

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016**

|                                                               | As at<br>30 September 2016<br>(RM'000) | As at<br>31 December 2015<br>(RM'000) |
|---------------------------------------------------------------|----------------------------------------|---------------------------------------|
| <b>ASSETS</b>                                                 |                                        |                                       |
| Cash and short term funds                                     | 7,921,754                              | 6,928,263                             |
| Deposits and placements with financial institutions           | 1,055,838                              | 406,529                               |
| Trade receivables                                             | 271                                    | 819                                   |
| Other receivables                                             | 155,127                                | 195,078                               |
| Inventories                                                   | 103,244                                | 103,287                               |
| Loans, advances and financing                                 | 32,442,557                             | 31,784,970                            |
| Financial investments available-for-sale                      | 2,007,862                              | 983,354                               |
| Property, plant and equipment                                 | 139,150                                | 138,052                               |
| Land use rights                                               | 5,625                                  | 5,746                                 |
| Intangible assets                                             | 18,753                                 | 28,679                                |
| Tax recoverable                                               | 310,797                                | 3,181                                 |
| Deferred tax assets                                           | 367,435                                | 511,050                               |
| <b>TOTAL ASSETS</b>                                           | <b>44,528,413</b>                      | <b>41,089,008</b>                     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                   |                                        |                                       |
| Deposits from customers                                       | 31,459,416                             | 28,585,387                            |
| Bank borrowings                                               | 500,216                                | 1,645,591                             |
| Other borrowings                                              | -                                      | 50,181                                |
| Trade payables                                                | 180                                    | 214                                   |
| Other payables                                                | 328,500                                | 325,968                               |
| Provision for taxation and zakat                              | 4,781                                  | 10,850                                |
| Recourse obligation on loans/financing sold                   | 2,671,651                              | 2,767,242                             |
| Sukuk - MBSB Structured Covered ("SC") Murabahah              | 2,828,174                              | 2,827,955                             |
| Deferred tax liabilities                                      | 10,758                                 | 14,080                                |
| <b>TOTAL LIABILITIES</b>                                      | <b>37,803,676</b>                      | <b>36,227,468</b>                     |
| Share capital                                                 | 5,798,774                              | 2,838,551                             |
| Share premium                                                 | 198,485                                | 1,392,980                             |
| Other reserves                                                | 67,360                                 | 40,733                                |
| Retained earnings                                             | 660,118                                | 589,276                               |
| <b>Total equity</b>                                           | <b>6,724,737</b>                       | <b>4,861,540</b>                      |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>             | <b>44,528,413</b>                      | <b>41,089,008</b>                     |
| <b>COMMITMENTS AND CONTINGENCIES</b>                          | <b>5,121,659</b>                       | <b>8,536,085</b>                      |
| <b>Net assets per share attributable to shareholders (RM)</b> | <b>1.16</b>                            | <b>1.71</b>                           |

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

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD**  
**ENDED 30 SEPTEMBER 2016**

|                                                                                            | 3rd quarter ended<br>30 September |                | Nine months ended<br>30 September |                |
|--------------------------------------------------------------------------------------------|-----------------------------------|----------------|-----------------------------------|----------------|
|                                                                                            | 2016<br>RM'000                    | 2015<br>RM'000 | 2016<br>RM'000                    | 2015<br>RM'000 |
| Revenue                                                                                    | 830,253                           | 768,025        | 2,455,393                         | 2,224,410      |
| Interest income                                                                            | 116,089                           | 117,365        | 333,304                           | 363,696        |
| Interest expenses                                                                          | (63,524)                          | (70,103)       | (192,596)                         | (208,762)      |
| Net interest income                                                                        | 52,565                            | 47,262         | 140,708                           | 154,934        |
| Income derived from investment of general<br>investment deposits and Islamic capital funds | 671,183                           | 614,446        | 1,986,212                         | 1,747,812      |
| Income attributable to depositors                                                          | (247,872)                         | (238,563)      | (759,555)                         | (664,630)      |
| Income attributable to securitisation                                                      | (31,241)                          | (33,937)       | (95,627)                          | (98,912)       |
| Income attributable to sukuk                                                               | (91,859)                          | (67,997)       | (281,271)                         | (167,440)      |
| Net income from Islamic financing operations                                               | 300,211                           | 273,949        | 849,759                           | 816,830        |
| Operating income                                                                           | 352,776                           | 321,211        | 990,467                           | 971,764        |
| Other income                                                                               | 8,772                             | 14,298         | 40,515                            | 45,576         |
| Net income                                                                                 | 361,548                           | 335,509        | 1,030,982                         | 1,017,340      |
| Other operating expenses                                                                   | (77,849)                          | (73,148)       | (235,043)                         | (232,483)      |
| Operating profit                                                                           | 283,699                           | 262,361        | 795,939                           | 784,857        |
| Allowance for impairment losses on loans,<br>advances and financing                        | (209,983)                         | (195,571)      | (608,404)                         | (431,145)      |
| Profit before taxation and zakat                                                           | 73,716                            | 66,790         | 187,535                           | 353,712        |
| Taxation                                                                                   | (15,789)                          | (3,256)        | (34,227)                          | (80,312)       |
| Zakat                                                                                      | -                                 | -              | 2,463                             | -              |
| Profit for the period                                                                      | 57,927                            | 63,534         | 155,771                           | 273,400        |
| Other comprehensive income                                                                 | 7,588                             | -              | 24,917                            | -              |
| Total comprehensive income for the period, net of tax                                      | 65,515                            | 63,534         | 180,688                           | 273,400        |
| Earnings per share (sen):                                                                  |                                   |                |                                   |                |
| Basic                                                                                      | 1.18                              | 2.24           | 4.40                              | 9.87           |
| Diluted                                                                                    | 1.18                              | 2.23           | 4.40                              | 9.84           |

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

**MALAYSIA BUILDING SOCIETY BERHAD**  
**(Company No. 9417-K)**  
**(Incorporated in Malaysia)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

