

2. Summary of significant accounting policies

(a) Basis of preparation

The consolidated and separate financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared on a historical cost basis except as disclosed in the accounting policies below. The financial statements incorporate those activities relating to Islamic banking operations which have been undertaken by the Group and by the Company. Islamic banking operations refer generally to the acceptance of deposits and granting of financing under the principles of Shariah. Disclosures relating to the Islamic banking operations are disclosed in Note 42.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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2. Summary of significant accounting policies (cont'd.)

(b) Subsidiaries and basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Group has all of the following:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power to affect those returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(j) below. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss. Dividends received from subsidiaries are recorded as a component of revenue in the Company's profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended 31 December of each financial year.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. In preparing the consolidated financial statements, all intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The assessment of control is performed continuously to determine if control exists or continues to exist over an entity. Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date. Acquisition costs incurred are expensed and included in administrative expenses.

The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or discount on acquisition. The accounting policy for goodwill is set out in Note 2(c)(i) below. Discount on acquisition which represents negative goodwill is recognised immediately in profit or loss.

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Malaysia Building Society Berhad
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2. Summary of significant accounting policies (cont'd.)

(b) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

In business combinations achieved in stages, previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their respective interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in shareholders' equity.

If the Group loses control over a subsidiary, at the date the Group loses control, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their respective carrying amounts;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration or distribution received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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2. Summary of significant accounting policies (cont'd.)

(b) Subsidiaries and basis of consolidation (cont'd.)

(iii) Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from shareholders' equity. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners.

(c) Intangible assets

(i) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. This is done by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the disposed operations and the portion of the cash-generating unit retained.

APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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2. Summary of significant accounting policies (cont'd.)

(c) Intangible assets (cont'd.)

(ii) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives, or which are not yet available for use, are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Software licences

The useful life of software licences is assessed to be finite and is amortised on a straight-line basis over 5 years.

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

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2. Summary of significant accounting policies (cont'd.)

(d) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced, the Group recognises such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Building in progress	0%*
Buildings	2.5%
Building renovation	20.0%
Furniture and equipment	20.0%
Motor vehicles	20.0%
Data processing equipment	20.0%

* Building in progress will not be depreciated until it becomes ready for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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2. Summary of significant accounting policies (cont'd.)

(e) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"), a defined contribution pension scheme. Such contributions are recognised as an expense in profit or loss when incurred.

(iii) Employee share option scheme

The Malaysia Building Society Berhad's Employee Share Option Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the employees of subsidiaries of the Group (including executive directors), other than subsidiaries which are dormant, to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to the share premium account, or until the option expires, upon which it will be transferred directly to retained earnings.

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2. Summary of significant accounting policies (cont'd.)

(f) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation rate is at 2.5% per annum.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both.

Investment properties are derecognised when either it has been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the financial year of retirement or disposal.

Transfers are made to or from investment property only when there is change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use. At the date of change in use, the property is recorded at the net book value when the property is transferred to investment property.

(g) Inventories

Inventories of the Group comprise completed properties and hotel inventories. Inventories of completed properties are stated at the lower of cost (determined on specific identification basis) and net realisable value. Costs include costs associated with the acquisition of land, direct costs and appropriate development overheads.

Hotel inventories comprising food, beverage and hotel supplies are stated at the lower of cost (determined on a first-in, first-out basis) and net realisable value.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

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2. Summary of significant accounting policies (cont'd.)

(h) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Cash and cash equivalents

Cash and short-term funds in the statements of financial position comprise cash at bank and on hand, demand deposits and short-term deposits with original maturities of three months or less which are subject to an insignificant risk of change in value.

For the purposes of the statements of cash flows, cash and cash equivalents consist of cash and short-term funds as defined above, excluding deposits and monies held in trust and net of outstanding bank overdrafts.

(j) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU).

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
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2. Summary of significant accounting policies (cont'd.)

(j) Impairment of non-financial assets (cont'd.)

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that a previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation and/or amortisation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

(k) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and/or the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables and held-to-maturity investments.

APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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2. Summary of significant accounting policies (cont'd.)

(k) Financial assets (cont'd.)

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Financial assets classified in this category include cash and short-term funds, deposits and placement with financial institutions, loans, advances and financing, Sukuk Commodity Murabahah and trade and other receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less accumulated impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Financial investments available-for-sale ("AFS")

Financial investments AFS include debt securities. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial investments AFS are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income ("OCI") in the "AFS reserve" until the investment is derecognised, at which time the cumulative gain or loss is recognised in "other operating income". If the investment is determined to be impaired, the cumulative loss is reclassified from the "AFS reserve" to profit or loss in "impairment losses on financial investments". Interest earned whilst holding financial investments AFS is reported as interest income using the effective interest rate ("EIR") method.

The Company evaluates whether the ability and intention to sell its financial investments AFS in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial investments due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial investments. Reclassification to loans and receivables is permitted when the financial investments meet the definition of loans and receivables and the Company has the intent and ability to hold these investments for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

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2. Summary of significant accounting policies (cont'd.)

(k) Financial assets (cont'd.)

(ii) Financial investments available-for-sale ("AFS") (cont'd.)

For financial investments reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes their new amortised cost and any previous gain or loss on the investments that has been recognised in equity are amortised to the profit or loss over the remaining life of the investments using the EIR method. Any difference between the new amortised cost and the maturity amounts are also amortised over the remaining life of the investments using the EIR method. If the investments are subsequently determined to be impaired, then the amount recorded in equity are reclassified to the profit or loss.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

(l) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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2. Summary of significant accounting policies (cont'd.)

(l) Impairment of financial assets (cont'd.)

Trade and other receivables and other financial assets carried at amortised cost (cont'd.)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans, advances and financing and trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivables or loans, advances and financing becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(m) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and/or the Company become a party to the contractual provisions of the financial instrument.

The Group's and the Company's financial liabilities include Sukuk - MBSB SC Murabahah, trade payables, other payables, bank and other borrowings, recourse obligations on loans sold to Cagamas Berhad and deposits from customers. Deposits from customers are stated at placement values.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Bank and other borrowings and recourse obligations on loans sold to Cagamas Berhad are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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2. Summary of significant accounting policies (cont'd.)

(m) Financial liabilities (cont'd.)

Sukuk - MBSB SC Murabahah issued by the Company is classified as other financial liabilities as there is a contractual obligation by the Company to make cash payments of either principal or profit or both to holders of the Sukuk - MBSB SC Murabahah and the Company is contractually obliged to settle the financial instrument in cash.

Subsequent to initial recognition, Sukuk issued is recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in profit or loss over the period of the Sukuk - MBSB SC Murabahah using the effective profit method.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(n) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as a liability and deducted from equity in the period in which all relevant approvals have been obtained.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(o) Warrants

Proceeds from the issuance of warrants, net of issue costs, are credited to the warrants reserve. The warrants reserve is non-distributable and will be transferred to the share premium account upon the exercise of warrants. Any remaining balance of the warrants reserve in relation to unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

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2. Summary of significant accounting policies (cont'd.)

(p) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to disburse loans, advances and financing to its borrowers as and when they choose to drawdown. Prior to this drawdown, financial guarantee contracts are recognised as commitment and contingencies. Subsequent to drawdown, financial guarantee shall be recognised as loans, advances and financing.

(q) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and/or the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income and profit from operations of Islamic business

Interest income is recognised in profit or loss for all interest bearing assets on an accrual basis using the effective interest method. Profit from the Islamic business operations is recognised on an accrual basis in accordance with the principles of Shariah.

(ii) Sale of properties

Revenue from the sale of completed properties is recognised upon transfer of significant risks and rewards of ownership to the buyer.

(iii) Fee income

Loan arrangement fees, commissions and insurance fees are recognised as income at the time the underlying transactions are completed and there are no other contingencies associated with the fees.

Commitment fees are recognised as income based on the amortised cost method.

