

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2010

A1. Accounting Policies and Method of Computation

The interim report is prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's financial statements for the financial year ended 31 December 2009.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the financial statements for the year ended 31 December 2009, except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSs, IC Interpretations and Technical Release ("TR"):

FRS 139	Financial Instruments: Recognition and Measurement
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
IC Interpretation 9	Reassessment of Embedded Derivatives
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
TR <i>i-3</i>	Presentation of Financial Statements of Islamic Financial Institutions
Amendments to FRS 132	Financial Instruments: Presentation

The adoption of FRS 4 did not have any material impact on the financial results of the Group since only an immaterial amount of revenue is generated from the insurance business. The adoption of FRS 7, FRS 101, TR *i-3* and Amendments to FRS 132 also did not impact the financial results of the Group as the changes introduced are presentational in nature. The principal effects of the changes in accounting policies arising from the adoption of FRS 139 and its related amendments to FRSs and IC Interpretations are disclosed in Note A18.

The following revised FRSs, new IC Interpretations and Amendments to FRSs have been issued by the MASB and are effective for annual periods commencing on or after 1 July 2010, and have yet to be adopted by the Group:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First- time Adopters
Amendments to FRS 7	Improving Disclosures about Financial Instruments

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A2. Audit Report of Preceding Financial Year Ended 31 December 2009

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

A3. Seasonality and Cyclical 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 year.

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 period, except for the following restatements for previous quarters:

	1st Qtr '10	2nd Qtr '10	3rd Qtr '10
	RM'000	RM'000	RM'000
Operating revenue:			
As previously stated	279,437	293,726	317,658
Restatement made in current quarter	<u>(110,315)</u>	<u>(117,597)</u>	<u>(101,886)</u>
As restated	<u>169,122</u>	<u>176,129</u>	<u>215,772</u>
Interest income:			
As previously stated	185,726	198,923	212,471
Restatement made in current quarter	<u>(109,804)</u>	<u>(121,562)</u>	<u>(128,492)</u>
As restated	<u>75,922</u>	<u>77,361</u>	<u>83,979</u>
Net income from Islamic Banking Operations:			
As previously stated	32,407	32,563	25,966
Restatement made in current quarter	<u>(511)</u>	<u>3,965</u>	<u>26,606</u>
As restated	<u>31,896</u>	<u>36,528</u>	<u>52,572</u>
Allowance for impairment losses on loans, advances and financing:			
As previously stated	(140,290)	(138,845)	(154,248)
Restatement made in current quarter	<u>110,315</u>	<u>117,597</u>	<u>101,886</u>
As restated	<u>(29,975)</u>	<u>(21,248)</u>	<u>(52,362)</u>

The above restatements are to reflect the change in accounting treatment in respect of interest-in-suspense and these restatements do not affect the previously reported profit before and after taxation.

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A6. Loans, Advances and Financing

	Group	
	31/12/2010	31/12/2009
	RM'000	RM'000
Gross loans, advances and financing	14,497,633	11,792,562
Interest/Income-in-suspense	-	(2,966,966)
Allowance for impaired loans, advances and financing:		
- Collective assessment impairment allowance	(637,309)	-
- Individual assessment impairment allowance	(3,153,794)	-
- General	-	(83,224)
- Specific	-	(623,920)
Net loans, advances and financing	<u>10,706,530</u>	<u>8,118,452</u>

A7. Debts and Equity Securities

Other than the issuance of new shares as shown below pursuant to the Company's Employee Share Option Scheme ("ESOS"), 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 year.

	No of ordinary shares of RM1.00 each '000	Ordinary shares RM'000	Share premium RM'000
At 1 January 2010	700,172	700,172	497,169
Issued at RM1.45 per share pursuant to ESOS	126	126	56
Transfer of share option reserve to share premium pursuant to exercise of ESOS	-	-	27
At 31 December 2010	<u>700,298</u>	<u>700,298</u>	<u>497,252</u>

A8. Dividends Paid

None.

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A9. Segmental Information on Revenue and Results

Segmental reporting is not analysed by geographical locations due to the fact that the Group's activities are pre-dominantly in Malaysia.