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

|                                                                                   | Ordinary<br>Shares<br>RM'000 | Share<br>Premium<br>RM'000 | Capital<br>Reserve <sup>#1</sup><br>RM'000 | Share<br>Option<br>Reserve<br>RM'000 | Warrants<br>Reserve<br>RM'000 | Capital<br>Redemption<br>Reserve <sup>#2</sup><br>RM'000 | Available-<br>for-sale<br>Reserve<br>RM'000 | Accumulated<br>Profit/(Losses)<br>RM'000 | Total<br>Equity<br>RM'000 |
|-----------------------------------------------------------------------------------|------------------------------|----------------------------|--------------------------------------------|--------------------------------------|-------------------------------|----------------------------------------------------------|---------------------------------------------|------------------------------------------|---------------------------|
| <b>At 1 January 2015</b>                                                          | 2,709,623                    | 1,278,873                  | 17,838                                     | 2,853                                | 3,633                         | 12,486                                                   | -                                           | 657,107                                  | 4,682,413                 |
| Profit for the period                                                             | -                            | -                          | -                                          | -                                    | -                             | -                                                        | (82)                                        | 273,400                                  | 273,318                   |
| Other comprehensive income for the period                                         | -                            | -                          | -                                          | -                                    | -                             | -                                                        | -                                           | -                                        | -                         |
| Total comprehensive income for the period                                         | -                            | -                          | -                                          | -                                    | -                             | -                                                        | (82)                                        | 273,400                                  | 273,318                   |
| Dividend                                                                          | -                            | -                          | -                                          | -                                    | -                             | -                                                        | -                                           | (326,002)                                | (326,002)                 |
| Share options granted under ESOS recognised in profit or loss                     | -                            | -                          | -                                          | 5,001                                | -                             | -                                                        | -                                           | -                                        | 5,001                     |
| Issue of ordinary shares pursuant to exercise of ESOS                             | 3,691                        | 3,816                      | -                                          | (2,065)                              | -                             | -                                                        | -                                           | -                                        | 5,442                     |
| Issue of ordinary shares pursuant to exercise of warrants                         | 4,027                        | -                          | -                                          | -                                    | -                             | -                                                        | -                                           | -                                        | 4,027                     |
| Issue of ordinary shares pursuant to DRP                                          | 121,210                      | 110,291                    | -                                          | -                                    | -                             | -                                                        | -                                           | -                                        | 231,502                   |
| Transfer of share option reserve to retained profits upon expiry of share options | -                            | -                          | -                                          | (428)                                | -                             | -                                                        | -                                           | 428                                      | -                         |
| <b>At 30 September 2015</b>                                                       | 2,838,551                    | 1,392,980                  | 17,838                                     | 5,361                                | 3,633                         | 12,486                                                   | (82)                                        | 604,933                                  | 4,875,701                 |
| <b>At 1 January 2016</b>                                                          | 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                                                             | -                            | -                          | -                                          | -                                    | -                             | -                                                        | -                                           | 155,771                                  | 155,771                   |
| Other comprehensive income for the period                                         | -                            | -                          | -                                          | -                                    | -                             | -                                                        | 24,917                                      | -                                        | 24,917                    |
| Total comprehensive income for the period                                         | -                            | -                          | -                                          | -                                    | -                             | -                                                        | 24,917                                      | 155,771                                  | 180,688                   |
| Dividend                                                                          | -                            | -                          | -                                          | -                                    | -                             | -                                                        | -                                           | (85,278)                                 | (85,278)                  |
| Share options granted under ESOS recognised in profit or loss                     | -                            | -                          | -                                          | 2,059                                | -                             | -                                                        | -                                           | -                                        | 2,059                     |
| Issue of ordinary shares pursuant to rights issue                                 | 2,899,387                    | (1,202,020)                | -                                          | -                                    | -                             | -                                                        | -                                           | -                                        | 1,697,367                 |
| Issue of ordinary shares pursuant to exercise of ESOS                             | -                            | -                          | -                                          | -                                    | -                             | -                                                        | -                                           | -                                        | -                         |
| Issue of ordinary shares pursuant to exercise of warrants                         | 10,667                       | -                          | -                                          | -                                    | -                             | -                                                        | -                                           | -                                        | 10,667                    |
| Issue of ordinary shares pursuant to DRP                                          | 50,169                       | 7,525                      | -                                          | -                                    | -                             | -                                                        | -                                           | -                                        | 57,694                    |
| Transfer of share option reserve to retained profits upon expiry of share options | -                            | -                          | -                                          | (349)                                | -                             | -                                                        | -                                           | 349                                      | -                         |
| <b>At 30 September 2016</b>                                                       | 5,798,774                    | 198,485                    | 17,838                                     | 6,920                                | 3,633                         | 12,486                                                   | 26,483                                      | 660,118                                  | 6,724,737                 |

<sup>#1</sup> 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.

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

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

**MALAYSIA BUILDING SOCIETY BERHAD**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

|                                                                                          | <b>30 September<br/>2016<br/>RM'000</b> | <b>30 September<br/>2015<br/>RM'000</b> |
|------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>Cash flows from operating activities</b>                                              |                                         |                                         |
| Profit before taxation                                                                   | 187,535                                 | 353,712                                 |
| Adjustments for:                                                                         |                                         |                                         |
| Depreciation:                                                                            |                                         |                                         |
| - property, plant and equipment                                                          | 10,427                                  | 11,044                                  |
| Amortisation:                                                                            |                                         |                                         |
| - land use rights                                                                        | 19                                      | 121                                     |
| - intangible assets                                                                      | 10,137                                  | 9,984                                   |
| Gain on disposal of property, plant and equipment                                        | 37                                      | (13)                                    |
| Gain on disposal of foreclosed properties                                                | -                                       | (75)                                    |
| Allowance for impairment of:                                                             |                                         |                                         |
| - unsecured advances in respect of certain projects                                      | 26,641                                  | 24,790                                  |
| Allowance for impairment losses on loans, advances and financing                         | 617,066                                 | 431,145                                 |
| Accruals made during the period                                                          | 5,632                                   | (12,535)                                |
| Interest/profit income adjustment on:                                                    |                                         |                                         |
| - loans, advances and financing                                                          | 19,044                                  | 75,263                                  |
| - profit payable on financial investments AFS                                            | (20,728)                                | -                                       |
| - Sukuk - MBSB SC Murabahah                                                              | (46,146)                                | (29,866)                                |
| Operating profit before working capital changes                                          | 809,665                                 | 863,570                                 |
| Increase in deposits with financial institutions<br>with maturity of more than one month | (649,309)                               | (319,717)                               |
| Increase in loans, advances and financing                                                | (1,293,697)                             | (1,181,104)                             |
| Decrease/(increase) in inventories                                                       | 43                                      | (34)                                    |
| Decrease/(increase) in trade receivables                                                 | 548                                     | (167)                                   |
| Decrease/(increase) in other receivables                                                 | 15,338                                  | (35,815)                                |
| Increase in deposits from customers                                                      | 2,874,029                               | 2,145,188                               |
| Decrease in trade payables                                                               | (34)                                    | (7)                                     |
| (Decrease)/increase in other payables                                                    | (3,100)                                 | 9,373                                   |
| Cash generated from operations                                                           | 1,753,483                               | 1,481,287                               |
| Tax paid                                                                                 | (201,491)                               | (192,129)                               |
| Zakat paid                                                                               | (3,607)                                 | (2,777)                                 |
| Net cash generated from operating activities                                             | 1,548,385                               | 1,286,381                               |

(Contd.)

**MALAYSIA BUILDING SOCIETY BERHAD**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

|                                                                          | <b>30 September<br/>2016<br/>RM'000</b> | <b>30 September<br/>2015<br/>RM'000</b> |
|--------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>Cash flows from investing activities</b>                              |                                         |                                         |
| Purchase of property, plant and equipment                                | (11,515)                                | (11,419)                                |
| Purchase of intangible assets                                            | (215)                                   | (6,233)                                 |
| Proceeds from disposal of property, plant and equipment                  | 32                                      | 13                                      |
| Increase in financial investments available-for-sale                     | (978,863)                               | (375,667)                               |
| Proceeds from disposal of foreclosed properties                          | -                                       | 75                                      |
| Net cash used in investing activities                                    | (990,561)                               | (393,231)                               |
| <b>Cash flows from financing activities</b>                              |                                         |                                         |
| Repayment of bank borrowings                                             | (1,145,375)                             | (135,378)                               |
| Repayment of other borrowings                                            | (50,181)                                | (75,283)                                |
| (Repayment of)/proceeds from recourse obligation on loans/financing sold | (95,591)                                | 423,335                                 |
| Proceeds from Sukuk - MBSB SC Murabahah                                  | 46,365                                  | 923,516                                 |
| Dividend paid - ordinary shares                                          | (85,278)                                | (94,490)                                |
| Dividend paid for Dividend Reinvestment Plan                             | -                                       | (231,512)                               |
| Net proceeds from issuance of ordinary shares                            | 1,765,728                               | 243,036                                 |
| Net cash generated from financing activities                             | 435,668                                 | 1,053,224                               |
| Net increase in cash and cash equivalents                                | 993,491                                 | 1,946,374                               |
| Cash and cash equivalents at beginning of financial year                 | 6,928,263                               | 5,683,939                               |
| Cash and cash equivalents at end of financial period                     | 7,921,754                               | 7,630,313                               |
| Cash and cash equivalents comprise :                                     |                                         |                                         |
| Cash and short term funds                                                | 7,921,754                               | 7,630,313                               |

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**A1. Basis of Preparation**

The unaudited condensed interim financial statements for the financial quarter ended 30 September 2016 have been prepared under the historical cost convention except for the following financial assets and financial liabilities which are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method: Loans and financing, trade and other payables, bank borrowings and recourse obligations on financing/loans sold.