(iv) Dividend income

Dividend income is recognised when the Group's and/or the Company's right to receive payment is established.

(v) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

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2. Summary of significant accounting policies (cont'd.)

(q) Revenue recognition (cont'd.)

(vi) Other income

Revenue from rental of hotel rooms, sale of food and beverage, group tours and hotel arrangements are recognised upon invoices being issued and services rendered.

(r) Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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2. Summary of significant accounting policies (cont'd.)

(r) Income tax (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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2. Summary of significant accounting policies (cont'd.)

(s) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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3. Changes in accounting policies

(a) Amendments to MFRSs effective for annual periods on or after 1 January 2015

On 1 January 2015, the Group and the Company adopted the following Amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2015:

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

The adoption of these new and revised MFRSs did not result in any significant effect on the consolidated and separate financial statements other than as described below.

(b) Standards and IC Interpretations issued but not yet effective

The following are standards and Issues Committee ("IC") Interpretations issued by MASB, but not yet effective, up to the date of issuance of the Group's and the Company's financial statements. The Group and the Company intend to adopt these standards and interpretations, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments of MFRS 127: Equity Method in Separate Financial Statements	1 January 2016

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3. Changes in accounting policies (cont'd.)

(b) Standards and interpretations issued but not yet effective (cont'd.)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012 - 2014 Cycle)	1 January 2016
Amendments to MFRS 7: Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012 - 2014 Cycle)	1 January 2016
Amendments to MFRS 119: Employee Benefits (Annual Improvements to MFRSs 2012 - 2013 Cycle)	1 January 2016
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements to MFRSs 2012 - 2014 Cycle)	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments	1 January 2018

The Directors of the Company do not anticipate that the application of the above will have a material impact on the financial statements of the Group and Company.

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3. Changes in accounting policies (cont'd.)

(b) Standards and interpretations issued but not yet effective (cont'd.)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFR 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of MFRS 9 and plans to adopt the new standard on the required effective date.

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4. Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amount recognised in the financial statements.

Assessment of derecognition of Personal Financing - Islamic ("PFI") sold to Jana Kapital Sdn. Bhd. ("JKSB")

In determining if the sale meets the derecognition criteria, management have evaluated the extent to which the Company retains the risks and rewards of ownership of the PFI. As the Principal Terms and Conditions require the replacement of defaulted PFI with performing PFI, management had concluded that the risks and rewards of ownership of the PFI continue to be retained by the Company. Accordingly, the sale of the PFI to JKSB does not meet the criteria for derecognition and has not been derecognised in the financial statements of the Company. Instead, an amount equivalent to the carrying value of the the pledged PFI has been recognised in the financial statements of the Company as an amount due to JKSB and, conversely, in JKSB's books, an equivalent amount has been recognised as an amount due from the Company. Management is of the opinion that the described accounting treatment provides a more comprehensive and accurate representation of the arrangement between the Company and JKSB.

In line with the Principal Terms and Condition of the Sukuk - MBSB SC Murabahah programme of the Group (as detailed in Note 10(a)), Sukuk - MBSB SC Murabahah and Sukuk Commodity Murabahah will be issued in tranches from time to time, as decided by management and each tranche is required to be backed by a portfolio of identified PFI held by JKSB. The portfolio of identified PFI is purchased by JKSB from the Company on an arm's length basis. Management has considered the derecognition criteria prescribed in MFRS 139 *Financial Instruments: Recognition and Measurement*, and concluded, as per above, that the sale of PFI by the Company to JKSB has not met the derecognition criteria as stipulated in the standard.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below:

(i) Impairment of loans, advances and financing and other receivables

The Group and the Company review its individually significant loans, advances and financing and other receivables at each reporting date to assess whether an impairment loss should be recorded in profit or loss.

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4. Significant accounting estimates and judgements (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(i) Impairment of loans, advances and financing and other receivables (cont'd.)

In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Company make judgements about the borrower's or the customer's financial situation and the net realisable value of collateral and future recoverable cash flows in workout/restructuring agreements. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

Loans, advances and financing and receivables that have been assessed individually and found not to be impaired, and all individually insignificant loans, advances and financing, are then grouped based on similar risk characteristics and assessed collectively, to determine whether allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The amount of collective impairment required is determined based on the amount of data available from the Group's and the Company's current and past portfolios of loans, advances and financing. Such data include, but not limited to, credit policies, practices and quality, historical loss experiences and levels of arrears. Determination of collective impairment allowances also involve the use of credit models which are subjected to the further use of certain bases and assumptions. Included in the models used, and consequently in the quantum of collective impairment losses, are adjustments made to compensate for some of the possible inherent limitations of a model-based approach.

The amount of impairment loss provided by the Group and the Company is disclosed in Note 6, 7 and 9.

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4. Significant accounting estimates and judgements (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(ii) Impairment of investments in subsidiaries

The Group assesses whether there is any indication that investments in subsidiaries may be impaired at each reporting date.

If indicators are present, these investments are subject to impairment review. The impairment review comprises a comparison of the carrying amounts of the investment and the investment's estimated recoverable amounts.

Judgements made by management in the process of applying the Group's accounting policies in respect of investments in subsidiaries are as follows:

- (i) The Group determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and in the economic environment; and
- (ii) Depending on their nature and the location in which the investments relate to, judgements are made by management to select suitable methods of valuation such as discounted future cash flows.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trends.

Management believes that no reasonably expected possible change in the key assumptions described above would cause the carrying amounts of the investments to materially exceed their recoverable amounts.

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4. Significant accounting estimates and judgements (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(iii) Recognition of deferred tax asset

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. Assumptions about generation of future taxable profits depend on management's estimates of future cash flows.

(iv) Provision for income tax

The Company had, in October 2010, submitted an application to the Ministry of Finance ("MoF") seeking approval to apply the Guidelines on Income Tax Treatment from Adopting FRS 139 - *Financial Instruments: Recognition and Measurement* ("Guidelines"). The Guidelines were issued by the MoF on 1 April 2008 and are only applicable to financial institutions regulated by Bank Negara Malaysia ("BNM") that are licensed pursuant to the Banking and Financial

Pending the said approval as at the date of this report, the provision for tax payable of the Company is made without adopting the Guidelines. Should the approval be obtained, provision for tax payable and deferred taxation for the relevant financial years may be revised.

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5. Cash and short term funds and deposits and placements with financial institutions

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(a) Cash and short-term funds:				
Cash at banks and on hand	326,838	393,345	313,325	370,449
Money at call	-	2,338,246	-	2,338,246
Deposits and placements with financial institutions with maturity of less than one month	6,601,425	2,952,348	6,597,852	2,948,885
Total cash and short-term funds	6,928,263	5,683,939	6,911,177	5,657,580
(b) Deposits and placements with financial institutions with maturity of more than one month	406,529	83,418	2,127	8,117
Total cash and short-term funds and deposits and placements financial institutions	7,334,792	5,767,357	6,913,304	5,665,697

Short-term deposits are made for varying periods of between 1 day and 1 year depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposits rates. The weighted average effective interest rate as at 31 December 2015 for the Group was 4.33% (2014: 3.96%) and the Company was 3.95% (2014: 3.72%) per annum respectively. The average maturity as at 31 December 2015 for the Group was 84 days (2014: 136 days) and the Company was 19 days (2014: 134 days) respectively.

6. Trade receivables

	Group	
	2015 RM'000	2014 RM'000
Gross balance	25,628	25,175
Less: Allowance for impairment	(24,809)	(24,810)
Net balance	819	365

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6. Trade receivables (cont'd.)

Movements in allowance for impairment are as follows:

	Group	
	2015 RM'000	2014 RM'000
Balance as at 1 January	24,810	24,810
Reversal of impairment losses (Note 28)	(1)	-
Balance as at 31 December	24,809	24,810

Trade receivables are non-interest bearing and credit terms provided are generally on 7 to 30 days (2014: 7 to 30 days) term.

