

**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)

32. Taxation

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysian income tax:				
Current income tax	239,972	275,549	237,729	273,049
(Over)/under provision in prior years	(5,317)	2,852	(5,172)	2,852
	<u>234,655</u>	<u>278,401</u>	<u>232,557</u>	<u>275,901</u>
Deferred tax (Note 21):				
Over provision in prior years	(10,986)	(333,081)	(10,986)	(333,081)
Relating to reduction in Malaysian income tax rate	14,614	-	14,614	-
Relating to origination and reversal of temporary differences	(146,449)	(33,035)	(145,801)	(32,919)
	<u>(142,821)</u>	<u>(366,116)</u>	<u>(142,173)</u>	<u>(366,000)</u>
Total income tax expense	<u>91,834</u>	<u>(87,715)</u>	<u>90,384</u>	<u>(90,099)</u>
Tax refund	-	(103)	-	-
Tax expense/(credit) for the year	<u>91,834</u>	<u>(87,818)</u>	<u>90,384</u>	<u>(90,099)</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year.

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32. Taxation (cont'd.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

Group	2015 RM'000	2014 RM'000
Profit before taxation and zakat	<u>355,025</u>	<u>932,556</u>
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	88,756	233,139
Effect on change in statutory tax rate on deferred tax	6,436	-
Effect on opening deferred tax of reduction in income tax rate	14,615	-
Effect of income not subject to tax	(33,945)	(12,923)
Effect of expenses not deductible for tax purposes	23,003	17,270
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	676	2,603
Deferred tax assets not recognised	9,228	2,322
Reversal of deferred tax assets not previously recognised	(556)	-
Reversal of deferred tax liabilities	(74)	-
(Over)/underprovision of income tax in prior years	(10,988)	2,852
Overprovision of deferred tax in prior years	(5,317)	(333,081)
Tax (credit)/expense for the year	<u>91,834</u>	<u>(87,818)</u>
Company		
Profit before taxation and zakat	<u>289,449</u>	<u>913,295</u>
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	72,362	228,324
Effect on change in statutory tax rate on deferred tax	6,099	-
Effect on opening deferred tax of reduction in income tax rate	14,614	-
Effect of income not subject to tax	-	-
Effect of expenses not deductible for tax purposes	13,348	11,806
Deferred tax assets not recognised	119	-
(Over)/under provision of income tax in prior years	(10,986)	2,852
Overprovision of deferred tax in prior years	(5,172)	(333,081)
Tax (credit)/expense for the year	<u>90,384</u>	<u>(90,099)</u>

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33. Earnings per share

(a) Basic

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

	2015	2014
Net profit for the year (RM'000)	257,592	1,015,029
Weighted average number of ordinary shares in issue ('000)	2,787,607	2,592,379
Basic earnings per share (sen)	<u>9.24</u>	<u>39.15</u>

(b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. ESOS and warrants.

	2015	2014
Net profit for the year (RM'000)	257,592	1,015,029
Weighted average number of ordinary shares in issue ('000)	2,787,607	2,592,379
Adjusted for assumed conversion of ESOS ('000)	581	2,637
Adjusted for assumed conversion of warrants ('000)	6,717	10,541
Adjusted weighted average number of ordinary shares in issue ('000)	<u>2,794,905</u>	<u>2,605,557</u>
Diluted earning per share (sen)	<u>9.22</u>	<u>38.96</u>

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34. Dividends

	Group and Company	
	2015	2014
	RM'000	RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
In respect of the financial year ended 31 December 2014/2013:		
- Final taxable dividend of 10% (2013: Final 5%) per share	271,668	131,240
- Special taxable dividend of 2% per share	54,334	-
	326,002	131,240

Proposed but not recognised as a liability as at 31 December:

Dividend on ordinary shares, subject to shareholders' approval at the AGM:

In respect of financial year ended 31 December 2015/2014:

- Single-tier final taxable dividend of 3% per share	85,157	-
- Single-tier final taxable dividend of 10% per share	-	271,128
- Single-tier special taxable dividend of 2% per share	-	54,226
	85,157	325,354

The Board of Directors has recommended a Single-Tier Final Dividend of 3.0% (3.0 sen net per Ordinary Share) for the financial year ended 31 December 2015. Based on the issued and paid up share capital of 2,838,553,579 ordinary shares of RM1.00 each as at 15 February 2016, the Single-Tier Final Dividend payable would be RM85,156,608.

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

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34. Dividends (cont'd.)

MBSB Dividend Reinvestment Plan

On 10 December 2013, the shareholders of the Company approved the Dividend Reinvestment Plan ("DRP") to enable the Company's efforts to enhance and maximise shareholders' value. The DRP is part of the Company's capital management plan in retaining capital for future expansion of the business.

It should be noted that the Company is not obliged to undertake the DRP and provide the option to reinvest for every dividend declared.

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

The DRP provides shareholders with the opportunity to reinvest their dividends in new MBSB shares in lieu of receiving cash. This provides greater flexibility for the shareholders in meeting their investment objective with the choice of receiving cash or reinvesting in the Company via the subscription of new additional MBSB shares.

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

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

There will be no brokerage fees and other related transaction costs payable by shareholders on the new MBSB shares allotted pursuant to the DRP.

The DRP Price shall be at a discount of not more than ten percent (10%) to the five (5)-day volume weighted average market price ("VWAP") of MBSB Shares immediately prior to the date of fixing of the DRP Price provided that the DRP Price shall not be less than the par value of MBSB Shares of RM1.00 each at the material time. The VWAP shall be adjusted ex-dividend before applying the discount in fixing the DRP Price. The DRP Price shall be announced on or before the announcement of the books closure date ("Books Closure Date") in relation to the above proposed single-tier dividend of 5% to which the option to reinvest applies.

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34. Dividends (cont'd.)

An approval for the listing of and quotation for the new MBSB Shares on the Main Market of Bursa Securities pursuant to the DRP will be obtained from Bursa Securities and the announcement on the Books Closure Date will be made after receipt of the said approval from Bursa Securities and such approval from other relevant authorities (if any).

Subsequent to the Books Closure Date, a notice of election pursuant to the DRP ("Notice of Election") will be dispatched to shareholders. Instructions will be provided in the Notice of Election in respect of the action to be taken by shareholders should they wish to exercise the option to reinvest. The Notice of Election will also state, inter-alia, the last day (which will be a date to be fixed and announced by the Board) by which an election to be made by shareholders in relation to the electable portion must be received by the Company ("Expiry Date").

An announcement will also be made in respect of the day on which the new MBSB shares will be listed and quoted on the Main Market of Bursa Securities.

35. Significant related party transactions/balances

(a) Transactions and balances with government-related entities are as follows:

EPF, the ultimate holding body, is a shareholder with control over the Group, with direct shareholdings of 65.10% (2014: 64.18%) as at 31 December 2015. EPF is also a government-linked entity. EPF and entities directly controlled by EPF are collectively referred to as government-related entities to the Group.

All the transactions entered into by the Group with government-related entities are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not government-related.

(i) Individually significant transactions and balances with EPF are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Expenses				
Interest on loans	5,825	11,363	5,825	11,363
Rental expense	280	275	280	275
Balances				
Other borrowings (Note 17)	50,181	150,544	50,181	150,544
Rental deposit (Note 7)	94	94	94	94

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35. Significant related party transactions/balances (cont'd.)

(a) Transactions and balances with government-related entities are as follows (cont'd.):

(ii) Individually significant balances with the RHB Banking Group of companies, comprising RHB Bank Berhad and RHB Islamic Bank Berhad, being companies directly controlled by EPF, are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Expenses				
Sukuk facility agent fees	12,128	4,755	12,021	4,714
Balances				
Deposits and placements with financial institutions	1,300,622	2,193	1,300,622	2,193
Bank borrowings	450,126	475,396	450,126	475,396
Recourse obligation on loans/financing sold	869,805	910,727	869,805	910,727

(iii) Collectively, but not individually, significant balances:

The Group has balances with other government-related entities including but not limited to provision of loans, advances and financing, deposits placements and borrowings.

For the financial year ended 31 December 2015, the aggregate amount of the Group's and Company's significant balances with other government-related entities other than the RHB Banking Group of companies are as disclosed below:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Balances				
Deposits from customers	14,228	774,428	14,228	774,428

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35. Significant related party transactions/balances (cont'd.)

(b) Transactions and balances with subsidiaries of the Company are as follows:

	Company	
	2015	2014
	RM'000	RM'000
Income/(expenses)		
Interest charged on loans/advances	67,924	54,315
Rental paid	(1,004)	(1,004)
Balances		
Loans to subsidiaries	445,914	491,568
Amount due from subsidiaries	48,771	144,864
Amount due to subsidiaries	29,890	24,676
Amount due to a subsidiary, Jana Kapital Sdn. Bhd. ("JKSB")	3,494,863	1,302,779

The directors are of the opinion that all the transactions and balances above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(c) The remuneration of directors and other members of key management during the year is as follows:

	Group and Company	
	2015	2014
	RM'000	RM'000
Short-term employee benefits	5,862	5,376
Share-based payment	-	101
Pension costs: EPF	692	623
	6,554	6,100

Included in the total key management personnel are:

Directors' remuneration comprising fees and allowances (Note 30)	1,644	1,494
Chief Executive Officer's remuneration comprising salary, bonus, allowances and other emoluments	3,446	2,901

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35. Significant related party transactions/balances (cont'd.)

(d) Transactions and balances with directors and key management:

	Group and Company	
	2015	2014
	RM'000	RM'000
Expense		
Interest cost incurred on savings and deposits	(68)	(117)
Balance		
Amount due to in respect of savings and deposits	<u>1,478</u>	<u>2,602</u>

Directors of the Company and other members of key management of the Group and the Company have been granted the following number of options under the Employee Share Option Scheme:

	Group and Company	
	2015	2014
	'000	'000
At 1 January	837	721
Granted	-	403
Adjustments	-	136
Exercised	(263)	-
Lapsed	-	(423)
At 31 December*	<u>574</u>	<u>837</u>

* Adjustment relates to changes in number of ESOS options due to the Rights Issue where the effective date was on 26 December 2013 which was also the entitlement date for the Rights Issue.

The share options were granted on the same terms and conditions as those offered to other employees of the Group.

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36. Commitments and contingencies

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(i) Operational Commitments				
Loan commitments not yet recognised in the financial statements:				
End finance	251,351	314,516	251,351	314,516
Islamic properties	142,849	63,221	142,849	63,221
Islamic personal	1,323	2,493	1,323	2,493
Bridging, structured and term loans and financing	7,614,958	7,251,844	7,614,958	7,251,844
Financial guarantees	104,076	85,110	104,076	85,110
	8,114,557	7,717,184	8,114,557	7,717,184
Approved and contracted for property development	421,528	421,528	1,667	1,667
	421,528	421,528	1,667	1,667
Total	8,536,085	8,138,712	8,116,224	7,718,851
(ii) Capital Commitments				
Property, plant and equipment:				
Approved and contracted for	183,105	196,822	-	-
Approved but not contracted for	46,702	-	60,616	11
	229,807	196,822	60,616	11

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36. Commitments and contingencies

(iii) Lease Commitments

The Group and the Company has entered into operating lease agreements for the use of certain office premises. These non-cancellable leases have an average life of between 1 to 5 years with certain contracts carrying renewal options in the contracts.

Operating lease payments represent rental payables by the Group for use of building. Leases have an average life of 3 years with no renewal or purchase option included in the contracts.

The future aggregate minimum lease payments under operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Future minimum rental payments:				
Not later than 1 year	5,618	7,261	6,622	8,265
Later than 1 year but less than 5 years	5,787	12,211	9,802	16,226
Later than 5 years	-	-	5,019	5,019
	<u>11,405</u>	<u>19,472</u>	<u>21,443</u>	<u>29,510</u>

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

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37. Contingent liabilities (Unsecured)

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

On conclusion of the Full Trial, the claim against the Company was dismissed with costs. The contractor's appeal to the Court of Appeal was allowed. The Company has filed an application for leave to appeal to the Federal Court and the Federal Court had fixed the matter for further Case Management on 28 April 2016 pending settlement.

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

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

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

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

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38. Financial risk management

(a) Financial risk management objectives and policies

Risk management forms an integral part of the Group's and the Company's activities and remains an important feature in all its business, operations, delivery channels and decision-making processes. The extent to which the Group and the Company are able to identify, assess, monitor, manage and report each of the various types of risk is critical to its strength, soundness and profitability. The Group's and the Company's risk management function is independent of its operating units. All new businesses, introduction of new products, engagement in new activities or entrance into new strategic alliances are subject to endorsement by the Group Risk Management Division and submitted to the Audit Committee ("AC"), Risk Management Committee ("RMC") and/or Board Committees for approvals.

In essence, the objectives of the Group's and the Company's risk management activities are to:

- (i) Identify and monitor the various risk exposures and risk requirements;
- (ii) Ensure risk taking activities are consistent with the approved policies and the aggregated risk positions are within the risk appetite as approved by the Board; and
- (iii) Help create shareholder value through proper allocation of risk and the facilitation of independent risk assessments of new business and products.

(b) Risk management framework

The Group and the Company employ an Enterprise-wide Risk Management framework to manage its risks effectively. The framework involves an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the Group and the Company which is implemented through a number of committees established by the Board of Directors. This framework provides the Board and the management with a tool to anticipate and manage both existing and potential risks, taking into consideration dynamic risk profiles as dictated by changes in business strategies, regulatory environment and functional activities throughout the year.

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38. Financial risk management

(c) Risk organisation

At the apex of the Group's and the Company's risk management structure is the Board of Directors, which comprises non-executive directors of the Group and the Company. In line with best practices, the Board determines the risk policy objectives for the Group and the Company, and assumes responsibility for the supervision of risk management.

