

CORPORATE GOVERNANCE REPORT

STOCK CODE : 1171
COMPANY NAME : Malaysia Building Society Berhad
FINANCIAL YEAR : December 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for overseeing the conduct of MBSB and its subsidiaries' ("MBSB Group") business and the Management's implementation of the Group's strategic objectives as well as its conduct and performance.</p> <p>During the Financial Year 2018, MBSB has successfully acquired Asian Finance Bank Berhad ("AFB") (now known as MBSB Bank Berhad). On 2 April 2018, the Islamic Assets and Liabilities of MBSB were vested down to MBSB Bank Berhad ("the Bank") pursuant to a Scheme of Arrangement.</p> <p>The Boards of MBSB and the Bank ("the Boards") are guided by their own Board Charter which clearly identifies the Board's role, duties and responsibilities.</p> <p>The Board Charter of MBSB and the Bank also outlines the processes and procedures to ensure the effectiveness and efficiency of the Board and its Committees. The Board of MBSB and the Bank are supported by various Board Committees and Management led Committees ("the Committees") and the roles and responsibilities of the respective Committees are clearly outlined in Terms of Reference ("TOR") and the Approving Authority Manual ("AA Manual") which requires regular review and approval by the Boards from time to time. Any decisions which are not within the Committees' authority would be escalated to the respective Boards with the Committees' recommendation.</p> <p>The Board Committees established by the Board of MBSB are as follows:-</p> <ol style="list-style-type: none">1. Executive Committee ("EXCO") <p>The EXCO was established on 29 April 2005 specifically to assist the Board to evaluate and approve loan/financing applications</p>

within their approving authority limits. Loans/financing above the approving authority limit of the EXCO or loans/financing with connected parties as defined in the policy on Credit Transactions and Exposures with Connected Parties will be escalated to the Board for further deliberation and approval.

The oversight and review of restructuring proposals for the recovery of non-performing loans/financing (NPLs/NPFs), monitoring the progress of the recovery of NPLs/NPFs and formulation of recovery strategies, is also carried out by the EXCO.

The EXCO had been dissolved with effect from 6 February 2018. All the new financing applications will be submitted and reviewed at the Bank's level, of which the Bank is governed by another set of governance structure similar to MBSB.

2. Audit Committee ("AC")

The principal function of the AC is to assist the Board in fulfilling its fiduciary responsibilities particularly in the areas of accounting and management controls and financial reporting and to ensure financial statements comply with applicable financial reporting standards; to reinforce the independence and objectivity of the Internal Audit Division ("IAD"); to provide the focal point for communication between external auditors, internal auditors, risk managers, Directors and the Management on matters in connection with accounting, reporting, risks and controls and providing a forum for discussion independent of the Management; and to undertake additional duties as may be deemed appropriate and necessary to assist the Board.

3. Risk Management Committee ("RMC")

The primary objectives of RMC 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.

4. Nominating & Remuneration Committee ("NRC")

The primary responsibilities of the NRC are to assist the Board of Directors to maintain a formal and transparent procedure for the appointment of directors, Board assessment, policy setting on directors' remuneration and to determine an appropriate remuneration packages for all directors.

The NRC is also responsible to review, appoint, remove and determine the remuneration package for the Group President and Chief Executive Officer ("Group PCEO"), key Senior Management

with the "C" Suites position, Company Secretary and also members of the Shariah Advisory Committee. In additional, the NRC also reviews the remuneration framework for MBSB Group.

With effect from 7 February 2018, matters concerning the Shariah members are discussed and decided at the Board Nomination & Remuneration Committee of the Bank.

The activities of the NRC in 2018 are summarized as follows:-

- i) Reviewed the Board and Board Committee's composition for MBSB Group.
- ii) Reviewed and recommended the performance Bonus and salary increment for the staff, Senior Management and the PCEO of MBSB Group.
- iii) Deliberated on the results of the Board Evaluation for year 2017 and recommended the re-election of director at the 48th AGM.
- iv) Reviewed and recommended the Directors Fees and Remuneration.
- v) Reviewed and recommended the proposed appointment of Director and Shariah Advisory Committee members prior to Legal Day 1 i.e. 7 February 2019.
- vi) Reviewed and recommended the Remuneration Framework for Directors.

5. 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 Board Committees established by the Bank are as follows:

- (i) Board Investment & Credit Committee ("BICC");
- (ii) Board Risk Management & Compliance Committee ("BRMCC");
- (iii) Board Audit Committee ("BAC");
- (iv) Board Nominating & Remuneration Committee ("BNRC").

The Board of MBSB and Bank also had reviewed the respective Board Charter in February 2018. The Board Charter contains practices, policies and procedures that are in line with the market practices and adhere to the requirements as stated in the Bank Negara Malaysia Corporate Governance Guide and Malaysian Code on Corporate Governance.

Although the Board had entrusted its' Committees with specific responsibilities to oversee the Group's affairs in accordance with their respective Terms of Reference, the Board remains responsible and keep abreast with the key issues and decisions made by the respective Committees through the reports escalated to the Board as well as the

Minutes of meetings which capture the detailed deliberation and subsequently tabled to the Board for notation.

The matters reserved for the Boards include, amongst others, the following:-

- i. Reviewing and approving strategic and business plan and other initiatives which would have material impact to the Group;
- ii. Overseeing the Management's implementation of the Group's strategic objectives and its conduct and performance;
- iii. Identifying principal risks affecting the Group and ensuring the implementation of appropriate governance framework and internal controls framework and to periodically review its appropriateness in light of the material changes to the size, nature and complexity of the Group's operations;
- iv. Reviewing and approving annual financial statements and quarterly financial results prior to release to Bursa Securities and Securities Commission;
- v. Reviewing and adopting the strategies on promotion of sustainability through appropriate environmental, social and governance ("ESG") consideration in the Group's businesses;
- vi. Overseeing and approving the recovery and resolution as well as business continuity plans for the Group to restore its strength and maintain or preserve critical operations and critical services when it comes under stress;
- vii. Promoting, together with senior management, a sound corporate culture within the Group which reinforces ethical, prudent and professional behaviour;
- viii. Promoting Shariah Compliance as set out in the MBSB Shariah Governance Framework and to ensure its integration with the Group's business and risk strategies;
- ix. Serving as the ultimate approving authority for all significant financial expenditure;
- x. Approving related party transactions; and
- xi. Overseeing the selection, performance, remuneration and succession plans of the Group PCEO/CEO, key Senior Management with the "C" Suites position, Company Secretary and also members of the Shariah Advisory Committee.

The Boards play an active role in developing, evaluating and monitoring the Group's strategic direction by providing valuable advice to the Management based on the collective competency and knowledge of its members.

In March 2018, the Boards deliberated the short and long term budget on MBSB and the Bank. At the meeting, the proforma financial position of MBSB, the Bank and profit projections were presented. Certain assumptions were adopted when preparing the financial projections to ensure compliance with the ratios which the Bank was required to comply with.

The Boards are also responsible to ensure that the Group is responsive to changes in the business and economic environment when pursuing and achieving the planned goal and objectives. The budget approved would be reviewed after 6 months and revised if necessary.

The sustainability reporting framework was put in place for MBSB Group to promote sustainability through appropriate environmental, social and governance (“ESG”) consideration in the Group’s businesses. A Sustainable Steering Committee reporting to the Management Committee was established to develop the sustainability reporting framework for MBSB Group. MBSB publishes its Sustainability Report which outlines in detail the efforts and initiatives undertaken by MBSB Group for the benefit of its stakeholders.

The Group PCEO is entrusted by the Boards for developing and ensuring MBSB Group’s strategies and Corporate Policies are effectively implemented. The Group PCEO is responsible to keep the Boards fully informed of all important aspects of MBSB Group’s operations and ensuring that sufficient information is distributed to the Board.

The Group PCEO is supported by a group of experienced senior management and staff. The performance of the Management and respective Division and Department are closely monitored through the quarterly performance review meeting and regular Management Committees meeting. Various Management Committees have been established to oversee the day to day business affairs of MBSB Group and to ensure that the Board’s decisions are implemented effectively. The roles and responsibilities of the Management Committees are clearly defined in the Terms of Reference of the respective Management Committees.

To ensure effective oversight and monitoring of MBSB Group’s business, the Risk Management Division (“RMD”) and Compliance Division are required to submit the various reports to the RMC/BRMCC and subsequently the same reports would be escalated to the respective Boards for deliberation/notation.

IAD also plays a vital role in overseeing the conduct of MBSB Group operations. IAD performs systematic and regular reviews on key processes to assess the efficiency and adequacy of the internal processes. The IAD reports on the periodic review are submitted to the AC/BAC for review/deliberations.

The detailed functions of the RMD, Compliance Division and IAD are detailed out in the Audit Report and the Statement on Risk Management and Internal Control of Annual Report 2018.

The Boards are also kept informed of the significant operational issues and Group’s performance during the Board Meeting.

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<p>The roles & responsibilities of the Chairman of the Board have been clearly specified in Section 3.1 of the Board Charter, which is available on MBSB's website at https://www.mbsb.com.my/MBSB Board Charter.pdf.</p> <p>The Chairman ensures smooth functioning of the Board, the governance structure and indicating positive culture in the Board. The Chairman also ensures that the guidelines and procedures are in place to govern the Board's operation and conduct.</p> <p>The Chairman, in consultation with the Group PCEO and the Company Secretary, sets out the agenda for the matters to be considered by the Board. The meeting agenda should be aligned with the overall MBSB Group's context, including its starting situation, aspirations and priorities.</p> <p>The Chairman leads the meeting pace and discussions to ensure the Board as a whole to work to its maximum effectiveness.</p> <p>The Chairman actively engages Board members and encouraging their contribution to Board deliberations. The Chairman also facilitates open and constructive communications amongst Board members and ensures full and balanced discussion of every issue on the agenda.</p> <p>The Chairman ensures that the Board has the opportunity to maintain adequate understanding of the Group's financial position, strategic performance, operations and the opportunities and challenges facing the Group.</p> <p>The good leadership of the Chairman is acknowledged by the high rating received via the Self and Peer Assessment of the Board members in the annual Board Effectiveness Evaluation.</p>
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	: Applied
Explanation on application of the practice	<p>The distinct and separate roles and responsibilities of the Chairman and Group PCEO are provided in the Board Charter. The roles and responsibilities of the Group PCEO have been clearly specified in Section 3.2 of the Board Charter, which is available on MBSB's website at https://www.mbsb.com.my/MBSB_Board_Charter.pdf</p> <p>The positions of Chairman and Group PCEO are held by two different individuals. The Chairman, Tan Sri Abdul Halim bin Ali leads and manages the Board by focusing on strategy, management oversight, board leadership, risk management and compliance whereas the Group PCEO, Datuk Seri Ahmad Zaini Othman focuses on the business, operations and organizational issues and implementing Board's decision.</p> <p>There is a clear division of responsibility between the Chairman and Group PCEO to ensure a proper balance of power and authority and promotes check and balance.</p> <p>The Chairman 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.</p> <p>The Group PCEO 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.</p> <p>The Group PCEO is responsible to keep the Board fully informed of all important aspects of the Group's operations and ensuring that sufficient information is distributed to the Board.</p>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>Ms. Koh Ai Hoon, the Company Secretary and Ms. Tong Lee Mee, the Joint Company Secretary are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016 and they are Associate members of Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company Secretary also possesses legal qualification.</p> <p>The Company Secretaries 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 including disclosure of their interest in securities, disclosure of conflict of interest in transactions, prohibition on dealing in securities and restrictions on disclosure of price sensitive information.</p> <p>The Company Secretaries advise the Board on compliance and best practices with the relevant changes to the laws, rules and regulations, which include the enforcement of Companies Act 2016, the Main Market Listing Requirements ("MMLR") issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia"), The Malaysian Code on Corporate Governance ("MCCG") and the Bank Negara Malaysia Corporate Governance Guidelines.</p> <p>The Company Secretaries are responsible in ensuring that the Directors have access to knowledge and training they need. The Company Secretaries assist the NRC in assessing and evaluate the training needs of the Board members on annual basis to ensure the Board members are equipped with the necessary knowledge and updated with the evolving market, regulatory changes and development.</p> <p>The Company Secretaries are also involved in organising general meetings and ensuring all due processes and proceedings are in place and properly managed. The Company Secretaries will assist the Chairman and the Board to conduct the meeting and ensure the minutes are properly recorded, particularly the questions raised by the shareholders.</p>

The Company Secretaries ensure that deliberations at Board and Board Committees meetings are well documented and communicated to the relevant Management members for appropriate action. The Board and Board Committees are also updated by the Company Secretaries on the follow-up of its decisions.