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

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

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

Effective for annual periods commencing on or after 1 January 2016

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 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

- Disclosure Initiative (Amendments to MFRS 107)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

Effective for annual periods commencing on or after 1 January 2018

- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- MFRS 9 Financial Instruments (2014)
- MFRS 15 Revenue from Contracts with Customers
- Clarifications to MFRS 15 Revenue from Contracts with Customers

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases

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

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

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

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

**A3. Seasonality and Cyclicity of Operation**

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

**A4. Exceptional or Unusual Items**

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

**A5. Changes in Estimates of Amounts Reported Previously**

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

**A6. Debts and Equity Securities**

Other than the issuance of new shares as shown below pursuant to the DRP, Rights Issue and Warrants, there were no issuance and repayment of debt and equity securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter.

|                                                                               | <b>No of ordinary<br/>shares of<br/>RM1.00 each<br/>'000</b> | <b>Ordinary<br/>shares<br/>RM'000</b> | <b>Share<br/>premium<br/>RM'000</b> |
|-------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------|-------------------------------------|
| <b>At 1 January 2016</b>                                                      | 2,838,551                                                    | 2,838,551                             | 1,392,980                           |
| Issued at RM1.15 per share pursuant to<br>Dividend Re-Investment Plan ("DRP") | 50,169                                                       | 50,169                                | 7,525                               |
| Rights Issue exercised @ RM1.00                                               | 2,899,387                                                    | 2,899,387                             | -                                   |
| Issued at RM1.00 per share pursuant to Warrants                               | 10,667                                                       | 10,667                                | -                                   |
| <b>As at 30 September 2016</b>                                                | <b>5,798,774</b>                                             | <b>5,798,774</b>                      | <b>1,400,505</b>                    |

**A7. Dividend Paid**

None.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

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

|                                     | <b>30-09-16</b>   | <b>31-12-15</b>   |
|-------------------------------------|-------------------|-------------------|
|                                     | <b>RM'000</b>     | <b>RM'000</b>     |
| Personal financing                  | 22,897,182        | 23,159,664        |
| Mortgage loans and financing        | 5,451,613         | 5,440,447         |
| Corporate loans and financing       | 6,619,045         | 5,081,068         |
| Auto Financing                      | 349,344           | 376,630           |
| Staff loans                         | 50,163            | 51,020            |
| Gross loans, advances and financing | <u>35,367,347</u> | <u>34,108,829</u> |
| Allowance for impairment:           |                   |                   |
| - Collectively assessed             | (2,644,473)       | (2,045,943)       |
| - Individually assessed             | <u>(280,317)</u>  | <u>(277,916)</u>  |
| Net loans, advances and financing   | <u>32,442,557</u> | <u>31,784,970</u> |

**(ii) By maturity structure**

|                           | <b>30-09-16</b>   | <b>31-12-15</b>   |
|---------------------------|-------------------|-------------------|
|                           | <b>RM'000</b>     | <b>RM'000</b>     |
| Maturing within one year  | 1,047,631         | 575,232           |
| One year to three years   | 1,199,477         | 1,037,731         |
| Three years to five years | 1,789,515         | 941,459           |
| Over five years           | <u>31,330,724</u> | <u>31,554,407</u> |
|                           | <u>35,367,347</u> | <u>34,108,829</u> |

**(iii) By economic purpose**

|                                        | <b>30-09-16</b>   | <b>31-12-15</b>   |
|----------------------------------------|-------------------|-------------------|
|                                        | <b>RM'000</b>     | <b>RM'000</b>     |
| Purchase of residential properties     | 5,180,148         | 5,173,290         |
| Purchase of non-residential properties | 296,808           | 293,858           |
| Personal use                           | 22,919,917        | 23,182,139        |
| Property development                   | 3,664,693         | 2,685,005         |
| Working capital                        | 2,299,482         | 1,706,762         |
| Purchase of transport vehicles         | 351,423           | 378,473           |
| Others                                 | 654,876           | 689,302           |
|                                        | <u>35,367,347</u> | <u>34,108,829</u> |

**(iv) By type of customers**

|                                | <b>30-09-16</b>   | <b>31-12-15</b>   |
|--------------------------------|-------------------|-------------------|
|                                | <b>RM'000</b>     | <b>RM'000</b>     |
| Domestic business enterprises: |                   |                   |
| - Small medium enterprises     | 2,835,449         | 2,637,084         |
| - Others                       | 3,886,942         | 2,557,619         |
| Individuals                    | <u>28,644,956</u> | <u>28,914,126</u> |
|                                | <u>35,367,347</u> | <u>34,108,829</u> |

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

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

|                                                     | <b>30-09-16</b>   | <b>31-12-15</b>   |
|-----------------------------------------------------|-------------------|-------------------|
|                                                     | <b>RM'000</b>     | <b>RM'000</b>     |
| Fixed rate:                                         |                   |                   |
| - Personal financing                                | 22,856,216        | 23,145,495        |
| - Auto finance                                      | 351,423           | 378,473           |
| - Mortgage and property islamic                     | 817,582           | 867,843           |
| - Bridging, structured and term loans and financing | 812,180           | 413,920           |
| Variable rate:                                      |                   |                   |
| - Personal financing                                | 63,697            | 36,644            |
| - Mortgage and property Islamic                     | 4,659,375         | 4,599,305         |
| - Bridging, structured and term loans and financing | 5,806,874         | 4,667,149         |
|                                                     | <u>35,367,347</u> | <u>34,108,829</u> |

**(vi) Movements in impaired loans, advances and financing**

|                                                                           | <b>30-09-16</b>    | <b>31-12-15</b>    |
|---------------------------------------------------------------------------|--------------------|--------------------|
|                                                                           | <b>RM'000</b>      | <b>RM'000</b>      |
| Balance as at 1 January                                                   | 2,519,633          | 2,145,793          |
| Classified as impaired during the period                                  | 1,843,034          | 2,370,388          |
| Reclassified as non-impaired                                              | (1,570,613)        | (1,983,079)        |
| Amount recovered                                                          | (60,778)           | (22,482)           |
| Amount (written off)/written back                                         | (14)               | 9,013              |
| Balance as at end of period                                               | <u>2,731,262</u>   | <u>2,519,633</u>   |
| Collective allowance                                                      | (1,585,744)        | (1,442,441)        |
| Individual allowance                                                      | <u>(201,837)</u>   | <u>(183,679)</u>   |
|                                                                           | <u>(1,787,581)</u> | <u>(1,626,120)</u> |
| Net impaired loans, advances and financing                                | <u>943,681</u>     | <u>893,513</u>     |
| Net impaired loans as per percentage of net loans, advances and financing | <u>2.9%</u>        | <u>2.8%</u>        |