The day-to-day responsibility for risk management and control is delegated to the RMC which undertakes the oversight function for overall risk limits and ensures that the Group and the Company are within risk appetites as established by the Board. Other than the RMC, the Board is also supported by specialised and supervisory committees, the details of which are as follows:

- (i) Executive Committee ("EXCO"): The EXCO assists the Board in evaluating and approving loan applications within their approval authority limits and deliberates on proposals for recovery of impaired loans, approves proposals within its authority and recommends to the Board on proposals beyond its authority. Additionally, the EXCO also monitors the progress of recovery of impaired loans and formulates recovery strategies. The EXCO also assists the Board in evaluating on all matters relating to impaired loans as well as the capital expenditure and operating expenditure of the Group and the Company.
- (ii) Asset and Liability Committee ("ALCO"): The ALCO is responsible for the Group's and the Company's liquidity management by focusing on the maturity gap, liquidity position, loans portfolio concentration, deposits composition and depositors' concentration. The ALCO also manages the interest rate exposures and interest margin of the Group and the Company by reviewing the lending rates, cost of funds, interest margin and the repricing gaps.
- (iii) Credit and Rehabilitation Assessment Committee ("CARAC"): The CARAC deliberates and recommends to the relevant Board or Board Committee for Corporate Loan and Mortgage applications and decides whether to proceed with the preparation of the Board paper based on completed credit assessment reports. The CARAC also deliberates and recommends any appeal on variations to the terms and conditions as earlier approved by the Board or Board Committees and also deliberates and approves the submission of the relevant corporate rehabilitation papers for the Board or Board Committees.

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38. Financial risk management (cont'd.)

(c) Risk organisation (cont'd.)

(iv) Management Committee ("MANCO"): The MANCO deliberates the implementation of the enterprise-wide risk management framework which addresses credit, market and operational and strategic risks and also resolves operational issues within the policies established by the Board and recommends policy changes to the Board.

(d) Risk reporting and monitoring

The Group's and the Company's credit portfolios are monitored through early alert reporting to ensure credit deterioration is promptly detected and mitigated through the implementation of risk remediation strategies. All business units undertake regular and comprehensive analyses of their credit portfolios and report to the relevant committees and are overseen by the Group Risk Management Division ("GRM"). The GRM provides independent reporting to the business units and the Board to ensure independence in relation to the prompt identification and communication of emerging credit issues of the Group and the Company to the Board.

(e) Credit risk mitigation

All credit facilities are granted on the credit standing of the borrower, source of repayment, debt servicing ability and the collateral provided. The valuation of the collateral is conducted periodically. The main types of collateral taken by the Group and the Company are marketable securities, real estate, inventory and receivables. Personal guarantees are also taken as a part of the collateral to support moral commitment from the principal shareholders and directors. Corporate guarantees are often obtained when the borrower's credit worthiness is insufficient to justify granting credit facilities.

(f) Concentration risk

Concentration of credit risk arises when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group and the Company monitor their portfolios to identify and assess risk concentrations. The credit portfolios are monitored and periodically reviewed to identify, assess and guard against unacceptable risk concentrations. The GRM also applies single customer counterparty limits to protect against unacceptably large exposures to single risk. The GRM conducts analyses and reports concentration risk to the Board of Directors on a quarterly basis.

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38. Financial risk management (cont'd.)

Credit risk

Credit risk is the risk of loss to the Group and the Company due to the deterioration in credit worthiness of its borrowers and, consequently, their ability to discharge their contractual obligations to the Group and the Company. Credit risk remains the most significant risk to which the Group and the Company are exposed. The purpose of credit risk management is to keep credit risk exposure to an acceptable level in line with the Group's and the Company's risk appetite and to ensure that the returns are commensurate to the risk underwritten.

The primary objective of the Group and the Company's credit platform is to enhance the efficiency and effectiveness of the credit oversight and credit approval processes for all retail and corporate loans. Credit proposals are submitted to the relevant credit committees for approval or concurrence, and are subsequently submitted to the GRM for independent assessment. Credit exposures are evaluated by the GRM and are monitored against approved limits on a periodic basis on a portfolio and individual basis, individually and on a portfolio level.

(i) Maximum exposure to credit risk

The maximum exposure to credit risk for each class of financial assets is the carrying value of these assets as shown below:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financial Assets:				
Loans, Advances and Financing:				
Without taking collateral into account:				
End finance and				
Islamic property	5,467,148	5,302,602	5,467,148	5,302,602
Personal financing	23,182,139	23,416,109	23,182,139	23,416,109
Bridging, structured and				
term loans and financing	5,081,069	3,677,662	5,148,498	3,961,727
Auto finance	378,473	282,201	378,473	282,202
	34,108,829	32,678,574	34,176,258	32,962,640

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38. Financial risk management (cont'd.)

Credit risk (cont'd.)

(i) Maximum exposure to credit risk (cont'd.)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net of Impairment:				
End finance and Islamic property	4,584,249	4,455,798	4,584,249	4,455,798
Personal financing	22,159,423	22,949,210	22,159,423	22,949,210
Bridging, structured and term loans and financing	4,700,648	3,373,226	4,768,077	3,423,033
Auto finance	340,650	253,914	340,650	253,913
	<u>31,784,970</u>	<u>31,032,148</u>	<u>31,852,399</u>	<u>31,081,954</u>
Deposits with Financial Institutions and Bank Balances:				
Cash and short-term funds	6,928,263	5,683,939	6,911,177	5,657,580
Deposits and placements with financial institutions	406,529	83,418	2,127	8,117
	<u>7,334,792</u>	<u>5,767,357</u>	<u>6,913,304</u>	<u>5,665,697</u>
Other Financial Assets:				
Loans to subsidiaries	-	-	255,400	139,938
Financial investments available-for-sale	983,354	-	983,354	-
Trade receivables	819	365	-	-
Other receivables*	78,107	96,327	21,280	123,167
Sukuk Commodity Murabahah	-	-	3,792,751	1,373,565
	<u>1,062,280</u>	<u>96,692</u>	<u>5,052,785</u>	<u>1,636,670</u>
Total financial assets	<u>42,505,901</u>	<u>38,542,623</u>	<u>46,142,347</u>	<u>40,265,007</u>

* Other receivables exclude foreclosed properties, prepayments and deposits as these items are classified as non-financial assets.

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER
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38. Financial Risk Management (cont'd.)

Credit risk (cont'd.)

(ii) Credit quality

The credit quality of financial assets are analysed as follows:

Group	2015							
	← Past due but not impaired →							
	Neither Past Due Nor Impaired RM'000	Past Due Up To <1 Month RM'000	Past Due 1 To < 3 Months RM'000	Past Due 3 To < 6 Months RM'000	Impaired RM'000	Total Gross RM'000	Impairment Allowances RM'000	Total Net RM'000
Financial Assets:								
Loans, Advances and Financing:								
End finance and Islamic property	2,691,054	1,091,901	623,476	-	1,060,717	5,467,148	(882,899)	4,584,249
Personal financing	21,410,057	426,378	164,110	-	1,181,594	23,182,139	(1,022,716)	22,159,423
Auto finance	204,433	92,341	46,292	-	35,407	378,473	(37,823)	340,650
Bridging, structured and term loans and financing	4,439,863	-	399,290	-	241,916	5,081,069	(380,421)	4,700,648
	28,745,407	1,610,620	1,233,168	-	2,519,634	34,108,829	(2,323,859)	31,784,970
Deposits with Financial Institutions and Bank Balance:								
Cash and short-term funds	6,928,263	-	-	-	-	6,928,263	-	6,928,263
Deposits and placements with financial institutions	406,529	-	-	-	-	406,529	-	406,529
	7,334,792	-	-	-	-	7,334,792	-	7,334,792
Other Financial Assets:								
Financial investments available-for-sale	983,354	-	-	-	-	983,354	-	983,354
Trade receivables	-	667	133	19	24,809	25,628	(24,809)	819
Other receivables	77,939	168	-	-	318,999	397,106	(318,999)	78,107
	1,061,293	835	133	19	343,808	1,406,088	(343,808)	1,062,280

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2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

Malaysia Building Society Berhad
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38. Financial Risk Management (cont'd.)

Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Group

	2014						
	← Past due but not impaired →						
	Neither Past Due Nor Impaired RM'000	Past Due Up To <1 Month RM'000	Past Due 1 To < 3 Months RM'000	Past Due 3 To < 6 Months RM'000	Impaired RM'000	Total Gross Allowances RM'000	Total Net RM'000
Financial Assets:							
Loans, Advances and Financing:							
End finance and Islamic property	2,370,371	1,066,255	698,729	-	1,167,247	5,302,602	4,455,798
Personal financing	22,050,752	374,099	119,497	-	871,761	23,416,109	22,949,210
Auto finance	189,520	55,934	20,273	-	16,474	282,201	253,914
Bridging, structured and term loans and financing	3,271,087	-	253,721	62,543	90,311	3,677,662	3,373,226
	<u>27,881,730</u>	<u>1,496,288</u>	<u>1,092,220</u>	<u>62,543</u>	<u>2,145,793</u>	<u>32,678,574</u>	<u>31,032,148</u>
Deposits with Financial Institutions and Bank Balance:							
Cash and short-term funds	5,683,939	-	-	-	-	5,683,939	5,683,939
Deposits and placements with financial institutions	83,418	-	-	-	-	83,418	83,418
	<u>5,767,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,767,357</u>	<u>5,767,357</u>
Other Financial Assets:							
Trade receivables	-	265	75	25	24,810	25,175	365
Other receivables	96,149	178	-	-	285,399	381,726	96,327
	<u>96,149</u>	<u>443</u>	<u>75</u>	<u>25</u>	<u>310,209</u>	<u>406,901</u>	<u>96,692</u>

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER
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38. Financial Risk Management (cont'd.)

Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Company

	2015								
	Neither Past Due Nor Impaired RM'000	← Past due but not impaired →			Past Due 3 To < 6 Months RM'000	Impaired RM'000	Total Gross RM'000	Impairment Allowances RM'000	Total Net RM'000
		Past Due Up To <1 Month RM'000	Past Due 1 To < 3 Months RM'000	Past Due 3 To < 6 Months RM'000					
Financial Assets:									
Loans, Advances and Financing:									
End finance and Islamic property	2,691,054	1,091,901	623,476	-	1,060,717	5,467,148	(882,899)	4,584,249	
Personal financing	21,410,057	426,378	164,110	-	1,181,594	23,182,139	(1,022,716)	22,159,423	
Auto finance	204,433	92,341	46,292	-	35,407	378,473	(37,823)	340,650	
Bridging, structured and term loans and financing	4,439,863	-	399,290	-	309,345	5,148,498	(380,421)	4,768,077	
	<u>28,745,407</u>	<u>1,610,620</u>	<u>1,233,168</u>	<u>-</u>	<u>2,587,063</u>	<u>34,176,258</u>	<u>(2,323,859)</u>	<u>31,852,399</u>	
Deposits with Financial Institutions and Bank Balance:									
Cash and short-term funds	6,911,177	-	-	-	-	6,911,177	-	6,911,177	
Deposits and placements with financial institutions	2,127	-	-	-	-	2,127	-	2,127	
	<u>6,913,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,913,304</u>	<u>-</u>	<u>6,913,304</u>	
Other Financial Assets:									
Loans to subsidiaries	58,986	-	-	-	327,377	386,363	(130,963)	255,400	
Financial investments available-for-sale	983,354	-	-	-	-	983,354	-	983,354	
Other receivables	21,280	-	-	-	79,087	100,367	(79,087)	21,280	
Sukuk Commodity Murabahah	3,792,751	-	-	-	-	3,792,751	-	3,792,751	
	<u>4,856,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>406,464</u>	<u>5,262,835</u>	<u>(210,050)</u>	<u>5,052,785</u>	

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER
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38. Financial Risk Management (cont'd.)

Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Company

	2014							
	Neither Past Due Nor Impaired RM'000	← Past due but not impaired →			Impaired RM'000	Total Gross RM'000	Impairment Allowances RM'000	Total Net RM'000
		Past Due Up To <1 Month RM'000	Past Due 1 To <3 Months RM'000	Past Due 3 To <6 Months RM'000				
Financial Assets:								
Loans, Advances and Financing:								
End finance and Islamic property	2,370,371	1,066,255	698,729	-	1,167,247	5,302,602	(846,804)	4,455,798
Personal financing	22,050,752	374,099	119,497	-	871,761	23,416,109	(466,899)	22,949,210
Auto finance	189,520	55,934	20,274	-	16,474	282,202	(28,289)	253,913
Bridging, structured and term loans and financing	3,271,087	-	253,720	62,542	374,378	3,961,727	(538,694)	3,423,033
	<u>27,881,730</u>	<u>1,496,288</u>	<u>1,092,220</u>	<u>62,542</u>	<u>2,429,860</u>	<u>32,962,640</u>	<u>(1,880,686)</u>	<u>31,081,954</u>
Deposits with Financial Institutions and Bank Balance:								
Cash and short-term funds	5,657,580	-	-	-	-	5,657,580	-	5,657,580
Deposits and placements with financial institutions	8,117	-	-	-	-	8,117	-	8,117
	<u>5,665,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,665,697</u>	<u>-</u>	<u>5,665,697</u>
Other Financial Assets:								
Loans to subsidiaries	46,011	-	-	-	196,831	242,842	(102,904)	139,938
Other receivables	123,167	-	-	-	76,331	199,498	(76,331)	123,167
Sukuk Commodity Murabahah	1,373,565	-	-	-	-	1,373,565	-	1,373,565
	<u>1,542,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,162</u>	<u>1,815,905</u>	<u>(179,235)</u>	<u>1,636,670</u>

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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
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38. Financial risk management (cont'd.)

Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Neither Past Due Nor Impaired

(a) High Grade

This refers to cash at banks and short-term deposits with banks and other financial institutions.

(b) Standard Grade

This refers to financial assets in respect of loans, advances and financing and financial investments available-for-sale which have been disbursed in previous years and are neither past due nor impaired. Standard Grade financial assets also include other financial assets that are neither past due nor impaired.

(c) New Loans During The Year

This refers to financial assets in respect of loans, advances and financing which were disbursed during the year and are neither past due nor impaired.

Credit quality of financial assets that are neither past due nor impaired by credit quality is as follows:

Group	2015			Total RM'000
	High Grade RM'000	Standard Grade RM'000	New Loans During The Year RM'000	
Financial Assets:				
Loans, Advances and Financing:				
End finance and Islamic property	-	2,019,741	671,313	2,691,054
Personal financing	-	21,034,252	375,805	21,410,057
Auto finance	-	117,204	87,229	204,433
Bridging, structured and term loans and financing	-	2,926,197	1,513,666	4,439,863
	-	26,097,394	2,648,013	28,745,407

**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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38. Financial risk management (cont'd.)

Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Credit quality of financial assets that are neither past due nor impaired by credit quality is as follows (cont'd.):

Group	2015			Total RM'000
	High Grade RM'000	Standard Grade RM'000	New Loans During The Year RM'000	
Deposits with Financial Institutions and Bank Balance:				
Cash at banks and on hand	326,838	-	-	326,838
Money at call	-	-	-	-
Deposits and placements with financial institutions:				
- with maturity of less than one month	6,601,425	-	-	6,601,425
- with maturity of more than one month	406,529	-	-	406,529
	<u>7,334,792</u>	<u>-</u>	<u>-</u>	<u>7,334,792</u>
Other Financial Asset:				
Financial investments available-for-sale	-	983,354	-	983,354
Other receivables	-	77,939	-	77,939
	<u>-</u>	<u>1,061,293</u>	<u>-</u>	<u>1,061,293</u>

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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38. Financial risk management (cont'd.)

Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Credit quality of financial assets that are neither past due nor impaired by credit quality is as follows (cont'd.):

Group	2014			
	High Grade RM'000	Standard Grade RM'000	New Loans During The Year RM'000	Total RM'000
Financial Assets:				
Loans, Advances and Financing:				
End finance and Islamic property	-	1,927,351	443,020	2,370,371
Personal financing	-	21,434,964	615,788	22,050,752
Auto finance	-	103,082	86,438	189,520
Bridging, structured and term loans and financing	-	1,719,112	1,551,975	3,271,087
	-	25,184,509	2,697,221	27,881,730
Deposits with Financial Institutions and Bank Balance:				
Cash at banks and on hand	393,345	-	-	393,345
Money at call	2,338,246	-	-	2,338,246
Deposits and placements with financial institutions:				
- with maturity of less than one month	2,952,348	-	-	2,952,348
- with maturity of more than one month	83,418	-	-	83,418
	5,767,357	-	-	5,767,357
Other Financial Assets:				
Other receivables	-	96,149	-	96,149
	-	96,149	-	96,149

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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38. Financial risk management (cont'd.)

Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Credit quality of financial assets that are neither past due nor impaired by credit quality is as follows (cont'd.):

Company

	2015			Total RM'000
	High Grade RM'000	Standard Grade RM'000	New Loans During The Year RM'000	
Financial Assets:				
Loans, Advances and Financing:				
End finance and Islamic property	-	2,019,741	671,313	2,691,054
Personal financing	-	21,034,252	375,805	21,410,057
Auto finance	-	117,204	87,229	204,433
Bridging, structured and term loans and financing	-	2,926,197	1,513,666	4,439,863
	-	26,097,394	2,648,013	28,745,407
Deposits with Financial Institutions and Bank Balance:				
Cash at banks and on hand	313,325	-	-	313,325
Money at call	-	-	-	-
Deposits and placements with financial institutions:				
- with maturity of less than one month	6,597,852	-	-	6,597,852
- with maturity of more than one month	2,127	-	-	2,127
	6,913,304	-	-	6,913,304

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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38. Financial risk management (cont'd.)

Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Credit quality of financial assets that are neither past due nor impaired by credit quality is as follows (cont'd.):

Company

	2015			
	High Grade RM'000	Standard Grade RM'000	New Loans During The Year RM'000	Total RM'000
Other Financial Assets:				
Loans to subsidiaries	-	58,986	-	58,986
Financial investments available-for-sale	-	983,354	-	983,354
Other receivables	-	21,280	-	21,280
Sukuk Commodity Murabahah	-	3,792,751	-	3,792,751
	-	4,856,371	-	4,856,371

Company

	2014			
	High Grade RM'000	Standard Grade RM'000	New Loans During The Year RM'000	Total RM'000
Financial Assets:				
Loans, Advances and Financing:				
End finance and islamic property	-	1,927,351	443,020	2,370,371
Personal financing	-	21,434,964	615,788	22,050,752
Auto finance	-	103,082	86,438	189,520
Bridging, structured and term loans and financing	-	1,719,112	1,551,975	3,271,087
	-	25,184,509	2,697,221	27,881,730

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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38. Financial risk management (cont'd.)

Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Credit quality of financial assets that are neither past due nor impaired by credit quality is as follows (cont'd.):

Company	2014			Total RM'000
	High Grade RM'000	Standard Grade RM'000	New Loans During The Year RM'000	
Deposits with Financial Institutions and Bank Balance:				
Cash at banks and on hand	370,449	-	-	370,449
Money at call	2,338,246	-	-	2,338,246
Deposits and placements with financial institutions:				
- with maturity of less than one month	2,948,885	-	-	2,948,885
- with maturity of more than one month	8,117	-	-	8,117
	<u>5,665,697</u>	<u>-</u>	<u>-</u>	<u>5,665,697</u>
Other Financial Assets:				
Loans to subsidiaries	-	46,011	-	46,011
Other receivables	-	123,167	-	123,167
Sukuk Commodity Murabahah	-	1,373,565	-	1,373,565
	<u>-</u>	<u>1,542,743</u>	<u>-</u>	<u>1,542,743</u>

Past Due But Not Impaired

Past due but not impaired financial assets are loans and receivables where the customer has failed to make a principal or interest payment when contractually due, and includes loans, advances and financing which are not past due or have no overdraft for a period of less than three months.

Impaired

This refers to financial assets in respect of loans, advances and financing for which exposures are assessed individually and considered impaired based on the Company's policies.

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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38. Financial Risk Management (cont'd.)

Credit risk (cont'd.)

(iii) Industry analysis

Group

31 December 2015

	Property Development RM'000	Financial Services RM'000	Consumer RM'000	Oil and gas RM'000	Services ¹ RM'000	Others RM'000	Total RM'000
Financial Assets:							
Cash and short-term funds	12,369	6,911,177	-	-	1,548	3,169	6,928,263
Deposits and placements with financial institutions	-	2,127	-	-	-	404,402	406,529
Trade receivables	-	-	-	-	819	-	819
Other receivables	3,836	-	-	-	605	73,666	78,107
Loans, advances and financing:							
- End finance and Islamic property	-	-	4,584,249	-	-	-	4,584,249
- Personal financing	-	-	22,159,423	-	-	-	22,159,423
- Auto finance	-	-	340,650	-	-	-	340,650
- Bridging, structured and term loans and financing	2,978,364	-	30,396	-	949,052	742,836	4,700,648
Financial investments available-for-sale	-	983,354	-	-	-	-	983,354
	2,994,569	7,896,658	27,114,718	-	952,024	1,224,073	40,182,042

Company

31 December 2015

	Property Development RM'000	Financial Services RM'000	Consumer RM'000	Oil and gas RM'000	Services ¹ RM'000	Others RM'000	Total RM'000
Financial Assets:							
Cash and short-term funds	-	6,911,177	-	-	-	-	6,911,177
Deposits and placements with financial institutions	-	2,127	-	-	-	-	2,127
Other receivables	-	-	-	-	-	21,280	21,280
Sukuk Commodity Murabahah	-	-	-	-	-	3,792,751	3,792,751
Loans, advances and financing:							
- End finance and Islamic property	-	-	4,584,249	-	-	-	4,584,249
- Personal financing	-	-	22,159,423	-	-	-	22,159,423
- Auto finance	-	-	340,650	-	-	-	340,650
- Bridging, structured and term loans and financing	3,045,793	-	30,396	-	949,052	742,836	4,768,077
Loans to subsidiaries	-	172,637	-	-	82,763	-	255,400
Financial investments available-for-sale	-	983,354	-	-	-	-	983,354
	3,045,793	8,069,295	27,114,718	-	1,031,815	4,556,867	43,818,488

¹ Services includes hotel operation.

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38. Financial Risk Management (cont'd.)

Credit risk (cont'd.)

(iii) Industry analysis (cont'd.)

Group	Property Development		Financial Services	Consumer	Oil and gas	Services ¹	Others	Total
	RM'000	RM'000						
31 December 2014								
Financial Assets:								
Cash and short-term funds	12,402		5,657,580	-	-	1,548	12,409	5,683,939
Deposits and placements with financial institutions	-		8,117	-	-	-	75,301	83,418
Trade receivables	-		-	-	-	365	-	365
Other receivables	3,846		-	-	-	717	91,764	96,327
Loans, advances and financing:								
- End finance and Islamic property	-		-	4,455,798	-	-	-	4,455,798
- Personal financing	-		-	22,949,210	-	-	-	22,949,210
- Auto finance	-		-	253,914	-	-	-	253,914
- Bridging, structured and term loans and financing	2,750,337		-	9,998	359,359	252,748	784	3,373,226
	2,766,585		5,665,697	27,668,920	359,359	255,378	180,258	36,896,197
Company								
31 December 2014								
Financial Assets:								
Cash and short-term funds	-		5,657,580	-	-	-	-	5,657,580
Deposits and placements with financial institutions	-		8,117	-	-	-	-	8,117
Other receivables	-		-	-	-	-	123,167	123,167
Sukuk Commodity Murabahah	-		-	-	-	-	1,373,565	1,373,565
Loans, advances and financing:								
- End finance and Islamic property	-		-	4,455,798	-	-	-	4,455,798
- Personal financing	-		-	22,949,210	-	-	-	22,949,210
- Auto finance	-		-	253,913	-	-	-	253,913
- Bridging, structured and term loans and financing	2,800,144		-	9,998	359,359	252,748	784	3,423,033
Loans to subsidiaries	-		57,325	-	-	82,613	-	139,938
	2,800,144		5,723,022	27,668,919	359,359	335,361	1,497,516	38,384,321

¹ Services includes hotel operation.

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38. Financial risk management (cont'd.)

Credit risk (cont'd.)

(iv) Collateral

The credit risk of financial assets of the Group and the Company is mitigated by the collateral in respect of financial assets.

The collateral mitigates credit risk and would reduce the extent of impairment losses for assets subject to impairment review.

The main types of collateral obtained by the Group and the Company to mitigate credit risk are as follows:

- For conventional mortgage and property Islamic - charge over properties;
- For auto loan and financing - ownership claims over the vehicles financed;
- For project loans and financing - charges over the project being financed; and
- For others loan, advances and financing - charges over business assets such as premises, inventories, marketable securities, real estate, and trade receivables or deposits.

Market risk

Market risk is the risk of potential loss as a result of changes in the intrinsic value of financial instruments caused by movements in market variables such as interest rates, equity pricing and other related macro economic factors that will eventually affect the Group's and the Company's profitability and capital preservation.

The Group's and the Company's market risk management includes the monitoring of fluctuations in net interest income or investment value due to changes in relevant market risk factors. The ALCO monitors the exposure on a monthly basis through reports produced by the Treasury Division. The GRM, via its presence in the ALCO, provides advisory services and input on the Group's and the Company's market risk management.

In managing interest rate risk, the Group and the Company intend to maximise net interest income and net interest margin and minimise the significant volatilities that may arise in relation to the Group's and the Company's assets and liabilities.

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38. Financial risk management (cont'd.)

Market risk (cont'd.)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's net profit and shareholders' equity would have been as per the following table, arising mainly as a result of changes in interest expenses from floating rate borrowings and fixed deposits placed by customers and interest income from floating rate loans, advances and financing.

	Tax rate	Group		Company	
		+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2015					
Impact to profit before tax		(214,854)	214,854	(218,224)	218,224
Impact to profit after tax and equity	25%	(161,141)	161,141	(163,668)	163,668
2014					
Impact to profit before tax		(219,446)	219,446	(219,701)	219,701
Impact to profit after tax and equity	25%	(164,585)	164,585	(164,776)	164,776

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38. Financial risk management (cont'd.)

Market risk (cont'd.)

Interest rate risk (cont'd.)

Group 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
Liabilities (cont'd.)								
Other borrowings	-	-	-	-	-	50,181	50,181	5.50
Trade payables	-	-	-	-	-	214	214	
Other payables	-	-	-	-	-	325,968	325,968	
Recourse obligation on loans/ financing sold	-	-	-	-	-	2,767,242	2,767,242	4.72
Sukuk - MBSB SC Murabahah	-	-	-	-	-	2,827,955	2,827,955	4.92
Other liabilities	-	-	-	-	-	24,930	24,930	
Total liabilities	1,645,591	-	-	-	-	34,581,877	36,227,468	
Shareholders' equity	-	-	-	-	-	4,861,540	4,861,540	
Total liabilities and shareholders' equity	1,645,591	-	-	-	-	39,443,417	41,089,008	
On-balance sheet interest sensitivity gap	6,260,193	-	-	-	-	(6,260,193)	-	
Total interest sensitivity gap	6,260,193	-	-	-	-	(6,260,193)	-	

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38. Financial risk management (cont'd.)

Market risk (cont'd.)

Interest rate risk (cont'd.)

Group
2014

	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	5,683,939	5,683,939	
Deposits and placements with financial institutions	-	-	-	-	-	83,418	83,418	3.97
Trade receivables	-	-	-	-	-	365	365	
Other receivables	-	-	-	-	-	213,564	213,564	
Loans, advances and financing:								
- non-impaired	6,334,285	-	-	-	-	23,440,269	29,774,554	7.62
- impaired	-	-	-	-	-	1,257,594	1,257,594	
Other assets	-	-	-	-	-	652,469	652,469	
Total assets	6,334,285	-	-	-	-	31,331,618	37,665,903	
Liabilities								
Deposits from customers	-	-	-	-	-	27,530,858	27,530,858	2.60
Bank borrowings	1,415,844	-	-	-	-	-	1,415,844	4.33
Other borrowings	-	-	-	-	-	150,544	150,544	5.50
Trade payables	-	-	-	-	-	184	184	
Other payables	-	-	-	-	-	313,753	313,753	

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38. Financial risk management (cont'd.)

Market risk (cont'd.)

Interest rate risk (cont'd.)

