



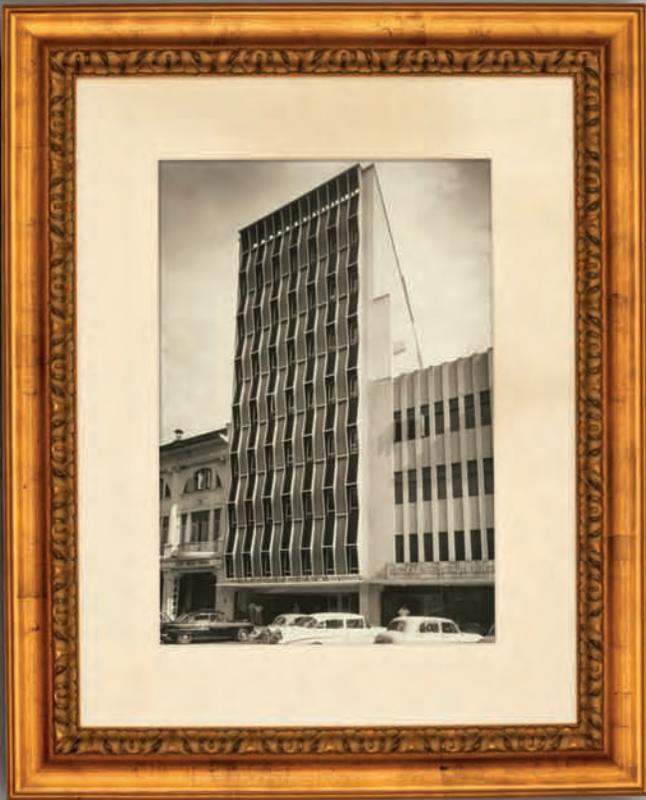
A DYNAMIC LEGACY

Annual Report 2012



A Subsidiary of the EPF (9417-K)

Your Financial Provider



Cover Rationale

Acquiring a distinctive heritage often leaves an entity with an abundance of inspirations to progress and overcome challenges. This precious asset serves as a sturdy foundation to enrich the new generation, paving the way for greater potentials. In pride on its rich history, MBSB aspires to reach new heights and keep alive its Dynamic Legacy.

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OUR STORY : CHRONOLOGY OF KEY EVENTS



1948

- Colonial Development Corporation (CDC) established



1950

- Federal and Colonial Building Society established with office in MacDonald House, Singapore

1957

- Ipoh branch became fully operational

1958

- Penang branch opened

1963

- MBBS listed on the Stock Exchange of Malaysia and Singapore

1966

- National Land Code 1965 comes into effect enabling MBBS to lend to purchasers of apartments for the first time
- Melaka branch opened

1970

- Malaysia Building Society Berhad (MBSB) formed

1972

- The undertaking and entire operations of MBBS, together with its assets and liabilities, are transferred to MBSB

1985

- MBSB moves its headquarters to Wisma MBSB, Damansara Heights, Kuala Lumpur

1993

- MBSB's 100 percent-owned subsidiary, MBSB Development Sdn Bhd incorporated

1998-1999

- In the wake of the Asian financial crisis, MBSB's group pre-tax profits fell from RM77.04 million in 1998 to a loss of RM294.31 million in 1999

2005

- MBSB website officially launched

2012

- MBSB's Total Reserves in the positive for the first time since 2001
- MBSB achieved pre-tax profit of RM656.2 million for 2012

1953

- Kuala Lumpur branch office opened

1956

- Name changed to Malaya Borneo Building Society (MBBS)

1957

- Federation of Malaya achieved Independence

1959

- Borneo Housing Development Ltd (BHDL) jointly incorporated by the CDC and the government of Sarawak

- Sentosa Raya, MBBS new headquarters in Kuala Lumpur, officially opened by Tunku Abdul Rahman Putra

1965

- MacDonald House, Singapore, where MBBS Singapore branch is located, bombed by Indonesian commandos

- MBBS introduced deposit service

- Singapore separated from Malaysia

1967

- New currencies introduced for Malaysia and Singapore, at parity

1969

- The newly incorporated Singapura Building Society (SBS) is mandated to take over the full operations of the Society in Singapore

1976

- MBSB's directors decided the Company should computerise

1983

- MBSB Board Executive Committee formed

1992

- MBSB began financing industrial and commercial properties

1994

- MBSB undertook its first property development project in decades: Bandar Indah Mahkota II, Kuantan, Pahang

2004

- MBSB recorded its first pre-tax profit since 1998: RM24.6 million

2009

- "Taking MBSB to the Next Level" transformation programme launched by new Chief Executive Officer Dato' Ahmad Zaini bin Othman

1963

- Malaysia formed



1948 1950

1960

1970

1980

1990

2000

2012

Notice of Annual General Meeting

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE 43RD ANNUAL GENERAL MEETING ("AGM") of the Company will be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Friday, 10 May 2013 at 9.30 a.m. for the following purposes:

Ordinary Business:

1. To receive and adopt the Audited Financial Statements of the Company and of the Group for the year ended 31 December 2012 and Reports of the Directors and Auditors thereon.

Ordinary Resolution 1

2. To declare the following:-

(i) A final dividend of 9% less 25% income tax for the financial year ended 31 December 2012; and

Ordinary Resolution 2

(ii) A special dividend of 18% less 25% income tax for the financial year ended 31 December 2012

Ordinary Resolution 3

3. To approve payment of Directors' Fees amounting to RM560,000.00 for the financial year ended 31 December 2012.

Ordinary Resolution 4

4. To re-elect the following Directors who retire in accordance with Article 86 of the Company's Articles of Association and who being eligible offer themselves for re-election:-

(i) Datuk Syed Zaid bin Syed Jaffar Albar

Ordinary Resolution 5

(ii) Dato' Jasmy bin Ismail

Ordinary Resolution 6

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration.

Ordinary Resolution 7

Special Business:

6. To consider and if thought fit, to pass the following resolution pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 to retain the following director, who has served the Company as board member for a cumulative term of more than nine years, in the capacity as independent director:-

Continuing in Office as Independent Non-Executive Director

Ordinary Resolution 8

(i) That approval be and is hereby given for Datuk Syed Zaid bin Syed Jaffar Albar to continue to act as an Independent Non-Executive Director of the Company.

7. To consider and if thought fit, to pass the following resolution:-

Proposed increase in the authorised share capital of MBSB

Ordinary Resolution 9

That the authorised share capital of the Company be and is hereby increased from RM2,800,000,000 comprising 2,800,000,000 MBSB Shares to RM10,000,000,000 comprising 10,000,000,000 MBSB Shares by the creation of an additional 7,200,000,000 new MBSB Shares.

That the Board be and is hereby authorised to do all such acts and things that are necessary to give full effect to the Proposed Increase in Authorised Share Capital.

And that in consequence thereof, the Memorandum & Articles of Association of the Company and all other relevant documents be and are hereby amended accordingly.

8. To consider and if thought fit, to pass the following resolution:-

Proposed amendments to the Memorandum and Articles of Association of MBSB ("Proposed Amendments")

Special Resolution 1

That, subject to the passing of Ordinary Resolution 9 above and the approvals of the relevant authorities (where required) being obtained, approval be and is hereby given for the Memorandum & Articles of Association to be altered, modified, varied and deleted in the following manner and that any Director be and is hereby authorised to give effect to the Proposed Amendments and to take all steps and do all acts and things in any manner as they may deem necessary to complete, finalise, implement and give full effect to the Proposed Amendments:-

Memorandum of Association	Existing	Proposed Change
Clause 5	The authorised capital of the Company is RM2,800,000,000 divided into 2,800,000,000 ordinary shares of RM1.00 each. The Company shall have power to increase or reduce its capital, to consolidate or subdivide its shares into shares of larger or smaller amounts, and to divide the shares forming the capital [original increased or reduced] of the Company into several classes and to attach hereto respectively preferential, deferred or special rights, privileges or conditions as may be determined by or in accordance with the regulations for the time being of the Company and to issue additional capital with any such rights, privileges or conditions.	The authorised capital of the Company is RM10,000,000,000 divided into 10,000,000,000 ordinary shares of RM1.00 each. The Company shall have power to increase or reduce its capital, to consolidate or subdivide its shares into shares of larger or smaller amounts, and to divide the shares forming the capital [original increased or reduced] of the Company into several classes and to attach hereto respectively preferential, deferred or special rights, privileges or conditions as may be determined by or in accordance with the regulations for the time being of the Company and to issue additional capital with any such rights, privileges or conditions.

Articles of Association	Existing	Proposed Change
Article 6	The authorised share capital of the Company is RM2,800,000,000 divided into 2,800,000,000 Ordinary Shares of RM1.00 each.	The authorised share capital of the Company is RM10,000,000,000 divided into 10,000,000,000 Ordinary Shares of RM1.00 each.

9. To transact any other ordinary business of which due notice shall have been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 43rd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article of the 58A(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 2 May 2013. Only a depositor whose name appears on the Record of Depositors as at 2 May 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

BY ORDER OF THE BOARD

KOH AI HOON (MAICSA 7006997)
TONG LEE MEE (MAICSA 7053445)

COMPANY SECRETARIES

Kuala Lumpur
18 April 2013

Explanatory Notes to Special Business:-

1. Item 6 (i) of the Agenda

The Nominating & Remuneration Committee has assessed the independence of Datuk Syed Zaid bin Syed Jaffar Albar, who served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years and has recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:-

- i. He has fulfilled the criteria under definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and therefore would be able to function as a check and balance and bring an element of objectivity to the Board of Directors;
- ii. He has vast experience in the legal field and is able to provide constructive and independent advise from the legal perspective of the business;
- iii. He constantly challenges the Management in an effective and constructive manner;
- iv. He actively participates in board discussions and provides an independent voice on the Board.

2. Item 7 of the Agenda

The Proposed Increase in Authorised Share Capital is to facilitate future corporate exercises involving the issuance of new MBSB Shares that may be undertaken by MBSB.

3. Item 8 of the Agenda

The Proposed Amendments is to accommodate the implementation of the Proposed Changes in Authorised Share Capital.

Notice of Annual General Meeting

Notice of Annual General Meeting

Notes:-

1. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. To be valid, the proxy form duly completed must be deposited at the Company's registered office at 11th Floor, Wisma MBSB, 48 Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.
3. A member entitled to attend and vote at the abovementioned meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a member of the Company.
4. In the case of a corporate body, the proxy appointed must be in accordance with its Memorandum & Articles of Association and the instrument appointing a proxy shall be given under the company's common seal or under the hand of an officer or attorney duly authorised.
5. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
7. If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of its attorney.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Directors who are standing for re-election at the 43rd Annual General Meeting of the Company to be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Friday, 10 May 2013 at 9.30 a.m. are as follows:-
 - i. Datuk Syed Zaid bin Syed Jaffar Albar
 - ii. Dato' Jasmy bin Ismail
2. The details of the above Directors who are standing for re-election at the 43rd Annual General Meeting are disclosed under the Directors' Profile on pages 16 - 19 of this Annual Report.

Notice of Dividend Entitlement And Payment

Notice of Dividend Entitlement and Payment

NOTICE IS HEREBY GIVEN THAT subject to the approval of Members at the Annual General Meeting to be held on 10 May 2013, a final dividend of 9% less 25% income tax and a special dividend of 18% less 25% income tax in respect of the financial year ended 31 December 2012, will be paid on 30 May 2013 to Depositors whose name appear in the Record of Depositors on 16 May 2013.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Shares deposited into the Depositor's securities account before 12.30 p.m. on 14 May 2013 in respect of securities exempted from mandatory deposit;
- b. Shares transferred into the Depositor's securities account before 4.00 p.m. on 16 May 2013 in respect of transfers; and
- c. Shares bought on Bursa Malaysia Securities Berhad (the Exchange) on a cum entitlement basis according to the Rules of the Exchange.

BY ORDER OF THE BOARD

KOH AI HOON (MAICSA 7006997)
TONG LEE MEE (MAICSA 7053445)

COMPANY SECRETARIES

Kuala Lumpur

18 April 2013



Sentosa Raya, headquarters of Malaya Borneo Building Society Limited. The building in Leboh Ampang, Kuala Lumpur was officially opened by Prime Minister Tunku Abdul Rahman Putra in 1959.



CORPORATE INFORMATION

MBSB has been supporting national agendas through the years to enable Malaysia to prosper.

Corporate Information

Corporate Information

Chairman

Tan Sri Abdul Halim bin Ali

Board of Directors

Datuk Syed Zaid bin Syed Jaffar Albar

Datuk Shahril Ridza bin Ridzuan

Encik Aw Hong Boo

Dato' Jasmy bin Ismail

Encik Lim Tian Huat

Shariah Advisory Committee

Dr. Marjan binti Muhammad

Dr. Sa'adan bin Man

Associate Professor Dr. Abdul Karim bin Ali

Dr. Luqman bin Haji Abdullah

Dr. Rushdi bin Ramli

President and Chief Executive Officer

Dato' Ahmad Zaini Othman

Company Secretaries

Koh Ai Hoon (MAICSA 7006997)
Tong Lee Mee (MAICSA 7053445)

Registrar

Equiniti Services Sdn Bhd (11324-H)
Level 8, Menara MIDF
82, Jalan Raja Chulan
50200 Kuala Lumpur
Tel : 03-2166 0933
Fax : 03-2166 0688

Auditors

Ernst & Young Chartered Accountants

Bankers

Malayan Banking Berhad

Registered Office

11th Floor, Wisma MBSB
48 Jalan Dungun, Damansara Heights
50490 Kuala Lumpur
Tel : 03-2096 3000
Fax : 03-2096 3144
Website: www.mbsb.com.my

Stock Exchange Listing

Main Market of Bursa Malaysia
Securities Berhad
(Listed since 14 March 1972)



Malaya Borneo Building Society Managing Director John Burgess showing Prime Minister Tunku Abdul Rahman Putra one of the Society's planned advertisements at the official opening of the Society's new headquarters, 14 December 1959.



**PROFILE OF BOARD MEMBERS,
PRESIDENT AND CEO
& SHARIAH ADVISORY COMMITTEE**

Prime Minister Dato' Seri Mohd Najib Tun Abdul Razak with MBSB Chairman, Tan Sri Abdul Halim Ali and President and Chief Executive Officer Dato' Ahmad Zaini Othman admiring the MBSB showcase at the GLC Open Day, Kuala Lumpur Convention Centre, 24 June 2011.



From left to right: **DATO' AHMAD ZAINI BIN OTHMAN**
President and Chief Executive Officer

TAN SRI ABDUL HALIM BIN ALI
Chairman
Non-Independent Non-Executive Director

DATO' JASMY BIN ISMAIL
Independent Non-Executive
Director

ENCIK AW HONG BOO
Independent Non-Executive
Director

**DATUK SYED ZAID
BIN SYED JAFFAR ALBAR**
Senior Independent
Non-Executive Director

**DATUK SHAHRIL RIDZA
BIN RIDZUAN**
Non-Independent
Non-Executive Director

ENCIK LIM TIAN HUAT
Independent Non-Executive
Director



TAN SRI ABDUL HALIM BIN ALI
Chairman
Non-Independent Non-Executive Director

Tan Sri Abdul Halim bin Ali, a Malaysian, aged 69, was appointed as Chairman of MBSB on June 22, 2001. He is also the Chairman of the Executive Committee of MBSB.

He received his early education at the Sultan Abdul Hamid College, Alor Setar. In 1959, he continued his studies at the Royal Military College, Sg. Besi, Selangor, and he completed his tertiary education at the University of Malaya graduating with a B.A. (Hons) in History in 1965.

Entering the Malaysia Civil Service in 1966, he joined the Ministry of Foreign Affairs where he held several domestic and overseas postings until his appointment in 1979, as the Malaysia Deputy Permanent Representative to the United Nations. From 1982 until 1985, he served as the Malaysian Ambassador to Vietnam. On his return to Malaysia, he was appointed as Deputy Secretary General III (Administration) of the Ministry of Foreign Affairs. He then served as the Malaysian Ambassador to Austria from 1988 until 1991. From 1991 until 1996, he was the Deputy Secretary General I (Political Affairs) until his promotion in 1996 to Secretary General of the Ministry of Foreign Affairs.

Shortly thereafter, in September 1996, Tan Sri Abdul Halim bin Ali was appointed as the Chief Secretary of the Government, the highest ranking post in the Malaysian Civil Service and was responsible for overseeing and coordinating the policies of the government and their implementation. He retired in March 2001, at which time he was made Chairman of the Employees Provident Fund until 31 January 2007.

He is the Chairman of the Multimedia Development Corporation and Universiti Teknologi Malaysia. He also holds other directorships in public companies including Petron Malaysia Refining & Marketing Berhad (formerly known as Esso Malaysia Berhad) and IJM Corporation Berhad.

DATUK SYED ZAID BIN SYED JAFFAR ALBAR
Senior Independent Non-Executive Director

Datuk Syed Zaid bin Syed Jaffar Albar, a Malaysian, aged 58, was appointed as an Independent Non-Executive Director on August 14, 2002 and was redesignated as Senior Independent Non-Executive Director on 7 February 2013. He serves as Member of the Executive Committee and the Arrears Recovery Committee. He is also the Chairman of Nominating & Remuneration Committee and Option Committee.

Datuk Syed Zaid Albar holds a degree in law from the UK and is a qualified Barrister-at-Law, Lincoln's Inn. He was called to the Malaysian Bar as an advocate and solicitor of the High Court of Malaya in 1980 and has been in active legal practice ever since. Presently, he is the managing partner of an established law firm in Kuala Lumpur.

Currently, Datuk Syed Zaid Albar also holds other directorships in public companies namely Malaysian Pacific Industries Berhad and Narra Industries Berhad.



DATUK SHAHRIL RIDZA BIN RIDZUAN
Non-Independent Non-Executive Director

Datuk Shahril Ridza bin Ridzuan, a Malaysian, aged 42, was appointed as a Non-Independent Non-Executive Director on November 30, 2011. He serves as Member of the Executive Committee and the Audit and Risk Management Committee.

Datuk Shahril holds a Bachelor of Civil Law (1st Class) from Oxford University, England, a Master of Arts (1st Class) from Cambridge University, England and has been called to the Malaysian Bar and the Bar of England and Wales.

Datuk Shahril started his career with Messrs Zain & Co as Legal Assistant from 1994 to 1996. He then joined Trenergy (M) Berhad/Turnaround Managers Inc (M) Sdn Bhd as Special Assistant to the Executive Chairman in 1997. He subsequently joined Pengurusan Danaharta Nasional Berhad, where he served until 1999. He was appointed as an Executive Director of SSR Associates Sdn Bhd in 1999 and held the position until August 2001.

Datuk Shahril was then appointed to the Board of Malaysian Resources Corporation Berhad on 9 August 2001. He served as the Group Managing Director of the Company from 1 September 2003 to 1 December 2009.

On 19 March 2013, the Board of the Employees Provident Fund (EPF) informed that Datuk Shahril will be appointed Chief Executive Officer of EPF with effect from 16 April 2013.

Datuk Shahril is also currently a Director of Media Prima Berhad, Malaysian Resources Corporation Berhad, Felda Global Ventures Holdings Bhd, Pengurusan Danaharta Nasional Berhad, Malaysia Property Inc Berhad and PLUS Malaysia Berhad.



ENCIK AW HONG BOO
Independent Non-Executive Director



Encik Aw Hong Boo, a Malaysian, aged 63, was appointed as an Independent Non-Executive Director on November 10, 2005. He is the Chairman of the Audit and Risk Management Committee. He also serves as a Member of the Nominating & Remuneration Committee, the Option Committee and the Arrears Recovery Committee.

He is a member of the Malaysian Institute of Certified Public Accountant (MICPA), the Malaysian Institute of Accountants (MIA) and a Fellow of the Institute of Chartered Accountants in England & Wales (ICAEW).

Encik Aw began his career in 1970 as an Audit Senior in London and later with Ernst & Whinney (now known as Ernst & Young), an international public accounting firm in Singapore and London from 1974 – 1977. He served in RHB Bank Berhad for 21 years between 1978 to 1999, holding various senior managerial positions in financial management, banking, finance and leasing. He was Senior General Manager of Branch Network and Risk Management before his optional retirement in November 1999.

Encik Aw is a Director of Quill Capita Management Sdn Bhd, the Manager of Quill Capita Trust.



DATO' JASMY BIN ISMAIL
Independent Non Executive Director

Dato' Jasmy bin Ismail, a Malaysian, aged 49, was appointed as a Non-Independent Non-Executive Director on August 11, 2009 and he was redesignated as Independent Non-Executive Director on 26 February 2013. He serves as Member of the Executive Committee and the Arrears Recovery Committee.

He obtained a Master of Science in Transport Planning and Management from City University, London. In 1988, Dato' Jasmy joined IBM Malaysia and held various positions within the Sales and Marketing organization, responsible mainly for the Public Sector and Financial Service Industries. Prior to leaving IBM Malaysia, he was the Executive Assistant to the Chief Executive Officer of IBM Malaysia.

Dato' Jasmy joined CCAAP Technologies Sdn Bhd ("CCAAP") as General Manager in 1996. He was also the Executive Director of New Technology & Innovation Sdn Bhd, responsible for sales operations of the Company.

In 2000, Dato' Jasmy co-founded Symphony Global Technologies Sdn Bhd and was involved in the formulation of Symphony House Berhad which was then listed on Bursa Malaysia Securities Berhad in 2003. He was the Chief Executive of Symphony's Technology Services Division. Dato' Jasmy was also appointed as the Chairman of Symphony BCSIS Sdn Bhd, a joint-venture company with OCBC Singapore's subsidiary BCSIS and held the position until 2007. He also sits on the Board of Symphony BPO Solutions Sdn Bhd, a subsidiary of Symphony House Berhad.

ENCIK LIM TIAN HUAT
Independent Non Executive Director

Encik Lim Tian Huat, a Malaysian, aged 58, was appointed as an Independent Non-Executive Director on April 4, 2011. He is the Chairman of the Arrears Recovery Committee. He also serves as Member of the Audit and Risk Management Committee, the Nominating & Remuneration Committee and the Option Committee.

Encik Lim is the Managing Partner of Lim Tian Huat & Co, Chartered Accountants and a licensed auditor and liquidator. He was previously a partner of Ernst & Young from 2002 to 2009, and prior to that, partner of Arthur Andersen & Co. from 1990 to 2002.

He has also served as Commissioner to the United Nations Compensation Commission and as member of the Corporate Law Reform Committee (CLRC) under the purview of the Companies Commission of Malaysia. He co-authored a book entitled "The Law and Practice of Corporate Receivership in Malaysia and Singapore".

Encik Lim is the founding President of the Insolvency Practitioners Association of Malaysia (IPAM). He is a member of the Malaysian Institute of Accountants, Member of the Malaysian Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. He holds a degree in BA (Honours) in Economics.

Encik Lim is a Director of UEM Land Holdings Berhad, PLUS Malaysia Berhad and Opus Group Berhad. He is also a Director of Perbadanan Insurans Deposit Malaysia and Bank of Yingkou, China.





DATO' AHMAD ZAINI BIN OTHMAN
President and Chief Executive Officer

Dato' Ahmad Zaini bin Othman, a Malaysian, aged 56, was appointed the President and Chief Executive Officer of MBSB on 26 February 2009.

After his early education in Malaysia, Dato' Ahmad Zaini obtained his Higher National Diploma (HND) in Accounting in Manchester, England. He continued his tertiary education in the USA where he graduated with a BSc in Finance from the University of Southern Illinois, after which he obtained an MBA (Finance) at the University of St. Louis.

In 1984, upon his return to Malaysia, he began his career in Merchant Banking with Bumiputra Merchant Bankers dealing with Corporate Banking, Syndications and Project Finance. In 1988 he took up the position of Head of Corporate Finance for Intradagang Merchant Bankers where he organized Malaysia's largest ever project finance exercise for Perwaja Steel, in which he spent a brief stint as Senior General Manager/Director Corporate Finance.

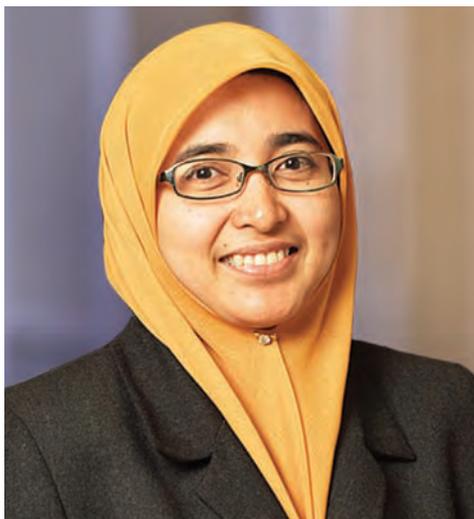
He returned to the banking sector in 1995 to take up the position of Head/Senior General Manager, Corporate Banking for Ambank, specializing in Islamic Banking and Finance. He managed all corporate banking matters including commercial project/corporate banking.

In 2004 he was made CEO of Amlslamic Bank managing all the group's affair pertaining to Islamic Banking in commercial and corporate finance, and was responsible for setting up the Islamic Business Model for the group. In August 2011, Dato' Ahmad Zaini was appointed an Accreditation Panel Member of the Asian Institute of Finance.

He is a member of the Association of Chartered Islamic Finance Professionals (ACIFP) and currently serves as the association's Vice President. In recognition of his contributions to Islamic banking he was appointed a faculty member (Industry expert) to the International Centre for Education in Islamic Finance (INCEIF). He is also a member of the Iskandar Development Business Advisor Committee.

Notes:

1. **Family relation with Director and/or substantial shareholder**
The Directors and President and CEO do not have any family relationship with any directors and/or major shareholders of MBSB other than Tan Sri Abdul Halim bin Ali and Datuk Shahril Ridza bin Ridzuan who are nominees of Employees Provident Fund Board (EPF).
2. **Conflict of Interest**
All the Directors and President and CEO do not have any conflict of interest with MBSB.
3. **Conviction of Offences**
All the Directors and President and CEO have not been convicted for any offences within the past ten years other than traffic offences, if any.
4. **Attendance of Board Meetings**
The number of Board meetings attended by the Directors during the financial year ended 31 December 2012 is disclosed in the Statement of Corporate Governance in page 60 of this Annual Report.



DR. MARJAN BT MUHAMMAD
Shariah Advisory Committee

Dr. Marjan binti Muhammad, aged 38, is currently a researcher at the International Shariah Research Academy for Islamic Finance (ISRA), heading the Islamic Banking Unit. She obtained her Master and Doctoral degrees in Islamic Revealed Knowledge and Heritage (Fiqh and Usul al-Fiqh) at the International Islamic University Malaysia (IIUM), after graduating from the same university in 1998 for her Bachelor degree.

Prior to joining ISRA, she was a tutor at the Faculty of Law and Shariah, Islamic Science University of Malaysia (USIM). She also taught at the Matriculation Centre, International Islamic University Malaysia on a part-time basis. Her areas of specialization are Issues of Ijtihad (Intellectual Reasoning), Islamic Jurisprudence (Usul al-Fiqh), Islamic Laws of Transaction (Fiqh al-Muamalat) and Islamic Criminal Laws (Fiqh al-Jinayah). Dr. Marjan is from Kota Bharu, Kelantan.

ASSOCIATE PROFESSOR DR. ABDUL KARIM BIN ALI
Shariah Advisory Committee



Dr. Abdul Karim bin Ali, aged 47, serves as an Associate Professor for Department of Fiqh and Usul, Academy of Islamic Studies at University of Malaya (UM). He obtained his degree in Shariah from University of Malaya in 1990 and doctoral degree (Ph.D) from University of Edinburgh, Scotland in 1996. Dr. Abdul Karim is an active member in a number of research committees at the university.

His areas of specialization are Principles of Islamic Jurisprudence, Fiqh Textual Studies, History of Islamic Law and Sciences of Hadith. Previously, he was appointed as Head of Department Fiqh & Usul, Academy of Islamic Studies, UM and currently appointed as Deputy Director (undergraduate) of the academy. He is actively involved actively in Muslim Scholar Association. Associate Professor is from Marang, Terengganu.

DR. LUQMAN BIN HAJI ABDULLAH
Shariah Advisory Committee



Dr. Luqman Bin Haji Abdullah, aged 44, currently serves as a lecturer at University of Malaya (UM). He graduated with a Degree B.Is (Hons) in Shariah from University of Malaya in 1993. He obtained his Ph.D (Islamic Law of Property) at Edinburgh University, Scotland in 2005. He also serves as a Committee Member of Scholars/ Fatwa for Kelantan Islamic Religious Council and Deputy Chairman, Board of Trustees, Center for Development of Pondok Studies Ltd (Kelantan).

Besides being an advisor, he is also involved in various social activities. He also currently serves as Chairman of Madrasah Rahmaniah Pondok Lubuk Tapah, Pasir Mas, Kelantan, Chairman of Association of Malaysian Muslims Scholar (Federal Territory) and Committee Member of Intellectuals and Professionals, Association of Malaysia Muslims Scholars. His areas of specialization are Islamic Law of Property, Islamic Jurisprudence/Legal Theories and Shariah/Fiqh Textual Studies (Dirasah Nassiyah). Dr. Luqman is from Pasir Mas, Kelantan.



DR. SA'ADAN BIN MAN
Shariah Advisory Committee

Dr. Sa'adan Bin Man, aged 44, is currently a lecturer at the University of Malaya (UM), heading the Department of Fiqh and Usul, Academy of Islamic Studies. He obtained his Doctoral degrees in Islamic Law at Edinburgh University, United Kingdom in 2004 after graduating from the University of Malaya (UM) in Shariah for his Bachelor Degree (B.Sy First Class Hons).

His areas of specialization are Contemporary Fiqh, Principles of Islamic Jurisprudence, Islamic Consumerism, Fiqh Al-Ibadat, Fiqh Al-Ikhtilaf and Islamic Astronomy. He is also appointed as an external auditor for Malaysian Qualifications Agency (MQA) as well as panel consultant for various government religious agencies. He intensively leads several research projects in his area of expertise and presents papers on his specialization on various conferences at both national and international levels. Dr. Sa'adan is from Kangar, Perlis.

DR. RUSHDI BIN RAMLI
Shariah Advisory Committee

Dr. Rushdi Bin Ramli, aged 47, currently serves as a lecturer at Department of Fiqh and Usul, Academy of Islamic Studies, University of Malaya (UM). He graduated with a Degree B.Is (Hons) in Shariah from University of Malaya. He obtained his Master and Doctoral Degrees (Ph.D) at Birmingham University, United Kingdom. He was also a consultant in religious matters in the Non-Governmental Organization "Dewan Pemuda Masjid Malaysia" from 2007 to 2009.

Presently, he is a representative for "Persatuan Kebajikan dan Pengubatan Islam Darussyifa" at the Traditional and Complementary Medicine Division, Ministry of Health, Malaysia. He was also one of the panelists in preparing the draft for the Code of Ethics for Islamic Medicine at the Ministry of Health. His areas of specialization are Principles of Islamic Jurisprudence, Principle of Quranic Exegesis, Contemporary Fiqh and Principles of Islamic Medication (prophetic medicine). Dr. Rushdi is from Alor Star, Kedah.





MBSB Staff working on data capture on the 10th floor of Wisma MBSB for the new FACTS computer system, 1995.

CHAIRMAN'S REVIEW, PRESIDENT AND CEO'S STATEMENT



A conducive working environment in MBSB inspires personnel to prosper and excel, contributing to the overall achievement of the Company.



TAN SRI ABDUL HALIM BIN ALI
Chairman
Non-Independent Non-Executive Director



Dear Shareholders

On behalf of the Board of Directors (Board) of Malaysia Building Society Berhad (MBSB), I am pleased to present the Annual Report and Audited Financial Statements (Annual Report) for the twelve (12) months of financial year ended 31 December 2012 (FYE 2012).



Chairman's Review

The theme for this Annual Report "A Dynamic Legacy" was specially chosen to recognise the rich history of MBSB since its inception in 1950. Being a local financial institution, it is certainly one of the oldest in the country. It had travelled a long and challenging journey to arrive at where it is today. This special theme is also chosen as an expression of gratitude to all Malaysians who have supported us to make that ride an exciting one too.

OVERALL BUSINESS ENVIRONMENT

In the year 2012, the global economic climate was clouded with uncertainties. The world economic growth continued to be dampened by the Eurozone crisis, a slower expansion in China and a tepid growth in the United States. As a result, Malaysia's Foreign Direct Investment (FDI) declined to RM34.8 billion for the year, far below the level of RM68 billion registered in the previous year (2011). Nonetheless, strong domestic demand, greater diversification and regional resilience have played a role in ensuring continued economic growth for Malaysia. For the full year of 2012, the country's GDP had expanded by 5.6%.

Malaysia had also continued to push ahead with its Economic Transformation Programme (ETP) towards achieving its long-term target of becoming a high-income nation by 2020. The national Budget 2012 had demonstrated a strong commitment by the Government to sustain the economic growth.

MBSB had benefitted from this favourable environment by leveraging on the available business opportunities, enabling the company to deliver stellar results and maximize stakeholders' value.

REVIEW OF FINANCIAL PERFORMANCE

The unfavourable external economic conditions have to a certain extent, impacted the growth of the local financial industry. For the year 2012, it recorded a lower loan growth of 10.41% as compared to 13.61% for 2011. Nevertheless, household loans recorded better growth than business loans at 11.55% and 10.9% respectively. The accumulation of debts by households however, is supported by a commensurate expansion in financial assets, as the loan growth is mainly attributable to the financing for purchase of residential properties.

As for the Company, MBSB continued to record a significant performance with a total net loans' growth of 59.80% for FYE 2012. This translates to a marked net improvement of RM9.1 billion to RM24.3 billion over 2011 figures (RM15.2 billion). The Group pre-tax profits for the year also registered a marked increase of 53.2% to RM656.2 million against RM428.3 million reported for FYE 2011.

The increase in financing assets was supported by a strengthened liability program which recorded considerable improvements in deposit level. The deposits that stood at RM13.5 billion as at 31 December 2011 grew by 59.1% to RM21.5 billion as at 31 December 2012.

All these accomplishments are the results of the Company's enhanced business focus in its targeted segments and continuous operational improvements. MBSB continued to offer only competitive and affordable financing packages to both its retail and corporate clientele.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In 2012, our CSR thrusts were based on three areas namely the Workplace, the Community and the Marketplace.

At workplace, we promote equality in career opportunities and a harmonious environment that can inspire people to prosper. Amongst the support programs that are put in place are skills' training, talent development and incentives to financially aid, reward and motivate our employees.

In serving the communities, we continued to develop programs and conduct activities at our six adopted schools nationwide under the "**PINTAR School Adoption Program**". This effort is to help raise the academic standards of students from a less privileged background. Meanwhile, under "Projek Sejahtera", we have rehabilitated and repaired the homes of needy families in Sarawak and Pahang. In addition, we continued to sponsor and contribute to welfare organizations, charity associations, single mothers, orphanages and the disabled to ease their financial burdens.

Our CSR advocacy at the marketplace is built on the thrust to provide equal access to all consumers and small medium enterprises (SMEs) to affordable financing. This is in the hope that these affordable schemes can facilitate our local SMEs to thrive and grow their businesses and as for our retail customers, to ease their financial burden.

DIVIDENDS

On the basis of the encouraging results of 2012, the Board declared a gross interim dividend of 6% less 25% income tax in August 2012 and has now proposed a final gross dividend of 9% less 25% income tax and a special dividend of 18% less 25% taxation in respect of the FYE 2012.

Based on number of shares in issue as at 29 March 2013 of 1,614,249,886 the total net dividend would represent 73.2% pay out of the 2012 Group profit after tax.

