

*Reflecting Transformation
Embracing A Better FUTURE*

ANNUAL REPORT 2013





Rationale - Reflecting Transformation, Embracing A Better Future

A group of stars forming a pattern that depicts MBSB's iconic tangram in the cosmos. One that encapsulates the company's astronomical achievements - stellar results, distinguished awards and recognition from the industry.

Constant evolution of the tangram reflects the company's continuous endeavours to deliver innovative financial solutions.

The 57 shining stars represent MBSB's growing branch establishment to 45 Sales and Service Centres and 12 Representative Offices.

Constellation of tangram stars featured in different colour swatches throughout this publication accentuates MBSB's dynamic financial products and services.

Table of Contents

002	Notice of Annual General Meeting
007	Corporate Information
010	MBSB at a Glance
011	Profile of Board Members, President and CEO & Shariah Advisory Committee
023	Chairman's Review & President and CEO's Statement
033	Senior Management Team
039	Regional Business Representatives
040	Branch Network
043	Corporate Highlights
052	Awards and Accolades
054	Statement on Corporate Governance
072	Financial Highlights
075	Corporate Social Responsibility (CSR) Initiatives
080	Statement on Risk Management and Internal Control
086	Report of the Audit Committee
094	Analysis of Shareholdings
098	Schedule of Properties
099	Financial Statements
237	Proxy Form

NOTICE IS HEREBY GIVEN THAT THE 44th 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 Tuesday, 22 April 2014 at 10.00 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 2013 and Reports of the Directors and Auditors thereon. | Ordinary Resolution 1 |
| 2. To declare a Single-Tier Final Dividend of 5% for the financial year ended 31 December 2013. | Ordinary Resolution 2 |
| 3. To approve payment of Directors' Fees amounting to RM586,667.00 for the financial year ended 31 December 2013. | Ordinary Resolution 3 |
| 4. 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) Encik Lim Tian Huat | Ordinary Resolution 4 |
| 5. To re-elect the following Director who retire in accordance with Article 78 of the Company's Articles of Association and who being eligible offer herself for re-election:-

(i) Cik Ravinder Kaur a/p Mahan Singh | Ordinary Resolution 5 |
| 6. To consider and if thought fit, to pass the following resolution in accordance with Section 129 (6) of the Companies Act, 1965:-

"That YBhg Tan Sri Abdul Halim bin Ali, retiring pursuant to Section 129 (6) of the Companies Act, 1965, be re-appointed a Director of the Company to hold office until the next Annual General Meeting." | 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:

To consider and if thought fit, to pass the following resolutions:-

- | | |
|---|------------------------------|
| 8. Authority to Directors to issue shares

"THAT subject always to the Companies Act, 1965, the Company's Articles and Association and approval of the relevant government / regulatory authorities, the Directors be and are hereby authorized pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being. | Ordinary Resolution 8 |
|---|------------------------------|

9. **Allotment and issuance of new Ordinary Shares of RM1.00 each in MBSB ("MBSB Shares") in relation to the dividend reinvestment plan that allows shareholders of MBSB ("Shareholders") to reinvest their dividend to which the dividend reinvestment plan applies, in new Ordinary Shares of RM1.00 each in MBSB ("Dividend Reinvestment Plan").**

**Ordinary
Resolution 9**

"THAT pursuant to the Dividend Reinvestment Plan as approved by the Shareholders at the Extraordinary General Meeting held on 10 December 2013, approval be and is hereby given to the Company to allot and issue such number of new MBSB Shares from time to time as may be required to be allotted and issued pursuant to the Dividend Reinvestment Plan until the conclusion of the next Annual General Meeting upon such terms and conditions and to such persons as the Directors, may in their absolute discretion, deem fit and in the best interest of the Company PROVIDED :-

- i. THAT the issue price of the said new MBSB Shares shall be fixed by the Directors at a discount of not more than ten percent (10%) to the five (5)-day volume weighted average price ("VWAP") of MBSB Shares immediately prior to the price-fixing date, of which the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price; and the issue price shall not be less than the par value of MBSB Shares of RM1.00 each at the material time.
 - ii. AND THAT the Directors of the Company be and are hereby authorized to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give effect to the Dividend Reinvestment Plan with full power to assent to any conditions, modifications, variations and/or amendments to the terms of the Dividend Reinvestment Plan as the Directors may deem fit, necessary and/or expedient in the best interest of the Company or as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments and to take all steps as it considers necessary in connection with the Dividend Reinvestment Plan.
10. To transact any other ordinary business of which due notice shall have been given.

BY ORDER OF THE BOARD

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

COMPANY SECRETARIES

Kuala Lumpur

31 March 2014

Explanatory Notes to Special Business:-

1. Item 8 of the Agenda

The proposed Ordinary Resolution 8, if passed, will give powers to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the issued and paid-up share capital of the Company for the time being without having to convene a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

The purpose of the proposed mandate from shareholders is to provide MBSB the flexibility to undertake any share issuance during the financial year that is not material in nature under exceptional circumstances i.e. in the event of any strategic opportunities involving equity deals which may require MBSB to allot and issue new shares on urgent basis and which is only to be undertaken if the Board considers it to be in the best interest of the Company.

2. Item 9 of the Agenda

The proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company to issue new ordinary shares pursuant to the terms and conditions of the Company's Dividend Reinvestment Plan ("DRP") which are contained in the DRP Statement set out in Appendix I to the Circular to Shareholder dated 25 November 2013 (as may be amended in accordance with the provisions of the said DRP).

The authority conferred by such renewed mandate/authority will be effective from the date of the forthcoming AGM and unless revoked or varied at a general meeting, will expire at the next AGM.

Notes:-

1. For the purpose of determining a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 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 15 April 2014. Only a depositor whose name appears on the Record of Depositors as at 15 April 2014 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
2. 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.
3. 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.
4. 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.

5. 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.
6. 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.
7. 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.
8. 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 44th 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 Tuesday, 22 April 2014 at 10.00 a.m. are as follows:-
 - i. Encik Lim Tian Huat
 - ii. Cik Ravinder Kaur a/p Mahan Singh
 - iii. YBhg Tan Sri Abdul Halim bin Ali
2. The details of the above Directors who are standing for re-election at the 44th Annual General Meeting are disclosed under the Directors' Profile on pages 12-17 of this Annual Report.

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Corporate Information

MBSB ANNUAL REPORT 2013



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

Cik Ravinder Kaur a/p Mahan Singh

Syariah Advisory Committee

Dr. Marjan binti Muhammad

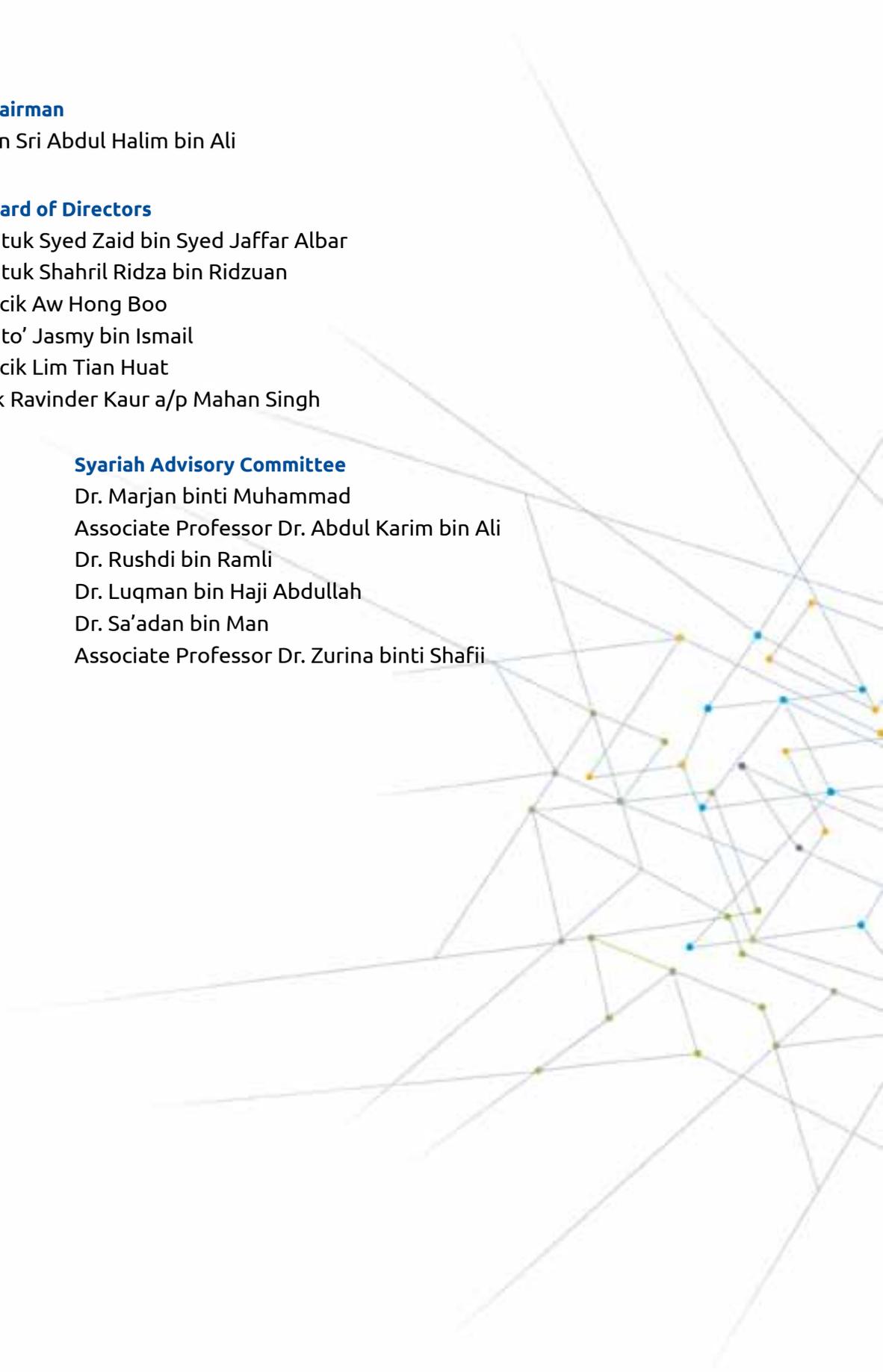
Associate Professor Dr. Abdul Karim bin Ali

Dr. Rushdi bin Ramli

Dr. Luqman bin Haji Abdullah

Dr. Sa'adan bin Man

Associate Professor Dr. Zurina binti Shafii



**President and
Chief Executive Officer**

Dato' Ahmad Zaini bin 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

Affin Bank Berhad

RHB Bank 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)

MBSB History in Brief

The origin of Malaysia Building Society Berhad (MBSB) can be traced back to the Federal and Colonial Society Limited incorporated in 1950. In 1956, it changed its name to Malaya Borneo Building Society Limited (MBBS), with the Malaysian government as its major shareholder. MBBS was then listed on the Stock Exchange of Malaysia and Singapore in August 1963.

The company became an incorporation in Malaysia under the Companies Act, 1965 on 17 March 1970, before it was listed on the Kuala Lumpur Stock Exchange, now Bursa Malaysia on 14 March 1972. The Employees Provident Fund (EPF) is currently the holding company of MBSB.

MBSB has evolved in its role from being the first property financier to a financial provider that offers a spectrum of innovative products and services throughout its branch network nationwide.

MBSB is an Exempt Finance Company

MBSB was defined as a Scheduled Institution under the repealed Banking and Financial Institution Act 1989 (BAFIA). The status of an Exempt Finance Company was granted to MBSB on 1 March 1972 by the Ministry of Finance and the status has remained since. This allows MBSB to undertake a financing business in the absence of a banking license.

Under Section 272 (a) of the Financial Services Act 2013 (FSA), exemptions granted under the BAFIA is deemed to have been granted under the corresponding provision of the FSA 2013 and shall remain in full force and effect until amended or revoked.

MBSB Historical Highlights

- MBSB has been granted with an exemption under Section 7(4) of the Borrowing Companies Act 1969 (BCA).
- As a result of the change from BCA to Finance Companies Act (FCA), all references to borrowing business and borrowing company were to be construed respectively as finance business and finance company.
- The FCA was later repealed by Banking and Financial Institutions Act 1989 (BAFIA).
- The BAFIA has been repealed and replaced with FSA 2013.

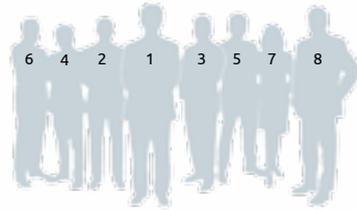
Profile of Board Members, President and CEO & Shariah Advisory Committee

MBSB ANNUAL REPORT 2013





1. **Tan Sri Abdul Halim bin Ali** Chairman Non-Independent Non-Executive Director
2. **Datuk Syed Zaid bin Syed Jaffar Albar** Senior Independent Non-Executive Director
3. **Datuk Shahril Ridza bin Ridzuan** Non-Independent Non-Executive Director
4. **Encik Aw Hong Boo** Independent Non-Executive Director
5. **Dato' Jasmy bin Ismail** Independent Non-Executive Director
6. **Encik Lim Tian Huat** Independent Non-Executive Director
7. **Cik Ravinder Kaur a/p Mahan Singh** Independent Non-Executive Director
8. **Dato' Ahmad Zaini bin Othman** President and Chief Executive Officer



**Tan Sri Abdul Halim bin Ali**

Chairman

Non-Independent Non-Executive Director

Tan Sri Abdul Halim bin Ali, a Malaysian, aged 70, 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 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 59, 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. 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 43, was appointed as a Non-Independent Non-Executive Director on November 30, 2011. He serves as Member of the Executive Committee and the Audit 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. He is presently the Chief Executive Officer of the Employees Provident Fund.

Datuk Shahril is currently a Director of Media Prima Berhad, Malaysian Resources Corporation Berhad and Pengurusan Danaharta Nasional Berhad.

Encik Aw Hong Boo
Independent Non-Executive Director

Encik Aw Hong Boo, a Malaysian, aged 64, was appointed as an Independent Non-Executive Director on November 18, 2005. He is the Chairman of the Audit Committee and also serves as a Member of the Nominating & Remuneration Committee, the Option Committee and the Risk Management 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 also 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 50, was appointed as a Non-Independent Non-Executive Director on August 11, 2009. He serves as Member of the Executive Committee and the Risk Management Committee.

He obtained his Chartered Institute of Transport in United Kingdom and MSc in Transport 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.

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. He also served 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 is presently the Chief Executive of SGT International Sdn Bhd and sits on the board of Symphony BPO Solutions Sdn Bhd, a subsidiary of Symphony House Berhad and several other private limited companies.





Encik Lim Tian Huat
Independent Non-Executive Director

Encik Lim Tian Huat, a Malaysian, aged 59, was appointed as an Independent Non-Executive Director on April 4, 2011. He is the Chairman of the Risk Management Committee and also serves as Member of the Audit 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 Compensations 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 Malaysia 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 Sunrise Holdings Berhad, PLUS Malaysia Berhad and Opus Group Berhad. He is also a Director of Perbadanan Insurans Deposit Malaysia and Bank Yingkou, China.



Cik Ravinder Kaur a/p Mahan Singh
Independent Non-Executive Director

Cik Ravinder Kaur a/p Mahan Singh, age 53, was appointed as an Independent Non-Executive Director on June 5, 2013. She serves as Member of the Executive Committee and Risk Management Committee.

Cik Ravinder Kaur attended the MBA programme from Manchester Business School, United Kingdom and earned a BA Honours in Asean Studies (Diplomatic Services Module) from University of Malaya, Kuala Lumpur. She has about 23 years of experience in the banking and finance sector and has held senior management positions in the

areas of corporate banking, asset management, private equity and financial consultancy.

Cik Ravinder Kaur started her career with Malayan Banking Berhad in 1984. In 1996, Cik Ravinder Kaur joined the management team of Sime Bank Berhad, a subsidiary of Sime Darby Berhad. Sime Bank Berhad was later acquired by RHB Bank Berhad in 1998. In 2004, she was recruited by Citibank Berhad to head their Global Relationship Banking (GRB) to handle its relationships with multinational corporations.

Cik Ravinder Kaur later joined Equity Ventures Pte Ltd, Singapore in 2006. Her responsibilities were to manage and coordinate the private equity initiatives and responsibilities within the firm.

She is now involved in providing financial restructuring services to companies and advisory services to foreign investors and training in strategy, client relationship management and account management.



Dato' Ahmad Zaini bin Othman
President and Chief Executive Officer

Dato' Ahmad Zaini bin Othman, a Malaysian, aged 57, 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).

Dato' Ahmad Zaini holds 345,920 ordinary shares of RM1.00 each directly in Malaysia Building Society Berhad.

Notes:

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).

Conflict of Interest | All the Directors and President and CEO do not have any conflict of interest with MBSB.

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.

Attendance of Board Meetings | The number of Board meetings attended by the Directors during the financial year ended 31 December 2013 is disclosed in the Statement of Corporate Governance in page 56 of this Annual Report.

Dr. Marjan binti Muhammad

Chairman, Shariah Advisory Committee

Dr. Marjan binti Muhammad, aged 39, is currently a Head of Research Affairs Department at the International Shariah Research Academy for Islamic Finance (ISRA). 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). She is from Kota Bharu, Kelantan.

**Associate Professor Dr. Abdul Karim bin Ali**

Member, Shariah Advisory Committee

Dr. Abdul Karim bin Ali, aged 48, 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 in Muslim Scholar Association. He is from Marang, Terengganu.



**Dr. Rushdi bin Ramli**

Member, Shariah Advisory Committee

Dr. Rushdi bin Ramli, aged 48, 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 one of the panelist for the preparation of the draft "Law of Sihr" under JAKIM. He is also 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). He is from Alor Star, Kedah.

**Dr. Luqman bin Haji Abdullah**

Member, Shariah Advisory Committee

Dr. Luqman bin Haji Abdullah, aged 45, 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 and 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), Panelist of Pakar Syariah, JAKIM 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). He is from Pasir Mas, Kelantan.

Dr. Sa'adan bin Man

Member, Shariah Advisory Committee

Dr. Sa'adan bin Man, aged 45, serves as a lecturer at the University of Malaya (UM), 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. Previously, he was appointed as Head of Department Fiqh & Usul, Academy of Islamic Studies, UM. He is also appointed as an external auditor for Malaysian Qualifications Agency (MQA) as well as resource person 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. He is from Kangar, Perlis.

**Associate Professor Dr. Zurina binti Shafii**

Member, Shariah Advisory Committee

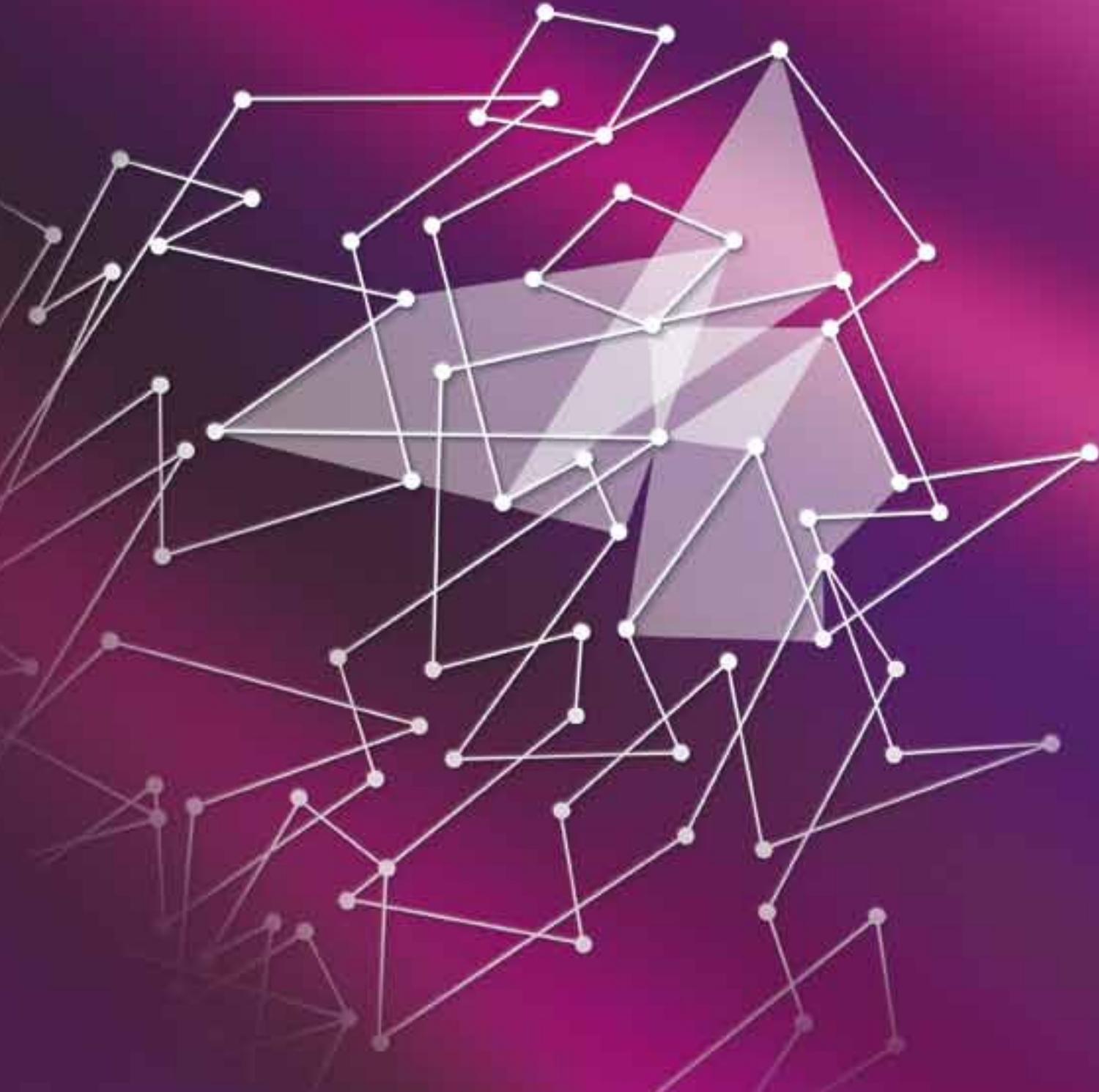
Dr. Zurina binti Shafii, aged 37, is the Director for Islamic Finance and Wealth Management Institute (IFWMI) and a lecturer in the Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia. She holds an Accounting Degree from Universiti Teknologi Mara (UiTM). She obtained her Master's of Science and PhD in Islamic Finance from Durham University, UK. She holds professional accounting qualifications, ACCA and a Certified Islamic Financial Planner. She is one of the Accreditation Panel for Finance Accreditation Agency (FAA), an agency under Bank Negara Malaysia.

Her research interests are Shariah audit, Islamic financial institutions' reporting, Islamic financial planning and Halal Compliance Procedures. She is a beneficiary of fundamental and action research grants from Ministry of Education and private sector funding in her areas of interest, managing as principal investigator of accumulated grant value of RM360,000. She was one of the consultants appointed by ISRA in 2010 to study on the feasibility of developing Shariah audit framework for Bank Negara Malaysia. She is the principal researcher for a research commissioned by ISRA on International Financial Reporting Standards in the Islamic Financial Institutions and Chairman for Education Committee for a Non-Governmental Organisation (NGO), Association for Islamic Financial and Wealth Management Malaysia (AIFIWM). She is from Perlis.



Chairman's Review & President and CEO's Statement

MBSB ANNUAL REPORT 2013





Dear Shareholders

On behalf of the Board of Directors (Board) of Malaysia Building Society Berhad (MBSB), I am honoured to present the Annual Report and Audited Financial Statements (Annual Report) for the twelve (12) months of financial year ended 31 December 2013 (FYE 2013). MBSB's transformation programme, Taking MBSB to the Next Level once again played a significant role in ensuring the Company's robust performance in 2013.

REVIEW OF FINANCIAL PERFORMANCE

Although the Malaysian economy experienced a lower growth of 4.7% in 2013 (5.6% in 2012) amidst a challenging global environment, MBSB was able to achieve unprecedented Group Profit Before Tax of RM932.349 million for the year, an increase of RM276.122 million or 42.1% over the previous year (2012). This was accomplished against a revenue of RM2.536 billion, which grew by RM0.704 billion or 38.4% from 2012. It was a commendable performance amidst the various challenges and developments which had taken place during the year.

The first half of 2013 saw an impressive and a steady growth for Retail Business. The measures imposed by Bank Negara Malaysia (BNM) through the Guidelines on Responsible Financing to promote a sound and sustainable household sector had resulted in a setback in retail asset growth beginning July 2013. The slower growth in the 2nd half of 2013 was in line with the drop in domestic demand to 6.4% in 4th quarter 2013, against the domestic demand of 7.8% recorded in 4th quarter 2012.

Corporate loans for MBSB grew steadily over the past few years. We are pleased to inform that MBSB's strategy to expand its corporate business beginning three years ago had shown encouraging results with a net growth of RM726 million during the year. This had helped to ensure continued business growth for MBSB as evident from the total net loan growth of 24.8% amounting to RM6.030 billion.

A further strengthened liability programme over the year had also provided the necessary funding to support the asset growth. MBSB had undertaken a Sukuk programme of up to RM3.0 billion with a long term tenure of up to 15 years. The first tranche of RM495 million Covered Sukuk Commodity Murabahah issued by MBSB in December 2013 was recently awarded the Structured Finance Deal of the Year 2013 by Islamic Finance News.

The deposit base for MBSB had also grown significantly by 31.2% from RM21.494 billion (FYE 2012) to RM28.193 billion (FYE 2013).

I am pleased to inform that the Rights Issue exercise which was approved by the shareholders in December 2013 and completed in January 2014, had raised a total gross proceeds of RM1.442 billion. The proceeds received had improved and strengthened the capital base for MBSB, enabling it to adhere to the financial regulatory requirements.

The Group's Non Performing Loan/Financing (NPLF) ratio continued to record a downward trend reflecting quality asset growth and a robust management of NPLF accounts. The net NPLF ratio had further improved from 4.5% (FYE 2012) to 3.4% for FYE 2013.

In operating its business as a financial institution, the Company has always been mindful of the need to have in place continuous operational improvements. This is reflected in the various enhancements which were put in place during the year to keep MBSB on track on its roadmap to transform itself into a full-fledged financial institution.

We have also sought and had obtained our shareholders' approval to acquire a 27-storey office building to be developed in P.J. Sentral Garden City. This building would house the business, operational and administrative divisions of MBSB together with the information technology infrastructure required to enable MBSB to operate in a well-structured platform. The office building is expected to be ready by 2016.

At Board level, a decision was taken to separate the functions of the Audit and Risk Management Committee into two (2) separate committees i.e. the Audit Committee and the Risk Management Committee, in line with the "closing of gaps" measures in order to be in compliance with the best practices of the banking sector. The Board had also appointed an additional member for Shariah Advisory Committee (SAC) for a better oversight and advice on our Islamic financing business.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Consistent with our commitment towards Corporate Social Responsibility (CSR), in 2013 we continued with the implementation of MBSB's flagship programmes focusing on community and education namely Over the Top - PINTAR School Adoption Programme, Program Sejahtera and MBSB Home Safety Campaign.

The Over the Top - PINTAR School Adoption Programme, aims to provide quality education and emphasizes on English Language programmes in six adopted schools nationwide. Several workshops and motivation-based courses have been conducted for both teachers and students. These include British Council Workshops for the teachers and "English in Camp" programmes for students, organised at their schools.

The execution of Program Sejahtera remains significant to the underprivileged members of the community. Underprivileged families in Selangor, Kelantan and Melaka have benefitted from this initiative under which MBSB had financed the rehabilitation of their homes.

For MBSB Home Safety Campaign, a strategic collaboration was developed with Hot FM radio station for an on-the-ground event and a radio commercial campaign. Through this project, we were able to share home safety tips to a broader audience and distribute Home Safety Handbooks to the public.

Our CSR has always been extended at the workplace as well where we assist our employees to better themselves through education and training. Education incentives and financial aid are provided not only for the employees but also for their children. At the same time, through other CSR programmes such as Soup Kitchen programme, blood donation drive and many more, we helped to foster the spirit of volunteerism among our employees.

DIVIDENDS

A 5% interim single tier cash dividend was paid in October 2013. The Board has proposed that final single tier dividend of 5% in respect of the FYE 2013 be paid, subject to the shareholders' approval at the forthcoming Annual General Meeting.

Based on the enlarged number of shares in issue of 2,621,797,777 shares (after taking into account the new Rights Shares of 873,929,354) the final dividend payable would amount to approximately RM131.090 million. The total dividend for FYE 2013 would represent 36.5% pay-out of the 2013 Group Profit After Tax.

PROSPECTS

Based on the prospects of an improved global economy, the Malaysian economy is expected to expand at a stronger pace of between 5% to 5.5% in 2014, supported by the measures announced in Budget 2014, strong fundamentals and expectations of a better external outlook. Domestic demand is expected to improve and continue to be the driver of growth.

In addition, private investments are expected to continue recording doubledigit growth, supported by accelerated implementation of ongoing ETP projects. With stable labour conditions and peaceful political environment, these factors will increase confidence in the local economy. Moving forward, MBSB will see greater market penetration by the corporate sector by leveraging on the opportunities available under Budget 2014 and the Economic Transformation Programme (ETP).