Group 2014(cont'd.)	Up to 1	>1-3	>3-12	>1-5	Over 5	Non-	Average interest rate % per annum
	month RM'000	months RM'000	months RM'000	years RM'000	years RM'000	interest sensitive RM'000	
Liabilities (cont'd.)							
Recourse obligation on loans/ financing sold	-	-	-	-	-	2,373,039	2,373,039
Sukuk - MBSB SC Murabahah	-	-	-	-	-	1,150,124	1,150,124
Other liabilities	-	-	-	-	-	49,144	49,144
Total liabilities	1,415,844	-	-	-	-	31,567,646	32,983,490
Shareholders' equity	-	-	-	-	-	4,682,413	4,682,413
Total liabilities and shareholders' equity	1,415,844	-	-	-	-	36,250,059	37,665,903
On-balance sheet interest sensitivity gap	4,918,441	-	-	-	-	(4,918,441)	-
Total interest sensitivity gap	4,918,441	-	-	-	-	(4,918,441)	-

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38. Financial risk management (cont'd.)

Market risk (cont'd.)

Interest rate risk (cont'd.)

Company 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
Liabilities (cont'd.)								
Other borrowings	-	-	-	-	-	50,181	50,181	5.50
Recourse obligation on loans/ financing sold	-	-	-	-	-	2,767,242	2,767,242	4.72
Sukuk - MBSB SC Murabahah	-	-	-	-	-	2,827,955	2,827,955	4.70
Other liabilities	-	-	-	-	-	3,856,152	3,856,152	
Total liabilities	1,645,591	-	-	-	-	38,086,917	39,732,508	
Shareholders' equity	-	-	-	-	-	4,802,934	4,802,934	
Total liabilities and shareholders' equity	1,645,591	-	-	-	-	42,889,851	44,535,442	
On-balance sheet interest sensitivity gap	6,260,192	-	-	-	-	(6,260,192)	-	
Total interest sensitivity gap	6,260,192	-	-	-	-	(6,260,192)	-	

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38. Financial risk management (cont'd.)

Market risk (cont'd.)

Interest rate risk (cont'd.)

Company 2014 (cont'd.)	Up to 1	>1-3	>3-12	>1-5	Over 5	Non-	Average interest rate % per annum
	month RM'000	months RM'000	months RM'000	years RM'000	years RM'000	interest sensitive RM'000	
Liabilities (cont'd.)							
Other borrowings	-	-	-	-	-	150,544	150,544
Recourse obligation on loans/ financing sold	-	-	-	-	-	2,373,039	2,373,039
Sukuk - MBSB SC Murabahah	-	-	-	-	-	1,150,124	1,150,124
Other liabilities	-	-	-	-	-	1,667,964	1,667,964
Total liabilities	1,415,844	-	-	-	-	32,872,529	34,288,373
Shareholders' equity	-	-	-	-	-	4,687,933	4,687,933
Total liabilities and shareholders' equity	1,415,844	-	-	-	-	37,560,462	38,976,306
On-balance sheet interest sensitivity gap	4,918,441	-	-	-	-	(4,918,441)	-
Total interest sensitivity gap	4,918,441	-	-	-	-	(4,918,441)	-

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38. Financial risk management (cont'd.)

Liquidity risk

The Group's and the Company's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Liquidity risk management of the Group and the Company is governed by established risk tolerance levels as defined in the Group's and the Company's Market Risk Framework. The ALCO would be informed by management action triggers to alert management to potential and emerging liquidity pressures. The Group's and the Company's early warning system and contingency funding plans are in place to alert and enable management to act effectively and efficiently during a liquidity crisis.

The ALCO meets at least once a month to discuss the liquidity risk and funding profile and is chaired by the Chief Executive Officer. The ALM and Funding Unit, which is responsible for the independent monitoring of the Group's and the Company's liquidity risk profile, works closely with the Treasury Division in the surveillance on market conditions and performs stress testing on liquidity positions.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group	2015 RM'000			Total
	On demand or within one year	One to five years	Over five years	
Financial liabilities:				
Deposits from customers	25,886,603	3,270,403	-	29,157,006
Bank borrowings	1,646,590	-	-	1,646,590
Other borrowings	51,213	-	-	51,213
Trade and other payables	326,182	-	-	326,182
Recourse obligation on loans/ financing sold	1,003,717	1,842,412	-	2,846,129
Sukuk - MBSB SC Murabahah	349,087	1,670,467	2,581,464	4,601,018
	29,263,392	6,783,282	2,581,464	38,628,138
Operational commitments:				
Financial guarantees	62,204	41,872	-	104,076
	62,204	41,872	-	104,076
	29,325,596	6,825,154	2,581,464	38,732,214

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38. Financial risk management (cont'd.)

Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

Group	2014 RM'000			Total
	On demand or within one year	One to five years	Over five years	
Financial liabilities:				
Deposits from customers	23,871,864	4,181,652	-	28,053,516
Bank borrowings	1,417,234	-	-	1,417,234
Other borrowings	106,732	51,031	-	157,763
Trade and other payables	313,937	-	-	313,937
Recourse obligation on loans/ financing sold	168,613	2,350,052	-	2,518,665
Sukuk - MBSB SC Murabahah	166,288	747,267	493,836	1,407,391
	26,044,668	7,330,002	493,836	33,868,506
Operational commitments:				
Financial guarantees	44,114	40,995	-	85,109
	44,114	40,995	-	85,109
	26,088,782	7,370,997	493,836	33,953,615

Company	2015 RM'000			Total
	On demand or within one year	One to five years	Over five years	
Financial liabilities:				
Deposits from customers	25,886,603	3,270,403	-	29,157,006
Bank borrowings	1,646,590	-	-	1,646,590
Other borrowings	51,213	-	-	51,213
Other payables	3,848,335	-	-	3,848,335
Recourse obligation on loans/ financing sold	1,003,717	1,842,412	-	2,846,129
Sukuk - MBSB SC Murabahah	349,087	1,670,467	2,581,464	4,601,018
	32,785,545	6,783,282	2,581,464	42,150,291

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38. Financial risk management (cont'd.)

Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

Company	2015 RM'000			Total
	On demand or within one year	One to five years	Over five years	
Operational commitments:				
Financial guarantees	62,204	41,872	-	104,076
	62,204	41,872	-	104,076
	32,847,749	6,825,154	2,581,464	42,254,367
Company	2014 RM'000			Total
	On demand or within one year	One to five years	Over five years	
Financial liabilities:				
Deposits from customers	23,871,864	4,181,652	-	28,053,516
Bank borrowings	1,417,234	-	-	1,417,234
Other borrowings	106,732	51,031	-	157,763
Other payables	1,639,239	-	-	1,639,239
Recourse obligation on loans/ financing sold	168,613	2,350,052	-	2,518,665
Sukuk - MBSB SC Murabahah	166,288	747,267	493,836	1,407,391
	27,369,970	7,330,002	493,836	35,193,808
Operational commitments:				
Financial guarantees	44,114	40,995	-	85,109
	44,114	40,995	-	85,109
	27,414,084	7,370,997	493,836	35,278,917

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39. Capital management

The primary objective of the Group's and the Company's capital management is to ensure that a strong credit rating and healthy capital ratios are maintained in order to support their business and maximise shareholder value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

The Group and the Company monitor their capital using both leverage ratio (which is computed using common equity Tier 1 divided by total assets including off balance sheet commitments) and risk weighted capital adequacy ratio ("RWCR") (which is computed using capital base divided by total risk weighted assets) as prescribed by Bank Negara Malaysia for licensed financial institutions in Malaysia.

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40. Fair values

- (a) Fair values of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximations of fair value

	Note	Group		Company	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2015					
Financial assets					
Loans, advances and financing	9	31,784,970	29,098,361	31,852,399	29,098,361
Sukuk Commodity Murabahah	10(b)	-	-	3,792,751	3,656,006
2015					
Financial liabilities					
Sukuk - MBSB SC Murabahah	10(a)	2,827,955	2,717,921	2,827,955	2,717,921
Deposits from customers	16	28,585,387	28,209,704	28,585,387	28,209,704
Other borrowings	17	50,181	51,031	50,181	51,031
Recourse obligation on loans/financing sold	20	2,767,242	2,873,330	2,767,242	2,873,330
2014					
Financial assets					
Loans, advances and financing	9	31,032,148	28,592,000	31,081,954	28,629,774
Sukuk Commodity Murabahah	10(b)	-	-	1,373,565	1,349,946
Financial liabilities					
Sukuk - MBSB SC Murabahah	10(a)	1,150,124	1,126,591	1,150,124	1,126,591
Deposits from customers	16	27,530,858	26,987,309	27,530,858	26,987,309
Other borrowings	17	150,544	150,648	150,544	150,648
Recourse obligation on loans/financing sold	20	2,373,039	2,258,075	2,373,039	2,258,075

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40. Fair values (cont'd.)

- (a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximations of fair value (cont'd.)

Loans, advances and financing

The fair value of fixed rate loans with remaining maturities of less than one year and variable rate loans are estimated to approximate the carrying amount. For fixed rate loans with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at prevailing rates offered for similar loans to new borrowers with similar credit profiles as at the reporting date.

The fair value of impaired fixed and variable rates loans is represented by their carrying amount, net of individual impairment provisions, being the expected recoverable amount.

Sukuk Commodity Murabahah and Sukuk - MBSB SC Murabahah

The fair values of both Sukuk Commodity Murabahah and Sukuk - MBSB SC Murabahah are estimated by discounting expected future cash flows at the effective profit rate of similar instruments.

Deposits from customers

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short tenure of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using market rates currently offered for deposits and placements with similar remaining maturities.

Other borrowings

The fair values of other borrowings are estimated by discounting expected future cash flows at market incremental lending rates for similar types of lending, borrowing or leasing arrangements at the reporting date.

Recourse obligation on loans/financing sold

The fair values for recourse obligations on loans/financing sold to Cagamas Berhad are determined based on discounted cash flows of future instalment payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

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40. Fair values (cont'd.)

- (a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximations of fair value (cont'd.)

Financial investments available-for-sale

Financial investments available-for-sale valued using valuation techniques or pricing models primarily consist of debt securities.

- (b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value:

	<u>Note</u>
Cash and short-term funds	5(a)
Deposits and placements with financial institutions	5(b)
Trade receivables	6
Other receivables (excluding foreclosed properties, and prepayments and deposits)	7
Loans to subsidiaries	11(b)
Bank borrowings	17
Trade payables	18
Other payables	19

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values, either due to their short-term nature or the fact that these are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

Determination of fair value and fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

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40. Fair values (cont'd.)

Determination of fair value and fair value hierarchy (cont'd.)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities:

	Fair value measurement using			
	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Group				
31 December 2015				
Assets carried at fair values				
Financial investments available-for-sale	983,354	-	983,354	-
Assets for which fair values are disclosed				
Loans, advances and financing	29,098,361	-	24,294,034	4,804,327
Liabilities for which fair values are disclosed				
Sukuk - MBSB SC Murabahah	2,717,921	-	2,717,921	-
Deposits from customers	28,209,704	-	28,209,704	-
Other borrowings	51,031	-	-	51,031
Recourse obligation on loans/ financing sold	2,873,330	-	-	2,873,330
Total	33,851,986	-	30,927,625	2,924,361
31 December 2014				
Assets for which fair values are disclosed				
Loans, advances and financing	28,592,000	-	25,168,145	3,423,855
Liabilities for which fair values are disclosed				
Sukuk - MBSB SC Murabahah	1,126,591	-	1,126,591	-
Deposits from customers	26,987,309	-	26,987,309	-
Other borrowings	157,219	-	-	157,219
Recourse obligation on loans/ financing sold	2,500,518	-	-	2,500,518
Total	30,771,637	-	28,113,900	2,657,737

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40. Fair values (cont'd.)

Determination of fair value and fair value hierarchy (cont'd.)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities (cont'd.):

	Fair value measurement using			
	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Company				
31 December 2015				
Assets carried at fair values				
Financial investments available-for-sale	983,354	-	983,354	-
Assets for which fair values are disclosed				
Loans, advances and financing	29,098,361	-	24,294,034	4,804,327
Sukuk Commodity Murabahah	3,656,006	-	3,656,006	-
Total	32,754,367	-	27,950,040	4,804,327
Liabilities for which fair values are disclosed				
Sukuk - MBSB SC Murabahah	2,717,921	-	2,717,921	-
Deposits from customers	28,209,704	-	28,209,704	-
Other borrowings	51,031	-	-	51,031
Recourse obligation on loans/ financing sold	2,873,330	-	-	2,873,330
Total	33,851,986	-	30,927,625	2,924,361

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40. Fair values (cont'd.)

Determination of fair value and fair value hierarchy (cont'd.)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities (cont'd.):

	Fair value measurement using			
	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Company				
31 December 2014				
Assets for which fair values are disclosed				
Loans, advances and financing	28,629,774	-	25,168,145	3,461,629
Sukuk Commodity Murabahah	1,349,946	-	1,349,946	-
Total	29,979,720	-	26,518,091	3,461,629
Liabilities for which fair values are disclosed				
Sukuk - MBSB SC Murabahah	1,126,591	-	1,126,591	-
Deposits from customers	26,987,309	-	26,987,309	-
Other borrowings	157,219	-	-	157,219
Recourse obligation on loans/ financing sold	2,500,518	-	-	2,500,518
Total	30,771,637	-	28,113,900	2,657,737

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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40. Fair values (cont'd.)

Determination of fair value and fair value hierarchy (cont'd.)

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Bridging, structured and term loans and financing	*DCF method	Interest/profit rate	6.1%-11.5% (6.7%)
Other borrowings	*DCF method	Interest/profit rate	5.5% (5.5%)
Recourse obligation on loans/financing sold	*DCF method	Interest/profit rate	4.8%-5.8% (5.2%)

* DCF method refers to the discounted cash flows method where future expected cash flows are discounted at rates prevailing at the reporting date.

Movement of significant unobservable inputs (Level 3)

The following tables present additional information about Level 3 financial assets and financial liabilities measured at fair value on a recurring basis:

	At 1									At 31
	January	Repayments	Drawdown	Repurchase	Disbursement	Interest	Collections	Write off	Impairment	December
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015										
Financial assets										
Bridging, structured and term loans and financing	3,423,855	-	-	-	2,426,425	309,512	(1,326,664)	(222,503)	193,702	4,804,327
	<u>3,423,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,426,425</u>	<u>309,512</u>	<u>(1,326,664)</u>	<u>(222,503)</u>	<u>193,702</u>	<u>4,804,327</u>
Financial liabilities										
Other borrowings	157,219	-106,188	-	-	-	-	-	-	-	51,031
Recourse obligation on loans/financing sold	2,500,518	(228,399)	500,000	101,211	-	-	-	-	-	2,873,330
	<u>2,657,737</u>	<u>(334,587)</u>	<u>500,000</u>	<u>101,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,924,361</u>

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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40. Fair values (cont'd.)