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**A8. Loans, Advances and Financing (continued)**

|                                                                            | <b>30-09-16</b>  | <b>31-12-15</b>  |
|----------------------------------------------------------------------------|------------------|------------------|
|                                                                            | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Collective Impairment</b>                                               |                  |                  |
| Opening balance                                                            | 2,045,943        | 1,437,747        |
| Impairment during the period                                               | 598,530          | 608,196          |
| Closing balance                                                            | <u>2,644,473</u> | <u>2,045,943</u> |
| As a % of gross loans, advances and financing<br>less individual allowance | 7.5%             | 6.0%             |
| <b>Individual Impairment</b>                                               |                  |                  |
| Opening balance                                                            | 277,916          | 208,679          |
| (Reversal)/impairment during the period                                    | 2,415            | 67,597           |
| Written off                                                                | (14)             | 10,010           |
| Transfer to impairment for foreclosed properties                           | -                | (8,370)          |
| Closing balance                                                            | <u>280,317</u>   | <u>277,916</u>   |

**A9. Financial investments available-for-sale**

| <b>At Fair Value:</b>                  | <b>30-09-16</b>  | <b>31-12-15</b> |
|----------------------------------------|------------------|-----------------|
|                                        | <b>RM'000</b>    | <b>RM'000</b>   |
| <b><u>Money Market Instruments</u></b> |                  |                 |
| Malaysian Government Investment Issues | 742,316          | 584,787         |
|                                        | <u>742,316</u>   | <u>584,787</u>  |
| <b><u>Quoted Securities</u></b>        |                  |                 |
| In Malaysia                            |                  |                 |
| Private and Islamic debt securities    | 112,095          | 398,567         |
| Government Guaranteed                  | 1,153,451        | -               |
|                                        | <u>1,265,546</u> | <u>398,567</u>  |
|                                        | <u>2,007,862</u> | <u>983,354</u>  |

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**A10. Deposits from customers**

|                                             | <b>30-09-16</b>   | <b>31-12-15</b>   |
|---------------------------------------------|-------------------|-------------------|
|                                             | <b>RM'000</b>     | <b>RM'000</b>     |
| <b>By type of products:</b>                 |                   |                   |
| - Savings                                   | 99,091            | 82,014            |
| - Fixed deposits                            | 31,360,325        | 28,503,373        |
|                                             | <u>31,459,416</u> | <u>28,585,387</u> |
| <b>By type of customers:</b>                |                   |                   |
| - Government and statutory bodies           | 13,813,704        | 18,558,905        |
| - Business enterprises                      | 15,335,578        | 7,761,195         |
| - Individuals                               | 2,310,134         | 2,265,287         |
|                                             | <u>31,459,416</u> | <u>28,585,387</u> |
| <b>Maturity of deposits from customers:</b> |                   |                   |
| - Within one year                           | 29,453,968        | 25,610,754        |
| - More than one year                        | 2,005,448         | 2,974,633         |
|                                             | <u>31,459,416</u> | <u>28,585,387</u> |

**A11. Interest Income**

|                                                                        | <b>3rd quarter ended</b> |                | <b>9 months ended</b> |                |
|------------------------------------------------------------------------|--------------------------|----------------|-----------------------|----------------|
|                                                                        | <b>30 September</b>      |                | <b>30 September</b>   |                |
|                                                                        | <b>2016</b>              | <b>2015</b>    | <b>2016</b>           | <b>2015</b>    |
|                                                                        | <b>RM'000</b>            | <b>RM'000</b>  | <b>RM'000</b>         | <b>RM'000</b>  |
| Loans, advances and financing                                          | 100,551                  | 103,728        | 304,814               | 327,569        |
| Deposits and placements with banks<br>and other financial institutions | 15,538                   | 13,637         | 28,490                | 36,127         |
|                                                                        | <u>116,089</u>           | <u>117,365</u> | <u>333,304</u>        | <u>363,696</u> |

**A12. Interest Expenses**

|                         | <b>3rd quarter ended</b> |               | <b>9 months ended</b> |                |
|-------------------------|--------------------------|---------------|-----------------------|----------------|
|                         | <b>30 September</b>      |               | <b>30 September</b>   |                |
|                         | <b>2016</b>              | <b>2015</b>   | <b>2016</b>           | <b>2015</b>    |
|                         | <b>RM'000</b>            | <b>RM'000</b> | <b>RM'000</b>         | <b>RM'000</b>  |
| Bank borrowings         | 207                      | 4,092         | 2,739                 | 9,696          |
| Deposits from customers | 63,317                   | 66,011        | 189,857               | 199,066        |
|                         | <u>63,524</u>            | <u>70,103</u> | <u>192,596</u>        | <u>208,762</u> |

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**A13. Net Income from Islamic Financing Operations**

|                                             | <b>3rd quarter ended<br/>30 September</b> |                        | <b>9 months ended<br/>30 September</b> |                        |
|---------------------------------------------|-------------------------------------------|------------------------|----------------------------------------|------------------------|
|                                             | <b>2016<br/>RM'000</b>                    | <b>2015<br/>RM'000</b> | <b>2016<br/>RM'000</b>                 | <b>2015<br/>RM'000</b> |
| Financing                                   | 569,210                                   | 512,997                | 1,682,286                              | 1,503,699              |
| Profit income from                          |                                           |                        |                                        |                        |
| Sukuk Commodity Murabahah                   | 33,418                                    | 44,894                 | 100,147                                | 115,986                |
| Profit on financial investments             | 22,840                                    | 1,038                  | 44,620                                 | 1,038                  |
| Deposits placements                         | 45,715                                    | 55,517                 | 159,159                                | 127,089                |
| Less: Income attributable to depositors     | (247,872)                                 | (238,563)              | (759,555)                              | (664,630)              |
| Less: Income attributable to securitisation | (31,241)                                  | (33,937)               | (95,627)                               | (98,912)               |
| Less: Income attributable to sukuk          | (91,859)                                  | (67,997)               | (281,271)                              | (167,440)              |
|                                             | <u>300,211</u>                            | <u>273,949</u>         | <u>849,759</u>                         | <u>816,830</u>         |

**A14. Other Income**

|                                 | <b>3rd quarter ended<br/>30 September</b> |                        | <b>9 months ended<br/>30 September</b> |                        |
|---------------------------------|-------------------------------------------|------------------------|----------------------------------------|------------------------|
|                                 | <b>2016<br/>RM'000</b>                    | <b>2015<br/>RM'000</b> | <b>2016<br/>RM'000</b>                 | <b>2015<br/>RM'000</b> |
| Rental income                   | 39                                        | 11                     | 117                                    | 17                     |
| Revenue from hotel operations   | 1,528                                     | 1,816                  | 4,511                                  | 5,489                  |
| Loan processing fees            | 4,629                                     | 7,174                  | 20,251                                 | 24,054                 |
| Insurance commission            | 484                                       | 578                    | 940                                    | 1,463                  |
| Loan facility fees              | 688                                       | 2,199                  | 3,496                                  | 6,248                  |
| Legal notice fees               | 327                                       | 452                    | 1,125                                  | 1,296                  |
| Sundry income                   | 1,102                                     | 2,054                  | 10,112                                 | 6,920                  |
| (Loss)/gain from disposal of:   |                                           |                        |                                        |                        |
| - Property, plant and equipment | (25)                                      | 13                     | (37)                                   | 13                     |
| - Foreclosed properties         | -                                         | -                      | -                                      | 75                     |
|                                 | <u>8,772</u>                              | <u>14,298</u>          | <u>40,515</u>                          | <u>45,576</u>          |