7. Other receivables

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Advances in respect of certain projects	338,388	304,799	-	-
Loan commitment fees	8,740	8,740	8,740	8,740
Amount due from subsidiaries	-	-	48,770	144,864
Foreclosed properties	138,658	139,658	138,658	139,658
Prepayments and deposits	8,300	7,777	7,555	6,919
Sundry receivables	46,553	64,584	39,600	42,469
Deferred expenses due to issuance of Sukuk				
Commodity Murabahah	168	178	-	-
Deferred expenses due to issuance of Sukuk - MBSB SC Murabahah	3,257	3,425	3,257	3,425
	544,064	529,161	246,580	346,075
Less: Allowance for impairment	(348,986)	(315,597)	(109,074)	(106,529)
	195,078	213,564	137,506	239,546

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7. Other receivables (cont'd.)

Movements in allowance for impairment are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Balance as at 1 January	315,597	286,477	106,529	106,048
Transfer from individual impairment allowance for loans, advances and financing (Note 9(vi))	8,370	-	8,370	-
Charge/(reversal) for the year:				
Provision for diminution from foreclosed properties	(8,581)	(3,271)	(8,581)	(3,271)
Advances in respect of certain projects (Note 28)	33,588	30,257	-	-
Amount due from subsidiaries	-	-	2,744	1,618
Commission fees (Note 28)	12	2,134	12	2,134
Balance as at 31 December	348,986	315,597	109,074	106,529

Details of allowance for impairment are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Advances in respect of certain projects	274,648	241,060	-	-
Loan commitment fees	8,740	8,740	8,740	8,740
Amount due from subsidiaries	-	-	38,925	36,181
Public Low Cost Housing Payment (PLCHP)	23,118	23,118	23,118	23,118
Sundry receivables	12,493	12,481	8,304	8,292
Foreclosed properties	29,987	30,198	29,987	30,198
	348,986	315,597	109,074	106,529

The unsecured advances in respect of certain projects relate to monies advanced and interest charged on these advances by a subsidiary of the Company to a third party. These advances bear interest of 10.50% (2014: 10.50%) per annum.

The amount due from subsidiaries is unsecured, bears weighted average effective interest rate of 7.42% (2014: 6.48%) per annum and is repayable on demand.

The credit risk of other receivables of the Group and the Company are mitigated by the collateral held against the other receivables and would reduce the extent of impairment allowance for the assets subject to impairment review. In this respect, the individual impairment allowance as at the reporting date would have been higher by approximately RM108,671,000 (2014: RM109,460,000) without the mitigating effect of collateral held.

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7. Other receivables (cont'd.)

Included in prepayments and deposits of the Group and of the Company are rental deposits paid to the Employees Provident Fund ("EPF"), the ultimate holding body, amounting to RM94,125 (2014: RM94,125).

Other than described above, the Group has no significant concentration of credit risk within other receivables that may arise from exposure to a single debtor or to groups of debtors other than the unsecured advances in respect of certain projects.

8. Inventories

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At cost:				
Hotel inventories	224	170	-	-
At net realisable value:				
Freehold land held for sale	103,063	103,063	900	900
	103,063	103,063	900	900
Total inventories	103,287	103,233	900	900

9. Loans, advances and financing

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
End finance:				
Normal housing programme	3,538,080	3,562,253	3,538,080	3,562,253
Low cost housing programme	17,842	17,961	17,842	17,961
Islamic:				
Property	1,884,525	1,699,574	1,884,525	1,699,574
Personal	23,159,664	23,395,418	23,159,664	23,395,418
Auto finance	376,630	280,344	376,630	280,344
Bridging, structured and term loans and financing	5,081,068	3,677,660	5,148,497	3,961,726
Staff loans	51,020	45,364	51,020	45,364
Gross loans, advances and financing	34,108,829	32,678,574	34,176,258	32,962,640
Allowance for impairment:				
- Collectively assessed	(2,045,943)	(1,437,747)	(2,045,943)	(1,437,747)
- Individually assessed	(277,916)	(208,679)	(277,916)	(442,939)
Net loans, advances and financing	31,784,970	31,032,148	31,852,399	31,081,954

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9. Loans, advances and financing (cont'd.)

Included in bridging, structured and term loans and financing granted by the Company in respect of joint venture projects are the following impaired amounts:

	Company	
	2015 RM'000	2014 RM'000
Loans to subsidiaries	-*	37,773

* Denotes RM1

Included in Islamic personal financing are amounts that have been charged for financing facilities granted to the Company as shown below:

	Group and Company	
	2015 RM'000	2014 RM'000
Islamic financing facility granted by:		
EPF (Note 17)	161,452	316,760
Recourse obligation on loans/financing sold (Note 20)	2,081,435	1,909,567
Sukuk - MBSB SC Murabahah* (Note 10(a))	3,494,863	1,302,779

The Islamic personal financing charged to Sukuk - MBSB SC Murabahah relate to Islamic personal financing sold to a subsidiary, JKSB, amounting to:

Tranche	Selling date	Group and Company	
		2015 RM'000	2014 RM'000
		Selling price	Selling price
1	1 December 2013	570,637	570,637
2	1 November 2014	833,045	833,045
3	1 May 2015	1,232,642	-
4	1 October 2015	1,239,677	-
		<u>3,876,001</u>	<u>1,403,682</u>

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9. Loans, advances and financing (cont'd.)

(i) The maturity structure of loans, advances and financing is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Maturing within one year	575,232	1,691,198	575,232	1,691,198
One year to three years	1,037,731	592,130	1,037,731	592,130
Three years to five years	941,459	769,799	941,459	769,799
Over five years	31,554,407	29,625,447	31,621,836	29,909,513
	34,108,829	32,678,574	34,176,258	32,962,640

(ii) Loans, advances and financing categorised according to their purpose are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchase of residential properties	5,173,290	5,011,516	5,173,290	5,011,516
Purchase of non-residential properties	293,858	291,085	293,858	291,085
Personal use	23,182,139	23,416,107	23,182,139	23,416,107
Property development	2,685,005	2,070,967	2,685,005	2,070,967
Working capital	1,706,762	817,857	1,706,762	817,857
Purchase of transport vehicles	378,473	282,202	378,473	282,202
Others	689,302	788,840	756,731	1,072,906
	34,108,829	32,678,574	34,176,258	32,962,640

(iii) Loans, advances and financing categorised according to type of customer are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Domestic business enterprises:				
- Small medium enterprises	2,637,084	1,318,941	2,637,084	1,318,941
- Others	2,557,619	2,474,248	2,625,048	2,758,314
Individuals	28,914,126	28,885,385	28,914,126	28,885,385
	34,108,829	32,678,574	34,176,258	32,962,640

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9. Loans, advances and financing (cont'd.)

(iv) Loans, advances and financing categorised according to interest/profit rate sensitivity are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate:				
Personal financing	23,145,495	23,401,781	23,145,495	23,401,781
Auto finance	378,473	282,202	378,473	282,202
Mortgage and property Islamic	867,843	937,824	867,843	937,824
Bridging, structured and term loans and financing	413,920	540,241	413,920	540,241
Variable rate:				
Personal financing	36,644	14,327	36,644	14,327
Mortgage and property Islamic	4,599,305	4,364,778	4,599,305	4,364,778
Bridging, structured and term loans and financing	4,667,149	3,137,421	4,734,578	3,421,487
	<u>34,108,829</u>	<u>32,678,574</u>	<u>34,176,258</u>	<u>32,962,640</u>

(v) Movements in impaired loans, advances and financing are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Balance as at 1 January	2,145,793	1,648,383	2,429,860	1,932,532
Classified as impaired during the year	2,370,388	3,479,877	2,388,012	3,479,795
Reclassified as non-impaired	(1,965,053)	(2,744,898)	(1,983,079)	(2,744,898)
Amount recovered	(22,482)	(168,422)	(22,482)	(168,422)
Amount written off	(9,013)	(69,147)	(225,248)	(69,147)
Balance as at 31 December	2,519,633	2,145,793	2,587,063	2,429,860
Collective allowance *	(1,442,441)	(839,425)	(1,442,441)	(839,425)
Individual allowance	(183,679)	(48,774)	(183,679)	(283,035)
Allowance for impairment	<u>(1,626,120)</u>	<u>(888,199)</u>	<u>(1,626,120)</u>	<u>(1,122,460)</u>
Net impaired loans, advances and financing	<u>893,513</u>	<u>1,257,594</u>	<u>960,943</u>	<u>1,307,400</u>
Net impaired loans as a percentage of net loans, advances and financing	2.8%	4.1%	3.0%	4.2%

* The collective allowance included in the computation of net impaired loans, advances and financing pertain to the collective allowance recognised on loans categorised as impaired.