Movement of significant unobservable inputs (Level 3) (cont'd.)

	At 1									At 31
	January RM'000	Repayments RM'000	Drawdown RM'000	Repurchase RM'000	Disbursement RM'000	Interest RM'000	Collections RM'000	Write off RM'000	Impairment RM'000	December RM'000
Company										
2015										
Financial assets										
Bridging, structured and term loans and financing	3,461,629	-	-	-	2,426,425	309,512	(1,326,664)	(222,503)	155,928	4,804,327
	<u>3,461,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,426,425</u>	<u>309,512</u>	<u>(1,326,664)</u>	<u>(222,503)</u>	<u>155,928</u>	<u>4,804,327</u>
Financial liabilities										
Other borrowings	157,219	-106,188	-	-	-	-	-	-	-	51,031
Recourse obligation on loans/financing sold	2,500,518	(228,399)	500,000	101,211	-	-	-	-	-	2,873,330
	<u>2,657,737</u>	<u>(334,587)</u>	<u>500,000</u>	<u>101,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,924,361</u>
	At 1									At 31
	January RM'000	Repayments RM'000	Drawdown RM'000	Repurchase RM'000	Disbursement RM'000	Interest RM'000	Collections RM'000	Write off RM'000	Impairment RM'000	December RM'000
Group										
2014										
Financial assets										
Bridging, structured and term loans and financing	2,492,052	-	-	-	2,360,516	236,416	(1,765,906)	(78,216)	178,993	3,423,855
	<u>2,492,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,360,516</u>	<u>236,416</u>	<u>(1,765,906)</u>	<u>(78,216)</u>	<u>178,993</u>	<u>3,423,855</u>
Financial liabilities										
Other borrowings	268,906	-111,687	-	-	-	-	-	-	-	157,219
Recourse obligation on loans/financing sold	2,479,507	(1,000,586)	1,000,000	21,597	-	-	-	-	-	2,500,518
	<u>2,748,413</u>	<u>(1,112,273)</u>	<u>1,000,000</u>	<u>21,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,657,737</u>

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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40. Fair values (cont'd.)

Movement of significant unobservable inputs (Level 3) (cont'd.)

	At 1										At 31
	January	Repayments	Drawdown	Repurchase	Disbursement	Interest	Collections	Write off	Impairment	December	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Company											
2014											
Financial assets											
Bridging, structured and term loans and financing	2,556,369	-	-	-	2,360,516	236,416	(1,765,906)	(78,216)	152,450	3,461,629	
	<u>2,556,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,360,516</u>	<u>236,416</u>	<u>(1,765,906)</u>	<u>(78,216)</u>	<u>152,450</u>	<u>3,461,629</u>	
Financial liabilities											
Other borrowings	268,906	(111,687)	-	-	-	-	-	-	-	157,219	
Recourse obligation on loans/financing sold	2,479,507	(1,000,586)	1,000,000	21,597	-	-	-	-	-	2,500,518	
	<u>2,748,413</u>	<u>(1,112,273)</u>	<u>1,000,000</u>	<u>21,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,657,737</u>	

41. Segment information

(a) Business segments:

The Group is organised into four major business segments:

- (i) Financing - the granting of loans on the security of freehold and leasehold properties and provision of retail financing and related services;
- (ii) Property development - the development of residential and commercial properties;
- (iii) Leasing of real property - the letting of office buildings; and
- (iv) Hotel operations - the leasing of hotel rooms, sale of food and beverage and other related income.

Other business segments include project management and investment holding, none of which are of a sufficient size to be reported separately.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER
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41. Segment information (cont'd.)

(a) Business segments (cont'd.)

	Financing		Property development		Letting of real property		Hotel operations		Investment holding		Others		Eliminations		Consolidated		
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	
Revenue and expenses																	
Revenue																	
External sales	2,831,858	2,515,975	33,589	30,255	-	7,721	9,155	190,719	53,853	-	-	-	-	(13,789)	3,121	3,050,098	2,612,512
Inter-segment sales	9,900	16,688	-	-	1,004	1,004	3,471	3,416	-	-	-	-	-	(14,375)	(21,108)	-	-
Total revenue																3,050,098	2,612,512
Result																	
Segment results	289,449	913,295	(45,116)	(18,797)	(11,624)	(10,052)	(14,697)	(10,887)	76,827	30,399	(138)	(194)	60,380	28,736	355,025	932,556	
Taxation															(91,834)	87,818	
Zakat															(5,599)	(5,345)	
Net profit for the year															257,592	1,015,029	
Assets																	
Segment assets	44,535,442	38,976,306	193,389	30,280	6,565	72,948	75,478	3,905,804	1,409,027	372	(7,625,512)	(2,832,360)	41,089,008	37,665,903			
Unallocated corporate assets																	
Consolidated total assets																41,089,008	37,665,903
Liabilities																	
Segment liabilities	39,732,508	34,288,373	590,736	423,151	132,974	121,585	164,160	152,084	3,797,791	1,375,743	2,698	(8,193,592)	(3,380,144)	36,227,468	32,983,490		
Unallocated corporate liabilities																	
Consolidated total liabilities																36,227,468	32,983,490

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41. Segment information (cont'd.)

(a) Business segments (cont'd.)

	Financing		Property development		Letting of real property		Hotel operations		Investment holding		Others		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other Information																
Capital expenditure	1,183	10,874	13,718	42,415	-	-	157	131	-	-	-	-	-	-	15,058	53,420
Depreciation investment properties and property, plant and equipment	11,602	11,203	-	-	185	198	2,705	2,880	-	-	-	-	228	228	14,720	14,509
Amortisation of land used rights and intangible assets	13,363	12,271	-	-	20	20	190	180	-	-	-	-	-	-	13,573	12,471
Impairment for investments in subsidiaries	2,309	(5,478)	-	-	-	-	-	-	-	-	-	-	(2,309)	5,478	-	-
Non-cash expenses other than depreciation, amortisation and impairment losses	714,965	137,903	33,588	30,255	-	-	25	88	-	-	-	-	(14,065)	(9,594)	734,513	158,652

(b) Geographical Segments:

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

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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42. The operations of Islamic business

Statements of financial position as at 31 December 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets					
Cash and short - term funds	(a)	6,026,443	4,447,110	6,023,275	4,434,701
Deposits and placements with financial institutions	(a)	404,402	83,142	-	7,841
Financing	(b)	27,152,155	25,962,554	27,152,155	25,962,554
Other receivables	(c)	672,837	776,974	667,182	758,386
Sukuk Commodity Murabahah Financial		-	-	3,792,751	1,373,565
Investment AFS		983,354	-	983,354	-
Amount due from a subsidiary		-	-	4,753	1,806
Total assets		35,239,191	31,269,780	38,623,470	32,538,853
Liabilities					
Deposits from customers	(d)	22,491,784	21,054,086	22,491,784	21,054,086
Other payables	(e)	4,865,787	4,328,524	4,865,459	4,328,102
Bank borrowings		750,419	600,510	750,419	600,510
Other borrowings		50,181	150,544	50,181	150,544
Recourse obligation on financing sold		1,433,445	1,477,120	1,433,445	1,477,120
Amount due to a subsidiary, Jana Kapital Sdn. Bhd. ("JKSB")		-	-	3,494,863	1,302,779
Sukuk - MBSB SC Murabahah		2,827,955	1,150,124	2,827,955	1,150,124
Provision for taxation		220,906	201,552	218,663	201,552
Provision for zakat		7,816	5,712	7,816	5,712
Total liabilities		32,648,293	28,968,172	36,140,585	30,270,529
Islamic fund		4,000	4,000	4,000	4,000
AFS reserve		1,566	-	1,566	-
Retained profits		2,585,332	2,297,608	2,477,319	2,264,324
		2,590,898	2,301,608	2,482,885	2,268,324
Total liabilities and Islamic fund		35,239,191	31,269,780	38,623,470	32,538,853

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Malaysia Building Society Berhad
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42. The operations of Islamic business (cont'd.)

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
Income derived from investment of general investment deposits and Islamic capital funds	(f)	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 financing operations		1,089,009	1,027,404	1,011,417	996,661
Other income		54,358	68,844	54,358	68,844
Profit expenses		(180)	(64)	-	-
Other expenses	(g)	(187,827)	(186,229)	(187,242)	(185,948)
Allowance for losses on financing		(583,417)	(73,350)	(583,417)	(73,350)
Profit before taxation and zakat		371,943	836,605	295,116	806,207
Taxation	(i)	(78,620)	(26,610)	(76,522)	(26,157)
Zakat		(5,599)	(5,345)	(5,599)	(5,345)
Profit for the year		287,724	804,650	212,995	774,705
Other comprehensive income		1,566	-	1,566	-
Total comprehensive income for the year, net of tax		289,290	804,650	214,561	774,705

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GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE
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42. The operations of Islamic business (cont'd.)

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

Group

	Islamic fund RM'000	Retained profits RM'000	AFS reserve RM'000	Total RM'000
At 1 January 2014	4,000	1,492,958	-	1,496,958
Profit for the year	-	804,650	-	804,650
At 31 December 2014	4,000	2,297,608	-	2,301,608
At 1 January 2015	4,000	2,297,608	-	2,301,608
Profit for the year	-	287,724	-	287,724
Other comprehensive income for the year	-	-	1,566	1,566
At 31 December 2015	4,000	2,585,332	1,566	2,590,898

Company

	Islamic fund RM'000	Retained profits RM'000	AFS reserve RM'000	Total RM'000
At 1 January 2014	4,000	1,489,619	-	1,493,619
Profit for the year	-	774,705	-	774,705
At 31 December 2014	4,000	2,264,324	-	2,268,324
At 1 January 2015	4,000	2,264,324	-	2,268,324
Profit for the year	-	212,995	-	212,995
Other comprehensive income for the year	-	-	1,566	1,566
At 31 December 2015	4,000	2,477,319	1,566	2,482,885

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42. The operations of Islamic business (cont'd.)

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 and zakat	371,943	836,605	295,116	806,207
Adjustments for:				
Profit income adjustments on:				
- Financing	90,233	265,461	90,233	265,461
- Sukuk Commodity Murabahah	-	-	(113,155)	(23,110)
- Sukuk - MBSB SC Murabahah	(13,651)	(2,173)	(13,651)	(2,173)
- Profit payable on Financial Investment AFS	(8,884)	-	(8,884)	-
Allowance for impairment losses on financing	583,417	73,350	583,417	73,350
Operating profit before working capital changes	1,023,058	1,173,243	833,076	1,119,735
Increase in deposits with financial institutions	(321,260)	(76,456)	7,841	(1,155)
Increase in financing	(1,863,251)	(1,288,374)	(1,863,251)	(1,288,374)
Decrease in other receivables	246,403	64,362	233,325	83,168
Increase in Sukuk Commodity Murabahah	-	-	(2,306,031)	(771,809)
Investment in financial instrument available for sale	(972,905)	-	(972,905)	-
Increase/(decrease) in deposits from customers	1,437,698	(30,176)	1,437,698	(30,176)
Increase in bank borrowings	149,909	(100,325)	149,909	(100,325)
Decrease in other borrowings	(100,363)	378	(100,363)	378
Amount due to SPV	-	-	2,192,084	728,292
Amount due from subsidiary	-	-	(2,947)	(1,775)
Increase/(decrease) in other payables	537,264	(89,157)	537,358	(89,342)
Increase in Sukuk - MBSB SC Murabahah	1,691,482	659,601	1,691,482	659,601
(Decrease)/increase in recourse obligation on financing sold	(43,675)	994,288	(43,675)	994,288
Cash generated from operations	1,784,360	1,307,384	1,793,601	1,302,506
Taxation paid	(201,552)	-	(201,552)	-
Zakat paid	(3,475)	(3,620)	(3,475)	(3,620)
Net cash generated from operating activities	1,579,333	1,303,764	1,588,574	1,298,886

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GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE
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42. The operations of Islamic business (cont'd.)

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

	Group		Company	
	RM'000	RM'000	RM'000	RM'000
Net increase in				
cash and cash equivalents	1,579,333	1,303,764	1,588,574	1,298,886
Cash and cash equivalents				
at beginning of financial year	4,447,110	3,143,346	4,434,701	3,135,815
Cash and cash equivalents				
at end of financial year	6,026,443	4,447,110	6,023,275	4,434,701

(a) Cash and short-term funds and deposits and placements with financial institutions

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds:				
Cash at banks	1,255,382	308,226	1,252,214	295,817
Money at call	-	2,338,472	-	2,338,472
Deposits and placements				
with financial institutions				
with maturity less than				
one month	4,771,061	1,800,412	4,771,061	1,800,412
	6,026,443	4,447,110	6,023,275	4,434,701
Deposits and placements				
with financial institutions				
with maturity of more than				
one month	404,402	83,142	-	7,841
	6,430,845	4,530,252	6,023,275	4,442,542

The weighted average effective yield rates of deposits with financial institutions at the reporting date was 4.51% (2014: 3.85%).

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42. The operations of Islamic business (cont'd.)