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**A15. Other Operating Expenses**

|                                               | <b>3rd quarter ended</b> |               | <b>9 months ended</b> |                |
|-----------------------------------------------|--------------------------|---------------|-----------------------|----------------|
|                                               | <b>30 September</b>      |               | <b>30 September</b>   |                |
|                                               | <b>2016</b>              | <b>2015</b>   | <b>2016</b>           | <b>2015</b>    |
|                                               | <b>RM'000</b>            | <b>RM'000</b> | <b>RM'000</b>         | <b>RM'000</b>  |
| Personnel expenses:                           |                          |               |                       |                |
| - Wages and salaries                          | 29,750                   | 29,077        | 89,804                | 86,734         |
| - Social security costs                       | 237                      | 205           | 649                   | 635            |
| - Pension costs                               | 4,815                    | 4,584         | 14,293                | 13,628         |
| - Share options granted under ESOS            | 2,059                    | -             | 2,059                 | 5,001          |
| - Mutual separation scheme                    | -                        | -             | 1,644                 | -              |
| - Other staff related expenses                | 1,960                    | 2,011         | 6,022                 | 7,703          |
|                                               | 38,821                   | 35,877        | 114,471               | 113,701        |
| Establishment related expenses                | 3,741                    | 3,642         | 11,078                | 10,855         |
| Promotion and marketing related expenses      | 1,528                    | 2,805         | 9,486                 | 8,523          |
| General administrative expenses               | 25,208                   | 22,252        | 78,245                | 74,578         |
| Allowance for impairment on other receivables | -                        | -             | -                     | 11             |
| Others                                        | 8,551                    | 8,572         | 21,763                | 24,815         |
|                                               | <u>77,849</u>            | <u>73,148</u> | <u>235,043</u>        | <u>232,483</u> |

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

|                                                                                  | <b>3rd quarter ended</b> |                | <b>9 months ended</b> |                |
|----------------------------------------------------------------------------------|--------------------------|----------------|-----------------------|----------------|
|                                                                                  | <b>30 September</b>      |                | <b>30 September</b>   |                |
|                                                                                  | <b>2016</b>              | <b>2015</b>    | <b>2016</b>           | <b>2015</b>    |
|                                                                                  | <b>RM'000</b>            | <b>RM'000</b>  | <b>RM'000</b>         | <b>RM'000</b>  |
| Allowance for/(write back of)<br>impairment on loans, advances and<br>financing: |                          |                |                       |                |
| - Collective impairment                                                          | 194,452                  | 177,622        | 598,530               | 406,425        |
| - Individual impairment                                                          | 10,591                   | 17,342         | 2,415                 | 22,584         |
| - Written off                                                                    | 4,940                    | 607            | 7,459                 | 2,136          |
|                                                                                  | <u>209,983</u>           | <u>195,571</u> | <u>608,404</u>        | <u>431,145</u> |

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**A17. Commitments and Contingencies**

|                                                                  | <b>30-09-16</b>  | <b>31-12-15</b>  |
|------------------------------------------------------------------|------------------|------------------|
|                                                                  | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>(i) Operational Commitments</b>                               |                  |                  |
| Loan commitments not yet recognised in the financial statements: |                  |                  |
| - End finance                                                    | 147,121          | 251,351          |
| - Islamic properties                                             | 176,422          | 142,849          |
| - Islamic personal financing                                     | 773              | 1,323            |
| - Islamic auto financing                                         | 259              | -                |
| - Auto finance                                                   | -                | -                |
| - Bridging, structured and term loans and financing              | 4,275,257        | 7,614,958        |
| - Financial guarantees                                           | <u>100,299</u>   | <u>104,076</u>   |
|                                                                  | <u>4,700,131</u> | <u>8,114,557</u> |
| <br>                                                             |                  |                  |
| Approved and contracted for property development                 | <u>421,528</u>   | <u>421,528</u>   |
| Total                                                            | <u>5,121,659</u> | <u>8,536,085</u> |
| <br>                                                             |                  |                  |
| <b>(ii) Capital Commitments</b>                                  |                  |                  |
| Property, plant and equipment:                                   |                  |                  |
| - Approved and contracted for                                    | 171,945          | 183,105          |
| - Approved but not contracted for                                | <u>8,742</u>     | <u>46,702</u>    |
|                                                                  | <u>180,687</u>   | <u>229,807</u>   |

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**A18. Unsecured Contingent Liabilities**

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

On conclusion of the Full Trial, the claim against the Company was dismissed with costs. The contractor's appeal to the Court of Appeal was allowed. The Company has filed an application for leave to appeal to the Federal Court.

After series of case management, the Federal Court has fixed the matter for final Case Management on 20 January 2017 for parties to update on the status of the settlement.

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

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

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

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**A19. Segmental Information on Revenue and Results**

|                                       | <b>Financing</b> | <b>Hotel</b>      | <b>Eliminations</b> | <b>Consolidated</b> |
|---------------------------------------|------------------|-------------------|---------------------|---------------------|
|                                       | <b>RM'000</b>    | <b>Operations</b> | <b>RM'000</b>       | <b>RM'000</b>       |
| <b>3 months ended 30 September 16</b> |                  |                   |                     |                     |
| External sales                        | 826,582          | 1,528             | 2,143               | 830,253             |
| Intersegment transactions             | 8,866            | 911               | (9,777)             | -                   |
| Total revenue                         | <u>835,448</u>   | <u>2,439</u>      | <u>(7,634)</u>      | <u>830,253</u>      |
| Segment results                       | 60,648           | (4,268)           | 17,336              | 73,716              |
| Unallocated income (net of cost)      |                  |                   |                     | -                   |
| Profit from operations                |                  |                   |                     | <u>73,716</u>       |
| <b>3 months ended 30 September 15</b> |                  |                   |                     |                     |
| External sales                        | 761,231          | 1,816             | 4,978               | 768,025             |
| Intersegment transactions             | 11,311           | 870               | (12,181)            | -                   |
| Total revenue                         | <u>772,542</u>   | <u>2,686</u>      | <u>(7,203)</u>      | <u>768,025</u>      |
| Segment result                        | 52,660           | (3,836)           | 17,966              | 66,790              |
| Unallocated income (net of cost)      |                  |                   |                     | -                   |
| Profit from operations                |                  |                   |                     | <u>66,790</u>       |
| <b>9 months ended 30 September 16</b> |                  |                   |                     |                     |
| External sales                        | 2,443,977        | 4,511             | 6,905               | 2,455,393           |
| Intersegment sales                    | 25,770           | 2,575             | (28,345)            | -                   |
| Total revenue                         | <u>2,469,747</u> | <u>7,086</u>      | <u>(21,440)</u>     | <u>2,455,393</u>    |
| Segment results                       | 149,074          | (12,470)          | 50,931              | 187,535             |
| Unallocated income (net of cost)      |                  |                   |                     | -                   |
| Profit from operations                |                  |                   |                     | <u>187,535</u>      |
| <b>9 months ended 30 September 15</b> |                  |                   |                     |                     |
| External sales                        | 2,202,553        | 5,489             | 16,368              | 2,224,410           |
| Intersegment sales                    | 33,730           | 2,576             | (36,306)            | -                   |
| Total revenue                         | <u>2,236,283</u> | <u>8,065</u>      | <u>(19,938)</u>     | <u>2,224,410</u>    |
| Segment result                        | 303,188          | (11,120)          | 61,644              | 353,712             |
| Unallocated income (net of cost)      |                  |                   |                     | -                   |
| Profit from operations                |                  |                   |                     | <u>353,712</u>      |

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

**A20. Valuation of Property, Plant and Equipment**

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**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**

|                           | <b>As at<br/>30-09-16<br/>RM'000</b> |
|---------------------------|--------------------------------------|
| <b>Additions</b>          |                                      |
| Building in progress      | 11,161                               |
| Building renovation       | 64                                   |
| Furniture & equipment     | 106                                  |
| Motor vehicles            | -                                    |
| Data processing equipment | 184                                  |
|                           | 11,515                               |