PROSPECTS

The year 2013 still poses great uncertainties due to the ongoing economic problems in the Eurozone and fiscal cliff fears in the US. Nevertheless, the global economy is expected to begin recovery in the second half of 2013. Developing economies are expected to drive world growth and Malaysia's economy is forecasted to expand by 5.6% in 2013, underpinned by robust domestic demand, propelled by the financial stimulus through Budget 2013, favourable job market conditions, infrastructure and construction projects.

The introduction of Financial Services Act 2013 (FSA) and the Islamic Financial Services Act 2013 (IFSA) this year is expected to give a positive impact to the industry and consumers. In this encouraging environment, MBSB shall continue to support the economic growth and ensure business sustainability through retail, corporate and deposit business. The Company shall remain focused on retail segment as the key driver for its loan growth while carving a strong presence in the corporate and SME markets.

We intend to fully leverage on the new MBSB Integrated Core Banking (MICoB) system in order to deliver enhanced financial products and services to the customers. MICoB can be regarded as another key milestone for the Company as it can greatly advance the Company's competitiveness level on various fronts, primarily on product development and operational efficiency.

ACCOLADES AND ACKNOWLEDGEMENTS

MBSB was honoured to receive several accolades last year. The Company was ranked 1st for generating the Highest Return to Shareholders Over 3 Years (Financial Sector) by the prestigious The Edge Billion Ringgit Club. In addition, our support towards the Islamic Banking & Finance Institute Malaysia ("IBFIM") development initiatives has been recognized with the award of IBFIM's Islamic Finance Talent Development Champion Award 2011/2012.

These recognitions are a source of inspiration to the Company and its staff to exert greater efforts and deliver exceptional value to all our stakeholders. On this note, I wish to express deep gratitude to my fellow Board and Shariah Advisory Committee members for their support and guidance. MBSB has indeed come a long way and will continue with the tradition of providing affordable financing to its customers.

I wish to acknowledge that the impressive performance achieved for FYE 2012 was also due to the generous support we received from our customers and the shareholders and the dedication of our employees nationwide. With such support, we believe that MBSB can continue to deliver exceptional results in the coming years.

Tan Sri Abdul Halim Ali

Chairman

29 March 2013



DATO' AHMAD ZAINI BIN OTHMAN
President and Chief Executive Officer



Dear Shareholders

It is indeed satisfying to note that FYE 2012 was a repeat of another exceptional year for MBSB. Our business has grown by leaps and bounds, through a conscious effort by the management and the expansion was supported by a marked increase in funding and an enhanced operational level.



President and CEO's Statements

While internationally the economic condition was not encouraging last year, we feel blessed as the local financial industry has benefitted from the economic activities generated by the Government's Economic Transformation Program (ETP) and were also fuelled by public and private consumption. Such an environment has facilitated MBSB to achieve its growth targets for the retail business as well as corporate.

RETAIL BUSINESS

The unprecedented pre-tax profits registered at RM656 million for FYE 2012 was the result of a significant increase in loan base of 59.8% or RM9.1 billion. While MBSB's achievement in loan growth had outperformed the 11.7% recorded by the industry, it needs to be highlighted that such progression was made on a smaller loan base. These strong results however are maintained mainly by the retail segment, particularly from the sales of Personal Financing product. We take cognizant and are grateful of the fact that the Government servants continue to favour our affordable financing packages and have benefitted from further value-added product features.

In the continuous pursuit to take MBSB to the next level, we reached yet again, several milestones. This includes our new business venture into Auto Finance that has achieved gradual market penetration in Central Region. It is most pertinent to MBSB that we constantly add new retail offerings to retain and attract new customers.

In keeping up with our traditional role of providing home financing, we had launched "My 1st Home" scheme last year to help homebuyers in owning their first home. This has allowed MBSB to cater to a different segment to the one targeted by the ongoing "Mortgage Ultimate" scheme. It shall only be advantageous to MBSB to be able to provide equal access to financing to all customers. Meanwhile, Bancassurance and Takaful business remained a commercial venture for MBSB with the launch of "i-Medic" and "i-Great Amal". We were able to cross sell these protection programs to subscribers of other retail products and this is further aided by the expansion of our branch network.

The branch network grew with the establishment of one (1) new Sales & Service Centre (SSC) in Selangor, two (2) new Representative Offices (REP) in Sarawak and one (1) in Sabah. New services were also introduced at branches pursuant to the strategic collaborations developed with Western Union and another financial institution. MBSB now provides remittance services contributing to the company's overall fee-based income.

CORPORATE BUSINESS

On the corporate business front, MBSB continued to maximize its two arms – the Corporate Business and Wholesale Banking Divisions. We are humbled to be entrusted with financing of several Government's public projects. This includes Private Finance Initiative (PFI) projects in the education sector such as four (4) UiTM campuses in Negeri Sembilan, Melaka, Selangor and Pahang individually. Further to this, MBSB is also financing a number of significant contracts awarded in the healthcare, infrastructure and oil & gas sectors.

Notwithstanding the larger role that MBSB now assumes in contributing to the nation's economy, the Company remained committed to uphold its part in the growth of property development. The financing of projects developed by key industry players remains a driver in the Company's corporate loan growth, in line with the aim to become the preferred financial provider for this important segment.

FUNDING

The Company's liability program has well supported business expansions with large increases in deposit-takings from both the corporate and retail customers. During the year, we had launched two attractive campaigns, "Save Small & Win Big" and "Fabulous" to drive deposit growth for the retail segment. In addition, greater efforts were also exerted to further improve the backroom Treasury functions to better service our corporate clientele.

On this note, we are very appreciative of the continued loyalty and trust from the Government sector as it mainly forms our corporate depositors.

OPERATIONAL HIGHLIGHTS

In order to fully accommodate the company's transformation program "Taking MBSB To The Next Level", MBSB had embarked on a momentous investment to adopt a new core banking system, the MBSB Integrated Core Banking (MICoB). The implementation of Phase 1 in the fourth quarter of 2012 had set the Company for a new beginning, amongst all in the aspects of product development, customer service and operational efficiency.

This also bodes well with the management's continued efforts to "**close the gap**". It is central that MBSB functions on a present-day IT infrastructure as it is an important step in meeting the requirements of a structured banking

environment. As part of this process too, a Chief Operating Officer (COO) post was re-established and a dedicated Compliance and Organization & Methods Department was formed. The latter is critical in ensuring processes and procedures are in place and enforced.

On operational efficiency, it is undoubtedly essential to MBSB in view of the entity being a retail-based lender. Hence, we have relocated the whole marketing and backroom workforce of Retail Business to a new building, the Menara I&P, close to MBSB's Head Office in Bukit Damansara. This serves part of the Company's operational strategies to serve our customers better.

PROSPECTS

The local economy is expected to expand by 5.6% this year spurred by domestic demand and public spending. We expect this positive environment to further growth of the financial industry and hence, moving forward MBSB shall remain focused on its niche retail market – the government servant segment that is of stable employment. We pride ourselves in understanding the needs of our customers and shall keep offering them affordable financing and improved services.

Following the set up of Wholesale Banking in 2010, we have also created a strong presence in a particular corporate segment – where reputable clientele receives major contracts to deliver PFI projects. This rewarding endeavour along with property development and contract financing shall remain a good income stream for corporate business. We expect as well that with the robust new system MICoB, MBSB can deliver exceptional value to its corporate customers.

To encapsulate our onward plans, MBSB shall continue doing what it does best to sustain and grow its profitability level. This has proven to be the right move for us and has greatly facilitated MBSB in facing stiff competition from other industry players.

APPRECIATION

I am certainly honoured to be at the helm of a remarkable institution like MBSB that has stood the test of time ever since pre-independence 1950 and stays to this day as a relevant organisation to the nation.

The successes of MBSB are undeniably due to the immeasurable support we receive from all stakeholders – the shareholders, our valuable customers, business partners and of course, the brilliant workforce working in MBSB. I am also indebted to the Chairman and Board of Directors for their insight and wisdom and the Management team who kept their faith in the mission and vision of the company.

With continued backing and cooperation from all parties concerned, MBSB shall strive to achieve another great year.

Dato' Ahmad Zaini Othman

President and Chief Executive Officer

29 March 2013



Interior of the newly opened Ipoh branch, 1957.



SENIOR MANAGEMENT TEAM

MBSB



RECEPTION

Reception area on the 11th Floor of Wisma MBSB, Damansara Heights.



From left to right:

NOR AZAM BIN M TAIB
Senior Vice President,
Corporate Business

ASRUL HAZLI BIN SALLEH
Deputy Senior Vice President,
Treasury

NUR ZARINA BT GHAZALI
Deputy Senior Vice President,
Wholesale Banking

AZMAN BIN AZIZ
Senior Vice President,
Retail Business



From left to right: **KAMARUDIN BIN SAMSUDIN** Vice President / Chief Internal Auditor **NORHAYATI BT MOHD DAUD** Vice President, Corporate Recovery & Project Rehabilitation **AZLINA BT MOHD RASHAD** Deputy Senior Vice President, Corporate Planning & Communication **TANG YOW SAI** Senior Vice President / Chief Financial Officer **SE JOON** Deputy Senior Vice President / Chief Technology Officer **TINA KOH AI HOON** Deputy Vice President / Company Secretary **SALIM YAZAN BIN GULZAR MOHAMED** Vice President / Chief Risk Officer **HAZIM BIN DATO' YAHYA** Vice President / Project Management & Monitoring



From left to right:

ABD RAHIM BIN AHMAD
Vice President,
Human Capital

CLIFFORD ANTHONY CLEMENT
Senior Vice President /
Chief Operating Officer

MOHD ROZALI BIN IDRIS
Deputy Senior Vice President,
Credit Management

KAMARI BIN TUKIMAN
Deputy Vice President,
Retail Collection & Management

SITI FATIMAH BT ABDULLAH
Deputy Vice President,
Compliance And Organization
& Method

SHEELA THAYER
Deputy Vice President,
Legal



From left to right:

ABDUL HALIM BIN ZAINAL
Regional Business
Representative (Sabah)

MORSHIDI BIN HJ. ABONG
Regional Business
Representative (Sarawak)

FARAHEEDA BT AHMAD REJAB
Acting Regional Business
Representative (Central)

ZAMZURI IZANI BIN ABU HASSAN
Regional Business
Representative (East Coast)

FRED LEE THIAM SIN
Regional Business
Representative (Northern)

NASIR BIN MAROB
Acting Regional Business
Representative (Southern)

Branch Network

Northern

KANGAR

Lot G.05 Podium Block
Bangunan KWSP
Jalan Seruling
01000 Kangar, Perlis.
Tel : 04 - 976 6400
Fax : 04 - 977 4141

ALOR SETAR

1578, Jalan Kota,
05000 Alor Star, Kedah.
Tel : 04 - 731 4655
Fax : 04 - 731 7996

SG. PETANI

No. 114, Jalan Pengkalan,
Taman Pekan Baru,
08000 Sg. Petani, Kedah.
Tel : 04 - 422 9302
Fax : 04 - 421 2046

KULIM

No. 26, Jalan Raya
09000 Kulim, Kedah
Tel : 04 - 495 1400
Fax : 04 - 490 4400

PULAU PINANG

No. W-00 Ground Floor
Wisma Penang Garden,
No. 42, Jalan Sultan Ahmad Shah,
10050 Pulau Pinang
Tel : 04 - 226 6275
Fax : 04 - 228 6275

BUTTERWORTH

2783 Jalan Chain Ferry,
Taman Inderawasih,
13600 Perai, Pulau Pinang
Tel : 04 - 398 0145
Fax : 04 - 398 0898

IPOH

No. 45, Persiaran Greenhill,
30450 Ipoh, Perak
Tel : 05 - 254 5659
Fax : 05 - 254 4748

TAIPING

No. 82, Jalan Barrack
34000 Taiping Perak
Tel : 05 - 807 4000
Fax : 05 - 804 1444

SITIAWAN

Ground & 1st Floor, No. 35,
Persiaran PM 3/2,
Pusat Bandar Sri Manjung
Seksyen 3,
32040 Manjung, Perak
Tel : 05 - 688 2700 / 688 4701 /
05 - 688 8702
Fax : 05 - 688 2703

Central

LEBOH AMPANG

Bangunan MBSB
No. 13/15, Leboh Ampang,
50100 Kuala Lumpur
Tel : 03 - 2031 9599 / 2056
/ 4000
Fax : 03 - 2031 9526

DAMANSARA

Ground Floor, Wisma MBSB,
48, Jalan Dungun,
Damansara Heights,
50490 Kuala Lumpur
Tel : 03 - 2096 3333 / 3000
Fax : 03 - 2096 3376

CHERAS

185, Jalan Sarjana,
Taman Connaught, Cheras
56000 Kuala Lumpur
Tel : 03 - 9132 2955
Fax : 03 - 9132 2954

PETALING JAYA

No. 3 Jalan 52/16,
46200 Petaling Jaya, Selangor
Tel : 03 - 7956 9200
Fax : 03 - 7956 9627

KLANG

No. 74, Jalan Kapar,
41400 Klang, Selangor
Tel : 03 - 3342 6822
Fax : 03 - 3341 3611

SELAYANG

No. 95 Jalan 2/3A,
Pusat Bandar Utara,
68100 Batu Caves, Selangor
Tel : 03 - 6136 8682
Fax : 03 - 6136 8679

BANGI

No. 49, Jalan Medan Pusat 2D
Seksyen 9,
43650 Bandar Baru Bangi, Selangor
Tel : 03 - 8925 7584
Fax : 03 - 8925 7708

PUCHONG

1-G-1, Ground Floor,
Tower 1 @ PFCC
Jalan Puteri 1/2, Bandar Puteri
47100 Puchong, Selangor
Tel : 03 - 8063 5208
Fax : 03 - 8063 5867

SHAH ALAM

No. 21, Jalan Plumbum R7/R
Seksyen 7,
40000 Shah Alam, Selangor
Tel : 03 - 5510 5075
Fax : 03 - 5510 4144

KELANA JAYA

A-1-11 & A-2-11, Blok A
Plaza Glomac
Jalan SS7/19, Kelana Jaya
47301 Petaling Jaya, Selangor
Tel : 03 - 7883 0089
Fax : 03 - 7883 0120

East Coast

KUANTAN

No. A 157 & A 159,
Sri Dagangan,
Jalan Tun Ismail,
25000 Kuantan, Pahang
Tel : 09 - 515 7677
Fax : 09 - 514 5060

KUALA TERENGGANU

No. 1A, Jalan Air Jernih,
20300 Kuala Terengganu, Terengganu
Tel : 09 - 622 7844 / 45
Fax : 09 - 622 0744

KEMAMAN

K10723, Taman Chukai Utama
Fasa 4,
Jalan Kubang Kurus
24000 Kemaman, Terengganu
Tel : 09 - 858 9486
Fax : 09 - 858 9291

Southern

SEREMBAN

No. S-1, Kompleks Negeri,
Jalan Dato' Bandar Tunggal,
70000 Seremban, Negeri Sembilan
Tel : 06 - 763 8455
Fax : 06 - 763 0701

MELAKA

No. 203 & 204,
Jalan Melaka Raya 1,
Taman Melaka Raya,
75000 Melaka
Tel : 06 - 282 8255
Fax : 06 - 284 7270

MUAR

No 13-3 & 13-4, Ground Floor
Jalan Sisi,
84000 Muar, Johor
Tel : 06 - 953 2000
Fax : 06 - 953 3200

BATU PAHAT

No. 28 & 29,
Jalan Persiaran Flora Utama,
Taman Flora Utama,
83000 Batu Pahat, Johor
Tel : 07 - 431 6614
Fax : 07 - 431 7382

KLUANG

No. 6, Lot 9053,
Jalan Hj Manan,
86000 Kluang, Johor
Tel : 07 - 771 7585
Fax : 07 - 772 6572

TEBRAU

No. 17 & 17.01,
Jalan Mutiara Emas 9/3
Austin Boulevard,
Taman Mount Austin
81100 Johor Bahru, Johor
Tel : 07 - 358 1700 / 01 / 357 1702
Fax : 07 - 358 1703

JOHOR BAHRU

Tgkt 1 & 2,
Bangunan KWSP,
Jalan Dato' Dalam,
80000 Johor Bahru, Johor
Tel : 07 - 223 8977
Fax : 07 - 224 0143

Branch Network

East Malaysia Region

SARAWAK

KUCHING

Ground Floor & 1st Floor
Bangunan Tunku Muhammad Al-Idrus
439, Jalan Kulas Utara 1,
93400 Kuching, Sarawak
Tel : 082 - 248 240
Fax : 082 - 248 611

MIRI

1115, Ground Floor
Pelita Commercial Centre,
98000 Miri, Sarawak
Tel : 085 - 424 400
Fax : 085 - 424 141

BINTULU

No.1, Ground Floor
Jalan Tun Ahmad Zaid /
Jalan Kambar Bidin
97000 Bintulu, Sarawak
Tel : 086 - 336 400
Fax : 086 - 339 400

SIBU

Ground Floor,
SL 166 Lorong Pahlawan 7B3
Jalan Pahlawan
96000 Sibu, Sarawak
Tel : 084 - 210 703 / 210 657 /
210 682 / 210 648
Fax : 084 - 210 714

MUKAH

Ground Floor & 1st Floor,
Sub Lot 77, Lot 927,
New Mukah Town Centre,
Jalan Green Block 68,
96400 Mukah, Sarawak
Tel : 084 - 874 262 / 084 - 874 261 /
084 - 874 260
Fax : 084 - 874 259

SABAH

KOTA KINABALU

Ground Floor, Lot No.11 & 12,
Block C, Lintas Jaya Uptownship
88300 Kota Kinabalu, Sabah
Tel : 088 - 722 500
Fax : 088 - 713 503

SANDAKAN

Lot 38, Block E, Bandar Utama,
Mile 6, 90000 Sandakan, Sabah
Tel : 089 - 223 400
Fax : 089 - 223 544

TAWAU

Ground Floor, TB 4535,
Lot 60, Block G
Ba Zhong Commercial Centre
Jalan Tawau Lama
91000 Tawau, Sabah
Tel : 089 - 755 400
Fax : 089 - 749 400

KENINGAU

Ground Floor & 1st Floor,
Lot No.7,
Block A, Keningau Plaza,
89000 Keningau, Sabah
Tel : 087 - 337 611
Fax : 087 - 337 617

Representative Office

NORTHERN

PARIT BUNTAR REP. OFFICE

No. 36A, 1ST Floor, Jalan Bestari
Pusat Bandar Fasa II
34200 Parit Buntar, Perak
Tel : 05 - 716 2128 / 29 / 716 2120
Fax : 05 - 716 1890

TANJUNG MALIM REP. OFFICE

No. 6A, Jalan Bunga Anggerik
Taman Bunga Raya
35900 Tanjung Malim, Perak
Tel : 05 - 458 5691 / 2 / 3
Fax : 05 - 458 5694

TELUK INTAN REP. OFFICE

No. 27, 1st Floor,
Jalan Intan 2, Bandar Baru,
36000 Teluk Intan, Perak
Tel : 05 - 623 3367 / 69 / 70
Fax : 05 - 622 3364

SOUTHERN

SEGAMAT REP. OFFICE

No. 31, (First Floor),
Jalan Kampong Genuang,
85000 Segamat, Johor
Tel : 07 - 9311672
Fax : 07 - 9311687

TAMPIN REP. OFFICE

PT 753, 1st Floor,
Depan Pasar Tampin
73000 Tampin, Negeri Sembilan
Tel : 06 - 441 7397
Fax : 06 - 441 7399

EAST COAST

KOTA BHARU REP. OFFICE

Lot 364, 1st Floor, Wisma Watan
Jalan Sultan Yahya Petra
15000 Kota Bharu, Kelantan
Tel : 09 - 741 8620 / 741 8621
Fax : 09 - 741 8619

TEMERLOH REP. OFFICE

No. 8, Ground Floor
Jalan Dato' Bahaman 2
28000 Temerloh, Pahang
Tel : 09 - 290 1626 / 290 1627
Fax : 09 - 290 1763

DUNGUN REP. OFFICE

1st Floor, No. 20, Blok E
Sura Gate Business Centre
Jalan Besar Sura Gate
23000 Dungun, Terengganu
Tel : 09 - 842 2611 /
842 2612
Fax : 09 - 842 2610

TANAH MERAH REP. OFFICE

PT 177, (First Floor),
Jalan Hospital,
17500 Tanah Merah, Kelantan
Tel : 09 - 9551697
Fax : 09 - 9551701

EAST MALAYSIA REGION

LAHAD DATU REP. OFFICE

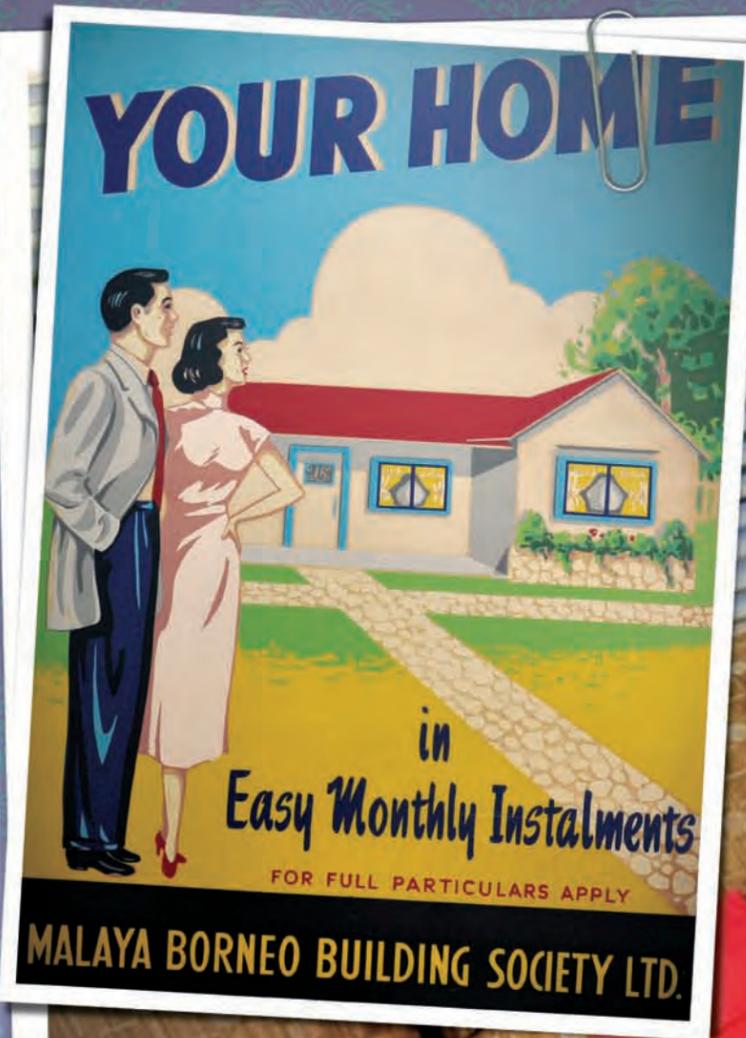
Ground Floor, Lot 176,
MDLD 7142, Bandar Sir Perdana,
Phase 03, Jalan Silam,
91100 Lahad Datu, Sabah
Tel : 089 - 863 631 / 089 - 863 632
Fax : 089 - 863 632

KOTA SAMARAHAN REP. OFFICE

1st Floor, NO. 20 Lot 5616,
BL-26, MTL D
Uni Square Commercial Centre,
Kuching Samarahan Expressway,
93400 Kota Samarahan, Sarawak
Tel : 082 - 378 241
Fax : 082 - 379 240

SARIKEI REP. OFFICE

No. 33B, 1st Floor,
Jalan Abdul Rahman,
96100 Sarikei, Sarawak
Tel : 084 - 659 417
Fax : 084 - 654 417



Malaya Borneo Society Ltd. advertisement dated 1960's.



CORPORATE HIGHLIGHTS

One of the current MBSB home financing advertisements.

Corporate Highlights

Corporate Highlights



▲ 17 JANUARY
Exchange of documents between Y.Bhg. Dato' Ahmad Zaini Othman, President and CEO of MBSB and En. Azman Nasir, CEO of Labuan Shipyard Engineering Sdn Bhd after the signing of agreement for banking facilities of up to RM51 million.

▼ 28 JANUARY
The winners of "MBSB Idol" showing off their prizes.



▲ 13-15 JANUARY
Teachers of SK Unggun, Sabah participating in one of the activities conducted in the "Passion For Excellence" motivational programme for teachers of MBSB PINTAR schools.



▲ 18 JANUARY
Winners of "Fiesta Pembiayaan Peribadi MBSB" campaign receiving their Fixed Deposit Certificates from Y.Bhg. Dato' Ahmad Zaini Othman, President and Chief Executive Officer of MBSB accompanied by En. Azman Aziz, Senior Vice President of Retail Banking at the launch of "MBSB Max-i" and "MBSB X-Change-i" campaigns, MBSB's personal financing products.



▲ 27-29 JANUARY
Teachers of SK Haji Kelali Semera, Sarawak at the closing session of "Passion For Excellence" motivational programme for teachers of MBSB PINTAR schools.



11 FEBRUARY

The winning team of MBSB Futsal Tournament 2012 for "Male" category organized by Kelab Sukan MBSB.



30 MARCH

Y.Bhg. Dato' Ahmad Zaini Othman at the launch of "My First Home Scheme" campaign accompanied by En. Azman Aziz, Senior Vice President of Retail Business MBSB.



1 MARCH

MBSB signed an agreement for term and bridging financing facilities of up to RM124.6 million with property developer LBS Bina Group Bhd.

21 MARCH

Y.Bhg. Dato' Ahmad Zaini Othman and En. Zulfikri Saidin, CEO of NCT exchanging documents for term and bridging financing facilities of RM215.0 million to revive Taman Kenanga, the largest abandoned housing project in the country, witnessed by YB. Datuk Dr. Awang Adek Hussein, Deputy Finance Minister.



Corporate Highlights

Corporate Highlights



12 APRIL

Y.Bhg. Tan Sri Abdul Halim Ali, Chairman of MBSB signing the plaque to mark the launch of MBSB Shah Alam Sales and Service Centre.



5 APRIL

A session at the MBSB 42nd Annual General Meeting held at Sime Darby Convention Centre, Bukit Kiara.



12 APRIL

The launch of MBSB "Save Small, Win Big" Fixed Deposit campaign officiated by Y.Bhg. Tan Sri Abdul Halim Ali with the presence of Y.Bhg. Dato' Ahmad Zaini Othman, Senior Vice President Retail Banking MBSB, En. Azman Aziz and MBSB Central Region Business Representative, En. Chong Yiow Loong.



12 APRIL

Y.Bhg. Tan Sri Abdul Halim Ali cutting the ribbon to mark the launch of MBSB Puchong SSC witnessed by Y.Bhg. Dato' Ahmad Zaini Othman.





◀ **19-21 APRIL**
Teachers of SK Telok Jamat, Kedah engaging in one of the activities of "Passion For Excellence" motivational programme for teachers of MBSB PINTAR Schools .



▲ **28 APRIL**
Y.Bhg. Dato' Ahmad Zaini Othman speaking at The EDGE Investment Forum on Real Estate 2012 at Sime Darby Convention Centre.



◀ **19 MAY**
A group photo of teachers of SK Semenyih, Selangor after "Passion For Excellence" motivational programme.

▶ **29 MAY**
Y.Bhg. Dato' Ahmad Zaini Othman handed the mock cheque to representative of Majlis Amanah Rakyat (MARA) to assist the Bumiputera contractors with financing facilities under the "MARA Entrepreneur Guarantee Scheme" witnessed by YB. Datuk Seri Mohd. Shafie Apdal, Minister of Rural And Regional Development.



◀ **31 MAY**
Exchanging of documents after the MoU on debt settlement agreement of RM120.0 million between MBSB and Twin Pavilion Development Sdn Bhd to revive and complete the partially completed Plaza Pantai project in Bangsar, witnessed by YB Dato' Raja Nong Chik Raja Zainal Abidin, Minister Of Federal Territories And Urban Wellbeing Of Malaysia.

Corporate Highlights

Corporate Highlights



▲
12 JUNE

The signing ceremony between MBSB and IDOTTV on Licensing Agreement of As-Sidq System based on Tawarruq Syariah Principle.



▲
23 JUNE

Teachers of SK Parit Penghulu, Melaka at the group photo session to mark the completion of "Passion For Excellence" motivational programme.



▲
29 JUNE

Y.Bhg. Dato' Ahmad Zaini Othman addressing MBSB's corporate clients at a Hi-Tea reception.



▲
7 JULY

An activity at the 'Karnival MBSB 2012' at Dataran Pahlawan Melaka Megamall, which ran from 6 to 8 July 2012.

▲ **11 JULY**

Y.Bhg. Tan Sri Abdul Halim Ali signing the launching plaque to mark the opening of the new premise of MBSB Penang Sales and Service Centre.





◀ 31 JULY

Y.Bhg. Dato' Ahmad Zaini Othman welcomed a group of media practitioners during a "buka puasa" event hosted by MBSB for members of the media.

▶ 4 AUGUST

A group photo session with representative of charitable organization and some of the invited orphans during the "Majlis Iftar Bersama MBSB 2012" event.



◀ 31 AUGUST

Some of MBSB staff who gathered at Stadium Nasional Bukit Jalil to support the national celebration of Malaysia's independence themed "Sambutan Merdeka Janji Ditepati".



▶ 8 SEPTEMBER

MBSB staff feted at "Majlis Ramah Mesra Aidilfitri Keluarga MBSB 2012"



▼ 6 SEPTEMBER

Y.Bhg. Dato' Ahmad Zaini with MBSB Board members and corporate clients at "Majlis Santai Aidilfitri 2012" event.



▲ 29 SEPTEMBER

Activities at MBSB booth during "Konsert Kemuncak Suria 2012" presented by MBSB.



Corporate Highlights

Corporate Highlights



▲ **12 SEPTEMBER**

The exchanging of Memorandum of Understanding on New Core Banking System and Information Technology between Y.Bhg. Dato' Ahmad Zaini and Mr Chin Jit Pyng, CEO of Silverlake Innovation Partners Sdn Bhd.



▲ **6 OCTOBER**

Group photo of teachers of SK Seri Geliga, Terengganu to mark the completion of "Passion For Excellence" motivational programme for MBSB PINTAR Schools.



▲ **14 OCTOBER**

Soft launch of MBSB Coffee Table Book, "Building Society: The MBSB Story".



◀ **15 OCTOBER**

Educational tour to Kidzania for students of MBSB Pintar schools' children.



◀ **6 NOVEMBER**

The exchange of documents on strategic Bancatakaful distribution agreement between MBSB and AIA AFG Takaful Bhd (AATB) to introduce a new medical card plan called "MBSB i-Medic" to MBSB customers.



▲ **8 DECEMBER**

Best dressed staff at "Night of Giltz and Glam" theme MBSB Annual Dinner.



◀ **15 DECEMBER**

MBSB Cheeky Savings Club members at the launch of MBSB Cheeky Savings Club Web Portal and "Fun Day With Cheeky" program at the National Zoo.

▶ **17 DECEMBER**

The signing of the conditional Sales and Purchase Agreement between MBSB and PJ Sentral Development for the acquisition of MBSB new office building in PJ Sentral.



◀ **19 DECEMBER**

Corporate depositors and members of the media at Sarawak region at the dinner hosted by MBSB in appreciation to their support at Hilton Hotel, Kuching.



Awards and Accolades

Awards and Accolades

- **Recognition by the Prime Minister’s Department for MBSB’s contribution in championing “The MBSB Home Safety Campaign”**
for the public at the National Crime Prevention Month in August 2008
- **Top 100 Public Listed Companies for 2011**
under the Minority Shareholders Watchdog Group (MSWG)
Malaysian Corporate Governance Index (MCG)
- **Special Mention by the MSWG 2011**
for being an “A” rated company



- **Highest Profit Growth Company**
Highest Growth In Profit Before Tax
Over 3 Years (Finance Sector)
The EDGE Billion Ringgit Club 2011

- **Best Performing Stock**
Highest Return to Shareholders
Over Three Years (Finance Sector)
The EDGE Billion Ringgit Club 2011



- **Anugerah Perak**
Jualan Wasiat Tertinggi Antara Bank
(Silver Award - Highest Sales in Will Writing)
Amanah Raya Berhad



- **Best Performing Stock**
Highest Return to Shareholders
Over Three Years (Finance Sector)
The EDGE Billion Ringgit Club 2012

- **Recognition Award - Top 10 Highest Sponsorship Participation Category**
(CSR in Sporting Events 2010/2011)
Federation of Public Listed Companies Berhad



- **IBFIM's Islamic Finance Talent Development**
Champion Award 2011/2012
Islamic Banking and Finance Institute Malaysia (IBFIM)

Statement on Corporate Governance

Statement on Corporate Governance

The Board of Directors ("Board") of Malaysia Building Society Berhad strongly believes in the importance of corporate governance and is fully committed to ensure that the highest standards of corporate governance and integrity are applied throughout the Group.

In addition, the Board also considers and adopts where appropriate, the principles and best practices of corporate governance as prescribed in the Malaysian Code of Corporate Governance 2012 ("Code") and those outlined by other regulatory bodies such as Bank Negara Malaysia's guidelines on Corporate Governance.

The Board is pleased to report to shareholders the manner in which it has applied the Principles of the Code and the extent to which it has complied with the Best Practices of the Code, pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and Corporate Governance Guide : Towards Boardroom Excellence, throughout the Financial Year 2012.

Malaysia Building Society Berhad's ("MBSB") record of excellence in Corporate Governance has led it to a long-term sustainable financial performance and has attained substantial profit growth.

A. BOARD OF DIRECTORS

Board Charter

The Directors are guided by the Board Charter which clearly identifies the Board's role, duties and responsibilities. The Board Charter also outlines the processes and procedures to ensure the effectiveness and efficiency of the Board and its Committees.

The Board Charter is a dynamic document and will be updated from time to time to reflect changes to the Company's policies, procedures and processes as well as amended rules and regulations of the relevant authorities.

The Board Charter also comprises the terms of reference and the authority limits for the Board and its Committees and the various relevant internal policies.

Duties and Responsibilities of the Board

The Board's statutory and fiduciary duties include responsibilities to approve and periodically review the overall business strategies and significant policies of the Company and the Group.

The primary responsibilities of the Board are, amongst others, the following:-

- i) Review and approve strategies, business plans and significant policies and monitor management's performance in implementing them;
- ii) Overseeing the conduct of the Company's business;
- iii) Set corporate values and clear lines of responsibility and accountability that are communicated throughout the organization;
- iv) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- v) Succession planning;
- vi) Ensure competent management;
- vii) Ensure that the operations of the Company are conducted prudently, and within the framework of relevant laws and policies;
- viii) Ensure that the Company establishes comprehensive risk management policies, processes and infrastructure, to manage the various types of risks;
- ix) Set up an effective internal audit department, staffed with qualified internal audit personnel to perform internal audit functions, covering the financial and management audit;
- x) Establish procedures to avoid self-serving practices and conflicts of interest including dealings of any form with related entities;
- xi) Reviewing the adequacy and the integrity of the management information and internal controls system of the Company;
- xii) Establish and ensure the effective functioning of various board committees; and
- xiii) Overseeing the development and implementation of a shareholder communications policy for the Company; and

- xiv) Ensure that the Company has a beneficial influence on the economic well-being of its community.

Directors' Code of Ethics

The Company has established the Directors' Code of Ethics which was adopted from the recommended Code of Ethics for Directors issued by the Companies Commission of Malaysia. The Directors observe the Code of Ethics in performance of their duties and they fully subscribe to highly ethical standards and take into account the interest of all stakeholders.