The Company has been growing its corporate loan books aggressively in recent years and with new growth segments now identified, we expect better results in the coming years. Expansion in Retail Business will be more on targeted segments ensuring sustainable growth for the company.

ACCOLADES AND ACKNOWLEDGEMENTS

For its remarkable performance on several business fronts, MBSB continued to garner several of awards and accolades in 2013.

MBSB received *The Highest Profit Growth Company Award* and was placed second in *The Most Profitable Company* and *The Best Performing Stock* categories for the Finance Sector, awarded by The Edge Billion Ringgit Club 2013. This marks the Company's 3rd consecutive year as an award recipient since the Company surpassed RM1 billion mark in market capitalization in late 2010.

In addition, MBSB had also received its maiden recognition from the prestigious Forbes Asia when it was listed under "200 Best Under A \$Billion 2013". It was a tribute to the top 200 public listed companies across Asia based on revenue, income growth and return on equity. MBSB was the only GLC amongst the 12 Malaysian companies listed.

Meanwhile, *The Banker*, a monthly international financial affairs publication by The Financial Times UK, has also recognised MBSB's strong performance. The publication issues annually *The Banker's Top 100* and *Top 1000* banks globally. MBSB had been placed 4th in Asia Pacific and 995th globally for return on capital.

These recognitions have inspired us to work ever harder to fulfill the expectations of our shareholders and to serve our customers even better than before, for without their support and cooperation, MBSB would not be what it is today.

Finally, I would like to thank my fellow Board members and Shariah Advisory Committee members for their support and guidance. My appreciation also goes to the Management and all employees of the Company for the dedication and commitment to take the Company to the Next Level.

Thank you.

Tan Sri Abdul Halim bin Ali
Chairman
28 February 2014



REFLECTING TRANSFORMATION, EMBRACING A BETTER FUTURE

Dear Shareholders

The financial year ended 31 December 2013 (FYE 2013) was certainly another momentous year, not only for the historic Group Profit Before Tax of RM932.349 million but also for the significant success of the Company's transformation program, **Taking MBSB to the Next Level**, having run a five-year implementation period.

It is a great pleasure to note that through the transformation programme, the Company has largely evolved from simply a home mortgage provider to a key industry player to be recognized with. Our journey since its inception in 1950 has been further enriched through this astounding progression that benefits all stakeholders.

DRIVING BUSINESS GROWTH

The Company's focus and efforts on a robust growth of Retail Business, mainly through Personal Financing-i (PF-i) has principally been the contributor to the Group and the Company's record performance for the last five years. With the offering of PF-i to a stable segment – the government employees, the Company is enjoying a quality asset portfolio that provides a good stream of revenue and consequently, that strengthens the Company's financial position.

A shift in target segment to the high net worth customers for home mortgages, was also a deliberate approach to capture quality assets and applicants. This was done beginning 2010 and was undertaken to also address the Non-Performing Loans/Financing (NPLF) arising from legacy mortgage accounts.

The concentration on Retail Business had also included the introduction of new products and services. This was essential to take advantage of a growing customer base and to increase the Company's competitiveness level. In recent years, we had developed strategic alliances to enable the sales of Takaful, Insurance and will writing products as well as the provision of fee-based services at our Sales and Service Centres (SSCs) nationwide. As a result, visitors to our branches can now subscribe to a total of 8 products.

Taking cognizant of the fact that while MBSB has achieved impressive growth in Retail Business, the importance to grow the corporate loan and financing books still prevails. On this note, we took a step further by ensuring that an income diversification strategy was emplaced. In the year 2010, a Wholesale Banking Division was established and new financial offerings namely Contract Financing, SME Cash Express and Project Financing were made available.

These initiatives have borne results as reflected by the rise in corporate loan and financing approvals mostly through project and property development financing. The Company has secured total loan approvals over RM8 billion for the last three years.

It is also important to highlight that the most valuable outcome from this income diversification strategy was the ability to continue business growth despite the impact from measures imposed by Bank Negara Malaysia (BNM) in mid-2013. These measures are in reference to the Guidelines on Responsible Financing that had slowed down the growth of PF-i but would alternatively, ensure this healthy asset portfolio remains with MBSB due to restricted refinancing. As at FYE 2013, the gross PF-i financing assets amounted to approximately RM23.4 billion.

In response to the new and challenging development as well, we had reviewed Retail Business expansion strategies to maintain a sustainable growth. These strategies encompass several areas including turnaround time, operational efficiency, product and campaign creativity and customer service.

RAISING OPERATIONAL STANDARDS

It would not have been possible for the Company to achieve such growth targets under the transformation programme, had equal emphasis not been placed on the enhancement of operational level. This is paramount to safeguard the interests of all stakeholders especially our shareholders and depositors. It was imperative for MBSB to review and improve operations and further strengthens it with the guidance of strong Risk Management and Compliance frameworks.

The push to uplift our operational standards is committed to **close the gap**. MBSB has been a financial institution for over sixty years and with limited financial products, may not be able to compete effectively in the present dynamic environment. Hence, an action plan to close the gaps between a licensed financial institution and MBSB began in 2010.

Amongst the notable operational initiatives carried out were the breakthrough access to Central Credit Reference Information System (CCRIS), the setting up of Project Management and Monitoring Department, establishment of Shariah Governance Framework and the creation of a Chief Risk Officer (CRO) post, Compliance and Organizational & Methods Divisions. A reorganization exercise was also undertaken following the appointment of a new Chief Operating Officer (COO) in late 2012.

A five-year investment plan in IT infrastructure of close to RM100 million had also narrowed the gap considerably and the final cutover to the new MBSB Integrated Core Banking (MiCOB) system had materialized in December 2013. With all these positive developments, we are certainly pleased to inform that we are nearing the end of this major initiative in closing the gap.

RESOLVING LEGACY

The transformation programme had also put in place a dedicated and more focused setup, to solely resolve the Company's corporate legacy accounts amounted to gross book value of RM1.2 billion as at 31 December 2008. Retail collection functions were detached from the department, undertaken by another team to curb the rising NPL from legacy home mortgage accounts.

Many settlement agreements on major accounts were executed during the last five years with reputable white knights stepping in to complete the abandoned property development projects. More effective retail collection strategies were also implemented resulting in a similar downward trend. We increased collection agents nationwide, strengthened the Early Care Unit, invested in a system for better efficiency as well as leveraging on a few financial institutions as collection channels. The retail NPL recorded as at 31 December 2013 is 3.1% as compared to 7.7% as at 31 December 2008.

FUNDING THE GROWTH

At MBSB, funding is always an exciting challenge. In view of its unique position, the Company's funding adequacy and strength are best measured by a Net Loan to Funding ratio (LFR) and this has greatly improved from one financial year to the next, registering 97.1% as at 31 December 2013.

The sources from the retail deposit segment can be limited due to the absence of ATM. Nonetheless, we have been fortunate to receive substantial support from the Federal and State Government agencies, linked-companies as well as

Public Listed Companies for placements of corporate deposit. This is reflected by the persistent deposit growth from this segment of 32.2% for FYE 2013.

The sources of funding for MBSB also include securitization and the company took a quantum leap in 2013 when it became the World's First Issuer for a Structured Covered Sukuk Commodity Murabahah Programme backed by Financing Receivables of up to RM3.0 billion. The first tranche of RM495 million materialized in December 2013 and was given an impressive rating of AA1 by RAM Holdings.

To further narrow its funding gap and as part of capital management planning, MBSB had undertaken two capital raising exercises in the last two years. The second one was a rights issue which has raised a total gross proceeds of RM1.442 billion and completed in January 2014 and was oversubscribed by 12.1%. These has certainly strengthened the Company's capital base and reduced funding costs.

The strengthened financial position through record profits had also boosted the level of shareholders' funds into the positive for the first time in ten years at RM256 million as reflected in the financial statements for FYE 2012. With increasing confidence placed by our depositors and shareholders, the Company will continue to be on a strong footing to fund its business expansion.

POISED FOR A BETTER FUTURE

Malaysian economy is on track to grow at between 5% to 5.5% in 2014 on the back of strong domestic growth. It will continue to benefit from the Budget 2014, ongoing Economic Transformation Programme (ETP) and the revised National Automotive Policy (NAP). Despite the measures implemented to contain the growth of household debt and to rationalize subsidies, we believe that the underlying fundamentals of the domestic banking sector remains solid with domestic demand holding up.

The banking industry is expected to record a steady loan growth at 9.0% (2013: 10.65) due to the impact from the new retail lending measures. In the meantime, the proposed New Reference Rate Risk Framework by BNM to replace Base Lending Rate (BLR), may require a revisit of the Company's funding and business strategies. This is to reflect potentially renewed market segmentation.

We do foresee a challenging and competitive environment in view of these perspectives. Nevertheless, MBSB will reposition itself with more innovative strategies and pursue for sustainable growth. The Company has accomplished immensely on many fronts in the last five years that it is poised to embrace a brighter future and continue to contribute to all stakeholders.

For Retail Business, set against a backdrop of regulatory challenges, we have initiated a four-hour turnaround time at selected branches for PF-i and this has received a very good response. Plans are currently underway to extend the service to another eight branches nationwide. New sales channels in the form of Financial Advisor have also started with recruitments made nationwide. Promotional campaigns will also continue especially for home mortgage as MBSB has started to offer financing rate as low as ECOF-2.4%.

Specific strategies will also be effected to pursue greater expansion in corporate business with new financial products such as palm oil plantation financing and industrial hire purchase. This will provide MBSB with new growth segments while the existing wholesale banking team will concentrate on new sectors, the health and infrastructure. Corporate business remains a promising source of revenue for MBSB, more so when we have strong technical support from PMMD that is an ISO 9001:2008 certified.

Group Risk Management, Compliance and Shariah Governance will also play major roles in view of the closing the gap initiative. With strengthened frameworks and new policies, we need to ensure at all times that market behavior and operational conduct are compliant with industry requirements and best practices.

Retail deposit solicitation through children's savings account will take a different fashion soon with the opening of a MBSB Kids' Fun branch, the first in the industry. This is to encourage association of MBSB brand with our customers at a young age in addition to inculcating good savings habits amongst them.

We certainly look forward to another encouraging year with the implementation of a new business plan and with the continued support from our customers, depositors and shareholders. We also wish to express gratitude for such support as it has certainly inspired us to constantly outperform our achievements and push us to deliver our best.

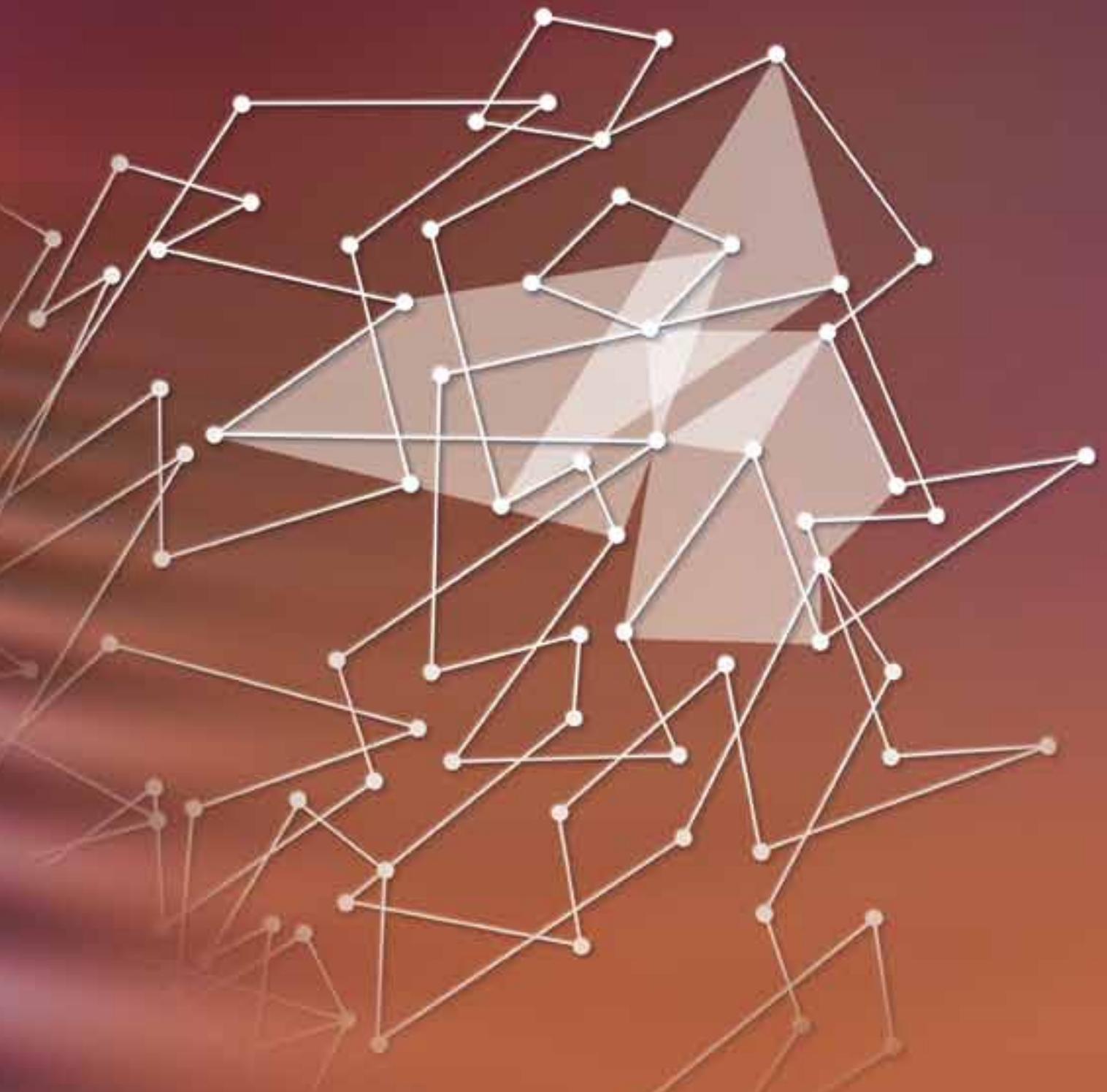
I would like to take this opportunity as well to thank the Chairman and Board of Directors for their wisdom and direction, our shareholders especially the Employees Provident Fund for their faith, support and confidence and all employees for putting their future in MBSB. Insya-Allah, we shall strive to accomplish what we have set out to do.

Thank you.

Dato' Ahmad Zaini bin Othman
President and Chief Executive Officer
28 February 2014

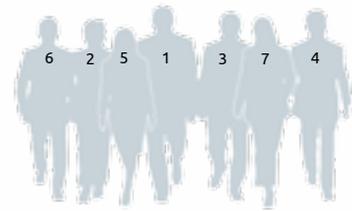
Senior Management Team

MBSB ANNUAL REPORT 2013



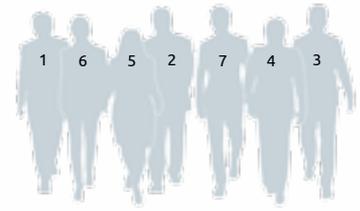


1. **Clifford Anthony Clement** Chief Operating Officer
2. **Tang Yow Sai** Chief Financial Officer
3. **Azman bin Aziz** Senior Vice President, Retail Direct Sales
4. **Nor Azam bin M Taib** Senior Vice President, Corporate Business
5. **Azlina bt Mohd Rashad** Deputy Senior Vice President, Corporate Planning & Communication
6. **Asrul Hazli bin Salleh** Deputy Senior Vice President, Treasury
7. **Nur Zarina bt Ghazali** Deputy Senior Vice President, Wholesale Banking





1. **Lim Seong Soon** Chief Risk Officer
2. **Hazim bin Dato' Yahya** Deputy Senior Vice President, Project Management & Monitoring
3. **Kamarudin bin Samsudin** Chief Internal Auditor
4. **Norhayati bt Mohd Daud** Vice President, Commercial Business & Bumiputera Development
5. **Tina Koh Ai Hoon** Company Secretary
6. **Adzamimah Adzmi** Deputy Vice President, Compliance
7. **Chong Liow Loong** Assistant Vice President, Retail Agency Sales & Marketing





Mohd Rozali bin Idris
Deputy Senior Vice President,
Credit Management



Abdul Rahim bin Ahmad
Vice President,
Human Capital



Salim Yazan bin Gulzar Mohamed
Vice President,
Organization & Methods



Sheela Thaver
Deputy Vice President,
Legal



Stanley Hoong Yik Miin
Deputy Vice President,
Branch Network & Retail Deposit



Mohd Zulkiflee bin Mohd Jaafar
Assistant Vice President,
Retail Collection & Management



Mohd Nazri bin Abd Ghani
Senior Manager,
Property Management



Morshidi bin Hj. Abong
Regional Business Representative
(Sarawak)



Zamzuri Izani bin Abu Hassan
Regional Business Representative
(East Coast)



Abdul Halim bin Zainal
Regional Business Representative
(Sabah)



Fred Lee Thiam Sin
Regional Business Representative
(Northern)



Faraheeda bt Ahmad Rejab
Regional Business Representative
(Central)



Nasir bin Marob
Regional Business Representative
(Southern)

SALES AND SERVICE CENTRES

NORTHERN

Kangar

No. 35, 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

Penang

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
Fax : 05 - 688 2703

Langkawi

No. 26 & 28,
Jalan Pandak Mayah 4,
Pusat Bandar Kuah,
07000 Langkawi,
Kedah.
Tel : 04-966 6055
Fax : 04-966 9055

CENTRAL

Kuala Lumpur

No. 8, Wisma RKT,
Jalan Raja Abdullah,
Off Jalan Sultan Ismail,
50300 Kuala Lumpur.
Tel : 03 - 2691 2689
Fax : 03 - 2691 2830

Damansara

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

Cheras

No. 185, Jalan Sarjana,
Taman Connaught,
56000 Cheras,
Kuala Lumpur.
Tel : 03 - 9132 2955
Fax : 03 - 9132 2954

Kajang

No. 21G, 21A & 21B,
Jalan S10/2, Seksyen 10,
Off Jalan Bukit,
43000 Kajang, Selangor.
Tel : 03 - 8733 6720
Fax : 03 - 8733 6746

Petaling Jaya

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

Klang

No. 33, Jalan Tiara 3,
Bandar Baru Klang,
41150 Klang, Selangor.
Tel : 03 - 3342 6822
Fax : 03 - 3341 1410

Batu Caves

Ground Floor,
No. 16-G, Prima
Samudera, Jalan Prima
Samudera Utara 11,
68100 Batu Caves,
Selangor.
Tel : 03 - 6177 7956
Fax : 03 - 6177 2404

Bandar Baru 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

IOI Mall, Puchong

Lot EF21 & EF22,
First Floor, IOI Mall,
Bandar Puchong Jaya,
47100 Puchong,
Selangor.
Tel : 03 - 8070 1406
Fax : 03 - 8070 0902

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

Putrajaya

No. 30, Jalan Diplomatik
3/1, Presint 15,
62000 Putrajaya.
Tel : 03 - 8881 0569
Fax : 03 - 8881 0572

Wangsa Maju

Ground Floor
& 1st Floor,
No. 52, Jalan Wangsa
Delima 6, Pusat Bandar
Wangsa Maju,
53300 Kuala Lumpur.
Tel : 03 - 4142 1292
Fax : 03 - 4142 1269

SALES AND SERVICE CENTRES

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
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

Muar

No. 30A-2, Jalan Arab,
84000 Muar, Johor.
Tel : 06 - 953 2000
Fax : 06 - 953 3200

Kluang

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

Johor Bahru

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

Melaka

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

Batu Pahat

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

Tebrau

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

Kulaijaya

No. 19, Jalan Sri Putra,
Bandar Putra,
81000 Kulai, Johor.
Tel : 07 - 663 3458
Fax : 07 - 663 3284

EAST MALAYSIA

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

Sibu

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

SABAH

Kota Kinabalu (Main)

Lot 144, Q6, Block Q,
Lorong Plaza Permai 1,
Alamesra-Sulaman
Coastal Highway,
88450 Kota Kinabalu,
Sabah.
Tel : 088 - 485 680
Fax : 088 - 485 620

Sandakan

Lot 201, Prima Square,
Phase 3, Jalan Utara,
90000 Sandakan,
Sabah.
Tel : 089 - 223 400
Fax : 088 - 223 544

Miri

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

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
Fax : 084 - 874 259

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

Tawau

Ground & 1st Floor,
TB 15590, Block B,
Lot 45, Kubota Square,
91000 Tawau,
Sabah.
Tel : 089 - 755 400
Fax : 089 - 749 400

Bintulu

No. 1, Ground Floor,
Jalan Tun Ahmad Zaidi/
Jalan Kambur Bubin,
97000 Bintulu, Sarawak.
Tel : 086 - 336 400
Fax : 086 - 339 400

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

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

Tanjung Malim

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

Teluk Intan

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

SOUTHERN

Segamat

No. 31, 1st Floor,
Jalan Kampong
Genuang, 85000
Segamat, Johor.
Tel : 07 - 931 1672
Fax: 07 - 931 1687

Tampin

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

EAST COAST

Kota Bharu

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

Temerloh

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

Dungun

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

Tanah Merah

PT. 177, 1st Floor,
Jalan Hospital,
17500 Tanah Merah,
Kelantan.
Tel : 09 - 955 1697
Fax: 09 - 955 1701

EAST MALAYSIA

Lahad Datu

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

Kota Samarahan

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

Sarikei

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

Corporate Highlights |
MBSB ANNUAL REPORT 2013





25-26 January
MBSB Sales Convention held at Berjaya Langkawi Resort.



08 March 2013
En Azman Aziz, Senior Vice President of Retail Direct Sales delivering his speech at the launch of MBSB's Personal Financing-1, 'MBSB Premium Plus' and 'MBSB Max-1/2' at Hotel Royale Bintang Damansara.



05 February
YBhg Dato' Ahmad Zaini Othman and Mr Ooi Boon Seng at the signing ceremony between MBSB and Geo Valley Sdn. Bhd. for Term and Bridging Banking Facilities.



13 March
MBSB staff during the launch of MBSB Wellness Programme.



05 March
MBSB presenting an education sponsorship under the "MBSB 1Malaysia Education Fund" programme amounting to RM1 million to Yayasan Cemerlang for the Tun Rahah Scholarship Fund.



16 March
Children of MBSB staff during the educational tour to Kidzania.



17 March

Winning team of the bowling tournament organised by Kelab Sukan MBSB at U-Bowl, One Utama.



19 March

Cheque presentation of RM100,000 to PTPN in support of "Bantuan Pelajar Miskin 1Malaysia (BPM1M) Endowment Fund".



22 March

YBhg Dato' Ahmad Zaini Othman and YBhg Datuk Faizoull Ahmad of FELDA exchanging Memorandum of Understanding between MBSB and FELDA on Contract Financing and SME Cash Express Scheme.



28 March

En Azman Aziz, Senior Vice President of Retail Direct Sales and En Norzahid Mohd Zahudi, Chief Operations Officer of Naza Quest Sdn Bhd at the signing ceremony between MBSB and Naza Quest Sdn Bhd for Auto Financing Strategic Partnership.



3 May

YBhg Dato' Ahmad Zaini Othman speaking at MBSB 1st Quarter 2013 Analyst Briefing.



18 April

Handing over contributions to families and widows of the "Ops Daulat Lahad Datu" fallen heroes.



20 April

Winners of MBSB's Treasure Hunt in Johor Baharu organised annually by Kelab Sukan MBSB.



10 May

MBSB's 43rd Annual General Meeting held at Sime Darby Convention Centre.



11 May

En Nor Azam M Taib, Senior Vice President of Corporate Business speaking at The EDGE Investment Forum of Real Estate 2013 at Royale Bintang Damansara.



22 May

Handing over of a newly built house in Pasir Puteh, Kelantan under the Program Sejahtera MBSB.



10 June

Senior Management of MBSB and BERNAMA during a Media Luncheon at Intercontinental Hotel Kuala Lumpur.



16 June

MBSB's management team during the Strategic Management retreat at Cyberview Resort & Spa, Cyberjaya.



19 June

YBhg Tan Sri Abdul Halim Ali and YBhg Dato' Ahmad Zaini Othman launching the MBSB Coffee Table Book at Le Meridien Hotel, Kuala Lumpur.



16 July

MBSB's Media Iftar at One World Hotel Kuala Lumpur.



20 July

Hari Raya shopping spree for orphans and less privileged children at AEON Bandar Utama followed by "Buka Puasa" treat.



25 August

"Program Cemerlang Pecutan Skor 5A UPSR" at Sekolah Kebangsaan Semenyih under the MBSB Over the Top-PINTAR School Programme.





2 September

En Asrul Hazli Salleh, Deputy Senior Vice President of Treasury receiving the Highest Profit Growth for Finance Sector Award, The EDGE Billion Ringgit Club 2013 from YAB Dato' Sri Mohammad Najib bin Tun Razak, Prime Minister of Malaysia.



3 September

Blood donation programme organised in support of the National Blood Centre programme "Give Blood, Save a Life".



28 August

"Rumah Terbuka Aidilfitri MBSB" at Dorsett Grand, Subang.



6 – 9 September

River clean-up programme at Sungai Yu, Kuala Lipis, Pahang under MBSB's Outreach programme.



26 September

YBhg Dato' Ahmad Zaini Othman during the launch of LBS Bina's "Rumah Mampu Milik" with Guest of Honor, YAB Dato' Mohamed Khaleed Nordin, Menteri Besar of Johor. MBSB is the financier for the development of Pelangi Homes Sdn Bhd, subsidiary of LBS Bina Group Berhad in Bandar Putera Indah, Batu Pahat, Johor.



28-29 September

Kelab Sukan MBSB organised mountain climbing programme to Gunung Ledang.



11 November

MBSB "Home Safety Campaign" programme at Berjaya Times Square Shopping Centre.



11 November

The winning team for Over The Top Season 2 reality TV show during the Grand Finale at Berjaya Times Square Shopping Centre.



25 November

Signing ceremony between MBSB and RHB Investment Bank for the World's 1st Structured Covered Sukuk Murabahah Backed by Financing Receivables.



10 December

Extraordinary General Meeting held at Tropicana Golf and Country Resort.



6 December

Handing out food to the homeless during the "Soup Kitchen Programme" which was first initiated in July 2013.



14 December

MBSB's 2013 Annual Dinner themed "Rhythm of the Beat" at Kuala Lumpur Convention Centre.

- **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
- **Best Performing Stock**
Highest Returns to Shareholders
Over Three Years (Finance Sector)
The EDGE Billion Ringgit Club 2011
- **Highest Profit Growth Company**
Highest Growth In Profit Before Tax
Over 3 Years (Finance Sector)
The EDGE Billion Ringgit Club 2011



- **KPMG Shareholder Value Award 2011**
Certificate awarded to MBSB as a finalist in
the Financial Services Category



- **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)

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



- **Highest Profit Growth Company**
Second Place For Most Profitable Company
Second Place For Best Performing Stock
The EDGE Billion Ringgit Club 2013
(Finance Sector)



- **Anugerah Perak**
Jualan Wasiat Tertinggi Antara Bank
(Silver Award - Highest Sales in Will Writing)
Amanah Raya Berhad 2012



- **Recognition Award - Forbes Asia**
The Region's Top 200
Small and Midsize Companies 2013



- **Islamic Finance News Awards**
Structured Finance Deal of the Year 2013
MBSB RM495million Covered Sukuk
Commodity Murabahah (First Tranche)

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 2013.

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 seven (7) Directors of whom five (5) 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 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 seventeen (17) times during the financial year ended 31 December 2013. 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)	16/17	94%
Datuk Shahril Ridza bin Ridzuan (Non-Independent Non-Executive Director)	16/17	94%
Datuk Syed Zaid bin Syed Jaffar Albar (Senior Independent Non-Executive Director)	16/17	94%
Encik Aw Hong Boo (Independent Non-Executive Director)	16/17	94%
Dato' Jasmy bin Ismail (Independent Non-Executive Director)	16/17	94%
Encik Lim Tian Huat (Independent Non-Executive Director)	12/17	70%
Cik Ravinder Kaur a/p Mahan Singh ¹ (Independent Non-Executive Director)	9/10	90%

Note:

¹ Appointed as Director on 5 June 2013.