**A24. Significant Related Party Transactions**

|                                                                                  | <b>Nine months ended<br/>30 September</b> |               |
|----------------------------------------------------------------------------------|-------------------------------------------|---------------|
|                                                                                  | <b>2016</b>                               | <b>2015</b>   |
|                                                                                  | <b>RM'000</b>                             | <b>RM'000</b> |
| (i) Transactions with Employees Provident Fund Board, the ultimate holding body: |                                           |               |
| <b>Expenses</b>                                                                  |                                           |               |
| Interest on loans                                                                | 850                                       | 4,873         |
| Rental expense                                                                   | 210                                       | 210           |
| <b>Balances</b>                                                                  |                                           |               |
| Other borrowings                                                                 | -                                         | 75,261        |
| (ii) Transactions with RHB Banking Group of companies:                           |                                           |               |
| <b>Balances</b>                                                                  |                                           |               |
| Deposits and placements with financial institutions                              | 1,862,486                                 | 1,751,385     |
| Deposits from customers                                                          | 186,409                                   | -             |
| Bank borrowings                                                                  | 150,075                                   | 400,143       |
| Recourse obligation on loans sold to Cagamas Berhad                              | 832,623                                   | 880,299       |
| (iii) Collectively, but not individually, significant balances                   |                                           |               |
| <b>Balances</b>                                                                  |                                           |               |
| Deposit from customers                                                           | 584,369                                   | 645,404       |

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**A25. Impairment Loss**

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

**A26. Operations of Islamic Banking****A26a. Unaudited Consolidated Statements of Financial Position as at 30 September 2016**

|                                                     | Note | 30-Sep-16<br>RM'000 | 31-Dec-15<br>RM'000 |
|-----------------------------------------------------|------|---------------------|---------------------|
| <b>Assets</b>                                       |      |                     |                     |
| Cash and short-term funds                           |      | 5,892,728           | 6,026,443           |
| Deposits and placements with financial institutions |      | 708,638             | 404,402             |
| Financing                                           | A26c | 28,231,151          | 27,152,155          |
| Other receivables                                   |      | 693,683             | 670,594             |
| Financing to subsidiaries                           |      | 8,979               | -                   |
| Financial investment available-for-sale             |      | 2,007,862           | 983,354             |
| <b>Total assets</b>                                 |      | <u>37,543,041</u>   | <u>35,236,948</u>   |
| <b>Liabilities</b>                                  |      |                     |                     |
| Deposits from customers                             | A26d | 25,115,969          | 22,491,784          |
| Other payables                                      |      | 4,768,058           | 4,871,169           |
| Bank borrowings                                     |      | 400,182             | 750,419             |
| Other borrowings                                    |      | -                   | 50,181              |
| Financing sold to Cagamas Berhad                    |      | 1,398,511           | 1,433,445           |
| Sukuk - MBSB SC Murabahah                           |      | 2,828,174           | 2,827,955           |
| Provision for taxation                              |      | 155,483             | 72,434              |
| Provision for zakat                                 |      | 1,747               | 7,816               |
| <b>Total liabilities</b>                            |      | <u>34,668,124</u>   | <u>32,505,203</u>   |
| Islamic fund                                        |      | 4,000               | 4,000               |
| Financial investment available-for-sale             |      | 26,483              | 1,566               |
| Retained profits                                    |      | 2,844,434           | 2,726,179           |
|                                                     |      | <u>2,874,917</u>    | <u>2,731,745</u>    |
| <b>Total liabilities and Islamic fund</b>           |      | <u>37,543,041</u>   | <u>35,236,948</u>   |

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**A26b. Unaudited Consolidated Statements of Comprehensive Income for the Year Ended 30 September 2016**

|                                                                                         | 3rd quarter ended |           | 9 months ended |           |
|-----------------------------------------------------------------------------------------|-------------------|-----------|----------------|-----------|
|                                                                                         | 30 September      |           | 30 September   |           |
|                                                                                         | 2016              | 2015      | 2016           | 2015      |
|                                                                                         | RM'000            | RM'000    | RM'000         | RM'000    |
| Income derived from investment of general investment deposits and Islamic capital funds | 671,183           | 614,446   | 1,986,212      | 1,747,812 |
| Less: Income attributable to depositors                                                 | (247,872)         | (238,563) | (759,555)      | (664,630) |
| Less: Income attributable to securitisation                                             | (31,241)          | (33,937)  | (95,627)       | (98,912)  |
| Less: Income attributable to sukuk                                                      | (91,859)          | (67,997)  | (281,271)      | (167,440) |
| Net income from financing operations                                                    | 300,211           | 273,949   | 849,759        | 816,830   |
| Other income                                                                            | 10,765            | 13,641    | 37,113         | 41,280    |
| Other expenses                                                                          | (46,285)          | (12,163)  | (137,556)      | (112,192) |
| Allowance for losses on financing                                                       | (169,205)         | (160,725) | (437,453)      | (385,757) |
| Profit before taxation and zakat                                                        | 95,486            | 114,702   | 311,863        | 360,161   |
| Taxation                                                                                | (17,314)          | (28,812)  | (55,224)       | (96,009)  |
| Zakat                                                                                   | -                 | -         | 2,463          | -         |
| Profit after taxation and zakat                                                         | 78,172            | 85,890    | 259,102        | 264,152   |
| Other comprehensive income                                                              | -                 | -         | -              | -         |
| Total comprehensive income for the period                                               | 78,172            | 85,890    | 259,102        | 264,152   |

**A26c. Financing**

| (i) By type                         | 30-09-16     | 31-12-15     |
|-------------------------------------|--------------|--------------|
|                                     | RM'000       | RM'000       |
| Term financing:                     |              |              |
| - Corporate financing               | 9,470,154    | 6,933,062    |
| - Property financing                | 5,754,080    | 5,182,894    |
| - Personal financing                | 35,780,530   | 37,283,850   |
| - Auto financing                    | 376,637      | 277,847      |
| Staff financing                     | 20,755       | 19,528       |
| Less: Unearned income               | (21,417,301) | (21,221,960) |
| Gross loans, advances and financing | 29,984,855   | 28,475,221   |
| Allowance for impairment:           |              |              |
| - Collectively assessed             | (1,753,698)  | (1,323,066)  |
| - Individually assessed             | (6)          | -            |
| Net financing                       | 28,231,151   | 27,152,155   |

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

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

|                                           | <b>30-09-16</b>   | <b>31-12-15</b>   |
|-------------------------------------------|-------------------|-------------------|
|                                           | <b>RM'000</b>     | <b>RM'000</b>     |
| Bai Bithaman Ajil (deferred payment sale) | 2,019,173         | 1,884,525         |
| Bai Al-Inah (cost plus)                   | 13,785,895        | 14,055,842        |
| Tawarruq                                  | 9,455,616         | 9,357,064         |
| Contract financing                        | 4,724,171         | 3,177,790         |
|                                           | <u>29,984,855</u> | <u>28,475,221</u> |

**(iii) Impaired financing**

|                                                            | <b>30-09-16</b>    | <b>31-12-15</b>  |
|------------------------------------------------------------|--------------------|------------------|
|                                                            | <b>RM'000</b>      | <b>RM'000</b>    |
| Balance as at 1 January                                    | 1,426,173          | 1,158,286        |
| Classified as impaired during the year                     | 1,132,396          | 1,222,724        |
| Reclassified as non-impaired during the year               | (941,056)          | (954,837)        |
| Amount recovered                                           | (11,189)           | -                |
| Amount written off                                         | -                  | -                |
| Balance as at 31 December                                  | <u>1,606,324</u>   | <u>1,426,173</u> |
| Collective allowance                                       | <u>(1,050,917)</u> | <u>(952,458)</u> |
| Net financing                                              | <u>555,407</u>     | <u>473,715</u>   |
| Net impaired financing as a percentage<br>of net financing | <u>2.0%</u>        | <u>1.7%</u>      |