Composition of the Board / Board Balance

The Board currently comprise of six (6) Directors of whom four (4) are Independent Non-Executive Directors and two (2) are Non-Independent Non-Executive Directors.

The Independent Non-Executive Directors are independent of Management and free from any business or other relationship with the Company and the Group which could materially affect the exercise of their independent judgement. The number of Independent Directors not only fulfill the requirement of Bursa Malaysia for one-third of Board membership to be independent but also contributes towards greater impartiality and objectivity in the Board's decision making process.

The diversity of skill, experience and knowledge of its members in various disciplines and profession allows the Board to address and/or to resolve the various issues in an effective and efficient manner. The brief description of the background and experience of each of the Board member is contained in the Directors' Profile section of this Annual Report.

The number of Board members is also in line with the guidelines for enhancing board effectiveness contained in "The Green Book".

Board Meetings

Board meetings for the ensuing financial year are scheduled in advance before the end of each financial year

Statement on Corporate Governance

Statement on Corporate Governance

to enable Directors to plan ahead and fit the year's Board meetings into their own schedule.

The Board has at least four (4) scheduled quarterly meetings with additional meetings being convened as and when necessary.

Prior to each meeting, every Director is given the complete agenda and a set of Board papers well in advance so that the Directors have ample time to review matters to be deliberated at the meeting and to facilitate informed decision making.

The Board met fourteen (14) times during the financial year ended 31 December 2012. The details of each of the Directors' attendance are given as below:

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
Tan Sri Abdul Halim bin Ali (Non Independent Non-Executive Director/Chairman)	14/14	100%
Datuk Shahril Ridza bin Ridzuan (Non Independent Non-Executive Director)	11/14	79%
Datuk Syed Zaid bin Syed Jaffar Albar (Senior Independent Non-Executive Director)	13/14	93%
Encik Aw Hong Boo (Independent Non-Executive Director)	14/14	100%
Dato' Jasmy bin Ismail (Independent Non-Executive Director)	13/14	93%
Encik Lim Tian Huat (Independent Non-Executive Director)	11/14	79%
Dato' Zuraidah binti Atan ¹ (Non Independent Non-Executive Director)	5/6	83%

Notes:

1 Appointed as Director on 16 January 2012 and retired on 5 April 2012.

All Directors have complied with the minimum requirements of 50% on attendance at Board meetings during the financial year as stipulated in the Main Market Listing Requirements of Bursa Malaysia.

Training and Development of Directors

The Board members are encouraged to attend continuous training to enable the directors to effectively discharge their duties. The Board continuously evaluates and determines its' training needs.

During the year, all Directors have attended various training programmes, seminars, conferences and talks conducted by Regulatory Authorities, professional bodies and professional trainers and speakers, in order to stay abreast with the latest developments in the industry and business environment as well as on changes to statutory requirements and regulatory guidelines, so as to enhance their skills and knowledge to enable them to carry out their roles effectively.

The training programmes / conferences / seminars / dialogues attended by the Directors in 2012, focuses on Corporate Governance, Directors' Responsibilities, Finance (Conventional & Islamic), Accounting, Investment, Business Sustainability and Insurance:-

Tan Sri Abdul Halim bin Ali

1. Malaysia The Rising Star – Geared For Growth Asian Strategy & Leadership Institute (ASLI)
2. Dynamic Evolution of the Pensions World Employees Provident Fund
3. Corporate Governance – The Competitive Advantage Minority Shareholder Watchdog Group (MSWG)
4. Nurturing Public Sector's Innovation and Creativity Institute Sultan Iskandar (ISI)
5. Biotechnology for the Wellness Industry Universiti Teknologi Malaysia (UTM)
6. Key Trends in D&O Liability IJM Corporation Berhad

Datuk Syed Zaid bin Syed Jaffar Albar

1. Malaysian Pacific Industries – Optimising IFRS / MFRS Convergence Malaysian Pacific Industries Berhad

2. Global Islamic Finance Forum (GIFF) Bank Negara Malaysia

Datuk Shahril Ridza bin Ridzuan

1. Amundi Senior Executive Forum 2012. Amundi Asset Management
2. Bumiputera Economic Transformation Roadmap (BETR) Workshop Putrajaya Committee on GLC High Performance (PCG)
3. Board of Directors Workshop – Capitalizing on SEANS's Multinational Marketplace and Importance of Branding and Future Content Media Prima Berhad
4. The Third Annual Asia Central Bank & Sovereign Wealth Fund Conference 2012 Bank of America Merrill Lynch
5. Credit Suisse Asian Investment Conference 2012 Credit Suisse Securities

Dato' Jasmy bin Ismail

1. Corporate Directors Training Programme Premier Companies Commission of Malaysia

Encik Aw Hong Boo

1. Malaysian Forum on Business Sustainability Minority Shareholder Watchdog Group
2. Asian Strategy & Leadership Institute – Real Estate Investment Trusts (REIT) Conference Asian Strategy & Leadership Institute
3. MIA-AFA Conference 2012 Malaysian Institute of Accountants

Encik Lim Tian Huat

1. MIA-AFA Conference 2012 Malaysian Institute of Accountants
2. Khazanah Megatrends Forum 2012 entitled "The Big Shift Traversing the Complexity of a New World"

Statement on Corporate Governance

Statement on Corporate Governance

Khazanah Nasional Berhad

3. Receivership: Practice, Case Law and Case Study
Jointly organised by MIA & IPAM, KUL

All Directors have attended the MAP as required under the Main Market Listing Requirements of Bursa Malaysia. The Directors are also regularly updated on any changes to legal and governance requirements which will affect the Group and also themselves as Directors.

Roles and Responsibilities of the Chairman and the President and Chief Executive Officer

There is a clear division of responsibility between the Chairman and the President and Chief Executive Officer to ensure a proper balance of power and authority. The Chairman of the Board is a Non-Executive Director and together with the rest of the Board, is responsible for setting the policy framework within which the Management is to work. The Chairman also leads the collective effort of the Board in monitoring the performance of Management in meeting the corporate goals and objectives. He also guides the Board on all issues presented before them at meetings or at such other forums where the consensus of the Board is required.

The President and Chief Executive Officer is primarily responsible for overseeing the day to day management to ensure the smooth and effective running of the Company and the Group. He is entrusted with making sure that all decisions, directions, policies and/or instructions approved by the Board are carried out by Management in a timely and efficient manner. He carries the primary responsibility in ensuring management competency including the emplacement of an effective succession plan to sustain continuity.

Senior Independent Director

In accordance with the best practices on Corporate Governance, the Board has appointed Datuk Syed Zaid bin Syed Jaffar Albar, as the Senior Independent Non-Executive Director on 7 February 2013. Datuk Syed Zaid has vast experiences in legal field and he is able to continue to provide constructive and independent advise from the legal perspective of the business.

The responsibilities of the Senior Independent Non-Executive Director, amongst others, include the following:-

1. be available to Board Members if they have concerns which contact through the normal channels of Chairman or President and Chief Executive Officer has failed to resolve or for which such contact is inappropriate;

2. act as a sounding Board for the Chairman and President and Chief Executive Officer on board matters;
3. chair the Nominating & Remuneration Committee in ensuring that board composition meets the needs of the Company; and
4. act as a trusted intermediary for Non-Executive Directors where this is required to help them to challenge and contribute effectively.

Appointment and Re-election of the Board

A formal and transparent procedure has been established by the Board for the appointment of new directors. A proposed candidate is first considered by the Nominating & Remuneration Committee which takes into account the skills and experience of the person before making a recommendation to the Board. All appointments of new Directors are made after prior consultations among the existing Directors.

In accordance with the Company's Articles of Association, one third (1/3) of the members of the Board for the time being shall retire by rotation at each Annual General Meeting and, subject to eligibility, may offer themselves for re-election.

Directors who are appointed by the Board during the financial year are subject to re-election by shareholders at the next Annual General Meeting held following their appointments.

The performance of those Directors who are subject to re-appointment and re-election of Directors at the Annual General Meeting will be subject to assessment whereupon the recommendation are submitted to the Board for decision on the proposed re-appointment or re-election of the Director concerned for shareholders' approval at the next annual general meeting.

Supply of Information

Prior to the Board Meeting, the agenda and a set of Board papers relevant to the business of the meeting are circulated to all Directors on a timely basis for Directors to study and evaluate the matters to be discussed. Urgent papers may be presented and tabled at the meetings under supplemental agenda.

President and Chief Executive Officer, Senior Management and relevant external consultants are invited to attend the Board meetings to brief and provide details on matters relating to their areas of responsibilities and also to provide details to the Directors on recommendations or reports submitted to the Board for deliberation and consideration.

The Board has full and unrestricted access to all information within the Company and Group as well as the advice and services of Senior Management and Company Secretaries in carrying out their duties. The Directors may also seek independent professional advice, at the Company's expense, if and when required.

Company Secretary

The Company Secretary demonstrates ongoing support in advising and assisting the Board on matters relating to the affairs of the Company, including issues pertaining to compliance, corporate governance and best practices, boardroom effectiveness and Directors' duties and responsibilities.

The Company Secretary also facilitates the communication of key decisions between the Board, Board Committees and Senior Management. The Company Secretary is also responsible for advising the Directors of their obligations and duties to disclose their interest in securities, disclosure of conflict of interest in transactions, prohibition on dealing in securities and restrictions on disclosure of price sensitive information.

All Directors have access to the advice and services of the Company Secretary.

Board Committees

The Board has established Board Committees to assist the Board in the running of the Company and the Group.

Pursuant to the above, the Board has established five (5) Board Committees. Each committee has clearly defined terms of reference regarding its objectives, duties and responsibilities, authority, meetings and memberships.

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The Board Committees of the Company are as follows:-

- Executive Committee of the Board
- Audit & Risk Management Committee
- Nominating & Remuneration Committee
- Arrears Recovery Committee
- Option Committee

Any decision not within its authority is referred back to the Board with its recommendations and comments for the Board's deliberation and approval.

The salient terms of reference of each Board Committee and details of members' attendance of meetings are as follows:

(a) Executive Committee of the Board

The Executive Committee was established on 29 April 2005 specifically to assist the Board to evaluate and approve loan applications within their approval authority limits.

The Executive Committee currently consists of two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors.

During the financial year 2012, six (6) meetings were held by the Executive Committee. The members and their attendance at the meetings are as follows:

Name of Members	Total Meetings Attended
Tan Sri Abdul Halim bin Ali (Non Independent Non-Executive Director / Chairman)	6/6
Datuk Syed Zaid bin Syed Jaffar Albar (Senior Independent Non-Executive Director)	6/6
Datuk Shahril Ridza bin Ridzuan (Non Independent Non-Executive Director)	6/6
Dato' Jasmy Ismail (Independent Non-Executive Director)	5/6

(b) Audit & Risk Management Committee

The principal function of the Audit & Risk Management Committee is to assist the Board in the effective discharge of its fiduciary responsibilities in relation to corporate governance, ensure timely and accurate financial

reporting, proper implementation of risk management policies and strategies in relation to the Company's and the Group's business strategies, the development of a sound internal control system and an effective risk management framework.

The Audit & Risk Management Committee currently consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

In accordance with the best practices of corporate governance, Audit & Risk Management Committee presents its report set out on page 84 of this Annual Report.

(c) Nominating & Remuneration Committee

The primary responsibilities of the Nominating Committee are:

- a. To recommend to the board, candidates for all directorships to be filled by the shareholders or the board. In making its recommendations, the Nominating Committee should consider the candidates' -
 - skills, knowledge, expertise and experience;
 - professionalism;
 - integrity; and
 - in the case of candidates for the position of independent non-executive directors, the Nominating Committee would also evaluate the candidates' ability to discharge such responsibilities/ functions as expected from the independent non-executive directors;
- b. To consider, in making its recommendations, candidates for directorships proposed by the President and Chief Executive Officer and, within the boundaries of practicability, by any other senior executive or any director or shareholder;
- c. To recommend to the board, directors to fill the seats on the board committee;
- d. To conduct annual review with the board, the required mix of skills and experience and other qualities, including core competences which non-executive directors should bring to the board;

- e. To implement a process with the board, for assessing the effectiveness of the board as a whole, the committees of the board, and for assessing the contribution of each individual director, including independent non-executive directors, as well as the President and Chief Executive Officer. All assessment and evaluations carried out in the discharge of all its functions should be properly documented;
- f. To consider and to recommend to the Board the appointment, resignation, retirement and other related issues involving the President and Chief Executive Officer; and
- g. To consider and approve the appointment, promotion, resignation, retirement and other related issues involving Senior Vice President and above.

The primary responsibilities of the Remuneration Committee are:

- a) To propose a system and amount of executive and non-executive Directors' annual remuneration package to the Board;
- b) To review remuneration programmes from time to time, gauge their adequacy and results;
- c) To ensure the Company has a developed succession policy and that such policy is kept under review;
- d) To consider and to recommend to the Board the promotion, remuneration package, increment, bonuses and other related matters involving the President and Chief Executive Officer; and
- e) To consider and approve the promotion, remuneration package, increment, bonuses and other related matters involving Senior Vice President and above.

The Nominating & Remuneration Committee also carries out the periodic review of the overall remuneration for Directors, President and Chief Executive Officer and key Senior Management Officers whereupon

Statement on Corporate Governance

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recommendations are submitted to the Board for approval.

The Nominating & Remuneration Committee currently consists of three (3) Independent Non-Executive Directors.

During the year ended 31 December 2012, four (4) meetings were held. The members of the Nominating & Remuneration Committee and their attendance at the meetings are as follows:

Name of Members	Total Meetings Attended
Datuk Syed Zaid bin Syed Jaffar Albar (Senior Independent Non Executive Director /Chairman)	4/4
Encik Aw Hong Boo (Independent Non Executive Director)	4/4
Encik Lim Tian Huat (Independent Non Executive Director)	3/4

(d) Arrears Recovery Committee

The principal function of this Arrears Recovery Committee is to deliberate on proposals for recovery of non-performing loans (NPLs), approve proposals within its authority and to recommend to the Board those proposals outside its authority, monitor the progress of recovery of NPLs and formulate recovery strategies.

The Arrears Recovery Committee currently consists of four (4) Independent Non-Executive Directors.

During the year ended 31 December 2012, five (5) meetings were held. The members and their attendance at the meetings are as follows:

Name of Members	Total Meetings Attended
Encik Lim Tian Huat (Independent Non Executive Director/Chairman)	5/5
Encik Aw Hong Boo (Independent Non Executive Director)	5/5
Datuk Syed Zaid bin Syed Jaffar Albar (Senior Independent Non Executive Director)	4/5
Dato' Jasmy bin Ismail (Independent Non Executive Director)	4/5

(e) Option Committee

The Option Committee was established on 27 May 2010. The principal function of this Option Committee is to administer the Company's Employees' Share Option Scheme (ESOS) in accordance with the ESOS Scheme's by-laws.

The Option Committee currently consists of three (3) Independent Non-Executive Directors.

During the year ended 31 December 2012, one (1) meeting was held. The members and their attendance at the meeting are as follows:-

Name of Members	Total Meetings Attended
Datuk Syed Zaid bin Syed Jaffar Albar (Senior Independent Non Executive Director/Chairman)	1/1
Encik Aw Hong Boo (Independent Non Executive Director)	1/1
Encik Lim Tian Huat (Independent Non Executive Director)	1/1

B. DIRECTORS' REMUNERATION**Objective of Directors' Remuneration**

The Company's remuneration policy for Directors is tailored towards attracting and retaining Directors with relevant experience and expertise needed to assist in managing the Company and the Group effectively.

Remuneration Package

The remuneration package is as follows:-

(a) Directors' Fee

The Directors are paid an annual fee, the quantum of which is approved by the shareholders at the Annual General Meeting. In the event a Director is appointed or

resigns during a financial year, the fee will be pro-rated and apportioned accordingly based on the month of the said Director's appointment or resignation.

(b) Allowance

The Directors are paid a meeting allowance for their attendance at meetings of the Board and the Board Committees. The quantum of the allowance is recommended by the Nominating & Remuneration Committee and is approved by the Board. In addition, the Chairman is also paid a car allowance.

(c) Details

The aggregate remuneration of the Directors during the financial year 2012 are categorized into the appropriate components as follows:-

	Executive Director	Non-Executive Directors
Emoluments (RM)	-	-
Allowance (RM)	-	298,000
Fee (RM)	-	560,000
Bonuses (RM)	-	-
Benefit-in-Kind (RM)	-	-
Total (RM)	-	858,000

Range of remuneration	Number of Directors	
	Executive Director	Non-Executive Director
Nil	-	-
Below RM50,000	-	1
RM50,001 – RM100,000	-	-
RM100,001 – RM500,000	-	6
RM500,001 – RM1,000,000	-	-

Details of the Directors' remuneration of each Director during the financial year 2012 are set out under note 32 of the Notes to the Financial Statements in this Annual Report .

C. SHAREHOLDERS**Relationship with Shareholders and Investors**

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The Board recognises the importance of communication and proper dissemination of information to its shareholders, investors and all other stakeholders including general public. Through extensive disclosures of appropriate and relevant information, the Company aims to effectively provide shareholders and investors with information to fulfill transparency and accountability. In this respect, the Company keeps shareholders informed via announcements and timely release of quarterly financial reports, press releases, annual reports and circulars to shareholders.

As part of the Group's initiatives, the President and Chief Executive Officer together with the Chief Financial Officer, Chief Operating Officer and the Company's Corporate Planning and Communications Division conducts discussions, dialogues and briefings with fund managers, financial analyst and media, as and when necessary and/or after the Group's quarterly financial results are released to Bursa Malaysia. This is to promote better understanding of the Group's financial performance, operations and other matters affecting shareholders' interest.

In addition, the Company has a website at www.mbsb.com.my which provides updated information on the corporate and business aspect of the Group. Press releases, announcements to Bursa Malaysia, analysts briefings and quarterly results of the group are also made available on the website and this helps to promote accessibility of information to the company's shareholders and all other market participants.

The Company also provides an abridged version of the Annual Report together with its Annual Report in CD format, highlighting key financial information to facilitate shareholders' easy access to such key information.

Annual General Meeting

The Annual General Meeting (AGM) of the Company is the principal forum for dialogue and interaction with its shareholders. Shareholders are given the opportunity to participate effectively in resolutions tabled at the AGM. All shareholders have direct access to the Board members at this AGM. Besides that, the senior management, external auditors and other advisors are present at the AGM to provide answers and clarifications to shareholders.

The notice and agenda of AGM together with Form of Proxy are given to shareholders at least 21 days before the AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxy to attend and vote on their behalf. Each item of special business included in the notice of AGM will be accompanied by an explanatory statement on the effects of a proposed resolution.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility to ensure that the Company's and the Group's financial statements present a true and fair view of the state of affairs and are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and the provisions of the Companies Act, 1965.

The Board is also committed to providing the highest level of disclosure possible to ensure integrity and consistency of the financial reports.

The Group publishes full financial statements annually and condensed financial statements quarterly as required by the Main Market Listing Requirements of Bursa Malaysia.

The Audit & Risk Management Committee assists the Board in scrutinising the information for disclosure to ensure accuracy, adequacy and completeness.

Internal Control

The Board has the overall responsibility of maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets.

The Audit & Risk Management Committee through the Internal Audit Division and Group Risk Management Division review the effectiveness of the system of internal controls of the Group periodically. The review covers the financial, operational and compliance controls as well as risk management.

The Statement on Risk Management and Internal Control as set out in this Annual Report provides an overview of the state of risk management and internal controls within the Group.

The minutes of the Audit & Risk Management Committee meetings are tabled to the Board for notation and for action by the Board where appropriate.

Relationship with Auditors

The Company's external auditors, Messrs Ernst & Young continue to provide the independent assurance to shareholders on the Company's and the Group's financial statements. The Board maintains a formal and transparent relationship with the auditors to meet their professional requirements.

The role of the Audit & Risk Management Committee in relation to the internal and external auditors is described in the Audit & Risk Management Committee Report section of the Annual Report.

E. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act, 1965 to prepare financial statements for the financial year which have been made out in accordance with the applicable MFRS and IFRS give a true and fair view of the state of affairs and of the results and cash flows of the Company and the Group for the financial year then ended.

In preparing the financial statements, the Directors have used appropriate and relevant accounting policies that are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that applicable MFRS and IFRS have been complied with.

The Directors are responsible for ensuring that the Company and the Group keep proper accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group, to detect and prevent fraud and other irregularities.

Statement on Corporate Governance

Statement on Corporate Governance

F. ADDITIONAL COMPLIANCE STATEMENT

Utilisation of Proceeds Raised from any Corporate Proposal

There were no proceeds raised by the Company from corporate exercise during the financial year.

Share Buy-back

There was no approved share buy-back scheme during the financial year.

Options, Warrants or Convertible Securities

During the financial year ended 31 December 2012, a total of 21,054,275 options over ordinary shares were exercised pursuant to the Company's Employees' Share Option Scheme ("ESOS").

During the financial year, a total of 3,805,957 warrants were exercised pursuant to the Company's warrant 2011/2016.

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company did not sponsor any ADR or GDR programme during the financial year.

Sanctions and/or Penalties imposed

There were no sanctions or material penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

Non-Audit Fees

Apart from the annual audit fees, the Group has incurred other assurance related fees of RM1.55 million and non-audit fee of RM2.848 million to external auditors or a firm or a corporation affiliated to the external auditors for the financial year ended 31 December 2012.

Variation in results

There were no variation between the audited results for the financial year ended 31 December 2012 and the unaudited results for the fourth quarter ended 31 December 2012 of the Group.

Profit Guarantee

The Company did not issue any profit guarantee during the financial year.

Material Contracts with Related Parties

Save as disclosed in note 37 to the financial statements, there are no other material contracts subsisting at the end of the financial year or entered into since the end of the previous financial year by the Company and its subsidiaries which involves interests of Directors and major shareholders.

Whistle Blowing Policy

The policy is developed to provide an avenue for the employees to report on suspected fraud, misconduct behavior and/or violations of the Company's Code of Conduct and Ethics as well as any other directives or policies issued by the Company from time to time. The Company also has in place a Fraud and Corruption Control Guidelines in managing the risk of fraud and corruption which should be read together with the Whistle Blowing Policy.

All employees are entrusted with the responsibility to stay alert for preventing and detecting defalcations, misappropriations and other irregularities. The policy sets out the specific roles of employees in prevention and detection of fraud and fraud discovery reporting as well as the procedures and processes the Company will take in respect of employees involved in fraudulent acts.

Dividend Payment Policy

The Company has adopted a 30% dividend payment ratio on profit after tax.

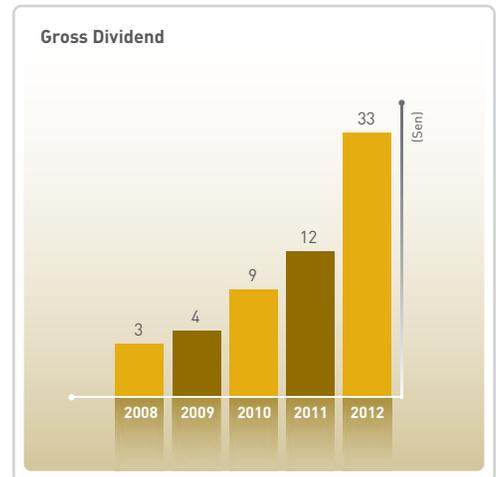
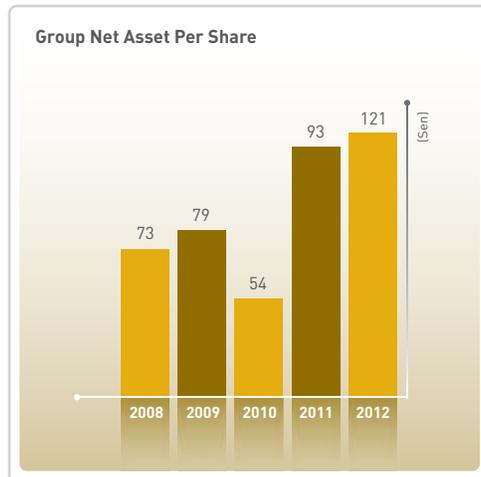
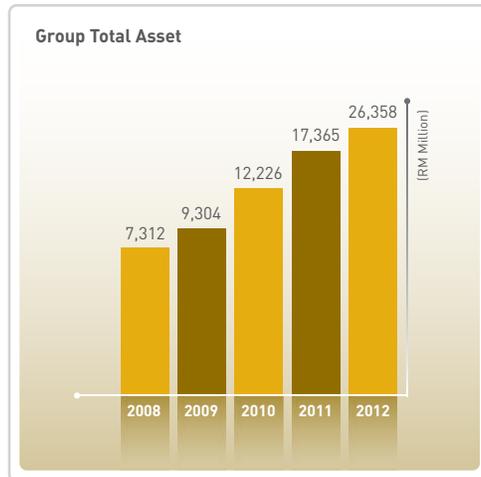
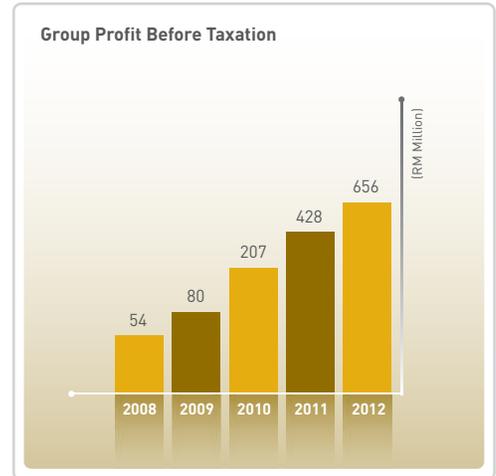
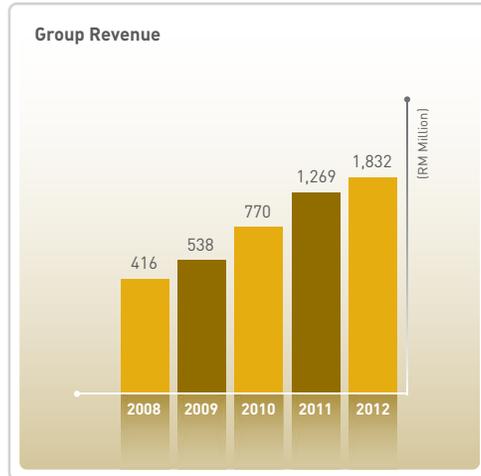
G. STATEMENT ON COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

Having reviewed the governance structure and practices of the Company and the Group, the Board considers that it has complied with the best practices as set out in the Code as well as the items set out in Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia in relation to the requirement of a separate disclosure in the Annual Report.

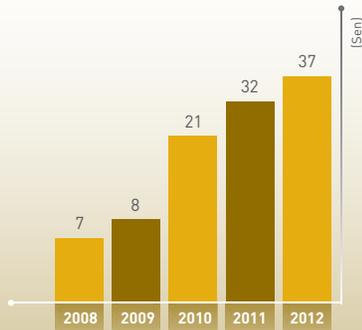
This Statement on Corporate Governance was approved by the Board of Directors on 19 March 2013.

Financial Highlights

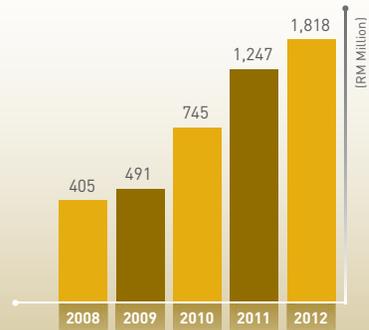
Financial Highlights



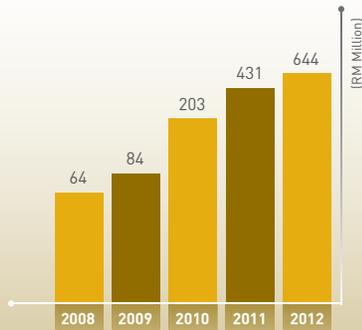
Group Basic Earnings Per Share



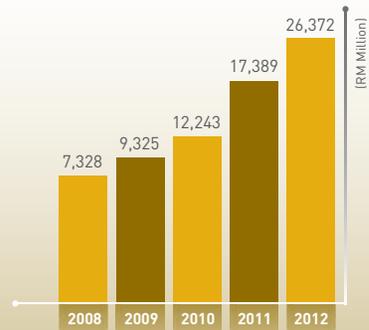
Company Revenue



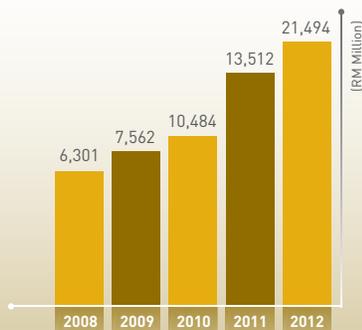
Company Profit Before Taxation



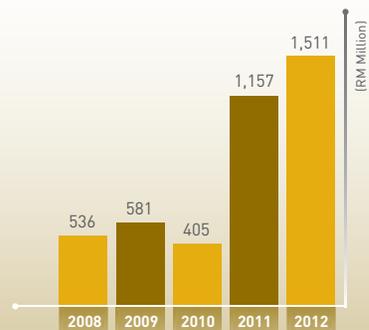
Company Total Assets



Company Deposit



Company Shareholders' Equity



مشرکت قرضهات ماليزيا بيرهات
MALAYSIA BUILDING SOCIETY BERHAD



MBSB staff outside the Penang branch at 43/47 Jalan Penang, George Town, 1980.



CORPORATE SOCIAL
RESPONSIBILITY INITIATIVE

The current crop of talented and dynamic individuals
that have been entrusted to carry the name forward.

CSR

Corporate Social Responsibility (CSR) Initiatives



Introduction

Since our establishment in the industry more than 60 years ago, we have been carrying out numerous charity projects most notably in conducting education effort for the less privileged society. Through Corporate Social Responsibility practices, we aim to make a positive impact on the communities we engage in and promote sustainable growth for Malaysian.

While serving the society, The Community MBSB's CSR programs are actually stretched on two more fronts namely The Workplace and The Marketplace. All three fronts are seen as important to build a better corporate citizenry value for the brand and bringing better business altogether by focusing on the impact each program will have in terms of enriching lives and promoting sustainable profitability.

It is not all about business in MBSB, we have placed importance on CSR where each CSR initiative undertaken reflects our very own fundamental philosophy that is to reach out and improve the lives of Malaysians the best way we can.

The Workplace

As an organization, the contributions from our employees play vital roles in transforming MBSB into a strong corporate entity and this is where we tend to add continuity and develop sustainable human capital.

Up until December 2012, the MBSB group had employed 1,235 personnel spreading over 35 sales & service centres and 12 representative offices throughout Malaysia with a gender ratio of 1:1. With a balanced gender ratio, it is plain to see that we have always opened the door of opportunity for Malaysians regardless of their race and gender. As an established organization, we believe that by promoting equality and an integrated working, we have provided a good workplace that enable peoples to prosper.

Each and every individual undergoes a performance management system to gauge their qualities and help them improve and develop themselves further.



Apart from that, we also offer attractive remuneration packages that include competitive compensation and comprehensive range of benefits to cater to them and their families. These packages include medical coverage, reimbursement for dental treatment and eye care, and also ESOS (Executive Share Option Scheme).

Brilliant employees would not go unnoticed as we have designed a reward program for staff. MBSB High Achievement Award, acknowledges staff who has successfully obtained a Diploma, Degree or Masters for their own career advancement while the MBSB Excellence Education Award rewards staff's high flying children who excel in UPSR, PMR, SPM and STPM examinations.

Encouragements do not stop there as our Workplace CSR program also includes a talent development program that focuses on skills, training and development aimed to enable individuals to reach their full potential and at the same time enjoy their career advancement. Such efforts are seen as benefitting both parties, in the short and longer run.

At MBSB, we also aspire to create a workplace that is not just rewarding and challenging but also meaningful. We promote work-life balance via various sports, family and social programs such as futsal tournament, family day, trips, MBSB Idol (singing competition) and annual dinner to foster and increase bond and motivation by building stronger camaraderie and understanding between employer and employees.

An ongoing blood donation campaign was initiated to assist in increasing the supply of the National Blood Bank Malaysia which has received an overwhelming support from the employees.



CSR

Corporate Social Responsibility (CSR) Initiatives

The Community

Our commitment throughout the years to the society reflects our motivation and dedication in lending a helping hand to those in need. The main focus has always been education because we believe that this is where the country shall benefit the most. We work closely with government agencies, NGO's and corporations to carry out our obligations in areas of education, community and humanitarian.

The year 2011 saw the launch of our 'Program Sejahtera' in which we present our ongoing effort to create sustainable living environments to vulnerable and less privileged communities in Malaysia through home building and rehabilitation exercise. Under this programme, we were proud to be able to give a breath of new life into nine homes around Sarawak, Pahang and Kelantan in 2012.

2012 on the other hand saw another anchor CSR project, the PINTAR program continuing its journey to support our adopted schools by organizing motivation programs and English workshop for the school teachers and administrations. Our goal is to help raise academic standards of the students from the less privileged background particularly in the subject of English. These programs are a concerted effort between MBSB and the PINTAR Foundation and we have managed to adopt six primary schools in Sarawak, Sabah, Selangor, Kedah, Melaka and Terengganu.

Apart from that, our CSR initiative to the community also drove us to perform donations to help ease financial burden of the vulnerable and less privileged community. Through our sponsorship program, we extend our helping hand through giving small grants and special donations to welfare organizations, charity associations or any types of community groups that give care to children, orphans, single mothers, the elderly or the disabled. We also encouraged the staff to voluntarily deduct their salary through Yayasan Pembangunan Ekonomi Islam Malaysia for supporting charitable community programme. On the other hand, we also supported our corporate clients by sponsoring their own engagement and CSR oriented programs such as



bowling and golf tournament as well as family day. During Aidiladha 2012, MBSB regional offices around the country participated in Qurban programs organized within their regions.

We are very proud of the involvement of our staff in any CSR event where they would volunteer to spare their time to participate and contribute for a good cause.

The Marketplace

The marketplace is where the action is and we have always strived to strengthen our position to remain relevant in the industry. Thus, we build our business strategies around products and customer service excellence. In tandem with our drive in Taking MBSB To The Next Level, we submit to the importance of delivering customer service excellence.

We took our sustainability commitment a step further by creating equal opportunities for the marketplace to gain access to affordable financing. We provide financing with competitive packages that enable our retail consumers to ease their financial burden which subsequently help raise their disposable income. Our financing package for local Small Medium Enterprises (SME) help build their businesses and allow them to earn higher margin. Hence, we aspire to create a more supportive environment and sustainable opportunities for these key business segments.

To ensure continuous trust in the brand, 2012 saw a new initiative introduced by MBSB. The opening of our new Sales and Service Centres in Shah Alam, Puchong and Kelana Jaya and Representative Offices in Sarikei and Kota Samarahan in Sarawak are expected to improve our service coverage network across the region giving ease of access to our customers. Along the lines we have also appointed customer service ambassadors to support our mission in raising service standards and enhancing good customer relations.



Statement on Risk Management and Internal Control

Statement on Risk Management And Internal Control

BOARD'S RESPONSIBILITY

The Board acknowledges overall responsibility and recognises the importance of maintaining a sound system of risk management and internal control and for reviewing its adequacy and integrity so as to safeguard shareholders' investments and the Group's assets. The Board endeavours to maintain an adequate system of enterprise-wide risk and internal control with integrity.

Due to the limitations that are inherent in any system of risk management and internal controls, this system is designed to manage, rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable but not absolute assurance against material misstatement, fraud or loss occurrence.