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9. Loans, advances and financing (cont'd.)

(vi) Movements in the allowance for impairment are as follows:

	Group and Company	
	2015 RM'000	2014 RM'000
Collective Impairment		
Balance as at 1 January	1,437,747	1,318,453
Impairment during the year (Note 31)	608,196	119,294
Balance as at 31 December	<u>2,045,943</u>	<u>1,437,747</u>

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Individual Impairment				
Balance as at 1 January	208,679	300,865	442,939	535,125
Impairment during the year (Note 31)	84,335	7,824	67,597	7,824
Written off	(6,728)	(94,032)	(224,250)	(94,032)
Transfer to other receivables (Note 7)	(8,370)	(5,978)	(8,370)	(5,978)
Balance as at 31 December	<u>277,916</u>	<u>208,679</u>	<u>277,916</u>	<u>442,939</u>

(vii) Impaired loans, advances and financing by economic purpose are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchase of residential properties	981,582	1,080,179	981,582	1,080,179
Purchase of non-residential properties	79,135	87,068	79,135	87,068
Personal use	1,181,594	871,761	1,181,594	871,761
Property development	3,533	4,784	3,533	4,784
Working capital	60,759	53,370	60,759	53,370
Purchase of transport vehicles	35,407	16,474	35,407	16,474
Others	177,623	32,157	245,053	316,224
	<u>2,519,633</u>	<u>2,145,793</u>	<u>2,587,063</u>	<u>2,429,860</u>

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9. Loans, advances and financing (cont'd.)

(viii) Impaired loans, advances and financing by type of customer are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Domestic business enterprises:				
- Small medium enterprises	40,016	25,104	40,016	25,104
- Others	234,873	105,669	302,303	389,736
Individuals	2,244,744	2,015,020	2,244,744	2,015,020
	<u>2,519,633</u>	<u>2,145,793</u>	<u>2,587,063</u>	<u>2,429,860</u>

The credit risk of financial assets of the Group and the Company is mitigated by the collateral held against the financial assets and would reduce the extent of impairment allowance for the assets subject to impairment review. In this respect, the individual impairment allowance as at the reporting date would have been higher by approximately RM138,754,000 (2014: RM110,340,000) without the mitigating effect of collateral held.

10. Sukuk - MBSB SC Murabahah and Sukuk Commodity Murabahah

(a) Sukuk - MBSB SC Murabahah

	Group and Company	
	2015 RM'000	2014 RM'000
Sukuk - MBSB SC Murabahah	<u>2,827,955</u>	<u>1,150,124</u>
Maturity of Sukuk - MBSB SC Murabahah:		
Within one year	385,239	115,001
More than one year	2,442,716	1,035,123
	<u>2,827,955</u>	<u>1,150,124</u>

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10. Sukuk - MBSB Structured Covered ("SC") Murabahah and Sukuk Commodity Murabahah (cont'd.)

(a) Sukuk - MBSB SC Murabahah (cont'd.)

On 25 October 2013, MBSB's Sukuk - MBSB SC Murabahah programme ("the Programme") was approved by the Securities Commission of Malaysia. The salient terms of the Programme as prescribed in its Principal Terms and Conditions are as follows:

- (i) The Programme is available for issue within a period of 5 years from the first issuance date and is issued in tranches ("Tranche") from time to time, at the discretion of MBSB;
- (ii) Each Tranche will consist of multiple series of Sukuk with different maturities;
- (iii) Each Tranche will be backed by an identified pool of Financing Receivables ("Tranche Cover Assets") held by the Company's Special Purpose Vehicle ("SPV"), Jana Kapital Sdn. Bhd. ("JKSB"); JKSB who will issue an unconditional and irrevocable Covered Sukuk Guarantee to the holders of the Sukuk - MBSB SC Murabahah;
- (iv) Tranche Cover Assets will be pledged by JKSB as security for the Covered Sukuk Guarantee. These Tranche Cover Assets are assigned to the Sukuk Trustee for this purpose;
- (v) In the event of default as defined in the Principal Terms and Conditions, the Tranche Cover Assets will be liquidated by the Sukuk Trustee in favour of the holders of the Sukuk - MBSB SC Murabahah; and
- (vi) From time to time, additional Tranche Cover Assets will be purchased by JKSB in line with additional Tranches drawdown by MBSB.

As at the reporting date, the carrying amount of Financing Receivables identified to back the outstanding Sukuk MBSB SC-Murabahah amounted to RM3,494,863,000 (2014: RM1,302,779,000).

(b) Sukuk Commodity Murabahah

	Company	
	2015	2014
	RM'000	RM'000
Sukuk Commodity Murabahah	3,792,751	1,373,565

As part of the Programme, JKSB will issue a Sukuk Commodity Murabahah to raise funds necessary for the purchase of Tranche Cover Assets from the Company. The salient terms of the Sukuk Commodity Murabahah are as follows:

- (i) The Sukuk Commodity Murabahah will be issued in Tranches corresponding to each Tranche of Sukuk - MBSB SC Murabahah;
- (ii) The tenure of the Sukuk Commodity Murabahah will be equivalent to the tenure of each Tranche of the Sukuk - MBSB SC Murabahah plus an additional year;
- (iii) The profit rates of each Tranche of the Sukuk Commodity Murabahah will be equivalent to the profit rates of the corresponding Sukuk - MBSB SC Murabahah.

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10. Sukuk - MBSB Structured Covered ("SC") Murabahah and Sukuk Commodity Murabahah (cont'd.)

On 24 December 2013, the first drawdown of the Programme amounting to approximately RM495 million was made by the Company with an equivalent issuance by JKSB amounting to approximately RM579 million to the Company. The first Tranche is secured against Tranche Cover Assets amounting to RM570,637,000 sold to JKSB on 1 December 2013. The first Tranches of the Sukuk - MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 8 and 9 years from their drawdown dates respectively and both instruments carry profit rates ranging from 3.84% to 4.68% per annum, payable semi-annually in arrears. The repayment of the Sukuk - MBSB SC Murabahah is disclosed in Note 38.

On 10 December 2014, the second drawdown of the Programme amounting to approximately RM700 million was made by the Company with an equivalent issuance by JKSB amounting to approximately RM931 million to the Company. The second Tranche is secured against Tranche Cover Assets amounting to RM833,045,000 sold to JKSB on 1 November 2014. The second Tranches of the Sukuk - MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 10 and 11 years from their drawdown dates respectively and both instruments carry profit rates ranging from 4.00% to 5.00% per annum, payable semi-annually in arrears. The repayment of the Sukuk - MBSB SC Murabahah is disclosed in Note 38.

On 29 May 2015, the third drawdown of the Programme amounting to approximately RM900 million was made by the Company with an equivalent issuance by JKSB amounting to approximately RM1510 million to the Company. The third Tranche is secured against Tranche Cover Assets amounting to RM1,232,642,000 sold to JKSB on 1 May 2015. The third Tranches of the Sukuk - MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 9 and 10 years from their drawdown dates respectively and both instruments carry profit rates ranging from 4.30% to 5.20% per annum, payable semi-annually in arrears. The repayment of the Sukuk - MBSB SC Murabahah is disclosed in Note 38.