(b) Financing

	Group and Company	
	2015 RM'000	2014 RM'000
(i) By type:		
Term financing		
Corporate financing	6,933,062	2,204,727
Property financing	5,182,894	4,244,196
Personal financing	37,283,850	39,240,740
Auto financing	277,847	139,741
Staff financing	19,528	20,324
Less: Unearned income	(21,221,960)	(19,143,455)
	<u>28,475,221</u>	<u>26,706,273</u>
Allowance for impaired financing:		
- Collective allowance	(1,323,066)	(743,719)
Net financing	<u>27,152,155</u>	<u>25,962,554</u>
(ii) By contract:		
Bai Bithaman Ajil (deferred payment sale)	1,884,525	1,699,574
Bai Al-Inah (cost-plus)	14,055,842	14,354,164
Tawarruq	9,357,064	9,178,015
Contract financing	3,177,790	1,474,520
	<u>28,475,221</u>	<u>26,706,273</u>
(iii) Impaired financing		
Balance as at 1 January	1,158,286	616,734
Classified as impaired during the year	1,222,724	1,678,475
Reclassified as non-impaired during the year	(954,837)	(1,136,111)
Amount recovered	-	(812)
Balance as at 31 December	<u>1,426,173</u>	<u>1,158,286</u>
Collective allowance	(952,458)	(404,518)
Individual allowance	-	-
Allowance for impairment	<u>(952,458)</u>	<u>(404,518)</u>
Net impaired financing	<u>473,715</u>	<u>753,768</u>
Net impaired financing as a percentage of net financing	<u>1.7%</u>	<u>2.8%</u>

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42. The operations of Islamic business (cont'd.)

(b) Financing (cont'd.)

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

Collective impairment

Balance as at 1 January	743,719	672,230
Impairment during the year	578,858	71,428
Reclassification*	489	61
Balance as at 31 December	<u>1,323,066</u>	<u>743,719</u>

* Reclassification of collective allowance (out of)/into the Islamic fund.

	Group and Company	
	2015	2014
	RM'000	RM'000
Individual Impairment		
Balance as at 1 January	-	246
Write back during the year	-	(246)
Balance as at 31 December	<u>-</u>	<u>-</u>

(c) Other receivables

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deferred expenses due to issuance of Sukuk				
Commodity Murabahah	169	178	-	-
Deferred expenses due to issuance of Sukuk - MBSB SC Murabahah	3,257	3,425	3,257	3,425
Deferred tax asset	319,779	175,395	317,536	175,395
Others	349,632	597,976	346,389	579,566
	<u>672,837</u>	<u>776,974</u>	<u>667,182</u>	<u>758,386</u>

(d) Deposits from customers

(i) By type of deposit:

	Group and Company	
	2015	2014
	RM'000	RM'000
Al-Wadiah savings account	36,634	39,173
Mudharabah Fund	22,455,150	21,014,913
	<u>22,491,784</u>	<u>21,054,086</u>

**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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42. The operations of Islamic business (cont'd.)

(d) Deposits from customers (cont'd.)

(ii) By type of customer:

	Group and Company	
	2015	2014
	RM'000	RM'000
Business enterprises	22,024,227	20,974,357
Individuals	467,557	79,729
	<u>22,491,784</u>	<u>21,054,086</u>

(iii) By maturity of deposits from customers:

	Group and Company	
	2015	2014
	RM'000	RM'000
Within one year	20,749,239	19,972,862
More than one year	1,742,545	1,081,224
	<u>22,491,784</u>	<u>21,054,086</u>

(e) Other payables

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interbranch balances	2,932,930	2,550,231	2,932,930	2,550,231
Al-Mudharabah				
security deposits	101,947	94,946	101,947	94,946
Disbursement payable	82,496	62,299	82,496	62,299
Proportionate				
operating expenses	666,348	520,892	666,348	520,892
Deferred income	41,210	86,365	41,210	86,365
Others	1,040,856	1,013,791	1,040,528	1,013,369
	<u>4,865,787</u>	<u>4,328,524</u>	<u>4,865,459</u>	<u>4,328,102</u>

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE
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42. The operations of Islamic business (cont'd.)

(f) Income derived from investment of general investment deposits and Islamic capital funds

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financing	2,021,890	1,836,402	2,021,890	1,836,402
Profit income from Sukuk Commodity Murabahah	181,747	52,038	113,127	23,111
Financial investment AFS	7,322	-	7,322	-
Deposits with financial institutions	184,676	106,889	175,704	105,073
	2,395,635	1,995,329	2,318,043	1,964,586

(g) Other expenses

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personnel expenses (Note 42(h))	87,343	63,800	87,343	63,800
Promotion and marketing related expenses	8,284	9,461	8,284	9,461
General administrative expenses	92,200	112,968	91,615	112,687
	187,827	186,229	187,242	185,948

**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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42. The operations of Islamic business (cont'd.)

(h) Personnel expenses

	Group and Company	
	2015 RM'000	2014 RM'000
Wages and salaries	76,290	55,838
Social security costs	505	347
Pension costs - Employees Provident Fund	10,548	7,615
	<u>87,343</u>	<u>63,800</u>

(i) Taxation

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year.

A reconciliation of the income tax expense applicable to profit before taxation and zakat at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before taxation and zakat	371,943	836,605	295,116	806,207
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	92,986	209,151	73,779	201,552
Effect of change in statutory tax rate on deferred tax	5,793	-	5,793	-
Effect on opening deferred tax of reduction in Malaysian income tax rate	7,437	-	7,437	-
Income not subject to tax	(16,964)	(7,146)	-	-
Expenses not deductible for tax purposes	48	-	48	-
Overprovision of deferred tax in prior years	(10,535)	(175,395)	(10,535)	(175,395)
Overprovision of income tax expense in prior years	(145)	-	-	-
Tax expense for the year	<u>78,620</u>	<u>26,610</u>	<u>76,522</u>	<u>26,157</u>

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)

42. The operations of Islamic business (cont'd.)

(i) Yield/profit rate risk

The table below summarises the Group's and the Company's exposure to yield/profit rate risk for the Islamic business operations. The table indicates effective average yield/profit rates at the reporting date and the periods in which the financial instruments either reprice or mature, whichever is earlier.

Group 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average yield/profit rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	6,026,443	6,026,443	
Deposits and placements with financial institutions	-	-	-	-	-	404,402	404,402	
Financing:								
- non-impaired	4,041,164	-	-	-	-	22,637,276	26,678,440	7.38
- impaired	-	-	-	-	-	473,715	473,715	
Other receivables	-	-	-	-	-	672,837	672,837	
Financial investments available-for-sale	-	-	-	-	-	983,354	983,354	
Total assets	4,041,164	-	-	-	-	31,198,027	35,239,191	
Liabilities								
Deposits from customers	-	-	-	-	-	22,491,784	22,491,784	
Recourse obligation on financing sold	-	-	-	-	-	1,433,445	1,433,445	
Sukuk - MBSB SC Murabahah	-	-	-	-	-	2,827,955	2,827,955	
Other liabilities	-	-	-	-	-	5,895,109	5,895,109	
Total liabilities	-	-	-	-	-	32,648,293	32,648,293	
Equity	-	-	-	-	-	2,590,898	2,590,898	
Total liabilities and equity	-	-	-	-	-	35,239,191	35,239,191	

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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)**

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(Incorporated in Malaysia)

42. The operations of Islamic business (cont'd.)

(j) Yield/profit rate risk (cont'd.)

Group 2015 (cont'd.)	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average
								yield/profit rate % per annum
On-balance sheet yield/ profit sensitivity gap	4,041,164	-	-	-	-	(4,041,164)	-	
Total yield/profit sensitivity gap	4,041,164	-	-	-	-	(4,041,164)	-	

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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42. The operations of Islamic business (cont'd.)

(j) Yield/profit rate risk

Company 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average yield/profit rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	6,023,275	6,023,275	
Deposits and placements with financial institutions	-	-	-	-	-	-	-	
Financing:								
- non-impaired	4,041,164	-	-	-	-	22,637,276	26,678,440	7.38
- impaired	-	-	-	-	-	473,715	473,715	
Sukuk Commodity Murabahah	-	-	-	-	-	3,792,751	3,792,751	
Other receivables	-	-	-	-	-	671,935	671,935	
Financial investments available-for-sale	-	-	-	-	-	983,354	983,354	
Total assets	4,041,164	-	-	-	-	34,582,306	38,623,470	
Liabilities								
Deposits from customers	-	-	-	-	-	22,491,784	22,491,784	
Recourse obligation on financing sold	-	-	-	-	-	1,433,445	1,433,445	
Sukuk - MBSB SC Murabahah	-	-	-	-	-	2,827,955	2,827,955	
Amount due to SPV	-	-	-	-	-	3,494,863	3,494,863	
Other liabilities	-	-	-	-	-	5,892,538	5,892,538	
Total liabilities	-	-	-	-	-	36,140,585	36,140,585	
Equity	-	-	-	-	-	2,482,885	2,482,885	
Total liabilities and equity	-	-	-	-	-	38,623,470	38,623,470	

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**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER
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**Malaysia Building Society Berhad
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42. The operations of Islamic business (cont'd.)

(j) Yield/profit rate risk (cont'd.)

Company 2015 (cont'd.)	Up to 1	>1-3	>3-12	>1-5	Over 5	Non-yield/ profit rate	Average yield/profit rate % per annum
	month RM'000	months RM'000	months RM'000	years RM'000	years RM'000	sensitive RM'000	
On-balance sheet yield/ profit sensitivity gap	4,041,164	-	-	-	-	(4,041,164)	-
Total yield/profit sensitivity gap	4,041,164	-	-	-	-	(4,041,164)	-

**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)

42. The operations of Islamic business (cont'd.)

(j) Yield/profit rate risk (cont'd.)

Group 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average yield/profit rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	4,447,110	4,447,110	
Deposits and placements with financial institutions	-	-	-	-	-	83,142	83,142	
Financing:								
- non-impaired	2,185,738	-	-	-	-	23,023,048	25,208,786	7.58
- impaired	-	-	-	-	-	753,768	753,768	
Other receivables	-	-	-	-	-	601,579	601,579	
Total assets	2,185,738	-	-	-	-	28,908,647	31,094,385	
Liabilities								
Deposits from customers	-	-	-	-	-	21,054,086	21,054,086	
Recourse obligation on financing sold	-	-	-	-	-	1,477,120	1,477,120	
Sukuk - MBSB SC Murabahah	-	-	-	-	-	1,150,124	1,150,124	
Other liabilities	-	-	-	-	-	5,111,447	5,111,447	
Total liabilities	-	-	-	-	-	28,792,777	28,792,777	
Equity	-	-	-	-	-	2,301,608	2,301,608	
Total liabilities and equity	-	-	-	-	-	31,094,385	31,094,385	

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**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER
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Malaysia Building Society Berhad
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42. The operations of Islamic business (cont'd.)

(j) Yield/profit rate risk (cont'd.)

Group 2014 (cont'd.)	Up to 1	>1-3	>3-12	>1-5	Over 5	Non-yield/ profit rate	Average
	month RM'000	months RM'000	months RM'000	years RM'000	years RM'000	sensitive RM'000	yield/profit rate % per annum
On-balance sheet yield/ profit sensitivity gap	2,185,738	-	-	-	-	(2,185,738)	-
Total yield/profit sensitivity gap	2,185,738	-	-	-	-	(2,185,738)	-

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER
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Malaysia Building Society Berhad
(Incorporated in Malaysia)

42. The operations of Islamic business (cont'd.)

(j) Yield/profit rate risk

Company 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average yield/profit rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	4,434,701	4,434,701	
Deposits and placements with financial institutions	-	-	-	-	-	7,841	7,841	
Financing:								
- non-impaired	2,185,738	-	-	-	-	23,023,048	25,208,786	7.58
- impaired	-	-	-	-	-	753,768	753,768	
Sukuk Commodity Murabahah	-	-	-	-	-	1,373,565	1,373,565	
Other receivables	-	-	-	-	-	584,797	584,797	
Total assets	2,185,738	-	-	-	-	30,177,720	32,363,458	
Liabilities								
Deposits from customers	-	-	-	-	-	21,054,086	21,054,086	
Recourse obligation on financing sold	-	-	-	-	-	1,477,120	1,477,120	
Sukuk - MBSB SC Murabahah	-	-	-	-	-	1,150,124	1,150,124	
Amount due to SPV	-	-	-	-	-	1,302,779	1,302,779	
Other liabilities	-	-	-	-	-	5,111,025	5,111,025	
Total liabilities	-	-	-	-	-	30,095,134	30,095,134	
Equity	-	-	-	-	-	2,268,324	2,268,324	
Total liabilities and equity	-	-	-	-	-	32,363,458	32,363,458	

**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)

42. The operations of Islamic business (cont'd.)

(j) Yield/profit rate risk (cont'd.)

Company 2014 (cont'd.)	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average yield/profit rate % per annum
On-balance sheet yield/ profit sensitivity gap	2,185,738	-	-	-	-	(2,185,738)	-	-
Total yield/profit sensitivity gap	2,185,738	-	-	-	-	(2,185,738)	-	-

**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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43. Significant events

The Group had on 1 October 2015, received a letter from Bank Negara Malaysia ("BNM") dated 30 September 2015 which states that BNM has no objection in principle for the Company to commence negotiations with the existing shareholders of Bank Muamalat Malaysia Berhad ("BMMB"), namely DRB-Hicom Berhad ("DRB") and Khazanah Nasional Berhad ("Khazanah"), for a proposed merger of MBSB and BMMB ("the Proposed Merger").

On 2 February 2016, the Board of Directors of the Company announced that the Company, DRB and Khazanah have not been able to reach an agreement on the terms and conditions of the Proposed Merger. Accordingly, the parties have mutually agreed to end all discussions and not proceed with the proposed merger.

**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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44. Supplementary information - realised and unrealised profits and losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses. On 20 December 2010, Bursa Malaysia issued further guidance on the disclosure and format required.