The Board remains committed towards operating a sound system of risk management and internal control and therefore recognize that the system must continuously evolve to support the Group's businesses and operations in a dynamic business environment. As such, the Board in striving for continuous improvement will put in place appropriate action plans, when and where necessary to further enhance the Group's system of risk management and internal control.

RISK MANAGEMENT

The Board through its Audit & Risk Management Committee (ARMCO) assumes overall responsibility for overseeing the Group's risk.

The Board regards risk management as an integral part of business operations and confirms that there is an on-going process of identifying, evaluating, monitoring, managing and reporting on the significant risks that may affect the achievement of its business objectives. The Board has approved the risk management framework to strengthen the risk management policies and tightened the relevant internal control which is in line with the current market practice.

The Board is supported by a number of established Board Committees in the execution of its responsibilities namely, the Executive Committee (EXCO); Audit & Risk Management Committee (ARMCO); Arrears Recovery Committee (ARC); and Nominating & Remuneration Committee, details of which are set out in the Statement on Corporate Governance. Each committee has clearly defined terms of reference.

The Board has put in place the ARMCO as driver for identifying principal risks and ensuring the implementation of appropriate systems to manage these risks. ARMCO is responsible for monitoring, overseeing and evaluating the duties and responsibilities of the Management, the Internal Audit Division and

the Group Risk Management Division as those duties and responsibilities relate to MBSB's processes for controlling its operations.

The ARMCO maintains overall responsibility for risk oversight within MBSB which includes inter-alia reviewing and approving risk management policies and limits, overseeing risk exposure and portfolio composition and ensuring that infrastructure, resources and systems are put in place for risk management activities.

The ARMCO is also responsible for determining that all major issues reported by the internal auditors, external auditors and other outside advisors have been satisfactorily resolved. Finally, the ARMCO is responsible for reporting to the Board of Directors all important matters pertaining to the Group's operations.

Responsibility for implementing the Group's strategies and day-to-day businesses are delegated to Management. The organization structure sets out clear segregation of roles and responsibilities, lines of accountability and levels of authority to ensure effective and independent stewardship. The Management assists the Board in implementing the policies approved by the Board, implementing risk control procedures and developing, operating and monitoring internal controls to mitigate and control identified risks.

Dedicated management committees namely, Credit and Rehabilitation Assessment Committee (CARAC); Retail Loans Committee (RLC); Asset Liability Committee (ALCO); Management Committee (MANCO), the Initial Alert Committee; and IT Steering Committee assist the ARMCO, the EXCO and the Board in managing credit risk, operational risk, market risk and liquidity risks. These committees are responsible for overseeing the development and assessing the effectiveness of policies approved by the Board. MANCO and Senior Management oversee the execution and implementation of the policies.

The Group has an internal audit function which functionally reports direct to ARMCO. Its primary responsibility is to perform periodical reviews on units identified based on a risk based approach in order to evaluate the adequacy and efficiency of internal control system and to detect and highlight non-compliance of the Group's policies and procedures.

GROUP RISK MANAGEMENT DIVISION

The risk management processes of the Group have been enhanced with the strengthening of the Group Risk Management Division (GRM). The GRM is headed by the Chief Risk Officer and is responsible for communicating to the Board/ARMCO the critical risks the Group faces, their changes and the action plans to manage these risks.

The GRM continues to provide advice and guidance on the retail, corporate and general business risk to the Group. The scope of advice serves to manage and control significant risk exposures inherent in the Group's business operations as well as covers the identification of significant risks and ensure the implementation of appropriate risk management framework and guidance to manage these risks.

During the year, GRM was involved in the development of Auto Finance Policy, SME Cash Express (Ekspres Tunai) Policy, Conventional Contract Financing Policy and the CCRIS Policy. It reviews compliance with approval limits and identifies emerging risk issues. It has representation as a consultative party in decision-making meetings of the ALCO; RLC; CARAC and IT Steering Committee.

In year 2012, GRM has developed and implemented the credit scorecards for the Auto Finance portfolio to meet the changes in operating environment as part of the continuous improvement in risk management. The Auto Finance Scorecard was developed, approved and implemented in 2012 with the purpose to assist in the decision making process by respective credit processing unit.

In year 2012 GRM participated in the roll out and the implementation of the following systems:

- a) Auto Finance System called SYSTECH
- b) Treasury Management System called COMPASS
- c) New Core Banking System called MBSB Integrated Core Banking (MICoB) System

The purpose of implementing the above systems is to capture the activities of the transaction for financial reporting, compliance, risk management and legal requirements.

MBSB has been granted access to CCRIS system beginning of 2012 which assist the relevant parties in making

Statement on Risk Management and Internal Control

Statement on Risk Management And Internal Control

informed decisions on credit matters and help strengthen MBSB's credit risk management by assessing and approving good quality loans, which is in line with the current practice of other financial institutions.

With this development and the granting of the new Approving Authority to experienced senior management which has improved the credit evaluation process and approval for the mortgage portfolio. The appointment of the new Approving Authority and subsequently the disbandment of RLCs for mortgage and personal financing were approved by Board during the year upon recommendation by ARMCO.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from group risk management and internal audit, the other key elements of the Group's system of risk management and internal control include:

- Whenever required, relevant Board committees are established with specific responsibilities delegated by the Board to deliberate on matters within the respective scope of responsibility. The committees are guided by written terms of reference and their minutes of meetings are tabled to the Board.
- MBSB has a well-defined organizational structure with clear lines of accountability and has strict authorization, approval and control procedures within which senior management operates. A process of hierarchical reporting has been established which provides for a documented trail of accountability.
- Implementation of business planning for the next financial year and integrated budget process with established ownership of business objectives, plans and the expected financial outcome based on the Board's approved Budget Plan.
- ARMCO on behalf of the Board regularly reviews internal control issues identified in reports prepared by the internal auditors and external auditors and the related actions taken by Senior Management.
- The Board of Directors reviews the operational and financial performance of the Group. Management reports are presented to the Board each quarter providing financial information, including key performance indicators.
- MANCO comprises Senior Management with responsibilities that include execution of the following controls:

- i. Quality assurance on key information and performance reports to the Board.
- ii. Partnership with ARMCO and Internal Audit Division to address any internal control issues.

These management committees are held on a regular basis to identify, discuss and resolve operational, financial and key management issues.

- In year 2012, GRM has, from time to time, reviewed and updated the SOPs to reflect changing risks or processes and internal control improvements while ensuring that documentation remains current. With the introduction of the Compliance, Organisational and Methods (COM) Division, a structured organization-wide control and custodian of the Manuals has been established during 2012. Continuous effort are undertaken to ensure standardization, timeliness, comprehensiveness of Manuals including authorization, accountability and monitoring processes. All revised manuals/SOPs are required to be re-tabled to ARMCO for recommendation to Board for approvals.
- The Internal Audit Division reporting to ARMCO performs systematic and regular reviews of key processes via audit of departments and Sales & Service Centres in an effort to assess the effectiveness, adequacy and integrity of internal controls including compliances. Areas of improvement and proposed recommendations are highlighted to Senior Management and ARMCO with a periodic follow-up review on actions taken.
- Employees are bound to observe prescribed standards of business ethics when conducting themselves at work and in their relationship with external parties, such as customers and suppliers. Employees are expected to comply with the Code of Conduct and Ethics to conduct themselves with integrity and objectivity and not be placed in a position of conflict of interest.
- The Group participates in forums and trainings to better understand on fraud and anti-money laundering (AMLA).

To this extent the Fraud & Corruption Control and Guidelines has been approved by the Board in 2009 and has been disseminated to all employees.

- Confirmation by the President and Chief Executive Officer and Chief Financial Officer of the Group on the effectiveness of the system of risk management and internal control, highlighting any weaknesses and changes in risk.
- There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.

The Board confirms that the system of risk management and internal control with the key elements highlighted above was in place during the financial year. The system is subjected to regular reviews by the Board. The Board believes that the system of risk management and internal controls of the Group is sound and sufficient to safeguard shareholders' investments and the Group's assets.

The statement was approved by the Board of Directors on 19 March 2013.

Report of The Audit & Risk Management Committee

Report of The Audit & Risk Management Committee

1.0 REPORT OF THE AUDIT & RISK MANAGEMENT COMMITTEE

During the financial year ended 31 December 2012, a total of 13 Audit & Risk Management Committee (Committee) meetings were held. The Committee comprises the following members and details of their attendance of meetings held during the financial year are as follows: -

Composition of the Committee	Number of Meetings Attended / Held
Encik Aw Hong Boo (Independent Non-Executive Director/Chairman)	13/13
Encik Lim Tian Huat (Independent Non-Executive Director)	13/13
Datuk Shahril Ridza bin Ridzuan (Non-Independent Non-Executive Director)	12/13

2.0 SUMMARY OF ACTIVITIES OF THE AUDIT & RISK MANAGEMENT COMMITTEE

During the financial year, the main activities undertaken by the Committee in accordance with its terms of reference are summarised as follows: -

2.1 Financial Reporting

- a) Reviewed the quarterly unaudited financial results of MBSB and MBSB Group prior to recommending to the Board of Directors for approval.
- b) Reviewed the annual audited financial statements of MBSB and MBSB Group with the external auditors prior to recommending to the Board of Directors for approval.

The above reviews were to ensure that the financial reporting and disclosures are in compliance with the: -

- Provisions of the Companies Act 1965;
- Listing Requirements of Bursa Malaysia Securities Berhad;
- Applicable approved accounting standards in Malaysia; and
- Other legal and regulatory requirements

In the review of the annual audited financial statements, the Audit & Risk Management Committee discussed with Management and the external

auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements.

2.2 Internal Audit

- a) Reviewed and approved the annual Internal Audit Plan to ensure adequacy of scope and coverage of the auditable areas including the Internal Audit resource requirements.
- b) Reviewed the status of completion of the Internal Audit Plan and assessed the performance of Internal Audit Division.
- c) Reviewed the internal audit reports tabled during the year, which outlined the audit issues, recommendations and management's response thereof. Discussed with management and where appropriate, directed management to rectify and improve the system of internal controls and workflow processes based on the internal auditors' recommendations for improvement.
- d) Monitored the corrective actions taken on the outstanding audit issues to ensure that all the key risks and control lapses have been addressed.

2.3 External Audit

- a) Reviewed with the external auditors: -
 - their audit planning memorandum for the year ended 31 December 2012 comprising their audit plan, audit strategy and scope of work for the year.
 - their annual audit report and management letter together with management's response to the findings of the external auditors.
 - updates of new developments on Financial Reporting Standards issued by the Malaysian Accounting Standards Board.
- b) Met the external auditors twice for discussion without the presence of the Management.

- c) Evaluate the performance and effectiveness of the external auditors and made recommendations to the Board of Directors on their audit fees and for their reappointment to hold office until the conclusion of the next annual general meeting.

2.4 Policy Review and Other Matters

- a) Reviewed the Retail Business, Corporate Business, Credit Management, and Branch Network Divisions' revised or newly introduced policies prior recommending to the Board of Directors for approval.
- b) Reviewed the Report of Audit & Risk Management Committee for inclusion in the MBSB's 2011 Annual Report before recommending to the Board for approval.
- c) Reviewed the disclosure statements on compliance with the Malaysian Code on Corporate Governance and the Statement of Internal Controls on the annual audited financial statements for inclusion in the MBSB's 2011 Annual Report before recommending to the Board for approval.
- d) Tabled the minutes of each Audit & Risk Management Committee meeting to the Board for notation, and for further direction by the Board, where necessary.
- e) Verified the allocation of options to ensure compliance with the criteria for allocation pursuant to the share for employees.

During the year, the Committee members have attended the relevant training programmes, conferences and seminars as detailed out on Page 61 - 62 of the Annual Report.

STATEMENT ON INTERNAL AUDIT FUNCTION

The internal audit function is performed in-house and undertaken by MBSB's Internal Audit Division. The Internal Audit Division functionally reports to the Audit and Risk Management Committee ("ARMCO") as an independent unit that provides objective evaluation of risks and controls in the

Report of The Audit & Risk Management Committee

Report of The Audit & Risk Management Committee

auditable activities. Its primary role is to assist ARMCO to discharge its duties and responsibilities by independently reviewing and reporting the adequacy and integrity of MBSB's system of internal controls. The ARMCO regularly appraises the resources and training needs of the Internal Audit Division to meet the competencies and skills required for effective performance of MBSB's internal audit.

In performing the internal audit function, Internal Audit had emphasised the following main core audit strategies: -

- a) Financial Audit with the primary objective was to provide an independent, reasonable assurance of the accounting system and information.
- b) Credit audit of Head Office/Sales and Service Centres covering the credit underwriting of post-disbursed loan, credit operations, security documentation and credit recovery.
- c) Operational audit with the primary objective was to ensure effective operations of business and banking processes were discharged.
- d) Treasury audit with the aim to ensure that Treasury operations were in-line with the objectives and strategies of the asset and liabilities management and the approved policies and procedures as well as to ensure proper authentication and verification of treasury transactions.
- e) Information System (IS) audit with the primary objective to ensure that the in-house application system and those outsourced systems in respect of the process data migration, operations, access control, physical security, maintenance and its contingency planning were in accordance with MBSB's policies and procedures.

During the financial year ended 31 December 2012, the Internal Audit Division has carried out the following activities: -

- a) Presented its audit plan, audit budget and scope of work to ARMCO for approval. The internal auditors have adopted a risk-based approach towards the planning and conduct of audits, which is designed to evaluate and monitor MBSB's internal controls system.
- b) Developed and implemented the Control Self-Assessment for core business activities of MBSB. The Control Self-Assessment is a tool to assist the line management to perform a self-review of controls over their respective operational functions and as an additional tool to evaluate the effectiveness of the system of internal controls.
- c) Conducted the scheduled audits and tabled the audit reports to ARMCO highlighting the audit findings, issues and recommendations for improvement.

- d) Follow-up on management corrective actions on unresolved audit findings and reported the status to the ARMCO.
- e) Performed ad-hoc audit assignments and investigations at the request of the ARMCO on areas of concern identified by the ARMCO.
- f) Provided advisory services to review the operational guidelines and manuals to ensure pertinent controls embedded are consistent with the changes in businesses and operations.
- g) Worked closely with the external auditors to resolve any control issues as raised by external auditors to ensure that significant issues are duly acted upon by the Management.
- h) Involved as an independent party in the process of acquiring new Core Banking i.e. MBSB Integrated Core Banking System (MICoB)/ Treasury System and further validated its effectiveness and efficiency upon implementation.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2012 amounted to RM896,000.

TERMS OF REFERENCE

1.0 COMPOSITION OF THE COMMITTEE

The Board of Directors shall appoint the Committee from amongst its members who fulfil the following requirements: -

- i) At least three (3) non-executive directors, a majority of whom are independent directors;
- ii) At least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants (MIA) or any other equivalent qualifications recognised by the MIA; and
- iii) No alternate directors shall be appointed as a member of the Committee. The members of the Committee shall

elect a Chairman from among themselves who shall be an Independent Director.

All members of the Committee hold office only so long as they are Directors of the Company. In the event of any vacancy in the Committee, arising from retirement or resignation, with the result that the number of members is reduced below 3, the Board of Directors must fill the vacancy within 3 months.

2.0 OBJECTIVES

The primary objectives of the Committee are to: -

- i) Assist the Board of Directors in fulfilling its fiduciary responsibilities particularly in the areas of accounting and management controls and financial reporting;
- ii) Reinforce the independence and objectivity of the Internal Audit Division;
- iii) Provide the focal point for communication between external auditors, internal auditors, risk managers, Directors and the Management on matters in connection with accounting, reporting, risks and controls and providing a forum for discussion independent of the Management; and
- iv) Undertake additional duties as may be deemed appropriate and necessary to assist the Board of Directors.

3.0 RIGHTS

The Committee shall: -

- i) Have the authority to investigate any matter within its terms of reference;
- ii) Have the resources, which are required to perform its duties;
- iii) Have full and unrestricted access to any information pertaining to the Company and the Group;

Report of The Audit & Risk Management Committee

Report of The Audit & Risk Management Committee

- iv) Have direct communication channels with external auditors, internal auditors and risk managers;
- v) Be able to obtain independent professional or other advice; and
- vi) Have the authority to convene meetings with external auditors, internal auditors or both, in the absence of other directors and employees, at least twice a year.

4.0 DUTIES AND RESPONSIBILITIES

The following are the main duties and responsibilities of the Committee: -

- i) To review with external auditors, their audit plan, scope and nature of the audit;
- ii) To review with external auditors, their audit report and audit findings and Management's response thereto;
- iii) To review the Group's quarterly financial statements and reports, the Group's and Company's audited annual financial statements before submission to the Board of Directors for approval, focusing on: -
 - a) Any changes in accounting policies and practices;
 - b) Significant adjustments and issues arising from the audit;
 - c) Significant and unusual events;
 - d) The going concern assumption; and
 - e) Compliance with applicable approved accounting standards, Bursa Malaysia and legal requirements.
- iv) Review any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedures or course of conduct that raises questions on Management's integrity;
- v) To consider the appointment of external auditors, their audit fee and any question of their resignation or dismissal;
- vi) To recommend the nomination of a person or persons as external auditors;

vii) To establish an internal audit function and identify a Head of Internal Audit who reports directly to the Audit Committee. The Head of Internal Audit will be responsible for the regular review and /or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company and the Group;

To do the following, in relation to the internal audit functions: -

- a) Review the adequacy of the scope, functions, resources and competency of the Internal Audit Division and that it has the necessary authority to carry out its duties;
 - b) Review the internal audit programme, processes, results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendation of the Internal Audit Division;
 - c) Review any appraisal or assessment of the performance of members of the internal audit function;
 - d) Approve any appointment or termination of senior staff members of the internal audit function; and
 - e) Take cognisance of resignations of senior internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- viii) To review the significant risks as identified by Group Risk Management Division and their impact on the operations;
- ix) To ensure the identified risks are continuously monitored and mitigated;
- x) To ensure risk exposure of the Company are within parameters set by the Board;

xi) To review operational policies and processes of the Group and to formulate new ones where appropriate with a view to improve efficiency, cost effectiveness and control over the resources of the Group; and

xii) To undertake any other activities as authorised by the Board of Directors.

5.0 MEETINGS

The Committee meets every quarter or more frequently as circumstances dictate.

The quorum for a meeting shall be two (2) members whereby both members present must be Independent Non-Executive Directors.

As part of its duty to foster communication, the President and Chief Executive Officer, the Management Team and the Chief Internal Auditor are invited to attend the meetings for the purpose of briefing the Committee on the activities involving their areas of responsibilities. The presence of the external auditors will be requested when required.

The Chairman of the Committee shall report and update the Board of Directors on significant issues and concerns discussed during the Committee meetings and where appropriate, make the necessary recommendations to the Board of Directors.

The Chairman of the Committee should engage on continuous basis with senior management, such as Chairman, the President and Chief Executive Officer, the Chief Financial Controller, the Chief Internal Auditor and the external auditors in order to be kept informed of matters affecting the Company and the Group.

The Chief Internal Auditor shall be the Secretary to the Committee.

Analysis of Shareholdings

Analysis of Shareholdings As at 29 March 2013

Authorised Share Capital

2,800,000,000 Ordinary Shares
of RM1.00 each

Issued and Fully Paid-Up Capital

1,614,249,886 Ordinary Shares
of RM1.00 each

Class of Shares

Ordinary Shares of RM1.00 each

Voting Rights

One Vote per Ordinary Share

Analysis of Ordinary Shareholdings

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	390	2.77	8,218	0.00
100 - 1,000	5,058	35.90	4,761,485	0.30
1,001 - 10,000	6,426	45.62	26,375,600	1.63
10,001 - 100,000	1,826	12.96	56,885,453	3.52
100,001 – less than 5% of the shares	386	2.74	398,413,310	24.68
5% and above	1	0.01	1,127,805,820	69.87
Total	14,087	100.00	1,614,249,886	100.00

Directors' Direct and Indirect Interests in Shares in the Company

Name	Direct Interest		Indirect Interest		Total Shareholdings	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1. Tan Sri Abdul Halim bin Ali	105,714	0.01	-	-	105,714	0.01

Substantial Shareholders

Name of Shareholders	No. of Ordinary Shares	% of Ordinary Shares
1. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	1,127,805,820	69.87
Total	1,127,805,820	69.87

Thirty Largest Shareholders

	Name	No. of Shares	% of Shares
1.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	1,127,805,820	69.87
2.	Permodalan Nasional Berhad	62,835,168	3.89
3.	HSBC Nominees (Asing) Sdn Bhd Exempt an for Credit Suisse (Sg Br-Tst-Asing)	24,608,100	1.52
4.	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Ma Yu	22,420,900	1.39
5.	AIBB Nominees (Tempatan) Sdn Bhd Chua Ma Yu	20,704,700	1.28
6.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Ma Yu (Dealer 074- Margin)	10,000,000	0.62
7.	HSBC Nominees (Asing) Sdn Bhd TNTC for LSV Emerging Markets Equity Fund L.P.	8,715,900	0.54
8.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Ma Yu (Dealer 072)	8,033,400	0.50
9.	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (Australia)	7,213,185	0.45
10.	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (Norges Bk Lend)	7,026,500	0.44
11.	Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt an for Phillip Capital Management Sdn Bhd (EPF)	6,896,158	0.43
12.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Wisdomtree Emerging Markets Equity Income Fund	6,722,080	0.42
13.	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Lau Joo Liang (M&A)	6,231,800	0.39
14.	HLB Nominees (Asing) Sdn Bhd Pledged Securities Account for Low Kang Hai Richard (Sin 9131-9)	6,200,000	0.38
15.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Value Partners High - Dividend Stocks Fund	5,580,700	0.35
16.	UOBM Nominees (Asing) Sdn Bhd Exempt an for Societe Generale Bank & Trust,Singapore Branch(Cust Asset)	5,460,328	0.34
17.	HSBC Nominees (Asing) Sdn Bhd Exempt an for The Bank of New York Mellon (Mellon Acct)	5,000,300	0.31
18.	Poseidon Sendirian Berhad	4,610,000	0.29
19.	Multi-Purpose Insurans Bhd	4,500,000	0.28
20.	Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt an for Phillip Capital Management Sdn Bhd	4,486,600	0.28
21.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Wisdomtree Emerging Markets Smallcap Dividend Fund	4,236,064	0.26
22.	Quek Leng Chan	3,985,800	0.25
23.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Powershares Dwa Emerging Markets Technical Leaders Portfolio	3,876,100	0.24
24.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Acccim Serc Trust	3,690,000	0.23
25.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Poh Soon Sim (Ceb)	3,180,000	0.20
26.	HSBC Nominees (Asing) Sdn Bhd Exempt an for Deutsche Wertpapierservice Bank Ag (Dresdner Bk Ag)	3,003,600	0.19
27.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (EDP 2)	2,906,100	0.18
28.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	2,534,800	0.16
29.	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (U.S.A.)	2,451,585	0.15
30.	HSBC Nominess (Asing) Sdn Bhd Exempt an for Morgan Stanley & Co. LLC (Client)	2,439,500	0.15
	Total Shareholding of the Thirty Largest Shareholders	1,387,355,188	85.98

Analysis of Warrantholdings

Analysis of Warrantholdings As at 29 March 2013

Analysis of Warrantholdings

Size of Warrantholding	No. of Warrantholders	% of Warrantholders	No. of Warrants	% of Warrants
Less than 100	136	4.44	2,414	0.00
100 - 1,000	1,139	37.17	998,761	0.75
1,001 - 10,000	1,326	43.28	5,090,635	3.83
10,001 - 100,000	380	12.40	12,048,481	9.08
100,001 – less than 5% of the shares	81	2.64	31,634,604	23.83
5% and above	2	0.07	83,000,000	62.51
Total	3,064	100.00	132,774,895	100.00

Director's Direct and Indirect Interests in Warrants in the Company

Name	Direct Interest		Indirect Interest		Total Warrantholdings	
	No. of Warrants Held	% of Warrants	No. of Warrants Held	% of Warrants	No. of Warrants Held	% of Warrants
1. Tan Sri Abdul Halim bin Ali	15,714	0.01	-	-	15,714	0.01

Substantial Warrantholders

Name of Warrantholders	No. of Warrants	% of Warrants
1. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hawang Kim Lian (Dealer 072)	42,300,000	31.86
2. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lean Siew See (Dealer 072)	40,700,000	30.65
3. Chin Hooi Nan	10,949,000	8.25
Total	93,949,000	70.76

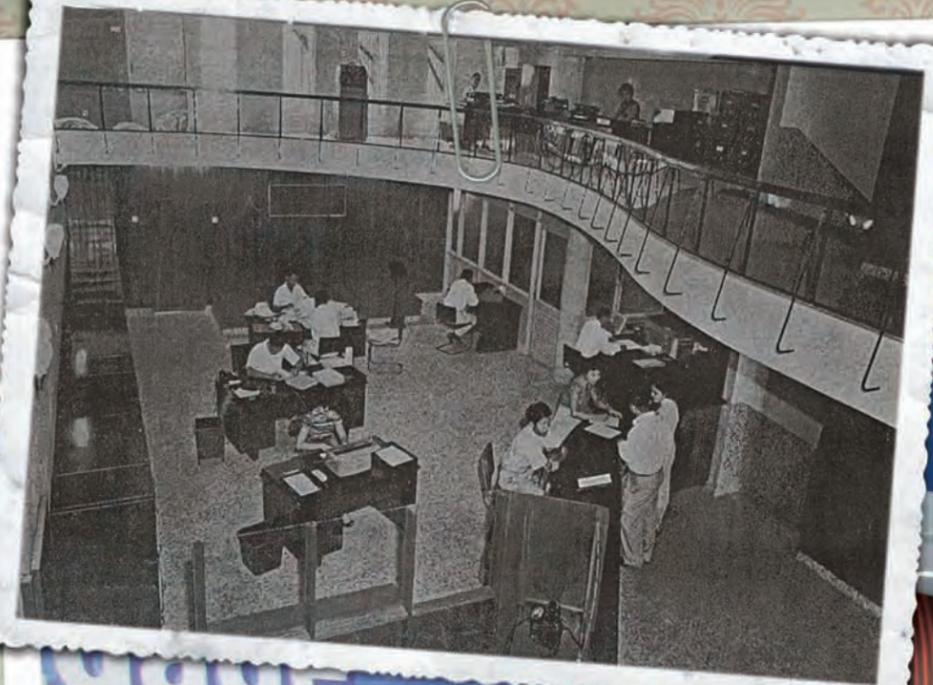
Thirty Largest Warrantholders

	Name	No. of Warrants	% of Warrants
1.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hawang Kim Lian (Dealer 072)	42,300,000	31.86
2.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lean Siew See (Dealer 072)	40,700,000	30.65
3.	Chin Hooi Nan	5,649,000	4.25
4.	Chin Hooi Nan	5,300,000	3.99
5.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	1,011,100	0.76
6.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Fong Siling (Ceb)	1,000,000	0.75
7.	Cheung Fung Nay	1,000,000	0.75
8.	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (Singapore)	650,000	0.49
9.	Loh Wan Kheat	614,200	0.46
10.	Alliance Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tay Chun Gee (8071017)	598,000	0.45
11.	Lim Sen Oon	539,100	0.41
12.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lau Eng Guang	530,000	0.40
13.	P J Equity Sdn Bhd	500,000	0.38
14.	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (U.S.A.)	489,785	0.37
15.	Lau Geok Hong	455,000	0.34
16.	Citigroup Nominees (Asing) Sdn Bhd Exempt an for UBS Ag Singapore (Foreign)	450,000	0.34
17.	RHB Nominees (Asing) Sdn Bhd Kerry Trade Pte Ltd	400,000	0.30
18.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Deva Dassan Solomon (MY1091)	389,800	0.29
19.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Bernadette Jeanne De Souza (003)	375,100	0.28
20.	Gan Ah Ee @ Gan Chong Ho	364,000	0.27
21.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Inbamanay a/p M J Arumanayagam	359,000	0.27
22.	Lau Geok Jade	350,000	0.26
23.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Ronie Tan Choo Seng (M52011)	300,000	0.23
24.	Lim Li Shiang	283,000	0.21
25.	Si Tho Yoke Meng	280,000	0.21
26.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ngan Bee Poh	280,000	0.21
27.	Abhar Capital Holdings Sdn Bhd	275,000	0.21
28.	HLB Nominees (Tempatan) Sdn Bhd Pledged securities account for Wong Ah Chiew	265,000	0.20
29.	Chang Lon Fui @ Chang Kon Fui	260,000	0.20
30.	Lim Hong Guan	254,000	0.19
Total Warrantholding of the Thirty Largest Warrantholders		106,221,085	79.98

Schedule of Properties

Schedule of Properties

No.	Location	Tenure	No. of Years	Expiry Date	Land Area (Sq. Metres)	Description	Ages of Building (Years)	BOOK VALUE (RM '000)
1.	Lot 353, PN 7164, Kawasan Bandar VIII, District of Melaka Tengah	Leasehold	99	29.08.2074	7,048.10	Hotel	13	55,417
2.	3 Agricultural Lots and 246 Residential Lots, Mukim of Linggi, District of Port Dickson, Negeri Sembilan	Leasehold	60 (3 lots) 99 (246 lots)	22.12.2046 08.11.2094	2,155,202.84	Vacant Land	Nil	37,570
3.	No.48, Jalan Dungun, Damansara Heights, Kuala Lumpur	Freehold	Nil	Nil	1,595.28	Office Building	25	31,838
4.	PT 27758/HS(D) 93832, PT 27759/HS (D) 93833, PT 29301/HS(D) 95375, Mukim of Sg Buloh, District of Petaling	Freehold	Nil	Nil	57,362.68	Vacant Land	Nil	31,999
5.	Lot 141 (No. 13/15) Leboh Ampang, Kuala Lumpur	Freehold	Nil	Nil	265.79	Office Building	53	24,651
	Lot 104, 105, 106, 115 & 118, Section 12, Leboh Ampang, Town of Kuala Lumpur, Wilayah Persekutuan			Nil	635.00		11	
6.	Lot PT 47, Pekan Tanjung Kling, Section 11, District of Melaka Tengah	Freehold	Nil	Nil	83,160.00	Vacant Land	Nil	19,500
7.	Lot 2947/GM 296 Lot 2948/Geran 12622 Lot 6781/PM 1063, Mukim of Durian Tunggal, District of Alor Gajah	Leasehold	99	11.11.2100	51,803.00	Vacant Land	Nil	8,197
8.	PN7431 (Lot 7065) & PN7432 (Lot 7066) Mukim Paka, Terengganu	Leasehold	60	21.05.2095	51,910.00	Resort Hotel/ Apartment	Nil	15,768
9.	Lot Nos. 412 & 840, Jalan PBR 32 & 31, Kawasan Perindustrian Bukit Rambai, 75250 Melaka	Leasehold	99	21.03.2095	1,1051.00	Development Land	11	35,739
10.	No. 325, Batu 1, Jalan Rumah Rehat, 71000 Port Dickson, Negeri Sembilan	Leasehold	99	6.10.2095	6,042.00	Hotel	Nil	20,759



General office, Kuala Lumpur branch at Sentosa Raya in 1959.

FINANCIAL STATEMENTS

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Although times have changed, the rule of the game stays the same and we are happy to continue providing our customers with the best of services.

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Directors' Report

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, money market activities, provision of financing, advancing and financial guarantees on a secured and unsecured basis, which includes Islamic financing, and other related financial services. The principal activities of the subsidiaries are described in Note 12 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year	446,651	434,148

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

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2011 were as follows:

	RM'000
- Final dividend of 7% less 25% taxation on 1,231,236,938 ordinary shares, declared on 16 April 2012, paid on 30 April 2012	64,640
In respect of the financial year ended 31 December 2012:	
- Interim dividend of 6% less 25% taxation on 1,236,732,158 ordinary shares, declared on 21 September 2012, paid on 5 October 2012	55,653
	<u>120,293</u>

Directors' Report

DIVIDENDS (Continued)

At the forthcoming Annual General Meeting, a final dividend of 9% less 25% taxation (6.75 sen net per ordinary share) and a special dividend of 18% less 25% taxation (13.5 sen net per ordinary share) in respect of the financial year ended 31 December 2012, will be proposed for shareholders' approval.

Based on the issued and paid up share capital as at 31 December 2012 of 1,240,360,882 ordinary shares, the total dividend and proposed special dividend would amount to RM251,173,079. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

DIRECTORS

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

Tan Sri Abdul Halim bin Ali
Datuk Syed Zaid bin Syed Jaffar Albar
Encik Aw Hong Boo
Dato' Jasmy bin Ismail
Encik Lim Tian Huat
Datuk Shahril Ridza bin Ridzuan
Dato' Zuraidah binti Atan (retired on 5 April 2012)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 32 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Name of director	Number of ordinary shares of RM1.00 each			31.12.2012
	1.1.2012	Acquired	Sold	
Direct interest:				
Ordinary shares of the Company				
Tan Sri Abdul Halim bin Ali	135,714	-	30,000	105,714

None of the other directors in office at the end of the financial year had any interest in shares or options over shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid up ordinary share capital from RM1,215,500,650 to RM1,240,360,882 by the issuance of 24,860,232 new ordinary shares of RM1.00 each for cash as follows:

	Number of new ordinary shares of RM1.00 each	RM	Issued/ exercise price
Issuance of new shares pursuant to ESOS	18,485,950	18,485,950	1.17
Issuance of new shares pursuant to ESOS	2,568,325	2,568,325	1.67
Issuance of new shares pursuant to the exercise of Warrants	3,805,957	3,805,957	1.00
	24,860,232	24,860,232	

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

Directors' Report

EMPLOYEE SHARE OPTION SCHEME

The Malaysia Building Society Berhad's Employee Share Option Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 29 April 2010. The ESOS was implemented on 12 August 2010 and is in force for a period of 5 years from the date of implementation.