In order to ensure that information flow smoothly between the Management and the Board, the Company Secretary is also appointed as the Secretary of several Management Committees:

MBSB :

- (i) Management Committee (“MANCO”)
- (ii) Credit and Rehabilitation Assessment Committee (“CARAC”)
- (iii) Asset & Liability Committee (“ALCO”)

The Bank:

- (i) MANCO
- (ii) Management Investment and Credit Committee (“MICC”)
- (iii) ALCO
- (iv) IT Steering Committee (“ITSC”)
- (v) Project Steering Committee

The Company Secretaries had in June 2018 facilitated the orientation/induction programmes for a director of Bank who was appointed on 1 June 2018. The Company Secretary and the relevant Management team members gave briefings, to familiarise the new Director with the business and operations of MBSB and its subsidiaries.

An induction programme was also arranged for the directors previously from AFB to familiarise the directors with the new business direction and operations of MBSB Bank.

The Company Secretaries had also arranged for the Directors of MBSB and Bank to attend Financial Institutions Directors Education Programme (“FIDE”) and International Shari’ah Research Academy for Islamic Finance (“ISRA”) training as required by BNM. In 2018, three Directors and eight directors of MBSB and the Bank respectively and the Group PCEO had undergone and completed the Financial Institutions Directors Education Programme (“FIDE”) Core – Bank training for Module A and Module B. The remaining director had completed the FIDE Programme in March 2019.

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

The Company Secretaries constantly keep themselves updated with the changes to regulatory requirements through attendance at relevant conferences and training programmes. The Company Secretaries have fulfilled the Mandatory Continuing Professional

	Development requirements imposed by MAICSA.	
	The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<p>The agenda and the meeting papers relevant to the business of the meeting are circulated to all Directors on a timely basis i.e. at least five (5) business days prior to the meeting date to allow Directors to have ample time to review matters to be deliberated at the meeting and to facilitate informed decision making.</p> <p>The Boards are committed with the environmental initiative and agreed to adopt paperless environment for all Board and Board Committee meetings and the same applies to the meetings for the Management Committees as well. The digital copies of the meeting papers are provided to the Board, Board Committees and Management Committees instead of hard copies. The digital copies of the papers are uploaded to a secured system to allow easy access of documents in a timely and more efficient manner.</p> <p>To facilitate Director’s time planning, the annual meeting calendar is prepared and circulated in advance of each new year.</p> <p>Deliberation and decision of the Boards and Board Committees are well documented in the minutes, including matters where Directors which are required to abstain for voting and deliberation.</p> <p>Decisions by the Boards are communicated to the Management within 1 business day after the meeting for appropriate actions.</p> <p>The Company Secretaries will follow up the status of actions and update the Boards/ Board Committees at the subsequent meetings until the matter is resolved.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>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.</p> <p>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.</p> <p>In February 2018, the Board of MBSB and Bank also had reviewed their respective Board Charters to ensure uniformity of the policies and guidelines applied across MBSB Group. The Board Charter contains practices, policies and procedures that are in line with the market practices and adhere to the requirements as stated in the Bank Negara Malaysia Corporate Governance Guide and Malaysian Code on Corporate Governance.</p> <p>The complete Board Charter of MBSB is available on MBSB's website at https://www.mbsb.com.my/MBSB Board Charter.pdf.</p> <p>The Board Charter of MBSB clearly identifies the respective roles and responsibilities of the Board, individual directors, Senior Independent Director, Chairman and Group PCEO. Matters reserved for the Board have been clearly specified in Paragraph 2.1.3 of the Board Charter.</p> <p>The roles and responsibilities for the Board Committees and Management Committees are set out in the TOR of each of the Committee.</p> <p>The Terms of Reference ("TOR") for the following Board Committees and Management led Committees for the Bank were reviewed and adopted effective from Legal Day 1 i.e. 7 February 2018:-</p>

	<ol style="list-style-type: none"> 1. Board Investment & Credit Committee (“BICC”); 2. Board Risk Management & Compliance Committee (“BRMCC”); 3. Board Audit Committee (“BAC”); 4. Board Nominating & Remuneration Committee (“BNRC”). 5. Management Committee (“MANCO”); 6. Management Investment & Credit Committee (“MICC”); 7. Asset & Liability Committee (“ALCO”). <p>The Approving Authority (“AA”) Manual for the Bank was reviewed to reflect the necessary changes in the internal process and regulatory requirement to ensure operational efficiency and readiness. The Boards of MBSB and the Bank had also approved the AA and relevant manuals detailing out the procedure and processes for the Bank effective from Legal Day 1.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	: Applied
Explanation on application of the practice	<p>The Boards has established the Directors' Code of Ethics in line with the practices in the MCCG. 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. The Code of Ethics for Directors of MBSB is available on MBSB's website at https://www.mbsb.com.my/Code_of_Ethics_Directors.pdf</p> <p>The Code of Ethics for Directors was last reviewed in June 2017 to ensure that the Code of Ethics is in line with the practices in the MCCG. The Code would be reviewed once in every 2 years. The next review will be conducted in 2019.</p> <p>The Directors are also at all times are required act honestly and use reasonable care and diligence in discharging their duties and avoiding any conflict of interest. A policy to provide a systematic mechanism for disclosing potential and actual conflict of interest has been established. The Directors interested in certain transactions are required to abstain from any reporting, discussion or vote on issue that give rise to the conflict. The interested Director is required to be absent from the meeting during such deliberations and the Company Secretary shall record each Director's conflict of interest disclosed at the meeting in the minutes of meeting.</p> <p>MBSB Group also has in place a Code of Ethics and Conduct for employees and Complaint & Whistle Blowing Policy to encourage employees to report on suspected fraud, misconduct behaviour and/or violations of the Code of Conduct and Ethics as well as any other directives or policies issued by MBSB Group from time to time. This is to support MBSB Group's values in upholding the highest standard of personal and professional integrity, ensure employees can raise concerns without fear of reprisals; and provide a transparent and confidential process for dealing with genuine concerns pertaining to safeguarding the Company's interests.</p>

The Code of Ethics and Conduct (“the Code”) for employee at Bank’s level has been reviewed and approved by the Bank’s Board on 13 December 2018. To ensure adherence to the guidelines, the Management of MBSB and Bank had taken steps to establish effective monitoring process. All employees are required to observe the principles and uphold the corresponding conduct to achieve a high standard of professionalism and ethics in the conduct of the Bank’s business and professional activities. The Code is divided into two (2) areas:

- (i) Code of Ethics which outlines the Bank’s set of principles that guide decision making i.e. integrity, confidentiality, competence, conflict of interest, fairness and respect.
- (ii) Code of Conduct which outlines specific behaviours and conduct that are required or prohibited within the Bank as a condition of on-going employment and also the expected conduct in our interaction with our various key stakeholders. The Code of Conduct of Employees cover areas including but not limited to anti-bribery and corruption, insider trading, fraudulent activities, managing conflict of interest, gift and entertainment, money laundering activities etc.

Adherence to the Code is a condition of employment with the Bank. Each employee shall execute a declaration signifying their agreement to comply with the terms and requirements of the Code by signing the “Employee Declaration of Compliance”.

MBSB Group also has established a Fraud and Corruption Control Policies and Procedures to manage the risk of fraud and corruption. The Fraud and Corruption Control Policies and Procedures should be read together with the Complaint and 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.

The Fraud and Corruption Control Policies and Procedures are published on the Company’s intra-news and the employees had been notified and the said policy is accessible by all employees at any time. The policy was last reviewed by Bank’s Board on 28 February 2018 to ensure that the policy is in line with the banking standard requirement.

MBSB Group has also established the Related Party Transactions Policies in February 2019 that outlines the roles and responsibilities expected of the Management and the Board of Directors, as well as other relevant divisions/departments within MBSB Group. It provides

	<p>the guidance on transactions that involve related parties and ensuring that such transactions are conducted at arm's length basis and in accordance with good governance, as well as with appropriate disclosures.</p> <p>Corporate Disclosure Policy was established in 2016 to ensure fair and orderly trading of securities. The officers and personnel privy to confidential information are strictly prohibited from dealing directly or indirectly in the Company's securities unless the information had been publicly disclosed at least 1 full market day from the date of the announcement.</p> <p>The Group has since established a guideline on handling confidential and sensitive information / documents in February 2018.</p> <p>Officers and personnel privy to the confidential material information are required to sign a Non-Disclosure Agreement to ensure that they keep the confidential information secret and avoid any misappropriation or misuse of such confidential information.</p> <p>MBSB Group has established the Anti-Money Laundering and Counter Financing of Terrorism Framework which is part of the MBSB's Compliance policy. MBSB Group is committed to fully cooperate with the relevant local and international competent authorities and law enforcement agencies in combating Anti-Money Laundering and Counter Financing of Terrorism. Appropriate internal controls and procedures for money laundering prevention are in place. Compliance Division carries out regular checks and training to ensure that the employees are fully aware and committed in discharging their obligations.</p> <p>The framework was last reviewed in May 2018 to incorporate the roles of Designated Compliance and Risk Officer ("DCORO") and Regional Compliance Risk Officer ("RCRO") to be in line with the Bank Negara Malaysia's requirements.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied						
Explanation on application of the practice	:	<p>MBSB Group has in place the Complaint and Whistle Blowing Policy to provide an avenue for the employees to raise concerns without fear of reprisal and to promote highest possible standards of ethical and level business conduct. The said policy clearly spells out the process flow to guide the employees to raise their concerns and the assurance that the whistle blower will not be at the risk of reprisal as a result of raising the concerns. The policy also provides a channel that is secured, convenient and protects the confidentiality of the employees who make the report.</p> <p>The whistle blowing reports shall be forwarded in the following manner:-</p> <table border="1"><thead><tr><th>Complaint against</th><th>Reporting to</th></tr></thead><tbody><tr><td>i) Chairman of MBSB ii) Members of the Board of MBSB iii) PCEO iv) Employee</td><td>Chairman of MBSB AC</td></tr><tr><td>Chairman of MBSB AC</td><td>Chairman of MBSB</td></tr></tbody></table> <p>Whistle blowing by members of the public or any external party (including those received via Customer Experience Management Department) will be channelled to Chairman of MBSB or Chairman of MBSB AC.</p> <p>The investigation/ deliberation process will be completed within 1 month from the day the report is received. The Chairman of MBSB AC may inform the whistleblower on the result of the investigation at his/her discretion.</p> <p>MBSB Group's Fraud and Corruption Control Policies and Procedures in managing the risk of fraud and corruption should be read together with the Complaint and Whistle Blowing Policy.</p>	Complaint against	Reporting to	i) Chairman of MBSB ii) Members of the Board of MBSB iii) PCEO iv) Employee	Chairman of MBSB AC	Chairman of MBSB AC	Chairman of MBSB
Complaint against	Reporting to							
i) Chairman of MBSB ii) Members of the Board of MBSB iii) PCEO iv) Employee	Chairman of MBSB AC							
Chairman of MBSB AC	Chairman of MBSB							