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

|                              | <b>30-09-16</b>  | <b>31-12-15</b>  |
|------------------------------|------------------|------------------|
|                              | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Collective impairment</b> |                  |                  |
| Balance as at 1 January      | 1,323,066        | 743,719          |
| Impairment during the year   | 430,632          | 578,858          |
| Reclassification *           | -                | 489              |
| Balance as at 31 December    | <u>1,753,698</u> | <u>1,323,066</u> |
| <b>Individual impairment</b> |                  |                  |
| Balance as at 1 January      | -                | -                |
| Impairment during the year   | 6                | -                |
| Balance as at 31 December    | <u>6</u>         | <u>-</u>         |

\* Reclassification of collective allowance into the Islamic Fund

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

|                           | <b>30-09-16</b>   | <b>31-12-15</b>   |
|---------------------------|-------------------|-------------------|
|                           | <b>RM'000</b>     | <b>RM'000</b>     |
| Al-Wadiah savings account | 51,692            | 36,634            |
| Mudharabah fund           | 25,064,277        | 22,455,150        |
|                           | <u>25,115,969</u> | <u>22,491,784</u> |

**(ii) By type of customer**

|                      | <b>30-09-16</b>   | <b>31-12-15</b>   |
|----------------------|-------------------|-------------------|
|                      | <b>RM'000</b>     | <b>RM'000</b>     |
| Business enterprises | 24,565,805        | 22,024,227        |
| Individuals          | 550,164           | 467,557           |
|                      | <u>25,115,969</u> | <u>22,491,784</u> |

**(iii) By maturity of deposits from customers**

|                    | <b>30-09-16</b>   | <b>31-12-15</b>   |
|--------------------|-------------------|-------------------|
|                    | <b>RM'000</b>     | <b>RM'000</b>     |
| Within one year    | 24,217,439        | 20,749,239        |
| More than one year | 898,530           | 1,742,545         |
|                    | <u>25,115,969</u> | <u>22,491,784</u> |

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**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 9 months ended 30 September 2016 of RM2.455 billion increased by RM230.980 million or 10.4% as compared to the previous year corresponding period revenue of RM2.224 billion. The increase was mainly due to higher income from investments in liquid assets and higher financing income from corporate segment. The Group cost to income ratio remained relatively consistent with the previous year to stand at 22.8%.

Group profit before tax for the financial period ended 30 September 2016 of RM187.535 million decreased by RM166.177 million or 47.0% as compared to the previous year profit before tax of RM353.712 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 corresponding period 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 year corresponding period due to the continued growth of corporate loans and financing assets base.

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

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

**B2. Variation of Results against Preceding Quarter**

The Group profit before tax for the 3<sup>rd</sup> quarter 2016 of RM73.716 million decreased by RM1.003 million as compared to the preceding quarter profit before tax of RM74.719 million. The decrease was mainly due to higher allowances for impairment losses on loans, advances and financing.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

### **B3. Prospects**

#### ***Brief Overview and Outlook of the Malaysian Economy***

The Malaysian economy expanded by 4.0% in the second quarter of 2016 (1Q 2016: 4.2%). Private sector expenditure remained the key driver of growth (6.1%; 1Q 2016: 4.5%), and contributed towards the continued expansion in domestic demand. However, growth was affected by the continued decline in net exports and a significant drawdown in stocks. While real exports registered a better performance (1.0%; 1Q 2016: -0.5%) due to higher demand for manufactured products, real imports increased at a faster rate of 2.0% (1Q 2016: 1.3%) on account of improvement in growth of capital and intermediate goods. As a result, net exports continued to register a negative growth during the quarter, albeit at a slower pace of -7.0% (1Q 2016: -12.4%). The drawdown in stocks was attributed to lower production in agriculture and manufactured products. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 0.7% (1Q 2016: 1.0%).

Domestic demand grew by 6.3% in the second quarter of the year (1Q 2016: 3.6%), with private sector expenditure expanding at a stronger pace of 6.1% (1Q 2016: 4.5%). **Private consumption** growth expanded by 6.3% (1Q 2016: 5.3%), supported by continued wage and employment growth, as well as the additional disposable income from Government measures. **Private investment** registered a higher growth of 5.6% in the second quarter (1Q 2016: 2.2%), underpinned mainly by continued capital spending in the services and manufacturing sectors, amid some improvements in business confidence.

During the second quarter of 2016, Federal Government expenditure increased by 5.8%, due primarily to higher development expenditure. Development expenditure increased by 43.9% on an annual basis (1Q 2016: 16.1%) and was mainly channeled towards the *transportation* and *trade and industry* sectors. Operating expenditure registered a slower annual growth rate of 0.5% (1Q 2016: 3.5%), reflecting the Government's expenditure rationalisation measures, as reflected by a marked decline in *subsidies* and *grants and transfers*. Revenue declined by 14.0% (1Q 2016: -5.3%), due mainly to lower individual income tax collection. Overall, the Federal Government recorded a lower deficit of 5.0% of GDP (1Q 2016: -6.1% of GDP) during the quarter. As at end-June 2016, total outstanding debt of the Federal Government amounted to RM655.7 billion or 53.4% of the estimated 2016 GDP.

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

#### ***Banking system remains strong***

The banking system remained strong on the back of firm capitalisation and sustained asset quality. As at end-June 2016, the common equity tier 1 capital ratio, tier 1 capital ratio and the total capital ratio stood at 12.9%, 13.9% and 16.4%, respectively (end-March 2016: 13%; 13.9%; 16.5%). Meanwhile, pre-tax profit in the second quarter of 2016 totaled RM12.9 billion (Q1 2016: RM7.7 billion), mainly driven by income from financing as well as trading and investment activities. The net impaired loans ratio remained low at 1.3% of net total loans (end-March 2016: 1.2%).

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**B3. Prospects (continued)**

***Brief Overview on Monetary and Financial Developments***

In the second quarter, total gross financing raised by the private sector through the banking system, development financial institutions (DFIs), and the capital market amounted to RM292.1 billion (1Q 2016: RM290.8 billion). On a net basis, the growth of loans extended by the banking system, DFIs, and outstanding issuances of corporate bonds expanded by 6.9% as at end-June (end- March 2016: 7.5%).

Net lending to businesses by the banking system and DFIs increased by RM3.1 billion during the quarter (1Q 2016: -RM4.8 billion). On an annual basis, outstanding business loans grew at a slower pace of 3.8% as at end-June (end-March 2016: 4.9%) due to the stronger growth in loan repayments relative to disbursements. Although the growth in the level of loans disbursed by the banking system and DFIs to businesses slowed down to 0.1% on an annual basis, the level of loans disbursed to SMEs increased to RM66.4 billion during the quarter (2Q 2015: RM65.4 billion) with loans extended mainly to the *construction, real estate, and agriculture* sectors.

Net financing to the household sector expanded by RM12.4 billion during the quarter (1Q 2016: RM8.5 billion). On an annual basis, the growth of outstanding household loans moderated to 6.2% as at end-June (end-March 2016: 6.5%), reflecting mainly the moderation in outstanding loans for the *purchase of non-residential property, purchase of passenger cars, and purchase of residential property*.

