

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017**

	<b>As at 31 December 2017 (RM'000)</b>	<b>As at 31 December 2016 (RM'000)</b>
<b>ASSETS</b>		
Cash and short term funds	7,787,132	6,639,369
Deposits and placements with financial institutions	747,403	1,076,078
Trade receivables	295	542
Other receivables	218,413	150,553
Inventories	103,242	103,201
Loans, advances and financing	32,006,244	32,193,478
Financial assets held-for-sale	38,409	-
Financial investments available-for-sale	3,171,913	2,364,750
Property, plant and equipment	168,504	141,713
Land use rights	5,423	5,584
Tax recoverable	517,177	549,248
Intangible assets	14,633	15,415
Deferred tax assets	31,359	28,113
<b>TOTAL ASSETS</b>	<b>44,810,147</b>	<b>43,268,044</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits from customers	32,755,137	30,611,324
Bank borrowings	-	575,275
Trade payables	210	187
Other payables	377,327	303,986
Provision for taxation and zakat	16,410	7,814
Recourse obligation on loans/financing sold	2,238,167	2,420,175
Sukuk - MBSB Structured Covered ("SC") Murabahah	2,287,877	2,615,807
Deferred tax liabilities	10,156	9,428
<b>TOTAL LIABILITIES</b>	<b>37,685,284</b>	<b>36,543,996</b>
Share capital	6,172,051	5,798,774
Share premium	-	198,449
Other reserves	(395)	20,957
Retained earnings	953,207	705,868
<b>Total equity</b>	<b>7,124,863</b>	<b>6,724,048</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>44,810,147</b>	<b>43,268,044</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>7,315,619</b>	<b>5,030,529</b>
<b>Net assets per share attributable to shareholders (RM)</b>	<b>1.20</b>	<b>1.16</b>

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR**  
**ENDED 31 DECEMBER 2017**

	<b>4th quarter ended</b>		<b>Twelve months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	818,274	819,402	3,259,763	3,274,795
Income derived from investment of general investment deposits and Islamic capital funds	667,087	666,116	2,634,924	2,630,086
Income attributable to depositors	(301,425)	(241,862)	(1,077,119)	(1,001,417)
Income attributable to securitisation	(22,853)	(30,121)	(96,978)	(125,748)
Income attributable to sukuk	(78,588)	(89,392)	(328,835)	(370,663)
Net income from Islamic financing operations	264,221	304,741	1,131,992	1,132,258
Interest income	114,298	118,108	472,333	473,654
Interest expense	(2,730)	(61,227)	(152,299)	(253,823)
Net interest income	111,568	56,881	320,034	219,831
Operating income	375,789	361,622	1,452,026	1,352,089
Net other income	6,028	16,363	33,377	56,878
Net income	381,817	377,985	1,485,403	1,408,967
Other operating expenses	(94,073)	(58,238)	(336,060)	(293,281)
Operating profit	287,744	319,747	1,149,343	1,115,686
Allowance for impairment losses on loans, advances and financing	(109,449)	(168,861)	(598,611)	(777,265)
Profit before taxation and zakat	178,295	150,886	550,732	338,421
Taxation	(42,313)	(101,801)	(121,735)	(136,028)
Zakat	(12,000)	(3,444)	(11,871)	(981)
Profit for the period/year	123,982	45,641	417,126	201,412
Other comprehensive income - AFS revaluation reserve, which may be reclassified subsequently to profit or loss	(5,118)	(46,293)	13,154	(21,376)
Total comprehensive income for the period/year, net of tax	118,864	(652)	430,280	180,036
Earnings per share (sen)				
Basic	2.09	0.79	7.10	4.90
Diluted	2.09	0.79	7.10	4.90

**The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.**

**MALAYSIA BUILDING SOCIETY BERHAD**  
**(Company No. 9417-K)**  
**(Incorporated in Malaysia)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017**

	Share Capital RM'000	Share Premium <sup>#1</sup> RM'000	Capital Reserve <sup>#2</sup> RM'000	Warrants Reserve RM'000	Capital Redemption Reserve <sup>#3</sup> RM'000	Other Reserves		Total RM'000	Retained Profits RM'000	Total RM'000
						Share Option Reserve RM'000	Available- for-Sale Reserve RM'000			
<b>At 1 January 2016</b>	2,838,551	1,392,980	17,838	3,633	12,486	5,210	1,566	6,776	589,276	4,861,540
Profit for the year	-	-	-	-	-	-	-	-	201,412	201,412
Other comprehensive income for the year	-	-	-	-	-	-	(21,376)	(21,376)	-	(21,376)
Total comprehensive income for the year	-	-	-	-	-	-	(21,376)	(21,376)	201,412	180,036
Dividends	-	-	-	-	-	-	-	-	(85,278)	(85,278)
Share options granted under ESOS recognised in profit or loss	-	-	-	-	-	2,058	-	2,058	-	2,058
Issuance of ordinary shares pursuant to rights issue	2,899,387	(1,202,056)	-	-	-	-	-	-	-	1,697,331
Issuance of ordinary shares pursuant to exercise of DRP	50,169	7,525	-	-	-	-	-	-	-	57,694
Issuance of ordinary shares pursuant to exercise of warrants	10,667	-	-	-	-	-	-	-	-	10,667
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	-	-	(458)	-	(458)	458	-
<b>At 31 December 2016</b>	<b>5,798,774</b>	<b>198,449</b>	<b>17,838</b>	<b>3,633</b>	<b>12,486</b>	<b>6,810</b>	<b>(19,810)</b>	<b>(13,000)</b>	<b>705,868</b>	<b>6,724,048</b>
<b>At 1 January 2017</b>	<b>5,798,774</b>	<b>198,449</b>	<b>17,838</b>	<b>3,633</b>	<b>12,486</b>	<b>6,810</b>	<b>(19,810)</b>	<b>(13,000)</b>	<b>705,868</b>	<b>6,724,048</b>
Profit for the year	-	-	-	-	-	-	-	-	417,126	417,126
Other comprehensive income for the year	-	-	-	-	-	-	13,154	13,154	-	13,154
Total comprehensive income for the year	-	-	-	-	-	-	13,154	13,154	417,126	430,280
Dividends	-	-	-	-	-	-	-	-	(173,963)	(173,963)
Issuance of ordinary shares pursuant to exercise of DRP	144,491	-	-	-	-	-	-	-	-	144,491
Issuance of ordinary shares pursuant to exercise of ESOS	13	-	-	-	-	(6)	-	(6)	-	7
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	-	-	(543)	-	(543)	543	-
Transfer of share premium to share capital	198,449	(198,449)	-	-	-	-	-	-	-	-
Transfer of warrants reserve to retained profits	-	-	-	(3,633)	-	-	-	-	3,633	-
Transfer of capital redemption reserve redeemable cumulative preference shares to share capital	12,486	-	-	-	(12,486)	-	-	-	-	-
Transfer of capital reserve to share capital	17,838	-	(17,838)	-	-	-	-	-	-	-
<b>At 31 December 2017</b>	<b>6,172,051</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,261</b>	<b>(6,656)</b>	<b>(395)</b>	<b>953,207</b>	<b>7,124,863</b>

<sup>#1</sup> Pursuant to subsection 618(3) and 618(4) of the Companies Act 2016 ("New Act"), the Group may exercise its right to use the credit amounts being transferred from share premium accounts within 24 months after the commencement of the New Act.