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 2013 focuses on Corporate Governance, Directors Responsibilities, Finance (Conventional & Islamic), Accounting, Investment and Business Sustainability :-

YBhg Tan Sri Abdul Halim bin Ali

1. Anti-Money Laundering & Counter Financing of Terrorism (AML & CFT) Awareness Training
Malaysia Building Society Berhad in collaboration with Financial Intelligence and Enforcement Department, Bank Negara Malaysia
2. Board Rising to the challenges of Corporate Entrepreneurship
Malaysian Directors Academy (MINDA)
3. Enhanced Directors' Duties and Liabilities under the Financial Services Act 2013 and Islamic Financial Services Act 2013
ZICOLaw Trusted Business Advisor
4. Khazanah Megatrends Forum 2013 : Growth with Inclusion in an Age of Paradox: Same Game, New Players
Khazanah Nasional Berhad
5. Future of Corporate Reporting
Bursa Malaysia
6. Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers
Bursa Malaysia
7. Leadership Summit 2013
PIKOM
8. National Conference on Change Dynamics in the Public Sector: Increasing Citizen Demand for Good Governance:
Universiti Teknologi Malaysia

YBhg Datuk Syed Zaid bin Syed Jaffar Albar

1. Anti-Money Laundering & Counter Financing of Terrorism (AML & CFT) Awareness Training
Malaysia Building Society Berhad in collaboration with Financial Intelligence and Enforcement Department, Bank Negara Malaysia

2. Engagement on Women Directors Policy
Performance Management & Delivery Unit (PEMANDU)

YBhg Datuk Shahril Ridza bin Ridzuan

1. Anti-Money Laundering & Counter Financing of Terrorism (AML & CFT) Awareness Training
Malaysia Building Society Berhad in collaboration with Financial Intelligence and Enforcement Department, Bank Negara Malaysia
2. Enhanced Directors' Duties and Liabilities under the Financial Services Act 2013 and Islamic Financial Services Act 2013
ZICOlaw Trusted Business Advisor

YBhg Dato' Jasmy bin Ismail

1. Anti-Money Laundering & Counter Financing of Terrorism (AML & CFT) Awareness Training
Malaysia Building Society Berhad in collaboration with Financial Intelligence and Enforcement Department, Bank Negara Malaysia

Encik Aw Hong Boo

1. Anti-Money Laundering & Counter Financing of Terrorism (AML & CFT) Awareness Training
Malaysia Building Society Berhad in collaboration with Financial Intelligence and Enforcement Department, Bank Negara Malaysia
2. Enhanced Directors' Duties and Liabilities under the Financial Services Act 2013 and Islamic Financial Services Act 2013
ZICOlaw Trusted Business Advisor
3. MIA Conference 2013
Malaysian Institute of Accountants

Encik Lim Tian Huat

1. Anti-Money Laundering & Counter Financing of Terrorism (AML & CFT) Awareness Training
Malaysia Building Society Berhad in collaboration with Financial Intelligence and Enforcement Department, Bank Negara Malaysia
2. Risk Management Committee – Banking Programme
The ICLIF Leadership and Governance Centre
3. MIA Conference 2013
Malaysian Institute of Accountants
4. Khazanah Megatrends Forum 2013 : Growth with Inclusion in an Age of Paradox: Same Game, New Players
Khazanah Nasional Berhad

Cik Ravinder Kaur a/p Mahan Singh

1. Technology and Innovation : The Future of Banking and Financial Services 2013 Conference
FST Media
2. Business Continuity Management Seminar 2013
Malaysia Forum of the Business Continuity Institute
3. Mandatory Accreditation Programme for Directors of Public Listed Companies
Bursatra Sdn Bhd
4. Enhanced Directors' Duties and Liabilities under the Financial Services Act 2013 and Islamic Financial Services Act 2013
ZICOlaw Trusted Business Advisor
5. The Women's Summit 2013 : Forging Your Own Path
Ministry of Women, Family & Community Development
6. AIF Symposium 2013 : Changing Face of Talent
Asian Institute of Finance (AIF)
7. Risk Management Committee – Banking Programme
The ICLIF Leadership and Governance Centre
8. Khazanah Megatrends Forum 2013 : Growth with Inclusion in an Age of Paradox: Same Game, New Players
Khazanah Nasional Berhad
9. Security Exchange 2013 Conference : IT Security Solutions
M.Tech
10. Directors Forum 2014 : The Innovation Zone : Unleashing the Mindset:
Malaysia Directors Academy (MINDA)
11. 5th Annual Young Corporate Malaysians Summit 2013 : Malaysia : Key Drivers of Economic Growth
Young Corporate Malaysians (YCM)
12. ASEAN Wealth Management Summit "How the Rise of Asia Heralds a New Era for Global Wealth Management"
Financial Times (FT)
13. Islamic Wealth Management Seminar
Labuan International Business & Financial Centre (IBFC)
14. Women Directors' Dialogue
NAM Institute for the Empowerment of Women (NIEW)

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, Datuk Syed Zaid bin Syed Jaffar Albar has been appointed 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;
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. The process of appointment is detailed out in page 65 of this Annual Report.

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 is 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.

The Board will assess the Independent Directors annually. The following are considered when assessing the independence:-

- i. They have 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. They constantly challenge the Management in an effective and constructive manner;
- iii. They actively participated in board discussion and provided an independent voice on the Board.

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.

The Board Committees of the Company are as follows:-

- Executive Committee of the Board
- Audit Committee
- Risk Management Committee
- Nominating & Remuneration 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 approving authority limits. Loans above the approving authority limit of the Executive Committee or loans with connected parties as defined in the Guidelines on Related Party Transactions for Directors and Key Management Officers will be escalated to the Board for further deliberation and approval.

The Executive Committee has taken over the function of the Arrears Recovery Committee which was disbanded on 23 October 2013. The oversight and review of restructuring proposals for the recovery of non-performing loans (NPLs), monitor the progress of the recovery of NPLs and formulate recovery strategies, was carried out by the Executive Committee.

The Executive Committee currently consists of three (3) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors.

During the financial year 2013, four (4) 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)	4/4
Datuk Shahril Ridza bin Ridzuan (Non-Independent Non-Executive Director)	4/4
Datuk Syed Zaid bin Syed Jaffar Albar (Senior Independent Non-Executive Director)	4/4
Dato' Jasmy bin Ismail (Independent Non-Executive Director)	3/4
Cik Ravinder Kaur a/p Mahan Singh ¹ (Independent Non-Executive Director)	-

Note:

¹ Appointed as Executive Committee member on 9 January 2014.

(b) Audit Committee

The Audit & Risk Management Committee was separated into two (2) different Committees in June 2013.

The principal function of the Audit Committee is to assist the Board in the effective discharge of its fiduciary responsibilities particularly in the areas of accounting and management controls and financial reporting; to reinforce the independence and objectivity of the Internal Audit Division; to provide the focal point for communication between external auditors, internal auditors, Directors and the Management on matters in connection with accounting, reporting, and controls and providing a forum for discussion independent of the Management; and to undertake additional duties as may be deemed appropriate and necessary to assist the Board of Directors.

The Audit 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 the Audit Committee presents its report as set out on page 86 - 93 of this Annual Report.

(c) Risk Management Committee

The Primary objectives of Risk Management Committee are to assist the Board with the risk oversight within the Group which includes reviewing the risk management policies, risk exposure and limits as well as ensuring that

all risks are well managed within the Group's risk appetite by providing adequate infrastructure and resources in place to support the risk management activities.

The Risk Management Committee currently consist of four (4) Independent Non-Executive Directors.

(d) 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;
 - gender diversity;
 - 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, gender diversity 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 the following personnel, being senior officers who have the authority and responsibility for planning, directing and controlling the activities and in the case of MBSB it includes:-
 - i. Chief Financial Officer;
 - ii. Chief Operating Officer;
 - iii. Chief Risk Officer; and
 - iv. Senior Vice President and above, if applicable.
- h. To recommend to the Board, candidates for the appointment as Shariah Advisory Council members.

- i. To conduct the annual review on the Performance of the Shariah Advisory Council members.

The activities of the Nominating Committee in 2013 are summarised as follows:-

- a. Reviewed and recommended the re-appointment and re-election of Directors at the 43rd Annual General Meeting.
- b. Reviewed and recommended the appointment of an Independent Non-Executive Director.
- c. Reviewed, recommended and approved the appointment and renewal of employment contract of Senior Management members in pivotal positions.
- d. Reviewed and recommended the appointment of Board Committee members.

The nominating and election process of directors is as follows:-

- i. Identification of skills
- ii. Selection of candidates
- iii. Fit & proper assessment
- iv. Nominating Committee deliberation
- v. Interaction with candidates
- vi. Recommendation for Board's approval

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;
- e) To consider and approve the promotion, remuneration package, increment, bonuses and other related matters involving the following personnel, being senior officers who have the authority and responsibility for planning, directing and controlling the activities and in the case of MBSB it includes :-
 - i. Chief Financial Officer;
 - ii. Chief Operating Officer;
 - iii. Chief Risk Officer; and
 - iv. Senior Vice President and above, if applicable.
- f) To consider and recommend to the Board, the remuneration package and other related matters involving the Shariah Advisory Council; and

g) The Committee, when considering and recommending where appropriate will take into account that such recommendation/remuneration package/programmes and other related matters should reflect and commensurate with the accountability, duties and responsibilities of the abovesaid parties under consideration.

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 recommendations are submitted to the Board for approval.

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

During the year ended 31 December 2013, six (6) meetings were held. The members of the Nominating & Remuneration Committee 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)	6/6
Encik Aw Hong Boo (Independent Non-Executive Director)	6/6
Encik Lim Tian Huat (Independent Non-Executive Director)	4/6

(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.

There was no meeting held in 2013.

The members of the Option Committee are as follows:-

1. Datuk Syed Zaid bin Syed Jaffar Albar
2. Encik Aw Hong Boo
3. Encik Lim Tian Huat

The share options granted to the President and Chief Executive Officer are as follows :-

Name	Revised Exercise Price (RM)	As at 1.1.2013	Granted	Exercised	As at 31.12.2013	Additional Entitlement Pursuant to Rights Issue on 29.01.2014
Dato' Ahmad Zaini bin Othman	1.01	368,880	-	245,920	122,960	19,848
	2.01	164,400	-	-	164,400	26,537

Analysis of the share options granted to key management personnel is as follows:-

	Aggregate maximum allocation		Actual allocation	
	Since 12.08.2010	Financial year 31.12.2013	Since 12.08.2010	Financial year 31.12.2013
Key Management Personnel	2.36%	1.37%	1.72%	1.29%

Note:

The Directors of the Company have not, since the implementation of ESOS, been granted any share options.

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 2013 are categorized into the appropriate components as follows:-

	Executive Director	Non-Executive Directors	Range of remuneration	Number of Directors	
				Executive Director	Non-Executive Director
Emoluments (RM)	-	-	Nil	-	-
Allowance (RM)	-	487,000	Below RM50,000	-	-
Fee (RM)	-	586,667	RM50,001 – RM100,000	-	1
Bonuses (RM)	-	-	RM100,001 – RM150,000	-	4
Benefit-in-Kind (RM)	-	-	RM150,001 – RM200,000	-	1
Total (RM)	-	1,073,667	RM200,001 – RM250,000	-	-
			RM250,001 – RM300,000	-	1

Details of the Directors' remuneration of each Director during the financial year 2013 are set out under Note 31 of the Notes to the Financial Statements in this Annual Report.

C. SHAREHOLDERS

Relationship with Shareholders and Investors

The Board recognises the importance of communication and proper dissemination of information to its shareholders, investors and all other stakeholders including the 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 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 Committee through the Internal Audit Division reviews the effectiveness of the system of internal controls of the Group periodically. The review covers the financial, operational and compliance controls.

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 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 Committee in relation to the internal and external auditors is described in the Audit 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 and 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.

F. ADDITIONAL COMPLIANCE STATEMENT

Utilisation of Proceeds Raised from any Corporate Proposal

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

The Rights Issue Corporate Exercise was completed on 29 January 2014.

Share Buy-back

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

Options, Warrants or Convertible Securities

During the financial period ended 31 December 2013, a total of 20,807,879 options over ordinary shares were exercised pursuant to the Company's Employees' Share Option Scheme ("ESOS").

During the financial year, a total of 486,698,562 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 RM0.036 million and non-audit fees of RM3.104 million to external auditors or a firm or a corporation affiliated to the external auditors for the financial year ended 31 December 2013.

Variation in results

There were no variation between the audited results for the financial year ended 31 December 2013 and the unaudited results for the fourth quarter ended 31 December 2013 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 36 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 and 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

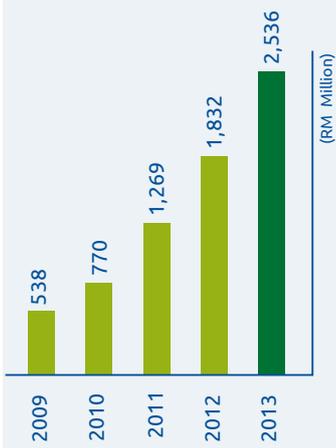
The Company has adopted a 30% dividend payment ratio on profit after tax.

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

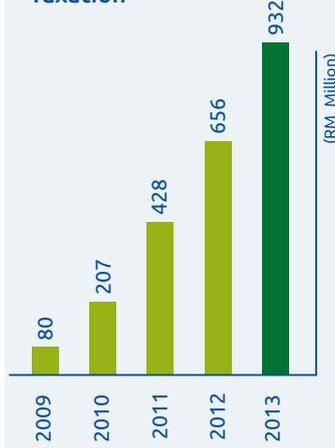
Having reviewed the governance structure and practices of the Company and the Group, the Board considers that it has complied with the best practices as set out in the Code as well as the items set out in Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia in relation to the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

This Statement on Corporate Governance was approved by the Board of Directors on 28 January 2014.

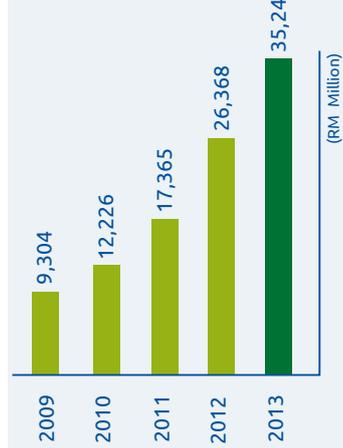
Group Revenue



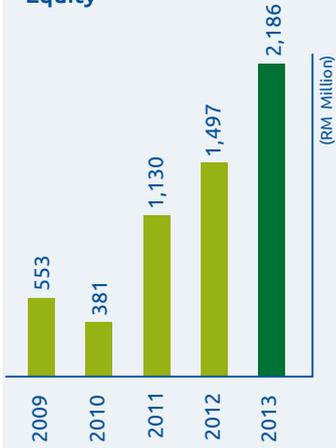
Group Profit Before Taxation



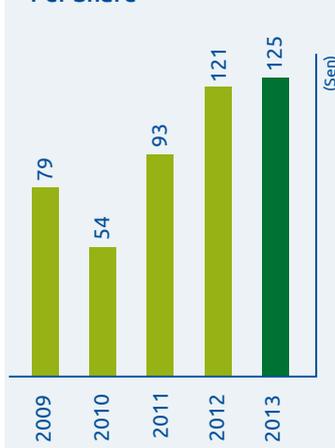
Group Total Asset



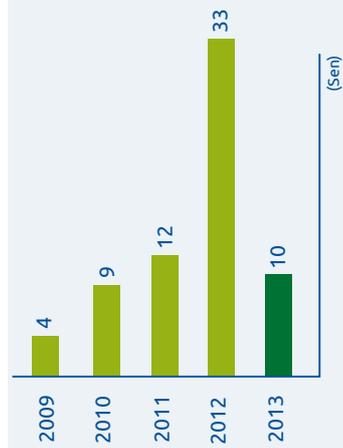
Group Shareholders' Equity

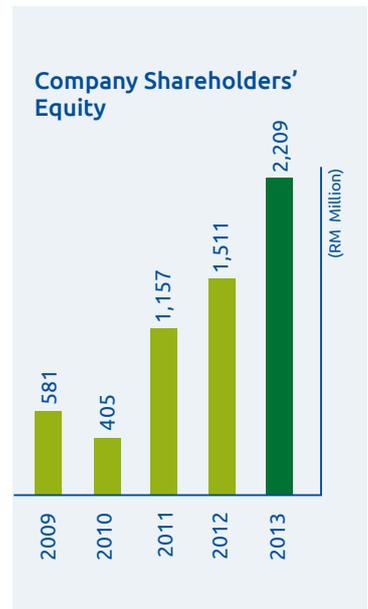
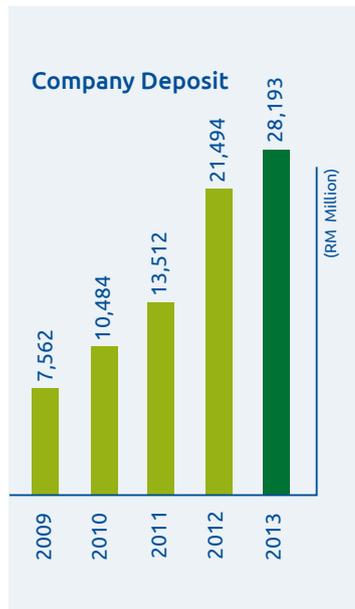
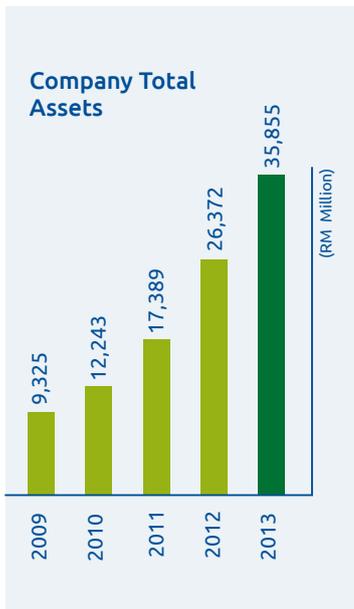
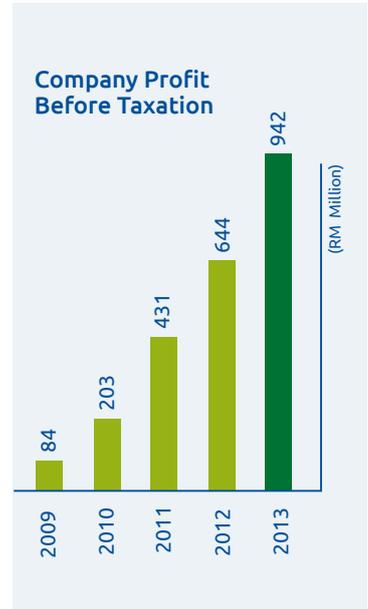
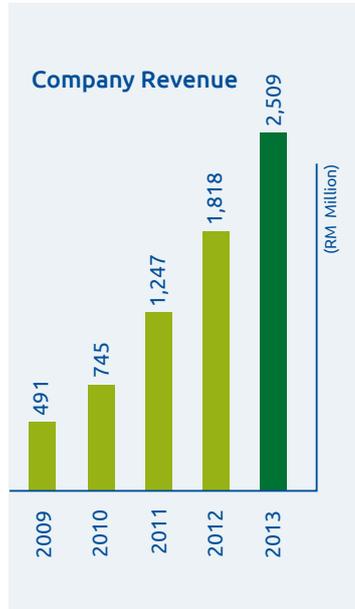
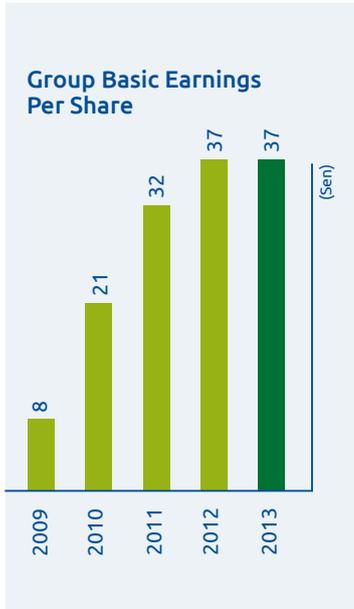


Group Net Asset Per Share



Group Dividend

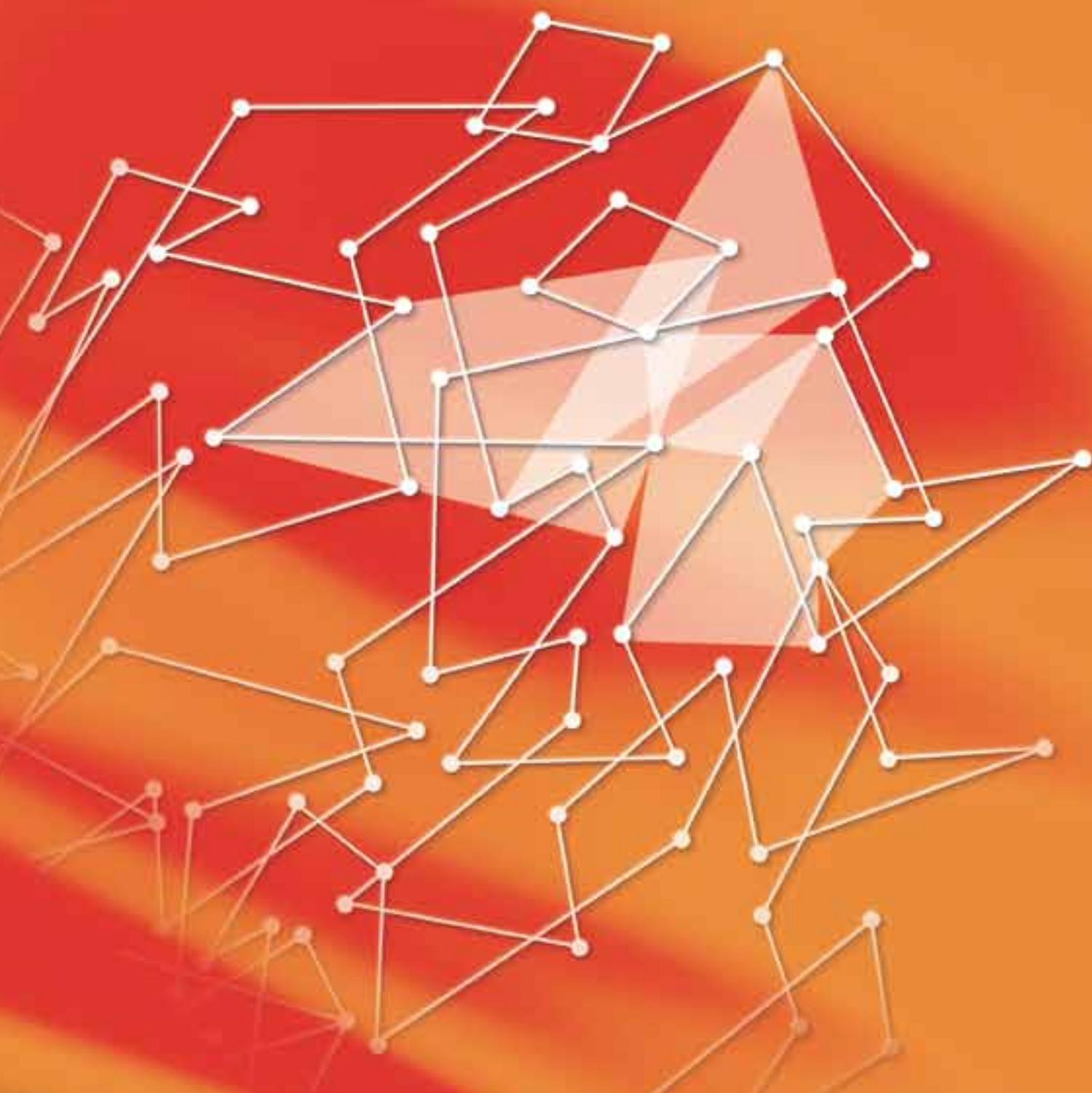




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Corporate Social Responsibility (CSR) Initiatives

MBSB ANNUAL REPORT 2013



Introduction

At MBSB, we have always realized the importance in giving a helping hand to those in need especially to the communities that we serve and the employees who serve us. We aspire to establish ourselves as a compassionate and responsible corporate entity through the Corporate Social Responsibility (CSR) initiatives undertaken.

Such initiatives give us an insight to what the needy and less fortunate live through. Our CSR programmes do serve as an eye opener and have helped to create a sense of humility as well as gratitude in many of us. For the year 2013, we continued to focus on our people in the organization, members of the community and the general public.

The Workplace

Our employees are certainly important to us and are our valuable assets. They helped make MBSB into what it is today; a prominent industry player. As at December 2013, MBSB Group has a total of 1,355 personnel spreading across 43 Sales and Service Centres and 12 Representative Offices nationwide. This represents an expansion of 50% in human capital since 2009 which is in tandem with the expansion and growth of the company's business.

We offer our personnel attractive remuneration packages as well as incentive and reward schemes. We trust that this shall motivate them to be productive and constantly improve themselves for their own and company's betterment. It is our hope that the employees have a sense of belonging and security and are encouraged to give their level best.





We extend our appreciation to their family members as well as we continued with the MBSB Excellence Education Award where we reward the children for achieving excellent results in the national examinations namely UPSR, PMR, SPM and STPM. Meanwhile with MBSB High Achievement Award, we acknowledge employees who have successfully progressed in their education level by obtaining a Diploma, Degree or Masters. Such an award can inspire our personnel to pursue their studies regardless of age and highlights the significance of tertiary education amongst other employees as well.

The stress on the importance of education continued with Summer Camp 2013 which was held at Hulu Langat, Selangor. A total number of 48 employees' children had benefitted from this camp that had centered on personal development to assist them in achieving life's goals and academic excellence. On another occasion, motivational talks were also conducted for 27 students undertaking national examinations. All these programmes are to instill positive attitude and good learning skills in the children.



The company also recognizes the significant need to grow and develop our talents. All of our personnel have equal access to structured internal and external development programme. These programmes were aimed to extract their full potentials and at the same time help develop leadership, technical and soft skills among different groups of employees with varying capabilities.

As part of our CSR efforts, we also encourage our employees to participate in giving back to the community by doing voluntary work. Activities such as the annual Blood Donation campaign as well as the new "Soup Kitchen" project have received overwhelming response from the staff. We shall continue to foster the spirit of volunteerism in the coming years through these programmes.



The Community

The Soup Kitchen Programme is our collaboration with an NGO - Persatuan Tindakan Wanita Islam (PERTIWI), whereby MBSB provides monetary support for their food provisions to the homeless living on the streets of Kuala Lumpur. We also provide manpower to assist in their activities with staff volunteering to do the work. Staff gets the opportunity to volunteer in this effort twice a month.

“Program Sejahtera MBSB”, one of our CSR flagship programmes reflects our on-going efforts to improve the standards of living for the less privileged communities in Malaysia, done through home building and rehabilitation exercises. Homes are rebuilt or rehabilitated to ensure these families live in a home that meets the minimum standards of safety and comfort. For year 2013, we have improved the quality of living for 10 families in the states of Kelantan, Selangor and Melaka.

Another flagship programme is the PINTAR school programme, which has been rebranded as MBSB Over the Top-PINTAR school. The rebranding was needed to reflect the dynamic initiatives and activities carried out at all MBSB’s adopted schools in Sarawak, Sabah, Selangor, Kedah, Terengganu and Melaka. The schools selected receive fully sponsored education programmes that focus on English Language which include English workshops for the teachers and English camps for the students.





We take pride as well of our Home Safety Campaign that was first initiated in 2008. The objectives are to raise awareness and knowledge on home safety measures amongst the public particularly home owners and its residents including housewives, maids and children. MBSB has collaborated with mainstream TV and Radio programmes and distributed handbooks and flyers to the public to promote this awareness.

Our CSR initiatives are further extended to sponsorship and donations channeled to less privileged communities, welfare organizations, charity associations, orphans, single mothers, and the elderly or the disabled. Apart from that, during Aidiladha, MBSB regional offices around the country participated in Qurban programmes.



The Marketplace

We continuously strive to strengthen our position in the industry. Submitting to our tagline "Taking MBSB to the Next Level" we govern ourselves in creating products and services that fit the consumers' requirement.

In helping the market, we provide affordable financing to all consumers and small medium enterprises (SMEs) to help them ease their financial burden as well as grow their businesses. Our customers' satisfaction and their continuous trust in our brand are imperative. The expected opening of 7 of our Sales and Service Centres in Sabah, Sarawak, Kedah, Wilayah Persekutuan, Kuala Lumpur and Johor this year will hopefully increase customers' access to MBSB.



It is our mission to persistently raise the bar for quality of customer service to enrich customer's experience with MBSB.

INTRODUCTION

As a listed company on Bursa Malaysia, the Board of Directors have an obligation under paragraph 15.26(b) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements, to ensure that a statement on the state of Group's risk management and internal control system is included in this Annual Report. The following Statement on Risk Management and Internal Control is prepared in accordance with the guidelines as set out in the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".

BOARD'S RESPONSIBILITY

The Board acknowledges overall responsibility and recognizes 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 endeavors to identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures.

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 is ensuring that the Group establishes comprehensive risk management policies, processes and infrastructure to manage the various types of risks.

Management is responsible for implementing and monitoring the system of risk management and internal control and for providing assurance to the Board that it has done so. In this regard, the Board acknowledged that it has received assurance from the President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Risk Officer that the Group's risk management and internal control system is operating adequately and effectively.

RISK MANAGEMENT

In line with the market and best practices on the risk management governance structure, the Board had approved in June 2013, the proposal on the separation of Audit & Risk Management Committee (ARMCO). The rationale of the new risk structure is to ensure sufficient level of independent oversight for risk management across the Group. Thereafter, the Board through its Risk Management Committee (RMC) assumes ultimate 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 also approved on the revised risk management framework to strengthen the risk management policies and tightened the relevant internal control which is consistent with the Group and market practices.

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

The Board has put in place the RMC as the driver for identifying significant risks and responsible for ensuring proper oversight for the management of risks which relates to the Group's processes and activities.

RMC undertakes the overall responsibility for risk oversight within the Group which includes reviewing the risk management policies, risk exposure and limits as well as ensuring that all risks are well managed within the Group's risk appetite by providing adequate infrastructure and resources in place to support the risk management activities.

Primary objectives of RMC are to assist the Board in fulfilling its fiduciary responsibilities particularly in management controls and financial reporting as well as to provide focal point for communication between risk managers, Board and Senior Management on matters in connection with reporting, risks and controls and providing a forum for discussion independent of the Management. RMC shall also undertake additional duties as may be deemed appropriate and necessary to assist the Board.