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	: Applied										
Explanation on application of the practice	<p>As at 31 December 2018, the composition of the Board of MBSB was as follows:-</p> <table border="1"><thead><tr><th>Name of the Director</th><th>Designation</th></tr></thead><tbody><tr><td>Tan Sri Abdul Halim bin Ali</td><td>Chairman, Non-Independent Non-Executive Director</td></tr><tr><td>Encik Lim Tian Huat</td><td>Independent Non-Executive Director</td></tr><tr><td>Ir. Moslim Bin Othman</td><td>Independent Non-Executive Director</td></tr><tr><td>Puan Lynette Yeow Su-Yin</td><td>Independent Non-Executive Director</td></tr></tbody></table> <p>* Note:</p> <p>(i) The following Directors had resigned on 6 February 2018 as part of the restructuring of the Board composition due to merger exercise:-</p> <ol style="list-style-type: none">1. Datuk Syed Zaid bin Syed Jaffar Albar2. Datuk Jasmy bin Ismail3. Encik Aw Hong Boo4. Datuk Johar bin Che Mat5. Encik Szalza bin Zainuddin6. Tunku Alina Binti Raja Muhd Alias <p>(ii) Datuk Shahril Ridza bin Ridzuan had resigned on 20 August 2018 following his resignation as Chief Executive Officer of Employee Provident Fund (“EPF”).</p> <p>The Board of MBSB comprised of four (4) Directors of whom three (3) are Independent Non-Executive Directors and one (1) is Non-Independent Non-Executive Director.</p> <p>The Independent Directors constitute 75% of the Board, exceeding the requirement of MMLR of Bursa Malaysia of one third (33.3%) and MCGG requirement of at least half (50.0%). A majority of Independent Directors in the Board can bring expertise and objectivity which will assure that the Company is effectively managed and in the best interest of stakeholders.</p>	Name of the Director	Designation	Tan Sri Abdul Halim bin Ali	Chairman, Non-Independent Non-Executive Director	Encik Lim Tian Huat	Independent Non-Executive Director	Ir. Moslim Bin Othman	Independent Non-Executive Director	Puan Lynette Yeow Su-Yin	Independent Non-Executive Director
Name of the Director	Designation										
Tan Sri Abdul Halim bin Ali	Chairman, Non-Independent Non-Executive Director										
Encik Lim Tian Huat	Independent Non-Executive Director										
Ir. Moslim Bin Othman	Independent Non-Executive Director										
Puan Lynette Yeow Su-Yin	Independent Non-Executive Director										

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 judgment. The number of Independent Directors not only fulfils 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.

Each Independent Director is required to submit an annual declaration on their independence. The Board through the NRC will assess the Independent Directors annually. The following are considered when assessing the independence:-

- i. Fulfilment of all criteria under definition of Independent Director as stated in the MMLR of Bursa Malaysia;
- ii. Ability to function as a check and balance and bring an element of objectivity to the Board of Directors;
- iii. Ability to constantly challenge the Management in an effective and constructive manner;
- iv. Actively participate and provide independent advice in all Board/Board Committees discussion; and
- v. Ability to act in the best interests of the Company and the Group.

The Board of MBSB is satisfied with the results of the assessment on the Independent Directors and was of the view that all Independent Directors are independent of management and free of any interest, position, association or other relationship that might materially influence the Independent Director's capacity to bring an independent judgment and to act in the best interests of the Group and its stakeholders.

A similar process is also carried out for Independent Director of the Bank.

As at 31 December 2018, the composition of the Board of the Bank was as follows:-

1. Tan Sri Abdul Halim bin Ali (Chairman / Non-Independent Non-Executive Director)
2. Encik Szaliza Bin Zainuddin (Non-Independent Executive Director)
3. Encik Aw Hong Boo (Independent Non-Executive Director)
4. Datuk Johar bin Che Mat (Independent Non-Executive Director)
5. Puan Lynette Yeow Su-Yin (Independent Non-Executive Director)
6. Tunku Alina Binti Raja Muhd Alias (Non-Independent Non-Executive Director)
7. Datuk Azrulnizam bin Abdul Aziz (Independent Non-Executive Director)
8. Dr. Loh Leong Hua (Independent Non-Executive Director)

The Independent Directors of the Bank constitute about 62.5% of the Bank's Board.

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Not applicable - Step Up 4.3 adopted	
Explanation on application of the practice	:	Please provide an explanation on how the practice is being applied.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Adopted
Explanation on adoption of the practice	:	The Board Charter of MBSB and the Bank have been revised in March 2018. The tenure of Independent Director shall not exceed a cumulative period of nine (9) years as reflected in the Board Charter.

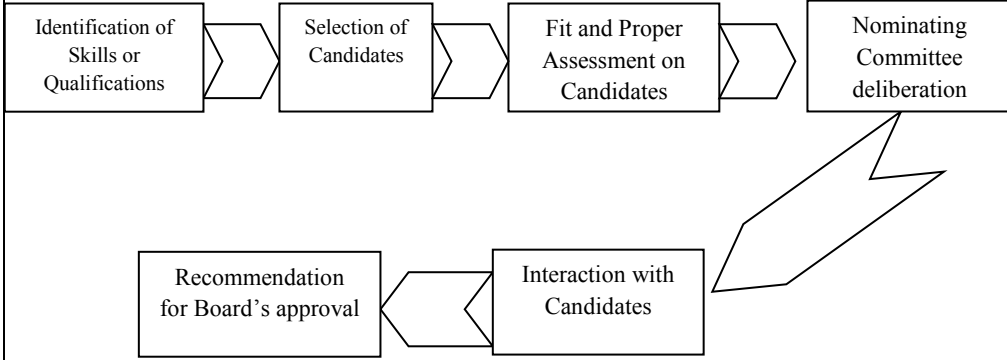
Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application :	Applied
Explanation on application of the practice :	<p>The Boards recognises the benefits of having a diverse Board to ensure that the Board is able to perform effectively by providing the necessary range of perspectives, experience and expertise. The Boards are committed to Board diversity and at the same time will ensure that all appointments to the respective Boards are made based on merits while taking into account the Company's needs and circumstances, present size of the Board, suitability for the role, skills, experience, knowledge, age, race/ethnicity and gender diversity of the existing Board as well as the mix of skills in seeking potential candidates.</p> <p>The MBSB Board had adopted the Boardroom Diversity Policy which covers diversity in terms of professional experience, skills, knowledge, education and background, age, ethnicity, culture and gender. 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 Board member is disclosed in the Directors' Profile section in the Annual Report.</p> <p>The Board through its respective NRC and the Bank's BNRC reviews the composition of the Board and the Board Committees on yearly basis or as and when required and the same is tabled to the respective Boards, the optimum size and composition of the Board and Board Committees to enable effective oversight and delegation of responsibilities to encourage the active participation of all directors in Board/Board committees. For the year 2018, the Board of MBSB, had prior to the acquisition of AFB, reviewed the Board Committees composition for MBSB and the Bank in January 2018. The Board of MBSB had again reviewed the Board composition in August 2018.</p> <p>The NRC and the BNRC have conducted an annual review on the Board's mix of skills and experience, diversity and other qualities in 2018 and concluded that there was a need to appoint female directors and directors who possess Information Technology or Accounting/Auditing experiences. Both Committees also agreed that additional directors need to be appointed as part of the succession planning of the Board. The Boards have obtained list of board candidates from various source i.e. external sources, shareholders etc. and the evaluation process is still on-going.</p> <p>A Board Skill Matrix was used to understand the capabilities and personal attributes of the existing Board members and use as a reference when considering a new appointment of directors. The NRC and BNRC of MBSB and the Bank, have carried out fit and proper assessment on the candidates prior to</p>

	<p>recommendation to the Board for approval.</p> <p>The NRC has also proposed changes to the Board and Board Committees composition of MBSB and the Bank in January 2018. The NRC prior to the acquisition has also recommended additional candidates for the appointment of Shariah Committee Members of the Bank. Post-acquisition matters concerning Shariah members were discussed at the BNRC of the Bank.</p> <p>The Boards has adopted a Fit and Proper Policy which outlined the following criteria for assessment of the suitability of the candidates for Directorship, re-election of Directors and appointment/renewal of contract for the Group PCEO, the Key Senior Management and the Company Secretary:-</p> <ul style="list-style-type: none"> (i) Probity, personal integrity and reputation - person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness. (ii) Competence and capability - person must have the necessary skills, experience, ability and commitment to carry out the role. (iii) Financial integrity - person must manage his debts or financial affairs prudently. <p>NRC/BNRC has during the year, conducted a Fit and Proper Review & Assessment on the Group PCEO, "C" Suites and the Company Secretary of MBSB Group in January 2018 and was satisfied that the Group PCEO, "C" Suites and the Company Secretary have fulfil the abovesaid requirement under the Fit and Proper Policy.</p> <p>The performance of Shariah Advisory Committee ("SAC") was reviewed by BNRC.</p> <p>A formal and transparent procedure has been established by the Board for the appointment of new directors. The process of appointment is detailed out is as follows:-</p>  <pre> graph LR A[Identification of Skills or Qualifications] --> B[Selection of Candidates] B --> C[Fit and Proper Assessment on Candidates] C --> D[Nominating Committee deliberation] D --> E[Interaction with Candidates] E --> F[Recommendation for Board's approval] </pre>
<p>Explanation for departure</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>MBSB has not set a specific gender diversity target</p> <p>While it is important to promote gender diversity, the Board is of the view that the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority. During the financial year 2018, the Board through the NRC, has made efforts to identify suitable women candidates to be appointed to the Board of MBSB.</p> <p>As at 31 December 2018, the Board of MBSB has 1 woman director i.e. Puan Lynette Yeow Su-Yin which constitute about 25% of the Board. The Board is of the view that the Board is still able to obtain diverse perspective and insights from Puan Lynette Yeow Su-Yin.</p> <p>The NRC has incorporated gender diversity objectives as one of the criteria in board recruitment, board performance evaluation and succession planning processes as part of the effort to increase the number of woman directors in the Board.</p> <p>The Board and NRC had continuously taken various steps to ensure that suitable woman candidates are shortlisted. MBSB has registered with FIDE Forum and Lead Women in order to have access to their database to assist NRC in identifying prospective candidates based on Board's specific criteria.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The NRC has been actively searching for woman candidates to increase the woman directors in the Board.
Timeframe	:	Within 1 year