<sup>#2</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.

<sup>#3</sup> Capital redemption reserve arose out of the redemption of redeemable cumulative preference shares of the Company.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>31 December 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	550,732	338,421
Adjustments for:		
Depreciation of property, plant and equipment	11,008	13,573
Amortisation:		
- land use rights	161	162
- intangible assets	10,841	13,500
Loss on disposal of property, plant and equipment	9	456
Gain on disposal of foreclosed properties	(2,095)	-
Allowance for impairment of:		
- provision for diminution from foreclosed properties	652	1,482
- provision for doubtful debts	8	-
- unsecured advances in respect of certain projects	41,945	36,515
Allowance for impairment losses on loans, advances and financing	598,611	777,265
Accruals during the year	22,485	6,507
Interest/profit income adjustment on:		
- loans, advances and financing	(24,215)	14,924
- profit payable on financial investments AFS	(7,880)	(20,186)
- Sukuk - MBSB SC Murabahah	(4)	(1,277)
Operating profit before working capital changes	1,202,258	1,181,342
Decrease/(increase) in deposits with financial institutions with maturity of more than one month	328,675	(669,549)
Increase in loans, advances and financing	(387,162)	(1,198,902)
Increase in financial assets held-for-sale	(38,409)	-
(Increase)/decrease in inventories	(41)	86
Decrease in trade receivables	239	277
(Increase)/decrease in other receivables	(111,575)	6,528
Increase in deposits from customers	2,143,813	2,025,937
Increase/(decrease) in trade payables	23	(27)
Increase/(decrease) in other payables	50,856	(28,489)
Cash generated from operations	3,188,677	1,317,203
Tax paid	(92,291)	(203,547)
Zakat paid	(3,275)	(4,017)
Net cash generated from operating activities	3,093,111	1,109,639

(Contd.)

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>31 December 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(37,832)	(17,816)
Purchase of intangible assets	(10,059)	(236)
Proceeds from disposal of foreclosed properties	3,315	-
Proceeds from disposal of property, plant and equipment and land use rights	24	126
Purchase of financial investments available-for-sale	(786,128)	(1,382,586)
Net cash used in investing activities	(830,680)	(1,400,512)
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings	(575,275)	(1,070,316)
Repayment of other borrowings	-	(50,181)
Repayment from recourse obligation on loans/financing sold	(182,008)	(347,067)
Repayment from Sukuk - MBSB SC Murabahah	(327,926)	(210,871)
Dividends paid on ordinary shares	(173,963)	(85,278)
Net proceeds from issuance of ordinary shares	144,504	1,765,692
Net cash (used in)/generated from financing activities	(1,114,668)	1,979
Net increase/(decrease) in cash and cash equivalents	1,147,763	(288,894)
Cash and cash equivalents at beginning of financial year	6,639,369	6,928,263
Cash and cash equivalents at end of financial year	7,787,132	6,639,369
Cash and cash equivalents comprise :		
Cash and short term funds	7,787,132	6,639,369

**The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.**

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS134**

**A1. Basis of Preparation**

The unaudited condensed interim financial statements for the financial quarter ended 31 December 2017 have been prepared under the historical cost convention except for financial investments available-for-sale which are recognised at fair value and 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/profit 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 2016. 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 ended 31 December 2016.

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 financial year ended 31 December 2016.

On 1 January 2017, 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 2017:

Effective for annual periods commencing on or after 1 January 2017

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A1. Basis of Preparation (continued)**

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

Effective for annual periods commencing on or after 1 January 2017

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

Effective for annual periods commencing on or after 1 January 2018 (Early adoption)

- MFRS 1 first-time Adoption of Malaysian Financial Reporting Standards
- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- MFRS 9 Financial Instruments (2014)
- MFRS 15 Revenue from Contracts with Customers
- Clarifications to MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 128 Investments in Associates & Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Transfer of Investment Property (Amendments to MFRS 140)

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases

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

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A2. Audit Report of Preceding Financial Year Ended 31 December 2016**

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**

There were no issuance and repayment of debt and equity securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter.

	No of ordinary shares '000	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000
<b>At 1 January 2017</b>	5,798,774	5,798,774	198,449	12,486	17,838
Issued pursuant to exercise of Dividend Re-Investment Plan ("DRP")	125,644	144,491	-	-	-
Issued pursuant to exercise of ESOS	7	13	-	-	-
Transfer of share premium to share capital	-	198,449	(198,449)	-	-
Transfer of capital reserve to share capital	-	12,486	-	(12,486)	-
Transfer of capital redemption reserve to share capital	-	17,838	-	-	(17,838)
<b>At 31 December 2017</b>	<b>5,924,425</b>	<b>6,172,051</b>	<b>-</b>	<b>-</b>	<b>-</b>

**A7. Dividend Paid**

No dividends were paid during the current financial quarter.



**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

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

	<b>31-12-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Personal financing	22,505,977	22,822,210
Mortgage loans and property financing	5,622,437	5,479,796
Corporate loans and financing	7,260,549	6,599,879
Auto Financing	281,574	334,524
Staff loans	43,685	48,205
Reclassification to Financial		
Assets Held-for-Sale ("AHS")	(1,513,043)	-
Gross loans, advances and financing	<u>34,201,179</u>	<u>35,284,614</u>
Allowance for impairment:		
- Collectively assessed (net of reclassification to AHS)	(1,892,818)	(2,809,131)
- Individually assessed	<u>(302,117)</u>	<u>(282,005)</u>
Net loans, advances and financing	<u>32,006,244</u>	<u>32,193,478</u>

**(ii) By maturity structure**

	<b>31-12-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	1,028,128	843,533
One year to three years	1,655,580	1,410,298
Three years to five years	2,123,963	1,788,154
Over five years	<u>29,393,508</u>	<u>31,242,629</u>
	<u>34,201,179</u>	<u>35,284,614</u>