	Financing RM'000	Hotel Operations RM 000	Eliminations RM'000	Consolidated RM'000
3 months ended 31 Dec 10				
External sales	178,528	3,426	26,961	208,915
Intersegment transactions	25,942	-	(25,942)	-
Total revenue	<u>204,470</u>	<u>3,426</u>	<u>1,019</u>	<u>208,915</u>
Segment results	79,329	(513)	(6,381)	72,435
Unallocated income (net of cost)				-
Profit from operations				<u>72,435</u>
3 months ended 31 Dec 09				
External sales	151,343	3,393	4,061	158,797
Intersegment transactions	3,300	-	(3,300)	-
Total revenue	<u>154,643</u>	<u>3,393</u>	<u>761</u>	<u>158,797</u>
Segment result	(5,849)	(503)	(1,752)	(8,104)
Unallocated income (net of cost)				-
Profit from operations				<u>(8,104)</u>
12 months ended 31 Dec 10				
External sales	717,193	11,592	41,155	769,940
Intersegment sales	37,269	-	(37,269)	-
Total revenue	<u>754,462</u>	<u>11,592</u>	<u>3,886</u>	<u>769,940</u>
Segment results	189,768	(3,818)	21,447	207,397
Unallocated income (net of cost)				-
Profit from operations				<u>207,397</u>
12 months ended 31 Dec 09				
External sales	510,852	11,481	15,626	537,959
Intersegment sales	14,627	-	(14,627)	-
Total revenue	<u>525,479</u>	<u>11,481</u>	<u>999</u>	<u>537,959</u>
Segment result	82,690	(3,456)	1,081	80,315
Unallocated income (net of cost)				-
Profit from operations				<u>80,315</u>

A10. Valuation of Property, Plant and Equipment

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

A11. Subsequent Events

As at the date of this report, there were no material events occurring subsequent to the end of the current quarter that have not been reflected in the financial statements for the current quarter.

A12. Changes in the Composition of the Group

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

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A13. Contingent Liabilities

(a) Contingencies

	As at 31/12/2010 RM'000	As at 31/12/2009 RM'000
Fully secured:		
Financial guarantee to secure payments by borrowers	19,405	47,430

(b) Material Litigations

- (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.

The Court has fixed 14 May 2010 for further Case Management and the trial dates have been fixed from 21 June 2010 to 25 June 2010.

However, the above mentioned dates had been vacated as the contractor's solicitor made an oral application for a stay of trial pending disposal of the contractor's appeal to amend the Writ Summons and Statement of Claim to include negotiations between the contractor and the Company's borrower. No change in status.

- (ii) A former borrower of the Company has instituted a suit against the Company for an alleged breach of facility agreement and is claiming damages amounting RM43.311 million. The Company had terminated the said facility due to the former borrower's breach of facility agreement and had subsequently sold the loan asset to an unrelated company.

On 30 September 2010, the Court dismissed the borrower's claim with costs. The Borrower has filed an appeal on 25 October 2010. The appeal is pending hearing date.

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A13. Contingent Liabilities (continued)

(b) Material Litigations (continued)

- (iii) A former borrower of the Company instituted a civil suit against the Company for an alleged breach of facility agreement and is claiming damages amounting to RM5 million with interest and costs thereon.

The Company had on 22 May 2009 filed a Notice of Appeal following the Court's dismissal of the Company's application to hold a trial of preliminary issue. No date has been fixed by the Court of Appeal.

On 8 February 2011, the Court has fixed the main suit for trial on 13 and 16 May 2011.

- (iv) A former borrower of the Company has instituted a civil suit against the Company for an alleged breach of facility agreement and is claiming damages amounting to RM16.136 million with interest and costs thereon.

On 6 May 2009, the Court allowed the Company's application to strike out the borrower's claim with costs.

The borrower's solicitors have filed a Notice of Appeal to the Court of Appeal on 29 May 2009. No hearing date has been fixed as yet.

- (v) The Company had instituted civil suits against a borrower for its failure to repay term loans amounting RM239 million in relation to uncompleted development projects in Melaka ("Melaka Project") and Penang ("Penang Project").

The borrower has subsequently filed a counterclaim seeking damages amounting to RM453 million against the Company's subsidiary for an alleged breach of contract.