The salient features and other terms of the ESOS are disclosed in Note 24(a) to the financial statements.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the ESOS as at 31 December 2012 is as follows:

Grant date	Expiry date	Exercise price (RM)	Number of option
11.09.2010	11.08.2015	*1.17	21,028,699
09.03.2012	11.08.2015	1.67	7,888,175
15.11.2012	11.08.2015	2.33	32,361,777

* The revised exercise price of RM1.17 from the original exercise price of RM1.45 on the outstanding Options was adjusted pursuant to the ESOS By-Law 15.1(e) as a result of the implementation of the Rights Issue with Warrants exercise in 2011.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted options to subscribe for less than 195,000 ordinary shares of RM1.00 each. The names of option holders granted options to subscribe for 195,000 or more ordinary shares of RM1.00 each during the financial year are as follows:

EMPLOYEE SHARE OPTION SCHEME (Continued)

Name	Exercise price RM	Number of share options				
		1.1.2012	Granted	Exercised	Lapsed	31.12.2012
Dato' Ahmad Zaini bin Othman	1.17	491,840	-	122,960	-	368,880
Dato' Ahmad Zaini bin Othman	2.33	-	164,400	-	-	164,400
Tang Yow Sai	1.17	326,540	-	-	-	326,540
Tang Yow Sai	2.33	-	106,860	-	-	106,860
Azlina binti Mohd Rashad	1.17	147,552	-	36,888	-	110,664
Azlina binti Mohd Rashad	2.33	-	292,360	-	-	292,360
Nur Zarina binti Ghazali	1.17	245,920	-	61,480	-	184,440
Nur Zarina binti Ghazali	2.33	-	186,360	-	-	186,360
Azman bin Aziz	1.17	245,920	-	122,960	-	122,960
Azman bin Aziz	2.33	-	198,450	-	-	198,450
Norhayati binti Mohd Daud	1.17	245,920	-	61,400	-	184,520
Norhayati binti Mohd Daud	2.33	-	91,500	-	-	91,500
Kamari bin Tukiman	1.17	147,552	-	73,776	-	73,776
Kamari bin Tukiman	2.33	-	197,500	-	-	197,500
Koh Ai Hoon	1.17	274,920	-	90,000	-	184,920
Koh Ai Hoon	2.33	-	82,200	-	-	82,200
Sheela Thaver A/P Gangatharan V' Thaver	1.17	245,920	-	61,480	-	184,440
Sheela Thaver A/P Gangatharan V' Thaver	2.33	-	82,200	-	-	82,200
Mohd Rozali bin Idris	1.17	245,920	-	91,480	-	154,440
Mohd Rozali bin Idris	2.33	-	82,200	-	-	82,200
Zaili bin Ismail	1.17	245,920	-	122,960	-	122,960
Zaili bin Ismail	2.33	-	91,500	-	-	91,500
Kamarudin bin Samsudin	1.17	245,920	-	122,960	-	122,960
Kamarudin bin Samsudin	2.33	-	82,200	-	-	82,200
Shamsudin bin Haji Md Yusoff	1.17	245,920	-	61,480	184,440	-
Asrul Hazli bin Salleh	1.67	-	265,000	36,000	-	229,000
Junaili binti Ab Hamid	1.67	-	265,000	66,200	-	198,800
Nor Azam bin M. Taib	1.67	-	265,000	66,200	-	198,800
Abd Rahim bin Ahmad	2.33	-	325,500	-	-	325,500
Zainnurain bin Othman	2.33	-	325,500	-	-	325,500
Teong Chwee Yee	2.33	-	195,300	-	-	195,300
Ida Weduri binti Ridzwan	2.33	-	195,300	-	-	195,300
Khairul Annuar bin Othman	2.33	-	195,300	-	-	195,300
Mohammad Haida bin Abd Rahman	2.33	-	195,300	-	-	195,300
Mohd Nazri bin Abd Ghani	2.33	-	195,300	-	-	195,300
Bibi Nurazlyn binti Alli Rahman	2.33	-	195,300	-	-	195,300
Ida Suryani binti Mat Jadi	2.33	-	195,300	-	-	195,300
Khairil Anuar bin Md Allwi	2.33	-	195,300	-	-	195,300
Muhd Nur Naimullah bin Mohammed Ghazali	2.33	-	195,300	-	-	195,300
Mohammad Khairrul Azmi bin Jamalludin	2.33	-	195,300	-	-	195,300
Nurhamdi bin Mohamad Suroh	2.33	-	195,300	-	-	195,300
Tamin bin Jafeeri	2.33	-	195,300	-	-	195,300
Zainal bin Aziz	2.33	-	195,300	-	-	195,300
Azizul Akhbar bin Abdul Aziz	2.33	-	195,300	-	-	195,300

Directors' Report

OTHER STATUTORY INFORMATION

- a. Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- b. At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- c. At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- d. At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (Continued)

- e. As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company as disclosed in Note 39 to the financial statements.
- f. In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 7 February 2013.

Tan Sri Abdul Halim bin Ali
Chairman
Kuala Lumpur, Malaysia

Aw Hong Boo
Director

Statement by Directors

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

We, Tan Sri Abdul Halim bin Ali and Aw Hong Boo, being two of the directors of Malaysia Building Society Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 110 to 228 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 47 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 7 February 2013.

Tan Sri Abdul Halim bin Ali
Chairman
Kuala Lumpur, Malaysia

Aw Hong Boo
Director

Statutory Declaration

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

I, Tang Yow Sai, being the officer primarily responsible for the financial management of Malaysia Building Society Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 110 to 228 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Tang Yow Sai at
Kuala Lumpur in the Federal
Territory on 7 February 2013.

Tang Yow Sai

Before me,

Independent Auditors' Report

Independent Auditors' Report
to the members of
Malaysia Building Society Berhad
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Malaysia Building Society Berhad, which comprise statements of financial position as at 31 December 2012 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 110 to 226.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

REPORT ON THE FINANCIAL STATEMENTS (Continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a. In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b. We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 12 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- c. We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- d. The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

- (i) As stated in Note 2 to the financial statements, Malaysia Building Society Berhad adopted Malaysian Financial

Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

- (ii) The supplementary information set out in Note 47 on pages 227 and 228 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance based on the directive of Bursa Malaysia Securities Berhad.
- (iii) This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Gloria Goh Ewe Gim
No. 1685/04/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
7 February 2013

Statements of Financial Position

Statements of Financial Position as at 31 December 2012

		Group		
	Note	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Assets				
Cash and short-term funds	5(a)	1,275,431	1,350,649	825,275
Deposits and placements with financial institutions	5(b)	5,354	4,950	63,554
Trade receivables	6	407	394	1,182
Other receivables	7	362,213	242,121	187,636
Inventories	8	60,908	121,839	121,780
Loans, advances and financing	9	24,265,570	15,184,631	10,706,530
Investments held-to-maturity	10	200,000	204,354	200,000
Investment properties	13	467	880	1,425
Property development cost	14	-	124,548	-
Property, plant and equipment	15	130,532	118,252	106,814
Land use rights	16	9,456	9,621	9,786
Intangible assets	17	47,392	2,568	1,962
Total assets		26,357,730	17,364,807	12,225,944
Liabilities and shareholders' equity				
Deposits from customers	18	21,494,099	13,511,948	10,483,743
Bank borrowings	19	350,217	100,044	200,119
Other borrowings	19	351,203	451,632	-
Trade payables	20	195	178	4,442
Other payables	21	235,975	138,489	89,588
Provision for taxation and zakat		55,972	77,202	83,581
Recourse obligation on loans sold to Cagamas Berhad	22	2,361,997	1,933,384	964,093
Deferred tax liabilities	23	11,426	21,781	19,256
Total liabilities		24,861,084	16,234,658	11,844,822
Share capital	24	1,240,361	1,215,501	700,298
Share premium	24	514,098	498,498	497,252
Other reserve	25	131,330	131,980	32,409
Accumulated losses		(389,143)	(715,830)	(848,837)
Total equity		1,496,646	1,130,149	381,122
Total liabilities and shareholders' equity		26,357,730	17,364,807	12,225,944

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

Statements of Financial Position
as at 31 December 2012 (Continued)

		Company		
	Note	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Assets				
Cash and short-term funds	5(a)	1,248,746	1,338,363	811,011
Deposits and placements with financial institutions	5(b)	5,354	4,139	63,445
Other receivables	7	181,061	216,695	160,513
Inventories	8	41,096	41,096	41,096
Loans, advances and financing	9	24,318,799	15,234,878	10,756,879
Investments held-to-maturity	10	200,000	204,354	200,000
Loans to subsidiaries	11	255,219	237,768	89,662
Investments in subsidiaries	12	16,842	68,895	69,047
Property, plant and equipment	15	57,544	39,962	49,008
Intangible assets	17	47,229	2,566	1,962
Total assets		26,371,890	17,388,716	12,242,623
Liabilities and shareholders' equity				
Deposits from customers	18	21,494,099	13,511,948	10,483,743
Bank borrowings	19	350,217	100,044	200,119
Other borrowings	19	351,203	451,632	-
Other payables	21	252,111	152,666	103,500
Provision for taxation and zakat		45,083	77,153	83,532
Recourse obligation on loans sold to Cagamas Berhad	22	2,361,997	1,933,384	964,093
Deferred tax liabilities	23	6,097	4,800	2,201
Total liabilities		24,860,807	16,231,627	11,837,188
Share capital	24	1,240,361	1,215,501	700,298
Share premium	24	514,098	498,498	497,252
Other reserve	25	131,330	131,980	32,409
Accumulated losses		(374,706)	(688,890)	(824,524)
Total equity		1,511,083	1,157,089	405,435
Total liabilities and shareholders' equity		26,371,890	17,388,716	12,242,623

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

Statements of Comprehensive Income

Statements of Comprehensive Income for the year ended 31 December 2012

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	26	1,831,560	1,269,438	1,817,583	1,247,441
Interest income	27	395,221	366,877	391,501	354,682
Interest expense	28	(172,243)	(161,320)	(172,243)	(161,320)
Net interest income		222,978	205,557	219,258	193,362
Net income from Islamic banking operations	45	746,871	397,857	746,871	397,857
Operating income		969,849	603,414	966,129	591,219
Other income	29	125,660	160,335	89,232	148,245
Net income		1,095,509	763,749	1,055,361	739,464
Other operating expenses	30	(224,071)	(160,815)	(195,468)	(133,833)
Operating profit		871,438	602,934	859,893	605,631
Allowance for impairment losses on loans, advances and financing	33	(215,211)	(174,672)	(215,442)	(174,672)
Profit before taxation and zakat		656,227	428,262	644,451	430,959
Taxation	34	(206,840)	(102,306)	(207,567)	(102,375)
Zakat		(2,736)	(524)	(2,736)	(524)
Profit for the year		446,651	325,432	434,148	328,060
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		446,651	325,432	434,148	328,060
Earnings per share (sen)					
Basic	35 (a)	36.75	32.43		
Diluted	35 (b)	29.83	27.15		

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

Statements of Changes in Equity

Statements of Changes in Equity for the year ended 31 December 2012

Group	← -- Non Distributable -- →							
	Ordinary share RM'000	Share premium RM'000	Capital reserve RM'000	Share option reserve RM'000	Warrants reserve RM'000	Capital redemption reserve-redeemable cumulative preferences shares RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2011	700,298	497,252	17,838	2,085	-	12,486	(848,837)	381,122
Total comprehensive income for the year	-	-	-	-	-	-	325,432	325,432
Dividends (Note 36)	-	-	-	-	-	-	(93,187)	(93,187)
Share options granted under ESOS recognised in profit or loss (Note 31)	-	-	-	1,977	-	-	-	1,977
Issue of ordinary shares pursuant to rights issue	506,425	(4,493)	-	-	-	-	-	501,932
Issue of ordinary shares pursuant to ESOS	8,710	5,718	-	(1,882)	-	-	259	12,805
Issue of ordinary shares pursuant to warrants	68	13	-	-	99,246	-	(99,259)	68
Transfer of share option reserve to accumulated losses upon lapsed of share options	-	-	-	(95)	-	-	95	-
Revised ESOS subscription price	-	8	-	325	-	-	(333)	-
At 31 December 2011	1,215,501	498,498	17,838	2,410	99,246	12,486	(715,830)	1,130,149
Total comprehensive income for the year	-	-	-	-	-	-	446,651	446,651
Dividends (Note 36)	-	-	-	-	-	-	(120,293)	(120,293)
Share options granted under ESOS recognised in profit or loss (Note 31)	-	-	-	10,416	-	-	-	10,416
Issue of ordinary shares pursuant to ESOS	21,054	14,561	-	(9,698)	-	-	-	25,917
Issue of ordinary shares pursuant to warrants	3,806	1,039	-	-	(1,039)	-	-	3,806
Transfer of share option reserve to accumulated losses upon lapsed of share options	-	-	-	(329)	-	-	329	-
At 31 December 2012	1,240,361	514,098	17,838	2,799	98,207	12,486	(389,143)	1,496,646

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

Statements of Changes in Equity

Statements of Changes in Equity for the year ended 31 December 2012

Company	← — — Non Distributable — — →							
	Ordinary share RM'000	Share premium RM'000	Capital reserve RM'000	Share option reserve RM'000	Warrants reserve RM'000	Capital redemption reserve-redeemable cumulative preferences shares RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2011	700,298	497,252	17,838	2,085	-	12,486	(824,524)	405,435
Total comprehensive income for the year	-	-	-	-	-	-	328,060	328,060
Dividends (Note 36)	-	-	-	-	-	-	(93,187)	(93,187)
Share options granted under ESOS recognised in profit or loss (Note 31)	-	-	-	1,977	-	-	-	1,977
Issue of ordinary shares pursuant to rights issue	506,425	(4,493)	-	-	-	-	-	501,932
Issue of ordinary shares pursuant to ESOS	8,710	5,718	-	(1,882)	-	-	258	12,804
Issue of ordinary shares pursuant to warrants	68	13	-	-	99,246	-	(99,259)	68
Transfer of share option reserve to accumulated losses upon lapsed of share options	-	-	-	(95)	-	-	95	-
Revised ESOS subscription price	-	8	-	325	-	-	(333)	-
At 31 December 2011	1,215,501	498,498	17,838	2,410	99,246	12,486	(688,890)	1,157,089
Total comprehensive income for the year	-	-	-	-	-	-	434,148	434,148
Dividends (Note 36)	-	-	-	-	-	-	(120,293)	(120,293)
Share options granted under ESOS recognised in profit or loss (Note 31)	-	-	-	10,416	-	-	-	10,416
Issue of ordinary shares pursuant to ESOS	21,054	14,561	-	(9,698)	-	-	-	25,917
Issue of ordinary shares pursuant to warrants	3,806	1,039	-	-	(1,039)	-	-	3,806
Transfer of share option reserve to accumulated losses upon lapsed of share options	-	-	-	(329)	-	-	329	-
At 31 December 2012	1,240,361	514,098	17,838	2,799	98,207	12,486	(374,706)	1,511,083

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

Statements of Cash Flows

Statements of Cash Flows for the year ended 31 December 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities				
Profit before taxation	656,227	428,262	644,451	430,959
Adjustments for:				
Depreciation:				
- investment properties	22	45	-	-
- property, plant and equipment	10,280	7,146	5,567	3,427
Amortisation:				
- land use rights	165	165	-	-
- intangible assets	3,968	660	3,933	660
Gain on disposal of property, plant and equipment	(26)	(3,117)	-	(3,117)
Gain on disposal of investment properties	(112)	(1,100)	-	-
Gain on disposal of foreclosed properties	(2,241)	-	(2,241)	-
Gain on disposal of property development cost	(55,433)	-	-	-
Loss on disposal of subsidiary	4,829	-	7,663	-
Impairment loss on:				
- investments in subsidiaries	-	-	832	153
Allowance/(write back) for impairment of:				
- amount due from/loans to subsidiaries	-	-	10,341	2,594
- other receivables	30,658	23,148	4,851	-
- trade receivables	(905)	(1,204)	-	-
- foreclosed properties	215	12,232	215	12,232
Reversal of accruals	-	(4,827)	-	-
Allowance for impairment losses on loans and financing	215,211	174,672	215,442	174,672
Share options granted under ESOS	10,416	1,977	10,416	1,977

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

Statements of Cash Flows
for the year ended 31 December 2012 (Continued)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities (Continued)				
Operating profit before working capital changes	873,274	638,059	901,470	623,557
(Increase)/decrease in deposits with financial institutions with maturity of more than one month	(404)	58,604	(1,215)	59,306
Increase in loans, advances and financing	(9,296,150)	(4,623,089)	(9,299,365)	(4,478,000)
Decrease/(increase) in inventories	60,931	(59)	-	-
(Increase)/decrease in trade receivables	(13)	788	-	-
Increase in other receivables	(203,643)	(128,074)	(51,286)	(256,540)
Decrease/(increase) in investments held-to-maturity	4,354	(4,354)	4,354	(4,354)
Decrease/(increase) in property development costs	124,548	(124,548)	-	-
Decrease in amount due from subsidiaries	-	-	(25,037)	(153,907)
Increase in deposits from customers	7,982,151	3,028,205	7,982,151	3,028,205
Increase in payables	97,499	44,637	99,445	49,166
Proceeds from disposal of foreclosed properties	23,300	-	23,300	-
Increase in loans to subsidiaries	-	-	17,450	2,178
Cash used in operations	(334,153)	(1,109,831)	(348,733)	(1,130,389)
Tax paid	(220,563)	(102,306)	(220,475)	(102,375)
Tax refund	-	2,886	-	2,886
Zakat paid	(836)	(761)	(836)	(761)
Net cash used in operating activities	(555,552)	(1,210,012)	(570,044)	(1,230,639)

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

Statements of Cash Flows
for the year ended 31 December 2012 (Continued)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(25,147)	(29,620)	(24,636)	(5,417)
Purchase of intangible assets	(48,702)	(1,306)	(48,596)	(1,304)
Proceeds from disposal of property, plant and equipment	26	20,623	2	20,623
Proceeds from disposal of investment properties	500	1,600	-	-
Net cash inflow from disposal of subsidiary	56,172	-	56,172	-
Net cash (used in)/generated from investing activities	(17,151)	(8,703)	(17,058)	13,902
Cash flows from financing activities				
Proceeds/(repayment) in bank borrowings	250,173	(100,075)	250,173	(100,075)
Long term financing facility	(100,429)	451,632	(100,429)	451,632
Recourse obligation on loans sold to Cagamas Berhad	428,613	969,291	428,613	969,291
Dividends paid - ordinary shares	(120,293)	(93,187)	(120,293)	(93,187)
Net proceeds from issuance of ordinary shares	39,421	516,428	39,421	516,428
Net cash generated from financing activities	497,485	1,744,089	497,485	1,744,089
Net (decrease)/increase in cash and cash equivalents	(75,218)	525,374	(89,617)	527,352
Cash and cash equivalents at beginning of year	1,350,649	825,275	1,338,363	811,011
Cash and cash equivalents at end of year (Note 5(a))	1,275,431	1,350,649	1,248,746	1,338,363
Cash and cash equivalents is represented by:				
Cash and short-term funds	1,271,232	1,346,524	1,248,746	1,338,363
Cash held pursuant to Section 7A of the Housing Development Act (Note 5)	4,199	4,125	-	-
Cash and Cash Equivalents at End of Year (Note 5(a))	1,275,431	1,350,649	1,248,746	1,338,363

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

Notes to the Financial Statements

Notes to the Financial Statements 31 December 2012

1. Corporate information

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

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

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

The principal activities of the subsidiaries are described in Note 12. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The consolidated financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 7 February 2013.

2. Summary of significant accounting policies

a. Basis of preparation

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

For all years up to and including year ended 31 December 2011, the Group and the Company prepared their financial statements in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act, 1965 in Malaysia. These financial statements for the year ended 31 December 2012 are the first which the Group and the Company have prepared in accordance with MFRS, IFRS and the requirements of the Companies Act, 1965 in Malaysia. MFRS 1 First -Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied. The transition from FRS to MFRS has not had a material impact on the consolidated financial statements.

2. Summary of significant accounting policies (Continued)

a. Basis of preparation (Continued)

The financial statements of the Group and of the Company have been prepared on a historical cost basis except as disclosed in the accounting policies below. The financial statements incorporate those activities relating to Islamic banking operations which have been undertaken by the Group and by the Company. Islamic banking operations refers generally to the acceptance of deposits and granting of financing under the principles of Shariah. The separate financial statements of the Islamic banking operations are disclosed in Note 45 to the financial statements.

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

b. Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls an entity.

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

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

(ii) Basis of consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date. Acquisition costs incurred are expensed and included in administrative expenses.

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

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

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

Notes to the Financial Statements
31 December 2012

2. Summary of significant accounting policies (Continued)

b. Subsidiaries and basis of consolidation (Continued)

(ii) Basis of consolidation (Continued)

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

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

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

(iii) Transactions with non-controlling interests

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

2. Summary of significant accounting policies (Continued)

b. Subsidiaries and basis of consolidation (Continued)

(iii) Transactions with non-controlling interests (Continued)

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

c. Intangible assets

(i) Goodwill

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

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

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

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

(ii) Other intangible assets

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

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

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

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

Notes to the Financial Statements
31 December 2012

2. Summary of significant accounting policies (Continued)

c. Intangible assets (Continued)

(ii) Other intangible assets (Continued)

Software licences

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

Land use rights

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

d. Property, plant and equipment and depreciation

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

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

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

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

2. Summary of significant accounting policies (Continued)

d. Property, plant and equipment and depreciation (Continued)

Buildings	2.5%
Buildings renovation	20.0%
Furniture and equipment	20.0%
Motor vehicles	20.0%
Computer and peripherals	20.0%

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

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

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

e. Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(iii) Employee share option scheme

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

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

Notes to the Financial Statements
31 December 2012**2. Summary of significant accounting policies (Continued)****f. Investment properties**

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

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

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

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

g. Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development cost is stated at the lower of cost and net realisable value. The property development costs have been disposed in the current year.

2. Summary of significant accounting policies (Continued)

h. Inventories

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

Inventories of land held for sale are stated at the lower of cost (determined on specific identification basis) and net realisable value. Costs include costs associated with the acquisition of land and direct costs.

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

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

i. Provisions

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

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

j. Cash and cash equivalents

Cash and short-term funds in the statement of financial position comprise cash at bank and on hand, demand deposits and short-term deposits maturing within one month which are subject to an insignificant risk of change in value.

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

k. Impairment of non-financial assets

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

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

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

Notes to the Financial Statements
31 December 2012

2. Summary of significant accounting policies (Continued)

k. Impairment of non-financial assets (Continued)

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

l. Financial assets

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

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

(i) Loans and receivables

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

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

2. Summary of significant accounting policies (Continued)

I. Financial assets (Continued)

(ii) Investments held-to-maturity

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and Company have the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, investments held-to-maturity are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments held-to-maturity are derecognised or impaired, and through the amortisation process.

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

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

m. Impairment of financial assets

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

(i) Trade and other receivables and other financial assets carried at amortised cost

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

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

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

Notes to the Financial Statements
31 December 2012

2. Summary of significant accounting policies (Continued)

m. Impairment of financial assets (Continued)

(i) Trade and other receivables and other financial assets carried at amortised cost (Continued)

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

n. Financial liabilities

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

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

The Group's and the Company's financial liabilities include deposits from customers, trade payables, other payables, bank borrowings and recourse obligations on loans sold to Cagamas Berhad.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Deposits from customers, bank and financial institutions are stated at placement values.

Bank borrowings and recourse obligations on loans sold to Cagamas Berhad are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2. Summary of significant accounting policies (Continued)

n. Financial liabilities (Continued)

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

o. Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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

p. Warrants

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve. Warrants reserve is non-distributable and will be transferred to share premium account upon the exercise of warrants. Balance of warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to accumulated profits.

q. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

r. Leases

(i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Notes to the Financial Statements
31 December 2012**2. Summary of significant accounting policies (Continued)****r. Leases (Continued)****(ii) As lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

s. Revenue recognition

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

(i) interest income and profit from operations of islamic business

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

(ii) Sale of properties

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

(iii) Fee income

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

Commitment fees are recognised as income based on time apportionment.

2. Summary of significant accounting policies (Continued)

s. Revenue recognition (Continued)

(iv) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(v) Rental income

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

(vi) Other income

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

t. Income tax

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Notes to the Financial Statements
31 December 2012

2. Summary of significant accounting policies (Continued)

t. Income tax (Continued)

(ii) Deferred tax (Continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

3. Changes in accounting policies

a. New, amended and revised MFRS and IC Interpretations effective for annual periods on or after 1 January 2012

On 1 January 2012, the Group and the Company adopted the following MFRSs, Amendments to MFRSs, Issues Committee ("IC") Interpretations and Technical Release ("TR") mandatory for annual financial periods beginning on or after 31 July 1998, 1 January 1999, 1 July 2006, 1 January 2010, 31 December 2010, 1 January 2011 and 1 January 2012.

3. Changes in accounting policies (Continued)

a. New, amended and revised MFRS and IC Interpretations effective for annual periods on or after 1 January 2012 (Continued)

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 4	Insurance Contracts
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 7	Financial Instruments: Disclosures
MFRS 8	Operating Segments
MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events after the Reporting Period
MFRS 111	Construction Contracts
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 117	Leases
MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 123	Borrowing Costs
MFRS 124	Related Party Disclosures
MFRS 126	Accounting and Reporting by Retirement Benefit Plans
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investment in Associates
MFRS 129	Financial Reporting in Hyperinflationary Economies
MFRS 131	Interest in Joint Ventures
MFRS 132	Financial Instruments: Presentation
MFRS 133	Earning Per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instruments: Recognition and Measurement
MFRS 140	Investment Property
MFRS 141	Agriculture
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Member's Shares in Co-operative Entities and Similar Instruments
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 12	Service Concession Arrangements

Notes to the Financial Statements
31 December 2012

3. Changes in accounting policies (Continued)

a. New, amended and revised MFRS and IC Interpretations effective for annual periods on or after 1 January 2012 (Continued)

IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	MFRS 119-The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
IC Interpretation 107	Introduction of the Euro
IC Interpretation 110	Government Assistance-No Specific Relation to Operating Activities
IC Interpretation 112	Consolidation-Special Purpose Entities
IC Interpretation 113	Jointly Controlled Entities-Non-Monetary Contributions by Venturers
IC Interpretation 115	Operating Leases-Incentives
IC Interpretation 125	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders
IC Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC Interpretation 129	Service Concession Arrangements: Disclosures
IC Interpretation 131	Revenue-Barter Transactions Involving Advertising Services
IC Interpretation 132	Intangible Assets-Web Site Costs
MASB TR1 (Revised)	Share Buybacks-Accounting and Disclosure
TR 2	The Year 2000 Issue: Accounting and Disclosure
TR 3	Guidance on Disclosures of Transition to IFRSs
Tri-1	Accounting for Zakat on Business
Tri-2	Ijarah
Tri-3	Presentation of Financial Statements of Islamic Financial Institutions
Tri-4	Shariah Compliant Sale Contracts

The MFRSs, IC Interpretations and Amendments to MFRSs which are mandatory for companies with financial periods beginning on or after 1 January 2012 do not give rise to any significant effects on the financial statements of the Group and of the Company.

3. Changes in accounting policies (Continued)

b. Upcoming MFRS and IC Interpretations

Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	Amendments to MFRS 7	Disclosures: Offsetting Financial Assets and Financial Liabilities
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
MFRS 10	Consolidated Financial Statements		
MFRS 11	Joint Arrangements		
MFRS 12	Disclosure of Interests in Other Entities		
MFRS 13	Fair Value Measurement		
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)		
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)		
MFRS 128	Investments In Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)		

The directors expect that the new MFRSs, IC Interpretations and Amendments to MFRSs which are issued but not yet effective for the financial year ended 31 December 2012 will not have a material impact on the financial statements of the Group and of the Company.

Notes to the Financial Statements
31 December 2012**4. Significant accounting estimates and judgments****a. Critical judgments made in applying accounting policies**

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

(i) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 in making judgment whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the provision of services or for administration purposes. If these properties could be sold separately (or leased out separately under a finance lease), the Group would account for the portion separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the provision of services or for administration purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

b. Key sources of estimation uncertainty

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

4. Significant accounting estimates and judgments (Continued)

b. Key sources of estimation uncertainty (Continued)

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

The Group and the Company review its individually significant loans, advances and financing and receivables at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Company make judgments about the borrower's or the customer's financial situation and the net realisable value of collateral and future recoverable cash flows in workout/restructuring agreements. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

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

(ii) Employee benefits

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions, sensitivity analysis and the carrying amounts are disclosed in Note 24.

Notes to the Financial Statements
31 December 2012

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

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
(a) Cash and short-term funds:						
Cash at banks and on hand	246,185	184,298	40,470	219,500	172,012	26,206
Money at call	869,172	781,000	461,000	869,172	781,000	461,000
Deposits and placements with financial institutions with maturity of less than one month	160,074	385,351	323,805	160,074	385,351	323,805
Total cash and short-term fund	1,275,431	1,350,649	825,275	1,248,746	1,338,363	811,011
b) Deposits and placements with financial institutions with maturity of more than one month	5,354	4,950	63,554	5,354	4,139	63,445
Total cash and short-term funds and deposits and placements with financial institutions	1,280,785	1,355,599	888,829	1,254,100	1,342,502	874,456

Included in cash at banks of the Group is an amount of RM4,198,674 (31.12.2011: RM4,125,000, 1.1.2011: RM4,047,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use in other operations.

Short-term deposits are made for varying periods of between 1 day and 1 year (31.12.2011 and 1.1.2011: between 4 days and 3 years) depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2012 for the Group and the Company was 3.43% (31.12.2011: 3.30%, 1.1.2011: 3.30%) per annum.

6. Trade receivables

	Group		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Third parties	25,237	26,129	28,121
Less: Allowance for impairment	(24,830)	(25,735)	(26,939)
Trade receivables, net	407	394	1,182

Movements in allowance for impairment are as follows:

	Group	
	2012 RM'000	2011 RM'000
Balance as at 1 January	25,735	26,939
Charge for the year:		
Rental from third parties	-	5
Completed properties	-	14
Reversal of impairment losses:		
Completed properties	(905)	(1,223)
Balance as at 31 December	24,830	25,735

Trade receivables are non-interest bearing and are generally on 7 to 30 days (31.12.2011: 7 to 30 days, 1.1.2011: 7 to 30 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Notes to the Financial Statements
31 December 2012

7. Other receivables

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Unsecured advances in respect of certain projects	247,291	222,681	200,576	-	-	-
Loan commitment fees	8,740	8,740	8,740	8,740	8,740	8,740
Amount due from subsidiaries	-	-	-	83,040	63,561	65,991
Foreclosed properties	141,085	150,545	86,806	141,085	150,545	86,806
Prepayments and deposits	9,131	1,741	1,381	3,391	1,107	756
Amount due from disposal of property development cost	161,981	-	-	-	-	-
Sundry receivables	32,550	61,140	50,264	28,919	60,825	57,528
	600,778	444,847	347,767	265,175	284,778	219,821
Less: Allowance for impairment	(238,565)	(202,726)	(160,131)	(84,114)	(68,083)	(59,308)
	362,213	242,121	187,636	181,061	216,695	160,513

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Balance as at 1 January	202,726	160,131	68,083	59,308
Transfer from individual allowance for foreclosed properties (Note 9(vii))	6,396	17,535	6,396	17,535
Charge for the year:				
Unsecured advances in respect of certain projects	24,592	30,363	-	-
Charge/(reversal) of impairment losses:				
Amount due from subsidiaries	-	-	4,784	(3,457)
Others	4,851	-	4,851	-
Written off:				
Foreclosed properties	-	(5,303)	-	(5,303)
Balance as at 31 December	238,565	202,726	84,114	68,083

7. Other receivables (Continued)

Details of allowance for impairment are as follows:

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Unsecured advances in respect of certain projects	183,508	158,916	128,553	-	-	-
Loan commitment fees	8,718	8,718	8,718	8,718	8,718	8,718
Amount due from subsidiaries	-	-	-	33,288	28,504	31,961
Sundry receivables	15,240	10,389	10,389	11,009	6,158	6,158
Foreclosed properties	31,099	24,703	12,471	31,099	24,703	12,471
	238,565	202,726	160,131	84,114	68,083	59,308

(b) The amount due from disposal of property development cost was received subsequent to year end.

The unsecured advances in respect of certain projects relate to monies advanced and interest charged on these advances by a subsidiary of the Company to a third party.

The amount due from subsidiaries are unsecured, bear interest of 3.87% (31.12.2011:3.76%, 1.1.2011: 3.39%) per annum and are repayable on demand.

Included in prepayments and deposits of the Group and of the Company are rental deposits paid to ultimate holding body ("EPF") amounting to RM97,000 (31.12.2011: RM69,000, 1.1.2011: RM75,000).

The Group has no significant concentration of credit risk within other receivables that may arise from exposure to a single debtor or to groups of debtors other than the unsecured advances in respect of certain projects and the amount due from a third party for disposal of the development property cost (31.12.2011 and 1.1.2011: Unsecured advances in respect of certain projects).

Notes to the Financial Statements
31 December 2012

8. Inventories

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
At cost:						
Hotel inventories	289	219	160	-	-	-
At net realisable value:						
Freehold land held for sale	60,619	121,620	121,620	41,096	41,096	41,096
Total Inventories	60,908	121,839	121,780	41,096	41,096	41,096

Included in the inventories of the Group and of the Company are land previously acquired for development with the following carrying amounts:

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Title registered under the name of a subsidiary	8,197	8,197	8,197
	8,197	8,197	8,197

9. Loans, advances and financing

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
End finance:						
Normal housing programme	3,552,636	3,684,956	3,910,292	3,552,636	3,684,956	3,910,475
Low cost housing programme	17,290	22,027	21,008	17,290	22,027	21,008
Islamic:						
Property	1,817,639	1,855,080	1,873,299	1,817,639	1,855,080	1,873,299
Personal	17,785,007	8,717,754	3,981,833	17,785,007	8,717,754	3,981,833
Auto finance	126,519	-	-	126,519	-	-
Bridging, structured and term loans	3,521,763	3,498,056	4,688,898	3,809,252	3,782,563	4,973,324
Staff loans	31,405	26,207	22,303	31,405	26,207	22,303
Gross loans, advances and financing	26,852,259	17,804,080	14,497,633	27,139,748	18,088,587	14,782,242
Allowance for impairment:						
- Collectively assessed	(902,630)	(694,828)	(637,309)	(902,630)	(694,828)	(637,309)
- Individually assessed	(1,684,059)	(1,924,621)	(3,153,794)	(1,918,319)	(2,158,881)	(3,388,054)
Net loans, advances and financing	24,265,570	15,184,631	10,706,530	24,318,799	15,234,878	10,756,879

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

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Loans to subsidiaries	-	-	-	64,317	64,317	59,032

Notes to the Financial Statements

31 December 2012

9. Loans, advances and financing (Continued)

Included in Islamic personal financing is an amount of RM800,000,000 (2011: RM800,000,000, 1.1.2011: Nil) that is charged to the Islamic financing facility granted to the Company by the Employee Provident Fund as disclosed in Note 19.

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

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Maturing within one year	2,490,551	3,274,748	4,142,519	2,490,551	3,274,748	4,427,128
One year to three years	863,563	252,397	169,732	863,563	252,397	169,732
Three years to five years	375,590	144,739	595,023	375,590	144,739	595,023
Over five years	23,122,555	14,132,196	9,590,359	23,410,044	14,416,703	9,590,359
	26,852,259	17,804,080	14,497,633	27,139,748	18,088,587	14,782,242

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

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Purchase of residential properties	5,165,036	5,325,759	5,544,938	5,165,036	5,325,759	5,544,938
Purchase of non-residential properties	498,368	255,689	276,520	498,368	255,689	276,520
Personal use	17,793,674	8,724,578	3,987,460	17,793,674	8,724,578	3,987,460
Property development	2,787,308	3,217,916	4,571,137	3,074,797	3,502,423	4,855,746
Working capital	263,711	259,287	90,900	263,711	259,287	90,900
Purchase of transport vehicles	128,098	-	-	128,098	-	-
Others	216,064	20,851	26,678	216,064	20,851	26,678
	26,852,259	17,804,080	14,497,633	27,139,748	18,088,587	14,782,242

9. Loans, advances and financing (Continued)

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

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Domestic non-bank financial institutions	67,005	79,549	90,900	67,005	79,549	90,900
Domestic business enterprises:						
- Small medium enterprises	3,330,967	3,353,527	4,474,231	3,618,456	3,638,034	4,758,840
- Others	251,823	163,742	123,584	251,823	163,742	123,584
Individuals	23,202,464	14,207,262	9,808,918	23,202,464	14,207,262	9,808,918
	26,852,259	17,804,080	14,497,633	27,139,748	18,088,587	14,782,242

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

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Fixed rate:						
Personal financing	17,793,674	8,724,578	3,987,460	17,793,674	8,724,578	3,987,460
Auto finance	128,098	-	-	128,098	-	-
Bridging, structured and term loans	3,521,763	2,313,290	4,068,570	3,809,250	2,313,290	4,068,570
Variable rate:						
Cost of fund plus	5,408,724	6,766,212	6,441,603	5,408,726	7,050,719	6,726,212
	26,852,259	17,804,080	14,497,633	27,139,748	18,088,587	14,782,242

Notes to the Financial Statements
31 December 2012

9. Loans, advances and financing (Continued)

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Balance as at 1 January	3,137,754	4,907,989	3,422,261	5,192,415
Classified as impaired during the year	926,090	746,587	929,076	746,668
Reclassified as non-impaired	(565,840)	(1,252,381)	(565,840)	(1,252,381)
Amount recovered	(259,006)	(167,850)	(259,006)	(167,850)
Amount written off	(238,210)	(1,096,591)	(238,210)	(1,096,591)
Balance as at 31 December	3,000,788	3,137,754	3,288,281	3,422,261
Collective allowance	(390,888)	(61,320)	(390,888)	(61,320)
Individual allowance	(1,517,034)	(1,782,639)	(1,751,297)	(2,016,901)
Allowance for impairment	(1,907,922)	(1,843,959)	(2,142,185)	(2,078,221)
Net impaired loans, advances and financing	1,092,866	1,293,795	1,146,096	1,344,040
Net impaired loans as a percentage of net loans, advances and financing	4.5%	8.5%	4.7%	8.8%

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

	Group and Company	
	2012 RM'000	2011 RM'000
Collective Impairment		
Balance as at 1 January	694,828	637,309
Impairment during the year (Note 33)	207,802	57,519
Balance as at 31 December	902,630	694,828

9. Loans, advances and financing (Continued)

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Individual Impairment				
Balance as at 1 January	1,924,621	3,153,794	2,158,881	3,388,054
Impairment during the year (Note 33)	7,044	116,495	7,044	116,495
Written off	(238,210)	(1,328,133)	(238,210)	(1,328,133)
Transfer to impairment for foreclosed properties (Note 7)	(6,396)	(17,535)	(6,396)	(17,535)
Transfer to impairment of investment in subsidiaries	(3,000)	-	(3,000)	-
Balance as at 31 December	1,684,059	1,924,621	1,918,319	2,158,881

The credit risk of financial assets of the Group and the Company is mitigated by the collateral held against the financial assets.