On 21 October 2015, the fourth drawdown of the Programme amounting to approximately RM900 million was made by the Company with an equivalent issuance by JKSB amounting to approximately RM900 million to the Company. The fourth Tranche is secured against Tranche Cover Assets amounting to RM1,239,677,000 sold to JKSB on 1 October 2015. The fourth Tranches of the Sukuk - MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 12 and 13 years from their drawdown dates respectively and both instruments carry profit rates ranging from 4.30% to 5.50% per annum, payable semi-annually in arrears. The repayment of the Sukuk - MBSB SC Murabahah is disclosed in Note 38.

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11. Investments in subsidiaries and loans to subsidiaries

(a) Investments in subsidiaries

	Company	
	2015 RM'000	2014 RM'000
Unquoted shares at cost	118,394	118,397
Less: Accumulated impairment losses	(96,062)	(93,753)
	<u>22,332</u>	<u>24,644</u>

Details of the subsidiaries are as follows:

Name of subsidiaries	Effective interest held (%)		Principal activities
	2015	2014	
MBSB Properties Sdn. Bhd.	100	100	Leasing of real property
MBSB Development Sdn. Bhd.	100	100	Property development
Prudent Legacy Sdn. Bhd.	92	92	Property development
Sigmaprise Sdn. Bhd.	100	100	Hotel operations
Ganesha Sdn. Bhd.	100	100	Property development
Springtide Sdn. Bhd. #	-	100	In liquidation
Trimonds Sdn. Bhd. #	-	100	In liquidation
MBSB Project Management Sdn. Bhd.	100	100	Ceased operations
Definite Pure Sdn. Bhd.	100	100	Dormant
Malaya Borneo Building Society Limited ("MBBS") *	100	100	Dormant
Farawide Sdn. Bhd.	100	100	Hotel operations services
Raynergy Sdn. Bhd. #	-	100	In liquidation
Idaman Usahamas Sdn. Bhd.	100	100	Property development

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11. Investments in subsidiaries and loans to subsidiaries (cont'd.)

(a) Investments in subsidiaries (cont'd.)

Name of subsidiaries	Effective interest held (%)		Principal activities
	2015	2014	
Ombak Pesaka Sdn. Bhd.	100	100	Hotel operations
MBSB Tower Sdn. Bhd.	100	100	Property development
Home Approach Sdn. Bhd.	100	100	Dormant
Jana Kapital Sdn. Bhd.	100	100	Investment holding
88 Legacy Sdn. Bhd.	100	100	Property development

* Audited by a firm of auditors other than Ernst & Young.

*These liquidated subsidiaries did not give rise to significant impact to the results of the Company and Group.

All the above subsidiaries are incorporated in Malaysia except for MBBS which is incorporated in Singapore.

(b) Loans to subsidiaries

	Company	
	2015 RM'000	2014 RM'000
Secured	180,850	51,251
Unsecured	205,513	191,591
	<u>386,363</u>	<u>242,842</u>
Less: Allowance for impairment	(130,963)	(102,904)
	<u>255,400</u>	<u>139,938</u>

Movements in the allowance for impairment are as follows:

	Company	
	2015 RM'000	2014 RM'000
Balance as at 1 January	102,904	94,928
Charge for the year		
Secured	830	573
Unsecured	27,229	7,403
Total charge for the year (Note 28)	<u>28,059</u>	<u>7,976</u>
Balance as at 31 December	<u>130,963</u>	<u>102,904</u>

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11. Investments in subsidiaries and loans to subsidiaries (cont'd.)

(b) Loans to subsidiaries (cont'd.)

	Company	
	2015	2014
	RM'000	RM'000
Details of the allowance for impairment are as follows:		
Secured	8,213	7,383
Unsecured	122,750	95,521
	130,963	102,904

The loans to subsidiaries are repayable on demand and certain loans to subsidiaries are secured against landed properties. The weighted average effective interest rates of loans to subsidiaries at the reporting date was 7.42% (2014: 6.48%) per annum.

12. Financial investments available-for-sale ("AFS")

	Group and Company	
	2015	2014
	RM'000	RM'000
At fair value	983,354	-
Money Market Instruments		
Malaysian Government Investment Issues	584,787	-
Quoted Securities:		
Private and Islamic debt securities	398,567	-
	983,354	-

The maturity profile of financial investment available-for-sale is as follows:

	Group and Company	
	2015	2014
	RM'000	RM'000
Within one year	99,655	-
One year to three years	177,549	-
Three years to five years	307,005	-
After five years	399,145	-
	983,354	-

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13. Property, plant and equipment

Group

Cost	Freehold land RM'000	Buildings in progress RM'000	Buildings RM'000	Buildings renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Total RM'000
At 1 January 2015	6,217	42,415	103,718	35,618	31,913	839	34,172	254,892
Additions	-	13,718	-	559	531	163	87	15,058
Disposals	-	-	-	(340)	(14)	(134)	(186)	(674)
At 31 December 2015	6,217	56,133	103,718	35,837	32,430	868	34,073	269,276
Accumulated depreciation and impairment losses								
At 1 January 2015:	-	-	11,539	23,360	25,480	676	21,406	82,461
Accumulated depreciation	371	-	34,287	-	-	-	-	34,658
Accumulated impairment losses	371	-	45,826	23,360	25,480	676	21,406	117,119
Depreciation charge for the year (Note 28)	-	-	3,022	4,719	2,270	107	4,602	14,720
Disposals	-	-	-	(288)	(7)	(134)	(186)	(615)
At 31 December 2015	371	-	48,848	27,791	27,743	649	25,822	131,224
Analysed as:								
Accumulated depreciation	-	-	14,561	27,791	27,743	649	25,822	96,566
Accumulated impairment losses	371	-	34,287	-	-	-	-	34,658
At 31 December 2015	371	-	48,848	27,791	27,743	649	25,822	131,224
Net book value								
At 31 December 2015	5,846	56,133	54,870	8,046	4,687	219	8,251	138,052

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13. Property, plant and equipment (cont'd.)

Group	Freehold land RM'000	Buildings in progress		Buildings RM'000	Building renovation equipment		Furniture and vehicles		Data processing equipment RM'000	Total RM'000
		RM'000	RM'000		RM'000	RM'000	RM'000	RM'000		
Cost										
At 1 January 2014	6,217	-	103,718	29,669	28,220	839	33,155	201,818		
Additions	-	42,415	-	5,949	3,704	-	1,352	53,420		
Disposals	-	-	-	-	(11)	-	(335)	(346)		
At 31 December 2014	6,217	42,415	103,718	35,618	31,913	839	34,172	254,892		
Accumulated depreciation and impairment losses										
At 1 January 2014:	-	-	8,446	18,824	23,320	515	17,205	68,310		
Accumulated depreciation	371	-	34,287	-	-	-	-	34,658		
Accumulated impairment losses	371	-	42,733	18,824	23,320	515	17,205	102,968		
Depreciation charge for the year (Note 28)	-	-	3,093	4,536	2,171	161	4,536	14,497		
Disposals	-	-	-	-	(11)	-	(335)	(346)		
At 31 December 2014	371	-	45,826	23,360	25,480	676	21,406	117,119		
Analysed as:										
Accumulated depreciation	-	-	11,539	23,360	25,480	676	21,406	82,461		
Accumulated impairment losses	371	-	34,287	-	-	-	-	34,658		
Net book value	371	-	45,826	23,360	25,480	676	21,406	117,119		
At 31 December 2014	5,846	42,415	57,892	12,258	6,433	163	12,766	137,773		

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13. Property, plant and equipment (cont'd.)