**(iii) By economic purpose**

	<b>31-12-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of residential properties	4,937,712	5,194,235
Purchase of non-residential properties	301,205	309,683
Personal use	21,417,605	22,844,358
Property development	4,031,832	3,548,614
Working capital	2,563,760	2,402,615
Purchase of transport vehicles	284,109	336,457
Others	<u>664,956</u>	<u>648,652</u>
	<u>34,201,179</u>	<u>35,284,614</u>

**(iv) By type of customers**

	<b>31-12-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic business enterprises:		
- Small medium enterprises	2,540,062	3,734,289
- Others	4,850,648	2,976,192
Individuals	<u>26,810,469</u>	<u>28,574,133</u>
	<u>34,201,179</u>	<u>35,284,614</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

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

<b>(v) By interest/profit rate sensitivity</b>	<b>31-12-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate:		
- Personal financing	20,598,230	22,631,668
- Auto financing	284,109	336,457
- Mortgage and property financing	667,953	802,211
- Bridging, structured and term loans and financing	1,291,123	921,733
Variable rate:		
- Personal financing	819,376	212,690
- Mortgage and property financing	4,570,963	4,701,707
- Bridging, structured and term loans and financing	5,969,425	5,678,148
	<u>34,201,179</u>	<u>35,284,614</u>

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

	<b>31-12-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January	2,829,626	2,519,633
Classified as impaired during the year	757,166	884,443
Reclassified as non-impaired	(417,763)	(524,430)
Amount recovered	(85,696)	(50,006)
Amount written off	(288)	(14)
Reclassification to AHS	<u>(1,509,870)</u>	<u>-</u>
Balance as at end of year	1,573,175	2,829,626
Collective allowance	(2,121,500)	(1,700,602)
Reclassification to asset held-for-sale	1,474,087	-
Individual allowance	<u>(251,226)</u>	<u>(205,951)</u>
Allowance for impairment	<u>(898,639)</u>	<u>(1,906,553)</u>
Net impaired loans, advances and financing	<u>674,536</u>	<u>923,073</u>
Net impaired loans as a percentage of net loans, advances and financing	<u>2.1%</u>	<u>2.9%</u>

**(vii) Movements in allowance for impairment**

	<b>31-12-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Collective Impairment</b>		
Opening balance	2,809,131	2,045,943
Impairment during the year	558,321	763,188
Reclassification to AHS	<u>(1,474,634)</u>	<u>-</u>
Closing balance	<u>1,892,818</u>	<u>2,809,131</u>
As a % of gross loans, advances and financing less individual allowance	5.6%	8.0%
<b>Individual Impairment</b>		
Opening balance	282,005	277,916
Impairment during the year	20,400	4,103
Written off	<u>(288)</u>	<u>(14)</u>
Closing balance	<u>302,117</u>	<u>282,005</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A9. Financial assets held-for-sale (“AHS”)**

	<b>31-12-17</b> <b>RM'000</b>
Reclassification from gross loans, advances and financing	1,513,043
Less: Allowance for impairment collectively assessed	<u>(1,474,634)</u>
Net assets held-for-sale	<u><u>38,409</u></u>

Financial assets held-for-sale represents financing and loan receivables, which have been identified and for which a firm commitment has been received from an external party as at 31 December 2017.

These amounts are categorised according to their purpose as follows:

	<b>RM'000</b>
Purchase of residential properties	367,759
Purchase of non-residential properties	36,183
Personal use	<u>1,109,101</u>
	<u><u>1,513,043</u></u>

Breakdown of reclassification from gross loans, advances and financing:

	<b>RM'000</b>
Impaired (Note A8(vi)):	1,509,870
Non-impaired	<u>3,173</u>
	<u><u>1,513,043</u></u>

The disposal of the assets are expected to be completed within the second quarter of 2018 for an expected price of RM45,900,000.

**A10. Financial investments available-for-sale**

	<b>31-12-17</b> <b>RM'000</b>	<b>31-12-16</b> <b>RM'000</b>
<b>At Fair Value</b>		
<b>Money Market Instruments:</b>		
- Malaysian Government Investment Issues	<u>1,111,691</u>	<u>972,180</u>
	<u>1,111,691</u>	<u>972,180</u>
<b>Debt Securities:</b>		
- Private and Islamic debt securities	685,123	181,242
- Government Guaranteed debt securities	<u>1,375,099</u>	<u>1,211,328</u>
	<u><u>2,060,222</u></u>	<u><u>1,392,570</u></u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A11. Deposits from customers**

	<b>31-12-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>By type of products:</b>		
- Savings	96,751	97,444
- Fixed deposits	<u>32,658,386</u>	<u>30,513,880</u>
	<u>32,755,137</u>	<u>30,611,324</u>
<b>By type of customers:</b>		
- Government and statutory bodies	15,276,437	12,690,543
- Business enterprises	14,679,484	15,435,413
- Individuals	<u>2,799,216</u>	<u>2,485,368</u>
	<u>32,755,137</u>	<u>30,611,324</u>
<b>Maturity of deposits from customers:</b>		
- Within one year	30,129,603	28,639,144
- More than one year	<u>2,625,534</u>	<u>1,972,180</u>
	<u>32,755,137</u>	<u>30,611,324</u>

**A12. Interest Income**

	<b>4th quarter ended</b>		<b>12 months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans, advances and financing	90,354	96,508	362,096	398,857
Deposits and placements with banks and other financial institutions	<u>23,944</u>	<u>21,600</u>	<u>110,237</u>	<u>74,797</u>
	<u>114,298</u>	<u>118,108</u>	<u>472,333</u>	<u>473,654</u>

**A13. Interest Expenses**

	<b>4th quarter ended</b>		<b>12 months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Bank borrowings	160	364	993	3,103
Deposits from customers	<u>2,570</u>	<u>60,863</u>	<u>151,306</u>	<u>250,720</u>
	<u>2,730</u>	<u>61,227</u>	<u>152,299</u>	<u>253,823</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A14. Net Income from Islamic Banking Operations**

	<b>4th quarter ended</b>		<b>12 months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financing	473,795	539,521	2,142,811	2,122,741
Profit income from				
Sukuk Commodity Murabahah	114,058	56,525	206,170	236,113
Profit on financial investments	31,827	24,761	116,767	69,381
Deposits placements	45,662	38,446	163,156	197,605
Profit on subsidiaries	1,745	6,863	6,020	4,246
Less: Income attributable to depositors	(301,425)	(241,862)	(1,077,119)	(1,001,417)
Less: Income attributable to securitisation	(22,853)	(30,121)	(96,978)	(125,748)
Less: Income attributable to sukuk	(78,588)	(89,392)	(328,835)	(370,663)
	<u>264,221</u>	<u>304,741</u>	<u>1,131,992</u>	<u>1,132,258</u>