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

For loan, advances and financing individual assessment allowance as at the date of the statement of financial position would be higher by approximately RM241,902,000 (2011: RM453,009,000, 1.1.2011: RM722,928,000) without the collateral held.

10. Investments held-to-maturity

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Unquoted Private Debt Securities ("PDS") *	200,000	204,354	200,000
Market/Indicative Value	195,382	211,345	203,942

* The investment held-to-maturity are principal protected and recoverable upon maturity.

Notes to the Financial Statements
31 December 2012

11. Loans to subsidiaries

	Company		
	2012	2011	1.1.2011
	RM'000	RM'000	RM'000
Secured	44,309	39,660	41,347
Unsecured	302,036	284,271	128,427
	346,345	323,931	169,774
Less: Allowance for impairment	(91,126)	(86,163)	(80,112)
	255,219	237,768	89,662

Movements in allowance for impairment are as follows:

	Company	
	2012	2011
	RM'000	RM'000
Balance as at 1 January	86,163	80,112
Charge for the year		
Secured	6,006	1,565
Unsecured	(1,043)	4,486
Total charge for the year (Note 30)	4,963	6,051
Balance as at 31 December	91,126	86,163

Details of allowance for impairment are as follows:

	Company		
	2012	2011	1.1.2011
	RM'000	RM'000	RM'000
Secured	39,731	33,725	32,160
Unsecured	51,395	52,438	47,952
	91,126	86,163	80,112

The loans to subsidiaries are repayable on demand.

The secured loans are secured against landed properties.

The weighted average effective annual interest rates of loans to subsidiaries at the reporting date was 3.87% (31.12.2011: 3.76%, 1.1.2011: 3.39%) per annum.

12. Investments in subsidiaries

	Company		
	2012	2011	1.1.2011
	RM'000	RM'000	RM'000
Unquoted shares at cost	118,162	210,805	210,805
Less: Accumulated impairment losses	(101,320)	(141,910)	(141,758)
	16,842	68,895	69,047

Details of the subsidiaries are as follows:

Name of subsidiaries	Effective interest held (%)			Principal activities
	2012	2011	1.1.2011	
MBSB Properties Sdn. Bhd.	100	100	100	Letting of real property
MBSB Development Sdn. Bhd.	100	100	100	Property development
Prudent Legacy Sdn. Bhd.	92	92	92	Property development
Sigmaprise Sdn. Bhd.	100	100	100	Hotel operations
Ganesha Sdn. Bhd.	100	100	100	Property development
Springtide Sdn. Bhd.	100	100	100	Property development
Trimonds Sdn. Bhd.	100	100	100	Investment holding
MBSB Project Management Sdn. Bhd.	100	100	100	Ceased operations
Definite Pure Sdn. Bhd.	100	100	100	Dormant
Malaya Borneo Building Society Limited ("MBBS")*	100	100	100	Dormant
Farawide Sdn. Bhd.	100	100	100	Hotel operations services
Raynergy Sdn. Bhd.	100	100	100	Dormant
Idaman Usahamas Sdn. Bhd.	100	100	100	Property development
Ombak Pesaka Sdn. Bhd.	100	100	-	Hotel operations
Ambang Hartamas Sdn. Bhd.	100	-	-	Property development
Gadini Sdn. Bhd.**	-	100	100	Property development

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

** Gadini Sdn Bhd was disposed on 14 November 2012.

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

Notes to the Financial Statements

31 December 2012

12. Investments in subsidiaries (Continued)

Disposal of subsidiary

The Group disposed of its 100% equity interest in Gadini Sdn Bhd on 14 November 2012 for a total cash consideration of RM56,171,399 comprising of cash. The subsidiary was previously reported as part of the property development segment.

The disposal had the following effects on the financial position of the Group as at the end of the year:

	2012 RM'000
Total disposed proceeds fully settled by cash	56,172
Inventory, representing net assets disposed	(61,001)
Loss on disposal before tax effect (Note 29)	(4,829)
Reversal of deferred tax liability	11,579
Profit on disposal after tax effect	6,750

13. Investment properties

	Group		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
At Cost:			
At 1 January	1,554	2,456	2,456
Disposals	(478)	(902)	-
At 31 December	1,076	1,554	2,456
Accumulated Depreciation and Impairment Loss:			
At 1 January	(674)	(1,031)	(983)
Depreciation charge for the year (Note 30)	(22)	(45)	(48)
Disposals	87	402	-
At 31 December	(609)	(674)	(1,031)
Net Book Value:			
At 31 December	467	880	1,425

13. Investment properties (Continued)

Valuation of investment properties

Investment properties are measured at cost. The fair value of the investment properties as at 31 December 2012 amounted to approximately RM562,000 (31.12.2011: RM919,000, 1.1.2011: RM2,664,000), which has been determined based on valuations as at January 2012. Valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued. The valuations are based on the comparison method that involves the comparison of recent sales of similar properties in the area.

Included in investment properties of the Group are the following properties which are:

	At net book value Group		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Pending subdivision of titles	467	489	510
Charged to the ultimate holding body ("EPF") *	-	391	396

* As at 31 December 2012 the loans from ultimate holding body, EPF have been fully repaid.

14. Property development costs

	Group		
	Freehold land RM'000	Development cost RM'000	Total RM'000
At 1 January 2011	-	-	-
Addition during the year	64,697	59,851	124,548
At 31 December 2011	64,697	59,851	124,548
Disposed during the year	(64,697)	(59,851)	(124,548)
At 31 December 2012	-	-	-

Property development costs relate to freehold land and development expenditure located at Lot 32665, held under a freehold title Geran 413471, Mukim Tebrau, District of Johor Bahru, Johor. The property was sold to a third party on 23 August 2012 for a cash purchase consideration of RM180,000,000.

Notes to the Financial Statements
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15. Property, plant and equipment

Group	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Total RM'000
Cost							
At 1 January 2012	15,824	180,224	21,654	24,930	486	13,283	256,401
Transfer to intangible assets	-	-	(93)	-	-	-	(93)
Additions	-	-	3,435	2,423	294	18,995	25,147
Disposals	-	-	(1,211)	(1,303)	(115)	-	(2,629)
Reversal/reclassification	-	-	(1,257)	(227)	-	(1)	(1,485)
At 31 December 2012	15,824	180,224	22,528	25,823	665	32,277	277,341
Accumulated depreciation and impairment losses							
At 1 January 2012:							
Accumulated depreciation	-	56,436	14,140	21,115	374	11,426	103,491
Accumulated impairment losses	371	34,287	-	-	-	-	34,658
	371	90,723	14,140	21,115	374	11,426	138,149
Transfer to intangible assets	-	-	(3)	-	-	-	(3)
Depreciation charge for the year (Note 30)	-	4,116	2,698	1,541	106	1,876	10,337
Disposals	-	-	(1,220)	(282)	(115)	-	(1,617)
Reversal/reclassification (Note 30)	-	-	(46)	(11)	-	-	(57)
At 31 December 2012	371	94,839	15,569	22,363	365	13,302	146,809
Analysed as:							
Accumulated depreciation	-	60,552	15,615	22,374	365	13,302	112,208
Accumulated impairment losses	371	34,287	-	-	-	-	34,658
	371	94,839	15,615	22,374	365	13,302	146,866
Net book value							
At 31 December 2012	15,453	85,385	6,959	3,460	300	18,975	130,532

15. Property, plant and equipment (Continued)

Group	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Total RM'000
Cost							
At 1 January 2011	26,250	166,917	17,094	22,168	859	12,715	246,003
Additions	-	21,338	4,560	2,779	-	943	29,620
Disposals	(10,426)	(8,031)	-	(3)	(373)	(375)	(19,208)
Reversal/Reclassification	-	-	-	(14)	-	-	(14)
At 31 December 2011	15,824	180,224	21,654	24,930	486	13,283	256,401
Accumulated depreciation and impairment losses							
At 1 January 2011:							
Accumulated depreciation	-	53,724	12,233	20,157	658	11,275	98,047
Accumulated impairment losses	371	40,771	-	-	-	-	41,142
	371	94,495	12,233	20,157	658	11,275	139,189
Depreciation charge for the year (Note 30)	-	3,666	1,907	958	89	526	7,146
Disposals	-	(954)	-	-	(373)	(375)	(1,702)
Impairment written off	-	(6,484)	-	-	-	-	(6,484)
At 31 December 2011	371	90,723	14,140	21,115	374	11,426	138,149
Analysed as:							
Accumulated depreciation	-	56,436	14,140	21,115	374	11,426	103,491
Accumulated impairment losses	371	34,287	-	-	-	-	34,658
	371	90,723	14,140	21,115	374	11,426	138,149
Net book value							
At 1 January 2011	25,879	72,422	4,861	2,011	201	1,440	106,814
Net book value							
At 31 December 2011	15,453	89,501	7,514	3,815	112	1,857	118,252

Notes to the Financial Statements
31 December 2012

15. Property, plant and equipment (Continued)

Company	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Total RM'000
Cost							
At 1 January 2012	9,968	18,946	13,238	9,427	295	12,330	64,204
Additions	-	-	3,386	2,212	95	18,943	24,636
Disposals	-	-	-	(2)	-	-	(2)
Reversal/reclassification	-	-	(1,257)	(227)	-	(1)	(1,485)
At 31 December 2012	9,968	18,946	15,367	11,410	390	31,272	87,353
Accumulated depreciation and impairment losses							
At 1 January 2012:							
Accumulated depreciation	-	592	5,768	7,028	163	10,691	24,242
Depreciation charge for the year (Note 30)	-	474	2,277	963	50	1,860	5,624
Reversal/reclassification (Note 30)	-	-	(46)	(11)	-	-	(57)
At 31 December 2012	-	1,066	7,999	7,980	213	12,551	29,809
Net book value							
At 31 December 2012	9,968	17,880	7,368	3,430	177	18,721	57,544

15. Property, plant and equipment (Continued)

Company	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Total RM'000
Cost							
At 1 January 2011	20,394	26,977	10,021	8,185	668	11,764	78,009
Additions	-	-	3,217	1,259	-	941	5,417
Disposals	(10,426)	(8,031)	-	(3)	(373)	(375)	(19,208)
Reversal/reclassification	-	-	-	(14)	-	-	(14)
At 31 December 2011	9,968	18,946	13,238	9,427	295	12,330	64,204
Accumulated depreciation and impairment losses							
At 1 January 2011:							
Accumulated depreciation	-	1,022	4,093	6,378	479	10,545	22,517
Accumulated impairment losses	-	6,484	-	-	-	-	6,484
Depreciation charge for the year (Note 30)	-	7,506	4,093	6,378	479	10,545	29,001
Disposals	-	524	1,675	650	57	521	3,427
Impairment written off	-	-	(954)	-	(373)	(375)	(1,702)
At 31 December 2011	-	(6,484)	-	-	-	-	(6,484)
At 31 December 2011	-	592	5,768	7,028	163	10,691	24,242
Analysed as:							
Accumulated depreciation	-	592	5,768	7,028	163	10,691	24,242
Net book value							
At 1 January 2011	20,394	19,471	5,928	1,807	189	1,219	49,008
At 31 December 2011	9,968	18,354	7,470	2,399	132	1,639	39,962

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

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Pending subdivision of titles	949	984	1,023	230	239	248
Charged to the ultimate holding body ("EPF")	33,114	34,257	35,401	-	-	-

Notes to the Financial Statements
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16. Land use rights

	Group		
	2012	2011	1.1.2011
	RM'000	RM'000	RM'000
Cost:			
At 1 January/31 December	11,718	11,718	11,718
Accumulated amortisation:			
At 1 January	2,097	1,932	1,767
Amortisation for the year (Note 30)	165	165	165
At 31 December	2,262	2,097	1,932
Net carrying amount	9,456	9,621	9,786
Amount to be amortised:			
- Not later than one year	165	165	165
- Later than one year but not later than five years	660	660	660
- Later than five years	8,631	8,796	8,961
	9,456	9,621	9,786

Included in land use rights are the net book value of properties which are:

	Group		
	2012	2011	1.1.2011
	RM'000	RM'000	RM'000
Charged to the ultimate holding body ("EPF")	3,884	3,907	3,930

17. Intangible assets

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Software licences						
Cost						
At 1 January	11,011	9,745	8,328	10,830	9,566	8,149
Transfer from property, plant and equipment	93	-	-	-	-	-
Additions	48,702	1,306	1,428	48,596	1,304	1,428
Reversal/reclassification	-	(40)	(11)	-	(40)	(11)
At 31 December	59,806	11,011	9,745	59,426	10,830	9,566
Accumulated depreciation and impairment losses						
At 1 January	8,443	7,783	7,417	8,264	7,604	7,266
Transfer from property, plant and equipment	3	-	-	-	-	-
Amortisation for the year (Note 30)	3,968	660	366	3,933	660	338
At 31 December	12,414	8,443	7,783	12,197	8,264	7,604
Net book value						
At 31 December	47,392	2,568	1,962	47,229	2,566	1,962

18. Deposits from customers

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
By type of products:			
Savings	55,847	38,224	31,223
Fixed deposits	21,438,252	13,473,724	10,452,520
	21,494,099	13,511,948	10,483,743
By type of customers:			
Government and statutory bodies	12,840,398	3,764,014	2,813,014
Business enterprises	6,374,137	8,378,125	6,372,195
Individuals	2,278,995	1,330,985	1,266,630
Others	569	38,824	31,904
	21,494,099	13,511,948	10,483,743

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19. Bank and other borrowings

	Group and Company		
	2012	2011	1.1.2011
	RM'000	RM'000	RM'000
Total borrowings			
Bank borrowings	350,217	100,044	200,119
Other borrowings	351,203	451,632	-
	701,420	551,676	200,119
Maturity of borrowings:			
Within one year	467,403	201,676	200,119
Within one to five years	234,017	350,000	-
	701,420	551,676	200,119

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

	Group and Company		
	2012	2011	1.1.2011
	%	%	%
Bank borrowings	3.89	4.07	3.45
Other borrowings	5.50	5.50	-

Bank borrowings represent unsecured revolving credit and interest charged on these borrowings from licensed commercial banks based on the lenders' cost of funds plus 0.50% to 1%. The bank borrowings are due within one year.

Other borrowings relates to a Bai Al-Inah Islamic financing facility granted by the ultimate holding body, Employees Provident Fund Board secured on selected personal financing portfolio of RM800,000,000 (31.12.2011:RM800,000,000, 1.1.2011: Nil) as disclosed in Note 9.

20. Trade payables

The normal trade credit terms granted to the Group range from 30 to 60 (31.12.2011: 30 to 60, 1.1.2011:30 to 60) days.

21. Other payables

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Due to subsidiaries	-	-	-	17,801	17,891	17,891
Al-Mudharabah security deposit	70,136	40,220	16,077	70,136	40,220	16,077
Accruals	37,202	26,546	15,578	36,569	26,546	15,578
Commission payable	6,364	10,755	-	6,364	10,755	-
Others	122,273	60,968	57,933	121,241	57,254	53,954
	235,975	138,489	89,588	252,111	152,666	103,500

The amounts due to subsidiaries are unsecured, interest-free and are repayable on demand.

22. Recourse obligation on loans sold to Cagamas Berhad

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Mature within 12 months	111,099	90,655	47,004
Mature after 12 months	2,250,898	1,842,729	917,089
	2,361,997	1,933,384	964,093

These amounts relate to proceeds received from conventional and Islamic housing loans and Islamic personal financing sold to Cagamas Berhad with recourse to the Company. Under the agreement, the Company undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined criteria.

Notes to the Financial Statements
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23. Deferred tax liabilities

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 January	21,781	19,256	4,800	2,201
Recognised in profit or loss (Note 34)	(10,355)	2,525	1,297	2,599
At 31 December	11,426	21,781	6,097	4,800
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	11,426	21,781	6,097	4,800
	11,426	21,781	6,097	4,800

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting were as follows:

Deferred tax liabilities/(assets) of the Group:

	Fair value adjustment arising from business combination RM'000	Property, plant and equipment RM'000	Other temporary difference RM'000	Total RM'000
At 1 January 2011	16,605	2,201	450	19,256
Recognised in profit or loss (Note 34)	-	2,525	-	2,525
At 1 January 2012	16,605	4,726	450	21,781
Recognised in profit or loss (Note 34)	(11,579)	11,547	(10,323)	(10,355)
At 31 December 2012	5,026	16,273	(9,873)	11,426

23. Deferred tax liabilities (Continued)

Deferred tax liabilities/(assets) of the Company:

	Accelerated capital allowances RM'000	Other temporary difference RM'000	Total RM'000
At 1 January 2011	2,201	-	2,201
Recognised in profit or loss (Note 34)	2,599	-	2,599
At 1 January 2012	4,800	-	4,800
Recognised in profit or loss (Note 34)	11,620	(10,323)	1,297
At 31 December 2012	16,420	(10,323)	6,097

Deferred tax assets have not been recognised in respect of the following items:

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Unused tax losses	37,437	138,702	129,361	-	-	-
Impairment losses on inventories of land held for sale	6,205	66,076	66,076	-	49,023	49,023
Collective impairment	902,625	654,724	595,321	902,625	695,289	637,309
Unabsorbed capital allowances	6,395	22,442	19,316	-	-	-

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the Company's dormant subsidiaries are subject to no substantial changes in shareholdings of the Company and of those subsidiaries under Section 44(5A) and (5B) of Income Tax Act, 1967.

Notes to the Financial Statements
31 December 2012

24. Share capital and share premium

	Number of shares of RM1.00 each		Amount	
	2012 Units '000	2011 Units '000	2012 RM'000	2011 RM'000
Share capital				
Authorised:				
- Ordinary shares				
At 1 January	2,800,000	1,000,000	2,800,000	1,000,000
Increase during the year	-	1,800,000	-	1,800,000
At 31 December	2,800,000	2,800,000	2,800,000	2,800,000
- Redeemable cumulative preference shares				
At 1 January	-	300,000	-	300,000
Cancelled during the year	-	(300,000)	-	(300,000)
At 31 December	-	-	-	-
- Redeemable convertible preference shares ("RCPS")				
At 1 January	-	500,000	-	500,000
Cancelled during the year	-	(500,000)	-	(500,000)
At 31 December	-	-	-	-

	Number of shares of RM1.00 each		Amount	
	2012 Units '000	2011 Units '000	2012 RM'000	2011 RM'000
Ordinary shares Issued and fully paid:				
At 1 January	1,215,501	700,298	1,215,501	700,298
Issued during the year:				
Issue of ordinary shares pursuant to rights issue	-	506,425	-	506,425
Issue of ordinary shares pursuant to ESOS	21,054	8,710	21,054	8,710
Issue of ordinary shares pursuant to warrants	3,806	68	3,806	68
At 31 December	1,240,361	1,215,501	1,240,361	1,215,501

24. Share capital and share premium (Continued)

	Amount	
	2012 RM'000	2011 RM'000
Share premium		
At 1 January	498,498	497,252
Issue of ordinary shares pursuant to rights issue	-	(4,493)
Issue of ordinary shares pursuant to ESOS	14,561	5,718
Issue of ordinary shares pursuant to warrants	1,039	13
Revised ESOS subscription price	-	8
At 31 December	514,098	498,498

a. Employee Share Option Scheme ("ESOS")

The Malaysia Building Society Berhad's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 29 April 2010. The ESOS was implemented on 12 August 2010 and is to be in force for a period of 5 years from date of implementation.

The salient features of the ESOS are as follows:

- (i) Eligible person are employees of the Group who are on the payroll of the Group other than a subsidiary which is dormant.
- (ii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS.
- (iii) The option price for each share shall be the average of the main market quotation of the shares of the Company in the daily official list issued by Bursa Malaysia Securities Berhad for the five trading days preceding the date of offer, or the par value of the shares of the Company of RM1, whichever is higher.
- (iv) The actual number of new shares which may be offered to an eligible employee shall be at the discretion of the Option Committee and, subject to any adjustments that may be made under Clause 15 of the by-laws, shall not be less than 100 shares but not more than maximum allowable allocation and shall always be in multiple of 100 shares.
- (v) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of the offer but before the expiry of five years from 12 August 2010 in respect of all or any part of the Company's shares comprised in the option, such part in multiples of 100 shares. Any partial exercise of an option shall not preclude the grantee from exercising the option in respect of the balance of the Company's shares comprised in the option.
- (vi) No option shall be granted to an Executive Director of the Company unless the specific grant of option and the related allotment of the Company's shares to the Executive Director shall have first been approved by the shareholders of the Company in general meeting.

The number of Company's shares allocated, in aggregate, to the Executive Directors and senior management of the Group shall not exceed 50% of the total Company's shares available under the Scheme.

Notes to the Financial Statements
31 December 2012

24. Share capital and share premium (Continued)

a. Employee Share Option Scheme (“ESOS”) (Continued)

The number of Company’s shares allocated to any individual Executive Director or employee who, either singly or collectively through persons connected (which term shall have the same meaning as that assigned to “a person connected with a director” in Section 122A of the Malaysian Companies Act), holds 20% or more in the issued and paid-up share capital of the Company shall not exceed 10% of the total Company’s shares available under the Scheme.

- (vii) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.
- (viii) In respect of ESOS granted in year ended 31 December 2011, 40% of the options granted are exercisable immediately and the remaining 60% of the options shall become exercisable in subsequent years during the validity of the option provided that the employee has been in continuous service with the Group throughout the period.
- (ix) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

Movement of ESOS during the financial year

The following table illustrates the number and weighted average exercise prices (“WAEP”) of, and movements in, ESOS during the year:

	Group			
	2012		2011	
	No.’000	WAEP (RM)	No.’000	WAEP (RM)
Outstanding at 1 January	41,421	-	48,626	-
- Granted	43,198	2.16	5,856	1.18
- Exercised	(21,054)	1.23	(8,707)	1.45
- Lapsed	(2,286)	1.25	(4,354)	1.45
Outstanding at 31 December	61,279	1.85	41,421	1.17
Exercisable at 31 December	13,854	2.08	11,784	1.45

24. Share capital and share premium (Continued)

a. Employee Share Option Scheme ("ESOS") (Continued)

- The weighted average fair value of options granted during the financial year was RM0.32 (31.12.2011: RM0.35, 1.1.2011: RM0.35).
- The weighted average share price at the date of exercise of the options exercised during the financial year was RM2.31 (31.12.2011: RM1.61, 1.1.2011: RM1.51).
- The weighted average exercise price for options outstanding at the end of the year was RM1.85 (31.12.2011: RM1.17, 1.1.2011: RM1.45). The weighted average remaining contractual life for these options is 2.60 years (31.12.2011: 3.60 years, 1.1.2011: 4.60 years).

ESOS exercised during the year

ESOS exercised during the financial year resulted in the issuance of 21,054,275 ordinary shares at prices stated below.

The details of all the ESOS exercised, during the year:

	No. Units	Exercise Price
Exercised	18,485,950	1.17
Exercised	2,568,325	1.67
	21,054,275	

Fair value of ESOS granted during the year

The fair value of ESOS granted in the current year was estimated using a binomial model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used:

	Granted on 15.11.2012	Granted on 09.03.2012	Granted on 11.09.2010
Fair value per ESOS granted (RM)	0.16	0.83	0.35
Weighted average share price (RM)	2.32	1.66	1.44
Weighted average exercise price (RM)	2.33	1.67	1.45
Expected volatility (%)	16.17	34.05	26.77
Expected life (years)	3	3	5
Risk free rate (%)	3.49	3.64	3.91
Expected dividend yield (%)	4.09	3.85	3.00

Notes to the Financial Statements
31 December 2012**24. Share capital and share premium (Continued)****Fair value of ESOS granted during the year (Continued)**

The expected life of the share option is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

b. Warrants

Pursuant to an abridged prospectus dated 6 May 2011, options were granted by way of free detachable warrants from the rights shares upon issuance and shall be separately traded on Bursa Securities. The warrants were issued free to entitled shareholders who subscribe for the rights shares. Each warrant entitles the registered holder to subscribe for 1 new company share at anytime during the exercise period at the accordance with the provisions of the deed poll. The expiry date of the warrants is 5 years from and including the date of issue of the warrants. The exercise price is RM1.00 for each new company share.

The registered holder of the warrants shall pay cash for the exercise price when exercising the warrants for new company shares. The holders of the warrants are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the warrants are issued with new company shares arising from their exercise of the warrants. The new company shares to be issued upon exercise of the warrants shall, upon allotment and issue, be of the same class and rank pari passu in all respects with the then existing company shares.

25. Other reserve

Group and Company	Capital reserve RM'000 Note (a)	Share option reserve RM'000	Warrants reserve RM'000	Capital redemption reserve- redeemable cumulative preference shares RM'000 Note (b)	Total RM'000
At 1 January 2012	17,838	2,410	99,246	12,486	131,980
Share options granted under ESOS recognised in profit or loss (Note 31)	-	10,416	-	-	10,416
Issue of ordinary shares pursuant to ESOS	-	(9,698)	-	-	(9,698)
Issue of ordinary shares pursuant to warrants	-	-	(1,039)	-	(1,039)
Transfer of share option reserve to accumulated losses upon forfeiture of share options	-	(329)	-	-	(329)
At 31 December 2012	17,838	2,799	98,207	12,486	131,330
At 1 January	17,838	2,085	-	12,486	32,409
Share options granted under ESOS recognised in profit or loss (Note 31)	-	1,977	-	-	1,977
Issue of ordinary shares pursuant to ESOS	-	(1,882)	-	-	(1,882)
Issue of ordinary shares pursuant to warrants	-	-	99,246	-	99,246
Transfer of share option reserve to accumulated losses upon forfeiture of share options	-	(95)	-	-	(95)
Revised ESOS subscription price	-	325	-	-	325
At 31 December 2011	17,838	2,410	99,246	12,486	131,980

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

(b) Capital redemption reserve arose out of the redemption of redeemable cumulative preference shares and is not distributable as cash dividends.

Notes to the Financial Statements
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26. Revenue

Revenue of the Company comprises of gross financing income, gross interest income, fee and commission income, and other income as disclosed in Notes 27, 29 and 45(f) to the financial statements.

Revenue of the Group comprises all types of revenue derived from the business of granting of financing and loans, property development, property management, letting of real property and hotel operations.

27. Interest income

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income from:				
- Loans, advances and financing	367,688	333,191	363,968	320,996
- Investment held to maturity	839	10,228	839	10,228
- Deposits and placements with banks and other financial institutions	26,694	23,458	26,694	23,458
	395,221	366,877	391,501	354,682

28. Interest expense

	Group and Company	
	2012 RM'000	2011 RM'000
Bank borrowings	10,209	5,453
Deposits from customers	162,034	155,867
	172,243	161,320

29. Other income

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Rental income	796	347	677	110
Revenue from completed properties	124	-	-	-
Revenue from hotel operations	10,013	9,564	-	-
Loan agency fees	30	61	30	61
Loan processing fees	20,132	107,142	20,132	107,142
Insurance commission	22,186	21,477	22,186	21,477
Loan facility fees	5,531	4,395	5,531	4,395
Legal notice fee	1,071	2,207	1,071	2,207
Sundry income	12,794	10,925	12,527	9,736
Dividend income	-	-	32,500	-
Gain/(loss) from disposal of:				
Property, plant and equipment	26	3,117	-	3,117
Foreclosed properties	2,241	-	2,241	-
Investment properties	112	1,100	-	-
Subsidiaries	(4,829)	-	(7,663)	-
Land held for sale	55,433	-	-	-
	125,660	160,335	89,232	148,245

30. Other operating expenses

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Personnel expenses (Note 31)	110,638	82,849	107,121	79,847
Establishment related expenses	11,558	8,879	10,793	8,668
Promotion and marketing related expenses	8,249	5,920	8,070	5,708
General administrative expenses	45,276	22,030	34,863	17,671
Angkasa charges	18,382	6,961	18,382	6,961
Allowance/(write back) for impairment of:				
Investments in subsidiaries	-	-	832	152
Amount due from subsidiaries	-	-	4,783	(3,457)
Loans to subsidiaries (Note 11)	-	-	4,963	6,051
Loss on provision for unsecured loans	-	-	595	-
Foreclosed properties	215	12,232	215	12,232
Other receivables	30,658	23,148	4,851	-
Trade receivables	(905)	(1,204)	-	-
	224,071	160,815	195,468	133,833

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30. Other operating expenses (Continued)

Included in other operating expenses are the following:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Auditors' remuneration:				
- Statutory audit:				
Ernst & Young	548	408	482	357
Other auditors*	5	-	5	-
- Other assurance related services	1,550	-	1,550	-
- Non-audit fees	2,848	447	2,848	420
Amortisation:				
- land use rights (Note 16)	165	165	-	-
- intangible assets (Note 17)	3,968	660	3,933	660
Depreciation:				
- investment properties (Note 13)	22	45	-	-
- property, plant and equipment (Note 15)	10,337	7,146	5,624	3,427
- reversal from property, plant and equipment (Note 15)	(57)	-	(57)	-
Directors' remuneration (Note 32)	858	910	858	910
Rental of buildings	-	-	4,828	3,347

* Relates to fees paid and payable to accounting firms other than the Company's auditors.

31. Personnel expenses

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Wages and salaries	77,609	57,189	74,700	54,794
Social security costs	666	541	619	498
Pension costs:				
- Employees Provident Fund	13,898	10,048	13,617	9,801
Share options granted under ESOS	10,416	1,977	10,416	1,977
Other staff related expenses	8,049	6,824	7,769	6,507
Staff gratuity	-	6,270	-	6,270
	110,638	82,849	107,121	79,847

32. Directors' remuneration

	Group and Company	
	2012	2011
	RM'000	RM'000
Directors of the Company		
Non-Executive:		
Fees	560	673
Other emoluments	298	237
Total	858	910

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2012	2011
Non-executive directors:		
RM1,000 - RM50,000	1	2
RM50,001 - RM100,000	-	3
RM100,001 - RM200,000	6	5

Details of the directors' remuneration of each director during the financial year 2012 are as follows:

Directors	Director fees for the financial year 2012 RM'000	Allowance RM'000	Total RM'000
1. Tan Sri Abdul Halim bin Ali	120	140	260
2. Datuk Syed Zaid bin Syed Jaffar Albar	80	28	108
3. Encik Aw Hong Boo	100	37	137
4. Encik Jasmy bin Ismail	80	22	102
5. Encik Lim Tian Huat	80	37	117
6. Datuk Shahril Ridza bin Ridzuan	80*	29	109
7. Dato' Zuraidah Attan	20	5	25
	560	298	858

* 50% of the director's fees is paid to the organization whom the director represents.

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33. Allowance for impairment losses on loans, advances and financing

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Allowance for impaired loans, advances and financing:				
- Collective impairment (Note 9(vi))	207,802	57,519	207,802	57,519
- Individual impairment (Note 9(vii))	7,044	116,495	7,044	116,495
- Written off	365	658	596	658
	215,211	174,672	215,442	174,672

34. Taxation

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current income tax:				
Malaysian income tax	216,809	127,199	205,884	127,194
Under/(over) provision in prior years:				
Malaysian income tax	386	(27,294)	386	(27,294)
	217,195	99,905	206,270	99,900
Deferred tax (Note 23):				
Relating to origination and reversal of temporary differences	(10,355)	2,525	1,297	2,599
Total income tax expense	206,840	102,430	207,567	102,499
RPGT recovered	-	(124)	-	(124)
	206,840	102,306	207,567	102,375

34. Taxation (Continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (31.12.2011: 25%) of the estimated assessable profit for the year. The computation of deferred tax as at 31 December 2012 has reflected these changes.

The Company had, in October 2010, submitted an application to Ministry of Finance ("MoF") seeking approval to apply the Guidelines on Income Tax Treatment from Adopting FRS 139 - Financial Instruments: Recognition and Measurement ("Guidelines"). The Guidelines were issued by MoF on 1 April 2008 and are only applicable to financial institutions regulated by Bank Negara Malaysia ("BNM") that are licensed pursuant to the Banking and Financial Institutions Act 1989, or the Islamic Banking Act 1983 or prescribed pursuant to the Development Financial Institutions Act 2002.

Pending the said approval as at the date of this report, provision for tax payable for the financial year ended 31 December 2010 and 2011 was made without adopting the Guidelines. Should the approval be obtained, provision for tax payable for the financial year ended 31 December 2011 and 2012 would be revised.

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

Group	2012 RM'000	2011 RM'000
Profit before taxation	656,227	428,262
Taxation at Malaysian statutory tax rate of 25% (31.12.2011: 25%)	164,057	107,066
Effect of income not subject to tax	(8,552)	(8,644)
Effect of expenses not deductible for tax purposes	11,872	10,569
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	298	(642)
Deferred tax assets not recognised	54,156	21,375
Utilisation of deferred tax asset not recognised in prior years	(11,628)	-
Overprovision of income tax in prior years	386	(27,294)
Overprovision of deferred tax in prior years	(3,749)	-
Tax for the year	206,840	102,430

Company	2012 RM'000	2011 RM'000
Profit before taxation	644,451	430,959
Taxation at Malaysian statutory tax rate of 25% (31.12.2011: 25%)	161,113	107,740
Effect of income not subject to tax	(560)	(779)
Effect of expenses not deductible for tax purposes	3,789	3,917
Deferred tax assets not recognised	46,588	18,915
Overprovision of income tax in prior years	386	(27,294)
Overprovision of deferred tax in prior years	(3,749)	-
Tax for the year	207,567	102,499

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35. Earnings per share**a. Basic**

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

	2012	2011
Net profit for the year (RM'000)	446,651	325,432
Weighted average number of ordinary shares in issue ('000)	1,215,507	1,003,622
Basic earnings per share (sen)	36.75	32.43

b. Diluted

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

	2012	2011
Net profit for the year (RM'000)	446,651	325,432
Weighted average number of ordinary shares in issue ('000)	1,215,507	1,003,622
Adjusted for assumed conversion of ESOS ('000)	830	1,061
Adjusted for assumed conversion of warrants ('000)	281,201	193,791
Adjusted weighted average number of ordinary shares in issue ('000)	1,497,538	1,198,474
Diluted earnings per share (sen)	29.83	27.15

36. Dividends

	Group and Company	
	2012	2011
	RM'000	RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
In respect of financial year ended 31 December 2011/2010:		
- Final taxable dividend of 7% less 25%, 5.25 sen net of tax (2010: 9% less 25%, 6.75 sen net of tax) per share	64,640	47,606
In respect of financial year ended 31 December 2012/2011:		
- Interim taxable dividend of 6% less 25%, 4.50 sen net of tax (2011: 5% less 25%, 3.75 sen net of tax) per share	55,653	45,581
	120,293	93,187
Proposed but not recognised as a liability as at 31 December:		
Dividend on ordinary shares, subject to shareholders' approval at the AGM:		
In respect of financial year ended 31 December 2012/2011:		
- Final taxable dividend of 9% less 25%, 6.75 sen net of tax (2011: 7% less 25%, 5.25 sen net of tax) per share	83,724	64,640
- Special taxable dividend of 18% less 25%, 13.50 sen net of tax (2011: Nil) per share	167,449	-
	251,173	64,640
	371,466	157,827

At the forthcoming Annual General Meeting, a final dividend of 9% less 25% taxation (6.75 sen net per ordinary share) and a special dividend of 18.0% less 25% taxation (13.5 sen net per ordinary share) in respect of the financial year ended 31 December 2012, will be proposed for shareholders' approval.