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of MBSB and NRC has during the year, obtained the curriculum vitae of the potential director candidates through various external sources and independent search firms. The shortlisted candidates would be recommended to the NRC for evaluation. The NRC would also carry out fit and proper assessment on the candidates. An interaction session with the identified candidates was also carried out by the members of the NRC prior to making the recommendation to the Board for approval.</p> <p>The NRC continues to review the profile of the potential candidates from various sources including from independent sources.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	<p>As at 1 January 2018, the Chairman of NRC was Dato' Jasmy Ismail who was then a Senior Independent Director ("SID") of MBSB.</p> <p>Dato' Jasmy had since resigned as SID of MBSB on 6 February 2018 and Ir. Moslim Othman was appointed the Chairman of NRC on 6 February 2018. Ir. Moslim Othman is an Independent Non-Executive Director at MBSB.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application :	Departure
Explanation on application of the practice :	
Explanation for departure :	<p>The Board has not engaged any independent experts for board evaluation in 2018.</p> <p>The Boards through the NRC and BNRC undertakes a formal and comprehensive annual assessment on its own performance, individual Directors and its Committees.</p> <p>The assessments on the individual Directors are based on both quantitative and qualitative parameters which comprise of the directors contribution to interaction, the quality of their input, understanding of the directors roles as well as the Chairman's role.</p> <p>The assessments of the Board and Board Committees are carried out by the NRC and BNRC. The assessment comprises the evaluation on the Board Structure, Board Operations, the roles and responsibilities of the Board, Chairman's roles and responsibilities as well as the compositions, roles and responsibilities of the respective Board Committees.</p> <p>The assessment forms are distributed to all Directors for completion. Upon the completion of the Individual Directors and Board Effectiveness Assessments and identification of the Board improvement plan, the results are presented to the NRC and BNRC during the Board evaluation process. The results of the assessment are also presented to the Board which will include the identification of key areas for improvement, training needs and Board improvement plan.</p> <p>The Boards are satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of MBSB. None of the Directors hold more than 5 directorships in listed issuers and the Directors attendance in the Meeting during the financial year 2018 was commendable.</p>

There were 12 Board meetings and 21 Board meetings convened at MBSB and the Bank's Board respectively in 2018. All Directors have complied with the minimum Board meeting attendance of 75% under BNM's Corporate Governance and as adopted by MBSB Group.

The details of the Directors' attendance for the Board/Board Committee Meetings are given as below:-

MBSB :

Name of Director	Attendance at Meetings					Option Committee
	Board	AC	RMC	N&R	EXCO	
Tan Sri Abdul bin Halim bin Ali	12/12 (100%)				2/2 (100%)	No Option Committee Meeting was held during the financial year 2018
Datuk Shahril Ridza bin Ridzuan (resigned on 20 August 2018)	8/8 (100%)				2/2 (100%)	
Encik Lim Tian Huat	12/12 (100%)	9/9 (100%)	7/7 (100%)	4/4 (100%)		
Ir. Moslim bin Othman	12/12 (100%)	8/8 (100%)	6/6 (100%)	2/2 (100%)	2/2 (100%)	
Puan Lynette Yeow Su-Yin	12/12 (100%)	8/8 (100%)	6/6 (100%)	2/2 (100%)	2/2 (100%)	
Encik Aw Hong Boo (resigned on 6 February 2018)	2/2 (100%)	1/1 (100%)	1/1 (100%)	2/2 (100%)		
Dato' Jasmy bin Ismail (resigned on 6 February 2018)	2/2 (100%)	1/1 (100%)	1/1 (100%)	2/2 (100%)		
Datuk Syed Zaid bin Syed Jaffar Albar (resigned on 6 February 2018)	1/2 (50%)			2/2 (100%)		
Datuk Johar bin Che Mat (resigned on 6 February 2018)	2/2 (100%)				2/2 (100%)	
Encik Sazaliza bin Zainuddin (resigned on 6 February 2018)	2/2 (100%)	1/1 (100%)				

Tunku Alina Binti Raja Muhd Alias (resigned on 6 February 2018)	2/2 (100%)		1/1 (100%)			
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Bank:

(i) After Legal Day 1

Name of Director	Attendance at Meetings				
	Board	BAC	BRMCC	BNRC	BICC
Tan Sri Abdul bin Halim bin Ali (appointed on 7 February 2018)	17/18 (94%)				
Encik Aw Hong Boo (appointed on 7 February 2018)	18/18 (100%)	13/13 (100%)	15/15 (100%)	11/11 (100%)	
Encik Sazaliza bin Zainuddin (appointed on 7 February 2018)	17/18 (94%)				15/16 (94%)
Datuk Johar bin Che Mat	18/18 (100%)			11/11 (100%)	16/16 (100%)
Puan Lynette Yeow Su-Yin (appointed on 7 February 2018)	18/18 (100%)			11/11 (100%)	16/16 (100%)
Tunku Alina Binti Raja Muhd Alias (appointed on 7 February 2018)	18/18 (100%)	13/13 (100%)	15/15 (100%)		
Datuk Azrulnizam bin Abdul Aziz	17/18 (94%)	6/6 (100%)	6/6 (100%)		12/12 (100%)
Dr. Loh Leong Hua (appointed on 1 June 2018)	12/12 (100%)	7/7 (100%)	9/9 (100%)		

(ii) Before Legal Day 1

Name of Director	Attendance at Meetings				
	Board	AC	BRMCC	BNRC	EXCO
Dato' Dr. Md. Khir Bin Abdul Rahman (resigned on 9 February 2018)	3/3 (100%)	2/2 (100%)	1/1 (100%)	2/2 (100%)	

Dato' Dr. Vaseehar Hassan Bin Abdul Razack (resigned on 9 February 2018)	3/3 (100%)			2/2 (100%)	1/1 (100%)
Encik Abdul Rahim Bin Abdul Hamid (resigned on 9 February 2018)	3/3 (100%)	2/2 (100%)	1/1 (100%)		
Datuk Azrulnizam Bin Abdul Aziz	3/3 (100%)			2/2 (100%)	1/1 (100%)
Dr. Loh Leong Hua (resigned on 9 February 2018)	3/3 (100%)	2/2 (100%)	1/1 (100%)		
Dr. Saleh Jameel Malaikah (resigned on 7 February 2018)	3/3 (100%)			2/2 (100%)	1/1 (100%)
Mr. Zakir Hussain Rizvi (resigned on 7 February 2018)	0/3 (0%)			0/2 (0%)	0/1 (0%)
Datuk Johar bin Che Mat (appointed on 19 December 2017)	3/3 (100%)		1/1 (100%)	2/2 (100%)	

The NRC and BNRC are also responsible in accessing and recommending the retiring director for re-election at the forthcoming AGM for both MBSB and the Bank. The provision on rotation and retirement of Directors are provided in Article 86 and 87 of the Constitution for MBSB as follows:-

Article No.	Description
86	At each ordinary meeting one-third of the Directors for the time being, or if their number is not a multiple of three the number nearest to but not greater than one-third shall retire from office. Provided that all Directors shall retire from office once at least in each three (3) years. A Director retiring at a meeting shall retain office until the close or adjournment of the meeting.
87	An election of Directors shall take place each year and a retiring Director shall be eligible for re-election.

The NRC has assessed the performance of Ir. Moslim bin Othman who is subject to re-election at the forthcoming AGM. The NRC is satisfied with the performance and the contribution by Ir. Moslim bin Othman to the Board and had recommended the Board for decision on the proposed re-election of the Director concerned for shareholders' approval at the forthcoming AGM.

The Board through NRC has also evaluated and identified the training needs of each Director and approve the training needs for year 2018. The Board has

established a Directors Orientation and Training Guidelines to encourage the Board members to attend continuous training to enable the directors to discharge their duties effectively.

The Directors have attended various programmes/ conferences/ seminars/ dialogues focuses on Corporate Governance, Directors Responsibilities, Islamic Financing, Accounting, Investment, Business Sustainability and Risk Management.

The Company Secretaries had also arranged for the Directors of MBSB and Bank to attend Financial Institutions Directors Education Programme (“FIDE”) and International Shari’ah Research Academy for Islamic Finance (“ISRA”) training as required by BNM. Three out of four MBSB Directors had attended FIDE Core Bank training and all the Directors of Bank had attended and fulfilled BNM’s requirement. The remaining one MBSB Director completed FIDE Core Bank training in March 2019.

The list of programmes/ conferences/ seminars/ dialogues attended by the Board of MBSB and Bank are as follows:-

Tan Sri Abdul Halim bin Ali	
1.	International Construction Transformation Conference 2018 <i>CIDB Malaysia</i>
2.	FIDE Core Banks (Module A & Module B) <i>ICLIF</i>
3.	Credit Risk Management – Banking Sector <i>ICLIF</i>
4.	FIDE Forum : Dinner Talk with Dr. Marshall Goldsmith
5.	SAC, BOD & MANCO Session 2018 (Shariah Training) (MBSB Bank)
6.	AML/CFT Program For Board of Directors, Shariah Advisory Committee & Senior Management (MBSB Bank)

Encik Lim Tian Huat	
1.	INSOL International Annual Regional Conference <i>INSOL New York</i>
2.	The Islamic Finance for Board of Directors Programme <i>ISRA Consultancy Sdn Bhd</i>
3.	MIA International Accountants Conference 2018 <i>Malaysian Institute of Accountants</i>
4.	Biological Assets : Points of Interest (MFRS 141 and MPERS S34) <i>Malaysian Institute of Accountants</i>
5.	SAC, BOD & MANCO Session 2018 (Shariah Training) (MBSB Bank)
6.	AML/CFT Program For Board of Directors, Shariah Advisory Committee & Senior Management (MBSB Bank)

Ir. Moslim bin Othman	
1.	ERM Models, Operational Risks Management and Enterprise Risk

	Management Programme <i>IER institute of Enterprise Risk Practitioners</i>
2.	FIDE Core Banks (Module A & Module B) <i>ICLIF</i>
3.	The Islamic Finance for Board of Directors Programme <i>ISRA Consultancy Sdn Bhd</i>
4.	FIDE Forum : “Win The Innovation Race” <i>ICLIF</i>
5.	SAC, BOD & MANCO Session 2018 (Shariah Training) (MBSB Bank)
6.	AML/CFT Program For Board of Directors, Shariah Advisory Committee & Senior Management (MBSB Bank)
Puan Lynette Yeow Su-Yin	
1.	FIDE Core Banks (Module A & Module B) <i>ICLIF</i>
2.	The Islamic Finance for Board of Directors Programme <i>ISRA Consultancy Sdn Bhd</i>
3.	FIDE Forum : “Win The Innovation Race” <i>ICLIF</i>
4.	Credit Risk Management – Banking Sector <i>ICLIF</i>
5.	BNM-FIDE Forum Board Conversation (Banks and DFIs) <i>ICLIF</i>
6.	SAC, BOD & MANCO Session 2018 (Shariah Training) (MBSB Bank)
7.	AML/CFT Program For Board of Directors, Shariah Advisory Committee & Senior Management (MBSB Bank)
Encik Aw Hong Boo	
1.	FIDE Core Banks (Module A & Module B) <i>ICLIF</i>
2.	The Islamic Finance for Board of Directors Programme <i>ISRA Consultancy Sdn Bhd</i>
3.	MIA International Accountants Conference 2018 <i>Malaysian Institute Of Accountants</i>
4.	SAC, BOD & MANCO Session 2018 (Shariah Training) (MBSB Bank)
5.	AML/CFT Program For Board of Directors, Shariah Advisory Committee & Senior Management (MBSB Bank)
Encik Szaliza bin Zainuddin	
1.	FIDE Core Banks (Module A & Module B) <i>ICLIF</i>
2.	The Islamic Finance for Board of Directors Programme <i>ISRA Consultancy Sdn Bhd</i>
3.	SAC, BOD & MANCO Session 2018 (Shariah Training)