**A15. Net Other Income**

	<b>4th quarter ended</b>		<b>12 months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Rental income	43	42	182	168
Revenue from hotel operations	2,066	2,228	6,914	6,739
Loan related fees	2,386	784	14,578	24,674
Insurance commission	1,263	162	4,676	4,772
Legal notice fees	-	571	49	1,696
Sundry income	323	12,995	4,892	19,285
Gain/(loss) from disposal of:				
- Property, plant and equipment	1	(419)	(9)	(456)
- Foreclosed properties	(54)	-	2,095	-
	<u>6,028</u>	<u>16,363</u>	<u>33,377</u>	<u>56,878</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A16. Other Operating Expenses**

	<b>4th quarter ended</b>		<b>12 months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses:				
- Wages and salaries	32,834	12,965	128,211	102,769
- Social security costs	250	244	990	893
- Pension costs	5,307	2,134	20,701	16,427
- Mutual separation scheme	-	-	-	1,644
- Other staff related expenses	3,312	2,970	11,746	8,992
	41,703	18,313	161,648	132,784
Establishment related expenses	3,547	3,249	13,926	14,327
Promotion and marketing related expenses	1,764	2,143	6,085	11,631
General administrative expenses	28,002	27,106	82,449	67,352
Others	19,057	7,427	71,952	67,187
	<u>94,073</u>	<u>58,238</u>	<u>336,060</u>	<u>293,281</u>

**A17. Allowance for Impairment Losses on Loans, Advances and Financing**

	<b>4th quarter ended</b>		<b>12 months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Allowance for impairment on loans, advances and financing:				
- Collective impairment	77,058	164,658	558,321	763,188
- Individual impairment	9,615	1,688	20,400	4,103
- Written off	38,541	4,118	44,666	11,577
- Written back	(15,765)	(1,603)	(24,776)	(1,603)
	<u>109,449</u>	<u>168,861</u>	<u>598,611</u>	<u>777,265</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A18. Commitments and Contingencies**

	<b>31-12-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Operational Commitments</b>		
Loan/financing commitments not yet recognised in the financial statements:		
- Mortgage loans	49,857	115,127
- Properties financing	153,279	166,194
- Personal financing	1,329	230
- Auto financing	-	253
- Bridging, structured and term loans and financing	6,405,576	4,019,883
- Performance bond	93,441	25,216
- Financial guarantees	<u>190,609</u>	<u>282,098</u>
	<u>6,894,091</u>	<u>4,609,001</u>
Approved and contracted for property development	<u>421,528</u>	<u>421,528</u>
Total	<u>7,315,619</u>	<u>5,030,529</u>
<b>(ii) Capital Commitments</b>		
Property, plant and equipment:		
- Approved and contracted for	<u>132,043</u>	<u>165,914</u>
	<u>132,043</u>	<u>165,914</u>

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A19. Unsecured Contingent Liabilities**

- (i) Bongsor Bina Sdn Bhd (“BBSB”), 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. BBSB’s appeal to the Court of Appeal was allowed. The Company filed an application for leave to appeal to the federal Court. On 31 May 2017, the Company’s motion for leave to appeal to Federal Court was allowed with costs. The matter is now fixed for Case Management on 7 March 2018 to update the court on the filing of the Supplemental Record of Appeal.

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

- (ii) KCSB Konsortium Sdn Bhd and Kausar Corporation Sdn Bhd (collectively referred to as “the Plaintiffs/the Appellant”) have instituted a civil suit against the Company and its subsidiary for an alleged breach of facility agreement.

The High Court dismissed the Plaintiff’s claim with costs and allowed the Company’s counterclaim. The Plaintiffs appealed to the Court of Appeal who on 1 November 2016, allowed the appeal with no order as to costs and sent the case back to the High Court for retrial before a different Judge on the ground that the Judgement were wholly inadequate as they could not be certain as to the basis on which the Decision was reached.

The High Court fixed the matter for full trial on 11, 12 and 15 September 2017. The parties filed Striking-Out Applications on 18 July 2017. On 8 September 2017, the court found that both claims were time barred and struck out both the claims. Both parties have appealed to the Court of Appeal. The matter has been fixed for further Case Management on 22 January 2018 pending extraction of the fair order from the High Court.

The High Court fixed this matter for hearing on 20 April 2018.

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



**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A20. 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>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>3 months ended 31 December 2017</b>				
External sales	816,208	2,066	-	818,274
Intersegment transactions	7,485	1,024	(8,509)	-
Total revenue	<u>823,693</u>	<u>3,090</u>	<u>(8,509)</u>	<u>818,274</u>
Segment results	156,929	(4,627)	25,993	178,295
Unallocated income (net of cost)				-
Profit from operations				<u>178,295</u>
Segment assets	51,246,545	66,792	(6,503,190)	44,810,147
Unallocated corporate assets				-
Consolidated total assets				<u>44,810,147</u>
Segment liabilities	44,750,016	189,850	(7,254,582)	37,685,284
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>37,685,284</u>

	<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>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>3 months ended 31 December 2016</b>				
External sales	817,174	2,228	-	819,402
Intersegment transactions	6,846	1,005	(7,851)	-
Total revenue	<u>824,020</u>	<u>3,233</u>	<u>(7,851)</u>	<u>819,402</u>
Segment results	136,997	(3,617)	17,506	150,886
Unallocated income (net of cost)				-
Profit from operations				<u>150,886</u>
Segment assets	50,342,934	70,026	(7,144,916)	43,268,044
Unallocated corporate assets				-
Consolidated total assets				<u>43,268,044</u>
Segment liabilities	44,157,750	164,160	(7,777,914)	36,543,996
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>36,543,996</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A20. Segmental Information on Revenue and Results (continued)**

	<b>Financing RM'000</b>	<b>Hotel Operations RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>12 months ended 31 December 2017</b>				
External sales	3,252,849	6,914	-	3,259,763
Intersegment transactions	28,675	3,802	(32,477)	-
Total revenue	<u>3,281,524</u>	<u>10,716</u>	<u>(32,477)</u>	<u>3,259,763</u>
Segment results	459,334	(18,954)	110,352	550,732
Unallocated income (net of cost)				-
Profit from operations				<u>550,732</u>
Segment assets	51,246,545	66,792	(6,503,190)	44,810,147
Unallocated corporate assets				-
Consolidated total assets				<u>44,810,147</u>
Segment liabilities	44,750,016	189,850	(7,254,582)	37,685,284
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>37,685,284</u>
	<b>Financing RM'000</b>	<b>Hotel Operations RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>12 months ended 31 December 2016</b>				
External sales	3,268,056	6,739	-	3,274,795
Intersegment transactions	25,711	3,580	(29,291)	-
Total revenue	<u>3,293,767</u>	<u>10,319</u>	<u>(29,291)</u>	<u>3,274,795</u>
Segment results	286,071	(16,087)	68,437	338,421
Unallocated income (net of cost)				-
Profit from operations				<u>338,421</u>
Segment assets	50,342,934	70,026	(7,144,916)	43,268,044
Unallocated corporate assets				-
Consolidated total assets				<u>43,268,044</u>
Segment liabilities	44,157,750	164,160	(7,777,914)	36,543,996
Unallocated corporate liabilities				-
Consolidated total liabilities				<u>36,543,996</u>

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A21. Valuation of Property, Plant and Equipment**

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

**A22. Subsequent Events**

None.