The parties have entered into a settlement and the above mentioned suit has been withdrawn pursuant to the Deed of Proposed Settlement dated 26 October 2010.

For the Penang Project, the Company's solicitors have filed a Notice of Appeal to the Court on 15 April 2009 against the Judge in Chambers' decision of the Company's application for Summary Judgment on 13 April 2009, which was dismissed with costs.

The parties have entered into a settlement and the above mentioned suit has been withdrawn pursuant to the Deed of Proposed Settlement dated 26 October 2010.

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A13. Contingent Liabilities (continued)

(b) Material Litigations (continued)

- (vi) A third party and its holding company (collectively "the Plaintiffs") have instituted a civil suit against the Company and its subsidiaries for an alleged breach of facility agreement.

The Company and its subsidiary had filed its defence and counterclaim in response to the suit. The Company and its subsidiary had also filed an application to strike out the Plaintiff's suit which was dismissed with costs on 24 May 2010. The Company filed the appeal on 4 June 2010 against the said decision. No hearing date has been fixed yet.

The parties are in the midst of negotiations towards settlement.

The Company's application for security for costs against the Plaintiff is fixed on 30 March 2011 for further case management pending settlement.

As for the main suit, the Court has fixed 10 March 2011 for case management pending settlement.

A14. Acquisition/Disposal of Property, Plant and Equipment

	12 months ended 31/12/2010 RM'000
Additions	
Freehold land	9,968
Buildings	18,579
Building Renovation	4,124
Furniture & Equipment	1,024
Motor Vehicle	151
Data Processing Equipment	460
	<u>34,306</u>
Disposals	
Freehold land	7,062
Buildings	13,004
Building Renovation	2,390
Furniture & Equipment	50
Motor Vehicle	74
Data Processing Equipment	512
	<u>23,092</u>

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A15. Significant Related Party Transactions

	Quarter		Cumulative	
	Current Quarter 31/12/2010 RM'000	Preceding Quarter 30/09/2010 RM'000	Current Year To Date 31/12/2010 RM'000	Preceding Year To Date 31/12/2009 RM'000
Transactions with Employees Provident Fund Board, the ultimate holding body				
Interest on debenture loans	66	170	875	3,400
Rental paid	67	67	276	299
Agency fees received	1	-	1	(4)
	<u>1</u>	<u>-</u>	<u>1</u>	<u>(4)</u>

A16. Capital Commitments

As at 31 December 2010, there were no commitments for the purchase of property, plant and equipment other than those stated below:

	RM'000
Property, plant and equipment:	
• Approved but not contracted for	<u>39,786</u>

A17. Impairment Loss

There was no significant impairment loss for the current quarter other than impairment of RM6.710 million in respect of foreclosed properties.

A18. Change in Accounting Policies

The adoption of new FRSs, amendments to FRSs, IC Interpretations and TR during the financial year have resulted in the following changes in accounting policies:

- i) FRS 139 Financial Instruments: Recognition and Measurement
- ii) IC Interpretation 9 Reassessment of Embedded Derivatives
- iii) Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- iv) Amendments to FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. The full adoption of FRS 139 on 1 January 2010 has resulted in the following material changes in accounting policies as follows:

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1) Impairment of Loans and Advances

The adoption of FRS 139 has resulted in a change in the accounting policy relating to the assessment for impairment of financial assets, particularly loans and advances. The existing accounting policies relating to the assessment of impairment of other financial assets of the Group are largely in line with those of FRS 139. Prior to the adoption of FRS 139, Specific allowances are made for bad and doubtful debts which have been individually reviewed and specifically identified as bad and doubtful. In the case of loans advanced for joint venture developments where the actual moratorium period is six (6) months or more and where the collateral valued on an estimated realisable basis is lower than the principal amount outstanding, specific allowances equivalent to the deficit are made. In addition, a general allowance based on a percentage of loan receivable is also made to cover possible losses which are not specifically identified. An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, where in the judgement of the management, there is no prospect of recovery. Upon the adoption of FRS 139, the Group assesses at the end of each reporting period whether there is any objective evidence that a loan or group of loans is impaired. The loan or group of loans is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred 'loss event') and that the loss event has an impact on future estimated cash flows of the loan or group of loans that can be reliably estimated.