The breakdown of accumulated losses of the Group and the Company as at the reporting date, into realised and unrealised losses, pursuant to the directive, is as follows:

	Group	
	2015	2014
	RM'000	RM'000
Total retained earnings/(accumulated losses) of the Group:		
- Realised	306,918	517,570
- Unrealised	508,937	366,116
	815,855	883,686
Add: Consolidation adjustments	(226,579)	(226,579)
Group retained earnings/(accumulated losses)	589,276	657,107
	Company	
	2015	2014
	RM'000	RM'000
Total retained earnings/(accumulated losses) of the Company:		
- Realised	34,006	308,136
- Unrealised	496,664	354,491
Company retained earnings/(accumulated losses)	530,670	662,627

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

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016

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

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

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

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

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

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

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

**APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE
31 MARCH 2016 (CONT'D)**

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

(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2016

←----- Non Distributable ----->

	Ordinary Shares RM'000	Share Premium RM'000	Capital Reserve #1 RM'000	Share Option Reserve RM'000	Warrants Reserve RM'000	Capital Redemption Reserve #2 RM'000	Available-for-sale Reserve RM'000	Accumulated Profit/(Losses) RM'000	Total Equity RM'000
At 1 January 2015	2,709,623	1,278,873	17,838	2,853	3,633	12,486	-	657,107	4,682,413
Profit for the period	-	-	-	-	-	-	-	124,312	124,312
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-
Share options granted under ESOS recognised in profit or loss	1,929	1,995	-	5,001	-	-	-	-	5,001
Issue of ordinary shares pursuant to exercise of ESOS	1,697	-	-	(1,060)	-	-	-	-	2,864
Issue of ordinary shares pursuant to exercise of warrants	-	-	-	-	-	-	-	-	1,697
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(88)	-	-	-	88	-
At 31 March 2015	2,713,249	1,280,868	17,838	6,706	3,633	12,486	-	905,819	4,816,287
At 1 January 2016	2,838,551	1,392,980	17,838	5,210	3,633	12,486	1,566	589,276	4,861,540
Profit for the period	-	-	-	-	-	-	-	34,835	34,835
Other comprehensive income for the period	-	-	-	-	-	-	12,127	-	12,127
Total comprehensive income for the period	-	-	-	-	-	-	12,127	-	12,127
Dividend	-	-	-	-	-	-	-	34,835	46,962
Share options granted under ESOS recognised in profit or loss	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to rights issue	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to DRP	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to exercise of ESOS	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to exercise of warrants	227	-	-	-	-	-	-	-	227
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	-	-	-	-	-	-
At 31 March 2016	2,838,778	1,392,980	17,838	5,210	3,633	12,486	13,693	624,111	4,908,729

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

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

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

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

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

(Contd.)

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

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

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

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
 EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016
A1. Basis of Preparation

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

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

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

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

Effective for annual periods commencing on or after 1 January 2016

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

A1. Basis of Preparation (continued)

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

Effective for annual periods commencing on or after 1 January 2017

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

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

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

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

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

A3. Seasonality and Cyclicity of Operation

The Group's operations have not been affected by any seasonal or cyclical factors.

A4. Exceptional or Unusual Items

There were no items of exceptional or unusual nature that affect the assets, liabilities, equity, net income or cash flows of the Group in the current financial quarter.

A5. Changes in Estimates of Amounts Reported Previously

There were no changes in estimates of amounts reported in prior financial years that may have a material effect in the current quarter.

A6. Debts and Equity Securities

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

	No of ordinary shares of RM1.00 each '000	Ordinary shares RM'000	Share premium RM'000
At 1 January 2016	2,838,551	2,838,551	1,392,980
Issued at RM1.00 per share pursuant to warrants	226	226	-
As at 31 March 2016	2,838,777	2,838,777	1,392,980

A7. Dividend Paid

None.

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

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

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

(ii) By maturity structure

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

(iii) By economic purpose

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

(iv) By type of customers

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

**APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)**

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

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

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

(vi) Movements in impaired loans, advances and financing

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

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

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

A9. Financial investments available-for-sale

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

A10. Deposits from customers

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

A11. Interest Income

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

A12. Interest Expenses

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

A13. Net Income from Islamic Banking Operations

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

A14. Other Income

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

A15. Other Operating Expenses

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

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

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

A17. Commitments and Contingencies

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

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016**A18. Contingent Liabilities (Unsecured)**

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

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

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

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

(For information only: Bongsor Bina Sdn Bhd)

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

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

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

(For information only: KCSB Konsortium & Kausar Corporation)

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

A19. Segmental Information on Revenue and Results

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

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

A20. Valuation of Property, Plant and Equipment

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

A21. Subsequent Events

None.

A22. Changes in the Composition of the Group

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

A23. Acquisition/Disposal of Property, Plant and Equipment

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

A24. Significant Related Party Transactions

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

A25. Impairment Loss

There were no other impairment losses other than those disclosed in note A8 above.

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

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

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

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

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

A26c. Financing

(i) By type

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

**APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)**

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

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

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

(iii) Impaired financing

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

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

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

* Reclassification of collective allowance into the Islamic Fund

**APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)**

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

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

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

(ii) By type of customer

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

(iii) By maturity of deposits from customers

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016****BMSB LISTING REQUIREMENTS – DISCLOSURE REQUIREMENTS AS PART A OF APPENDIX 9B****B1. Performance Review****Current Year Period-to-Date vs Previous Year Period-to-Date**

Group revenue for the financial period ended 31 March 2016 of RM812.626 million increased by RM122.024 million or 17.7% as compared to the previous year revenue of RM690.602 million. The increase was mainly due to higher income from investments of liquid assets and higher financing income from corporate segment. The Group cost to income ratio has also remained consistent with the previous year to stand at 22.2%.

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

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

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

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

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

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

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

B2. Variation of Results against Preceding Quarter

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

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

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

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

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

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

Sound Banking System

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

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

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016**B3. Prospects (continued)***Brief Overview on Monetary and Financial Developments*

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

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

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

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

Group Prospects

The Group's focus on expansion of corporate business segment continued to show positive contribution, with growth in corporate financing/loans assets and earnings. The retail segment businesses, however, continued to be on a moderate level. The operating environment for 2016 is expected to be challenging. The Group will continue to strengthen, adapt and sustain its corporate and retail business activities to compete in the challenging environment. These activities include continued improvement in compliant operational workflows, enhancing assets quality based on risk management and credit frameworks, and funding from capital markets to boost the Group capital base and other funding requirements.

Barring any unforeseen circumstances, the Group expects its performance for 2016 to be satisfactory.

B4. Variance from Profit Forecast and Profit Guarantee

None.

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

B5. Taxation

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

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

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

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

B7. Purchase and Sale of Quoted Securities

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

**APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
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**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 MARCH 2016**

B8. Status of Corporate Proposals

None.

B9. Borrowings and Debts

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

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

All borrowings are denominated in Ringgit Malaysia.

B10. Off Balance Sheet Financial Instruments

None.

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

B11. Realised and Unrealised Profits and Losses

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

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

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

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

B12. Material Litigation

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

B13. Dividends Proposed

None.

APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)

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

B14. Earnings Per Share**Basic**

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

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

Diluted

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

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

**APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB
GROUP FOR THE THREE (3)-MONTHS FPE 31 MARCH 2016 (CONT'D)**

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

B15. Authorisation For Issue

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

BY ORDER OF THE BOARD

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

APPENDIX VI DIRECTORS' REPORT



Malaysia Building Society Berhad
A Subsidiary of the EPF (9417-K)

Your Financial Provider

Registered Office

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

Date: 16 JUN 2016

To: The Shareholders of Malaysia Building Society Berhad ("MBSB")

Dear Sir / Madam,

On behalf of the Board of Directors of MBSB ("Board"), I wish to report, after making due enquiries in relation to the interval between 31 December 2015 (being the date to which the last audited consolidated financial statements of MBSB and its subsidiaries ("MBSB Group") have been made up) and the date hereof (being a date not earlier than fourteen (14) days before the date of issuance of this Abridged Prospectus), that:-

- (i) the business of the MBSB Group has, in the opinion of the Board, been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstance has arisen since the last audited consolidated financial statements of the MBSB Group which has adversely affected the trading or the value of the assets of the MBSB Group;
- (iii) the current assets of the MBSB Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in this Abridged Prospectus, there are no contingent liabilities which has arisen by reason of any guarantee or indemnity given by the MBSB Group;
- (v) there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of the MBSB Group since the last audited consolidated financial statements of the MBSB Group; and
- (vi) save as disclosed in this Abridged Prospectus, there has been no material change in the published reserves or any unusual factor affecting the profits of the MBSB Group since the last audited consolidated financial statements of the MBSB Group.

Yours faithfully,
For and on behalf of the Board of
MALAYSIA BUILDING SOCIETY BERHAD

TAN SRI ABDUL HALIM BIN ALI
Chairman



Ibu Pejabat : Tingkat 11, WISMA MBSB , No. 48, JALAN DUNGUN, DAMANSARA HEIGHTS,
PETI SURAT 11506, 50748 KUALA LUMPUR, MALAYSIA. TEL : 03-2096 3000 FAX:03-2096 3144

APPENDIX VII ADDITIONAL INFORMATION

1. SHARE CAPITAL

- (a) Save for the Rights Shares, no securities of MBSB will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of issue of this Abridged Prospectus.
- (b) As at the date of this Abridged Prospectus, there is only one (1) class of share in MBSB, namely ordinary shares of RM1.00 each, all of which rank *pari passu* with one another.
- (c) Save as disclosed in Section 2 of Appendix II, no shares of MBSB have been issued or proposed or intended to be issued as fully or partly paid-up in cash or otherwise than in cash within two (2) years preceding the date of this Abridged Prospectus.
- (d) Save as disclosed below, no person has been or is entitled to be granted an option to subscribe for any shares of MBSB and no capital of MBSB is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Abridged Prospectus:-
 - (i) the Rights Shares to be issued pursuant to the Rights Issue, which are the subject of this Abridged Prospectus; and
 - (ii) on 12 August 2010, MBSB established the ESOS for the issuance of up to 10% of the issued and paid-up share capital (excluding treasury shares) of MBSB and with a duration of five (5) years and may be extended for a further period of five (5) years. Pursuant to the ESOS, eligible employees who have been confirmed in service and Executive Directors of the MBSB Group who have been or may be granted with the ESOS Options, are entitled to subscribe for MBSB Shares at an exercise price which shall be at a premium of not more than 10% of the five (5)-day VWAP of MBSB Shares immediately preceding the date of offer of the ESOS Options or at the par value of MBSB Share of RM1.00, whichever is higher. Acceptance of the ESOS Options must be accompanied by a payment of RM1.00 as non-refundable consideration for the grant of the ESOS Options by MBSB.

On 6 August 2015, the Board had approved the extension of the duration of ESOS for a further five (5) years from 12 August 2015 to 11 August 2020.

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APPENDIX VII ADDITIONAL INFORMATION (CONT'D)

As at the LPD, a total of 131,529,047 ESOS Options had been issued of which a total of 18,333,004 ESOS Options have lapsed. Further details of our ESOS Options as at the LPD are set out below:-

Date of the Offer of the ESOS Options	Exercise Price per ESOS Option RM	Expiry Date	Number of ESOS Options Which Has Been Exercised	Number of Outstanding Granted and Exercisable ESOS Options as at the LPD
11.09.2010	1.01	11.08.2020	48,027,989	893,044
09.03.2012	1.44	11.08.2020	9,747,032	649,008
15.11.2012	2.01	11.08.2020	25,890,172	6,838,601
09.03.2014	2.15	11.08.2020	8,838,980	12,311,217
		Total	92,504,173	20,691,870

2. DIRECTORS

- (a) There is no shareholding qualification for Directors.
- (b) An extract of the provisions of MBSB's Articles of Association in relation to the remuneration of the Directors are as follows:-

Article 81

The directors shall be paid a fixed sum (and not by a commission on or percentage of profit or turnover of the company) out of the funds of the Company as remuneration for their services as the Company in general meeting may from time to time determine, and such remuneration shall be divided among them in such proportions and manner as the directors may determine and, in default of determination, equally. The remuneration so payable to directors shall not be increased except in pursuance of a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting. Salaries payable to executive directors may not include a commission on or percentage of turnover of the Company.

3. MATERIAL CONTRACTS

Save for the Managing and Underwriting Agreement, there are no other material contracts, not being contracts in the ordinary course of business which have been entered into by the MBSB Group within two (2) years preceding the date of this Abridged Prospectus.

APPENDIX VII ADDITIONAL INFORMATION (CONT'D)

4. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, neither MBSB nor its subsidiaries is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which may have a material and adverse effect on the business or financial position of the MBSB Group and the Board is not aware of any proceedings, pending or threatened against the MBSB Group, or of any fact likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the MBSB Group:-

(a) Kuala Lumpur High Court Suit No. S-22-692-2009: KCSB Konsortium Sdn Bhd (“KCSB”) & Kausar Corporation Sdn Bhd (“Kausar Corp”) v MBSB & MBSB Development Sdn Bhd (“MBSB Development”)

KCSB and Kausar Corp (collectively, “**Plaintiffs**”) had on 29 September 2009, instituted a civil suit against MBSB and MBSB Development, a wholly-owned subsidiary of MBSB, for an alleged breach of facility agreement.

MBSB and MBSB Development had filed their defence and a counterclaim in response to the suit. MBSB and MBSB Development had also filed an application to strike out the Plaintiff’s suit which was dismissed with costs on 24 May 2010. MBSB subsequently filed an appeal on 4 June 2010 against the said dismissal decision.

On 3 April 2012, MBSB’s appeal was dismissed with costs of RM5,000.00. MBSB filed an appeal to the High Court against the said decision. On 31 December 2014, the High Court dismissed the Plaintiffs’ claim and allowed MBSB’s counterclaim. The Plaintiffs then filed an appeal against the said decision on 6 January 2015 to the Court of Appeal. The appeal was fixed for case management on 8 April 2016. The Court of Appeal fixed for hearing on 17 August 2016.

The solicitor handling the matter is of the opinion that MBSB has a good chance of success.

(b) Johor Bahru High Court Originating Summons No. 24M-154-04/2013: KCSB v MBSB & Pentadbir Tanah, Pejabat Tanah dan Galian Negeri Johor

In the Federal Court Civil Appeal No. 02(F)-13-02/2015(J): MBSB v KCSB

On 25 April 2013, KCSB had served an Originating Summons on MBSB seeking an order from the Johor Bahru High Court that the charge created in favour of MBSB be set aside and is of no effect and for a removal and cancellation of the said charge. On 13 December 2013 after the hearing, KCSB’s application was allowed. The Court of Appeal dismissed MBSB’s appeal. MBSB’s application to the Federal Court for leave to appeal was allowed on 29 January 2015. The appeal came up for hearing on 10 March 2016 and is now pending a date for decision by the Federal Court.

The solicitor handling the matter is of the opinion that MBSB has a good chance of success.