During the financial year ended 31 December 2013, a total of 3 RMC meetings were held. The Committee comprises the following members and details of their attendance of meetings held during the financial year are as follows:-

No.	Composition of the Committee*	Number of Meetings Attended / Held
1.	Encik Lim Tian Huat	3/3
2.	Encik Aw Hong Boo	3/3
3.	Dato' Jasmy bin Ismail	3/3
4.	Cik Ravinder Kaur a/p Mahan Singh	3/3

* Prior to June 2013, the committee was known as ARMCO, after which it was separated to form the RMC and AC. Details of the AC members and attendance are in the AC report on page 86 of the Annual Report.

Responsibility for implementing the Group's strategies and day-to-day businesses are delegated to the 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 risk management policies and procedures approved by the Board as well as developing and operating internal controls to manage the identified risks as well as monitors and reports quarterly to the Board on all risks related to the Group. The Management is also accountable to ensure such policies and procedures are being continuously reviewed in order to meet the changing financial landscape as well as the changes in the nature and size of the Group's activities.

Dedicated management committees namely, Credit and Rehabilitation Assessment Committee (CARAC); Asset Liability Committee (ALCO); Management Committee (MANCO); Initial Alert Report Team; and Project Steering Committee assist RMC, the EXCO and the Board in managing credit, operational, market 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's internal audit function reports directly to AC. Its primary responsibilities 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 on the non-compliance of the Group's policies and procedures.

The annual audit plan is developed using a risk-based approach and is reviewed and approved by AC. During the year, the Internal Audit Division has carried out independent and objective reviews in accordance with the approved audit plan covering credit operations, treasury, financial accounting and operational controls. Based on these reviews, the function has provided the AC with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal controls.

Compliance management is the collective responsibility of the Board, senior management and every employee of the Group. The Group Compliance function is driven by the Compliance Department, whereby its main function is to facilitate, advise, monitor and educate the Business and Support units/entities to act in accordance with laws, regulations and guidelines.

GROUP RISK MANAGEMENT DIVISION

The Group Risk Management Division (GRM) is headed by the Chief Risk Officer and is responsible for communicating the critical risks the Group faces, the controls in place and future plans to manage these risks to the Management, RMC and Board.

GRM continues to provide advice and guidance on the credit, market, operational and general business risk to the Group. The scope of advice serves to manage and control significant risk exposures inherent to the Group's business operations as well as covers the identification of significant risks. GRM also ensures the implementation of the risk management framework, which is designed to identify, analyse and evaluate significant risks that hinder the achievement of the Group's policies and objectives.

During the year, GRM was involved in the development of the Personal Financing Policy for Non-Biro Portfolio, the Liquidity Management Framework and the Risk Appetite Framework. GRM also reviews the Group's compliance to risk limits and identifies emerging risk issues. GRM has representation in decision-making meetings as a member of ALCO, MANCO, and the IT Steering Committee, and as an attendee of CARAC meetings.

During 2013, GRM developed a Risk Appetite Framework which underpins all aspects of the way in which the Group operates and manages its capital requirements. A well-articulated risk appetite is imperative to give a clear indication to the Group's stakeholders of the type of organization that the Group represents and sets stakeholders' expectations as to how the Group should operate from a risk taking perspective. It also represents a boundary on the level of risk that the Group is willing to accept in operating its business objectives, strategies and financial plans.

In addition, GRM developed and implemented credit risk scorecards for the Personal Financing, Mortgage and Auto Finance portfolio during the year. The credit risk scorecard serves as a tool that aims to aid the decision making process when determining whether to approve credits. Imposition of Debt Service Ratio (DSR) and Net Disposable Income (NDI), requirement for all borrowers to pass the scorecard before approval were also made to tighten underwriting criteria in order to enhance the quality of the Group's lending portfolio as well as to be in line with the industry's standards.

GRM continues to report to the RMC and Board according to the committees' requirements and the changing business environment. Risk Management reports addressing the Group's risk exposure, risk portfolio composition and risk management activities are submitted to the RMC and Board for their review on a quarterly basis.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from Group Risk Management and Internal Audit, there are other key elements of the Group's system of risk management and internal control:

- 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 the minutes of meetings are tabled to the Board.
- MBSB has a well-defined organizational structure with clearly defined lines of accountability and delegation of responsibility to ensure that there are no overlaps and coverage gaps. Senior Management operates within strict authorization, approval and control procedures as approved by the Board. A process of hierarchical reporting has been established which provides for a documented trail of accountability.
- A detailed integrated budgeting process has been established, resulting in clear ownership of business objectives, plans and the expected financial outcome based on the Board's approved Budget.
- The AC, on behalf of the Board, regularly reviews internal control issues identified in reports prepared by the internal auditors and the related actions taken by Senior Management. The AC also reviews the external auditor's annual audit plan and the annual audit report with the management response on any findings raised. During the year, the AC appointed an external consultant to perform a Quality Assurance Review on the Internal Audit Division to ensure that Internal Audit performed its duties and responsibilities as per the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors Malaysia (IIAM).
- The RMC, on behalf of the Board, provides oversight on the Group's overall risk management. Risk Management reports addressing the Group's risk exposure, risk portfolio composition and risk management activities are submitted to the RMC regularly for their review.

- The Board of Directors reviews the operational and financial performance of the Group. Management reports are presented to the Board each quarter providing information on the financial performance and risk exposure of the Group to enable the Board to effectively oversee the Group's overall performance objectives, key initiatives, financial plans and annual budget.
- MANCO, comprising members of Senior Management, acts as a platform for monitoring and reviewing the Group's overall performance in terms of growth, profitability and risk exposure on a monthly basis. The committee is also responsible for identifying, discussing and resolving any operational, financial and key management issues.
- The Internal Audit Division, reporting to the AC, performs systematic and regular reviews of key processes via audit of divisions/departments and Sales & Service Centers in an effort to assess the effectiveness, adequacy and integrity of internal controls including compliance to the necessary policies and guidelines. Areas of improvement and proposed recommendations are highlighted to Senior Management and the AC with periodic follow-up reviews on actions taken. The Internal Audit Division has also performed a Shariah audit to ensure that MBSB's Islamic products and practices are Shariah Compliant.
- Delegation of authority including authorization limits at various levels of Management in the Group are documented and designed to ensure accountability and responsibility.
- Policies, procedures and processes governing the Group's businesses and operations are documented and are made available to employees across the Group through the Group's intranet portal. These policies and procedures are reviewed and updated by the business and functional units through a structured process of review to cater to changes in laws and regulations as well as changes to the business and operational environment. Furthermore, reviews of the policies, procedures and processes are also carried out to ensure that appropriate controls are in place to manage operational risks.
- 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. The Group Code of Conduct and Ethics sets out the standards of good and ethical banking practices, and aims to maintain confidence in the security and integrity of the Group's business practices. 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 stay informed on fraud events and controls. To this extent, the Fraud & Corruption Control Guidelines has been approved by the Board in 2009 and has been disseminated to all employees.

- The Group's Anti-Money Laundering & Counter Financing of Terrorism (AML & CFT) Framework is continuously reviewed and updated to meet regulatory requirements as well as to combat money laundering and financing of terrorism activities. All employees are expected to carry out their functions with the highest ethical and professional standards, in accordance with the AML & CFT Framework and to be continuously vigilant against the Group being exposed or used to launder money or finance illegal activities including terrorist financing.
- The President and Chief Executive Officer and the Chief Financial Officer of the Group have provided confirmation on the effectiveness of the system of risk management and internal control. 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.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report for the financial year ended 31 December 2013. Their review was performed in accordance with Recommended Practice Guide (RPG) 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors had assured that this Statement is consistent with their understanding of the process that the Board has adopted in the review of the adequacy and effectiveness of the Group's risk management and internal control system.

RPG 5 does not require the external auditors to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control procedures.

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 28 February 2014.

1.0 REPORT OF THE AUDIT COMMITTEE

In line with the Bank Negara Malaysia's (BNM) guidelines, MBSB has segregated its Audit & Risk Management Committee (ARMCO) into the Audit Committee (AC) and Risk Management Committee (RMC). The revised AC Terms of Reference was approved by the Board of Directors on 24 June 2013. During the financial year ended 31 December 2013, a total of 6 ARMCO and 5 AC meetings were held. The AC 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 ¹ (Independent Non-Executive Director/Chairman)	11/11
Encik Lim Tian Huat ² (Independent Non-Executive Director)	11/11
Datuk Shahril Ridza bin Ridzuan ³ (Non-Independent Non-Executive Director)	11/11

Notes: -

¹ Remained as Chairman of the Audit Committee as per Company Announcement to Bursa Malaysia on 25 June 2013

² Remained as a member as per Company Announcement to Bursa Malaysia on 25 June 2013

³ Remained as a member as per Company Announcement to Bursa Malaysia on 25 June 2013

The Chairman of the Audit Committee reports to the Board on matters deliberated during the Audit Committee meetings. The minutes of the Audit Committee meetings are tabled to the Board for notation and action by the Board where appropriate.

2.0 SUMMARY OF ACTIVITIES OF THE AUDIT 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 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 2013 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 Report of Audit Committee for inclusion in the MBSB's 2013 Annual Report before recommending to the Board for approval.
- b) Reviewed the disclosure statements on compliance with the Malaysian Code on Corporate Governance on the annual audited financial statements for inclusion in the MBSB's 2013 Annual Report before recommending to the Board for approval.
- c) Tabled the minutes of each Audit Committee meeting to the Board for notation, and for further direction by the Board, where necessary.

2.5 Directors' Training

During the year, the Committee members have attended the relevant training programmes, conferences and seminars as detailed out on pages 57 - 59 of the Annual Report.

3.0 STATEMENT ON INTERNAL AUDIT FUNCTION

- 3.1 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 Committee as an independent unit that provides independent and objective assurance on the adequacy and effectiveness of MBSB's internal control systems implemented by the Management.
- 3.2 The Internal Audit Division assists the Audit Committee and Management in effective discharge of its responsibilities in assessing risk management and recommending measures to mitigate identified risks and assuring proper governance process.
- 3.3 The Internal Audit Division is represented at the onset in all major IT projects undertaken, and provide necessary input especially in relation to controls required.
- 3.4 The Internal Audit Division provides periodic reports to the Audit Committee and Management, reporting on the outcomes of the audits conducted which highlight the effectiveness of the systems of internal control and making recommendations as appropriate.
- 3.5 The authority of the Internal Audit Division is provided in the Internal Audit Charter, which formally documents the roles, duties and responsibilities of the internal auditors. The Chief Internal Auditor reports to the Audit Committee and administratively to the President and Chief Executive Officer.
- 3.6 In performing the internal audit function, the Internal Audit Division 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 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.
- f) Internal Audit has conducted a joint Shariah audit with the assistance of Islamic Banking & Finance Institute Malaysia (IBFIM) auditors to ensure an effective Shariah Audit was performed.
- g) The Audit Committee has appointed an external party to perform the Quality Assurance Review on the Internal Audit Division to ensure that the Internal Audit performs its duties and responsibilities as per International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors Malaysia.

3.7 During the financial year ended 31 December 2013, the Internal Audit Division has carried out the following activities: -

- a) Presented its audit plan, audit budget and scope of work to Audit Committee 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) Conducted the scheduled audits and tabled the audit reports to Audit Committee highlighting the audit findings, issues and recommendations for improvement.
- c) Follow-up on management corrective actions on unresolved audit findings and reported the status to the Audit Committee.
- d) Performed ad-hoc audit assignments and investigations at the request of the Audit Committee on areas of concern identified by the Audit Committee.
- e) Provided advisory services to review the operational guidelines and manuals to ensure pertinent controls embedded are consistent with the changes in businesses and operations.
- f) 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.
- g) Involved as an independent party in the process of acquiring new Core Banking System i.e. MBSB Integrated Core Banking System (MICoB) / Treasury System and further validated its effectiveness and efficiency upon implementation.

3.8 The cost incurred for the internal audit function in respect of the financial year ended 31 December 2013 amounted to RM1,197,000.

4.0 INTERNAL AUDIT REPORTS

The Internal Audit Division completed 65 assignments during the year covering audits of all key operations and investigations carried out. All findings by the Internal Audit Division are tracked and followed up until closed.

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.
- iv) 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, risks 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;
- 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 Audit Committee: -

4.1 External Audit

- a. To review with external auditors, their audit plan, scope and nature of the audit;
- b. To review with external auditors, their audit report and audit findings and Management's response including the status of previous audit recommendations.
- c. To recommend the nomination of a person or persons as external auditors;
- d. To consider the appointment of external auditors, the audit fee and any question of resignation or dismissal and to make recommendations to the Board.
- e. Assess the qualification, expertise, resources and effectiveness of the external auditors.
- f. Monitor the effectiveness of the external auditors' performance and their independence and objectivity.
- g. Review the assistance given by the Group's officers to the external auditors and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- h. Approve non-audit services provided by the external auditors.

4.2 Financial Reporting

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.

4.3 Related Party Transaction

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;

4.4 Internal Audit

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) To perform the appointment, transfer or removal of the Chief Internal Auditor. The appraisal of the Chief Internal Auditor would be evaluated and moderated by the Chairman of the Audit Committee;
- d) To evaluate and review the performance and decide on remuneration package of internal auditors.
- e) Approve any appointment or termination of senior staff members of the internal audit function;
- f) Take cognisance of resignations of senior internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

4.5 Write Off

To review, evaluate and endorse all debts writing off.

4.6 Others

- a) To undertake any other activities as authorised by the Board of Directors.
- b) 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.

5.0 MEETINGS

- i) The Committee meets every quarter or more frequently as circumstances dictate.
- ii) The quorum for a meeting shall be two (2) members whereby both members present must be Independent Non-Executive Directors.
- iii) 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.
- iv) 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.
- v) 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.
- vi) The Chief Internal Auditor shall be the Secretary to the Committee.

As at 28 February 2014

Authorised Share Capital10,000,000,000 Ordinary Shares
of RM1.00 each**Class of Shares**

Ordinary Shares of RM1.00 each

Issued and Fully Paid-Up Capital2,621,798,938 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
1 - 99	272	1.34	6,237	0.00
100 - 1,000	4,902	24.20	4,231,930	0.16
1,001 - 10,000	10,414	51.40	45,110,591	1.72
10,001 - 100,000	4,009	19.79	117,693,517	4.49
100,001 – 131,089,945	662	3.27	757,630,180	28.90
131,089,946 and above	1	0.00	1,697,126,483	64.73
Total	20,260	100	2,621,798,938	100

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
Tan Sri Abdul Halim bin Ali	77,142	0.003	-	-	77,142	0.003

Substantial Shareholders

Name of Shareholders	No. of Ordinary Shares	% of Ordinary Shares
1. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	1,697,126,483	64.73
Total	1,697,126,483	64.73

Thirty Largest Shareholders

	Name	No. of Shares	% of Shares
1.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	1,697,126,483	64.73
2.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hawang Kim Lian (Dealer 072)	103,958,200	3.97
3.	Permodalan Nasional Berhad	94,252,752	3.60
4.	Cimsec Nominees (Tempatan) Sdn Bhd Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	87,313,000	3.33
5.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lean Siew See (Dealer 072)	80,867,450	3.08
6.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Ma Yu (Dealer 074-Margin)	17,695,800	0.67
7.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Ma Yu (Dealer 072)	16,551,950	0.63
8.	HSBC Nominees (Asing) Sdn Bhd TNTC for LSV Emerging Markets Equity Fund L.P.	10,466,900	0.40
9.	Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt An for Phillip Capital Management Sdn Bhd (EPF)	9,020,550	0.34
10.	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (Australia)	8,661,377	0.33
11.	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Ma Yu	8,000,000	0.31
12.	HSBC Nominees (Asing) Sdn Bhd Exempt An for The Bank of New York Mellon (Mellon Acct)	7,240,550	0.28
13.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Quek Kon Sean (CCTS)	7,050,000	0.27
14.	Poseidon Sendirian Berhad	6,187,100	0.24
15.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LSF)	5,993,900	0.23
16.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Hooi Nan	5,700,000	0.22
17.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (EDP 2)	5,415,100	0.21
18.	Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt An for Phillip Capital Management Sdn Bhd	5,300,200	0.20
19.	HLB Nominees (Asing) Sdn Bhd Pledged Securities Account for Low Kang Hai Richard (Sin 9131-9)	5,225,000	0.20
20.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LPF)	4,793,350	0.18
21.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Acccim Serc Trust	4,125,000	0.16
22.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Deutsche Wertpapierservice Bank AG (Dresdner BK AG)	3,523,800	0.13
23.	HSBC Nominees (Asing) Sdn Bhd Exempt An for JPMorgan Chase Bank, National Association (Norges BK Lend)	3,470,100	0.13
24.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-Asing)	3,396,500	0.13
25.	B-OK Sdn Bhd	3,390,000	0.13
26.	Cartaban Nominees (Asing) Sdn Bhd Exempt An for State Street Bank & Trust Company (West CLT OD67)	3,360,406	0.13
27.	Tee Kok Thye	3,113,800	0.12
28.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AIM 6939-405)	2,962,500	0.11
29.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chin Hooi Nan (021)	2,932,500	0.11
30.	Yeap Chin Loon	2,880,000	0.11
	Total Shareholding of the Thirty Largest Shareholders	2,219,974,268	84.68

Analysis of Warrantholdings as at 28 February 2014

Size of Warrantholding	No. of Warrantheolders	% of Warrantheolders	No. of Warrants	% of Warrants
1 - 99	134	5.50	2,967	0.01
100 - 1,000	359	14.73	249,863	1.36
1,001 - 10,000	1,660	68.12	4,550,110	24.72
10,001 - 100,000	258	10.59	6,863,782	37.28
100,001 - 920,420	25	1.02	5,659,993	30.75
920,421 and above	1	0.04	1,081,722	5.88
Total	2,437	100	18,408,437	100

Substantial Warrantheolders

Name of Warrantheolders	No. of Warrants	% of Warrants
1. Loh Wan Kheat	1,131,224	6.15
2. Cheung Fung Nay	1,081,722	5.88
Total	2,212,946	12.03

Thirty Largest Warrantholders

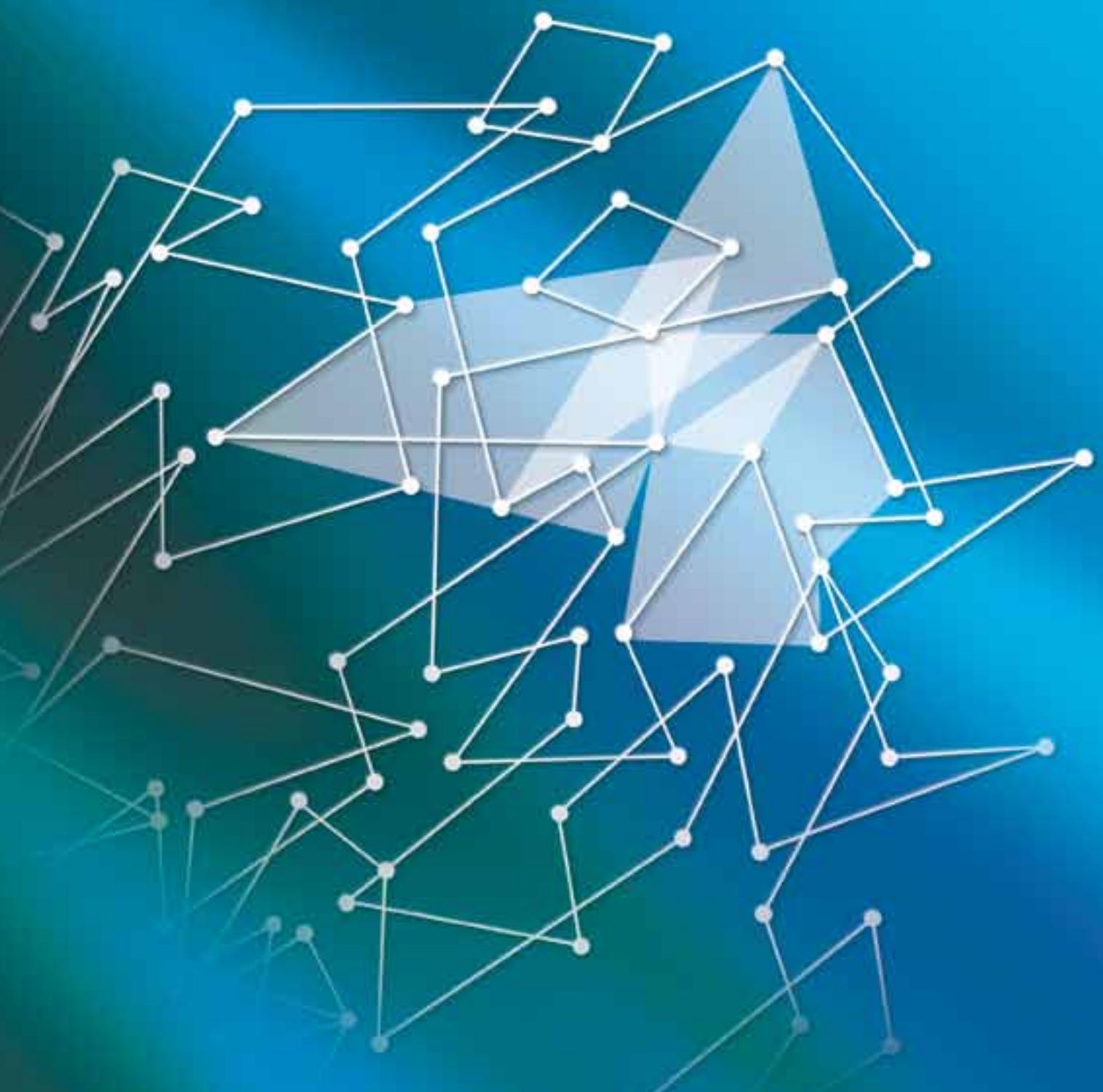
	Name	No. of Warrants	% of Warrants
1.	Cheung Fung Nay	1,081,722	5.88
2.	Loh Wan Kheat	815,318	4.43
3.	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (Singapore)	754,924	4.10
4.	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (U.S.A.)	568,847	3.09
5.	Loh Wan Kheat	315,906	1.72
6.	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teaw Hung Meng (Penang-CL)	267,541	1.45
7.	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Swee Pook	209,056	1.14
8.	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Tang Soon Chye (M & A)	199,000	1.08
9.	Tanya Angelique Pong	184,666	1.00
10.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Siew Wah	180,020	0.98
11.	Mohd Radzuan bin Ab Halim	168,638	0.92
12.	Tani Liau Kau @ Teh Eng Mong	168,406	0.91
13.	Wong Ngit Ngok	164,922	0.90
14.	LGK Sendirian Berhad	162,599	0.88
15.	Lim Tock Ooi	157,327	0.85
16.	Lau Teik Him Co Sdn Bhd	149,325	0.81
17.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Bernadette Jeanne De Souza (003)	140,532	0.76
18.	Tommy bin Bugo @ Hamid bin Bugo	127,524	0.69
19.	Citigroup Nominees (Asing) Sdn Bhd Exempt an for UBS AG Singapore (Foreign)	123,664	0.67
20.	Kam Siong Chee	121,949	0.66
21.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Eng Loo	121,949	0.66
22.	Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt an for Phillip Capital Management Sdn Bhd (EPF)	119,000	0.65
23.	Lim Tor Ping	116,142	0.63
24.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Erwin Selvarajah a/l Peter Selvarajah	111,400	0.61
25.	Abd Rahim bin Ambak	108,012	0.59
26.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Sang Chooi Fun (MY 0311)	103,326	0.56
27.	Ooi Pek See	98,720	0.54
28.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohd Radzuan bin Ab Halim	97,094	0.53
29.	Tan Shu Mei	96,978	0.53
30.	Yoong Weng Chew	95,817	0.52
	Total	7,130,324	38.74

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, Melaka	Leasehold	99	29.08.2074	7,048.10	Hotel	14	53,630
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.	Lot Nos. 412 & 840, Jalan PBR 32 & 31, Kawasan Perindustrian Bukit Rambai, 75250 Melaka	Leasehold	99	21.03.2095	1,1051.00	Development Land	10	35,739
4.	No.48, Jalan Dungun, Damansara Heights, Kuala Lumpur	Freehold	Nil	Nil	1,595.28	Office Building	26	31,374
5.	Lot No. 2402 PN 28760 Port Dickson, Negeri Sembilan (No. 325, Batu 1, Jalan Rumah Rehat, Port Dickson)	Leasehold	99	06.10.2095	6,042.00	Hotel	16	20,226
6.	Lot PT 47, Pekan Tanjung Kling, Section II, District of Melaka Tengah	Freehold	Nil	Nil	83,160.00	Vacant Land	Nil	19,500
7.	PN 7431 (Lot 7065) & PN 7432 (Lot 7066), Mukim Paka, Terengganu	Leasehold	60	21.05.2095	51,910.00	Resort Hotel / Apartment	Nil	15,768
8.	Lot 2947/GM 296 Lot 2948/Geran 12622 Lot 6781/PM 1063, Mukim of Durian Tunggal, District of Alor Gajah	Freehold Leasehold (Lot 6781)	99	11.11.2100	51,803.00	Vacant Land	Nil	8,197
9.	Lot 1755 PN No. 39370, Mukim of Bukit Katil, District of Melaka Tengah, Melaka	Leasehold	99	15.07.2095	43,137.50	Vacant Land	Nil	4,790
10.	A 5 storey shop-office consist of 44 Units Apartment and 13 Units Shop/Office located in Taman Delima Raya, Bukit Baru, Melaka	Freehold	Nil	Nil	Total Built up : 64,311 sq.ft	Shop-Office- Apartment	13	3,995

Financial Statements

MBSB ANNUAL REPORT 2013

Directors' Report	100
Statement by Directors	105
Statutory Declaration	106
Independent Auditors' Report	107
Statements of Financial Position	109
Statements of Comprehensive Income	111
Statements of Changes in Equity	112
Statements of Cash Flows	114
Notes to the Financial Statements	117



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 2013.

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	597,568	605,631

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 2012 were as follows:

	RM'000
In respect of the financial year ended 31 December 2012:	
- Final dividend of 9% and special dividend of 18% less 25% taxation on 1,732,664,359 ordinary shares, declared on 17 April 2013, paid on 30 May 2013	350,865
In respect of the financial year ended 31 December 2013:	
- Interim single tier cash dividend of 5% on 1,745,245,686 ordinary shares, declared on 22 October 2013, paid on 20 November 2013	87,262
	<u>438,127</u>

At the forthcoming Annual General Meeting, a single tier final dividend of 5% in respect of the financial year ended 31 December 2013 on approximately 2,621,797,000 ordinary shares of RM1.00 each (after taking into account the Rights Shares of approximately 873,929,000), amounting to a total dividend of RM131,090,000 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity in the financial year ending 31 December 2014.

Dividends (Continued)

The entire portion can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP") as disclosed in Note 35 to the financial statements and subject to the relevant regulatory approvals. On 10 December 2013, the shareholders had approved the DRP.

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
 Cik Ravinder Kaur a/p Mahan Singh (appointed on 5 June 2013)

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 31 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 of the Company and its related corporations during the financial year were as follows:

Name of director	Number of ordinary shares of RM1.00 each			
	1.1.2013	Acquired	Sold	31.12.2013
<i>Direct interest:</i>				
<i>Ordinary shares of the Company</i>				
Tan Sri Abdul Halim bin Ali	105,714	15,714	70,000	51,428
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 RM1,240,361,000 to RM1,747,868,000 by the issuance of approximately 507,507,000 new ordinary shares of RM1.00 each for cash as follows:

	Number of new ordinary shares of RM1.00 each Unit '000	RM '000	Issue/ exercise price
Issuance of new shares pursuant to:			
ESOS granted on 11.9.2010	9,586	9,586	1.17
ESOS granted on 9.3.2012	2,619	2,619	1.67
ESOS granted on 15.11.2012	8,604	8,604	2.33
Exercise of Warrants	486,698	486,698	1.00
	507,507	507,507	

The exercise prices of RM1.17, RM1.67 and RM2.33 was adjusted to the new prices of RM1.01, RM1.44 and RM2.01 respectively on the outstanding options pursuant to the ESOS By-Law 15.1(c)(ii) as a result of the implementation of the Rights Issue exercise in 2013. No share options were exercised based on the new exercise prices.

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

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 23(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 2013 are as follows:

Grant date	Expiry date	Exercise price (RM)	Number of options
11.09.2010	11.08.2015	*1.01	10,917,620
09.03.2012	11.08.2015	*1.44	5,085,149
15.11.2012	11.08.2015	*2.01	23,809,547

* New exercise prices adjusted pursuant to the ESOS By-Law 15.1(c)(ii) as a result of the implementation of the Rights Issue exercise in 2013.

Employee Share Option Scheme (Continued)

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 356,500 ordinary shares of RM1.00 each. The names of option holders granted options to subscribe for 356,500 or more ordinary shares of RM1 each during the financial year are as follows:

Name	Revised Exercise Price (RM)	Number of Share Options				Additional Entitlement Pursuant to Rights Issue on 29.01.2014
		← 1.1.2013	Granted	Exercised	→ 31.12.2013	
Tang Yow Sai	1.01	326,540	-	-	326,540	52,711
Tang Yow Sai	2.01	106,860	-	-	106,860	17,250
Azlina binti Mohd Rashad	1.01	110,664	-	36,888	73,776	11,909
Azlina binti Mohd Rashad	2.01	292,360	-	-	292,360	47,194

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.