	(MBSB Bank)
4.	AML/CFT Program For Board of Directors, Shariah Advisory Committee & Senior Management (MBSB Bank)
Datuk Johar bin Che Mat	
1.	FIDE Core Banks (Module A & Module B) <i>ICLIF</i>
2.	The Islamic Finance for Board of Directors Programme <i>ISRA Consultancy Sdn Bhd</i>
3.	BNM-FIDE FORUM Board Conversations (Banks and DFIs) <i>ICLIF</i>
4.	SAC, BOD & MANCO Session 2018 (Shariah Training) (MBSB Bank)
5.	AML/CFT Program For Board of Directors, Shariah Advisory Committee & Senior Management (MBSB Bank)
Tunku Alina binti Raja Muhd Alias	
1.	FIDE Core Banks (Module A & Module B) <i>ICLIF</i>
2.	The Islamic Finance for Board of Directors Programme <i>ISRA Consultancy Sdn Bhd</i>
3.	Accounting, Auditing and Taxation in ICM <i>SIDC</i>
4.	The MFRS And Non-Financial Disclosures (Part 1) <i>Malaysian Institute Of Accountants</i>
5.	SAC, BOD & MANCO Session 2018 (Shariah Training) (MBSB Bank)
6.	AML/CFT Program For Board of Directors, Shariah Advisory Committee & Senior Management (MBSB Bank)
Datuk Azrulnizam bin Abdul Aziz	
1.	FIDE Core Banks (Module A & Module B) <i>ICLIF</i>
2.	The Islamic Finance for Board of Directors Programme <i>ISRA Consultancy Sdn Bhd</i>
3.	FIDE Forum – “Win the innovation race” <i>ICLIF</i>
4.	FIDE Forum: Dialogue with Senior Officials of Bank Negara Malaysia <i>ICLIF</i>
5.	SAC, BOD & MANCO Session 2018 (Shariah Training) (MBSB Bank)
6.	AML/CFT Program For Board of Directors, Shariah Advisory Committee & Senior Management (MBSB Bank)
Dr. Loh Leong Hua	
1.	FIDE Core Banks (Module A & Module B)

		ICLIF	
	2.	The Islamic Finance for Board of Directors Programme <i>ISRA Consultancy Sdn Bhd</i>	
	3.	The Sukuk Market <i>SIDC</i>	
	4.	FIDE FORUM: Dialogue with Senior Officials of Bank Negara Malaysia <i>ICLIF</i>	
	5.	Exclusive Invitation to a Session on Accounting and Islamic Finance <i>MASB</i>	
	6.	AML/CFT Program For Board of Directors, Shariah Advisory Committee & Senior Management (MBSB Bank)	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The NRC has agreed to undertake a Board evaluation for MBSB and the Bank by Independent Consultant for 2019.	
Timeframe	:	Within 1 year	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards have established a formal Directors Remuneration Framework. It is designed in a way to support the strategies and long-term vision of the Company as well as provides adequate motivational incentive for directors to pursue long-term growth and success of the Company.</p> <p>To ensure that the current remuneration structure commensurate with the respective directors' responsibilities, NRC has requested for an external consultant to be appointed to review the remuneration structure of the Directors of MBSB and the Bank.</p> <p>The NRC/BNRC are responsible to ensure that the Director's remuneration is competitive and align with the industry benchmark. The level of remuneration for the Directors shall be determined and recommended by the NRC/BNRC to the Boards after giving due consideration all relevant factors including the Directors fiduciary duties, time commitments expected of the Directors, Company's performance, market conditions as well as the compensation level for comparable positions among other similar Malaysian public listed companies and similar sized financial institutions.</p> <p>The remuneration and benefits payable to Directors are determined by shareholders resolution in accordance with the Companies Act 2016 and Company's Constitution.</p> <p>The structure of the Directors' Remuneration is reviewed by the NRC/BNRC on an annual basis prior to making its recommendations to the respective Board for approval.</p> <p>The NRC/BNRC may obtain advice from independent professional or other advice on the remuneration packages for the Board members, Shariah Advisory Committee members or employees in similar industry on an annual basis as provided in the TOR.</p>

	<p>The remuneration packages of the Group PCEO, the “C” Suites and the Company Secretary of MBSB Group will be reviewed by the NRC/BNRC and the same will be recommended to the Boards for decision. The remuneration of the Group PCEO, the “C” Suites and the Company Secretary are based on their achievement of strategic initiatives established and approved by the Boards.</p> <p>The BNRC also reviews the remuneration package for the SAC.</p> <p>The Directors Remuneration Framework is available on MBSB’s website at https://www.mbsb.com.my/Remuneration_Framework_Directors.pdf.</p>	
<p>Explanation for departure :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>As at 31 December 2018, The NRC comprises of three (3) Independent Non-Executive Directors.</p> <p>The TOR of the NRC outlines the roles and responsibilities in relation to the nominating and remuneration matters are made available on MBSB's website at https://www.mbsb.com.my/TOR_NRC.pdf.</p> <p>The NRC has deliberated on the Directors' fees for financial year ended 31 December 2018 and the benefits payable to the Directors of MBSB Group and has recommended to the Board for consideration. The Board has agreed to seek shareholders' approval at the forthcoming 49th Annual General Meeting on the Directors' remuneration in two (2) separate resolutions as follows:-</p> <ul style="list-style-type: none">• Ordinary Resolution 2 - on payment of Directors' fees in respect of the financial year ended 31 December 2018; and• Ordinary Resolution 3 - on payment of Directors' benefits from 11 June 2019 to the next AGM in 2020. <p><u>Directors' fees</u></p> <p>There is no change to the proposed Directors' fee structure as compared to financial year 2017. The proposed Directors' fees for MBSB and the Bank for financial year ended 31 December 2018 are as follows:-</p>

Fees	Proposed Directors' Fees for FY2018 (RM)	
	Chairman	Member
Directors	140,000	100,000
Audit Committee / BAC	30,000	20,000
Board Investment & Credit Committee (Bank only)	30,000	20,000
Risk Management Committee / BRMCC	30,000	20,000
Nominating & Remuneration Committee / BNRC	25,000	15,000
Option Committee (MBSB only)	-	-

The details of the benefits payable to Directors are as follows:-

Board Meeting Allowance	RM3,000.00 per meeting
General Meeting Allowance	RM3,000.00 per meeting
Board Committee Meeting Allowance	RM2,000.00 per meeting
Any other meeting allowances (where the Directors are invited to attend)	RM2,000.00 per meeting
Chairman's Car allowance	RM10,000.00 per month
Other benefits	medical coverage, travel, communication and other claimable benefits

Group PCEO, "C" Suites and Company Secretary

The Group PCEO, "C" Suites and Company Secretary's remuneration package is structured so as to link to corporate and individual performance which comprises fixed and variable components, determined based on the Key Performance Indicators, as approved by the Board.

The Group PCEO, "C" Suites and Company Secretary's performance bonus and employees' performance bonus in respect of financial year 2018 performance were reviewed by the NRC and the BNRC, after which they were approved by the Boards.

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application :	Applied																																						
Explanation on application of the practice :	In line with best corporate governance practice, the disclosure of the Directors' remuneration on a named basis has been made in the Annual Audited Financial Statements over the years. The remuneration received by each of the directors in 2018 is set out in the tables below:- MBSB :																																						
	<table border="1"><thead><tr><th>Name of Directors</th><th>Directors' Fees (RM)</th><th>Allowance (RM)</th><th>Total (RM)</th></tr></thead><tbody><tr><td>Tan Sri Abdul Halim bin Ali</td><td>145,000</td><td>169,000</td><td>314,000</td></tr><tr><td>Encik Lim Tian Huat</td><td>174,167</td><td>88,000</td><td>262,167</td></tr><tr><td>Ir. Moslim bin Othman</td><td>162,916</td><td>84,000</td><td>246,916</td></tr><tr><td>Puan Lynette Yeow Su-Yin</td><td>153,749</td><td>81,000</td><td>234,749</td></tr><tr><td>Datuk Shahril Ridza Ridzuan* <i>(Resigned on 20 August 2018)</i></td><td>70,000</td><td>37,000</td><td>107,000</td></tr><tr><td>Encik Szaliza Zainuddin * <i>(Resigned on 6 February 2018)</i></td><td>20,000</td><td>14,000</td><td>34,000</td></tr><tr><td>Datuk Syed Zaid bin Syed Jaffar Albar <i>(Resigned on 6 February 2018)</i></td><td>19,167</td><td>13,000</td><td>32,167</td></tr><tr><td>Dato' Jasmy bin Ismail <i>(Resigned on 6 February 2018)</i></td><td>27,500</td><td>22,000</td><td>49,500</td></tr></tbody></table>	Name of Directors	Directors' Fees (RM)	Allowance (RM)	Total (RM)	Tan Sri Abdul Halim bin Ali	145,000	169,000	314,000	Encik Lim Tian Huat	174,167	88,000	262,167	Ir. Moslim bin Othman	162,916	84,000	246,916	Puan Lynette Yeow Su-Yin	153,749	81,000	234,749	Datuk Shahril Ridza Ridzuan* <i>(Resigned on 20 August 2018)</i>	70,000	37,000	107,000	Encik Szaliza Zainuddin * <i>(Resigned on 6 February 2018)</i>	20,000	14,000	34,000	Datuk Syed Zaid bin Syed Jaffar Albar <i>(Resigned on 6 February 2018)</i>	19,167	13,000	32,167	Dato' Jasmy bin Ismail <i>(Resigned on 6 February 2018)</i>	27,500	22,000	49,500		
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Encik Aw Hong Boo <i>(Resigned on 6 February 2018)</i>	27,500	20,000	47,500
Datuk Johar bin Che Mat <i>(Resigned on 6 February 2018)</i>	20,000	16,000	36,000
Tunku Alina Binti Raja Muhd Alias <i>(Resigned on 6 February 2018)</i>	20,000	14,000	34,000
Total	839,999	558,000	1,397,999

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

Bank

Name of Directors	Directors' Fees (RM)	Allowance (RM)	Total (RM)
Tan Sri Abdul Halim bin Ali <i>(appointed on 7 February 2018)</i>	128,334.00	57,000.00	185,334.00
Datuk Azrulnizam bin Abdul Aziz	122,739.42	110,500.00	233,239.42
Encik Aw Hong Boo <i>(appointed on 7 February 2018)</i>	151,250.00	138,000.00	289,250.00
Datuk Johar bin Che Mat <i>(appointed on 7 February 2018)</i>	148,155.42	119,500.00	267,655.42
Puan Lynette Yeow Su-Yin <i>(appointed on 7 February 2018)</i>	123,750.00	114,000.00	237,750.00
Encik Szalizi Bin Zainuddin * <i>(appointed on 7 February 2018)</i>	110,000.00	87,000.00	197,000.00
Tunku Alina binti Raja Muhd Alias <i>(appointed on 7 February 2018)</i>	134,167.00	116,000.00	250,167.00
Dr. Loh Leong Hua	91,904.42	79,000.00	170,904.42