**A23. Changes in the Composition of the Group**

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

**A24. Acquisition/Disposal of Property, Plant and Equipment**

	As at 31-12-17 RM'000
Additions	
Building in progress	33,871
Building renovation	271
Furniture & equipment	355
Data processing equipment	3,335
	37,832
Disposals	
Building Renovation	(24)
Furniture & equipment	(463)
Data processing equipment	(734)
	(1,221)

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A25. Significant Related Party Transactions**

	<b>12 months ended 31 December</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>
(i) Transactions with Employees Provident Fund Board, the ultimate holding body:		
<b>Expenses</b>		
Interest on loans	-	850
Profit expense paid on Sukuk to EPF	57,477	57,794
Rental expense	286	280
<b>Balances</b>		
Sukuk - MBSB SC Murabahah	1,126,387	1,141,114
Rental deposit	96	94
(ii) Transactions with RHB Banking Group of companies, being companies directly controlled by EPF:		
<b>Income</b>		
Interest/profit from deposit placements	35,497	43,738
<b>Expenses</b>		
Interest expense to depositors	15,297	16,101
Interest expense for bank borrowing	441	849
Interest expenses for recourse obligation on loan/financing sold	20,744	25,800
<b>Balances</b>		
Deposits and placements with financial institutions	749,944	1,392,479
Deposits from customers	-	306,054
Bank borrowings	-	250,098
Recourse obligation on loans sold to Cagamas Berhad	-	432,378
(iii) Collectively, but not individually, significant balances:		
<b>Expenses</b>		
Interest expense to depositors	10,756	6,191
<b>Balances</b>		
Deposit from customers	145,849	872,923

**A26. Impairment Loss**

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

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A27. Operations of Islamic Banking****A27a. Unaudited Consolidated Statements of Financial Position as at 31 December 2017**

	Note	31-Dec-17 RM'000	31-Dec-16 RM'000
<b>Assets</b>			
Cash and short-term funds		6,732,883	4,398,300
Deposits and placements with financial institutions		747,100	763,329
Financing	A27c	28,553,830	28,106,938
Financial assets held-for-sale ("AHS")	A27d	8,734	-
Other receivables		1,948,569	262,532
Financial investment available-for-sale ("AFS")		3,171,913	2,364,750
<b>Total assets</b>		<u>41,163,029</u>	<u>35,895,849</u>
<b>Liabilities</b>			
Deposits from customers	A27e	31,940,055	24,149,761
Other payables		2,680,731	4,595,579
Bank borrowings		-	400,211
Recourse obligation on loans/financing sold		1,269,652	1,385,248
Sukuk - MBSB SC Murabahah		2,287,877	2,615,807
Provision for taxation		60,605	81,398
Provision for zakat		13,377	4,780
<b>Total liabilities</b>		<u>38,252,297</u>	<u>33,232,784</u>
Islamic fund		4,000	4,000
AFS reserve		(6,656)	(19,810)
Retained profits		2,913,388	2,678,875
		<u>2,910,732</u>	<u>2,663,065</u>
<b>Total liabilities and Islamic fund</b>		<u>41,163,029</u>	<u>35,895,849</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A27b. Unaudited Consolidated Statements of Comprehensive Income for the Year Ended 31 December 2017**

	4th quarter ended		12 months ended	
	31 December		31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of general investment deposits and Islamic capital funds	667,087	643,873	2,634,924	2,630,086
Less: Income attributable to depositors	(301,425)	(241,862)	(1,077,119)	(1,001,417)
Less: Income attributable to securitisation	(22,853)	(30,121)	(96,978)	(125,748)
Less: Income attributable to sukuk	(78,588)	(89,392)	(328,835)	(370,663)
Net income from financing operations	264,221	282,498	1,131,992	1,132,258
Other income	2,842	(1,060)	19,757	36,053
Other expenses	(80,770)	(34,394)	(271,961)	(171,951)
Allowance for losses on financing	(125,203)	(119,741)	(566,840)	(557,194)
Profit before taxation and zakat	61,090	127,303	312,948	439,166
Taxation	(17,298)	(31,157)	(66,564)	(86,381)
Zakat	(12,000)	(3,444)	(11,871)	(981)
Profit after taxation and zakat	31,792	92,702	234,513	351,804
Other comprehensive income	(5,118)	(21,376)	13,154	(21,376)
Total comprehensive income for the period	26,674	71,326	247,667	330,428

**A27c. Financing**

(i) By type	31-12-17	31-12-16
	RM'000	RM'000
Term financing:		
- Corporate financing	11,310,360	9,625,862
- Property financing	7,058,100	5,936,416
- Personal financing	33,958,447	35,398,821
- Auto financing	300,651	359,625
Staff financing	18,571	19,960
Less: Unearned income	(21,651,643)	(21,362,958)
Reclassification to AHS	(1,144,160)	-
Gross financing	29,850,326	29,977,726
Allowance for impairment:		
- Collectively assessed (net of reclassification to AHS)	(1,296,061)	(1,870,623)
- Individually assessed	(435)	(165)
Net financing	28,553,830	28,106,938

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A27c. Financing (continued)****(ii) By contract**

	<b>31-12-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Bai Bithaman Ajil (deferred payment sale)	2,372,817	2,080,179
Bai Al-Inah (cost plus)	11,789,974	13,640,302
Tawarruq	9,892,992	9,513,046
Contract financing	<u>5,794,543</u>	<u>4,744,199</u>
	<u>29,850,326</u>	<u>29,977,726</u>

**(iii) Impaired financing**

	<b>31-12-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January	1,657,995	1,426,173
Classified as impaired during the year	517,959	557,491
Reclassified as non-impaired during the year	(326,361)	(320,053)
Amount recovered	(8,174)	(5,616)
Reclassification to AHS	<u>(1,143,808)</u>	<u>-</u>
Balance as at 31 December	697,611	1,657,995
Collective allowance	(1,515,803)	(1,139,713)
Reclassification to AHS	1,135,338	-
Individual allowance	<u>(435)</u>	<u>(165)</u>
Allowance for impairment	<u>(380,900)</u>	<u>(1,139,878)</u>
Net impaired financing	<u>316,711</u>	<u>518,117</u>
Net impaired financing as a percentage of net financing	<u>1.1%</u>	<u>1.8%</u>