Other Statutory Information (Continued)

- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (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 38 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.

Subsequent Event

The subsequent event is as disclosed in Note 45 to the financial statements. There are no significant adjusting events after the statements of financial position date up to the date when the financial statements are authorised for issuance.

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 13 February 2014.

Tan Sri Abdul Halim bin Ali
Chairman

Aw Hong Boo
Director

Kuala Lumpur, Malaysia

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 109 to 235 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 46 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 13 February 2014.

Tan Sri Abdul Halim bin Ali
Chairman

Aw Hong Boo
Director

Kuala Lumpur, Malaysia

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 109 to 235 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 13 February 2014

Tang Yow Sai

Before me,

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 the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of comprehensive income, the statements of changes in equity and the 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 109 to 234.

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 judgement, 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.

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 2013 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.

Independent Auditors' Report To The Members of Malaysia Building Society Berhad (Incorporated In Malaysia) (Continued)

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 for 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 Reporting Responsibility

The supplementary information set out in Note 46 on page 234 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.

Other Matter

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

Yeo Beng Yean
No. 3013/10/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
13 February 2014

Statements of Financial Position

as at 31 December 2013

MBSB ANNUAL REPORT 2013

109

		Group	
	Note	2013 RM'000	2012 RM'000
Assets			
Cash and short-term funds	5(a)	4,576,711	1,275,431
Deposits and placements with financial institutions	5(b)	6,953	5,354
Trade receivables	6	524	407
Other receivables	7	187,949	362,213
Inventories	8	28,906	60,908
Loans, advances and financing	9	30,296,222	24,265,570
Investments held-to-maturity	11	-	200,000
Investment properties	13	446	467
Property, plant and equipment	14	98,850	130,532
Land use rights	15	6,068	9,456
Intangible assets	16	42,979	47,392
Deferred tax assets	22	3,426	9,873
Total assets		35,249,034	26,367,603
Liabilities and shareholders' equity			
Deposits from customers	17	28,192,669	21,494,099
Bank borrowings	18	1,440,319	350,217
Other borrowings	18	250,869	351,203
Trade payables	19	224	195
Other payables	20	323,982	235,975
Provision for taxation and zakat		79,448	55,972
Recourse obligation on loans sold to Cagamas Berhad	21	2,267,224	2,361,997
Sukuk - MBSB SC Murabahah	10(a)	492,696	-
Deferred tax liabilities	22	15,393	21,299
Total liabilities		33,062,824	24,870,957
Share capital	23	1,747,868	1,240,361
Share premium	23	631,189	514,098
Other reserves	24	36,670	131,330
Accumulated losses		(229,517)	(389,143)
Total equity		2,186,210	1,496,646
Total liabilities and shareholders' equity		35,249,034	26,367,603

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

		Company	
	Note	2013 RM'000	2012 RM'000
Assets			
Cash and short-term funds	5(a)	4,553,819	1,248,746
Deposits and placements with financial institutions	5(b)	6,953	5,354
Other receivables	7	136,874	181,061
Inventories	8	9,097	41,096
Loans, advances and financing	9	30,346,108	24,318,799
Sukuk Commodity Murabahah	10(b)	578,645	-
Investments held-to-maturity	11	-	200,000
Investments in subsidiaries	12(a)	18,935	16,842
Loans to subsidiaries	12(b)	101,355	255,219
Property, plant and equipment	14	59,984	57,544
Intangible assets	16	42,857	47,229
Total assets		35,854,627	26,371,890
Liabilities and shareholders' equity			
Deposits from customers	17	28,192,669	21,494,099
Bank borrowings	18	1,440,319	350,217
Other borrowings	18	250,869	351,203
Other payables	20	914,101	252,111
Provision for taxation and zakat		76,414	45,083
Recourse obligation on loans sold to Cagamas Berhad	21	2,267,224	2,361,997
Sukuk - MBSB SC Murabahah	10(a)	492,696	-
Deferred tax liabilities	22	11,625	6,097
Total liabilities		33,645,917	24,860,807
Share capital	23	1,747,868	1,240,361
Share premium	23	631,189	514,098
Other reserves	24	36,670	131,330
Accumulated losses		(207,017)	(374,706)
Total equity		2,208,710	1,511,083
Total liabilities and shareholders' equity		35,854,627	26,371,890

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

Statements of Comprehensive Income

for the year ended 31 December 2013
MBSB ANNUAL REPORT 2013

111

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue	25	2,536,090	1,831,560	2,508,532	1,817,583
Interest income	26	465,771	422,927	451,735	419,207
Interest expense	27	(367,902)	(272,380)	(367,902)	(272,380)
Net interest income		97,869	150,547	83,833	146,827
Net income from Islamic banking operations	43	1,264,864	850,043	1,261,522	850,043
Operating income		1,362,733	1,000,590	1,345,355	996,870
Other income	28	140,485	125,660	127,618	89,232
Net income		1,503,218	1,126,250	1,472,973	1,086,102
Other operating expenses	29	(295,296)	(224,071)	(255,795)	(195,468)
Operating profit		1,207,922	902,179	1,217,178	890,634
Allowance for impairment losses on loans, advances and financing	32	(275,573)	(245,952)	(275,573)	(246,183)
Profit before taxation and zakat		932,349	656,227	941,605	644,451
Taxation	33	(331,104)	(206,840)	(332,297)	(207,567)
Zakat		(3,677)	(2,736)	(3,677)	(2,736)
Profit for the year		597,568	446,651	605,631	434,148
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		597,568	446,651	605,631	434,148
Earnings per share (sen)					
Basic	34 (a)	37.07	36.75		
Diluted	34 (b)	36.76	29.83		

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

Statements of Changes in Equity

for the year ended 31 December 2013

MBSB ANNUAL REPORT 2013

Group	Non Distributable							Total RM'000
	Ordinary Shares RM'000	Share Premium RM'000	Capital Reserve (Note 24) RM'000	Share Option Reserve (Note 24) RM'000	Warrants Reserve (Note 24) RM'000	Capital Redemption Reserve- Redeemable Cumulative Preferences Shares (Note 24) RM'000	Accumulated Losses RM'000	
At 1 January 2012	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 35)	-	-	-	-	-	-	(120,293)	(120,293)
Share options granted under ESOS recognised in profit or loss (Note 30)	-	-	-	10,416	-	-	-	10,416
Issuance of ordinary shares pursuant to exercise of ESOS	21,054	14,561	-	(9,698)	-	-	-	25,917
Issuance of ordinary shares pursuant to exercise of warrants	3,806	1,039	-	-	(1,039)	-	-	3,806
Transfer of share option reserve to accumulated losses upon expiry 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
Total comprehensive income for the year	-	-	-	-	-	-	597,568	597,568
Dividends (Note 35)	-	-	-	-	-	-	(438,127)	(438,127)
Share options granted under ESOS recognised in profit or loss (Note 30)	-	-	-	7,786	-	-	-	7,786
Issuance of ordinary shares pursuant to exercise of ESOS	20,808	21,672	-	(6,842)	-	-	-	35,638
Issuance of ordinary shares pursuant to exercise of warrants	486,699	95,419	-	-	(94,574)	-	(845)	486,699
Transfer of share option reserve to accumulated losses upon expiry of share options	-	-	-	(1,030)	-	-	1,030	-
At 31 December 2013	1,747,868	631,189	17,838	2,713	3,633	12,486	(229,517)	2,186,210

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

Statements of Changes in Equity (Continued)

for the year ended 31 December 2013

MBSB ANNUAL REPORT 2013

113

Company	Non Distributable							Total
	Ordinary Shares RM'000	Share Premium RM'000	Capital Reserve (Note 24) RM'000	Share Option Reserve (Note 24) RM'000	Warrants Reserve (Note 24) RM'000	Capital Redemption Reserve- Redeemable Cumulative Preferences Shares (Note 24) RM'000	Accumulated Losses RM'000	Total RM'000
At 1 January 2012	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 35)	-	-	-	-	-	-	(120,293)	(120,293)
Share options granted under ESOS recognised in profit or loss (Note 30)	-	-	-	10,416	-	-	-	10,416
Issuance of ordinary shares pursuant to exercise of ESOS	21,054	14,561	-	(9,698)	-	-	-	25,917
Issuance of ordinary shares pursuant to exercise of warrants	3,806	1,039	-	-	(1,039)	-	-	3,806
Transfer of share option reserve to accumulated losses upon expiry 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
Total comprehensive income for the year	-	-	-	-	-	-	605,631	605,631
Dividends (Note 35)	-	-	-	-	-	-	(438,127)	(438,127)
Share options granted under ESOS recognised in profit or loss (Note 30)	-	-	-	7,786	-	-	-	7,786
Issuance of ordinary shares pursuant to exercise of ESOS	20,808	21,672	-	(6,842)	-	-	-	35,638
Issuance of ordinary shares pursuant to exercise of warrants	486,699	95,419	-	-	(94,574)	-	(845)	486,699
Transfer of share option reserve to accumulated losses upon expiry of share options	-	-	-	(1,030)	-	-	1,030	-
At 31 December 2013	1,747,868	631,189	17,838	2,713	3,633	12,486	(207,017)	2,208,710

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from operating activities				
Profit before taxation	932,349	656,227	941,605	644,451
Adjustments for:				
Depreciation:				
- investment properties	21	21	-	-
- property, plant and equipment	13,159	10,337	9,255	5,595
Amortisation:				
- land use rights	165	165	-	-
- intangible assets	11,155	3,968	11,155	4,286
Gain on disposal of property, plant and equipment and land use rights	(6,154)	(26)	(4)	-
Gain on disposal of inventories	(15,001)	-	(15,001)	-
Gain on disposal of land held for sale	-	(55,452)	-	-
Loss on disposal of subsidiary	-	4,829	-	7,663
Write back loss on investments in subsidiaries	-	-	(2,093)	(39,328)
Allowance/(write back of allowance) for impairment of:				
- amount due from/loans to subsidiaries	-	-	(8,121)	22,159
- transfer from individual impairment allowance for loans, advances and financing	2,370	-	2,370	6,396
- unsecured advances in respect of certain projects	27,253	-	-	-
- loan commitment fees	22	-	22	-
- Public Low Cost Housing Programme ("PLCHP")	18,267	4,851	18,267	4,851
Allowance for impairment losses on loan, advances and financing	275,573	215,442	275,573	215,442
Accruals made during the year	13,142	10,023	13,142	10,023
Interest/profit income adjustment on:				
- loans, advance and financing	168,844	(127,511)	168,844	(127,511)
- Sukuk - MBSB SC Murabahah	(431)	-	(431)	-
- Sukuk Commodity Murabahah	-	-	(508)	-

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from operating activities (Continued)				
Operating profit before working capital changes	1,440,734	722,874	1,414,075	754,027
Increase in deposits with financial institutions with maturity of more than one month	(1,599)	(404)	(1,599)	(1,215)
Increase in loans, advances and financing	(6,520,042)	(9,094,813)	(6,520,811)	(9,094,813)
Increase in trade receivables	(117)	(13)	-	-
Decrease/(increase) in other receivables	126,352	(154,969)	22,253	32,476
Increase in deposits from customers	6,698,570	7,982,151	6,698,570	7,982,151
Increase in trade payables	29	17	-	-
Increase in other payables	34,651	36,550	608,634	38,509
Decrease/(increase) in loans to subsidiaries	-	-	163,260	(39,610)
Cash generated from/(used in) operations	1,778,578	(508,607)	2,384,382	(328,475)
Tax paid	(307,087)	(228,070)	(295,438)	(237,443)
Tax refund	5	-	-	-
Zakat paid	(1,708)	(836)	(1,708)	(836)
Net cash generated from/(used in) operating activities	1,469,788	(737,513)	2,087,236	(566,754)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(11,929)	(25,147)	(11,692)	(24,635)
Purchase of intangible assets	(12,766)	(48,795)	(12,766)	(52,924)
Proceeds from disposal of property, plant and equipment and land use rights	36,606	1,038	-	-
Proceeds from disposal of investment properties	-	503	-	-
Proceeds from disposal of product development cost	-	180,000	-	-
Proceeds from disposal of inventories	47,000	-	47,000	-
Proceeds from disposal of a subsidiary	-	56,172	-	56,172
Decrease in investments held-to-maturity	200,000	-	200,000	-
Decrease in inventories	-	60,931	-	-
Investment in Sukuk Commodity Murabahah	-	-	(578,137)	-
Net cash generated from/(used in) investing activities	258,060	163,771	(355,595)	(21,387)
Cash flows from financing activities				
Drawdown of bank borrowings	1,090,102	250,173	1,090,102	250,173
Repayment of other borrowings	(100,334)	(100,429)	(100,334)	(100,429)
(Repayment of)/proceeds from recourse obligation on loans sold to Cagamas Berhad	(94,773)	428,613	(94,773)	428,613
Proceeds from Sukuk - MBSB SC Murabahah	491,966	-	491,966	-
Dividends paid on ordinary shares	(438,127)	(120,293)	(438,127)	(120,293)
Net proceeds from issuance of ordinary shares	624,598	40,460	624,598	40,460
Net cash generated from financing activities	1,573,432	498,524	1,573,432	498,524
Net increase/(decrease) in cash and cash equivalents	3,301,280	(75,218)	3,305,073	(89,617)
Cash and cash equivalents at beginning of year	1,275,431	1,350,649	1,248,746	1,338,363
Cash and cash equivalents at end of year (Note 5(a))	4,576,711	1,275,431	4,553,819	1,248,746
Cash and cash equivalents is represented by:				
Cash and short-term funds	4,572,437	1,271,232	4,553,819	1,248,746
Cash held pursuant to Section 7A of the Housing Development Act (Note 5)	4,274	4,199	-	-
Cash and cash equivalents at end of year (Note 5(a))	4,576,711	1,275,431	4,553,819	1,248,746

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

1. Corporate information

The Company is a public limited liability company, incorporated under the Companies Act, 1965, 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 Employees Provident Fund, a statutory body established in Malaysia.

The Company is principally engaged in investment holding, money market activities, provision of financing, advances 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 Company acquired two new subsidiaries during the year. The new subsidiaries are Jana Kapital Sdn. Bhd. and Home Approach Sdn. Bhd..

The consolidated financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 13 February 2014.

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. These consolidated financial statements also comply with International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB").

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. Disclosures relating to the Islamic banking operations are disclosed in Note 43 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.

2. Summary of significant accounting policies (Continued)

(b) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiary is an entity over which the Group has all of the following:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power to affect those returns.

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(j) 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.

(ii) Basis of consolidation

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 financial year.

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. The assessment of control is performed continuously to determine if control exists or continues to exist over an entity. 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 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 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.

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 statement of comprehensive income 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.

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

2. Summary of significant accounting policies (Continued)

(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 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.

2. Summary of significant accounting policies (Continued)

(c) Intangible assets (Continued)

(ii) Other intangible assets (Continued)

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.

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. 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:

Buildings	2.5%
Building 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.

2. Summary of significant accounting policies (Continued)

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

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 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

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"), a defined contribution pension scheme. Such contributions are recognised as an expense in the income statements when incurred.

(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 employees of components of the Group (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 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.

2. Summary of significant accounting policies (Continued)

(f) Investment properties

Investment properties are property which is 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 the Group holds it to earn rentals or for capital appreciation or both.

Investment properties are derecognised when either it has been disposed of or when the investment properties are 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 financial 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) Inventories

Inventories of the Group comprise completed properties and hotel 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.

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.

2. Summary of significant accounting policies (Continued)

(h) 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.

(i) Cash and cash equivalents

Cash and short-term funds in the statements 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 purposes of the statements 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.

(j) 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.

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.

2. Summary of significant accounting policies (Continued)

(j) Impairment of non-financial assets (Continued)

An assessment is made at each reporting date as to whether there is any indication that a 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.

(k) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and/or 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.

Financial assets classified in this category include cash and short-term funds, deposits and placement with financial institutions, loans, advances and financing, Sukuk Commodity Murabahah and trade and other receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less accumulated impairment losses. 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)

(k) 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.

(l) 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.

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 characteristics. Objective evidence of impairment for a 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 loans, advances and financing and 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.

2. Summary of significant accounting policies (Continued)

(l) Impairment of financial assets (Continued)

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.

(m) 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 statements of financial position when, and only when, the Group and/or the Company become a party to the contractual provisions of the financial instrument.

The Group's and the Company's financial liabilities include Sukuk - MBSB SC Murabahah, trade payables, other payables, bank and other borrowings, recourse obligations on loans sold to Cagamas Berhad and deposits from customer. Deposits from customers are stated at placement values.

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.

Bank and other 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.

Sukuk - MBSB SC Murabahah issued by the Company is classified as other financial liabilities as there is a contractual obligation by the Company to make cash payments of either principal or profit or both to holders of the Sukuk - MBSB SC Murabahah and the Company is contractually obliged to settle the financial instrument in cash.

Subsequent to initial recognition, Sukuk issued are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in profit or loss over the period of the Sukuk - MBSB SC Murabahah using the effective profit method.

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.

2. Summary of significant accounting policies (Continued)

(n) 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.

(o) Warrants

Proceeds from the issuance of warrants, net of issue costs, are credited to the warrants reserve. The warrants reserve is non-distributable and will be transferred to the share premium account upon the exercise of warrants. Any remaining balance of the warrants reserve in relation to unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

(p) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to disburse loans, advances and financing to its borrowers as and when they choose to drawdown. Prior to this drawdown, financial guarantee contracts are recognised as commitment and contingencies. Subsequent to drawdown, financial guarantee shall be recognised as loans, advances and financing.

(q) 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 profit or loss 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.

2. Summary of significant accounting policies (Continued)

(q) Revenue recognition (Continued)

(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 amortised cost method.

(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.

(r) 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 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.

2. Summary of significant accounting policies (Continued)

(r) Income tax (Continued)

(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, unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the 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
- 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 profits 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.

2. Summary of significant accounting policies (Continued)

(r) Income tax (Continued)

(ii) Deferred tax (Continued)

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.

(s) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. Changes in accounting policies

(a) New, amended and revised MFRSs and IC Interpretations effective for annual periods on or after 1 January 2013

On 1 January 2013, 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 1 January 2013:

MFRS 3 *Business Combinations* (IFRS 3 *Business Combinations* issued by IASB in March 2004)

MFRS 127 *Consolidated and Separate Financial Statements*

(IAS 27 *Consolidated and Separate Financial Statements* revised by IASB in December 2003)

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)

Amendments to MFRS 1: *First time Adoption of Malaysian Financial Reporting Standards - Government Loans*

Amendments to MFRS 7: *Disclosures - Offsetting Financial Assets and Financial Liabilities*

Amendments to MFRSs contained in the document entitled "*Annual Improvements 2009 - 2011 Cycle*"

IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

The adoption of these new and revised MFRSs did not result in any significant effect on the consolidated and separate financial statements other than as described below:

(i) MFRS 10 *Consolidated Financial Statements* ("MFRS 10")

MFRS 10 introduces a revised definition of control that entities are required to adhere to in determining if control exists and, consequently, if entities are required to be consolidated. The adoption of MFRS 10 did not result in any significant impact other than the consolidation of Jana Kapital Sdn. Bhd..

Jana Kapital Sdn. Bhd. ("JKSB") is a Special Purpose Vehicle established by the Company as part of its securitisation programme wherein certain Islamic personal financing ("PFI") balances would be transferred to JKSB in line with the Principal Terms and Conditions of the Sukuk - MBSB SC Murabahah issued by the Company during the year. Management had concluded that control over JKSB existed in line with the revised definition of control introduced by MFRS 10. Accordingly, JKSB is deemed to be a subsidiary and its financial position and results for the year ended 31 December 2013 has been included in the consolidated financial statements of the Group for the current financial year.

3. Changes in accounting policies (Continued)

(a) New, amended and revised MFRSs and IC Interpretations effective for annual periods on or after 1 January 2013 (Continued)

(ii) MFRS 12 *Disclosure of Interests in Other Entities*

MFRS 12 sets out the requirements for disclosures relating to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. The requirements in MFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. MFRS 12 disclosures are disclosed in Notes 12(a).

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. This standard affects disclosures only and has no impact on the Group's financial position or performance.

(iii) MFRS 13 *Fair Value Measurement*

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurements of the Group and the Company. Additional disclosures, where required, are disclosed in Note 41.

3. Changes in accounting policies (Continued)

(b) Standards and interpretations issued but not yet effective

The following are standards and interpretations issued by MASB, but not yet effective, up to the date of issuance of the Group's and the Company's financial statements. The Group and the Company intend to adopt these standards and interpretations, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 132: <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: <i>Investment Entities</i>	1 January 2014
Amendments to MFRS 136: <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139: <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21 <i>Levies</i>	1 January 2014
MFRS 9 <i>Financial Instruments</i> (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9 <i>Financial Instruments</i> (IFRS 9 issued by IASB in October 2010)	1 January 2015

The Group and the Company plan to apply the abovementioned standard when they become effective:

MFRS 9 Financial Instruments: Classification and Measurement

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: *Mandatory Effective Date of MFRS 9 and Transition Disclosures*, issued in March 2012, moved the mandatory effective date to 1 January 2015. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

4. Significant accounting estimates and judgements

(a) Critical judgments made in applying accounting policies

The following are the judgements 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 *Investment Property* in making judgement 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. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Investment properties and property, plant and equipment of the Group and the Company are disclosed in Notes 13 and 14, respectively.

(ii) Assessment of derecognition of PFI sold to JKSB

In line with the Principal Terms and Condition of the Sukuk - MBSB SC Murabahah programme of the Group (as detailed in Note 10(a)), Sukuk - MBSB SC Murabahah and Sukuk Commodity Murabahah will be issued in tranches from time to time, as decided by management and each tranche is required to be backed by a portfolio of identified PFI held by JKSB. The portfolio of identified PFI is purchased by JKSB from the Company on an arm's length transaction. Management has considered the derecognition criteria prescribed in MFRS 139 *Financial Instruments: Recognition and Measurement*, specifically, if the sale of PFI by the Company to JKSB would meet the derecognition criteria as stipulated in the standard.

In determining if the sale meets the derecognition criteria, management have evaluated the extent to which it retains the risks and rewards of ownership of the PFI. As the Principal Terms and Conditions require the replacement of defaulted PFI with performing PFI, management had concluded that the risks and rewards of ownership of the PFI continue to be retained by the Company. Accordingly, the sale of the PFI to JKSB does not meet the criteria for derecognition and has not been derecognised in the financial statements of the Company. Instead, an amount equivalent to the carrying value of the the pledged PFI has been recognised in the financial statements of the Company as an amount due to JKSB and, conversely, in JKSB's books, an equivalent amount has been recognised as an amount due from MBSB. Management is of the opinion that the described accounting treatment provides a more comprehensive and accurate representation of the arrangement between MBSB and JKSB.

4. Significant accounting estimates and judgements (Continued)

(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:

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

The Group and the Company review its individually significant loans, advances and financing and other receivables at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, judgement 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 judgements 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 grouped based on similar risk characteristics and assessed collectively, 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.

The amount of impairment loss provided by the Group and the Company is disclosed in Note 6, 7 and 9.

(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 23(a).

4. Significant accounting estimates and judgements (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iii) Impairment of investment in subsidiaries

The Group assesses whether there is any indication that investments in subsidiaries may be impaired at each reporting date.

If indicators are present, these investments are subject to impairment review. The impairment review comprises a comparison of the carrying amounts of the investment and the investment's estimated recoverable amounts

Judgements made by management in the process of applying the Group's accounting policies in respect of investments in subsidiaries are as follows:

- (i) The Group determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and in the economic environment; and
- (ii) Depending on their nature and the location in which the investments relate to, judgements are made by management to select suitable methods of valuation such as discounted future cash flows.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trends.

Management believes that no reasonably expected possible change in the key assumptions described above would cause the carrying amounts of the investments to materially exceed their recoverable amounts.

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(a) Cash and short-term funds:				
Cash at banks and on hand	243,958	246,185	224,424	219,500
Money at call	1,855,267	869,172	1,855,267	869,172
Deposits and placements with financial institutions with maturity of less than one month	2,477,486	160,074	2,474,128	160,074
Total cash and short-term funds	4,576,711	1,275,431	4,553,819	1,248,746
b) Deposits and placements with financial institutions with maturity of more than one month	6,953	5,354	6,953	5,354
Total cash and short-term funds and deposits and placements with financial institutions	4,583,664	1,280,785	4,560,772	1,254,100

Included in cash at banks of the Group is an amount of RM4,273,771 (2012: RM4,198,674) 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 depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposits rates. The weighted average effective interest rate as at 31 December 2013 for the Group and the Company was 3.33% (2012: 3.43%) per annum.

6. Trade receivables

	Group	
	2013 RM'000	2012 RM'000
Gross balance	25,334	25,237
Less: Allowance for impairment	(24,810)	(24,830)
Net balance	524	407

Movements in allowance for impairment are as follows:

	Group	
	2013 RM'000	2012 RM'000
Balance as at 1 January	24,830	25,735
Reversal of impairment losses (Note 29)	(20)	(905)
Balance as at 31 December	24,810	24,830

Trade receivables are non-interest bearing and credit terms provided are generally on 7 to 30 days (2012: 7 to 30 days) term.

7. Other receivables

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unsecured advances in respect of certain projects	274,543	247,291	-	-
Loan commitment fees	8,740	8,740	8,740	8,740
Amount due from subsidiaries	-	-	52,376	83,040
Foreclosed properties	144,414	141,085	144,414	141,085
Prepayments and deposits	9,653	9,131	4,183	3,391
Amount due from disposal of property development cost	-	161,981	-	-
Sundry receivables	33,465	32,550	29,777	28,919
Deferred expenses due to issuance of Sukuk Commodity Murabahah	179	-	-	-
Deferred expenses due to issuance of Sukuk - MBSB SC Murabahah	3,432	-	3,432	-
	474,426	600,778	242,922	265,175
Less: Allowance for impairment	(286,477)	(238,565)	(106,048)	(84,114)
	187,949	362,213	136,874	181,061

Movements in allowance for impairment are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Balance as at 1 January	238,565	202,726	84,114	68,083
Transfer from individual impairment allowance for loans, advances and financing (Note 9(vi))	2,370	6,396	2,370	6,396
Charge for the year:				
Unsecured advances in respect of certain projects	27,253	24,592	-	-
Amount due from subsidiaries	-	-	1,275	4,784
Loan commitment fees	22	-	22	-
PLCHP	18,267	4,851	18,267	4,851
Balance as at 31 December	286,477	238,565	106,048	84,114

7. Other receivables (Continued)

Details of allowance for impairment are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unsecured advances in respect of certain projects	210,803	183,550	-	-
Loan commitment fees	8,740	8,718	8,740	8,718
Amount due from subsidiaries	-	-	34,563	33,288
PLCHP	23,118	4,851	23,118	4,851
Sundry receivables	10,347	10,347	6,158	6,158
Foreclosed properties	33,469	31,099	33,469	31,099
	286,477	238,565	106,048	84,114

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. These advances bear interest of 10.50% (2012: 10.50%) per annum.

The amount due from subsidiaries is unsecured, bears interest of 3.76% (2012: 3.87%) per annum and is repayable on demand.

Included in prepayments and deposits of the Group and of the Company are rental deposits paid to the Employees Provident Fund ("EPF"), the ultimate holding body, amounting to RM97,603 (2012: RM97,000).

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.

8. Inventories

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At cost:				
Hotel inventories	285	289	-	-
At net realisable value:				
Freehold land held for sale	28,621	60,619	9,097	41,096
	28,621	60,619	9,097	41,096
Total Inventories	28,906	60,908	9,097	41,096

9. Loans, advances and financing

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
End finance:				
Normal housing programme	3,594,313	3,668,897	3,594,313	3,668,897
Low cost housing programme	18,127	17,898	18,127	17,898
Islamic:				
Property	1,744,117	1,838,004	1,744,117	1,838,004
Personal	23,387,568	17,760,358	23,387,568	17,760,358
Auto finance	206,728	126,334	206,728	126,334
Bridging, structured and term loans and financing	2,924,769	3,519,946	3,208,915	3,807,435
Staff loans	39,918	31,406	39,918	31,406
Gross loans, advances and financing	31,915,540	26,962,843	32,199,686	27,250,332
Allowance for impairment:				
- Collectively assessed	(1,318,453)	(1,013,214)	(1,318,453)	(1,013,214)
- Individually assessed	(300,865)	(1,684,059)	(535,125)	(1,918,319)
Net loans, advances and financing	30,296,222	24,265,570	30,346,108	24,318,799

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

	Company	
	2013 RM'000	2012 RM'000
Loans to subsidiaries	60,998	64,317

9. Loans, advances and financing (Continued)

Included in Islamic personal financing are amount that have been charged for financing facility granted to the Company as shown below:

	Group and Company	
	2013 RM'000	2012 RM'000
Islamic financing facility granted by:		
EPF (Note 18)	578,642	800,000
Recourse obligation on loans sold to Cagamas Berhad (Note 21)	2,433,712	2,385,302
Sukuk - MBSB SC Murabahah* (Note 10(a))	574,487	-

* The Islamic personal financing charged to Sukuk - MBSB SC Murabahah were Islamic personal financing sold to a subsidiary, JKSB, amounting to RM 570,637,000 as at the selling date, 1 December 2013.