Based on the issued and paid up share capital as at 31 December 2012 of 1,240,360,882 ordinary shares, the total dividend and proposed special dividend would amount to RM251,173,079. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

Notes to the Financial Statements
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37. Significant related party transactions/balances

- a. Transactions/balances with Employees Provident Fund, the ultimate holding body:

	Notes	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Expenses					
Interest on loans		22,688	12,726	22,688	12,726
Rental paid		287	283	287	283
Balances					
Term loan	19	351,203	451,632	351,203	451,632

- b. Transactions/balances with subsidiaries:

	Company	
	2012 RM'000	2011 RM'000
Income/(expenses)		
Interest charged on loans/advances	53,460	17,489
Rental paid	(1,548)	(1,748)

	Company	
	2012 RM'000	2011 RM'000
Balance		
Loans to subsidiaries	346,343	323,931
Bridging, structured and term loans	252,045	252,045
Amount due from subsidiaries	83,040	63,561
Amount due to subsidiaries	17,801	17,891
End finance loans	108	128

37. Significant related party transactions/balances (Continued)

b. Transactions/balances with subsidiaries: (Continued)

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

c. The remuneration of directors and other members of key management during the year was as follows:

	Group and Company	
	2012	2011
	RM'000	RM'000
Short-term employee benefits	4,653	4,295
Share-based payment	135	44
	4,788	4,339

Included in the total key management personnel are:

	Group and Company	
	2012	2011
	RM'000	RM'000
Directors' remuneration comprising fees and allowances (Note 32)	858	910
The Chief Executive Officer's remuneration comprising salary, bonus, allowances and other emoluments	2,782	2,357

Notes to the Financial Statements
31 December 2012

37. Significant related party transactions/balances (Continued)

- d. Transactions and balances with directors and key management:

	Group and Company	
	2012	2011
	RM'000	RM'000
Income/(expenses)		
Interest income earned on loans, advances and financing	3	-
Interest cost incurred on savings and deposits	(73)	(43)
Balances with directors and key management personnel		
Amount due from in respect of financing and loans	217	-
Amount due to in respect of savings and deposits	3,282	1,338

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

	Group and Company	
	2012	2011
	RM'000	RM'000
At 1 January	819	769
Granted	271	113
Exercised	(123)	(63)
At 31 December	967	819

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

38. Commitments and contingencies

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(i) Operational commitments				
Loan commitments not provided for in the financial statements:				
End finance	460,768	243,602	460,768	243,602
Islamic	155,829	217,780	155,829	217,780
Bridging, structured and term loans	2,734,937	2,925,838	2,734,937	2,925,838
Property development:				
Approved and contracted for	421,528	421,528	1,667	1,667
Total	3,773,062	3,808,748	3,353,201	3,388,887
(ii) Capital commitments				
Property, plant and equipment:				
Approved but not contracted for	16,450	86,953	16,450	86,953
(iii) Contingencies				
Fully secured:				
Financial guarantees	25,436	80,375	25,436	80,375

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

Notes to the Financial Statements
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39. Contingent liabilities (unsecured)

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

The contractor's application to amend the statement of claim was dismissed on 22 June 2010 and the Court fixed 10 November 2011 for case management. The Court of Appeal had on 13 December 2011 allowed the contractor's application to amend statement of claim.

Pre-trial case management was fixed on 21 March 2012 and for full trial from 26 March 2012 to 30 March 2012. The matter came up for decision on 30 April 2012 and the claim against MBSB was dismissed with costs. The contractor had on 29 May 2012 filed an appeal against MBSB and it is pending a hearing date.

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

On 30 September 2010, the Court dismissed the borrower's claim with costs. The borrower has filed an appeal on 25 October 2010. The appeal is fixed for hearing on 23 January 2013. The hearing date has been vacated to a future date to be informed as the borrower was wound up by a third party.

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

The Company and its subsidiary had filed its defence and counterclaim in response to the suit. The Company and its subsidiary had also filed an application to strike out the Plaintiff's suit which was dismissed with costs on 24 May 2010. The Company's appeal in respect of the striking out was heard on 3 April 2012 and was dismissed by the Court of Appeal with costs.

The Company filed an application for security for costs against the Plaintiffs and this was dismissed on 18 May 2011. The Company's solicitors filed an appeal on 20 May 2011 ("Company's security for costs appeal"). The Company's security for costs appeal was allowed on 30 November 2011. The Plaintiffs have deposited the security for costs with the Court by way of Bank Guarantee.

39. Contingent liabilities (unsecured) (Continued)

The main suit is now fixed for hearing from 19 to 21 August 2013.

The directors after obtaining advice from the Company's solicitors, are of the opinion that the Company has reasonably good cases in respect of all the claims against the Company and as such, no provision has been made in the financial statements.

40. Financial risk management

a. Financial risk management objectives and policies

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

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

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

b. Risk management framework

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

c. Risk organisation

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

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

- (i) Executive Committee ("EXCO"): EXCO assists the Board to evaluate and approve loan applications within their approval authority limits and consider recommendation from ARC on all matters relating to impaired loans as well as the capital expenditure and operating expenditure of the Group and the Company.

Notes to the Financial Statements
31 December 2012**40. Financial risk management (Continued)**

c. Risk organisation (Continued)

- (ii) Arrears & Recovery Committee ("ARC"): ARC deliberates on proposals for recovery of impaired loans, approve proposals within its authority and recommends to the Board on proposals beyond ARC's authority. Additionally, ARC also monitors the progress of recovery of impaired loans and formulates recovery strategies.
- (iii) Asset & Liability Committee ("ALCO"): ALCO is responsible for the Group's and the Company's liquidity management by focusing on the maturity gap, liquidity position, loans portfolio concentration, deposits composition and depositors' concentration. ALCO also manages the interest rate exposures and interest margin of the Group and the Company by reviewing the lending rates, cost of funds, interest margin and the repricing gaps.
- (iv) Credit & Rehabilitation Assessment Committee ("CARAC"): CARAC deliberates and recommends to the relevant Board or Board Committee for Corporate Loan and Mortgage applications and decide whether to proceed with the preparation of the Board paper based on completed credit assessment report. CARAC also deliberates and recommends any appeal on variations to the terms and conditions as earlier approved by Board or Board Committees. CARAC also deliberates and approves the submission of the relevant corporate rehabilitation papers for the Board or Board Committees.
- (v) Retail Loans Committees ("RLCs"): RLCs deliberate and approve or recommend to the relevant Board for new mortgage loan applications as well as any appeal on variations to the earlier approved terms and conditions of the loan within the approval authority limit. RLCs were disbanded in September 2012 and replaced by the Approval Authority, which consists of experienced senior managers.
- (vi) Management Committee ("MANCO"): MANCO deliberates the implementation of the enterprise-wide risk management framework which addresses credit, market and operational and strategic risks and also resolves operational issues within the policies established by the Board and recommending policy changes to the Board.

40. Financial risk management (Continued)

d. Risk reporting & monitoring

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

e. Credit risk mitigation

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

f. Concentration risk

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

Credit risk

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

A new credit platform was established in 2010 with the primary objective of enhancing the efficiency and effectiveness of the credit oversight as well as credit approval process for all retail and corporate loans of the Group and the Company. In September 2012, RLC has been disbanded and replaced by the Approval Authority which consists of senior managers. Credit proposals are submitted to the relevant credit committees for approval or concurrence, and are subsequently submitted to GRM for independent assessment. Credit exposures are evaluated by GRM and are monitored against approved limits on a periodic basis on a portfolio and individual basis.

Notes to the Financial Statements

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40. Financial risk management (Continued)

Credit risk (Continued)

(i) Maximum exposure to credit risk

The maximum exposure to credit risk without taking into account the fair value of collateral for each class of financial assets is the carrying value of these assets as shown below:

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
On balance sheet assets:						
Financial assets:						
Loans, advances and financing:						
End finance and						
Islamic property	4,887,323	5,159,747	5,353,777	4,887,323	5,159,747	5,353,960
Personal financing	17,491,196	8,521,802	3,885,061	17,491,196	8,521,802	3,885,061
Bridging, structured and						
term loans	1,771,947	1,503,082	1,467,692	1,825,176	1,553,329	1,517,858
Auto finance	115,104	-	-	115,104	-	-
Loans to subsidiaries	-	-	-	255,219	237,768	89,662
	24,265,570	15,184,631	10,706,530	24,574,018	15,472,646	10,846,541
Deposits with financial institutions and bank balance:						
Cash and short-term funds	1,275,431	1,350,649	825,275	1,248,746	1,338,363	811,011
Deposits and placements with financial institutions	5,354	4,950	63,554	5,354	4,139	63,445
	1,280,785	1,355,599	888,829	1,254,100	1,342,502	874,456
Other financial assets:						
Trade receivables	407	394	1,182	-	-	-
Investments held-to-maturity	200,000	204,354	200,000	200,000	204,354	200,000
Other receivables*	243,096	114,538	111,920	67,684	89,746	85,422
	443,503	319,286	313,102	267,684	294,100	285,422

* The other receivables excluded foreclosed properties, prepayments and deposits as these items are classified as non financial assets.

40. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality

The credit quality of financial assets are analysed as follows:

Group	2012							
	← Past due but not impaired →				Impaired RM'000	Total gross RM'000	Impairment allowances RM'000	Total net RM'000
Neither past due nor impaired RM'000	Past due up to < 1 month RM'000	Past due 1 to < 3 months RM'000	Past due 3 to < 6 months RM'000					
Financial assets:								
Loans, advances and financing:								
End finance and								
Islamic property	1,552,592	1,523,485	915,869	397,407	1,019,369	5,408,722	(521,399)	4,887,323
Personal financing	15,681,566	1,409,320	354,575	74,504	273,709	17,793,674	(302,478)	17,491,196
Auto finance	20,742	76,277	30,434	507	138	128,098	(12,994)	115,104
Bridging, structured and term loans	1,489,133	214,888	100,028	10,144	1,707,572	3,521,765	(1,749,818)	1,771,947
	18,744,033	3,223,970	1,400,906	482,562	3,000,788	26,852,259	(2,586,689)	24,265,570
Deposits with financial institutions and bank balance:								
Cash and								
short-term funds	1,275,431	-	-	-	-	1,275,431	-	1,275,431
Deposits and placements with financial institutions	5,354	-	-	-	-	5,354	-	5,354
	1,280,785	-	-	-	-	1,280,785	-	1,280,785
Other financial assets:								
Trade receivables	-	330	76	1	24,830	25,237	(24,830)	407
Other receivables	77,515	165,581	-	-	207,466	450,562	(207,466)	243,096
Investments held-to-maturity	200,000	-	-	-	-	200,000	-	200,000
	277,515	165,911	76	1	232,296	675,799	(232,296)	443,503

Notes to the Financial Statements
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40. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Group	2011							
	Neither past Due nor impaired RM'000	← Past due but not impaired →			Impaired RM'000	Total gross RM'000	Impairment allowances RM'000	Total net RM'000
Past due up to < 1 month RM'000		Past due 1 to < 3 months RM'000	Past due 3 to < 6 months RM'000					
Financial assets:								
Loans, advances and financing:								
End finance and								
Islamic property	2,438,242	984,104	902,795	442,770	813,536	5,581,447	(421,700)	5,159,747
Personal financing	7,994,772	444,069	128,984	24,058	132,696	8,724,579	(202,777)	8,521,802
Bridging, structured and term loans	1,280,027	2,076	23,681	748	2,191,522	3,498,054	(1,994,972)	1,503,082
	11,713,041	1,430,249	1,055,460	467,576	3,137,754	17,804,080	(2,619,449)	15,184,631
Deposits with financial institutions and bank balance:								
Cash and								
short-term funds	1,350,649	-	-	-	-	1,350,649	-	1,350,649
Deposits and placements with financial institutions	4,950	-	-	-	-	4,950	-	4,950
	1,355,599	-	-	-	-	1,355,599	-	1,355,599
Other financial assets:								
Trade receivables	-	353	41	-	25,735	26,129	(25,735)	394
Other receivables	114,273	264	1	-	178,023	292,561	(178,023)	114,538
Investments held-to-maturity	204,354	-	-	-	-	204,354	-	204,354
	318,627	617	42	-	203,758	523,044	(203,758)	319,286

40. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Group	1.1.2011							
	Neither past due nor impaired RM'000	← Past due but not impaired →			Impaired RM'000	Total gross RM'000	Impairment allowances RM'000	Total net RM'000
Past due up to < 1 month RM'000		Past due 1 to < 3 months RM'000	Past due 3 to < 6 months RM'000					
Financial assets:								
Loans, advances and financing:								
End finance and								
Islamic property	2,649,186	1,038,193	899,923	465,970	768,003	5,821,275	(467,498)	5,353,777
Personal financing	2,424,557	1,037,300	449,895	29,945	45,763	3,987,460	(102,399)	3,885,061
Bridging, structured and term loans	591,525	-	1,271	1,879	4,094,223	4,688,898	(3,221,206)	1,467,692
	5,665,268	2,075,493	1,351,089	497,794	4,907,989	14,497,633	(3,791,103)	10,706,530
Deposits with financial institutions and bank balance:								
Cash and								
short-term funds	825,275	-	-	-	-	825,275	-	825,275
Deposits and placements with financial institutions	63,554	-	-	-	-	63,554	-	63,554
	888,829	-	-	-	-	888,829	-	888,829
Other financial assets:								
Trade receivables	-	1,138	44	-	26,939	28,121	(26,939)	1,182
Other receivables	111,665	250	5	-	147,660	259,580	(147,660)	111,920
Investments held-to-maturity	200,000	-	-	-	-	200,000	-	200,000
	311,665	1,388	49	-	174,599	487,701	(174,599)	313,102

Notes to the Financial Statements
31 December 2012

40. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Company	2012							
	← Past due but not impaired →					Impaired RM'000	Total gross RM'000	Impairment allowances RM'000
Neither past due nor impaired RM'000	Past due up to < 1 month RM'000	Past due 1 to < 3 months RM'000	Past due 3 to < 6 months RM'000					
Financial assets:								
Loans, advances and financing:								
End finance and								
Islamic property	1,552,592	1,523,485	915,869	397,407	1,019,369	5,408,722	(521,399)	4,887,323
Personal financing	15,681,566	1,409,320	354,575	74,504	273,709	17,793,674	(302,478)	17,491,196
Auto finance	20,742	76,277	30,434	507	138	128,098	(12,994)	115,104
Bridging, structured and term loans	1,489,129	214,888	100,028	10,144	1,995,065	3,809,254	(1,984,078)	1,825,176
	18,744,029	3,223,970	1,400,906	482,562	3,288,281	27,139,748	(2,820,949)	24,318,799
Loans to subsidiaries	95	-	-	-	346,250	346,345	(91,126)	255,219
Deposits with financial institutions and bank balance:								
Cash and								
short-term funds	1,248,746	-	-	-	-	1,248,746	-	1,248,746
Deposits and placements with financial institutions	5,354	-	-	-	-	5,354	-	5,354
	1,254,100	-	-	-	-	1,254,100	-	1,254,100
Other financial assets:								
Other receivables	120,699	-	-	-	-	120,699	(53,015)	67,684
Investments held-to-maturity	200,000	-	-	-	-	200,000	-	200,000
	320,699	-	-	-	-	320,699	(53,015)	267,684

40. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Company	2011							
	Neither past due nor impaired RM'000	← Past due but not impaired →			Impaired RM'000	Total gross RM'000	Impairment allowances RM'000	Total net RM'000
Past due up to < 1 month RM'000		Past due 1 to < 3 months RM'000	Past due 3 to < 6 months RM'000					
Financial assets:								
Loans, advances and financing:								
End finance and								
Islamic property	2,438,240	984,104	902,795	442,770	813,536	5,581,445	(421,700)	5,159,745
Personal financing	7,994,772	444,069	128,984	24,058	132,696	8,724,579	(202,777)	8,521,802
Bridging, structured and term loans	1,280,027	2,076	23,683	748	2,476,029	3,782,563	(2,229,232)	1,553,331
	11,713,039	1,430,249	1,055,462	467,576	3,422,261	18,088,587	(2,853,709)	15,234,878
Loans to subsidiaries	150,618	-	-	-	173,313	323,931	(86,163)	237,768
Deposits with financial institutions and bank balance:								
Cash and short-term funds	1,338,363	-	-	-	-	1,338,363	-	1,338,363
Deposits and placements with financial institutions	4,139	-	-	-	-	4,139	-	4,139
	1,342,502	-	-	-	-	1,342,502	-	1,342,502
Other financial assets:								
Other receivables	133,126	-	-	-	-	133,126	(43,380)	89,746
Investments held-to-maturity	204,354	-	-	-	-	204,354	-	204,354
	337,480	-	-	-	-	337,480	(43,380)	294,100

Notes to the Financial Statements
31 December 2012

40. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Company	1.1.2011							
	← Past due but not impaired →							
	Neither past due nor impaired RM'000	Past due up to < 1 month RM'000	Past due 1 to < 3 months RM'000	Past due 3 to < 6 months RM'000	Impaired RM'000	Total gross RM'000	Impairment allowances RM'000	Total net RM'000
Financial assets:								
Loans, advances and financing:								
End finance and Islamic property	2,649,186	1,038,193	899,923	466,153	768,003	5,821,458	(467,498)	5,353,960
Personal financing	2,424,557	1,037,300	449,895	29,945	45,763	3,987,460	(102,399)	3,885,061
Bridging, structured and term loans	591,525	-	1,271	1,879	4,378,649	4,973,324	(3,455,466)	1,517,858
	5,665,268	2,075,493	1,351,089	497,977	5,192,415	14,782,242	(4,025,363)	10,756,879
Loans to subsidiaries	323	-	-	-	169,451	169,774	(80,112)	89,662
Deposits with financial institutions and bank balance:								
Cash and short-term funds	811,011	-	-	-	-	811,011	-	811,011
Deposits and placements with financial institutions	63,445	-	-	-	-	63,445	-	63,445
	874,456	-	-	-	-	874,456	-	874,456
Other financial assets:								
Other receivables	132,259	-	-	-	-	132,259	(46,837)	85,422
Investments held-to-maturity	200,000	-	-	-	-	200,000	-	200,000
	332,259	-	-	-	-	332,259	(46,837)	285,422

40. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Neither past due nor impaired

a) High grade

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

b) Standard grade

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

c) New loans during the year

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

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

Group	2012			
	High grade RM'000	Standard grade RM'000	New loans during the year RM'000	Total RM'000
Financial assets:				
Loans, advances and financing:				
End finance and Islamic property	-	1,117,411	435,181	1,552,592
Personal financing	-	6,340,539	9,341,027	15,681,566
Auto finance	-	313	20,429	20,742
Bridging, structured and term loans	-	769,860	719,273	1,489,133
	-	8,228,123	10,515,910	18,744,033

Notes to the Financial Statements
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40. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Neither past due nor impaired (Continued)

Group	2012			Total RM'000
	High grade RM'000	Rated Standard grade RM'000	New loans during the year RM'000	
Deposits with financial institutions and bank balance:				
Cash at banks and on hand	246,185	-	-	246,185
Money at call	869,172	-	-	869,172
Deposits and placements with financial institutions:				
- with maturity of less than one month	160,074	-	-	160,074
- with maturity of more than one month	5,354	-	-	5,354
	1,280,785	-	-	1,280,785
Other financial assets:				
Other receivables	-	77,515	-	77,515
Investments held-to-maturity	-	200,000	-	200,000
	-	277,515	-	277,515

40. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Neither past due nor impaired (Continued)

Group	2011			
	High grade RM'000	Standard grade RM'000	New loans during the year RM'000	Total RM'000
Financial assets:				
Loans, advances and financing:				
End finance and Islamic property	-	2,290,972	147,270	2,438,242
Personal financing	-	2,021,570	5,973,202	7,994,772
Bridging, structured and term loans	-	93,125	1,186,902	1,280,027
	-	4,405,667	7,307,374	11,713,041
Deposits with financial institutions and bank balance:				
Cash at banks and on hand	184,298	-	-	184,298
Money at call	781,000	-	-	781,000
Deposits and placements with financial institutions:				
- with maturity of less than one month	385,351	-	-	385,351
- with maturity of more than one month	4,950	-	-	4,950
	1,355,599	-	-	1,355,599
Other financial assets:				
Other receivables	-	114,273	-	114,273
Investments held-to-maturity	-	204,354	-	204,354
	-	318,627	-	318,627

Notes to the Financial Statements
31 December 2012

40. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Neither past due nor impaired (Continued)

Group	1.1.2011			
	High grade RM'000	Rated Standard grade RM'000	New loans during the year RM'000	Total RM'000
Financial assets:				
Loans, advances and financing:				
End finance and Islamic property	-	2,261,537	387,649	2,649,186
Personal financing	-	497,358	1,927,199	2,424,557
Bridging, structured and term loans	-	273,452	318,073	591,525
	-	3,032,347	2,632,921	5,665,268
Deposits with financial institutions and bank balance:				
Cash at banks and on hand	40,470	-	-	40,470
Money at call	461,000	-	-	461,000
Deposits and placements with financial institutions:				
- with maturity of less than one month	323,805	-	-	323,805
- with maturity of more than one month	63,554	-	-	63,554
	888,829	-	-	888,829
Other financial assets:				
Other receivables	-	111,665	-	111,665
Investments held-to-maturity	-	200,000	-	200,000
	-	311,665	-	311,665

40. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Neither past due nor impaired (Continued)

Company	2012			
	High grade RM'000	Rated Standard grade RM'000	New loans during the year RM'000	Total RM'000
Financial assets:				
Loans, advances and financing:				
End finance and Islamic property	-	1,117,411	435,181	1,552,592
Personal financing	-	6,340,539	9,341,027	15,681,566
Auto finance	-	313	20,429	20,742
Bridging, structured and term loans	-	769,856	719,273	1,489,129
	-	8,228,119	10,515,910	18,744,029
Deposits with financial institutions and bank balance:				
Cash at banks and on hand	219,500	-	-	219,500
Money at call	869,172	-	-	869,172
Deposits and placements with financial institutions:				
- with maturity of less than one month	160,074	-	-	160,074
- with maturity of more than one month	5,354	-	-	5,354
	1,254,100	-	-	1,254,100
Loans to subsidiaries	-	95	-	95
Other financial assets:				
Other receivables	-	120,699	-	120,699
Investments held-to-maturity	-	200,000	-	200,000
	-	320,699	-	320,699

Notes to the Financial Statements
31 December 2012

40. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Neither past due nor impaired (Continued)

Company	2011			
	High grade RM'000	Rated Standard grade RM'000	New loans during the year RM'000	Total RM'000
Financial assets:				
Loans, advances and financing:				
End finance and Islamic property	-	2,290,972	147,268	2,438,240
Personal financing	-	2,021,570	5,973,202	7,994,772
Bridging, structured and term loans	-	93,125	1,186,902	1,280,027
	-	4,405,667	7,307,372	11,713,039
Deposits with financial institutions and bank balance:				
Cash at banks and on hand	172,012	-	-	172,012
Money at call	781,000	-	-	781,000
Deposits and placements with financial institutions:				
- with maturity of less than one month	385,351	-	-	385,351
- with maturity of more than one month	4,139	-	-	4,139
	1,342,502	-	-	1,342,502
Loans to subsidiaries	-	150,618	-	150,618
Other financial assets:				
Other receivables	-	133,126	-	133,126
Investments held-to-maturity	-	204,354	-	204,354
	-	337,480	-	337,480

40. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Neither past due nor impaired (Continued)

Company	1.1.2011			
	High grade RM'000	Standard grade RM'000	New loans during the year RM'000	Total RM'000
Financial assets:				
Loans, advances and financing:				
End finance and Islamic property	-	2,261,537	387,649	2,649,186
Personal financing	-	497,358	1,927,199	2,424,557
Bridging, structured and term loans	-	273,452	318,073	591,525
	-	3,032,347	2,632,921	5,665,268
Deposits with financial institutions and bank balance:				
Cash at banks and on hand	26,206	-	-	26,206
Money at call	461,000	-	-	461,000
Deposits and placements with financial institutions:				
- with maturity of less than one month	323,805	-	-	323,805
- with maturity of more than one month	63,445	-	-	63,445
	874,456	-	-	874,456
Loans to subsidiaries	-	323	-	323
Other financial assets:				
Other receivables	-	132,259	-	132,259
Investments held-to-maturity	-	200,000	-	200,000
	-	332,259	-	332,259

Past due but not impaired

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

Impaired

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

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31 December 2012

40. Financial risk management (Continued)

Credit risk (Continued)

(iii) Industry analysis

Group 31 December 2012	Property develop- ment RM'000	Financial services RM'000	Telecom- munication RM'000	Food RM'000	Consumer RM'000	Oil and gas RM'000	Services ¹ RM'000	Others RM'000	Total RM'000
Financial assets:									
Cash and short-term funds	23,464	1,248,746	-	-	-	-	3,221	-	1,275,431
Deposits and placements with financial institutions	-	5,354	-	-	-	-	-	-	5,354
Trade receivables	1	-	-	-	-	-	406	-	407
Other receivables	170,609	-	-	-	-	-	743	71,744	243,096
Loans, advances and financing:									
- End finance and Islamic property	-	-	-	-	4,887,323	-	-	-	4,887,323
- Personal financing	-	-	-	-	17,491,196	-	-	-	17,491,196
- Auto finance	-	-	-	-	115,104	-	-	-	115,104
- Bridging, structured and term loans	1,502,308	63,140	12,507	7,767	30,042	54,713	94,546	6,924	1,771,947
Investments held-to-maturity	-	-	-	-	-	-	-	200,000	200,000
	1,696,382	1,317,240	12,507	7,767	22,523,665	54,713	98,916	278,668	25,989,858

Company 31 December 2012	Property develop- ment RM'000	Financial services RM'000	Telecom- munication RM'000	Food RM'000	Consumer RM'000	Oil and gas RM'000	Services ¹ RM'000	Others RM'000	Total RM'000
Financial assets:									
Cash and short-term funds	-	1,248,746	-	-	-	-	-	-	1,248,746
Deposits and placements with financial institutions	-	5,354	-	-	-	-	-	-	5,354
Other receivables	-	-	-	-	-	-	-	67,684	67,684
Loans, advances and financing:									
- End finance and Islamic property	-	-	-	-	4,887,323	-	-	-	4,887,323
- Personal financing	-	-	-	-	17,491,196	-	-	-	17,491,196
- Auto finance	-	-	-	-	115,104	-	-	-	115,104
- Bridging, structured and term loans	1,555,537	63,140	12,507	7,767	30,042	54,713	94,546	6,924	1,825,176
Investments held-to-maturity	-	-	-	-	-	-	-	200,000	200,000
Loans to subsidiaries	-	147,624	-	-	-	-	107,595	-	255,219
	1,555,537	1,464,864	12,507	7,767	22,523,665	54,713	202,141	274,608	26,095,802

¹ Services includes hotel operation.

40. Financial risk management (Continued)

Credit risk (Continued)

(iii) Industry analysis (Continued)

Group 31 December 2011	Property develop- ment RM'000	Financial services RM'000	Telecom- munication RM'000	Food RM'000	Consumer RM'000	Oil and gas RM'000	Services ¹ RM'000	Others RM'000	Total RM'000
Financial assets:									
Cash and short-term funds	8,844	1,337,552	-	-	-	-	4,253	-	1,350,649
Deposits and placements with financial institutions	-	4,950	-	-	-	-	-	-	4,950
Trade receivables	8	-	-	-	-	-	386	-	394
Other receivables	22	-	-	-	-	-	292	114,224	114,538
Loans, advances and financing:									
- End finance and Islamic property	-	-	-	-	5,159,747	-	-	-	5,159,747
- Personal financing	-	-	-	-	8,521,802	-	-	-	8,521,802
- Bridging, structured and term loans	1,267,701	69,523	933	19,086	61,401	56,087	21,385	6,966	1,503,082
Investments held-to-maturity	-	-	-	-	-	-	-	204,354	204,354
	1,276,575	1,412,025	933	19,086	13,742,950	56,087	26,316	325,544	16,859,516

Company 31 December 2011	Property develop- ment RM'000	Financial services RM'000	Telecom- munication RM'000	Food RM'000	Consumer RM'000	Oil and gas RM'000	Services ¹ RM'000	Others RM'000	Total RM'000
Financial assets:									
Cash and short-term funds	-	1,338,363	-	-	-	-	-	-	1,338,363
Deposits and placements with financial institutions	-	4,139	-	-	-	-	-	-	4,139
Other receivables	-	-	-	-	-	-	-	89,746	89,746
Loans, advances and financing:									
- End finance and Islamic property	-	-	-	-	5,159,747	-	-	-	5,159,747
- Personal financing	-	-	-	-	8,521,802	-	-	-	8,521,802
- Bridging, structured and term loans	1,317,723	69,498	1,183	19,086	61,401	56,087	21,385	6,966	1,553,329
Investments held-to-maturity	-	-	-	-	-	-	-	204,354	204,354
Loans to subsidiaries	-	157,645	-	-	-	-	80,123	-	237,768
	1,317,723	1,569,645	1,183	19,086	13,742,950	56,087	101,508	301,066	17,109,248

¹ Services includes hotel operation.

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31 December 2012

40. Financial risk management (Continued)

Credit risk (Continued)

(iii) Industry analysis (Continued)

Group 1 January 2011	Property develop- ment RM'000	Financial services RM'000	Telecom- munication RM'000	Food RM'000	Consumer RM'000	Oil and gas RM'000	Services ¹ RM'000	Others RM'000	Total RM'000
Financial assets:									
Cash and short-term funds	8,582	810,914	-	-	-	-	5,779	-	825,275
Deposits and placements with financial institutions	-	63,554	-	-	-	-	-	-	63,554
Trade receivables	464	-	-	-	-	-	718	-	1,182
Other receivables	523	-	-	-	-	-	484	110,913	111,920
Loans, advances and financing:									
- End finance and Islamic property	-	-	-	-	5,353,777	-	-	-	5,353,777
- Personal financing	-	-	-	-	3,885,061	-	-	-	3,885,061
- Bridging, structured and term loans	1,361,650	81,984	11,822	12,236	-	-	-	-	1,467,692
Investments held-to-maturity	-	-	-	-	-	-	-	204,354	204,354
	1,371,219	956,452	11,822	12,236	9,238,838	-	6,981	310,913	11,908,461

Company 1 January 2011	Property develop- ment RM'000	Financial services RM'000	Telecom- munication RM'000	Food RM'000	Consumer RM'000	Oil and gas RM'000	Services ¹ RM'000	Others RM'000	Total RM'000
Financial assets:									
Cash and short-term funds	-	811,011	-	-	-	-	-	-	811,011
Deposits and placements with financial institutions	-	63,445	-	-	-	-	-	-	63,445
Other receivables	-	-	-	-	-	-	-	85,422	85,422
Loans, advances and financing:									
- End finance and Islamic property	-	-	-	-	5,353,960	-	-	-	5,353,960
- Personal financing	-	-	-	-	3,885,061	-	-	-	3,885,061
- Bridging, structured and term loans	1,411,816	81,984	11,822	12,236	-	-	-	-	1,517,858
Investments held-to-maturity	-	-	-	-	-	-	-	200,000	200,000
Loans to subsidiaries	-	9,535	-	-	-	-	80,127	-	89,662
	1,411,816	965,975	11,822	12,236	9,239,021	-	80,127	285,422	12,006,419

¹ Services includes hotel operation.

40. Financial risk management (Continued)

Credit risk (Continued)

(iv) Collateral

The credit risk of financial assets of the Group and the Company is mitigated by the collateral held against the financial assets.

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

For loan, advances and financing individual assessment allowance as at the date of the statement of financial position would be higher by approximately RM241,902,000 (31.12.2011: RM453,009,000, 1.1.2011: RM722,928,000) without the collateral held.

	Group and Company		
	2012	2011	1.1.2011
	RM'000	RM'000	RM'000
Residential	13,160	8,306	8,306
Non residential	96,826	117,536	66,029
	109,986	125,842	74,335

The above assets are accounted for as foreclosed properties under other receivables in the statement of financial position. There were additional assets obtained for financial year ended 2012 of RM4,854,000 (31.12.2011: RM51,507,000, 1.1.2011: RM42,360,000).

Market risk

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

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

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

Notes to the Financial Statements
31 December 2012Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit net of tax and shareholders' equity would have been RM117,595,000 higher/lower, arising mainly as a result of changes in interest expenses from floating rate borrowings and fixed deposit from customers and interest income from floating rate loans, advances and financing.

Liquidity risk

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

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

Analysis of financial instruments by remaining contractual maturities

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

40. Financial risk management (Continued)

Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	2012 RM'000			Total
	On demand or within one year	One to five years	Over five years	
Group				
Financial liabilities:				
Deposits from customers	19,707,142	2,143,006	39,271	21,889,419
Bank borrowings	350,528	-	-	350,528
Other borrowings	117,188	268,906	-	386,094
Trade and other payables	165,890	144	70,136	236,170
Recourse obligation on loans sold to Cagamas Berhad	210,962	2,500,689	-	2,711,651
	20,551,710	4,912,745	109,407	25,573,862

	2011 RM'000			Total
	On demand or within one year	One to five years	Over five years	
Group				
Financial liabilities:				
Deposits from customers	12,456,325	1,261,982	34,158	13,752,465
Bank borrowings	100,044	-	-	100,044
Other borrowings	122,688	386,094	-	508,782
Trade and other payables	96,258	2,189	40,220	138,667
Recourse obligation on loans sold to Cagamas Berhad	175,282	2,108,099	-	2,283,381
	12,950,597	3,758,364	74,378	16,783,339

	1.1.2011 RM'000			Total
	On demand or within one year	One to five years	Over five years	
Group				
Financial liabilities:				
Deposits from customers	9,685,932	952,577	26,969	10,665,478
Bank borrowings	200,119	-	-	200,119
Trade and other payables	75,851	2,102	16,077	94,030
Recourse obligation on loans sold to Cagamas Berhad	36,152	118,991	835,577	990,720
	9,998,054	1,073,670	878,623	11,950,347

Notes to the Financial Statements
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40. Financial risk management (Continued)

Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	2012			Total
	RM'000			
	On demand or within one year	One to five years	Over five years	
Company				
Financial liabilities:				
Deposits from customers	19,707,142	2,143,006	39,271	21,889,419
Bank borrowings	350,528	-	-	350,528
Other borrowings	117,188	268,906	-	386,094
Trade and other payables	181,975	-	70,136	252,111
Recourse obligation on loans sold to Cagamas Berhad	210,962	2,500,689	-	2,711,651
	20,567,795	4,912,601	109,407	25,589,803

	2011			Total
	RM'000			
	On demand or within one year	One to five years	Over five years	
Company				
Financial liabilities:				
Deposits from customers	12,456,325	1,261,982	34,158	13,752,465
Bank borrowings	100,044	-	-	100,044
Other borrowings	122,688	386,094	-	508,782
Trade and other payables	112,446	-	40,220	152,666
Recourse obligation on loans sold to Cagamas Berhad	175,282	2,108,099	-	2,283,381
	12,966,785	3,756,175	74,378	16,797,338

40. Financial risk management (Continued)

Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	1.1.2011 RM'000			
	On demand or within one year	One to five years	Over five years	Total
Company				
Financial liabilities:				
Deposits from customers	9,685,932	952,577	26,969	10,665,478
Bank borrowings	200,119	-	-	200,119
Other borrowings	-	-	-	-
Trade and other payables	87,423	-	16,077	103,500
Recourse obligation on loans sold to Cagamas Berhad	36,152	118,991	835,577	990,720
	10,009,626	1,071,568	878,623	11,959,817

At the reporting date, the counterparties to the financial guarantees do not have a right to demand cash as the default event has not occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

41. Capital management

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

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

The Group and the Company monitor their capital using an internally developed risk weighted capital adequacy ratio ("RWCR"), which is capital base divided by total risk weighted assets. The Group's and the Company's policy is to set the internal RWCR at a minimum of 7%.