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

	<b>31-12-17</b>	<b>31-12-16</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Collective impairment</b>		
Balance as at 1 January	1,870,623	1,323,066
Impairment during the year	560,864	547,557
Reclassification to AHS	<u>(1,135,426)</u>	<u>-</u>
Balance as at 31 December	<u>1,296,061</u>	<u>1,870,623</u>
<b>Individual impairment</b>		
Balance as at 1 January	165	-
Impairment during the year	<u>270</u>	<u>165</u>
Balance as at 31 December	<u>435</u>	<u>165</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**A27d. Financial assets held-for-sale**

	<b>31-12-17</b> <b>RM'000</b>
Reclassification from gross financing	1,144,160
Less: Allowance for impairment collectively assessed	<u>(1,135,426)</u>
Net assets held-for-sale	<u>8,734</u>

Assets held-for-sale represents financing which have been identified and for which a firm commitment has been received from an external party as at 31 December 2017. The gross amounts are categorised according to their purpose as follows:

These amounts are categorised according to their purpose as follows:

	<b>RM'000</b>
Purchase of residential properties	33,958
Purchase of non-residential properties	1,101
Personal use	<u>1,109,101</u>
	<u>1,144,160</u>

Breakdown of reclassification from gross financing:

	<b>RM'000</b>
Impaired (Note A27c(iii)):	1,143,808
Non-impaired	<u>352</u>
	<u>1,144,160</u>

**A27e. Deposits from Customers****(i) By type of deposits**

	<b>31-12-17</b> <b>RM'000</b>	<b>31-12-16</b> <b>RM'000</b>
Al-Wadiah savings account	56,728	51,895
Mudharabah fund	<u>31,883,327</u>	<u>24,097,866</u>
	<u>31,940,055</u>	<u>24,149,761</u>

**(ii) By type of customer**

	<b>31-12-17</b> <b>RM'000</b>	<b>31-12-16</b> <b>RM'000</b>
Business enterprises	29,797,831	23,545,255
Individuals	<u>2,142,224</u>	<u>604,506</u>
	<u>31,940,055</u>	<u>24,149,761</u>

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

	<b>31-12-17</b> <b>RM'000</b>	<b>31-12-16</b> <b>RM'000</b>
Within one year	29,571,999	23,205,596
More than one year	<u>2,368,056</u>	<u>944,165</u>
	<u>31,940,055</u>	<u>24,149,761</u>



**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. Performance Review**

**Current Year-to-Date vs Previous Year-to-Date**

	Individual Period (4th quarter)		Changes (Amount/%)		Cumulative Period		Changes (Amount/%)	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year To-date	Preceding Year Corresponding Period		
	31/12/2017	31/12/2016			31/12/2017	31/12/2016		
Revenue	818,274	819,402	(1,128)	-0.14%	3,259,763	3,274,795	(15,032)	-0.46%
Other operating expenses	(94,073)	(58,238)	(35,835)	61.53%	(336,060)	(293,281)	(42,779)	14.59%
Operating Profit	287,744	319,747	(32,003)	-10.01%	1,149,343	1,115,686	33,657	3.02%
Allowances for impairment losses on loans, advances and financing	(109,449)	(168,861)	59,412	-35.18%	(598,611)	(777,265)	178,654	-22.98%
Profit Before Tax	178,295	150,886	27,409	18.17%	550,732	338,421	212,311	62.74%
Profit After Tax	123,982	45,641	78,341	171.65%	417,126	201,412	215,714	107.10%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	123,982	45,641	78,341	171.65%	417,126	201,412	215,714	107.10%

Group revenue for the 12 months ended 31 December 2017 of RM3.260 billion is at par with the revenue recorded for the previous financial year. Group profit before tax for the financial year ended 31 December 2017 of RM550.732 million increased by RM212.311 million or 62.74% as compared to the previous year profit before tax of RM338.421 million. The increase was mainly due to higher net operating income and lower allowances for impairment losses on loans, advances and financing. Net profit attributable to ordinary equity holders stood at RM417.126 million, higher by 107.10% over the preceding year net profit of RM201.412 million.

The Group cost to income ratio slightly increased from the previous year ratio of 20.8% to stand at 22.6% in the current year. Total personnel expenses for the financial year ended 31 December 2017 of RM161.65 million were higher by RM28.86 million or 21.7% as compared to the previous year corresponding period mainly due to higher wages and salaries expenses as total number of staff increased from 1,477 to 1,565. Finance costs for the financial period ended 31 December 2017 of RM149.57 million were lower by RM43.03 million or 22.34% as compared to the previous year corresponding period mainly due to lower cost of deposits.

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. Following the completion of the impairment programme, which is in line with the recommendation by Bank Negara Malaysia and in compliance with current accounting standards, allowances for impairment losses on loans, advances and financing increased by RM1.98 billion cumulatively since fourth quarter of 2014. The Group financing and loan loss coverage ratio increased to 139.52% for the financial year ended 31 December 2017 from 107.09% recorded over the same period last year.

The Group's gross loans and financing contracted to RM34.201 billion or -3.07% as at 31 December 2017, from RM35.285 billion as at 31 December 2016. This was mainly due to reclassification of selected impaired retail loans and financing accounts totalling RM1.510 billion to financial assets held-for-sale. This was partly off-set by growth in corporate loans and financing. Fair value of financial investments available-for-sale increased by RM807.163 million as compared to 31 December 2016 position due to improved yields from favourable market sentiments. Total deposits from customers increased by RM2.144 billion or 7.0% to stand at RM32.755 billion as at 31 December 2017.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**B1. Performance Review (continued)****Current Year-to-Date vs Previous Year-to-Date (continued)**

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. The lower disbursements are part of the overall product mix strategy between retail and corporate portfolios, and to strengthen the personal financing portfolio quality.

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.

Property financing and mortgage loans – The gross income from property financing was higher in the current period compared to the previous corresponding period due to growth in its financing assets base. This was partly set off by lower income from mortgage loans as its assets base decrease due to declining disbursements.

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

**Current Quarter vs Previous Year Corresponding Quarter**

The Group registered a profit before tax of RM178.295 million, an improvement of RM27.409 million of 18.17% compared to the previous year corresponding quarter. The improved profit before tax was mainly due to higher operating profit and lower allowances for impairment losses on loans, advances and financing. Net profit attributable to ordinary equity holders grew by RM78.341 million or 171.65% over the same period to RM123.982 million.