The Group first assesses individually whether objective evidence of impairment exists individually for loans which are individually significant, and collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loans is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

The changes in accounting policy above have been accounted for prospectively, in line with the transitional arrangements under para 103AA of FRS 139, with adjustments to the carrying values of financial assets affecting the income statement as at the beginning of the current financial year being adjusted to opening accumulated losses.

2) Interest Income Recognition

FRS 139 prescribes that loans and receivables are measured at amortised cost using the effective interest method instead of the interest income being recognised based on contractual interest rates. Upon the full adoption of FRS 139 on 1 January 2010, interest income is recognised using effective interest rates ("EIR"), which is the rate that exactly discounts estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan. This change in

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accounting policy has been accounted for prospectively in line with the transitional arrangements under para 103AA of FRS 139.

Prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set off against the interest receivable account in the statement of financial position. Thereafter, interest on the non-performing loan is recognised as income on a cash basis. Upon adoption of FRS 139, once a loan has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

3) Comparative Figures – FRS 101 Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, the Group income statements for the comparative financial year ended 31 December 2009 have been re-presented as displaying components of profit or loss and comprehensive income. All non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity. Since these changes only affect presentation aspects, there is no impact on earnings per ordinary share.

4) Adjustments due to Change in Accounting Policies

The changes in accounting policies as described above which resulted in adjustments to opening reserves of the Group are as follows:

	RM'000
Effects on accumulated losses:	
At 1 January 2010, as previously stated	(675,101)
Effects of adoption of FRS 139	(298,785)
At 1 January 2010, as restated	(973,886)
Effects on total equity:	
At 1 January 2010, as previously stated	552,564
Effects of adoption of FRS 139	(298,785)
At 1 January 2010, as restated	253,779

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

B1. Comparison with the Preceding Quarter's Results

The Group profit before taxation for the 4th quarter 2010 of RM72.435 million increased by RM30.138 million or 71% as compared to the preceding quarter profit before taxation of RM42.297 million. The increase in profit was mainly due to lower loan loss impairment and higher loans and financing income in the current quarter. These were partially set off by lower other operating income and higher other operating expenses.

B2. Review of Performance

The Group profit before taxation for the twelve (12) months year ended 31 December 2010 of RM207.397 million increased by RM127.082 million or 158% as compared to the preceding year profit before taxation of RM80.315 million. The increase was mainly due to higher loan and financing income, from the expansion of personal financing. These were partly set off by higher operating expenses and higher loan loss impairment.

B3. Prospects for 2011

Brief Overview of the Malaysian Economy

The Malaysian economy registered a growth of 5.3% in the 3rd quarter of 2010, driven by domestic demand amid slowing external demand. The expansion in domestic demand was supported by private sector spending. The slowdown in the global economy has led to the moderation in external demand. On the supply side, all major economic sectors, except mining, continued to expand during the quarter, but at a more moderate pace.

Amid the moderation in global recovery, the pace of growth of the Malaysian economy will be influenced by the expected continued slowdown in external demand. Overall growth will continue to be supported by robust domestic economic activity. Private consumption will benefit from the favourable employment situation, firm commodity prices and the accommodative financing environment. Capital spending in domestic-oriented sectors and the economic transformation programmes by the Government will underpin the continued growth of private investment.

(Source: Bank Negara Malaysia Quarterly Bulletin for 3Q 2010)

Brief Overview of the Financial Sector

The continued resilience of the banking sector was supported by strong capital, stable asset quality and ample liquidity. To further enhance the development and competitiveness of the financial sector, five (5) new commercial banking licences were issued in June 2010 following the liberalization measures announced in April 2009. These banks will contribute to the diversity of the financial services industry and support new areas of growth, including green technology as well as facilitate international trade, attract investments into Malaysia and create greater employment opportunities in the financial sector.