	<i>(resigned on 9 February 2018 and reappointed on 1 June 2018)</i>			
	Dato' Dr. Md Khir bin Abdul Rahman <i>(resigned on 9 February 2018)</i>	9,714.26	14,560.00	24,214.26
	Dato' Dr. Vaseehar Hassan bin Abdul Razack <i>(resigned on 9 February 2018)</i>	6,071.42	10,000.00	16,071.42
	Encik Abdul Rahim bin Abdul Hamid <i>(resigned on 9 February 2018)</i>	6,071.42	8,500.00	14,571.42
	Dr. Saleh Jameel Malaikah <i>(resigned on 7 February 2018)</i>	2,428.58	5,500.00	7,928.58
	Mr. Zakir Hussain Rizvi <i>(resigned on 7 February 2018)</i>	2,428.58	0	2,428.58
	Total	1,037,014.52	859,500.00	1,896,514.52
	<p>*50% of the directors' fees is paid to the organisation to whom the director represents</p> <p>The detailed disclosure of remuneration breakdown for all Directors is set out in Note 38 of the Audited Financial Statements for the financial year ended 31 December 2018.</p>			
Explanation for departure				
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>				
Measure				
Timeframe				

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure														
Explanation on application of the practice	:															
Explanation for departure	:	<p>The Board is of the opinion that remuneration of employees (including senior management) are strictly confidential and disclosure of remuneration would encourage internal comparison and affect the employees' morale. In addition, disclosure of senior management's remuneration may give rise of the possibility of poaching by other competitors, given the highly competitive conditions in the banking industry.</p> <p>As an alternative to the recommended practice, the Board has opted to disclose the aggregate remuneration for senior management as follows:-</p> <table border="1"> <thead> <tr> <th>Total value of remuneration awards for the financial year 2018</th> <th>RM</th> </tr> </thead> <tbody> <tr> <td>Fixed Remuneration</td> <td></td> </tr> <tr> <td>- Cash-Based</td> <td>4,842,161 (5 headcounts)</td> </tr> <tr> <td>Variable remuneration</td> <td></td> </tr> <tr> <td>- Cash-Based</td> <td>5,227,025 (5 headcounts)</td> </tr> <tr> <td>- ESOS[^]</td> <td>Nil</td> </tr> <tr> <td>Definition</td> <td>Senior Management (including PCEO) comprises of MBSB Bank Senior Officers in category of the C Suites positions.</td> </tr> </tbody> </table> <p>[^] Share value is based on statutory guidelines for taxable gains calculation.</p>	Total value of remuneration awards for the financial year 2018	RM	Fixed Remuneration		- Cash-Based	4,842,161 (5 headcounts)	Variable remuneration		- Cash-Based	5,227,025 (5 headcounts)	- ESOS [^]	Nil	Definition	Senior Management (including PCEO) comprises of MBSB Bank Senior Officers in category of the C Suites positions.
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- ESOS [^]	Nil															
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<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																
Measure	:	The Board will closely monitor the developments in the market in respect of such disclosure for future consideration.														

Timeframe	:	Others	0
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Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The AC of MBSB was chaired by Encik Lim Tian Huat who has extensive experience in accounting and finance. Encik Lim Tian Huat is a Council Member of Insolvency Practitioners Association of Malaysia, a Fellow of Association of Chartered Certified Accountants, a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.</p> <p>Encik Lim Tian Huat is not the Chairman of the MBSB's Board.</p> <p>The BAC of the Bank was chaired by Encik Aw Hong Boo, Fellow, Institute of Chartered Accountants in England & Wales (ICAEW), a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.</p> <p>Encik Aw Hong Boo is not the Chairman of the Bank's Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	<p>None of the AC and BAC members were former key audit partner in the past 2 years.</p> <p>The Boards have adopted a stricter policy in the Board Charter which applies to appointment of new director as well. The Board Charter states that “any candidate/director directly involved in the engagement and any partner of the external auditor firm must not serve or to be appointed as Director until at least 2 years after he ceases to be and officer and/or partner of that firm and the firm last served as an auditor of the Group.”</p> <p>The requirement to observe cooling off period of 2 years is also stated in the External Auditor Policy and Procedures.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>The procedures to assess the suitability, objectivity and independence of the external auditor have been established in line with BNM's External Auditor Policy and MCCG.</p> <p>The AC and the BAC are responsible to review and monitor the independence and objectivity of the external auditor annually. The External Auditor Policy is to provide guidance to MBSB Group on the processes and procedures to review the independence of the External Auditors. The review encompasses an assessment of the qualifications and performance of the auditors, the quality and the auditor's communication with the AC and the BAC, the auditor's independence, objectivity and professional skepticism.</p> <p>The external auditor appointed by MBSB Group shall meet the qualification criteria as set out in the External Auditor Policy and Procedures particularly the audit engagement team involved in making key decisions on significant matters. The AC and BAC shall also ensure that the provision of non-audit services by an external auditor does not impair, either in fact or appearance, the auditor's objectivity, judgment or independence.</p> <p>MBSB's AC and the Bank's BAC are satisfied with the performance of Messrs Ernst & Young ("EY") and Messrs KPMG PLT, based on the quality of service and sufficiency of resources which they provided to the Group and the Bank respectively. The MBSB's AC was also satisfied with its review that the non-audit services provided by EY for financial year ended 31 December 2018 did not in any way impair their objectivity and independence as external auditors of the Group.</p> <p>MBSB's AC and the Board had in February 2019 considered the efficiency of having only 1 External Audit firm for both MBSB and the Bank. As Messrs. KPMG PLT is the existing external auditors for the Bank, MBSB's AC and the Board has recommended that Messrs. KPMG PLT be appointed as the auditors for both MBSB and the Bank for the financial year ending 31 December 2019, subject always to the approval from the Regulators and Shareholders.</p>

	The roles of the AC and BAC in relation to the internal and external auditor are described in the Audit Committee Report section of the Annual Report 2018.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The AC of MBSB comprise solely of Independent Directors. The composition of AC as at 31 December 2018 was as follows: (i) Encik Lim Tian Huat (Chairman) (ii) Ir. Moslim bin Othman (iii) Puan Lynette Yeow Su-Yin

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied																		
Explanation on application of the practice	:	<p>The composition of the AC and BAC as at 31 December 2018 were as follows:-</p> <p>AC:</p> <table border="1"><tr><td>(i)</td><td>Encik Lim Tian Huat</td><td>Chairman</td></tr><tr><td>(ii)</td><td>Ir. Moslim bin Othman</td><td>Member</td></tr><tr><td>(iii)</td><td>Puan Lynette Yeow Su-Yin</td><td>Member</td></tr></table> <p>BAC :</p> <table border="1"><tr><td>(i)</td><td>Encik Aw Hong Boo</td><td>Chairman</td></tr><tr><td>(ii)</td><td>Tunku Alina Binti Raja Muhd Alias</td><td>Member</td></tr><tr><td>(iii)</td><td>Dr. Loh Leong Hua</td><td>Member</td></tr></table> <p>All AC and BAC members are financially literate, possess adequate knowledge and experience to understand and deliberate matters under the purview of the Audit Committee including the financial reporting process.</p> <p>The Chairman of the AC, Encik Lim Tian Huat, is a Council Member of Insolvency Practitioners Association of Malaysia, a Fellow of Association of Chartered Certified Accountants, and also a Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.</p>	(i)	Encik Lim Tian Huat	Chairman	(ii)	Ir. Moslim bin Othman	Member	(iii)	Puan Lynette Yeow Su-Yin	Member	(i)	Encik Aw Hong Boo	Chairman	(ii)	Tunku Alina Binti Raja Muhd Alias	Member	(iii)	Dr. Loh Leong Hua	Member
(i)	Encik Lim Tian Huat	Chairman																		
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(ii)	Tunku Alina Binti Raja Muhd Alias	Member																		
(iii)	Dr. Loh Leong Hua	Member																		

	<p>The Chairman of the BAC, Encik Aw Hong Boo, Fellow, Institute of Chartered Accountants in England & Wales (ICAEW), a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.</p> <p>The AC and BAC members have attended several conferences and trainings during the financial year 2018 to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. The particulars of the conferences and trainings are disclosed in the explanation on Practice 5.1.</p> <p>The NRC and BNRC have assessed the performance of the AC/BAC and its members through an annual Board Committee effectiveness evaluation. The NRC/BNRC and the Boards are satisfied with the overall effectiveness and performance of the AC/BAC and the AC/BAC members have carried out their duties in accordance with the TOR. All the AC members possess the necessary knowledge, experience and skills which contributed to the overall effectiveness of the AC/BAC.</p> <p>A summary of the work of the AC/BAC in discharging its functions and duties for the financial year 31 December 2018 is described in the Audit Committee Report section of the Annual Report 2018.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards are cognizant of its overall responsibility and recognizes the importance of maintaining a sound system of risk management and internal control and reviewing its adequacy, integrity and effectiveness so as to safeguard shareholders' investments and the Group's assets. The Board endeavours to identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures.</p> <p>The Boards remain committed towards operating a sound risk management and internal control system and, therefore, recognizes that the system must continuously evolve to support the MBSB and the Bank's businesses and operations in a dynamic business environment. As such, the Boards are ensuring that MBSB and the Bank establishes comprehensive risk management policies, processes and infrastructure to manage the various types of risks.</p> <p>The Boards have established appropriate controls and processes such as policies, procedures and risk limits within the Group for identifying, measuring, monitoring, control and reporting of significant risks as well as emerging risks that may affect the achievement of the Group's business goals and objectives which had taken into consideration of the changes in the business environment and regulatory requirements. The outcome of this process is closely monitored and reported in a timely manner to the Boards for deliberation. This ongoing process has been in place for the entire financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.</p> <p>The Boards regularly receives and reviews reports relating to the compliance status of the internal and regulatory requirements imposed on the Group. The Boards deliberate on any gaps and deficiencies reported and will direct Management to take all the necessary actions including remedial plans and follow-up actions to ensure that the gaps and deficiencies are addressed.</p> <p>The Group has in place a risk management framework approved by the Board for identifying, measuring, monitoring and reporting of</p>

	<p>significant risks faced by the Group in the achievement of the Group's business objectives and strategies. The Group's risk management framework ensures that there is an effective ongoing process to identify, evaluate and manage risk across the Group.</p> <p>The risk management and internal control framework is disclosed in the Statement on Risk Management and Internal Control Section in the Company's Annual Report 2018.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	The details of features of its risk management and internal control framework, and adequacy and effectiveness of the key risk management internal control processes are disclosed in the Statement on Risk Management and Internal Control Section in the Company’s Annual Report 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The RMC of MBSB comprise solely of Independent Directors. The composition of RMC as at 31 December 2018 was as follows:</p> <ol style="list-style-type: none">1. Encik Lim Tian Huat (Chairman)2. Ir. Moslim bin Othman3. Puan Lynette Yeow Su-Yin <p>The BRMCC of the Bank comprises a majority of Independent Directors. The composition of BRMCC as at 31 December 2018 was as follows:</p> <ol style="list-style-type: none">1. Dr. Loh Leong Hua (Chairman)2. Tunku Alina Binti Raja Muhd Alias3. Encik Aw Hong Boo