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Maturing within one year	1,862,220	2,490,972	1,862,220	2,490,972
One year to three years	662,994	861,897	662,994	861,897
Three years to five years	877,312	376,938	877,312	376,938
Over five years	28,513,014	23,233,036	28,797,160	23,520,525
	31,915,540	26,962,843	32,199,686	27,250,332

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Purchase of residential properties	5,078,238	5,294,790	5,078,238	5,294,790
Purchase of non-residential properties	298,725	506,710	298,725	506,710
Personal use	23,405,091	17,769,027	23,405,091	17,769,027
Property development	2,331,940	2,785,315	2,616,086	3,072,804
Working capital	326,616	261,900	326,616	261,900
Purchase of transport vehicles	208,716	127,914	208,716	127,914
Others	266,214	217,187	266,214	217,187
	31,915,540	26,962,843	32,199,686	27,250,332

9. Loans, advances and financing (Continued)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Domestic non-bank financial institutions	151,267	195,609	151,267	195,609
Domestic business enterprises:				
- Small medium enterprises	2,868,796	3,333,001	3,152,942	3,620,490
- Others	65,559	122,796	65,559	122,796
Individuals	28,829,918	23,311,437	28,829,918	23,311,437
	31,915,540	26,962,843	32,199,686	27,250,332

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fixed rate:				
Personal financing	14,689,383	17,286,769	14,689,383	17,286,769
Auto finance	208,716	127,914	208,716	127,914
Bridging, structured and term loans and financing	48,215	49,968	48,215	49,968
Variable rate:				
Cost of fund plus	16,969,226	9,498,192	17,253,372	9,785,681
	31,915,540	26,962,843	32,199,686	27,250,332

9. Loans, advances and financing (Continued)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Balance as at 1 January	3,000,789	3,137,754	3,288,281	3,422,261
Classified as impaired during the year	982,861	926,090	979,518	929,075
Reclassified as non-impaired	(946,634)	(706,933)	(946,634)	(706,933)
Amount recovered	(47,783)	(138,807)	(47,783)	(138,807)
Amount written off	(1,340,850)	(217,315)	(1,340,850)	(217,315)
Balance as at 31 December	1,648,383	3,000,789	1,932,532	3,288,281
Collective allowance	(467,904)	(411,959)	(467,904)	(411,959)
Individual allowance	(159,610)	(1,517,034)	(393,869)	(1,751,297)
Allowance for impairment	(627,514)	(1,928,993)	(861,773)	(2,163,256)
Net impaired loans, advances and financing	1,020,869	1,071,796	1,070,759	1,125,025
Net impaired loans as a percentage of net loans, advances and financing	3.4%	4.5%	3.5%	4.7%

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

	Group and Company	
	2013 RM'000	2012 RM'000
Collective Impairment		
Balance as at 1 January	1,013,214	774,671
Impairment during the year (Note 32)	305,239	238,543
Balance as at 31 December	1,318,453	1,013,214

9. Loans, advances and financing (Continued)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Individual Impairment				
Balance as at 1 January	1,684,059	1,924,621	1,918,319	2,158,881
(Write back of impairment)/impairment during the year (Note 32)	(32,173)	7,044	(32,173)	7,044
Written off	(1,348,651)	(238,210)	(1,348,651)	(238,210)
Transfer to impairment for foreclosed properties (Note 7)	(2,370)	(6,396)	(2,370)	(6,396)
Transfer to impairment of investment in subsidiaries	-	(3,000)	-	(3,000)
Balance as at 31 December	300,865	1,684,059	535,125	1,918,319

The credit risk of financial assets of the Group and the Company is mitigated by the collateral held against the financial assets and would reduce the extent of impairment allowance for the assets subject to impairment review. In this respect, the individual impairment allowance as at the reporting date would be higher by approximately RM251,396,000 (2012: RM443,765,000) without the mitigating effect of collateral held.

10. Sukuk - MBSB Structured Covered ("SC") Murabahah and Sukuk Commodity Murabahah

(a) Sukuk - MBSB Structured Covered ("SC") Murabahah

	Group and Company
	2013
	RM'000
Sukuk - MBSB SC Murabahah	492,696
Maturity of Sukuk - MBSB SC Murabahah:	
Within one year	40,407
More than one year	452,289
	492,696

On 25 October 2013, MBSB's Sukuk - MBSB SC Murabahah programme ("the Programme") was approved by the Securities Commission. The salient terms of the Programme as prescribed in its Principal Terms and Conditions are as follows:

- (i) The Programme is available for issue within a period of 5 years from the first issuance date and is issued in tranches ("Tranche") from time to time, at the discretion of MBSB;
- (ii) Each Tranche will consist of multiple series of Sukuk with different maturities;
- (iii) Each Tranche will be backed by an identified pool of Financing Receivables ("Tranche Cover Assets") held by the Company's SPV, JKSB;
- (iv) JKSB will issue an unconditional and irrevocable Covered Sukuk Guarantee to the holders of the Sukuk - MBSB SC Murabahah;
- (v) Tranche Cover Assets will be pledged by JKSB as security for the Covered Sukuk Guarantee. These Tranche Cover Assets are assigned to the Sukuk Trustee for this purpose;
- (vi) In the event of default as defined in the Principal Terms and Conditions, the Tranche Cover Assets will be liquidated by the Sukuk Trustee in favour of the holders of the Sukuk - MBSB SC Murabahah; and
- (vii) From time to time, additional Tranche Cover Assets will be purchased by JKSB in line with additional Tranches drawdown by MBSB.

10. Sukuk - MBSB Structured Covered ("SC") Murabahah and Sukuk Commodity Murabahah (Continued)**(b) Sukuk Commodity Murabahah**

	Company 2013 RM'000
Sukuk Commodity Murabahah	578,645

As part of the Programme, JKSB will issue a Sukuk Commodity Murabahah to raise funds necessary for the purchase of Tranche Cover Assets from the Company. The salient terms of the Sukuk Commodity Murabahah are as follows:

- (i) The Sukuk Commodity Murabahah will be issued in Tranches corresponding to each Tranche of Sukuk - MBSB SC Murabahah;
- (ii) The tenure of the Sukuk Commodity Murabahah will be equivalent to the tenure of each Tranche of the Sukuk - MBSB SC Murabahah plus an additional year;
- (iii) The profit rates of each Tranche of the Sukuk Commodity Murabahah will be equivalent to the profit rates of the corresponding Sukuk - MBSB SC Murabahah.

On 24 December 2013, the first drawdown of the Programme amounting to approximately RM495 million was made by the Company with an equivalent issuance by JKSB amounting to approximately RM579 million to the Company. The first Tranche is secured against Tranche Cover Assets amounting to RM570,637,000 sold to JKSB on 1 December 2013. The first Tranches of the Sukuk - MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 8 and 9 years from their drawdown dates respectively and both instruments carry profit rates ranging from 3.84% to 4.68% per annum, payable semi-annually in arrears. The repayment of the first Tranche of the Sukuk - MBSB SC Murabahah by series is disclosed in Note 39 to the financial statements.

11. Investment held-to-maturity

	Group and Company	
	2013 RM'000	2012 RM'000
Unquoted Private Debt Securities ("PDS")	-	200,000
	-	200,000
Market/indicative value	-	195,382

The investments held-to-maturity had matured on 19 July 2013.

12. Investments in subsidiaries and loans to subsidiaries

(a) Investments in subsidiaries

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares at cost	118,167	118,162
Less: Accumulated impairment losses	(99,232)	(101,320)
	18,935	16,842

12. Investments in subsidiaries and loans to subsidiaries (Continued)

(a) Investments in subsidiaries (Continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Effective interest held (%)		Principal activities
	2013	2012	
MBSB Properties Sdn. Bhd.	100	100	Leasing of real property
MBSB Development Sdn. Bhd.	100	100	Property development
Prudent Legacy Sdn. Bhd.	92	92	Property development
Sigmaprise Sdn. Bhd.	100	100	Hotel operations
Ganesha Sdn. Bhd.	100	100	Property development
Springtide Sdn. Bhd.	100	100	Property development
Trimonds Sdn. Bhd.	100	100	Investment holding
MBSB Project Management Sdn. Bhd.	100	100	Ceased operations
Definite Pure Sdn. Bhd.	100	100	Dormant
Malaya Borneo Building Society Limited ("MBBS") *	100	100	Dormant
Farawide Sdn. Bhd.	100	100	Hotel operations services
Raynergy Sdn. Bhd.	100	100	Dormant
Idaman Usahamas Sdn. Bhd.	100	100	Property development
Ombak Pesaka Sdn. Bhd.	100	100	Hotel operations
MBSB Tower Sdn. Bhd. (formerly known as Ambang Hartamas Sdn. Bhd.)	100	100	Property development
Home Approach Sdn. Bhd.	100	-	Property development
Jana Kapital Sdn. Bhd.	100	-	Investment holding

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

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

12. Investments in subsidiaries and loans to subsidiaries (Continued)

(a) Investments in subsidiaries (Continued)

Disposal of subsidiary in prior year

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. 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 31 December 2012:

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

12. Investments in subsidiaries and loans to subsidiaries (Continued)**(b) Loans to subsidiaries**

	Company	
	2013 RM'000	2012 RM'000
Secured	12,719	44,309
Unsecured	183,564	302,036
	196,283	346,345
Less: Allowance for impairment	(94,928)	(91,126)
	101,355	255,219

Movements in allowance for impairment are as follows:

	Company	
	2013 RM'000	2012 RM'000
Balance as at 1 January	91,126	86,163
Charge for the year		
Secured	(32,921)	6,006
Unsecured	36,723	(1,043)
Total charge for the year (Note 29)	3,802	4,963
Balance as at 31 December	94,928	91,126
Details of allowance for impairment are as follows:		
Secured	6,810	39,731
Unsecured	88,118	51,395
	94,928	91,126

The loans to subsidiaries are repayable on demand and are secured against landed properties of the subsidiaries. The weighted average effective interest rates of loans to subsidiaries at the reporting date was 3.76% (2012: 3.87%) per annum.

13. Investment properties

	Group	
	2013 RM'000	2012 RM'000
At cost:		
At 1 January	1,076	1,554
Disposals	-	(478)
At 31 December	1,076	1,076
Accumulated depreciation and impairment loss:		
At 1 January	(609)	(674)
Depreciation charge for the year (Note 29)	(21)	(22)
Disposals	-	87
At 31 December	(630)	(609)
Net book value:		
At 31 December	446	467

Valuation of investment properties

Investment properties are measured at cost. The fair value of the investment properties as at 31 December 2013 amounted to approximately RM519,000 (2012: RM562,000), which have been determined based on valuations as at 19 February 2013. The fair value of investment properties are categorised under Level 2 of the fair value hierarchy as the valuations were mainly performed based on the comparison method makes reference to comparable properties which had been sold or are being offered for sale in the vicinity. The valuations were performed by accredited independent valuers with recent experience in the location and category of properties being valued.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value hierarchy disclosures for investment properties have been provided in Note 41.

The investment properties of the Group are pending the subdivision of titles.

14. 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 2013	15,824	180,224	22,528	25,823	665	32,277	277,341
Additions	-	-	7,285	3,076	174	1,394	11,929
Disposals	(9,607)	(76,506)	(144)	(679)	-	(516)	(87,452)
At 31 December 2013	6,217	103,718	29,669	28,220	839	33,155	201,818
Accumulated depreciation and impairment losses							
At 1 January 2013:							
Accumulated depreciation	-	60,552	15,569	22,363	365	13,302	112,151
Accumulated impairment losses	371	34,287	-	-	-	-	34,658
	371	94,839	15,569	22,363	365	13,302	146,809
Depreciation charge for the year (Note 29)	-	3,591	3,399	1,600	150	4,419	13,159
Disposals	-	(55,697)	(144)	(643)	-	(516)	(57,000)
At 31 December 2013	371	42,733	18,824	23,320	515	17,205	102,968
Analysed as:							
Accumulated depreciation	-	8,446	18,824	23,320	515	17,205	68,310
Accumulated impairment losses	371	34,287	-	-	-	-	34,658
	371	42,733	18,824	23,320	515	17,205	102,968
Net book value							
At 31 December 2013	5,846	60,985	10,845	4,900	324	15,950	98,850

14. 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 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 29)	-	4,116	2,698	1,541	106	1,876	10,337
Disposals	-	-	(1,220)	(282)	(115)	-	(1,617)
Reversal/reclassification (Note 29)	-	-	(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	15,569	22,363	365	13,302	112,151
Accumulated impairment losses	371	34,287	-	-	-	-	34,658
	371	94,839	15,569	22,363	365	13,302	146,809
Net book value							
At 31 December 2012	15,453	85,385	6,959	3,460	300	18,975	130,532

14. 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 2013	9,968	18,946	15,367	11,410	390	31,272	87,353
Additions	-	-	7,285	2,847	174	1,393	11,699
Disposals	-	-	-	(16)	-	(447)	(463)
At 31 December 2013	9,968	18,946	22,652	14,241	564	32,218	98,589
Accumulated depreciation							
At 1 January 2013:							
Accumulated depreciation	-	1,066	7,999	7,980	213	12,551	29,809
Depreciation charge for the year (Note 29)	-	474	2,999	1,299	81	4,402	9,255
Disposals	-	-	-	(12)	-	(447)	(459)
At 31 December 2013	-	1,540	10,998	9,267	294	16,506	38,605
Net book value							
At 31 December 2013	9,968	17,406	11,654	4,974	270	15,712	59,984

14. 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							
At 1 January 2012:							
Accumulated depreciation	-	592	5,768	7,028	163	10,691	24,242
Depreciation charge for the year (Note 29)	-	474	2,277	963	50	1,860	5,624
Reversal/reclassification (Note 29)	-	-	(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

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Pending subdivision of titles	687	949	-	230

15. Land use rights

	Group	
	2013 RM'000	2012 RM'000
Cost:		
At 1 January	11,718	11,718
Disposal	(3,290)	-
At 31 December	8,428	11,718
Accumulated amortisation:		
At 1 January	2,262	2,097
Amortisation for the year (Note 29)	165	165
Disposal	(67)	-
At 31 December	2,360	2,262
Net carrying amount	6,068	9,456
Amount to be amortised:		
- Not later than one year	165	165
- Later than one year but not later than five years	660	660
- Later than five years	5,243	8,631
	6,068	9,456

16. Intangible assets

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Software licences				
Cost				
At 1 January	59,806	11,011	59,426	10,830
Transfer from property, plant and equipment	-	93	-	-
Additions	6,576	48,702	6,576	48,596
At 31 December	66,382	59,806	66,002	59,426
Accumulated depreciation and impairment losses				
At 1 January	12,414	8,443	12,197	8,264
Transfer from property, plant and equipment	-	3	-	-
Amortisation for the year (Note 29)	10,989	3,968	10,948	3,933
At 31 December	23,403	12,414	23,145	12,197
Net book value				
At 31 December	42,979	47,392	42,857	47,229

17. Deposits from customers

	Group and Company	
	2013	2012
	RM'000	RM'000
By type of products:		
Savings	108,713	55,847
Fixed deposits	28,083,956	21,438,252
	28,192,669	21,494,099
By type of customers:		
Government and statutory bodies	20,141,023	12,840,398
Business enterprises	5,794,672	6,374,137
Individuals	2,256,974	2,278,995
Others	-	569
	28,192,669	21,494,099
Maturity of deposits from customers:		
Within one year	25,812,374	19,578,586
More than one year	2,380,295	1,915,513
	28,192,669	21,494,099

18. Bank and other borrowings

	Group and Company	
	2013 RM'000	2012 RM'000
Total borrowings		
Bank borrowings	1,440,319	350,217
Other borrowings	250,869	351,203
	1,691,188	701,420
Maturity of borrowings:		
Within one year	1,549,682	467,403
Within one to five years	141,506	234,017
	1,691,188	701,420

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

	Group and Company	
	2013 %	2012 %
Bank borrowings	4.05	3.89
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% (2012: 0.50% to 1%). The bank borrowings are due within one year.

Other borrowings relate to Islamic financing facilities granted by EPF and secured on a portfolio of PFI advances amounting to RM578,642,000 (2012: RM800,000,000) as disclosed in Note 9.

19. Trade payables

The normal trade credit terms granted to the Group range from 30 to 60 (2012: 30 to 60) days.

20. Other payables

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Due to subsidiaries	-	-	17,800	17,801
Al-Mudharabah security deposit	98,592	70,136	98,592	70,136
Amount due to a subsidiary, Jana Kapital Sdn. Bhd. ("JKSB")	-	-	574,487	-
Accruals	51,327	37,202	50,410	36,569
Commission payable	204	6,364	204	6,364
Deferred income	142,146	50,913	142,146	50,913
Others	31,713	71,360	30,462	70,328
	323,982	235,975	914,101	252,111

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

The amount due to a subsidiary, JKSB, relates to the sale of a portfolio of PFI that does not meet the derecognition criteria prescribed under MFRS 139 as detailed in Note 4(a)(ii).

21. Recourse obligation on loans sold to Cagamas Berhad

	Group and Company	
	2013 RM'000	2012 RM'000
Maturing within 12 months	97,230	111,099
Maturing after 12 months	2,169,994	2,250,898
	2,267,224	2,361,997

These amounts relate to proceeds received from the sale of conventional and Islamic housing loans and Islamic personal financing 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 a set of pre-determined criteria.

22. Deferred tax liabilities

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	11,426	21,781	6,097	4,800
Recognised in profit or loss (Note 33)	541	(10,355)	5,528	1,297
At 31 December	11,967	11,426	11,625	6,097
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	15,393	21,299	14,477	16,420
Deferred tax assets	(3,426)	(9,873)	(2,852)	(10,323)
	11,967	11,426	11,625	6,097

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 differences RM'000	Total RM'000
At 1 January 2012	16,605	4,726	450	21,781
Recognised in profit or loss (Note 33)	(11,579)	11,547	(10,323)	(10,355)
At 1 January 2013	5,026	16,273	(9,873)	11,426
Recognised in profit or loss (Note 33)	-	-	541	541
At 31 December 2013	5,026	16,273	(9,332)	11,967

22. Deferred tax liabilities (Continued)**Deferred tax liabilities/(assets) of the Company:**

	Accelerated capital allowances RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2012	4,800	-	4,800
Recognised in profit or loss (Note 33)	11,620	(10,323)	1,297
At 1 January 2013	16,420	(10,323)	6,097
Recognised in profit or loss (Note 33)	-	5,528	5,528
At 31 December 2013	16,420	(4,795)	11,625

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unused tax losses	43,316	37,437	-	-
Collective impairment losses	329,612	225,656	329,612	225,656
Unabsorbed capital allowances	10,585	6,395	-	-
Provision for bonus	-	6,544	-	6,544
Deferred income	-	12,728	-	12,728

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.

23. Share capital and share premium

Share capital

Group and Company

	Number of shares of RM1.00 each		Amount	
	2013 Units '000	2012 Units '000	2013 RM'000	2012 RM'000
Authorised:				
- Ordinary shares				
At 1 January	2,800,000	2,800,000	2,800,000	2,800,000
Increase during the year	7,200,000	-	7,200,000	-
At 31 December	10,000,000	2,800,000	10,000,000	2,800,000
Ordinary shares Issued and fully paid:				
At 1 January	1,240,361	1,215,501	1,240,361	1,215,501
Issued during the year:				
Issue of ordinary shares pursuant to ESOS	20,808	21,054	20,808	21,054
Issue of ordinary shares pursuant to warrants	486,699	3,806	486,699	3,806
At 31 December	1,747,868	1,240,361	1,747,868	1,240,361

Share premium

Group and Company

	Amount	
	2013 RM'000	2012 RM'000
At 1 January	514,098	498,498
Issue of ordinary shares pursuant to ESOS	21,672	14,561
Issue of ordinary shares pursuant to warrants	95,419	1,039
At 31 December	631,189	514,098

23. Share capital and share premium (Continued)

(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 the date of implementation.

The salient features of the ESOS are as follows:

- (i) Eligible persons 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 multiples 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 being 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 a 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 Directors and senior management of the Group shall not exceed 50% of the total Company's shares available under the Scheme.

The number of Company's shares allocated to any individual 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 Companies Act, 1965 in Malaysia), 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.

23. Share capital and share premium (Continued)

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

- (viii) In respect of ESOS granted in 11.9.2010, 80% of the options granted are exercisable immediately and the remaining 20% of the options shall become exercisable in the subsequent year during the validity of the option provided that the employee has been in continuous service with the Group throughout the period.
- (ix) In respect of ESOS granted in 9.3.2012, 75% of the options granted are exercisable immediately and the remaining 25% of the options shall become exercisable in the subsequent year during the validity of the option provided that the employee has been in continuous service with the Group throughout the period.
- (x) In respect of ESOS granted in 15.11.2012, 2/3 of the options granted are exercisable immediately and the remaining 1/3 of the options shall become exercisable in the subsequent year during the validity of the option provided that the employee has been in continuous service with the Group throughout the period.
- (xi) 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			
	2013		2012	
	No.'000	WAEP (RM)	No.'000	WAEP (RM)
Outstanding at 1 January	61,279	-	41,421	-
- Adjusted*/granted	2,552	1.82	43,198	2.16
- Exercised	(20,808)	1.48	(21,054)	1.23
- Lapsed	(3,211)	1.66	(2,286)	1.25
Outstanding at 31 December	39,812	1.66	61,279	1.85
Exercisable at 31 December	15,827	1.82	13,854	2.08

23. 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 (2012: RM0.32).
- The weighted average share price at the date of exercise of the options exercised during the financial year was RM2.85 (2012: RM2.31)
- The weighted average exercise price for options outstanding at the end of the year was RM1.66 (2012: RM1.85). The weighted average remaining contractual life for these options is 1.60 years (2012: 2.60 years).

* In 2013, the number of ESOS options was adjusted to reflect the changes in the fraction to the ESOS options in accordance with the issuance of the Rights Issue with an entitlement date on 26 December 2013.

ESOS exercised during the financial year

The exercise of the ESOS during the financial year resulted in the issuance of 20,807,879 ordinary shares at prices stated below.

The details of all ESOS exercised during the year are as follows:

	No. units	Exercise price (RM)
ESOS granted on 11.9.2010	9,585,754	1.17
ESOS granted on 9.3.2012	2,618,334	1.67
ESOS granted on 15.11.2012	8,603,791	2.33
	20,807,879	

23. Share capital and share premium (Continued)

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

Fair value of ESOS granted

The fair value of ESOS granted 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	4	5
Risk free rate (%)	3.49	3.64	3.91
Expected dividend yield (%)	4.09	3.85	3.00

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, the Company had issued rights shares, together with detachable warrants, which can be separately traded on Bursa Securities. The warrants are to be 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 any time during the exercise period in 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 equivalent to 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. 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.

During the financial year, 486,699,000 (2012: 3,806,000) warrants were exercised by the warrant holders and 18,412,000 (2012: 502,550) warrants are still outstanding as at 31 December 2013. There were also additional warrants issued during the year which relates to changes in the fraction to the number of warrants due to the issuance of Rights Issue. The entitlement date was on 26 December 2013.

24. Other reserves

Group and Company	Capital Reserve RM'000 Note (a)	Share Option Reserve RM'000 Note (b)	Warrants Reserve RM'000 Note (c)	Capital Redemption Reserve- Redeemable Cumulative Preference Shares RM'000 Note (d)	Total RM'000
At 1 January 2013	17,838	2,799	98,207	12,486	131,330
Share options granted under ESOS recognised in profit or loss (Note 30)	-	7,786	-	-	7,786
Issue of ordinary shares pursuant to ESOS	-	(6,842)	-	-	(6,842)
Issue of ordinary shares pursuant to warrants	-	-	(94,574)	-	(94,574)
Transfer of share option reserve to accumulated losses upon lapsed of share options	-	(1,030)	-	-	(1,030)
At 31 December 2013	17,838	2,713	3,633	12,486	36,670
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 30)	-	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 lapsed of share options	-	(329)	-	-	(329)
At 31 December 2012	17,838	2,799	98,207	12,486	131,330

(a) The 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) The share option reserve relates to the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

(c) The warrants reserve represents the cumulative fair value of the warrants yet to be exercised.

(d) Capital redemption reserve arose out of the redemption of the redeemable cumulative preference shares and is not distributable as cash dividends.

25. Revenue

Revenue of the Company comprises gross financing income, gross interest income, fee and commission income, and other income as disclosed in Notes 26, 27 and 43.

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.

26. Interest income

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income from:				
- Loans, advances and financing	430,247	395,394	416,211	391,674
- Investment held to maturity	100	839	100	839
- Deposits and placements with banks and other financial institutions	35,424	26,694	35,424	26,694
	465,771	422,927	451,735	419,207

27. Interest expense

	Group and Company	
	2013 RM'000	2012 RM'000
Bank borrowings	6,383	10,209
Deposits from customers	267,744	162,034
Loans sold to Cagamas Berhad	93,775	100,137
	367,902	272,380

28. Other income

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Rental income	117	796	99	677
Revenue from completed properties	-	124	-	-
Revenue from hotel operations	9,755	10,013	-	-
Loan agency fees	16	30	16	30
Loan processing fees	48,763	20,132	48,763	20,132
Insurance commission	20,330	22,186	20,330	22,186
Loan facility fees	14,208	5,531	14,208	5,531
Legal notice fee	1,004	1,071	1,004	1,071
Sundry income	27,908	12,794	27,745	12,527
Dividend income from a subsidiary	-	-	-	32,500
Gain/(loss) from disposal of:				
Property, plant and equipment and land use rights	2,935	26	4	-
Foreclosed properties	448	2,241	448	2,241
Investment properties	-	112	-	-
Inventories	15,001	-	15,001	-
Subsidiary	-	(4,829)	-	(7,663)
Land held for sale	-	55,433	-	-
	140,485	125,660	127,618	89,232

29. Other operating expenses

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Personnel expenses (Note 30)	125,498	110,638	121,737	107,121
Establishment related expenses	14,530	11,558	13,841	10,793
Promotion and marketing related expenses	20,179	8,249	20,004	8,070
General administrative expenses	64,296	46,706	53,664	35,672
Angkasa charges	25,271	18,382	25,271	18,382
(Write back of allowance)/allowance for impairment of:				
Investments in subsidiaries	-	-	(2,088)	832
Loans to subsidiaries (Note 12(b))	-	-	3,802	4,963
Amount due from subsidiaries	-	-	1,275	4,784
Unsecured advances in respect of certain projects	27,253	24,592	-	-
PLCHP	18,267	4,851	18,267	4,851
Loan commitment fees	22	-	22	-
Trade receivables (Note 6)	(20)	(905)	-	-
	295,296	224,071	255,795	195,468

29. Other operating expenses (Continued)

Included in other operating expenses are the following:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Auditors' remuneration:				
- Audit				
- Parent auditors	430	537	355	470
- Other auditors	3	5	3	5
- Regulated related services				
- Parent auditors	5	4	5	4
- Other services				
- Parent auditors	3,121	4,406	3,121	4,406
- Other auditors	36	-	36	-
Amortisation:				
- land use rights (Note 15)	165	165	-	-
- intangible assets (Note 16)	10,989	3,968	10,948	3,933
Depreciation:				
- investment properties (Note 13)	21	22	-	-
- property, plant and equipment (Note 14)	13,159	10,337	9,255	5,624
- reversal from property, plant and equipment (Note 14)	-	(57)	-	(57)
Directors' remuneration (Note 31)	1,074	858	1,074	858
Rental of buildings	-	-	7,253	4,828

30. Personnel expenses

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Wages and salaries	92,289	77,609	89,204	74,700
Social security costs	731	666	684	619
Pension costs:				
- Employees Provident Fund	15,243	13,898	14,946	13,617
Share options granted under ESOS	7,786	10,416	7,786	10,416
Other staff related expenses	9,449	8,049	9,117	7,769
	125,498	110,638	121,737	107,121

31. Directors' remuneration

	Group and Company	
	2013 RM'000	2012 RM'000
Directors of the Company		
Non-Executive:		
Fees	587	560
Other emoluments	487	298
Total	1,074	858

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	
	2013	2012
Non-executive directors:		
RM1,000 - RM50,000	-	1
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	4	5
RM150,001 - RM200,000	1	-
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	1	1

Details of the directors' remuneration of each director during the financial year ended 31 December 2013 are as follows:

Directors	Director Fees RM'000	Allowance RM'000	Total RM'000
1. Tan Sri Abdul Halim bin Ali	120	159	279
2. Datuk Syed Zaid bin Syed Jaffar Albar	80	54	134
3. Encik Aw Hong Boo	100	74	174
4. Dato' Jasmy bin Ismail	80	49	129
5. Encik Lim Tian Huat	80	68	148
6. Datuk Shahril Ridza bin Ridzuan	80*	59	139
7. Cik Ravinder Kaur a/p Mahan Singh	47	24	71
	587	487	1,074

* 50% of the directors' fees is paid to the organization to whom the director represents.