APPENDIX VII ADDITIONAL INFORMATION (CONT'D)

5. GENERAL

- (a) Save as disclosed in Sections 4, 6, 7, 8 and 9 of this Abridged Prospectus, the financial condition and operations of the MBSB Group are not likely to be affected by any of the following:-
 - (i) known trends, demands, commitments, events or uncertainties that will result in or that is reasonably likely to result in the MBSB Group's liquidity increasing or decreasing in any material way;
 - (ii) material commitments for capital expenditure of the MBSB Group;
 - (iii) unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from the operations; and
 - (iv) known trends or uncertainties that have had or that the MBSB Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income.
- (b) Save as disclosed in Sections 4, 6, 7, 8 and 9 of this Abridged Prospectus, the Board is not aware of any material information including specific trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the MBSB Group.
- (c) As at the LPD, there is no existing or proposed service contract entered or to be entered into by the MBSB Group with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.

6. CONSENTS

- (a) The Joint Advisers, the Joint Managing Underwriters, the Solicitors, the Share Registrar, the Joint Underwriters and the Principal Bankers have given and have not subsequently withdrawn their written consent for the inclusion in this Abridged Prospectus of their names in the form and context in which they appear in this Abridged Prospectus;
- (b) Bloomberg has given and has not subsequently withdrawn its written consent for the inclusion in this Abridged Prospectus of its name and citation of the market data made available to its subscribers in the form and context in which such they appear in this Abridged Prospectus; and
- (c) the Auditors and the Reporting Accountants, have given and have not subsequently withdrawn their consent for the inclusion of their name and all reference thereto in the form, manner and context in which they appear in this Abridged Prospectus, including the proforma consolidated statements of financial position of the MBSB Group as at 31 December 2015 together with the Reporting Accountants' report thereon and the audited consolidated financial statements of the MBSB Group for the FYE 31 December 2015 together with the auditors' report thereon.

APPENDIX VII ADDITIONAL INFORMATION (CONT'D)**7. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal office hours from Monday to Friday (except public holidays) at the Registered Office of MBSB for a period of twelve (12) months from the date of this Abridged Prospectus:-

- (a) the Memorandum and Articles of Association of MBSB;
- (b) the certified true copy of the extract of the ordinary resolution in respect of the Rights Issue passed at the EGM, as set out in Appendix I of this Abridged Prospectus;
- (c) the proforma consolidated statements of financial position of MBSB Group as at 31 December 2015 together with the Reporting Accountants' report thereon, as set out in Appendix III of this Abridged Prospectus;
- (d) the audited consolidated financial statements of MBSB Group for the FYE 31 December 2014 and the FYE 31 December 2015 as well as the latest unaudited consolidated financial statements for the three (3)-months FPE 31 March 2016;
- (e) the undertaking letter dated 4 March 2016 by EPF in relation to the EPF Undertaking referred to in Section 3 of this Abridged Prospectus;
- (f) the Directors' Report as set out in Appendix VI of this Abridged Prospectus;
- (g) the letters of consent referred to in Section 6 of this Appendix;
- (h) the relevant cause papers in respect of the material litigation referred to in Section 4 of this Appendix; and
- (i) the material contracts referred to in Section 3 of this Appendix.

8. RESPONSIBILITY STATEMENTS

- (a) The Board has seen and approved this Abridged Prospectus together with the accompanying documents and they collectively and individually accept full responsibility for the accuracy of the information contained herein 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 the omission of which would make any statement herein false or misleading.
- (b) AmInvestment Bank and RHB Investment Bank, being the Joint Advisers, the Joint Managing Underwriters and the Joint Underwriters, acknowledge that, based on all available information, and to the best of their knowledge and belief, this Abridged Prospectus constitutes full and true disclosure of all material facts concerning the Rights Issue.

NOTICE OF PROVISIONAL ALLOTMENT

TERMS DEFINED IN THE ABRIDGED PROSPECTUS DATED 24 JUNE 2016 ("ABRIDGED PROSPECTUS") SHALL HAVE THE SAME MEANINGS WHEN USED IN THIS NOTICE OF PROVISIONAL ALLOTMENT ("NPA") UNLESS OTHERWISE STATED. THE PROVISIONAL RIGHTS SHARES AS CONTAINED IN THIS NPA ARE PRESCRIBED SECURITIES PURSUANT TO SECTION 14(5) OF THE SICDA, AS AMENDED FROM TIME TO TIME. THEREFORE, THE SICDA AND THE RULES OF BURSA DEPOSITORY SHALL APPLY IN RESPECT OF ALL DEALINGS IN THE PROVISIONAL RIGHTS SHARES.



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

Joint Underwriters



To: The Shareholders of MBSB

Dear Sir/Madam,

The Board has provisionally allotted to you the number of Provisional Rights Shares as indicated below, in accordance with the approval of Bursa Securities vide its letter dated 14 April 2016 and the resolution passed by the shareholders at the extraordinary general meeting convened on 5 May 2016 in relation to the Rights Issue. The Board wishes to advise that the following number of Provisional Rights Shares allotted to you in respect of the Rights Issue have been confirmed by Bursa Depository and will be credited into your CDS Account(s), subject to the terms and conditions as stated in the Abridged Prospectus and the attached RSF issued by the Company.

Bursa Securities has already prescribed the securities of the Company listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Provisional Rights Shares are prescribed securities and as such, all dealings in the Provisional Rights Shares will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository.

ALL THE RIGHTS SHARES TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE). NO PHYSICAL SHARE CERTIFICATE WILL BE ISSUED BUT NOTICES OF ALLOTMENT SHALL BE DESPATCHED.

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 renounees and/or transferees 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 and 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 (a) to (d) above is achieved.

NAME, ADDRESS AND CDS ACCOUNT NUMBER OF THE ENTITLED SHAREHOLDER

--

NUMBER OF MBSB SHARES HELD AS AT 5.00 P.M. ON FRIDAY, 24 JUNE 2016	NUMBER OF PROVISIONAL RIGHTS SHARES ALLOTTED TO YOU	AMOUNT PAYABLE IN FULL UPON ACCEPTANCE AT FIRST CALL OF RM0.59 PER RIGHTS SHARE (RM)

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.

By Order of the Board
Koh Ai Hoon (MAICSA 7006997)
Tong Lee Mee (MAICSA 7053445)
Company Secretaries

Share Registrar
Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel: 603 - 2783 9299
Fax: 603 - 2783 9222

THIS RSF IS NOT A TRANSFERABLE OR NEGOTIABLE INSTRUMENT. IN ACCORDANCE WITH THE REQUIREMENTS OF THE CMSA, THIS RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THE ABRIDGED PROSPECTUS DATED 24 JUNE 2016.

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. All enquiries concerning the procedures for acceptance, sale/transfer, Excess Application and payment for the Rights Issue should be addressed to the Share Registrar of MBSB, 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. **INVESTORS SHOULD READ AND UNDERSTAND THE CONTENTS OF THE ABRIDGED PROSPECTUS TO WHICH THIS RSF RELATES BEFORE COMPLETING AND SIGNING THIS RSF.**

This RSF, the Abridged Prospectus and the NPA (collectively 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 jurisdiction other than Malaysia. 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 countries or jurisdictions 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 relates, is only available to persons receiving the Documents within Malaysia. 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, AmlInvestment Bank Berhad, RHB Investment Bank Berhad 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 jurisdictions" as set out in Section 10.8 of the Abridged Prospectus.

A copy of the Abridged Prospectus has been registered with the SC. A copy of the Documents has also been lodged with the Registrar of Companies which takes no responsibility for the contents.

The approval for the Rights Issue has been obtained from MBSB's shareholders at the extraordinary general meeting 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 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.

Neither the SC nor Bursa Securities takes any responsibility for the correctness and accuracy of any statements made or opinions expressed herein. The listing of and quotation for the Rights Shares on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue.

The Board has seen and approved all the documentations relating to the Rights Issue. They collectively and individually accepts 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.

Unless otherwise stated, the unit of currency used in this RSF is Ringgit Malaysia ("RM") and sen.

INSTRUCTIONS:-

(i) LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT

This RSF is valid for acceptance until 5.00 p.m. on Wednesday, 13 July 2016 or such later date and time as may be determined and announced by the Board not less than two (2) Market Days before the stipulated date and time.

(ii) FULL OR PART ACCEPTANCE AND PAYMENT

The Rights Issue is renounceable in full or in part. If you and/or your renounee(s)/transferee(s) wish to accept all or part of the Provisional Rights Shares, please complete Part I(a) and Part II of this RSF in accordance with the notes and instructions contained in this RSF, and return the completed and signed RSF together with the appropriate remittance in RM for the full amount payable for the Provisional Rights Shares accepted in the form of Banker's Draft(s) or Cashier's Order(s) or 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" and 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, 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 or Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur, not later than 5.00 p.m. on Wednesday, 13 July 2016 (or such later date and time as the Board may determine and announce not less than two (2) Market Days before the stipulated date and time). 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.

If the acceptance and payment for the Provisional Rights Shares (whether in full or in part, as the case may be) are not received by the Share Registrar by 5.00 p.m. on Wednesday, 13 July 2016 (or such later date and time as the Board may determine and announce 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. The Board will then reserve the right to allot such Rights Shares to the applicants who have applied for the Excess Application in the manner as set out in Note (iii) below.

No acknowledgement will be issued for receipt of this RSF or application monies by the Share Registrar or the Company in respect of the acceptance of the Provisional Rights Shares. Notices of allotment will be despatched to the successful applicants by ordinary post at the address shown in the Record of Depositors of Bursa Depository at their own risk within eight (8) Market Days from the last date for acceptance and payment for the Provisional Rights Shares, or such other period as may be prescribed by Bursa Securities.

In respect of unsuccessful or partially successful Provisional Rights Shares 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 of and payment for the Provisional Rights Shares by ordinary post to the address shown in the Record of Depositors of Bursa Depository at your own risk.

(iii) APPLICATION FOR EXCESS RIGHTS SHARES

If you and/or your renounee(s)/transferee(s) wish to apply for additional Rights Shares in excess of those provisionally allotted to you, please complete Part I(b) of this RSF (in addition to both Part I(a) and Part II) and forward this signed and completed RSF together with a separate remittance for the full amount payable in respect of the Excess Rights Shares applied for, to the 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 or Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur. Payment for the Excess Rights Shares applied for should be made in the same manner as described in Note (ii) above, with remittance in RM made in the form of Banker's Draft(s) or Cashier's Order(s) or Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia and must be made payable to "MBSB EXCESS RIGHTS SHARES ACCOUNT" and crossed "A/C PAYEE ONLY" and endorsed on the reverse side with your name and CDS Account number, to be received by the Share Registrar not later than 5.00 p.m. on Wednesday, 13 July 2016 (or such later date and time as the Board may determine and announce not less than two (2) Market Days before the stipulated date and time). Cheques or any other mode(s) of payment are not acceptable.

No acknowledgement will be issued for receipt of this RSF or application monies will be issued by the Share Registrar or the Company in respect of the Excess Rights Shares application. Notices of allotment will be despatched to the successful applicants by ordinary post at the address shown in the Record of Depositors of Bursa Depository at their own risk within eight (8) Market Days from the last date for application and payment for the Excess Rights Shares, or such other period as may be prescribed by Bursa Securities. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar.

In respect of unsuccessful or late or partially successful Excess Rights Shares 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 the Excess Rights Shares applications and payment by ordinary post to the address shown in the Record of Depositors of Bursa Depository at your own risk.

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:-

- Firstly, to minimise the incidence of odd lots;
- 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;
- 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
- Finally, for allocation to renounees and/or transferees 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 this RSF in such manner as the Board deems fit and expedient and 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 (a) to (d) above is achieved.

(iv) SALE/TRANSFER OF THE PROVISIONAL RIGHTS SHARES

The Provisional Rights Shares are renounceable. If you wish to sell or transfer all or part of your entitlement to the Provisional Rights Shares to one (1) or more persons, you may do so through your stockbroker without first having to request for a split of the Provisional Rights Shares standing to the credit of your CDS Account(s). To sell or transfer all or part of your entitlement to the Provisional Rights Shares, you may sell such entitlement in the open market or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository.

In selling or transferring all or part of your entitlement to the Provisional Rights Shares, you and/or your renounee(s)/transferee(s) need not deliver any document (including this RSF) to the stockbroker. However, you and/or your renounee(s)/transferee(s) must ensure that you have sufficient Provisional Rights Shares standing to the credit of your CDS Account(s) that are available for settlement of the sale and/or transfer.

Purchaser(s) of the Provisional Rights Shares may obtain a copy of the Abridged Prospectus and this RSF from the Share Registrar, the Registered Office of MBSB or Bursa Securities' website (<http://www.bursamalaysia.com>) or participating organisations of Bursa Securities.

If you and/or your renounee(s)/transferee(s) have sold or transferred only part of your entitlement to the Provisional Rights Shares, you/they may still accept the balance of your/their entitlement to the Provisional Rights Shares by completing both Part I(a) and Part II of this RSF and forward the completed and signed RSF together with the relevant payment to the Share Registrar in the manner as set out in Note (ii) above.

(v) GENERAL INSTRUCTIONS

- All applicants must sign on the front page of this RSF. All corporate bodies must affix their Common Seal.
- The Rights Shares subscribed by you and/or your renounee(s)/transferee(s) (if applicable) will be credited into your and/or your renounee(s)/transferee(s) respective CDS Accounts as stated on this RSF or the exact accounts appearing in Bursa Depository's Record of Depositors.
- Any interest or other benefit accruing on or arising from or in connection with any application monies shall be for the benefit of the Company and the Company shall not be under any obligation to account for such interest or other benefit to you.
- The contract arising from the acceptance of the Provisional Rights Shares by you shall be governed by and construed in accordance with the laws of Malaysia and you shall be deemed to have irrevocably and unconditionally submitted to the exclusive jurisdiction of the courts of Malaysia in respect of any matter in connection with this RSF and the contract arising therefrom.
- The Board reserves the right to accept or reject any acceptance and/or application if the instructions hereinabove stated are not strictly adhered to or which are illegal.
- You and/or your renounee(s)/transferee(s) (if applicable) should note that all RSF and remittances lodged with the Share Registrar shall be irrevocable and cannot be subsequently withdrawn.
- Malaysian Revenue Stamp (NOT POSTAGE STAMP) of RM10.00 must be affixed on this RSF.