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards have the overall responsibility of maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets.</p> <p>The Boards have established an in-house internal audit function for MBSB and the Bank who reports directly to the AC and BAC respectively and administratively to the Group PCEO.</p> <p>The AC and BAC through the IAD reviews the effectiveness of the system of internal controls, risk management and governance of the Group based on risk-based audit plan. The review covers the financial, operational and compliance controls. In addition, IAD also provides consultancy services in relation to the review of policies and procedures.</p> <p>IAD operates under an Audit Charter mandated by the AC and BAC that gives unrestricted access to review all activities of MBSB Group. The Audit Charter was required to be reviewed in every 2 years or as and when is necessary. The Audit Charter was last reviewed in January 2018.</p> <p>IAD is independent of activities and processes to ensure that they are able to perform its duties in an objective manner.</p> <p>The appointment, remuneration, performance, appraisal, transfer and dismissal of Chief Internal Auditor must be decided by the AC and BAC.</p> <p>IAD activities were carried out based on the Audit Plan 2018 as approved by the AC and BAC.</p> <p>The audit reports were reviewed by the AC and BAC and the respective management members have responsibilities to ensure that the corrective actions on the reported weaknesses were taken within the timeframe. IAD will carry out follow up audits and the same will be reported to the AC accordingly.</p> <p>The AC and BAC had during the year reviewed the TOR and had recommended changes to the Board.</p> <p>IAD personnel constantly keep themselves abreast with development</p>

	<p>in the relevant industry and regulations through attendance at Conference and trainings. The certifications obtained by IAD personnel is summarised below: -</p>																														
	<table border="1"> <thead> <tr> <th data-bbox="544 304 1206 371">Certification</th> <th data-bbox="1206 304 1369 371">No of Staff</th> </tr> </thead> <tbody> <tr> <td data-bbox="544 371 1206 439">Associate Certificate in Islamic Finance (AQIF)</td> <td data-bbox="1206 371 1369 439">6</td> </tr> <tr> <td data-bbox="544 439 1206 506">Fundamental Certificate in Islamic Banking (FCIB)</td> <td data-bbox="1206 439 1369 506">4</td> </tr> <tr> <td data-bbox="544 506 1206 573">Shariah Audit Certificate</td> <td data-bbox="1206 506 1369 573">7</td> </tr> <tr> <td data-bbox="544 573 1206 685">Certification in Internal Auditing for Financial Institutions (CIAFIN)</td> <td data-bbox="1206 573 1369 685">6</td> </tr> <tr> <td data-bbox="544 685 1206 752">Professional Certificate in Islamic Finance (INCIEF)</td> <td data-bbox="1206 685 1369 752">1</td> </tr> <tr> <td data-bbox="544 752 1206 819">Certified Lead Auditor (ISO27001)</td> <td data-bbox="1206 752 1369 819">1</td> </tr> <tr> <td data-bbox="544 819 1206 887">Certified Credit Professional (Business)</td> <td data-bbox="1206 819 1369 887">1</td> </tr> <tr> <td data-bbox="544 887 1206 954">Certified Credit Professional Islamic (Business)</td> <td data-bbox="1206 887 1369 954">1</td> </tr> <tr> <td data-bbox="544 954 1206 1066">Certificate of SAP Material Management (Procurement)</td> <td data-bbox="1206 954 1369 1066">1</td> </tr> <tr> <td data-bbox="544 1066 1206 1178">Certificate Professional in Requirements Engineering (CPRE)</td> <td data-bbox="1206 1066 1369 1178">1</td> </tr> <tr> <td data-bbox="544 1178 1206 1245">HUAWEI Certified Datacom Associate (HCDA)</td> <td data-bbox="1206 1178 1369 1245">1</td> </tr> <tr> <td data-bbox="544 1245 1206 1312">Certified Bank Auditor (CBA)</td> <td data-bbox="1206 1245 1369 1312">3</td> </tr> <tr> <td data-bbox="544 1312 1206 1379">Certified Information System Auditor (CISA)</td> <td data-bbox="1206 1312 1369 1379">1</td> </tr> <tr> <td data-bbox="544 1379 1206 1491">ICA International Advanced Certificate in Anti Money Laundering</td> <td data-bbox="1206 1379 1369 1491">2</td> </tr> </tbody> </table>	Certification	No of Staff	Associate Certificate in Islamic Finance (AQIF)	6	Fundamental Certificate in Islamic Banking (FCIB)	4	Shariah Audit Certificate	7	Certification in Internal Auditing for Financial Institutions (CIAFIN)	6	Professional Certificate in Islamic Finance (INCIEF)	1	Certified Lead Auditor (ISO27001)	1	Certified Credit Professional (Business)	1	Certified Credit Professional Islamic (Business)	1	Certificate of SAP Material Management (Procurement)	1	Certificate Professional in Requirements Engineering (CPRE)	1	HUAWEI Certified Datacom Associate (HCDA)	1	Certified Bank Auditor (CBA)	3	Certified Information System Auditor (CISA)	1	ICA International Advanced Certificate in Anti Money Laundering	2
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<p>Measure :</p>																															
<p>Timeframe :</p>																															

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The IAD is independent from the business undertakes activities as stated in the AC Report.</p> <p>The profile of the Chief Internal Auditor, Cik Aniza binti Zakaria disclosed in the Company's Annual Report detailing qualification, skills and experience and declaration.</p> <p>A brief statement on the Internal Audit Function of its key activities is disclosed in section 5.0 of the Report of the Audit Committee in the Company's Annual Report 2018.</p> <p>IAD has provided the AC/BAC reports highlighting the observations, recommendations and management action plans to improve the system of internal controls. The AC/BAC, on behalf of the Board, regularly review and deliberates on internal control issues identified in reports prepared by the internal auditors and the related actions taken by Senior Management.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of communication and proper dissemination of information to its shareholders, investors and all other stakeholders including the general public. The Directors will ensure that MBSB Group keeps the shareholders informed via announcements and timely release of quarterly financial reports, press releases, annual reports and circulars to shareholders.</p> <p>It is the practice of MBSB to notify the investing public of the expected release date of quarterly financial results via BursaLink prior to the release of the quarterly financial results. The quarterly financial results are announced via Bursa LINK after the Board's approval and analyst/media briefings are conducted on the same day after the release of the quarterly financial results. This is important in ensuring equal and fair access to information is provided to the investing public, so that they are able to make informed decisions.</p> <p>As part of the Group's initiatives, the Group PCEO together with the Chief Financial Officer and Chief Corporate Officer conduct 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.</p> <p>MBSB's website 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. All details of the Corporate events carried out by the Company are also available on MBSB's website.</p> <p>A Corporate Disclosure Policy has set out the policies and procedures for disclosure of all material information to be released to the public.</p> <p>Clear roles and responsibilities of the Directors, Management and employees are provided in the Corporate Disclosure Policy and the</p>

	<p>designated spokesperson responsible to communicate with all audience of the material information/announcement to internal and external stakeholders had been identified.</p> <p>The Board, Management and employees of the Group are required to observe this Corporate Disclosure policy. The Group is mindful and will ensure timely disclosure of material information in accordance with the Bursa Malaysia's and other applicable legislation.</p> <p>Stakeholders are encouraged to drop an email at enquiry@mbsbbank.com if they have any inquiries.</p>	
<p>Explanation for departure :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	MBSB has appointed a consultant to carry out a gap analysis to assist the Management to prepare the integrated reporting.	
		The information disclosed in the Sustainability Report is sufficient for the time being to ensure that the stakeholders understand the business of the company, its policies on governance, the environment and social responsibility	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	MBSB is in the process of planning and laying out the foundation for integrated reporting.	
Timeframe	:	Within 1 year	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	<p>The Notice of 48th AGM dated 30 April 2018 was despatched to the shareholders at least 28 days before the date of the AGM. The 48th AGM was held 25 June 2018.</p> <p>In addition, MBSB also distributes an Administrative Guide together with the notice of the AGM, which provides information to the shareholders regarding the details of the AGM, their entitlement to attend the AGM and their right to appoint a proxy.</p> <p>The notes in the Notice provide detailed explanations on each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Departure
Explanation on application of the practice	:	Please provide an explanation on how the practice is being applied.
Explanation for departure	:	<p>The AGM of MBSB is the primary forum for dialogue and interaction with its shareholders.</p> <p>All shareholders have direct access to the Board members at the AGM. Four (4) out of five (5) Directors were present at the last AGM which was held on 25 June 2018 to respond to the shareholders' queries. The remaining director was unable to attend as he was attending another AGM overseas.</p> <p>In addition, the senior management, external auditors and other advisors are present at the AGM to provide answers and clarifications to shareholders.</p> <p>During the 48th AGM, the Group PCEO presented the Group's financial performance to the shareholders before proceed with the business of the meeting. The Group PCEO also shared the responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group.</p> <p>During the meeting, the Chairman invited the shareholders to raise questions pertaining to MBSB's financial statements, proposed resolutions and other items during the Questions and Answers session before putting a resolution to vote.</p> <p>The queries from the shareholders/appointed proxies were being responded meaningfully and sufficiently by the directors, Group PCEO and External Auditors at the last AGM. Officers of MBSB were present to handle other face to-face enquiries from shareholders.</p> <p>There was no question directed to the Chair of the AC, NRC and RMC by the shareholders in the last AGM.</p>

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	All the directors have confirmed their attendance to the forthcoming AGM to be held on 11 June 2019.
Timeframe	:	Within 1 year

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The number of vendors who has the expertise and infrastructure to provide the technology for voting in absentia and remote participation by shareholders is limited in the market. The Board also could not determine the reliability and effectiveness of system due to lack of user feedbacks from other public listed companies.
	:	The Constitution of MBSB allows the shareholders to appoint any person as their proxy to attend, participate, speak and vote at the meeting and there is no restriction as to the qualification of the proxy. In addition, the shareholder is allowed to appoint Chairman of the Meeting as proxy to exercise the shareholder's vote in the meeting if the shareholder or his proxy is unable to attend the said meeting.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company will continue to explore a suitable and reliable vendor/ system to facilitate voting in absentia and remote participation by shareholders.
Timeframe	:	Within 1 year

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

Malaysia Building Society Berhad became a Financial Holding Company on 7 February 2018 after the completion of the acquisition of the entire shares in Asian Finance Bank Berhad (now known as MBSB Bank Berhad).

Board of Directors of MBSB

Explanation on application of the practice:

The key personal details and background of the Directors are disclosed in the Annual Report 2018 and are available on MBSB’s website at www.mbsb.com.my

The Board is responsible for overseeing the conduct of MBSB Group business and the Management’s implementation of the Group’s strategic objectives as well as its conduct and performance. The roles and responsibilities of the Board of Directors are set out in the Board Charter and Section A, Practice 1.1 of this Corporate Governance Report. The Board is supported by various Board Committees and the roles and responsibilities of the respective Committees are clearly outlined in Terms of Reference (“TOR”) which requires regular review and approval by the Board from time to time.