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42. Fair values

- a. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

	Note	Group		Company	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2012					
Financial assets					
Loans, advances and financing	9	24,265,570	21,040,478	24,318,799	21,093,707
Investments held-to-maturity	10	200,000	195,382	200,000	195,382
Financial liabilities					
Other borrowings	19	351,203	351,843	351,203	351,843
Deposits from customers	18	21,494,099	21,317,258	21,494,099	21,317,258
Recourse obligation on loans sold to Cagamas Berhad	22	2,361,997	2,367,353	2,361,997	2,367,353
2011					
Financial assets					
Loans, advances and financing	9	15,184,631	13,344,175	15,234,878	13,394,420
Investments held-to-maturity	10	204,354	211,345	204,354	211,345
Financial liabilities					
Other borrowings	19	451,632	447,061	451,632	447,061
Deposits from customers	18	13,511,948	13,294,962	13,511,948	13,294,962
Recourse obligation on loans sold to Cagamas Berhad	22	1,933,384	1,923,791	1,933,384	1,923,791

Loans, advances and financing

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

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

42. Fair values (Continued)

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

Other borrowings

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

Investments held-to-maturity

The estimated fair value is based on estimated future cash flows discounted using market indicative rates of similar instruments at the reporting date.

Deposits from customers

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

Recourse obligation on loans sold to Cagamas Berhad

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

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

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

Note

Cash and short-term funds	5
Trade receivables	6
Other receivables (exclude foreclosed properties, prepayments and deposits)	7
Loans to subsidiaries	11
Bank borrowings	19
Trade payables	20
Other payables	21

Notes to the Financial Statements
31 December 2012

42. Fair values (Continued)

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

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

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

- c. Fair value of financial instruments that are not carried at fair value and whose cost could not be reliably measured.

The fair values of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs.

Determination of fair value and fair value hierarchy

As at 31 December 2012 and 31 December 2011, there is no financial instruments that are carried at fair value.

43. Interest rate risk

The table below summarises the Group and the Company's exposure to interest rate risk. The table indicates effective average interest rates at the reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier.

43. Interest rate risk (Continued)

Group 2012	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	1,275,431	1,275,431	
Deposits and placements with financial institutions	-	254	5,100	-	-	-	5,354	3.43
Trade receivables	-	-	-	-	-	407	407	
Other receivables	-	-	-	-	-	362,213	362,213	
Loans, advances and financing:								
- non-impaired	56,109	65,503	277,904	1,029,040	21,744,147	-	23,172,703	6.25
- impaired	-	-	-	-	-	1,092,867	1,092,867	
Investments held-to-maturity	-	-	200,000	-	-	-	200,000	5.25
Other assets	-	-	-	-	-	248,755	248,755	
Total assets	56,109	65,757	483,004	1,029,040	21,744,147	2,979,673	26,357,730	
Liabilities								
Deposits from customers	9,741,135	5,404,778	4,459,201	1,888,985	-	-	21,494,099	3.57
Bank borrowings	350,217	-	-	-	-	-	350,217	3.89
Other borrowings	-	29,812	87,374	234,017	-	-	351,203	5.50
Trade payables	-	-	-	-	-	195	195	
Other payables	-	-	-	-	-	235,975	235,975	
Recourse obligation on loans sold to Cagamas Berhad	20,139	32,380	158,442	2,151,036	-	-	2,361,997	5.24
Other liabilities	-	-	-	-	-	67,398	67,398	
Total liabilities	10,111,491	5,466,970	4,705,017	4,274,038	-	303,568	24,861,084	
Shareholders' equity	-	-	-	-	-	1,496,646	1,496,646	
Total liabilities and shareholders' equity	10,111,491	5,466,970	4,705,017	4,274,038	-	1,800,214	26,357,730	
On-balance sheet interest sensitivity gap	(10,055,382)	(5,401,213)	(4,222,013)	(3,244,998)	21,744,147	1,179,459	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	(10,055,382)	(5,401,213)	(4,222,013)	(3,244,998)	21,744,147	1,179,459	-	

Notes to the Financial Statements
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43. Interest rate risk (Continued)

Group 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	1,350,649	1,350,649	
Deposits and placements with financial institutions	-	246	4,591	113	-	-	4,950	3.55
Trade receivables	-	-	-	-	-	394	394	
Other receivables	-	-	-	-	-	242,121	242,121	
Loans, advances and financing:								
- non-impaired	474,964	53,795	221,680	288,634	12,851,763	-	13,890,836	8.43
- impaired	-	-	-	-	-	1,293,795	1,293,795	
Investments held-to-maturity	-	-	-	204,354	-	-	204,354	5.25
Other assets	-	-	-	-	-	377,708	377,708	
Total assets	474,964	54,041	226,271	493,101	12,851,763	3,264,667	17,364,807	
Liabilities								
Deposits from customers	6,584,511	3,287,339	2,510,773	1,102,078	26,647	600	13,511,948	3.56
Bank borrowings	100,044	-	-	-	-	-	100,044	4.07
Trade payables	-	26,632	75,000	350,000	-	-	451,632	5.50
Other payables	-	-	-	-	-	178	178	
Recourse obligation on loans sold to Cagamas Berhad	34,504	4,931	51,220	1,842,729	-	-	1,933,384	5.34
Other liabilities	-	-	-	-	-	98,983	98,983	
Total liabilities	6,719,059	3,318,902	2,636,993	3,294,807	26,647	238,250	16,234,658	
Shareholders' equity	-	-	-	-	-	1,130,149	1,130,149	
Total liabilities and shareholders' equity	6,719,059	3,318,902	2,636,993	3,294,807	26,647	1,368,399	17,364,807	
On-balance sheet interest sensitivity gap	(6,244,095)	(3,264,861)	(2,410,722)	(2,801,706)	12,825,116	1,896,268	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	(6,244,095)	(3,264,861)	(2,410,722)	(2,801,706)	12,825,116	1,896,268	-	

43. Interest rate risk (Continued)

Group 1.1.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	825,275	825,275	
Deposits and placements with financial institutions	-	30,296	29,449	3,809	-	-	63,554	3.31
Trade receivables	-	-	-	-	-	1,182	1,182	
Other receivables	-	-	-	-	-	187,636	187,636	
Loans, advances and financing:								
- non-impaired	3,113	339	4,118	149,577	8,867,047	-	9,024,194	7.94
- impaired	-	-	-	-	-	1,682,336	1,682,336	
Investments held-to-maturity	-	-	-	200,000	-	-	200,000	5.25
Other assets	-	-	-	-	-	241,767	241,767	
Total assets	3,113	30,635	33,567	353,386	8,867,047	2,938,196	12,225,944	
Liabilities								
Deposits from customers	4,238,267	3,273,997	1,844,132	1,127,347	-	-	10,483,743	3.27
Bank borrowings	200,119	-	-	-	-	-	200,119	3.45
Trade payables	-	-	-	-	-	4,442	4,442	5.50
Other payables	-	-	-	-	-	89,588	89,588	
Recourse obligation on loans sold to Cagamas Berhad	11,226	11,319	67,635	873,913	-	-	964,093	5.60
Other liabilities	-	-	-	-	-	102,837	102,837	
Total liabilities	4,449,612	3,285,316	1,911,767	2,001,260	-	196,867	11,844,822	
Shareholders' equity	-	-	-	-	-	381,122	381,122	
Total liabilities and shareholders' equity	4,449,612	3,285,316	1,911,767	2,001,260	-	577,989	12,225,944	
On-balance sheet interest sensitivity gap	(4,446,499)	(3,254,681)	(1,878,200)	(1,647,874)	8,867,047	2,360,207	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	(4,446,499)	(3,254,681)	(1,878,200)	(1,647,874)	8,867,047	2,360,207	-	

Notes to the Financial Statements
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43. Interest rate risk (Continued)

Company 2012	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	1,248,746	1,248,746	
Deposits and placements with financial institutions	-	254	5,100	-	-	-	5,354	3.43
Other receivables (excluding amount due from subsidiaries)	-	-	-	-	-	131,309	131,309	
Amount due from subsidiaries	-	-	-	-	-	49,752	49,752	
Loans, advances and financing:								
- non-impaired	56,109	65,503	277,904	1,029,040	21,744,146	-	23,172,702	6.25
- impaired	-	-	-	-	-	1,146,097	1,146,097	
Investments held-to-maturity	-	-	200,000	-	-	-	200,000	5.25
Loans to subsidiaries	-	-	-	-	-	255,219	255,219	
Other assets	-	-	-	-	-	162,711	162,711	
Total assets	56,109	65,757	483,004	1,029,040	21,744,146	2,993,834	26,371,890	
Liabilities								
Deposits from customers	9,741,135	5,404,778	4,459,201	1,888,985	-	-	21,494,099	3.57
Bank borrowings	350,217	-	-	-	-	-	350,217	3.89
Other borrowings	-	29,812	87,374	234,017	-	-	351,203	5.50
Recourse obligation on loans sold to Cagamas Berhad	20,139	32,380	158,442	2,151,036	-	-	2,361,997	5.24
Other payables	-	-	-	-	-	252,111	252,111	
Other liabilities	-	-	-	-	-	51,180	51,180	
Total liabilities	10,111,491	5,466,970	4,705,017	4,274,038	-	303,291	24,860,807	
Shareholders' equity	-	-	-	-	-	1,511,083	1,511,083	
Total liabilities and shareholders' equity	10,111,491	5,466,970	4,705,017	4,274,038	-	1,814,374	26,371,890	
On-balance sheet interest sensitivity gap	(10,055,382)	(5,401,213)	(4,222,013)	(3,244,998)	21,744,146	1,179,460	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	(10,055,382)	(5,401,213)	(4,222,013)	(3,244,998)	21,744,146	1,179,460	-	

43. Interest rate risk (Continued)

Company 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	1,338,363	1,338,363	
Deposits and placements with financial institutions	-	246	3,893	-	-	-	4,139	3.55
Other receivables (excluding amount due from subsidiaries)	-	-	-	-	-	181,639	181,639	
Amount due from subsidiaries	-	-	-	-	-	35,056	35,056	
Loans, advances and financing:								
- non-impaired	474,964	53,795	221,680	288,634	12,851,765	-	13,890,838	8.43
- impaired	-	-	-	-	-	1,344,040	1,344,040	
Investments held-to-maturity	-	-	-	204,354	-	-	204,354	5.25
Loans to subsidiaries	-	-	-	-	-	237,768	237,768	
Other assets	-	-	-	-	-	152,519	152,519	
Total assets	474,964	54,041	225,573	492,988	12,851,765	3,289,385	17,388,716	
Liabilities								
Deposits from customers	6,584,511	3,287,339	2,510,773	1,102,078	26,647	600	13,511,948	3.56
Bank borrowings	100,044	-	-	-	-	-	100,044	4.07
Other borrowings	-	26,632	75,000	350,000	-	-	451,632	5.50
Recourse obligation on loans sold to Cagamas Berhad	34,504	4,931	51,220	1,842,729	-	-	1,933,384	5.34
Other payables	-	-	-	-	-	152,666	152,666	
Other liabilities	-	-	-	-	-	81,953	81,953	
Total liabilities	6,719,059	3,318,902	2,636,993	3,294,807	26,647	235,219	16,231,627	
Shareholders' equity	-	-	-	-	-	1,157,089	1,157,089	
Total liabilities and shareholders' equity	6,719,059	3,318,902	2,636,993	3,294,807	26,647	1,392,308	17,388,716	
On-balance sheet interest sensitivity gap	(6,244,095)	(3,264,861)	(2,411,420)	(2,801,819)	12,825,118	1,897,077	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	(6,244,095)	(3,264,861)	(2,411,420)	(2,801,819)	12,825,118	1,897,077	-	

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43. Interest rate risk (Continued)

Company 1.1.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	811,011	811,011	
Deposits and placements with financial institutions	-	30,296	29,340	3,809	-	-	63,445	3.31
Other receivables (excluding amount due from subsidiaries)	-	-	-	-	-	126,483	126,483	
Amount due from subsidiaries	-	-	-	-	-	34,030	34,030	
Loans, advances and financing:								
- non-impaired	3,113	339	4,118	149,577	8,867,230	-	9,024,377	7.94
- impaired	-	-	-	-	-	1,732,502	1,732,502	
Investments held-to-maturity	-	-	-	200,000	-	-	200,000	5.25
Loans to subsidiaries	-	-	-	-	-	89,662	89,662	
Other assets	-	-	-	-	-	161,113	161,113	
Total assets	3,113	30,635	33,458	353,386	8,867,230	2,954,801	12,242,623	
Liabilities								
Deposits from customers	4,238,267	3,273,997	1,844,132	1,127,347	-	-	10,483,743	3.27
Bank borrowings	200,119	-	-	-	-	-	200,119	3.45
Recourse obligation on loans sold to Cagamas Berhad	11,226	11,319	67,635	873,913	-	-	964,093	5.60
Other payables	-	-	-	-	-	103,500	103,500	
Other liabilities	-	-	-	-	-	85,733	85,733	
Total liabilities	4,449,612	3,285,316	1,911,767	2,001,260	-	189,233	11,837,188	
Shareholders' equity	-	-	-	-	-	405,435	405,435	
Total liabilities and shareholders' equity	4,449,612	3,285,316	1,911,767	2,001,260	-	594,668	12,242,623	
On-balance sheet interest sensitivity gap	(4,446,499)	(3,254,681)	(1,878,309)	(1,647,874)	8,867,230	2,360,133	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	(4,446,499)	(3,254,681)	(1,878,309)	(1,647,874)	8,867,230	2,360,133	-	

44. Segment information

a. Business segments:

The Group is organised into four major business segments:

- (i) Financing - the granting of loans on the security of freehold and leasehold properties and provision of retail financing and related services;
- (ii) Property development - the development of residential and commercial properties;

(iii) Letting of real property - the letting of office buildings; and

(iv) Hotel operations - the letting of hotel rooms, sale of food and beverage and other related income.

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

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

	Financing		Property development		Letting of real property		Hotel operations		Others		Eliminations		Consolidated	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue and Expenses														
Revenue														
External sales	1,789,253	1,193,232	24,736	22,104	158	237	12,727	12,206	-	-	4,686	41,659	1,831,560	1,269,438
Inter-segment sales	28,330	54,209	-	-	1,509	1,748	-	-	-	-	(29,839)	(55,957)	-	-
Total revenue													1,831,560	1,269,438
Result														
Segment results	644,451	430,959	21,721	(19,431)	(10,160)	(9,472)	(8,043)	(3,551)	(99)	(1,891)	8,357	31,648	656,227	428,262
Taxation													(206,840)	(102,306)
Zakat													(2,736)	(524)
Net profit for the year													446,651	325,432
Assets														
Segment assets	26,371,890	17,388,716	31,586	41,611	42,476	44,009	82,995	63,916	372	148,860	(171,589)	(322,305)	26,357,730	17,364,807
Unallocated corporate assets													-	-
Consolidated total assets													26,357,730	17,364,807
Liabilities														
Segment liabilities	24,860,807	16,231,627	500,914	309,048	138,952	130,325	141,450	112,446	2,462	152,649	(783,501)	(701,437)	24,861,084	16,234,658
Unallocated corporate liabilities													-	-
Consolidated total liabilities													24,861,084	16,234,658

Notes to the Financial Statements

31 December 2012

44. Segment information (Continued)

a. Business segments: (Continued)

	Financing		Property development		Letting of real property		Hotel operations		Others		Eliminations		Consolidated	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Other Information														
Capital expenditure	23,152	5,417	-	-	-	-	512	258	-	23,944	-	-	23,664	29,619
Depreciation and amortisation of land use rights, investment properties and property, plant and equipment	5,565	3,427	-	-	1,281	1,302	3,227	2,140	-	94	228	228	10,301	7,191
Amortisation	3,933	660	-	-	23	23	176	142	-	-	-	-	4,132	825
Investments in subsidiaries	832	151	-	-	-	-	-	-	-	-	(832)	(151)	-	-
Non-cash expenses other than depreciation, amortisation and impairment losses	230,850	177,266	18,808	16,552	(825)	4	1,196	-	-	8	(4,850)	(2,041)	245,179	191,789

b. Geographical Segments:

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

45. The operations of Islamic business

Statements of financial position as at 31 December 2012

	Note	Group and Company		
		2012 RM'000	2011 RM'000	1.1.2011 RM'000
Assets				
Cash and short-term funds	(a)	797,892	55,784	304,035
Deposits and placements with financial institutions	(a)	5,095	3,889	3,445
Financing	(b)	19,468,755	10,392,002	5,693,877
Other receivables	(c)	306,180	1,925,378	2,138,444
Total assets		20,577,922	12,377,053	8,139,801
Liabilities				
Deposits from customers	(d)	15,264,952	9,030,086	6,392,104
Other payables	(e)	3,869,409	2,938,753	1,671,518
Financing sold to Cagamas		500,388	-	-
Provision for taxation		275,244	141,296	58,096
Provision for zakat		2,018	118	355
Total liabilities		19,912,011	12,110,253	8,122,073
Islamic fund		4,000	4,000	4,000
Retained profits		661,911	262,800	13,728
Total Islamic fund		665,911	266,800	17,728
Total liabilities and Islamic fund		20,577,922	12,377,053	8,139,801

Statements of comprehensive income for the year ended 31 December 2012

	Note	Group and Company	
		2012 RM'000	2011 RM'000
Income derived from investment of general investment deposits and Islamic capital funds	(f)	1,377,136	757,477
Income attributable to depositors		(630,265)	(359,620)
Net income from financing operations		746,871	397,857
Other income		49,072	136,004
Other expenses	(g)	(131,096)	(85,599)
Allowance for losses on financing		(129,048)	(115,467)
Profit before taxation and zakat		535,799	332,795
Taxation	(i)	(133,949)	(83,199)
Zakat		(2,736)	(524)
Profit after taxation and zakat		399,114	249,072

Notes to the Financial Statements
31 December 2012

45. The operations of Islamic business (Continued)

Statements of changes in equity for the year ended 31 December 2012

Group and Company	Islamic fund RM'000	Retained profits RM'000	Total RM'000
At 1 January 2011	4,000	13,728	17,728
Profit after taxation and zakat	-	249,072	249,072
At 31 December 2011	4,000	262,800	266,800
At 1 January 2012	4,000	262,800	266,800
Profit after taxation and zakat	-	399,114	399,114
At 31 December 2012	4,000	661,914	665,914

Statements of cash flows for the year ended 31 December 2012

	Group and Company	
	2012 RM'000	2011 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	535,799	332,795
Adjustments for:		
Bad debt written-off	(31)	-
Allowance for losses on financing	129,048	115,464
Operating profit before working capital changes	664,816	448,259
Increase in deposits with financial institutions	(1,206)	(444)
Increase in financing	(9,213,676)	(4,813,588)
Decrease in other receivables	1,627,098	213,066
Increase in deposits from customers	6,234,868	2,637,982
Increase in other payables	930,656	1,267,235
Increase in cagamas	500,388	-
Cash generated from/(used in) operations	742,944	(247,490)
Zakat paid	(836)	(761)
Net cash generated from/(used in) operating activities	742,108	(248,251)
Net increase/(decrease) in cash and cash equivalents	742,108	(248,251)
Cash and cash equivalents at beginning of financial year	55,784	304,035
Cash and cash equivalents at end of financial year	797,892	55,784

45. The operations of Islamic business (Continued)

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

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Cash and short-term funds:			
Cash at banks	81,766	48,725	11,979
Money at call	556,052	7,000	272,000
Deposits and placements with financial institutions with maturity less than one month	160,074	59	20,056
	797,892	55,784	304,035
Deposits and placements with financial institutions with maturity of more than one month	5,095	3,889	3,445
	802,987	59,673	307,480

The weighted average effective yield rates of deposits with financial institutions at the reporting date was 3.45% (31.12.2011: 2.54%, 1.1.2011: 2.79%).

The average maturities of deposits with financial institutions as at the end of the financial year were from overnight placement to 365 days (31.12.2011: 365 days, 1.1.2011: 365 days).

(b) Financing

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
(i) By type:			
Term financing			
Corporate financing	365,261	223,882	132,655
Property financing	4,573,674	4,774,683	4,891,191
Personal financing	31,424,105	16,183,972	7,163,897
Staff financing	52,460	7,161	5,588
Less: Unearned income	(16,397,948)	(10,385,821)	(6,203,043)
	20,017,552	10,803,877	5,990,288

Notes to the Financial Statements
31 December 2012

45. The operations of Islamic business (Continued)

(b) Financing (Continued)

	Group and Company		
	2012	2011	1.1.2011
	RM'000	RM'000	RM'000
Allowance for impaired financing:			
- Collective allowance	(512,345)	(392,620)	(296,411)
- Individual allowance	(36,452)	(19,255)	-
Net financing	19,468,755	10,392,002	5,693,877
(ii) By contract:			
Bai Bithaman Ajil (deferred payment sale)	1,618,397	1,674,837	1,693,560
Bai Al-Inah (cost-plus)	17,528,063	8,521,801	3,885,154
Contract financing	322,295	195,364	115,163
	19,468,755	10,392,002	5,693,877
(iii) Impaired loans			
Balance as at 1 January	297,894	159,176	135,414
Classified as impaired during the year	440,937	351,156	179,380
Reclassified as non-impaired during the year	(200,993)	(212,438)	(155,591)
Amount written off	(1,725)	-	(27)
Balance as at 31 December	536,113	297,894	159,176
Individual/Collective allowance	(191,351)	(39,693)	(13,043)
Net impaired financing	344,762	258,201	146,133
Net impaired loans as a percentage of net financing	1.8%	2.5%	2.6%

45. The operations of Islamic business (Continued)

(b) Financing (Continued)

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

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Collective Impairment			
Balance as at 1 January	392,620	296,411	193,637
Impairment during the year	111,821	96,209	101,079
Write off	-	-	(27)
Reclassification*	7,904	-	1,722
Balance as at 31 December	512,345	392,620	296,411
* Reclassification of collective allowance into Islamic book			
Individual Impairment			
Balance as at 1 January	19,255	-	-
Impairment during the year	17,197	19,255	-
Balance as at 31 December	36,452	19,255	-

(c) Other receivables

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Interbranch transaction	241,666	1,846,425	2,137,545
Others	64,514	78,953	899
	306,180	1,925,378	2,138,444

(d) Deposit from customers

(i) By type of deposit

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Al-Wadiah savings account	22,617	23,026	18,106
Mudharabah Fund	15,242,335	9,007,060	6,373,998
	15,264,952	9,030,086	6,392,104

Notes to the Financial Statements
31 December 2012

45. The operations of Islamic business (Continued)

(d) Deposit from customers (Continued)

(ii) By type of customer:

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Business enterprises	15,147,491	8,967,756	6,332,057
Individuals	117,461	62,330	60,047
	15,264,952	9,030,086	6,392,104

(e) Other payables

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Amount due to conventional	3,015,834	2,498,619	1,473,989
Al-Mudharabah security deposits	70,136	40,220	16,077
Disbursement payable	198,804	56,968	24,963
Proportionate Operating Expenses	230,280	119,284	46,235
Cagamas	233,481	133,342	73,897
Others	120,874	90,320	36,357
	3,869,409	2,938,753	1,671,518

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

	Group and Company	
	2012 RM'000	2011 RM'000
Financing	1,369,662	749,129
Deposits with financial institutions	7,474	8,348
	1,377,136	757,477

45. The operations of Islamic business (Continued)

(g) Other expenses

	Group and Company	
	2012	2011
	RM'000	RM'000
Personnel expenses (Note 45(h))	63,351	44,401
Promotion and marketing related expenses	6,022	3,894
General administrative expenses	61,723	37,304
	131,096	85,599

(h) Personnel expenses

	Group and Company	
	2012	2011
	RM'000	RM'000
Wages and salaries	53,478	35,521
Social security costs	403	1,776
Pension costs - Employees Provident Fund	9,470	7,104
	63,351	44,401

(i) Taxation

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (31.12.2011: 25%) of the estimated assessable profit for the year.

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

	Group and Company	
	2012	2011
	RM'000	RM'000
Profit before taxation and zakat	535,799	332,795
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	133,950	83,199
Tax expense for the year	133,950	83,199

No deferred tax assets have been recognised in the current year (31.12.2011 and 1.1.2011: Nil).

Notes to the Financial Statements

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45. The operations of Islamic business (Continued)

(j) Yield/profit rate risk

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

Group and Company 2012	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average interest rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	797,892	797,892	
Deposits and placements with financial institutions	-	254	4,841	-	-	-	5,095	3.45
Financing:								
- non-impaired	15,123	39,679	85,397	304,375	18,679,416	-	19,123,990	6.03
- impaired	-	-	-	-	-	344,765	344,765	
Other receivables	-	-	-	-	-	306,180	306,180	
Total assets	15,123	39,933	90,238	304,375	18,679,416	1,448,837	20,577,922	
Liabilities								
Deposits from customers	7,108,083	4,536,146	2,648,157	956,219	16,347	-	15,264,952	3.58
Financing sold to Cagamas	9,155	-	28,350	462,883	-	-	500,388	5.24
Other liabilities	-	-	-	-	-	4,146,671	4,146,671	
Total liabilities	7,117,238	4,536,146	2,676,507	1,419,102	16,347	4,146,671	19,912,011	
Equity	-	-	-	-	-	665,911	665,911	
Total liabilities and equity	7,117,238	4,536,146	2,676,507	1,419,102	16,347	4,812,582	20,577,922	
On-balance sheet yield/ profit sensitivity gap	(7,102,115)	(4,496,213)	(2,586,269)	(1,114,727)	18,663,069	(3,363,745)	-	
Off-balance sheet yield/ profit sensitivity gap	-	-	-	-	-	-	-	
Total yield/profit sensitivity gap	(7,102,115)	(4,496,213)	(2,586,269)	(1,114,727)	18,663,069	(3,363,745)	-	

45. The operations of Islamic business (Continued)

(j) Yield/profit rate risk (Continued)

Group and Company 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average interest rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	55,784	55,784	
Deposits and placements with financial institutions	-	240	3,649	-	-	-	3,889	3.56
Financing:								
- non-impaired	142	180	198,424	119,505	9,815,550	-	10,133,801	8.80
- impaired	-	-	-	-	-	258,201	258,201	
Other receivables	-	-	-	-	-	1,925,378	1,925,378	
Total assets	142	420	202,073	119,505	9,815,550	2,239,363	12,377,053	
Liabilities								
Deposits from customers	4,700,364	2,635,706	1,160,544	516,288	17,184	-	9,030,086	3.54
Other liabilities	-	-	-	-	-	3,080,167	3,080,167	
Total liabilities	4,700,364	2,635,706	1,160,544	516,288	17,184	3,080,167	12,110,253	
Equity	-	-	-	-	-	266,800	266,800	
Total liabilities and equity	4,700,364	2,635,706	1,160,544	516,288	17,184	3,346,967	12,377,053	
On-balance sheet yield/ profit sensitivity gap	(4,700,222)	(2,635,286)	(958,471)	(396,783)	9,798,366	(1,107,604)	-	
Off-balance sheet yield/ profit sensitivity gap	-	-	-	-	-	-	-	
Total yield/profit sensitivity gap	(4,700,222)	(2,635,286)	(958,471)	(396,783)	9,798,366	(1,107,604)	-	

Notes to the Financial Statements
31 December 2012

45. The operations of Islamic business (Continued)

(j) Yield/profit rate risk (Continued)

Group and Company 1.1.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average interest rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	304,035	304,035	
Deposits and placements with financial institutions	-	234	3,211	-	-	-	3,445	3.25
Financing:								
- non-impaired	220	132	2,134	106,003	5,439,255	-	5,547,744	8.47
- impaired	-	-	-	-	-	146,133	146,133	
Other receivables	-	-	-	-	-	2,138,444	2,138,444	
Total assets	220	366	5,345	106,003	5,439,255	2,588,612	8,139,801	
Liabilities								
Deposits from customers	2,848,203	2,169,394	859,479	515,028	-	-	6,392,104	3.24
Other liabilities	-	-	-	-	-	1,729,969	1,729,969	
Total liabilities	2,848,203	2,169,394	859,479	515,028	-	1,729,969	8,122,073	
Equity	-	-	-	-	-	17,728	17,728	
Total liabilities and equity	2,848,203	2,169,394	859,479	515,028	-	1,747,697	8,139,801	
On-balance sheet yield/ profit sensitivity gap	(2,847,983)	(2,169,028)	(854,134)	(409,025)	5,439,255	840,915	-	
Off-balance sheet yield/ profit sensitivity gap	-	-	-	-	-	-	-	
Total yield/profit sensitivity gap	(2,847,983)	(2,169,028)	(854,134)	(409,025)	5,439,255	840,915	-	

46. Restatement of comparatives

During the financial year, certain comparative figures have been restated to conform with current year's presentation which better reflects the nature of the items.

47. Supplementary information-realised and unrealised profits and losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or

accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and format required.

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

	Group	
	December 2012 RM'000	December 2011 RM'000
Total accumulated losses of the Group:		
- Realised	(890,448)	(1,172,455)
- Unrealised in respect of deferred tax recognised in profit or loss	(10,355)	(2,525)
	(900,803)	(1,174,980)
Add: Consolidated adjustments	511,660	459,150
Group accumulated losses	(389,143)	(715,830)

	Company	
	December 2012 RM'000	December 2011 RM'000
Total accumulated losses of the Company:		
- Realised	(373,409)	(686,291)
- Unrealised in respect of deferred tax recognised in profit or loss	(1,297)	(2,599)
	(374,706)	(688,890)
Company accumulated losses	(374,706)	(688,890)

Notes to the Financial Statements
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**47. Supplementary information-realised and unrealised profits and losses
(Continued)**

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

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

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PROXY FORM

Malaysia Building Society Berhad (9417-K)

I/We _____ IC No. _____

Tel No. _____ of _____

being a member/members of MALAYSIA BUILDING SOCIETY BERHAD hereby appoint _____

_____ IC No. _____

of _____

or failing him _____ IC No. _____

of _____

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Friday, 10 May 2013 at 9.30 a.m. and at any adjournment thereof.

My/Our proxy to vote as indicated hereunder.

NO.	RESOLUTIONS	FOR	AGAINST
	Ordinary Business:		
1.	To receive and adopt the Audited Financial Statements of the Company and of the Group for the year ended 31 December 2012 and Reports of the Directors and Auditors thereon. Ordinary Resolution 1		
2.	To declare a final dividend of 9% less 25% income tax for the financial year ended 31 December 2012. Ordinary Resolution 2		
3.	To declare a special dividend of 18% less 25% income tax for the financial year ended 31 December 2012. Ordinary Resolution 3		
4.	To approve payment of Directors' Fees amounting to RM560,000.00 for the financial year ended 31 December 2012. Ordinary Resolution 4		
5.	To re-elect the following Director who retire in accordance with Article 86 of the Company's Articles of Association and who being eligible offer himself for re-election: (i) Datuk Syed Zaid bin Syed Jaffar Albar Ordinary Resolution 5		
6.	To re-elect the following Director who retire in accordance with Article 86 of the Company's Articles of Association and who being eligible offer himself for re-election: (i) Dato' Jasmy bin Ismail Ordinary Resolution 6		
7.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration. Ordinary Resolution 7		
	Special Business:		
8.	To approve and allow Datuk Syed Zaid bin Syed Jaffar Albar to continue to act as an Independent Non-Executive Director of the Company. Ordinary Resolution 8		
9.	To increase the authorised share capital of MBSB. Ordinary Resolution 9		
10.	To amend the Memorandum and Articles of Association of MBSB. Special Resolution 1		

CDS Account No.	
Number of Shares Held	

Date: _____ Signed : _____ In the presence of: _____

Notes:

1. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. To be valid, this form duly completed must be deposited at the Company's registered office at 11th Floor, Wisma MBSB, 48 Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.
3. A member entitled to attend and vote at the abovementioned meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a member of the Company.
4. In the case of a corporate body, the proxy appointed must be in accordance with its Memorandum & Articles of Association and the instrument appointing a proxy shall be given under the company's common seal or under the hand of an officer or attorney duly authorised.
5. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
7. If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of its attorney.

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Secretarial Department
MALAYSIA BUILDING SOCIETY BERHAD (9417-K)
11th Floor, Wisma MBSB
No. 48, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

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PROXY FORM

Malaysia Building Society Berhad (9417-K)

I/We _____ IC No. _____

Tel No. _____ of _____

being a member/members of MALAYSIA BUILDING SOCIETY BERHAD hereby appoint _____

_____ IC No. _____

of _____

or failing him _____ IC No. _____

of _____

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Friday, 10 May 2013 at 9.30 a.m. and at any adjournment thereof.

My/Our proxy to vote as indicated hereunder.

NO.	RESOLUTIONS	FOR	AGAINST
	Ordinary Business:		
1.	To receive and adopt the Audited Financial Statements of the Company and of the Group for the year ended 31 December 2012 and Reports of the Directors and Auditors thereon. Ordinary Resolution 1		
2.	To declare a final dividend of 9% less 25% income tax for the financial year ended 31 December 2012. Ordinary Resolution 2		
3.	To declare a special dividend of 18% less 25% income tax for the financial year ended 31 December 2012. Ordinary Resolution 3		
4.	To approve payment of Directors' Fees amounting to RM560,000.00 for the financial year ended 31 December 2012. Ordinary Resolution 4		
5.	To re-elect the following Director who retire in accordance with Article 86 of the Company's Articles of Association and who being eligible offer himself for re-election: (i) Datuk Syed Zaid bin Syed Jaffar Albar Ordinary Resolution 5		
6.	To re-elect the following Director who retire in accordance with Article 86 of the Company's Articles of Association and who being eligible offer himself for re-election: (i) Dato' Jasmy bin Ismail Ordinary Resolution 6		
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	Special Business:		
8.	To approve and allow Datuk Syed Zaid bin Syed Jaffar Albar to continue to act as an Independent Non-Executive Director of the Company. Ordinary Resolution 8		
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Damansara Heights, 50490 Kuala Lumpur



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