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

- 1) Personal financing – The gross income from personal financing in the current quarter was lower compared to the previous year corresponding period due to lower disbursements and decreasing portfolio base.
- 2) Corporate loans and financing – The gross income from corporate loans and financing in the current quarter was higher compared to the previous year corresponding quarter due to the continued growth of corporate loans and financing assets base.
- 3) Property financing and mortgage loans – The gross income from property financing was higher in the current quarter compared to the previous corresponding quarter due to growth in its financing assets base. This was partly set off by lower income from mortgage loans as its assets base decrease due to declining disbursements.
- 4) Auto financing – The gross income from auto financing in the current quarter was lower compared to the previous year corresponding quarter due to decreasing portfolio base.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

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

	Current Quarter	Immediate	Changes	
		Preceding Quarter	(Amount/%)	
	31/12/2017	30/09/2017		
Revenue	818,274	816,868	1,406	0.17%
Operating Profit	287,744	286,045	1,699	0.59%
Allowances for impairment losses on loans, advances and financing	(109,449)	(155,933)	46,484	-29.81%
Profit Before Tax	178,295	130,112	48,183	37.03%
Profit After Tax	123,982	100,792	23,190	23.01%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	123,982	100,792	23,190	23.01%

The Group profit before tax for the 4<sup>th</sup> quarter 2017 of RM178.295 million increased by RM48.183 million as compared to the preceding quarter profit before tax of RM130.112 million. The increase was mainly due to higher net operating income and higher other operating expenses in the current quarter.

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

The Malaysian economy recorded a stronger growth of 6.2% in the third quarter of 2017 (2Q 2017: 5.8%). Private sector spending continued to be the main driver of growth. The external sector also contributed positively to growth, as real exports expanded at a faster pace (11.8%; 2Q 2017: 9.6%), supported by stronger demand from major trading partners. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.8% (2Q 2017: 1.3%).

Domestic demand grew by 6.6% in the third quarter of the year (2Q 2017: 5.7%), supported by continued expansion in both private sector expenditure (7.3%; 2Q 2017: 7.2%) and public sector spending (4.1%; 2Q 2017: 0.2%). Private consumption expanded by 7.2% (2Q 2017: 7.1%), underpinned by better labour market conditions. In particular, private sector wages were sustained amid stronger employment growth. Private investment registered a stronger growth of 7.9% (2Q 2017: 7.4%), mainly in the services and manufacturing sectors. Within the manufacturing sector, both export- and domestic-oriented subsectors undertook higher capital spending during the quarter. Business sentiments also remained above the optimism threshold, in line with favourable external and domestic demand conditions.

Public consumption expanded by 4.2% (2Q 2017: 3.3%) following faster growth in emoluments amid continued prudence in spending on supplies and services. Public investment turned around to register positive growth of 4.1% during the quarter (2Q 2017: -5.0%). This was due to higher fixed assets spending by both the Federal Government and public corporations.

*(Source: Extracted from the latest BNM Quarterly Bulletin - Developments in the Malaysian Economy, Third Quarter 2017)*

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**B3. Prospects (continued)**

***Banking system resilient***

The banking sector remained resilient and well-capitalised during the third quarter of 2017. The common equity tier 1 (CET1) capital ratio; tier 1 capital ratio; and total capital ratio remained steady at 13.2%, 14.1% and 17.1%, respectively (end-September 2016: 13.3%; 14.2%; 16.7%). The pre-tax profit of the banking system eased to RM9 billion (Q3 2016: RM8.1 billion) mainly due to lower dividend contributions from subsidiaries. Meanwhile, loan quality of the banking system was stable with the net impaired loans ratio remaining at 1.2% of total net loans.

*(Source: Extracted from the latest Quarterly Update on the Malaysian Economy – Third Quarter 2017, Ministry of Finance)*

***Overall liquidity conditions remained sufficient for financial intermediation***

In the banking system, liquidity conditions remained sufficient at both the institutional and system-wide levels. The level of surplus liquidity placed with BNM increased during the quarter due to higher net inflows, which also led to the reduction in liquidity injection operations. At the institutional level, most banks continued to maintain surplus liquidity positions.

The growth of net financing moderated to 6.4% during the quarter (2Q 2017: 7.0%) due to lower growth for both outstanding loans (3Q 2017: 5.0%; 2Q 2017: 5.6%) and corporate bonds (3Q 2017: 10.9%; 2Q 2017: 11.8%). The lower loan growth was due mainly to the slower growth in outstanding loans of businesses other than SMEs (3Q 2017: 4.0%; 2Q 2017: 6.3%), which partly reflected the higher repayment by a few large firms (3Q 2017: RM115.3 billion; 2Q 2017: RM112.9 billion). Loan growth to SMEs, however, was stable at 7.0% (2Q 2017: 7.0%), with higher loans disbursed during the quarter (3Q 2017: RM76.8 billion; 2Q 2017: RM69.3 billion). Household loans grew at a slightly slower pace of 4.9% during the period (2Q 2017: 5.1%), mainly reflecting the moderation in loans for passenger cars; personal financing; and purchase of non-residential property.

*(Source: Extracted from the latest BNM, Quarterly Bulletin - Monetary and Financial Developments in the Malaysian Economy, Third Quarter 2017)*

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**B3. Prospects (continued)**

*Development of the Islamic finance industry*

Over the next two years, the development of the Islamic finance industry will focus on enabling greater business diversification, driven by technology, to sustain its growth trajectory and deliver better value to customers. Towards this end, BNM will intensify industry engagements to encourage more innovative applications of Shariah contracts in funding, financing and investment instruments.

In meeting the demand for Shariah-compliant financial products and services, Islamic financial institutions are expected to assume a larger role in value-based intermediation, beyond existing credit intermediation roles, to contribute more effectively towards the broader economic and social development. This vision for the Islamic financial sector is also supported by the transformation of the Islamic finance education landscape to address the talent needs of the industry.

By 2020, Shariah-compliant financing is expected to account for 40% of total financing in Malaysia. Investment accounts (“IA”) expanded further during the year as a new source of funding for Islamic banks. The risk sharing features of IA are expected to support entrepreneurship, facilitated by more efficient arrangements for the intermediation of investments by the Islamic banking industry.

*(Source: Chapter 4: Islamic Finance Development, Financial Stability and Payment Systems Report 2016, BNM)*

*Group Prospects*

With the acquisition of Asian Finance Bank Berhad (“AFB”) and subsequent transfer of the Company's Shariah-compliant assets and liabilities to AFB approved by the Company's shareholders on 23 January 2018, the Group will transform itself into a licenced Islamic bank. Pre-integration activities have been smooth for operation integration pursuant to the completion of the proposed acquisition in 1<sup>st</sup> quarter of 2018.