Company	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Total RM'000
Cost							
At 1 January 2015	9,968	18,946	28,546	17,890	564	33,203	109,117
Additions	-	-	559	399	150	75	1,183
Disposals	-	-	(340)	(14)	(134)	(186)	(674)
At 31 December 2015	9,968	18,946	28,765	18,275	580	33,092	109,626
Accumulated depreciation							
At 1 January 2015:							
Accumulated depreciation	-	2,014	15,191	11,184	386	20,687	49,462
Depreciation charge for the year (Note 28)	-	474	4,422	2,061	66	4,579	11,602
Disposals	-	-	(288)	(7)	(134)	(186)	(615)
At 31 December 2015	-	2,488	19,325	13,238	318	25,080	60,449
Net book value							
At 31 December 2015	9,968	16,458	9,440	5,037	262	8,012	49,177

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13. Property, plant and equipment (cont'd.)

Company	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Total RM'000
Cost							
At 1 January 2014	9,968	18,946	22,652	14,241	564	32,218	98,589
Additions	-	-	5,894	3,660	-	1,320	10,874
Disposals	-	-	-	(11)	-	(335)	(346)
At 31 December 2014	9,968	18,946	28,546	17,890	564	33,203	109,117
Accumulated depreciation							
At 1 January 2014:							
Accumulated depreciation	-	1,540	10,998	9,267	294	16,506	38,605
Depreciation charge for the year (Note 28)	-	474	4,193	1,928	92	4,516	11,203
Reversal/reclassification (Note 28)	-	-	-	(11)	-	(335)	(346)
At 31 December 2014	-	2,014	15,191	11,184	386	20,687	49,462
Net book value							
At 31 December 2014	9,968	16,932	13,355	6,706	178	12,516	59,655

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13. Property, plant and equipment (cont'd.)

Included in freehold land and buildings are the net book value of properties which are:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Pending subdivision of titles	628	658	-	-

14. Land use rights

	Group	
	2015 RM'000	2014 RM'000
Cost:		
At 1 January/31 December	8,428	8,428
Accumulated amortisation:		
At 1 January	2,520	2,360
Amortisation for the year (Note 28)	162	160
At 31 December	2,682	2,520
Net carrying amount	5,746	5,908
Amount to be amortised:		
- Not later than one year	162	160
- Later than one year but not later than five years	648	640
- Later than five years	4,936	5,108
	5,746	5,908

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15. Intangible assets

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Software licences				
Cost				
At 1 January	71,843	66,382	71,448	66,002
Additions	5,961	5,461	5,921	5,446
At 31 December	<u>77,804</u>	<u>71,843</u>	<u>77,369</u>	<u>71,448</u>
Accumulated depreciation and impairment losses				
At 1 January	35,714	23,403	35,416	23,145
Amortisation for the year (Note 28)	13,411	12,311	13,363	12,271
At 31 December	<u>49,125</u>	<u>35,714</u>	<u>48,779</u>	<u>35,416</u>
Net book value				
At 31 December	<u>28,679</u>	<u>36,129</u>	<u>28,590</u>	<u>36,032</u>

16. Deposits from customers

	Group and Company	
	2015 RM'000	2014 RM'000
By type of products:		
Savings	82,014	117,323
Fixed deposits	28,503,373	27,413,535
	<u>28,585,387</u>	<u>27,530,858</u>
By type of customers:		
Government and statutory bodies	18,558,905	19,318,499
Business enterprises	7,761,195	5,906,404
Individuals	2,265,287	2,305,955
	<u>28,585,387</u>	<u>27,530,858</u>
Maturity of deposits from customers:		
Within one year	25,610,754	25,159,654
More than one year	2,974,633	2,371,204
	<u>28,585,387</u>	<u>27,530,858</u>

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17. Bank and other borrowings

	Group and Company	
	2015	2014
	RM'000	RM'000
Total borrowings		
Bank borrowings	1,645,591	1,415,844
Other borrowings	50,181	150,544
	<u>1,695,772</u>	<u>1,566,388</u>
Maturity of borrowings:		
Within one year	1,695,772	1,516,388
Within one to five years	-	50,000
	<u>1,695,772</u>	<u>1,566,388</u>

The weighted average effective interest rates of borrowings (per annum) at the reporting date were as follows:

	Group and Company	
	2015	2014
	%	%
Bank borrowings	4.53	4.34
Other borrowings	5.50	5.50

Bank borrowings represent unsecured revolving credit and interest charged on these borrowings from licensed commercial banks is based on the lenders' cost of funds plus 0.50% to 1.00% (2014: 0.50% to 1.00%). The bank borrowings are due within one year.

Other borrowings relate to Islamic financing facilities granted by EPF and secured on a portfolio of PFI advances amounting to RM161,452,000 (2014: RM316,760,000) as disclosed in Note 9.

18. Trade payables

Trade payables are unsecured and non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 60 (2014: 30 to 60) days.

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19. Other payables

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amount due to a subsidiary, Jana Kapital Sdn. Bhd. ("JKSB")	-	-	3,494,863	1,302,779
Due to other subsidiaries	-	-	29,890	24,676
Al-Mudharabah security deposit	101,947	94,946	101,947	94,946
Accruals	40,963	53,002	40,280	52,515
Deferred income	65,349	102,099	65,349	102,099
Others	117,709	63,706	116,006	62,224
	325,968	313,753	3,848,335	1,639,239

The amount due to a subsidiary, JKSB, relates to the sale of a portfolio of PFI that does not meet the derecognition criteria prescribed under MFRS 139 as detailed in Note 4(a).

The amounts due to other subsidiaries are unsecured, interest-free and are repayable on demand.

20. Recourse obligation on loans/financing sold

	Group and Company	
	2015 RM'000	2014 RM'000
Repayments due within 12 months	940,078	101,888
Repayments due after 12 months	1,827,164	2,271,151
	2,767,242	2,373,039

These amounts relate to proceeds received from the sale of conventional and Islamic housing loan/financing and Islamic personal financing to intermediary banks which will onward sell the loan/financing portfolios to Cagamas Berhad with recourse to the Company. Under the agreement, the Company undertakes to administer the loans/financing on behalf of the intermediary banks and Cagamas Berhad and to buy back any loans/financing which are regarded as defective based on a set of pre-determined criteria. In November 2014, the Company has started its first sale of loan/financing portfolios with recourse directly with Cagamas Berhad without participation of intermediary banks.

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21. Deferred tax (assets)/liabilities

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	(354,149)	11,967	(354,375)	11,625
Recognised in profit or loss (Note 32)	(142,821)	(366,116)	(142,173)	(366,000)
At 31 December	(496,970)	(354,149)	(496,548)	(354,375)
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	14,080	15,277	-	-
Deferred tax assets	(511,050)	(369,426)	(496,548)	(354,375)
	(496,970)	(354,149)	(496,548)	(354,375)

The components and movements of deferred tax assets and liabilities during the year prior to offsetting were as follows:

Deferred tax (assets)/liabilities of the Group:

	Fair value adjustment arising from business combination RM'000	Property, plant and equipment RM'000	Collective allowances RM'000	Others RM'000	Total RM'000
At 1 January 2014	5,026	16,273	-	(9,332)	11,967
Recognised in profit or loss (Note 32)	-	-	(359,437)	(6,679)	(366,116)
At 1 January 2015	5,026	16,273	(359,437)	(16,011)	(354,149)
Recognised in profit or loss (Note 32)	-	-	(122,025)	(20,796)	(142,821)
At 31 December 2015	5,026	16,273	(481,462)	(36,807)	(496,970)

Deferred tax (assets)/liabilities of the Company:

	Accelerated capital allowances RM'000	Collective allowances RM'000	Others RM'000	Total RM'000
At 1 January 2014	16,420	-	(4,795)	11,625
Recognised in profit or loss (Note 32)	-	(359,437)	(6,563)	(366,000)
At 1 January 2015	16,420	(359,437)	(11,358)	(354,375)
Recognised in profit or loss (Note 32)	-	(125,025)	(17,148)	(142,173)
At 31 December 2015	16,420	(484,462)	(28,506)	(496,548)

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21. Deferred tax (assets)/liabilities (cont'd.)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unused tax losses	206,111	66,277	-	-
Unabsorbed capital allowances	39,584	31,927	-	-
Others	347,071	7,939	-	-

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the Company's subsidiaries are subject to no substantial changes in shareholdings of the Company and of those subsidiaries under Section 44(5A) and (5B) of the Income Tax Act, 1967 in Malaysia.