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

***Group Prospects***

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

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

**B4. Variance from Profit Forecast and Profit Guarantee**

None.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**B5. Taxation**

|                                                                    | 3rd quarter ended<br>30 September |                 | 9 months ended<br>30 September |                 |
|--------------------------------------------------------------------|-----------------------------------|-----------------|--------------------------------|-----------------|
|                                                                    | 2016<br>RM'000                    | 2015<br>RM'000  | 2016<br>RM'000                 | 2015<br>RM'000  |
| Current income tax:                                                |                                   |                 |                                |                 |
| - Malaysian income tax                                             | (78,655)                          | 54,738          | 38,408                         | 182,144         |
| Over provision in prior years:                                     |                                   |                 |                                |                 |
| - Malaysian income tax                                             | (144,473)                         | (5,172)         | (144,473)                      | (5,172)         |
|                                                                    | <u>(223,128)</u>                  | <u>49,566</u>   | <u>(106,065)</u>               | <u>176,972</u>  |
| Deferred tax:                                                      |                                   |                 |                                |                 |
| - Relating to origination and reversal<br>of temporary differences | 238,917                           | (46,310)        | 140,292                        | (96,660)        |
|                                                                    | <u>238,917</u>                    | <u>(46,310)</u> | <u>140,292</u>                 | <u>(96,660)</u> |
| Total income tax expense                                           | <u>15,789</u>                     | <u>3,256</u>    | <u>34,227</u>                  | <u>80,312</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, except for as disclosed in Note A9.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

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

| <b>Rights Issue</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10 March 2016       | Company proposed to undertake a renounceable two-calls rights issue of new Company shares to the entitled shareholders on a basis and issue price to be determined and announced later, to raise a gross proceeds of up to RM2.0 billion ("Proposed Rights Issue"). The issue price was proposed to be payable in two (2) calls, the first call of which was to be payable in cash on application by entitled shareholder(s) and/or his renounee(s) who wished to subscribe for the rights shares and second call was proposed to be capitalised from the Company's share premium and/or retained earnings account. |
| 15 April 2016       | Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 14 April 2016, approved the listing of and quotation for the new rights shares to be issued pursuant to the Proposed Rights Issue on the Main Market of Bursa Securities subject to conditions as disclosed in the Circular to Shareholders dated 20 April 2016.                                                                                                                                                                                                                                                                   |
| 5 May 2016          | The shareholders of the Company approved the Proposed Rights Issue at the Extraordinary General Meeting held on 5 May 2016.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 24 June 2016        | The Prospectus for the Rights Issue was issued on 24 June 2016.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 29 July 2016        | The Rights Issue was completed on 29 July 2016 upon the listing of and quotation for 2,899,387,079 Rights shares on Bursa Securities. Based on the first cash call of RM0.59 per share, the gross proceeds raised was approximately RM1.71 billion. The amount of share premium capitalised from the second call of RM0.41 per share was approximately RM1.19 billion.                                                                                                                                                                                                                                              |

**(b) Status of Utilisation of Proceeds from Rights Issue**

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

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

\*NA – Not applicable yet

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**B9. Borrowings and Debts**

Borrowings of the Group as at 30 September 2016 were as follows:

|                                                                | <b>As at<br/>30-09-16<br/>RM'000</b> | <b>As at<br/>31-12-15<br/>RM'000</b> |
|----------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Short term bank borrowings                                     | 500,216                              | 1,645,591                            |
| Islamic financing facility (secured)                           | -                                    | 50,181                               |
|                                                                | <u>500,216</u>                       | <u>1,695,772</u>                     |
| Maturity of borrowings:                                        |                                      |                                      |
| - One year or less                                             | 500,216                              | 1,695,772                            |
| - More than one year                                           | -                                    | -                                    |
| Total                                                          | <u>500,216</u>                       | <u>1,695,772</u>                     |
| Recourse obligation on loans sold to Cagamas Berhad (secured): |                                      |                                      |
| - One year or less                                             | 1,319,415                            | 940,078                              |
| - More than one year                                           | 1,352,236                            | 1,827,164                            |
| Total                                                          | <u>2,671,651</u>                     | <u>2,767,242</u>                     |

All borrowings are denominated in Ringgit Malaysia.

**B10. Off Balance Sheet Financial Instruments**

None.

**B11. Realised and Unrealised Profits and Losses**

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

|                                                                            | <b>Cumulative</b>                    |                                      |
|----------------------------------------------------------------------------|--------------------------------------|--------------------------------------|
|                                                                            | <b>As at<br/>30-09-16<br/>RM'000</b> | <b>As at<br/>31-12-15<br/>RM'000</b> |
| Total accumulated profits of the Group:                                    |                                      |                                      |
| - Realised                                                                 | 377,760                              | 306,918                              |
| - Unrealised in respect of deferred tax recognised in the income statement | 368,643                              | 508,937                              |
| Total Group accumulated profits as per consolidated accounts               | <u>746,403</u>                       | <u>815,855</u>                       |
| Add: Consolidated adjustments                                              | <u>(86,285)</u>                      | <u>(226,579)</u>                     |
|                                                                            | <u>660,118</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.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**B11. Realised and Unrealised Profits and Losses (continued)**

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

**B12. Material Litigation**

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

**B13. Dividends Proposed**

None.

**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.

|                                                               | <b>3rd quarter ended</b> |             | <b>9 months ended</b> |             |
|---------------------------------------------------------------|--------------------------|-------------|-----------------------|-------------|
|                                                               | <b>30 September</b>      |             | <b>30 September</b>   |             |
|                                                               | <b>2016</b>              | <b>2015</b> | <b>2016</b>           | <b>2015</b> |
| Net profit attributable to shareholders for the year (RM'000) | 57,927                   | 63,534      | 155,771               | 273,400     |
| Weighted average number of ordinary shares in issue ('000)    | 4,916,352                | 2,838,492   | 3,540,256             | 2,770,423   |
| Basic earnings per share (sen)                                | <u>1.18</u>              | <u>2.24</u> | <u>4.40</u>           | <u>9.87</u> |

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

**B14. Earnings Per Share (continued)****Diluted**

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

|                                                                     | <b>3rd quarter ended</b> |                  | <b>9 months ended</b> |                  |
|---------------------------------------------------------------------|--------------------------|------------------|-----------------------|------------------|
|                                                                     | <b>30 September</b>      |                  | <b>30 September</b>   |                  |
|                                                                     | <b>2016</b>              | <b>2015</b>      | <b>2016</b>           | <b>2015</b>      |
| Net profit attributable to shareholders for the year (RM'000)       | 57,927                   | 63,534           | 155,771               | 273,400          |
| Weighted average number of ordinary shares in issue ('000)          | 4,916,352                | 2,838,492        | 3,540,256             | 2,770,423        |
| Weighted average effect of dilution on ESOS ('000)                  | -                        | (312)            | -                     | (312)            |
| Weighted average effect of dilution on Warrants ('000)              | -                        | 7,161            | -                     | 7,161            |
| Adjusted weighted average number of ordinary shares in issue ('000) | <u>4,916,352</u>         | <u>2,845,341</u> | <u>3,540,256</u>      | <u>2,777,272</u> |
| Diluted earnings per share (sen)                                    | <u>1.18</u>              | <u>2.23</u>      | <u>4.40</u>           | <u>9.84</u>      |

**B15. Authorisation for Issue**

The audited interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 November 2016.

BY ORDER OF THE BOARD

Koh Ai Hoon  
Tong Lee Mee  
Joint Company Secretaries  
Kuala Lumpur  
24 November 2016