Following the completion, the Group will offer Islamic banking services to both retail and wholesale banking customers such as amongst others, deposit taking, wealth management, foreign exchange, investment banking, debt capital management and trade finance. The transformation is an opportunity for the Group to participate in the growing Islamic banking segment.

The acquisition of AFB will contribute positively to the Group. Barring any unforeseen circumstances, the Group expects its performance for 2018 to be satisfactory.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

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

None.

**B5. Taxation**

	<b>4th quarter ended</b>		<b>12 months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current income tax:				
- Malaysian income tax	45,403	41,464	128,222	79,872
Over provision in prior years:				-
- Malaysian income tax	<u>(3,969)</u>	<u>(277,656)</u>	<u>(3,969)</u>	<u>(422,129)</u>
	<u>41,434</u>	<u>(236,192)</u>	<u>124,253</u>	<u>(342,257)</u>
Deferred tax:				
Under provision in prior years	-	-	4,690	492,696
- Relating to origination and reversal of temporary differences	<u>878</u>	<u>337,993</u>	<u>(7,208)</u>	<u>(14,411)</u>
	<u>878</u>	<u>337,993</u>	<u>(2,518)</u>	<u>478,285</u>
Total income tax expense	<u>42,312</u>	<u>101,801</u>	<u>121,735</u>	<u>136,028</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) 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 debt securities as disclosed in Note A10.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**B8. Status of Corporate Proposals****Proposed Merger**

<b>Corporate Proposal</b>	<b>Status</b>
<p>The Company had, on 21 December 2016, received a letter from Bank Negara Malaysia (“BNM”) dated 21 December 2016 which states that BNM has no objection in principle for the Company to commence negotiations with the existing shareholders of Asian Finance Bank Berhad (“AFB”) namely Qatar Islamic Bank, RUSD Investment Bank Inc, Tadamon International Islamic Bank and Financial Assets Bahrain WLL for a proposed merger of the Company and AFB (“the Proposed Merger”). BNM requires that the negotiations be completed within six months from the date of BNM’s letter.</p>	<ul style="list-style-type: none"> <li>• On 19 June 2017, the Company submitted an application to BNM within the stipulated timeframe, to seek the approvals of BNM and/ or the Ministry of Finance, Malaysia for the Proposed Merger.</li> <li>• On 18 August 2017, the Company received notification from BNM vide its letter dated 18 August 2017 that the Minister of Finance has granted approval for the proposed acquisition by MBSB of 100% interest in the shares of AFB pursuant to the Islamic Financial Services Act 2013.</li> <li>• On 6 November 2017, the Company has entered into a conditional share purchase agreement with the shareholders of AFB, name ly Qatar Islamic Bank, Financial Assets Bahrain W.L.L, RUSD Investment Bank Inc and Tadamon International Islamic Bank (collectively, the “<b>Vendors</b>”), for the proposed acquisition by MBSB of the entire equity interest in AFB from the Vendors for an aggregate purchase consideration of RM644,952,807.66 (“<b>Purchase Consideration</b>”) (“<b>Proposed Acquisition</b>”). The Purchase Consideration will be satisfied through a combination of cash amounting to RM396,894,036.26 and the issuance of 225,507,974 new ordinary shares in MBSB (“<b>Consideration Share(s)</b>”) at an issue price of RM1.10 per Consideration Share.</li> <li>• On 22 January 2018, the holders of the MBSB Structured Covered Sukuk approved, among others, the proposed Sukuk exchange and reorganisation of MBSB and/or amalgamation of MBSB with AFB in relation to the Proposed Acquisition.</li> <li>• On 23 January 2018, the shareholders of the Company approved the Proposed Acquisition. The acquisition is expected to be completed in 1<sup>st</sup> quarter 2018.</li> </ul>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**B9. Borrowings and Debts**

Borrowings of the Group were as follows:

	<b>As at 4th quarter period ended 31 December 2017</b>		
	<b>Long term RM denomination</b>	<b>Short term RM denomination</b>	<b>Total borrowings RM denomination</b>
<b>Secured</b>			
Recourse obligation on loans/financing sold	477,918	1,760,249	2,238,167
<b>Unsecured</b>			
Bank borrowings	-	-	-

	<b>As at 4th quarter period ended 31 December 2016</b>		
	<b>Long term RM denomination</b>	<b>Short term RM denomination</b>	<b>Total borrowings RM denomination</b>
<b>Secured</b>			
Recourse obligation on loans/financing sold	983,476	1,436,699	2,420,175
<b>Unsecured</b>			
Bank borrowings	-	575,275	575,275

**B10. Off Balance Sheet Financial Instruments**

None.

**B11. Material Litigation**

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

**B12. Dividend Proposed**

The Board of Directors has recommended a Single-Tier Final Dividend of 5.0 sen net per Ordinary Share for the financial year ended 31 December 2017. Based on the total number of ordinary shares in issue of 5,924,425,200 as at 31 December 2017 the Single-Tier Final Dividend payable would be approximately RM296,221,260.

The Board of Directors has determined that the option to reinvest via the Dividend Reinvestment Plan ("DRP") shall apply to the entire portion of the proposed Single-Tier Final Dividend of 5.0 sen net per Ordinary Share for the financial year ended 31 December 2017. The approval for the proposed Single-Tier Final Dividend of 5.0 sen net per Ordinary Share will be sought at the coming Annual General Meeting.



**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**B12. Dividend Proposed (continued)**

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

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

**B13. 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>4th quarter ended</b>		<b>12 months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net profit attributable to shareholders for the period (RM'000)	123,982	45,641	417,126	201,412
Weighted average number of ordinary shares in issue ('000)	5,943,272	5,798,774	5,872,769	4,107,971
Basic earnings per share (sen)	<u>2.09</u>	<u>0.79</u>	<u>7.10</u>	<u>4.90</u>

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2017

**B13. 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>4th quarter ended</b>		<b>12 months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net profit attributable to shareholders for the period (RM'000)	123,982	45,641	417,126	201,412
Weighted average number of ordinary shares in issue ('000)	5,943,272	5,798,774	5,872,769	4,107,971
Weighted average effect of dilution on ESOS ('000)	308	-	308	-
Adjusted weighted average number of ordinary shares in issue ('000)	<u>5,943,580</u>	<u>5,798,774</u>	<u>5,873,077</u>	<u>4,107,971</u>
Diluted earnings per share (sen)	<u>2.09</u>	<u>0.79</u>	<u>7.10</u>	<u>4.90</u>

**B14. Authorisation for Issue**

The unaudited interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 January 2018.

BY ORDER OF THE BOARD

Koh Ai Hoon  
(MAICSA 7006997)  
Tong Lee Mee  
(MAICSA 7053445)  
Joint Company Secretaries  
Kuala Lumpur  
30 January 2018