32. Allowance for impairment losses on loans, advances and financing

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Allowance for/(write back of) impairment on loans, advances and financing:				
- Collective impairment (Note 9(vi))	305,239	238,543	305,239	238,543
- Individual impairment (Note 9(vi))	(32,173)	7,044	(32,173)	7,044
- Written off	2,507	365	2,507	596
	275,573	245,952	275,573	246,183

33. Taxation

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysian income tax:				
Current income tax	330,000	216,809	331,670	205,884
Under/(over) provision in prior years:	568	386	(4,901)	386
	330,568	217,195	326,769	206,270
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	541	(10,355)	5,528	1,297
	541	(10,355)	5,528	1,297
Total income tax expense	331,109	206,840	332,297	207,567
Tax refund	(5)	-	-	-
	331,104	206,840	332,297	207,567

33. Taxation (Continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

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 years ended 31 December 2010 and 2011 was made without adopting the Guidelines. Should the approval be obtained, provision for tax payable and deferred taxation for the financial years 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	2013 RM'000	2012 RM'000
Profit before taxation and zakat	932,349	656,227
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	233,087	164,057
Effect of income not subject to tax	(13,839)	(8,552)
Effect of expenses not deductible for tax purposes	18,339	11,872
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	333	298
Deferred tax assets not recognised	92,616	54,156
Reversal of deferred tax liabilities	-	(11,628)
(Over)/underprovision of income tax in prior years	568	386
Overprovision of deferred tax in prior years	-	(3,749)
Tax for the year	331,104	206,840
Company	2013 RM'000	2012 RM'000
Profit before taxation and zakat	941,605	644,451
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	235,401	161,113
Effect of income not subject to tax	(3,862)	(560)
Effect of expenses not deductible for tax purposes	9,448	3,789
Deferred tax assets not recognised	85,790	46,588
(Over)/underprovision of income tax in prior years	(4,901)	386
Underprovision of deferred tax in prior years	10,421	(3,749)
Tax for the year	332,297	207,567

34. 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.

	2013	2012
Net profit for the year (RM'000)	597,568	446,651
Weighted average number of ordinary shares in issue ('000)	1,611,998	1,215,507
Basic earnings per share (sen)	37.07	36.75

(b) Diluted

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

	2013	2012
Net profit for the year (RM'000)	597,568	446,651
Weighted average number of ordinary shares in issue ('000)	1,611,998	1,215,507
Adjusted for assumed conversion of ESOS ('000)	4,291	830
Adjusted for assumed conversion of warrants ('000)	9,485	281,201
Adjusted weighted average number of ordinary shares in issue ('000)	1,625,774	1,497,538
Diluted earnings per share (sen)	36.76	29.83

35. Dividends

	Group and Company	
	2013	2012
	RM'000	RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
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	116,955	64,640
- Special taxable dividend of 18% less 25%, 13.50 sen net of tax (2011: Nil) per share	233,910	-
In respect of financial year ended 31 December 2013/2012:		
- Interim single tier cash dividend of 5% (2012: 6% less 25%, 4.50 sen net of tax) per share	87,262	55,653
	438,127	120,293
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 2013/2012:		
- Single tier final taxable dividend of 5%	131,090	83,724
- Special taxable dividend of 18% less 25%, 13.50 sen net of tax (2012: Nil) per share	-	167,449
	131,090	251,173

At the forthcoming Annual General Meeting, a single tier final dividend of 5% in respect of the financial year ended 31 December 2013 on 2,621,797,777 ordinary shares of RM1.00 each (after taking into account the Rights Shares of 873,929,354), amounting to a total dividend of RM131,090,000 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity in the financial year ending 31 December 2014.

MBSB Dividend Reinvestment Plan

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

35. Dividends (Continued)

MBSB Dividend Reinvestment Plan (Continued)

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

The Board of Directors of the Company ("Board") have now determined that the option to reinvest via the DRP shall apply to the proposed single-tier final dividend of 5% for the financial year ended 31 December 2013. The approval for the proposed single-tier final dividend of 5% will be sought at the coming Annual General Meeting.

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

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

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

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

The DRP Price shall be at a discount of not more than ten percent (10%) to the five (5)-day volume weighted average market price ("VWAP") of MBSB Shares immediately prior to the date of fixing of the DRP Price provided that the DRP Price shall not be less than the par value of MBSB Shares of RM1.00 each at the material time. The VWAP shall be adjusted ex-dividend before applying the discount in fixing the DRP Price. The DRP Price shall be announced on or before the announcement of the books closure date ("Books Closure Date") in relation to the Proposed 2013 Final Dividend to which the option to reinvest applies.

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

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

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

36. Significant related party transactions/balances

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

EPF, the ultimate holding body, is a shareholder with control over the Group, with direct shareholdings of 64.52% (2012: 64.18%) as at 31 December 2013. EPF is also a government-linked entity. EPF and entities directly controlled by EPF are collectively referred to as government-related entities to the Group.

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

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Expenses				
Interest on loans	16,853	22,688	16,853	22,688
Rental expense	286	287	286	287
Balances				
Other borrowings (Note 18)	250,869	351,203	250,869	351,203

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits and placements with financial institutions	750,162	2,446	750,162	2,446
Investments held- to-maturity	-	200,000	-	200,000
Deposits from customers	208	222,723	208	222,723
Bank borrowings	500,111	-	500,111	-
Recourse obligation on loans sold to Cagamas Berhad	946,034	984,984	946,034	984,984

(iii) Collectively, but not individually, significant balances

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

36. Significant related party transactions/balances (Continued)

For the financial year ended 31 December 2013, management estimates that the aggregate amount of the Group's and Company's significant balances with other government-related entities other than the RHB Banking Group of companies are as disclosed below:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposit from customer	83	1,129,358	83	1,129,358

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

	Company	
	2013 RM'000	2012 RM'000
Income/(expenses)		
Interest charged on loans/advances	50,190	53,460
Rental paid	(1,114)	(1,548)
Balances		
Loans to subsidiaries	445,092	598,496
Amount due from subsidiaries	52,376	83,040
Amount due to subsidiaries	17,800	17,801

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

36. Significant related party transactions/balances (Continued)

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

	Group and Company	
	2013	2012
	RM'000	RM'000
Short-term employee benefits	4,760	4,133
Share-based payment	85	135
Pension costs: EPF	579	520
	5,424	4,788
Included in the total key management personnel are:		
Directors' remuneration comprising fees and allowances (Note 31)	1,074	858
Chief Executive Officer's remuneration comprising salary, bonus, allowances and other emoluments	2,700	2,782

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

	Group and Company	
	2013	2012
	RM'000	RM'000
Income/(expenses)		
Interest income earned on loans, advances and financing	-	3
Interest cost incurred on savings and deposits	(144)	(73)
Balances		
Amount due from in respect of financing and loans	-	217
Amount due to in respect of savings and deposits	3,673	3,282

36. Significant related party transactions/balances (Continued)

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	
	2013 RM'000	2012 RM'000
At 1 January	967	819
Granted	-	271
Exercised	(246)	(123)
At 31 December *	721	967

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

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

37. Commitments and contingencies

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(i) Operational Commitments				
Loan commitments not yet recognised in the financial statements:				
End finance	309,763	460,768	309,763	460,768
Islamic properties	66,611	155,829	66,611	155,829
Bridging, structured and term loans and financing	4,096,150	2,734,937	4,096,150	2,734,937
Financial guarantees	120,046	25,436	120,046	25,436
	4,592,570	3,376,970	4,592,570	3,376,970
Approved and contracted for property development	421,528	421,528	1,667	1,667
Total	5,014,098	3,798,498	4,594,237	3,378,637
(ii) Capital Commitments				
Property, plant and equipment:				
Approved and contracted for	239,237	-	-	-
Approved but not contracted for	63,556	16,450	63,793	16,450
	302,793	16,450	63,793	16,450

37. Commitments and contingencies (Continued)

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.

38. 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 with 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 the 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. The Court of Appeal had fixed the matter for hearing on 5 September 2013, and subsequently fixed for further hearing on 26 February 2014.

- (ii) A third party ("the Plaintiff") entered into a Sales and Purchase Agreement with the Liquidator of the Company's Borrower based on a Scheme of Arrangement pursuant to Section 176 of the Companies Act, 1965 in Malaysia. The Plaintiff failed to complete the Project and the Scheme of Arrangement which resulted in the Liquidators terminating the Sales and Purchase Agreement. The Plaintiff had instituted a civil suit against the Liquidators and the Company for an alleged breach of the Sales and Purchase Agreement.

The Plaintiff claimed that the unilateral termination of the Conditional Scheme of Arrangement was unlawful and that the Liquidators had failed to act professionally and independently. They also claimed that the Company had with mala fide intention induced the other Defendants to breach the Sales and Purchase Agreement.

Consequently, the Plaintiff is claiming for the stakeholder sum of RM7.00 million together with interests, special damages of RM15.53 million, interest of 5% per annum for total sum of RM22.53 million, general damages and any other costs that the Court deems fit.

Court had fixed the matter for Continuation of Trial on 21 November 2013 and 22 November 2013. The trial proceeded as scheduled and was fixed for a further trial date on 4 December 2013.

On 4 December 2013, the Plaintiff and the Company's borrower, the 1st Defendant, agreed to a settlement and a consent judgement was recorded on 6 December 2013 encompassing all parties to the suit. The matter is now closed.

38. Contingent liabilities (unsecured) (Continued)

- (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. The Court had fixed 19 to 21 August 2013 for trial and subsequently fixed for Continuation of Trial on 12 October 2013 and 19 October 2013 respectively.

The Plaintiffs had on 25 April 2013 served an originating summons on the Company seeking an order from the Johor Bahru High Court that the charge created in favour of the Company be set aside and is of no effect and for a removal and cancellation of the same.

The Company filed its appeal and an application for a stay of judgement on 17 December 2013. The Court on 8 January 2014 granted the stay of judgement until disposal of the appeal. The Court of Appeal has yet to fix a hearing date for the appeal.

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.

39. Financial risk management

(a) Financial risk management objectives and policies

Risk management forms an integral part of the Group's and the Company's activities and remains an important feature in all its business, operations, delivery channels and decision-making processes. The extent to which the Group and the Company are able to identify, assess, monitor, manage and report each of the various types of risk is critical to its strength, soundness and profitability. The Group's and the Company's risk management function is independent of its operating units. All new businesses, introduction of new products, engagement in new activities or entrance into new strategic alliances are subject to endorsement by the Group Risk Management Division and submitted to the Audit and Risk Management Committee ("ARMCO") and/or Board Committees for approvals. On 25 June 2013, the Board of Directors approved the separation of the ARMCO into the Audit Committee ("AC") and the Risk Management Committee ("RMC"). The decision was announced to Bursa Malaysia Securities Berhad on 25 June 2013.

39. Financial risk management (Continued)

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

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

(b) Risk management framework

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

(c) Risk organisation

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

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

(c) Risk organisation (Continued)

- (i) Executive Committee ("EXCO"): The EXCO assists the Board in evaluating and approving loan applications within their approval authority limits and considers recommendation from the Arrears and Recovery Committee on all matters relating to impaired loans as well as the capital expenditure and operating expenditure of the Group and the Company.
- (ii) Arrears and Recovery Committee ("ARC"): ARC deliberates on proposals for recovery of impaired loans, approves proposals within its authority and recommends to the Board on proposals beyond the ARC's authority. Additionally, the ARC also monitors the progress of recovery of impaired loans and formulates recovery strategies. The ARC was disbanded on 23 October 2013 and all functions were taken over by EXCO.
- (iii) Asset and Liability Committee ("ALCO"): The ALCO is responsible for the Group's and the Company's liquidity management by focusing on the maturity gap, liquidity position, loans portfolio concentration, deposits composition and depositors' concentration. The ALCO also manages the interest rate exposures and interest margin of the Group and the Company by reviewing the lending rates, cost of funds, interest margin and the repricing gaps.
- (iv) Credit and Rehabilitation Assessment Committee ("CARAC"): The CARAC deliberates and recommends to the relevant Board or Board Committee for Corporate Loan and Mortgage applications and decides whether to proceed with the preparation of the Board paper based on completed credit assessment reports. The CARAC also deliberates and recommends any appeal on variations to the terms and conditions as earlier approved by the Board or Board Committees. The CARAC also deliberates and approves the submission of the relevant corporate rehabilitation papers for the Board or Board Committees.
- (v) Management Committee ("MANCO"): The MANCO deliberates the implementation of the enterprise-wide risk management framework which addresses credit, market and operational and strategic risks and also resolves operational issues within the policies established by the Board and recommends policy changes to the Board.

(d) Risk reporting and monitoring

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

Financial risk management (Continued)

(e) Credit risk mitigation

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

(f) Concentration risk

Concentration of credit risk arises when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group and the Company monitor their portfolios to identify and assess risk concentrations. The credit portfolios are monitored and periodically reviewed to identify, assess and guard against unacceptable risk concentrations. The GRM also applies single customer counterparty limits to protect against unacceptably large exposures to single risk. The GRM conducts analysis and reports concentration risk to the Board of Directors 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 ability to discharge their contractual obligations to the Group and the Company. Credit risk remains the most significant risk to which the Group and the Company are exposed. The purpose of credit risk management is to keep credit risk exposure to an acceptable level in line with the Group's and the Company's risk appetite and to ensure that the returns are commensurate to the risk underwritten.

A new credit platform was established in 2010 with the primary objective of enhancing the efficiency and effectiveness of the credit oversight and credit approval processes for all retail and corporate loans of the Group and the Company. Credit proposals are submitted to the relevant credit committees for approval or concurrence, and are subsequently submitted to the GRM for independent assessment. Credit exposures are evaluated by the GRM and are monitored against approved limits on a periodic basis on a portfolio and individual basis.

39. 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial Assets:				
Loans, Advances and Financing:				
End finance and islamic property	4,576,654	4,887,327	4,576,654	4,887,327
Personal financing	23,030,271	17,491,196	23,030,271	17,491,196
Bridging, structured and term loans and financing	2,501,660	1,771,942	2,551,546	1,825,171
Auto finance	187,637	115,105	187,637	115,105
	30,296,222	24,265,570	30,346,108	24,318,799
Loans to subsidiaries	-	-	101,355	255,219
	30,296,222	24,265,570	30,447,463	24,574,018
Deposits with Financial Institutions and Bank Balance:				
Cash and short-term funds	4,576,711	1,275,431	4,553,819	1,248,746
Deposits and placements with financial institutions	6,953	5,354	6,953	5,354
	4,583,664	1,280,785	4,560,772	1,254,100
Other Financial Assets:				
Trade receivables	524	407	-	-
Investments held-to-maturity	-	200,000	-	200,000
Other receivables*	67,351	243,096	21,746	67,684
Sukuk Commodity Murabahah	-	-	578,645	-
	67,875	443,503	600,391	267,684
Total financial assets	34,947,761	25,989,858	35,608,626	26,095,802

* The other receivables excluded foreclosed properties, prepayments and deposits as these items are classified as non financial assets.

39. Financial risk management (Continued)**Credit risk (Continued)**

(ii) Credit quality

The credit quality of financial assets are analysed as follows:

Group	2013							
	Neither past due nor Impaired RM'000	← Past due but not impaired 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	2,266,223	957,381	1,007,013	281,818	864,530	5,376,965	(800,311)	4,576,654
Personal financing	22,513,697	199,844	148,085	85,103	458,362	23,405,091	(374,820)	23,030,271
Auto finance	129,820	46,471	23,657	2,962	5,804	208,714	(21,076)	187,638
Bridging, structured and term loans and financing	2,209,815	-	282,425	112,843	319,687	2,924,770	(423,111)	2,501,659
	27,119,555	1,203,696	1,461,180	482,726	1,648,383	31,915,540	(1,619,318)	30,296,222
Deposits with Financial Institutions and Bank Balance:								
Cash and short-term funds	4,576,711	-	-	-	-	4,576,711	-	4,576,711
Deposits and placements with financial institutions	6,953	-	-	-	-	6,953	-	6,953
	4,583,664	-	-	-	-	4,583,664	-	4,583,664
Other Financial Assets:								
Trade receivables	-	298	148	78	24,810	25,334	(24,810)	524
Other receivables	67,172	179	-	-	229,890	297,241	(229,890)	67,351
	67,172	477	148	78	254,700	322,575	(254,700)	67,875

39. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Group	2012							
	Neither past due nor impaired RM'000	← Past due but not impaired → 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	1,620,767	1,561,033	937,790	407,000	1,019,369	5,545,959	(658,632)	4,887,327
Personal financing	15,655,066	1,411,750	354,464	74,037	273,709	17,769,026	(277,830)	17,491,196
Auto finance	20,712	76,167	30,390	507	138	127,914	(12,809)	115,105
Bridging, structured and term loans and financing	1,488,469	213,212	100,598	10,092	1,707,573	3,519,944	(1,748,002)	1,771,942
	18,785,014	3,262,162	1,423,242	491,636	3,000,789	26,962,843	(2,697,273)	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

39. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Company	2013							
	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	2,266,223	957,381	1,007,013	281,818	864,530	5,376,965	(800,311)	4,576,654
Personal financing	22,513,697	199,844	148,085	85,103	458,362	23,405,091	(374,820)	23,030,271
Auto finance	129,820	46,471	23,658	2,962	5,804	208,715	(21,078)	187,637
Bridging, structured and term loans and financing	2,209,815	-	282,422	112,842	603,836	3,208,915	(657,369)	2,551,546
	27,119,555	1,203,696	1,461,178	482,725	1,932,532	32,199,686	(1,853,578)	30,346,108
Loans to subsidiaries	6,680	-	-	-	189,603	196,283	(94,928)	101,355
Deposits with financial institutions and bank balance:								
Cash and short-term funds	4,553,819	-	-	-	-	4,553,819	-	4,553,819
Deposits and placements with financial institutions	6,953	-	-	-	-	6,953	-	6,953
	4,560,772	-	-	-	-	4,560,772	-	4,560,772
Other financial assets:								
Other receivables	94,325	-	-	-	-	94,325	(72,579)	21,746
Sukuk Commodity Murabahah	578,645	-	-	-	-	578,645	-	578,645
	672,970	-	-	-	-	672,970	(72,579)	600,391

39. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

Company	2012							
	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	1,620,767	1,561,033	937,790	407,000	1,019,369	5,545,959	(658,632)	4,887,327
Personal financing	15,655,066	1,411,750	354,464	74,037	273,709	17,769,026	(277,830)	17,491,196
Auto finance	20,712	76,167	30,390	507	138	127,914	(12,809)	115,105
Bridging, structured and term loans and financing	1,488,469	213,209	100,598	10,092	1,995,065	3,807,433	(1,982,262)	1,825,171
	18,785,014	3,262,159	1,423,242	491,636	3,288,281	27,250,332	(2,931,533)	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

39. 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	2013			Total RM'000
	← Rated →		New Loans During the year RM'000	
	High Grade RM'000	Standard Grade RM'000		
Financial Assets:				
Loans, Advances and Financing:				
End finance and islamic property	- 1,559,347	706,876	2,266,223	
Personal financing	- 14,382,130	8,131,567	22,513,697	
Auto finance	- 62,710	67,110	129,820	
Bridging, structured and term loans and financing	- 1,093,475	1,116,340	2,209,815	
	- 17,097,662	10,021,893	27,119,555	

39. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

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

Group	2013			Total RM'000
	High Grade RM'000	Standard Grade RM'000	New loans During the Year RM'000	
Deposits with Financial Institutions and Bank Balance:				
Cash at banks and on hand	243,958	-	-	243,958
Money at call	1,855,267	-	-	1,855,267
Deposits and placements with financial institutions:				
- with maturity of less than one month	2,477,486	-	-	2,477,486
- with maturity of more than one month	6,953	-	-	6,953
	4,583,664	-	-	4,583,664
Other Financial Assets:				
Other receivables	-	67,172	-	67,172
	-	67,172	-	67,172

39. Financial risk management (Continued)**Credit risk (Continued)**

(ii) Credit quality (Continued)

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

Group	2012			Total RM'000
	High Grade RM'000	Standard Grade RM'000	New loans During the Year RM'000	
Financial Assets:				
Loans, Advances and Financing:				
End finance and islamic property	-	1,174,461	446,306	1,620,767
Personal financing	-	6,256,935	9,398,131	15,655,066
Auto finance	-	322	20,390	20,712
Bridging, structured and term loans and financing	-	768,475	719,994	1,488,469
	-	8,200,193	10,584,821	18,785,014
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

39. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

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

Company	2012			Total RM'000
	High Grade RM'000	Standard Grade RM'000	New loans During the Year RM'000	
Financial Assets:				
Loans, Advances and Financing:				
End finance and Islamic property	-	1,559,347	706,876	2,266,223
Personal financing	-	14,382,130	8,131,567	22,513,697
Auto finance	-	62,710	67,110	129,820
Bridging, structured and term loans and financing	-	1,093,475	1,116,340	2,209,815
	-	17,097,662	10,021,893	27,119,555
Deposits with Financial Institutions and Bank Balance:				
Cash at banks and on hand	224,424	-	-	224,424
Money at call	1,855,267	-	-	1,855,267
Deposits and placements with financial institutions:				
- with maturity of less than one month	2,474,128	-	-	2,474,128
- with maturity of more than one month	6,953	-	-	6,953
	4,560,772	-	-	4,560,772
Loans to subsidiaries	-	6,680	-	6,680
Other Financial Assets:				
Other receivables	-	94,325	-	94,325
Sukuk Commodity Murabahah	-	578,645	-	578,645
	-	672,970	-	672,970

39. Financial risk management (Continued)**Credit risk (Continued)**

(ii) Credit quality (Continued)

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

Company	2012			Total RM'000
	High Grade RM'000	Standard Grade RM'000	New loans During the Year RM'000	
Financial Assets:				
Loans, advances and financing:				
End finance and islamic property	-	1,174,461	446,306	1,620,767
Personal financing	-	6,256,935	9,398,131	15,655,066
Auto finance	-	322	20,390	20,712
Bridging, structured and term loans and financing	-	768,475	719,994	1,488,469
	-	8,200,193	10,584,821	18,785,014
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

39. Financial risk management (Continued)

Credit risk (Continued)

(ii) Credit quality (Continued)

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

Past Due But Not Impaired

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

Impaired

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

39. Financial risk management (Continued)

Credit risk (Continued)

(iii) Industry analysis

	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
Group									
31 December 2013									
Financial Assets:									
Cash and short-term funds	11,740	4,553,819	-	-	-	-	3,621	7,531	4,576,711
Deposits and placements with financial institutions	-	6,953	-	-	-	-	-	-	6,953
Trade receivables	-	-	-	-	-	-	524	-	524
Other receivables	8,629	-	-	-	-	-	472	58,250	67,351
Loans, advances and financing:									
- End finance and islamic property	-	-	-	-	4,576,654	-	-	-	4,576,654
- Personal financing	-	-	-	-	23,030,271	-	-	-	23,030,271
- Auto finance	-	-	-	-	187,637	-	-	-	187,637
- Bridging, structured and term loans and financing	1,519,840	408	294	-	5,881	109,013	403,452	462,771	2,501,659
	1,540,209	4,561,180	294	-	27,800,443	109,013	408,069	528,552	34,947,760
Company									
31 December 2013									
Financial Assets:									
Cash and short-term funds	-	4,553,819	-	-	-	-	-	-	4,553,819
Deposits and placements with financial institutions	-	6,953	-	-	-	-	-	-	6,953
Other receivables	-	-	-	-	-	-	-	21,746	21,746
Sukuk Commodity Murabahah	-	-	-	-	-	-	-	578,645	578,645
Loans, advances and financing:									
- End finance and islamic property	-	-	-	-	4,576,654	-	-	-	4,576,654
- Personal financing	-	-	-	-	23,030,271	-	-	-	23,030,271
- Auto finance	-	-	-	-	187,637	-	-	-	187,637
- Bridging, structured and term loans and financing	1,569,726	408	294	-	5,881	109,013	403,452	462,771	2,551,545
Loans to subsidiaries	-	19,365	-	-	-	-	81,990	-	101,355
	1,569,726	4,580,545	294	-	27,800,443	109,013	485,442	1,063,162	35,608,625

¹ Services includes hotel operation

39. Financial risk management (Continued)

Credit risk (Continued)

(iii) Industry analysis (Continued)

	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
Group									
31 December 2012									
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									
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.

39. 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 in respect of financial assets.

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

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

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

Market risk

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

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

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

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's net profit and shareholders' equity would have been RM136,263,000 (2012 : RM117,595,00) higher/lower, arising mainly as a result of changes in interest expenses from floating rate borrowings and fixed deposits placed by customers and interest income from floating rate loans, advances and financing.

39. Financial risk management (Continued)**Market risk (Continued)****Interest rate risk**

The table below summarises the Group's 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. Assets classified as non-interest sensitive are either non-interest bearing or, if interest bearing, the cashflows arising from these assets are not expected to change significantly if interest rates change.

Group 2013	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	-	-	-	-	-	4,576,711	4,576,711	
Deposits and placements with financial institutions	-	-	-	-	-	6,953	6,953	
Trade receivables	-	-	-	-	-	524	524	
Other receivables	-	-	-	-	-	187,949	187,949	
Loans, advances and financing:								
- non-impaired	14,951,633	-	-	-	-	14,323,721	29,275,354	7.93
- impaired	-	-	-	-	-	1,020,868	1,020,868	
Other assets	-	-	-	-	-	177,249	177,249	
Total assets	14,951,633	-	-	-	-	20,293,975	35,245,608	
Liabilities								
Deposits from customers	-	-	-	-	-	28,192,669	28,192,669	
Bank borrowings	1,440,319	-	-	-	-	-	1,440,319	4.05
Other borrowings	-	-	-	-	-	250,869	250,869	
Trade payables	-	-	-	-	-	224	224	
Other payables	-	-	-	-	-	323,982	323,982	
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	2,267,224	2,267,224	
Sukuk - MBSB SC Murabahah	-	-	-	-	-	492,696	492,696	
Other liabilities	-	-	-	-	-	94,841	94,841	
Total liabilities	1,440,319	-	-	-	-	31,622,505	33,062,824	
Shareholders' equity	-	-	-	-	-	2,186,210	2,186,210	
Total liabilities and shareholders' equity	1,440,319	-	-	-	-	33,808,715	35,249,034	
On-balance sheet interest sensitivity gap	13,511,314	-	-	-	-	(13,514,740)	-	
Total interest sensitivity gap	13,511,314	-	-	-	-	(13,514,740)	-	

39. Financial risk management (Continued)

Market risk (Continued)

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	-	-	-	-	-	5,354	5,354	
Trade receivables	-	-	-	-	-	407	407	
Other receivables	-	-	-	-	-	362,213	362,213	
Loans, advances and financing:								
- non-impaired	6,209,350	-	-	-	-	16,984,424	23,193,774	7.86
- impaired	-	-	-	-	-	1,071,796	1,071,796	
Investments held-to- maturity	-	-	-	-	-	200,000	200,000	
Other assets	-	-	-	-	-	248,755	248,755	
Total assets	6,209,350	-	-	-	-	20,148,380	26,357,730	
Liabilities								
Deposits from customers	-	-	-	-	-	21,494,099	21,494,099	
Bank borrowings	350,217	-	-	-	-	-	350,217	3.89
Other borrowings	-	-	-	-	-	351,203	351,203	
Trade payables	-	-	-	-	-	195	195	
Other payables	-	-	-	-	-	235,975	235,975	
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	2,361,997	2,361,997	
Other liabilities	-	-	-	-	-	67,398	67,398	
Total liabilities	350,217	-	-	-	-	24,510,867	24,861,084	
Shareholders' equity	-	-	-	-	-	1,496,646	1,496,646	
Total liabilities and shareholders' equity	350,217	-	-	-	-	26,007,513	26,357,730	
On-balance sheet interest sensitivity gap	5,859,133	-	-	-	-	5,859,133	-	
Total interest sensitivity gap	5,859,133	-	-	-	-	5,859,133	-	

39. Financial risk management (Continued)

Market risk (Continued)

Interest rate risk (Continued)

Company 2013	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	-	-	-	-	-	4,553,819	4,553,819	
Deposits and placements with financial institutions	-	-	-	-	-	6,953	6,953	
Other receivables (excluding amount due from subsidiaries)	-	-	-	-	-	84,498	84,498	
Amount due from subsidiaries	-	-	-	-	-	52,376	52,376	
Loans, advances and financing:								
- non-impaired	14,951,630	-	-	-	-	14,323,721	29,275,351	7.93
- impaired	-	-	-	-	-	1,070,757	1,070,757	
Sukuk Commodity Murabahah	-	-	-	-	-	578,645	578,645	
Loans to subsidiaries	-	-	-	-	-	101,355	101,355	
Other assets	-	-	-	-	-	130,873	130,873	
Total assets	14,951,630	-	-	-	-	20,902,997	35,854,627	
Liabilities								
Deposits from customers	-	-	-	-	-	28,192,669	28,192,669	
Bank borrowings	1,440,319	-	-	-	-	-	1,440,319	4.05
Other borrowings	-	-	-	-	-	250,869	250,869	
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	2,267,224	2,267,224	
Sukuk - MBSB SC Murabahah	-	-	-	-	-	492,696	492,696	
Other liabilities	-	-	-	-	-	1,002,139	1,002,139	
Total liabilities	1,440,319	-	-	-	-	32,205,597	33,645,916	
Shareholders' equity	-	-	-	-	-	2,208,710	2,208,710	
Total liabilities and shareholders' equity	1,440,319	-	-	-	-	34,414,307	35,854,626	
On-balance sheet interest sensitivity gap	13,511,311	-	-	-	-	(13,511,310)	-	
Total interest sensitivity gap	13,511,311	-	-	-	-	(13,511,310)	-	

39. Financial risk management (Continued)

Market risk (Continued)

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	-	-	-	-	-	5,354	5,354	
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	6,209,350	-	-	-	-	16,984,424	23,193,774	7.86
- impaired	-	-	-	-	-	1,125,025	1,125,025	
Investments held-to-maturity	-	-	-	-	-	200,000	200,000	
Loans to subsidiaries	-	-	-	-	-	255,219	255,219	
Other assets	-	-	-	-	-	162,711	162,711	
Total assets	6,209,350	-	-	-	-	20,162,540	26,371,890	
Liabilities								
Bank Deposits from customers	-	-	-	-	-	21,494,099	21,494,099	
Bank borrowings	350,217	-	-	-	-	-	350,217	3.89
Other borrowings	-	-	-	-	-	351,203	351,203	
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	2,361,997	2,361,997	
Other liabilities	-	-	-	-	-	303,291	303,291	
Total liabilities	350,217	-	-	-	-	24,510,590	24,860,807	
Shareholders' equity	-	-	-	-	-	1,511,083	1,511,083	
Total liabilities and shareholders' equity	350,217	-	-	-	-	26,021,673	26,371,890	
On-balance sheet interest sensitivity gap	5,859,133	-	-	-	-	(5,859,133)	-	
Total interest sensitivity gap	5,859,133	-	-	-	-	(5,859,133)	-	

39. Financial risk management (Continued)

Liquidity risk

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

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

Analysis of financial instruments by remaining contractual maturities

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

39. Financial risk management (Continued)

Liquidity risk (Continued)

	2013 RM'000			Total
	On demand or within one year	One to five years	Over five years	
Company				
Financial liabilities:				
Deposits from customers	25,950,871	2,637,222	35,169	28,623,262
Bank borrowings	1,445,944	-	-	1,445,944
Other borrowings	100,869	150,000	-	250,869
Trade and other payables	914,101	-	-	914,101
Recourse obligation on loans sold to Cagamas Berhad	1,017,785	1,499,371	-	2,517,156
Sukuk - MBSB SC Murabahah	61,232	363,924	163,477	588,633
	29,490,802	4,650,517	198,646	34,339,965

	2012 RM'000			Total
	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	252,111	-	-	252,111
Recourse obligation on loans sold to Cagamas Berhad	210,962	2,500,689	-	2,711,651
	20,637,931	4,912,601	39,271	25,589,803

39. Financial risk management (Continued)

Liquidity risk (Continued)

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 MFRS 139 are not included in the above maturity profile analysis.