The records of attendance at Board Meeting held in the financial year ended 31 December 2018 are as follows:

No.	Members	Attendance	Percentage
1.	Tan Sri Abdul Halim bin Ali <i>Chairman / Non-Independent Non-Executive Director</i>	12/12	100%
2.	Encik Lim Tian Huat <i>Independent Non-Executive Director</i>	12/12	100%
3.	Ir. Moslim bin Othman <i>Independent Non-Executive Director</i>	12/12	100%
4.	Puan Lynette Yeow Su-Yin <i>Independent Non-Executive Director</i>	12/12	100%
5.	Datuk Shahril Ridza bin Ridzuan <i>Non-Independent Non-Executive Director (resigned on 20 August 2018)</i>	8/8	100%
6.	Encik Aw Hong Bo <i>(resigned on 6 February 2018)</i>	2/2	100%
7.	Dato’ Jasmy bin Ismail <i>(resigned on 6 February 2018)</i>	2/2	100%

8.	Datuk Syed Zaid bin Syed Jaffar Albar (resigned on 6 February 2018)	1/2	50%
9.	Datuk Johar bin Che Mat (resigned on 6 February 2018)	2/2	100%
10.	Encik Sazaliza bin Zainuddin (resigned on 6 February 2018)	2/2	100%
11	Tunku Alina binti Raja Muhd Alias (resigned on 6 February 2018)	2/2	100%

The Board Committees of MBSB are as follows:

(i) Audit Committee

The principal function of the AC is to assist the Board in fulfilling its fiduciary responsibilities particularly in the areas of accounting and management controls and financial reporting and to ensure financial statements comply with applicable financial reporting standards; to reinforce the independence and objectivity of the IAD; to provide the focal point for communication between external auditors, internal auditors, risk managers, Directors and the Management on matters in connection with accounting, reporting, risks and controls and providing a forum for discussion independent of the Management; and to undertake additional duties as may be deemed appropriate and necessary to assist the Board.

The record of attendance of the AC members during the year as follows:-

No.	Members	Attendance	Percentage
1.	Encik Lim Tian Huat (Chairman)	9/9	100%
2.	Ir. Moslim bin Othman (appointed as AC Member on 6 February 2019)	8/8	100%
3.	Puan Lynette Yeow Su-Yin (appointed as AC Member on 6 February 2019)	8/8	100%
4.	Encik Aw Hong Bo (resigned as AC Member on 6 February 2018)	1/1	100%
5.	Dato' Jasmy bin Ismail (resigned as AC Member on 6 February 2018)	1/1	100%
6.	Encik Sazaliza bin Zainuddin (resigned as AC Member on 6 February 2018)	1/1	100%

(ii) Risk Management Committee

The primary objectives of RMC are to assist the Board with the risk oversight within MBSB Group which includes reviewing the risk management policies, risk exposure and limits as well as ensuring that all risks are well managed within MBSB Group's risk appetite by providing adequate infrastructure and resources in place to support the risk management activities.

The record of attendance of the RMC members during the year as follows:-

No.	Members	Attendance	Percentage
1.	Encik Lim Tian Huat (Chairman)	7/7	100%
2.	Ir. Moslim bin Othman (appointed as RMC Member on 6 February 2019)	6/6	100%
3.	Puan Lynette Yeow Su-Yin (appointed as RMC Member on 6 February 2019)	6/6	100%
4.	Encik Aw Hong Bo (resigned as RMC member on 6 February 2018)	1/1	100%
5.	Dato' Jasmy bin Ismail (resigned as RMC member on 6 February 2018)	1/1	100%
6.	Tunku Alina binti Raja Muhd Alias (resigned as RMC member on 6 February 2018)	1/1	100%

(iii) Nominating and Remuneration Committee

The primary responsibilities of the NRC are to assist the Board of Directors to maintain a formal and transparent procedure for the appointment of directors, Board assessment, policy setting on directors' remuneration and to determine an appropriate remuneration packages for all directors.

The NRC is also responsible to review, appoint, remove and determine the remuneration package for the Group President and Chief Executive Officer ("Group PCEO"), key Senior Management with the "C" Suites position, Company Secretary and also members of the Shariah Advisory Committee. In additional, the NRC also reviews the remuneration framework for MBSB Group.

With effect from 7 February 2018, matters concerning the Shariah members are discussed and decided at the Board Nomination & Remuneration Committee of the Bank.

The record of attendance of the NRC members during the year as follows:-

No.	Members	Attendance	Percentage
1.	Ir. Moslim bin Othman (With effect from 6 February 2018, the NRC is chaired by Ir. Moslim bin Othman) (appointed as NRC Member on 6 February 2019)	2/2	100%
2.	Encik Lim Tian Huat	4/4	100%
3.	Puan Lynette Yeow Su-Yin (appointed as NRC Member on 6 February 2019)	2/2	100%
4.	Encik Aw Hong Bo (resigned on 6 February 2018)	2/2	100%
5.	Dato' Jasmy bin Ismail (resigned on 6 February 2018)	2/2	100%
6.	Datuk Syed Zaid bin Syed Jaffar Albar (resigned on 6 February 2018)	2/2	100%

(iv) EXCO

The EXCO was established on 29 April 2005 specifically to assist the Board to evaluate and approve loan/financing applications within their approving authority limits. Loans/financing above the approving authority limit of the EXCO or loans/financing with connected parties as defined in the policy on Credit Transactions and Exposures with Connected Parties were escalated to the Board for further deliberation and approval.

The oversight and review of restructuring proposals for the recovery of non-performing loans/financing (NPLs/NPFs), monitoring the progress of the recovery of NPLs/NPFs and formulation of recovery strategies, was also carried out by the EXCO.

The record of attendance of the EXCO members during the year as follows:-

No.	Members	Attendance	Percentage
1.	Tan Sri Abdul Halim bin Ali (Chairman)	2/2	100%
2.	Datuk Shahril Ridza bin Ridzuan	2/2	100%
3.	Ir. Moslim bin Othman	2/2	100%
4.	Puan Lynette Yeow Su-Yin	2/2	100%
5.	Datuk Johar bin Che Mat	2/2	100%

The Executive Committee was dissolved with effect from 6 February 2018. MBSB is no longer approving new loan/financing applications. Any new financing applications will be submitted, reviewed and approved at the Bank's level.

(v) 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 members of Option Committee as at 31 December 2018 are as follows:-

No.	Members
1.	Puan Lynette Yeow Su-Yin (Chairperson)
2.	Encik Lim Tian Huat
3.	Ir. Moslim bin Othman

There was no Option Committee meeting held during the financial year 2018.

In respect of the training and education provided to the Board including the orientation/ induction programmes for new directors and detailed trainings attended by Directors, such disclosure are available in Practice 5.1 of the CG Report 2018.

Internal Framework

Explanation on application of the practice

The Board has the overall responsibility of maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets as well as responsible for risk oversight within the Group. Two (2) Board Committees, namely AC and RMC assist the Board in discharging these duties.

The details of features of its risk management and internal control framework, and adequacy and effectiveness of the key risk management internal control processes are disclosed in the Statement on Risk Management and Internal Control Section in the Company's Annual Report 2018.

Remuneration

Explanation on application of the practice:

The Board has established a Directors Remuneration Framework which is tailored to support the strategies and long-term vision of the Company as well as provide adequate motivational incentive for directors to pursue long-term growth and success of the Company. The NRC is responsible to review the Directors' remuneration on an annual basis prior to making its recommendations to the Board for approval.

The details of the Directors' fees structure and benefits payable to the directors are as follows:

MBSB:

Name of Directors	Directors' Fees (RM)	Allowance (RM)	Total (RM)
Tan Sri Abdul Halim bin Ali	145,000	169,000	314,000
Encik Lim Tian Huat	174,167	88,000	262,167
Ir. Moslim bin Othman	162,916	84,000	246,916
Puan Lynette Yeow Su-Yin	153,749	81,000	234,749
Datuk Shahril Ridza Ridzuan* (Resigned on 20 August 2018)	70,000	37,000	107,000
Encik Szaliza Zainuddin * (Resigned on 6 February 2018)	20,000	14,000	34,000
Datuk Syed Zaid bin Syed Jaffar Albar (Resigned on 6 February 2018)	19,167	13,000	32,167
Dato' Jasmy bin Ismail (Resigned on 6 February 2018)	27,500	22,000	49,500
Encik Aw Hong Boo (Resigned on 6 February 2018)	27,500	20,000	47,500
Datuk Johar bin Che Mat (Resigned on 6 February 2018)	20,000	16,000	36,000
Tunku Alina Binti Raja Muhd Alias (Resigned on 6 February 2018)	20,000	14,000	34,000
Total	839,999	558,000	1,397,999

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

Bank:

Name of Directors	Directors' Fees (RM)	Allowance (RM)	Total (RM)
Tan Sri Abdul Halim bin Ali <i>(appointed on 7 February 2018)</i>	128,334	57,000	185,334
Datuk Azrulnizam bin Abdul Aziz	122,739.42	110,500	233,239.42
Encik Aw Hong Boo <i>(appointed on 7 February 2018)</i>	151,250.00	138,000	289,250.00
Datuk Johar bin Che Mat <i>(appointed on 7 February 2018)</i>	148,155.42	119,500	267,655.42
Puan Lynette Yeow Su-Yin <i>(appointed on 7 February 2018)</i>	123,750.00	114,000	237,750.00
Encik Sazaliza Bin Zainuddin * <i>(appointed on 7 February 2018)</i>	110,000.00	87,000	197,000.00
Tunku Alina binti Raja Muhd Alias <i>(appointed on 7 February 2018)</i>	134,167.00	116,000	250,167.00
Dr. Loh Leong Hua <i>(resigned on 9 February 2018 and reappointed on 1 June 2018)</i>	91,904.42	79,000	170,904.42
Dato' Dr. Md Khir bin Abdul Rahman <i>(resigned on 9 February 2018)</i>	9,714.26	14,500	24,214.26
Dato' Dr. Vaseehar Hassan bin Abdul Razack <i>(resigned on 9 February 2018)</i>	6,071.42	10,000	16,071.42
Encik Abdul Rahim bin Abdul Hamid <i>(resigned on 9 February 2018)</i>	6,071.42	8,500	14,571.42
Dr. Saleh Jameel Malaikah <i>(resigned on 7 February 2018)</i>	2,428.58	5,500	7,928.58
Mr. Zakir Hussain Rizvi <i>(resigned on 7 February 2018)</i>	2,428.58	0	2,428.58
TOTAL	1,037,014.52	859,500	1,896,514.52

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

The NRC has on 10 January 2019 reviewed the existing remuneration package of the Directors and was of the view that the existing directors' fees were still adequate. The Committee has requested the consultant to be appointed to review the Remuneration Package of the Directors to ensure that the Remuneration Package is aligned with the market and Company's strategy.

The remuneration packages of the Group PCEO, the "C" Suites and the Company Secretary of MBSB Group will be reviewed by the NRC and the same will be recommended by the Board for decision. The remuneration of the Group PCEO, the "C" Suites and the Company Secretary are based on their achievement of strategic initiatives established and approved by the Board.

The remuneration package for the SAC is reviewed by BNRC.

The remuneration breakdown for PCEO for the financial year ended 31 December 2018 are as follows:-

NAME	CATEGORY	CASH (RM '000)	TOTAL (RM '000)
Datuk Seri Ahmad Zaini Othman	Fixed remuneration	1,620	1,620
	Variable remuneration		
	• Non deferred	2,520	2,520
	• Deferred	-	-
	Total remuneration award for year 2018	4,140	4,140

The total value of cash base remuneration paid out to the top 5 Senior Management staff of MBSB Group for financial year 2018 are as follows:

Total value of remuneration awards for the financial year 2018	RM
Fixed Remuneration	
- Cash-Based	4,842,161 (5 headcounts)
Variable remuneration	
- Cash-Based	5,227,025 (5 headcounts)
- ESOS [^]	Nil
Definition	Senior Management (including PCEO) comprises of MBSB Bank Senior Officers in category of the C Suites positions.

[^] Share value is based on statutory guidelines for taxable gains calculation.