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In 2011, value-added of the service sector is envisaged to expand 5.3% (2010: 6.5%), supported by steady domestic economic and trade-related activities. All sub-sectors are expected to register growth, led by the wholesale and retail trade, communication as well as finance and insurance sub-sectors. The contribution of the sector is expected to remain at 57.3% of gross domestic product. The services sector is set for higher growth with the roll-out of programmes and initiatives under the seven services-related National Key Economic Areas, namely financial, wholesale and retail, information and communication technology, tourism, health, education and business services.

(Source: Economic Report 2010/2011, Ministry of Finance Malaysia)

Group Prospect

The current business strategies on consumer products undertaken by MBSB Group have resulted in a much improved financial performance for 2010. The Group would continue to deploy these strategies to improve the Group share of business in the financial sector.

The expected growth of the wholesale and retail trade, communication as well as finance and insurance sub-sectors, and the roll out of programmes and initiatives under the seven (7) services-related National Key Economic Areas in 2011 augur well for the Group. The operating environment for the financial sector remains competitive and the Group would set out new strategies whilst improving on existing strategies to cater for opportunities in such environment. In addition, the Group remained focus on improving assets quality and loan recovery through continuing reinforcement of risk management capabilities.

Barring any unforeseen circumstances, the Group expects to continue to record satisfactory performance in 2011.

B4. Variance from Profit Forecast and Profit Guarantee

None.

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B5. Taxation

	Quarter		Cumulative	
	Current Quarter 31/12/2010 RM'000	Preceding Quarter 30/09/2010 RM'000	Current Year To Date 31/12/2010 RM'000	Preceding Year To Date 31/12/2009 RM'000
Income tax:				
Current income tax	61,106	1,279	62,388	6,091
Tax refund	-	-	-	(19)
Underprovision in prior years	(3,092)	-	(3,092)	-
	<u>58,014</u>	<u>1,279</u>	<u>59,296</u>	<u>6,072</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	1,607	(18)	1,552	16,501
	<u>59,621</u>	<u>1,261</u>	<u>60,848</u>	<u>22,573</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year. The computation of deferred tax as at 31 December 2010 has reflected these changes.

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

Pending the said approval as at the date of this report, provision for tax payable for the financial year ended 31 December 2010 was made without adopting the Guidelines. If our application is successful, the provision for tax charge for the financial year ended 31 December 2010 of RM62.388 million will be reversed.

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.

B8. Status of Corporate Proposals

None.

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B9. Borrowings and Debts

Borrowings and debts securities of the Group as at 31 December 2010 were as follows:

	RM'000
Non-secured short term borrowings	200,119

All borrowings and debts securities are denominated in Ringgit Malaysia.

B10. Off Balance Sheet Financial Instruments

None.

B11. 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 further issued 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:

	Cumulative	
	Group	Group
	31 December	30 September
	2010	2010
	RM'000	RM'000
Total accumulated losses of the Company and it's subsidiaries:		
- Realised	(847,285)	(723,502)
- Unrealised in respect of deferred tax recognised in the income statement	(1,552)	55
Total Group accumulated losses as per consolidated accounts	(848,837)	(723,447)

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B11. Realised and Unrealised Profits (continued)

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 A13 above.

B13. Dividends Proposed

At the forthcoming Annual General Meeting, a first and final dividend of 9.0% less 25% taxation (6.75 sen net per ordinary share) in respect of the financial year ended 31 December 2010, will be proposed for shareholders' approval. Based on the issued and paid up share capital as at 31 December 2010 of 700,297,527 ordinary shares, the total dividend payable would amount to RM47,270,083. 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 as an appropriation of retained earnings in the financial year ending 31 December 2011.

B14. Earnings Per Share

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

	Quarter		Cumulative	
	Current Quarter 31/12/2010 RM'000	Preceding Quarter 30/09/2010 RM'000	Current Year to Date 31/12/2010 RM'000	Preceding Year to Date 31/12/2009 RM'000
Net profit attributable to shareholders	12,814	40,512	146,025	57,203
Number of shares in issue ('000)	700,298	700,172	700,298	700,172
Basic earnings per share (sen)	1.83	5.79	20.85	8.17

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2010

B15. Authorisation For Issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 14 February 2011.

BY ORDER OF THE BOARD

Koh Ai Hoon
Tong Lee Mee
Joint Company Secretaries
Kuala Lumpur
14 February 2011