22. Share capital and share premium

Share capital

Group and Company

	Number of Shares of RM1.00 Each		Amount	
	2015 Units'000	2014 Units'000	2015 RM'000	2014 RM'000
Authorised:				
- Ordinary Shares				
At 1 January/31 December	10,000,000	10,000,000	10,000,000	10,000,000
Ordinary shares Issued and fully paid:				
At 1 January	2,709,623	1,747,868	2,709,623	1,747,868
Issued during the year:				
Issue of ordinary shares pursuant to right issue	-	873,929	-	873,929
Issue of ordinary shares pursuant to DRP	121,210	49,327	121,210	49,327
Issue of ordinary shares pursuant to ESOS	3,691	38,115	3,691	38,115
Issue of ordinary shares pursuant to warrants	4,027	384	4,027	384
At 31 December	2,838,551	2,709,623	2,838,551	2,709,623

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22. Share capital and share premium (cont'd.)

Share premium

Group and Company

	Amount	
	2015 RM'000	2014 RM'000
At 1 January	1,278,873	631,189
Issue of ordinary shares pursuant to right issue	-	558,448
Issue of ordinary shares pursuant to DRP	110,291	50,807
Issue of ordinary shares pursuant to ESOS	3,816	38,429
At 31 December	1,392,980	1,278,873

(a) Employee Share Option Scheme ("ESOS")

The Malaysia Building Society Berhad's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 29 April 2010. The ESOS was implemented on 12 August 2010 and is in force for a period of 10 years from the date of implementation.

The salient features of the ESOS are as follows:

- (i) Eligible persons are employees of the Group who are on the payroll of the Group other than a subsidiary which is dormant;
- (ii) The total number of shares to be issued under the ESOS shall not exceed, in aggregate, 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS;
- (iii) The option price for each share shall be the average of the main market quotation of the shares of the Company in the daily official list issued by Bursa Malaysia Securities Berhad for the five trading days preceding the date of offer, or the par value of the shares of the Company of RM1, whichever is higher;
- (iv) The actual number of new shares which may be offered to an eligible employee shall be at the discretion of the Option Committee and, subject to any adjustments that may be made under Clause 15 of the by-laws, shall not be less than 100 shares but not more than the maximum allowable allocation and shall always be in multiples of 100 shares; and

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22. Share capital and share premium (cont'd.)

(a) Employee Share Option Scheme ("ESOS") (cont'd.)

- (v) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of the offer but before the expiry of five years from 12 August 2010 in respect of all or any part of the Company's shares comprised in the option, such part being in multiples of 100 shares. Any partial exercise of an option shall not preclude the grantee from exercising the option in respect of the balance of the Company's shares comprised in the option.
- (vi) No option shall be granted to a Director of the Company unless the specific grant of option and the related allotment of the Company's shares to the Executive Director shall have first been approved by the shareholders of the Company in an Annual General Meeting.

The number of the shares allocated, in aggregate, to the Directors and senior management of the Group shall not exceed 50% of the total Company's shares available under the Scheme.

No option has been granted to any of the Directors of the Company since the implementation of the scheme. As at 31 December 2014, the maximum allocation applicable to senior management of the Company was not more than 50% of the ESOS 2010/2015 Aggregate Maximum Allocation.

The number of shares allocated to any individual Director or employee who, either individually or collectively through persons connected (which term shall have the same meaning as that assigned to "a person connected with a director" in Section 122A of the Companies Act, 1965 in Malaysia), holds 20% or more in the issued and paid-up share capital of the Company shall not exceed 10% of the total shares available under the Scheme;

- (vii) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company;
- (viii) In respect of the ESOS granted in 11.9.2010, 100% of the options granted are exercisable during the validity of the option provided that the employee has been in continuous service with the Group throughout the period;

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22. Share capital and share premium (cont'd.)

(a) Employee Share Option Scheme ("ESOS") (cont'd.)

- (ix) In respect of the ESOS granted in 9.3.2012, 100% of the options granted are exercisable during the validity of the option provided that the employee has been in continuous service with the Group throughout the period;
- (x) In respect of the ESOS granted in 15.11.2012, 100% of the options granted are exercisable during the validity of the option provided that the employee has been in continuous service with the Group throughout the period;
- (xi) In respect of the ESOS granted in 9.3.2014, 100% of the options granted are exercisable during the validity of the option provided that the employee has been in continuous service with the Group throughout the period; and
- (xii) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank *pari passu* in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

Movement of ESOS during the financial year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, ESOS during the year:

	Group			
	2015		2014	
	No.'000	WAEP (RM)	No.'000	WAEP (RM)
Outstanding at 1 January	27,610	-	39,812	-
- Adjusted*/granted	-	-	30,370	2.08
- Exercised	(3,691)	1.47	(38,115)	1.73
- Lapsed	(2,386)	2.13	(4,457)	2
Outstanding at 31 December	21,533	2.04	27,610	1.97
Exercisable at 31 December	21,533	2.04	13,389	1.91

- The weighted average fair value of options during the financial year was RM0.32 (2014: RM0.29).
- The weighted average share price at the date of exercise of the options exercised during the financial year was RM2.19 (2014: RM2.49).

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22. Share capital and share premium (cont'd.)

(a) Employee Share Option Scheme ("ESOS") (cont'd.)

Movement of ESOS during the financial year (cont'd.)

- The weighted average exercise price for options outstanding at the end of the year was RM1.46 (2014: RM1.83). The weighted average remaining contractual life for these options is 4.60 years (2014: 0.60 years).

- * In 2013, the number of ESOS options was adjusted to reflect the changes in the fraction to the ESOS options in accordance with the issuance of the Rights Issue with an entitlement date of 26 December 2013.

ESOS exercised during the financial year

The exercise of the ESOS during the financial year resulted in the issuance of 3,691,041 ordinary shares at prices stated below.

The details of all ESOS exercised during the year are as follows:

	No. units	Exercise price* (RM)
ESOS granted on 11.9.2010	890,616	1.01
ESOS granted on 9.3.2012	1,942,401	1.44
ESOS granted on 15.11.2012	707,229	2.01
ESOS granted on 9.3.2014	150,795	2.15
	<u>3,691,041</u>	

- * Exercise prices have been adjusted after the Rights Issue exercise in prior year.

Fair value of ESOS granted

The fair value of ESOS granted was estimated using a binomial model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used:

	Granted on 9.3.2014	Granted on 15.11.2012	Granted on 09.03.2012	Granted on 11.09.2010
Fair value per ESOS granted (RM)	0.25	0.16	0.83	0.35

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22. Share capital and share premium (cont'd.)

(a) Employee Share Option Scheme ("ESOS") (cont'd.)

Fair value of ESOS granted (cont'd.)

	Granted on 9.3.2014	Granted on 15.11.2012	Granted on 09.03.2012	Granted on 11.09.2010
Weighted average share price (RM)	2.14	2.32	1.66	1.44
Weighted average exercise price (RM)	2.15	2.33	1.67	1.45
Expected volatility (%)	22.36	16.17	34.05	26.77
Expected life (years)	7	8	9	10
Risk free rate (%)	4.11	3.49	3.64	3.91
Expected dividend yield (%)	4.52	4.09	3.85	3.00

The expected life of the share option is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

(b) Warrants

Pursuant to an abridged prospectus dated 6 May 2011, the Company had issued rights shares, together with detachable warrants, which can be separately traded on Bursa Securities. The warrants were to be issued free to entitled shareholders who subscribe for the rights shares. Each warrant entitles the registered holder to subscribe for 1 new Company share at any time during the exercise period in accordance with the provisions of the deed poll. The expiry date of the warrants is 5 years from and including the date of issue of the warrants. The exercise price is RM1.00 for each new Company share. The registered holder of the warrants shall pay cash equivalent to the exercise price when exercising the warrants for new Company shares. The holders of the warrants are not entitled to any voting rights or to participate in any distribution and/or offer of further securities. The new Company shares to be issued upon exercise of the warrants shall, upon allotment and issue, be of the same class and rank *pari passu* in all respects with the then existing Company shares.