40. Capital management

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

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

The Group and the Company monitor their capital using both leverage ratio (which is computed using common equity Tier 1 divided by total assets including off balance sheet commitments) and an internally developed risk weighted capital adequacy ratio ("RWCR") (which is computed using capital base divided by total risk weighted assets).

41. 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
2013					
Financial assets					
Loans, advances and financing	9	30,296,222	29,833,777	30,346,108	29,897,094
Sukuk Commodity Murabahah	10(b)	-	-	578,645	578,137
2013					
Financial liabilities					
Sukuk - MBSB SC Murabahah	10(a)	492,696	492,265	492,696	492,265
Deposits from customers	18	28,192,669	27,839,933	28,192,669	27,839,933
Other borrowings	19	250,869	268,906	250,869	268,906
Recourse obligation on loans sold to Cagamas Berhad	22	2,267,224	2,479,507	2,267,224	2,479,507
2012					
Financial assets					
Loans, advances and financing	9	24,265,570	23,962,642	24,318,799	24,026,959
Investments held-to-maturity	10	200,000	195,382	200,000	195,382
2012					
Financial liabilities					
Deposits from customers	18	21,494,099	21,317,258	21,494,099	21,317,258
Other borrowings	19	351,203	351,843	351,203	351,843
Recourse obligation on loans sold to Cagamas Berhad	22	2,361,997	2,367,353	2,361,997	2,367,353

Loans, advances and financing

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

41. 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 (cont'd.).*

Loans, advances and financing (cont'd.)

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

Sukuk Commodity Murabahah and Sukuk - MBSB SC Murabahah

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

Investments held-to-maturity

The estimated fair value is based on estimated future cash flows discounted using indicative market rates for 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 tenure of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities.

Other borrowings

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

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.

41. Fair values (Continued)

(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(a)
Deposits and placements with financial institutions	5(b)
Trade receivables	6
Other receivables (exclude foreclosed properties, prepayments and deposits)	7
Loans to subsidiaries	12(b)
Bank borrowings	18
Trade payables	19
Other payables	20

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

(c) *Fair values 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.

41. Fair values (Continued)**Determination of fair value and fair value hierarchy**

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

	Fair value measurement using			
	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Group				
31 December 2013				
Assets for which fair values are disclosed				
Loans, Advances and Financing:				
End finance and Islamic property	4,576,655	-	4,576,655	-
Personal financing	22,557,669	-	22,557,669	-
Auto finance	206,401	-	206,401	-
Bridging, structured and term loans and financing	2,492,052	-	-	2,492,052
	29,832,777	-	27,340,725	2,492,052
Investment properties (Note 13)	519	-	519	-
Total	29,833,296	-	27,341,244	2,492,052
Liabilities for which fair values are disclosed				
Sukuk - MBSB SC Murabahah	492,265	-	492,265	-
Deposits from customers	27,839,933	-	27,839,933	-
Other borrowings	268,906	-	-	268,906
Recourse obligation on loans sold to Cagamas Berhad	2,479,507	-	-	2,479,507
Total	31,080,611	-	28,332,198	2,748,413

41. Fair values (Continued)

Determination of fair value and fair value hierarchy (Continued)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities: (Continued)

	Fair value measurement using			
	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Group				
31 December 2012				
Assets for which fair values are disclosed				
Loans, Advances and Financing:				
End finance and islamic property	4,887,325	-	4,887,325	-
Personal financing	17,187,014	-	17,187,014	-
Auto finance	126,685	-	126,685	-
Bridging, structured and term loans and financing	1,761,618	-	-	1,761,618
	23,962,642	-	22,201,024	1,761,618
Investment held-to-maturity	195,832	-	195,832	-
Investment properties (Note 13)	562	-	562	-
Total	24,159,036	-	22,397,418	1,761,618
Liabilities for which fair values are disclosed				
Deposits from customers	21,317,258	-	21,317,258	-
Other borrowings	351,843	-	-	351,843
Recourse obligation on loans sold to Cagamas Berhad	2,367,353	-	-	2,367,353
Total	24,036,454	-	21,317,258	2,719,196

41. Fair values (Continued)**Determination of fair value and fair value hierarchy (Continued)**

Quantitative disclosures fair value measurement hierarchy for assets and liabilities:

	Fair value measurement using			
	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Company				
31 December 2013				
Assets for which fair values are disclosed				
Loans, Advances and Financing:				
End finance and Islamic property	4,576,655	-	4,576,655	-
Personal financing	22,557,669	-	22,557,669	-
Auto finance	206,401	-	206,401	-
Bridging, structured and term loans and financing	2,555,369	-	-	2,556,369
	29,897,094	-	27,340,725	2,556,369
Sukuk Commodity Murabahah	578,137	-	578,137	-
Total	30,475,231	-	27,918,862	2,556,369
Liabilities for which fair values are disclosed				
Sukuk - MBSB SC Murabahah	492,265	-	492,265	-
Deposits from customers	27,839,933	-	27,839,933	-
Other borrowings	268,906	-	-	268,906
Recourse obligation on loans sold to Cagamas Berhad	2,479,507	-	-	2,479,507
Total	31,080,611	-	28,332,198	2,748,413

41. Fair values (Continued)**Determination of fair value and fair value hierarchy (Continued)**

Quantitative disclosures fair value measurement hierarchy for assets and liabilities:

	Fair value measurement using			
	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Company				
31 December 2012				
Assets for which fair values are disclosed				
Loans, Advances and Financing:				
End finance and islamic property	4,887,325	-	4,887,325	-
Personal financing	17,187,014	-	17,187,014	-
Auto finance	126,685	-	126,685	-
Bridging, structured and term loans and financing	1,825,935	-	-	1,825,935
	24,026,959	-	22,201,024	1,825,935
Investment held-to-maturity	195,832	-	195,832	-
Total	24,222,791	-	22,396,856	1,825,935
Liabilities for which fair values are disclosed				
Deposits from customers	21,317,258	-	21,317,258	-
Other borrowings	351,843	-	-	351,843
Recourse obligation on loans sold to Cagamas Berhad	2,367,353	-	-	2,367,353
Total	24,036,454	-	21,317,258	2,719,196

41. Fair values (Continued)**Determination of fair value and fair value hierarchy (Continued)**

Description of significant unobservable inputs to valuation:

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

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

42. Segment information**(a) Business segments:**

The Group is organised into four major business segments:

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

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

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

42. Segment information (Continued)

(a) Business segments

	Financing		Property development		Letting of real property		Hotel operations		Others		Eliminations		Consolidated	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue and expenses														
Revenue														
External sales	2,467,244	1,789,253	27,252	24,736	28	158	12,720	12,727	3,749	-	25,097	4,686	2,536,090	1,831,560
Inter-segment sales	41,288	28,330	-	-	1,104	1,509	-	-	-	-	(42,392)	(29,839)	-	-
Total revenue													2,536,090	1,831,560
Result														
Segment results	941,605	644,451	(36,470)	21,721	(8,257)	(10,160)	(7,505)	(8,043)	3,241	(99)	39,735	8,357	932,349	656,227
Taxation													(331,104)	(206,840)
Zakat													(3,677)	(2,736)
Net profit for the year													597,568	446,651
Assets														
Segment assets	35,854,627	26,371,890	38,528	31,586	7,299	42,476	80,496	82,995	582,569	372	(1,314,485)	(161,716)	35,249,034	26,367,603
Unallocated corporate assets													-	-
Consolidated total assets													35,249,034	26,367,603
Liabilities														
Segment liabilities	33,645,917	24,860,807	370,020	500,914	112,032	138,952	146,190	141,450	581,418	2,462	(1,792,753)	(773,628)	33,062,824	24,870,957
Unallocated corporate liabilities													-	-
Consolidated total liabilities													33,062,824	24,870,957
Other Information														
Capital expenditure	11,690	23,152	-	-	-	-	232	512	-	-	-	-	11,922	23,664
Depreciation investment properties and property, plant and equipment	9,255	5,567	-	-	743	1,280	2,954	3,227	-	-	228	228	13,180	10,302
Amortisation of land used rights and intangible assets	10,948	3,933	-	-	21	24	185	176	-	-	-	-	11,154	4,133
Impairment for investments in subsidiaries	(2,088)	832	-	-	-	-	-	-	-	-	2,088	(832)	-	-
Non-cash expenses other than depreciation, amortisation and impairment losses	298,938	230,850	27,239	18,808	(7)	(825)	4	1,196	-	-	(5,077)	(4,850)	321,097	245,179

42. Segment information (Continued)

(b) Geographical Segments:

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

43. The operations of Islamic business**Statements of financial position as at 31 December 2013**

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Assets					
Cash and short - term funds	(a)	3,143,346	797,892	3,135,815	797,892
Deposits and placements with financial institutions	(a)	6,686	5,095	6,686	5,095
Financing	(b)	25,012,990	19,468,755	25,012,990	19,468,755
Other receivables	(c)	134,873	306,180	134,638	306,180
Sukuk Commodity Murabahah		-	-	578,645	-
Amount due from a subsidiary		-	-	31	-
Total assets		28,297,895	20,577,922	28,868,805	20,577,922
Liabilities					
Deposits from customers	(d)	21,084,262	15,264,952	21,084,262	15,264,952
Other payables	(e)	3,933,920	3,418,068	3,933,682	3,418,068
Other borrowings		250,869	351,203	250,869	351,203
Financing sold to Cagamas		482,832	500,388	482,832	500,388
Amount due to SPV		-	-	574,487	-
Sukuk - MBSB SC Murabahah		492,696	-	492,696	-
Provision for taxation		552,371	300,279	552,371	300,279
Provision for zakat		3,987	2,018	3,987	2,018
Total liabilities		26,800,937	19,836,908	27,375,186	19,836,908
Islamic fund		4,000	4,000	4,000	4,000
Retained profits		1,492,958	737,014	1,489,619	737,014
		1,496,958	741,014	1,493,619	741,014
Total liabilities and Islamic fund		28,297,895	20,577,922	28,868,805	20,577,922

43. The operations of Islamic business (Continued)

Statements of financial position as at 31 December 2013 (Continued)

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income derived from investment of general investment deposits and Islamic capital funds	(f)	1,975,818	1,380,171	1,972,476	1,380,171
Income attributable to depositors		(710,954)	(530,128)	(710,954)	(530,128)
Net income from financing operations		1,264,864	850,043	1,261,522	850,043
Other income		58,579	49,072	58,579	49,072
Other expenses	(g)	(143,237)	(131,096)	(143,234)	(131,096)
Allowance for losses on financing		(168,491)	(132,086)	(168,491)	(132,086)
Profit before taxation and zakat		1,011,715	635,933	1,008,376	635,933
Taxation	(i)	(252,094)	(158,983)	(252,094)	(158,983)
Zakat		(3,677)	(2,736)	(3,677)	(2,736)
Profit after taxation and zakat		755,944	474,214	752,605	474,214

Statements of changes in equity for the year ended 31 December 2013

Group	Islamic fund RM'000	Retained profits RM'000	Total RM'000
At 1 January 2012	4,000	262,800	266,800
Profit after taxation and zakat	-	474,214	474,214
At 31 December 2012	4,000	737,014	741,014
At 1 January 2013	4,000	737,014	741,014
Profit after taxation and zakat	-	755,944	755,944
At 31 December 2013	4,000	1,492,958	1,496,958

43. The operations of Islamic business (Continued)

Statements of changes in equity for the year ended 31 December 2013 (Continued)

Company	Islamic Fund RM'000	Retained profits RM'000	Total RM'000
At 1 January 2012	4,000	262,800	266,800
Profit after taxation and zakat	-	474,214	474,214
At 31 December 2012	4,000	737,014	741,014
At 1 January 2013	4,000	737,014	741,014
Profit after taxation and zakat	-	752,605	752,605
At 31 December 2013	4,000	1,489,619	1,493,619

Statements of cash flows for the year ended 31 December 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	1,011,715	635,933	1,008,376	635,933
Adjustments for:				
Profit income adjustments on:				
- Financing	168,342	218,019	168,342	218,019
- Sukuk Commodity Murabahah	-	-	(508)	-
- Sukuk - MBSB SC Murabahah	(431)	-	(431)	-
Allowance for impairment losses on financing	168,491	132,086	168,491	132,086
Operating profit before working capital changes	1,348,117	986,038	1,344,270	986,038
Increase in deposits with financial institutions	(1,591)	(1,206)	(1,591)	(1,206)
Increase in financing	(5,881,068)	(9,423,820)	(5,881,068)	(9,423,820)
Decrease in other receivables	171,307	1,619,198	171,542	1,619,198
Increase in Sukuk Commodity Murabahah	-	-	(578,137)	-
Increase in deposits from customers	5,819,310	6,134,729	5,819,310	6,134,729
Decrease in other borrowings	(100,334)	-	(100,334)	-
Amount due to SPV	-	-	574,487	-

43. The operations of Islamic business (Continued)

Statements of cash flows for the year ended 31 December 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Increase in other payables	517,011	927,617	516,742	927,617
Increase in sukuk MBSB SC Murabahah	491,966	-	491,966	-
(Decrease)/increase in financing sold to Cagamas	(17,556)	500,388	(17,556)	500,388
Cash generated from operations	2,347,162	742,944	2,339,631	742,944
Zakat paid	(1,708)	(836)	(1,708)	(836)
Net cash generated from operating activities	2,345,454	742,108	2,337,923	742,108
Net increase in cash and cash equivalents	2,345,454	742,108	2,337,923	742,108
Cash and cash equivalents at beginning of financial year	797,892	55,784	797,892	55,784
Cash and cash equivalents at end of financial year	3,143,346	797,892	3,135,815	797,892

43. The operations of Islamic business (Continued)**(a) Cash and short-term funds and deposits and placements with financial institutions**

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and short-term funds:				
Cash at banks	184,445	81,766	176,914	81,766
Money at call	1,550,234	556,052	1,550,234	556,052
Deposits and placements with financial institutions with maturity less than one month	1,408,667	160,074	1,408,667	160,074
	3,143,346	797,892	3,135,815	797,892
Deposits and placements with financial institutions with maturity of more than one month	6,686	5,095	6,686	5,095
	3,150,032	802,987	3,142,501	802,987

The weighted average effective yield rates of deposits with financial institutions at the reporting date was 3.34% (2012: 3.45%).

(b) Financing

	Group and Company	
	2013 RM'000	2012 RM'000
(i) By type:		
Term financing		
Corporate financing	504,681	365,260
Property financing	4,292,516	4,573,674
Personal financing	40,948,078	31,424,106
Auto financing	109,299	-
Staff financing	17,179	52,461
Less: Unearned income	(20,186,287)	(16,403,950)
	25,685,466	20,011,551
Allowance for impaired financing:		
- Collective allowance	(672,230)	(506,344)
- Individual allowance	(246)	(36,452)
Net financing	25,012,990	19,468,755

43. The operations of Islamic business (Continued)

(b) Financing (Continued)

	Group and Company	
	2013 RM'000	2012 RM'000
(ii) By contract:		
Bai Bithaman Ajil (deferred payment sale)	1,466,426	1,618,397
Bai Al-Inah (cost-plus)	14,481,269	17,528,063
Tawarruq	8,628,769	-
Contract financing	436,526	322,295
	25,012,990	19,468,755
(iii) Impaired loans		
Balance as at 1 January	536,113	297,894
Classified as impaired during the year	500,077	440,937
Reclassified as non-impaired during the year	(374,200)	(200,993)
Amount written off	(45,256)	(1,725)
Balance as at 31 December	616,734	536,113
Individual/collective allowance	(218,325)	(192,245)
Net impaired financing	398,409	343,868
Net impaired loans as a percentage of net financing	1.6%	1.8%
(iv) Movements in allowance for impairment are as follows:		
Collective Impairment		
Balance as at 1 January	509,079	386,619
Impairment during the year	166,682	114,859
Reclassification*	(796)	7,601
Balance as at 31 December	674,965	509,079

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

43. The operations of Islamic business (Continued)**(b) Financing (Continued)**

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

	Group and Company	
	2013 RM'000	2012 RM'000
Individual Impairment		
Balance as at 1 January	36,452	19,255
Impairment during the year	246	17,197
Reclassification*	(36,452)	-
Balance as at 31 December	246	36,452

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

(c) Other receivables

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interbranch transaction	-	241,666	-	241,666
Deferred expenses due to issuance of Sukuk Commodity Murabahah	179	-	-	-
Deferred expenses due to issuance of Sukuk - MBSB SC Murabahah	3,432	-	3,432	-
Others	131,262	64,514	131,206	64,514
	134,873	306,180	134,638	306,180

(d) Deposit from customers

(i) By type of deposit:

	Group and Company	
	2013 RM'000	2012 RM'000
Al-Wadiah savings account	31,085	22,617
Mudharabah Fund	21,053,177	15,242,335
	21,084,262	15,264,952

43. The operations of Islamic business (Continued)

(d) Deposit from customers (Continued)

(ii) By type of customer:

	Group and Company	
	2013 RM'000	2012 RM'000
Business enterprises	21,031,691	15,147,491
Individuals	52,571	117,461
	21,084,262	15,264,952

(iii) By maturity of deposits from customers:

	Group and Company	
	2013 RM'000	2012 RM'000
Within one year	19,864,952	14,196,405
More than one year	1,219,310	1,068,547
	21,084,262	15,264,952

(e) Other payables

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Amount due to conventional	3,015,834	3,015,834	3,015,834	3,015,834
Interbranch transaction	68,610	-	68,610	-
Al-Mudharabah security deposits	98,592	70,136	98,592	70,136
Disbursement payable	47,209	101,818	47,209	101,818
Proportionate Operating Expenses	371,332	230,280	371,332	230,280
Deferred income - amortisation of transaction cost	142,166	-	142,166	-
Others	190,177	-	189,939	-
	3,933,920	3,418,068	3,933,682	3,418,068

43. The operations of Islamic business (Continued)**(f) Income derived from investment of General Investment Deposits and Islamic capital funds**

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financing	1,931,377	1,372,697	1,931,377	1,372,697
Profit income from Sukuk Commodity Murabahah	3,749	-	407	-
Deposits with financial institutions	40,692	7,474	40,692	7,474
	1,975,818	1,380,171	1,972,476	1,380,171

(g) Other expenses

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Personnel expenses (Note 43(h))	62,383	63,351	62,383	63,351
Promotion and marketing related expenses	15,854	6,022	15,854	6,022
General administrative expenses	65,000	61,723	64,997	61,723
	143,237	131,096	143,234	131,096

(h) Personnel expenses

	Group and Company	
	2013 RM'000	2012 RM'000
Wages and salaries	53,097	53,478
Social security costs	353	403
Pension costs - Employees Provident Fund	8,933	9,470
	62,383	63,351

43. The operations of Islamic business (Continued)

(i) Taxation

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before taxation and zakat	1,011,715	635,933	1,008,376	635,933
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	252,929	158,983	252,094	158,983
Effect of income not subject to tax	(835)	-	-	-
Tax expense for the year	252,094	158,983	252,094	158,983

Deferred tax assets amounting to nil (2012: Nil) have not been recognised in respect of the following items.

45. The operations of Islamic business (Continued)

(j) Yield/profit rate risk (Continued)

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
2013

	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average yield/ profit rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	3,143,346	3,143,346	
Deposits and placements with financial institutions	-	-	-	-	-	6,686	6,686	
Financing:								
- non-impaired	10,394,567	-	-	-	-	14,220,019	24,614,586	7.91
- impaired	-	-	-	-	-	398,404	398,404	
Other receivables	-	-	-	-	-	134,873	134,873	
Total assets	10,394,567	-	-	-	-	17,903,328	28,297,895	
Liabilities								
Deposits from customers	-	-	-	-	-	21,084,262	21,084,262	
Financing sold to Cagamas	-	-	-	-	-	482,832	482,832	
Sukuk - MBSB SC Murabahah	-	-	-	-	-	492,696	492,696	
Other liabilities	-	-	-	-	-	4,741,147	4,741,147	
Total liabilities	-	-	-	-	-	26,800,937	26,800,937	
Equity	-	-	-	-	-	1,496,958	1,496,958	
Total liabilities and equity	-	-	-	-	-	28,297,895	28,297,895	
On-balance sheet yield/profit sensitivity gap	10,394,567	-	-	-	-	(10,394,567)	-	
Total yield/profit sensitivity gap	10,394,567	-	-	-	-	(10,394,567)	-	

45. The operations of Islamic business (Continued)

(j) Yield/profit rate risk (Continued)

Company 2013	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average yield/ profit rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	3,135,815	3,135,815	
Deposits and placements with financial institutions	-	-	-	-	-	6,686	6,686	
Financing:								
- non-impaired	10,394,567	-	-	-	-	14,220,019	24,614,586	7.91
- impaired	-	-	-	-	-	398,404	398,404	
Sukuk Commodity Murabahah	-	-	-	-	-	578,645	578,645	
Other receivables	-	-	-	-	-	134,669	134,669	
Total assets	10,394,567	-	-	-	-	18,474,238	28,868,805	
Liabilities								
Deposits from customers	-	-	-	-	-	21,084,262	21,084,262	
Financing sold to Cagamas	-	-	-	-	-	482,832	482,832	
Sukuk - MBSB SC Murabahah	-	-	-	-	-	492,696	492,696	
Amount due to SPV	-	-	-	-	-	574,487	574,487	
Other liabilities	-	-	-	-	-	4,740,909	4,740,909	
Total liabilities	-	-	-	-	-	27,375,186	27,375,186	
Equity	-	-	-	-	-	1,493,619	1,493,619	
Total liabilities and equity	-	-	-	-	-	28,868,805	28,868,805	
On-balance sheet yield/profit sensitivity gap	10,394,567	-	-	-	-	(10,394,567)	-	
Total yield/profit sensitivity gap	10,394,567	-	-	-	-	(10,394,567)	-	

45. The operations of Islamic business (Continued)

(j) Yield/profit rate risk (Continued)

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
								yield/ profit rate % per annum
Assets								
Cash and short-term funds	-	-	-	-	-	797,892	797,892	
Deposits and placements with financial institutions	-	-	-	-	-	5,095	5,095	
Financing:								
- non-impaired	2,218,576	-	-	-	-	16,906,311	19,124,887	7.99
- impaired	-	-	-	-	-	343,868	343,868	
Other receivables	-	-	-	-	-	306,180	306,180	
Total assets	2,218,576	-	-	-	-	18,359,346	20,577,922	
Liabilities								
Deposits from customers	-	-	-	-	-	15,264,952	15,264,952	
Financing sold to Cagamas	-	-	-	-	-	500,388	500,388	
Other liabilities	-	-	-	-	-	4,071,568	4,071,568	
Total liabilities	-	-	-	-	-	19,836,908	19,836,908	
Equity	-	-	-	-	-	741,014	741,014	
Total liabilities and equity	-	-	-	-	-	20,577,922	20,577,922	
On-balance sheet yield/profit sensitivity gap	2,218,576	-	-	-	-	(2,218,576)	-	
Total yield/profit sensitivity gap	2,218,576	-	-	-	-	(2,218,576)	-	

43. The operations of Islamic business (Continued)

(k) 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.

	Group and Company	
	2012 As previously stated RM'000	2012 Restated RM'000
Balances		
Gross financing	20,017,552	20,011,551
Allowance for impairment - Collectively assessed	512,345	506,344
Income/(expense)		
Income derived from Islamic capital funds	1,369,662	1,372,697
Allowance for impairment - Collectively assessed	111,821	114,859

44. 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.

	Group and Company	
	2012 As previously stated RM'000	2012 Restated RM'000
Balances		
Gross loans, advances and financing (Note 9)	27,139,748	27,250,331
Allowance for impairment - Collectively assessed (Note 9)	902,630	1,013,214
Income/(expense)		
Interest income	363,968	391,674
Income derived from Islamic capital funds (Note 43)	1,369,662	1,372,696
Allowance for impairment - Collectively assessed (Note 32)	207,802	238,543

45. Subsequent events

Right Issue

On 10 December 2013, the shareholders of the Company had approved the renounceable rights issue of new MBSB shares to entitled shareholders on the basis of one right share for every two existing MBSB shares. The right issue exercise was up to 873,929,354 new MBSB shares of RM1.65 each. The proceeds raised from the rights issue would be used to improve the Company's capital structure and, consequently, to improve the Group's and the Company's shareholders funds and gearing ratios.

The entitlement date of the rights issue was on 20 December 2013 and the right shares were credited to shareholders' accounts and listed on 29 January 2014.

46. Supplementary information - realised and unrealised profits and losses

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

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

	Group	
	2013	2012
	RM'000	RM'000
Total accumulated losses of the Group:		
- Realised	(769,019)	(889,377)
- Unrealised	(11,967)	(11,426)
	(780,986)	(900,803)
Add: Consolidation adjustments	551,469	511,660
Group accumulated losses	(229,517)	(389,143)

46. Supplementary information - realised and unrealised profits and losses (Continued)

	Company	
	2013	2012
	RM'000	RM'000
Total accumulated losses of the Company:		
- Realised	(195,392)	(368,609)
- Unrealised	(11,625)	(6,097)
Company accumulated losses	(207,017)	(374,706)

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

MBSB ANNUAL REPORT 2013

CDS Account No.

Number of Shares Held

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 Tuesday, 22 April 2014 at 10.00 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 2013 and Reports of the Directors and Auditors thereon.	<input type="radio"/>	<input type="radio"/>
	Resolution 1		
2.	To declare a Single Tier Final Dividend of 5% for the financial year ended 31 December 2013.	<input type="radio"/>	<input type="radio"/>
	Resolution 2		
3.	To approve payment of Directors' Fees amounting to RM586,667.00 for the financial year ended 31 December 2013.	<input type="radio"/>	<input type="radio"/>
	Resolution 3		
4.	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) Encik Lim Tian Huat	<input type="radio"/>	<input type="radio"/>
	Resolution 4		
5.	To re-elect the following Director who retire in accordance with Article 78 of the Company's Articles of Association and who being eligible offer herself for re-election:- (i) Cik Ravinder Kaur a/p Mahan Singh	<input type="radio"/>	<input type="radio"/>
	Resolution 5		
6.	To consider and if thought fit, to pass the following resolution in accordance with Section 129 (6) of the Companies Act, 1965:- "That YBhg Tan Sri Abdul Halim Ali bin Ali, retiring pursuant to Section 129 (6) of the Companies Act, 1965, be re-appointed a Director of the Company to hold office until the next Annual General Meeting."	<input type="radio"/>	<input type="radio"/>
	Resolution 6		
7.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration.	<input type="radio"/>	<input type="radio"/>
	Resolution 7		
Special Business:			
8.	To authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.	<input type="radio"/>	<input type="radio"/>
	Resolution 8		
9.	To allot and issue shares in relation to the Dividend Reinvestment Plan.	<input type="radio"/>	<input type="radio"/>
	Resolution 9		

Date: _____	Signed : _____	In the presence of: _____
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Notes:

- For the purpose of determining a member who shall be entitled to attend this Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 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 15 April 2014. Only a depositor whose name appears on the Record of Depository as at 15 April 2014 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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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A Subsidiary of the EPF
Your Financial Provider

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