During the financial year, 4,026,684 (2014: 383,664) warrants were exercised by the warrant holders and 14,098,234 (2014: 18,124,918) warrants are still outstanding as at 31 December 2015.

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23. Other reserves

Group and Company

	Capital Reserve RM'000	Share Option Reserve RM'000	Warrants Reserve RM'000	Capital Redemption Reserve - Redeemable Cumulative Preference Shares RM'000	Financial investments available-for-sale Reserve RM'000	Total RM'000
	Note (a)	Note (b)	Note (c)	Note (d)		
At 1 January 2015	17,838	2,853	3,633	12,486	-	36,810
Share options granted under ESOS recognised in profit or loss (Note 29)	-	5,001	-	-	-	5,001
Issue of ordinary shares pursuant to ESOS	-	(2,065)	-	-	-	(2,065)
Transfer of share option reserve to retained profits upon lapsed of share options	-	(579)	-	-	-	(579)
Other comprehensive income for the year	-	-	-	-	1,566	1,566
At 31 December 2015	17,838	5,210	3,633	12,486	1,566	40,733
At 1 January 2014	17,838	2,713	3,633	12,486	-	36,670
Share options granted under ESOS recognised in profit or loss (Note 29)	-	12,389	-	-	-	12,389
Issue of ordinary shares pursuant to ESOS	-	(10,441)	-	-	-	(10,441)
Transfer of share option reserve to retained profits upon lapsed of share options	-	(1,808)	-	-	-	(1,808)
Other comprehensive income for the year	-	-	-	-	-	-
At 31 December 2014	17,838	2,853	3,633	12,486	-	36,810

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23. Other reserves (cont'd.)

- (a) The capital reserve arose out of the transfer of the reserves of 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.
- (b) The share option reserve relates to the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options and is transferred to retained earnings upon expiry of the share options.
- (c) The warrants reserve represents the cumulative fair value of the warrants yet to be exercised.
- (d) The capital redemption reserve arose out of the redemption of redeemable cumulative preference shares and is not distributable as cash dividends.

24. Revenue

Revenue of the Company comprises financing income, interest income, fee and commission income, and other income as disclosed in Notes 25, 27 and 42.

Revenue of the Group comprises all types of revenue derived from the business of granting of financing and loans, property development, property management, renting of real property and hotel operations.

25. Interest income

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income from:				
- Loans, advances and financing	435,535	465,029	425,635	448,341
- Deposits and placements with banks and other financial institutions	51,823	54,358	51,823	54,358
	487,358	519,387	477,458	502,699

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26. Interest expense

	Group and Company	
	2015 RM'000	2014 RM'000
Bank borrowings	16,541	13,132
Deposits from customers	261,803	261,766
	<u>278,344</u>	<u>274,898</u>

27. Other income

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Rental income	38	459	38	306
Revenue from hotel operations	7,721	9,155	-	-
Loan agency fees	1	5	1	5
Loan processing fees	31,934	47,173	31,934	47,173
Insurance commission	1,727	10,895	1,727	10,895
Loan facility fees	9,348	4,625	9,348	4,625
Legal notice fees	1,960	1,820	1,960	1,820
Sundry income	6,530	8,957	6,250	8,715
(Loss)/gain from disposal of:				
Property, plant and equipment and land use rights	(24)	3	(24)	3
Foreclosed properties	3,307	4,050	3,307	4,050
Investment properties	-	166	-	-
Inventories	-	4,479	-	803
	<u>62,542</u>	<u>91,787</u>	<u>54,541</u>	<u>78,395</u>

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28. Other operating expenses

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personnel expenses (Note 29)	141,717	141,187	137,667	137,068
Establishment related expenses	14,621	15,857	13,927	15,431
Promotion and marketing related expenses	13,224	13,603	13,057	13,456
General administrative expenses	71,731	72,869	63,938	62,141
Angkasa charges	29,759	29,042	29,759	29,042
Allowance/(write back of allowance) for impairment of:				
Investments in subsidiaries	-	-	2,309	(5,479)
Loans to subsidiaries (Note 11(b))	-	-	28,059	7,976
Amount due from subsidiaries (Note 7)	-	-	2,744	1,618
Foreclosed properties	3,652	-	3,652	-
Advances in respect of certain projects (Note 7)	33,588	30,257	-	-
Commission fees (Note 7)	12	2,134	12	2,134
Trade receivables (Note 6)	(1)	-	-	-
	308,303	304,949	295,124	263,387

Included in other operating expenses are the following:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Auditors' remuneration:				
- Audit				
- Parent auditors	584	546	495	457
- Other auditors	4	3	4	3
- Regulated related services				
- Parent auditors	5	5	5	5
- Other services				
- Parent auditors	1,311	3,583	1,311	3,583
Professional fees	2,108	224	2,108	224
Amortisation:				
- land use rights (Note 14)	162	160	-	-
- intangible assets (Note 15)	13,411	12,311	13,363	12,271
Depreciation:				
- investment properties	-	12	-	-
- property, plant and equipment (Note 13)	14,720	14,497	11,602	11,203
Directors' remuneration (Note 30)	1,644	1,494	1,644	1,494
Rental of buildings	6,894	7,314	7,898	8,318

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29. Personnel expenses

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Wages and salaries	107,974	99,554	104,572	96,136
Social security costs	839	808	797	763
Pension costs - Employees Provident Fund	16,932	15,098	16,625	14,780
Share options granted under ESOS	5,001	12,389	5,001	12,389
Other staff related expenses	10,971	13,338	10,672	13,000
	<u>141,717</u>	<u>141,187</u>	<u>137,667</u>	<u>137,068</u>

30. Directors' remuneration

	Group and Company	
	2015 RM'000	2014 RM'000
Directors of the Company		
Non-Executive:		
Fees	789	760
Other emoluments	855	734
Total	<u>1,644</u>	<u>1,494</u>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2015	2014
Non-executive directors:		
RM1,000 - RM50,000	-	-
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	3	4
RM200,001 - RM250,000	3	2
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	1	1

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30. Directors' remuneration (cont'd.)

Details of the directors' remuneration of each director during the financial year ended 31 December 2015 are as follows:

Directors	Director Fees RM'000	Allowance RM'000	Total RM'000
1. Tan Sri Abdul Halim bin Ali	140	205	345
2. Datuk Syed Zaid bin Syed Jaffar Albar	100	90	190
3. Encik Aw Hong Boo	120	125	245
4. Dato' Jasmy bin Ismail	100	101	201
5. Encik Lim Tian Huat	100	115	215
6. Datuk Shahril Ridza bin Ridzuan	100 *	98	198
7. Cik Ravinder Kaur a/p Mahan Singh	100	95	195
8. Ir. Moslim Othman	29	26	55
	<u>789</u>	<u>855</u>	<u>1,644</u>

* 50% of the directors' fees is paid to the organisation to whom the director represents.

31. Allowance for impairment losses on loans, advances and financing

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Allowance for/(write back of) impairment on loans, advances and financing:				
- Collective impairment (Note 9(vi))	608,196	119,294	608,196	119,294
- Individual impairment (Note 9(vi))	84,335	7,824	67,597	7,824
- Write off	4,706	-	4,706	-
- Write back	-	(943)	-	(943)
	<u>697,237</u>	<u>126,175</u>	<u>680,499</u>	<u>126,175</u>