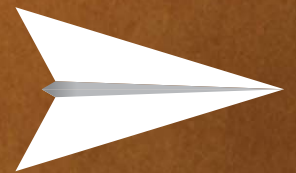




MALAYSIA BUILDING SOCIETY BERHAD (9417-K)  
A Subsidiary of the EPF

*Your Financial Provider*

PROPELLING MBSB FURTHER AND BEYOND  
IN PURSUIT OF NEW HORIZON



ANNUAL REPORT 2015



MBSB has contributed to the country's financial services industry for more than six decades. It has evolved with the times, grown with the nation. With an unmatched strength that's built over the years and a hard resolve to remain as a key player, MBSB aims to pursue **a new horizon** and continue deliver an exceptional value to its customers and stakeholders.

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# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE 46<sup>th</sup> ANNUAL GENERAL MEETING ("AGM") of the Company will be held at Grand Nexus, Level 3A, Connexion@Nexus, No. 7 Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur on Thursday, 5 May 2016 at 10.00 a.m. for the following purposes:

## Ordinary Business:

- |    |   |  |
|----|---|--|
| 1. | To receive the Audited Financial Statements of the Company and of the Group for the year ended 31 December 2015 and Reports of the Directors and Auditors thereon.  | (Please refer to<br><b>Explanatory Note 1</b> )              |
| 2. | To declare a Single-Tier Final Dividend of 3.0 sen per ordinary share of RM1.00 each for the financial year ended 31 December 2015.   | <b>Ordinary Resolution 1</b>                                 |
| 3. | To approve payment of Directors' Fees amounting to RM789,167.00 for the financial year ended 31 December 2015.  | <b>Ordinary Resolution 2</b>                                 |
| 4. | To re-elect the following Directors who retire in accordance with Article 86 of the Company's Articles of Association and who being eligible offer themselves for re-election:-<br><br>(i) Datuk Syed Zaid bin Syed Jaffar Albar<br>(ii) Dato' Jasmy bin Ismail   | <b>Ordinary Resolution 3</b><br><b>Ordinary Resolution 4</b> |
| 5. | To re-elect the following Director who retire in accordance with Article 78 of the Company's Articles of Association and who being eligible offer himself for re-election:-<br><br>(i) Ir. Moslim bin Othman  | <b>Ordinary Resolution 5</b>                                 |
| 6. | To consider and if thought fit, to pass the following resolution in accordance with Section 129 (6) of the Companies Act, 1965:-<br><br>"That Tan Sri Abdul Halim bin Ali, retiring pursuant to Section 129 (6) of the Companies Act, 1965, be re-appointed as a Director of the Company to hold office until the next Annual General Meeting." | <b>Ordinary Resolution 6</b>                                 |
| 7. | To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration.   | <b>Ordinary Resolution 7</b>                                 |

## Special Business:

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

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



## Notice of Annual General Meeting

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

### Ordinary Resolution 9

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

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

### BY ORDER OF THE BOARD

KOH AI HOON (MAICSA 7006997)  
TONG LEE MEE (MAICSA 7053445)  
**COMPANY SECRETARIES**

Kuala Lumpur

13 April 2016

### Explanatory Notes:-

1. Item 1 of the Agenda

This Agenda is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Item 8 of the Agenda

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

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

## Notice of Annual General Meeting

### 3. Item 9 of the Agenda

Dividend Reinvestment Plan ("DRP") is a capital management tool that would strengthen the Company's capital position. The reinvestment of dividend entitlements by shareholders for new Company shares will enlarge the Company's share capital and strengthen its capital position for future growth. Under the DRP, the cash that would otherwise be paid out by way of dividend will be preserved to fund the working capital and/or capital funding requirements of the Group and the Company.

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

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

#### Notes:-

1. For the purpose of determining a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 58A(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 25 April 2016. Only a depositor whose name appears on the Record of Depositors as at 25 April 2016 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
2. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.
3. In the case of a corporate body, the proxy appointed must be in accordance with its Memorandum & Articles of Association and the instrument appointing a proxy shall be given under the company's common seal or under the hand of an officer or attorney duly authorised.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. To be valid, the duly completed instrument appointing a proxy must be deposited at the Company's registered office at 11<sup>th</sup> Floor, Wisma MBSB, 48 Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

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

1. Directors who are standing for re-election at the 46<sup>th</sup> Annual General Meeting of the Company to be held at Grand Nexus, Level 3A, Connexion@Nexus, No. 7 Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur on Thursday, 5 May 2016 at 10.00 a.m. are as follows:-
  - i. Datuk Syed Zaid bin Syed Jaffar Albar
  - ii. Dato' Jasmy bin Ismail
  - iii. Ir. Moslim bin Othman
  - iv. Tan Sri Abdul Halim bin Ali
2. The details of the above Directors who are standing for re-election at the 46<sup>th</sup> Annual General Meeting are disclosed under the Directors' Profile on pages 8-15 of this Annual Report.

## Board of Directors

### Tan Sri Abdul Halim bin Ali

*Chairman / Non-Independent  
Non-Executive Director*

### Datuk Shahril Ridza bin Ridzuan

*Non-Independent  
Non-Executive Director*

### Datuk Syed Zaid bin Syed Jaffar Albar

*Non-Independent  
Non-Executive Director*

### Encik Aw Hong Boo

*Senior Independent  
Non-Executive Director*

### Dato' Jasmy bin Ismail

*Independent  
Non-Executive Director*

### Encik Lim Tian Huat

*Independent  
Non-Executive Director*

### Cik Ravinder Kaur a/p Mahan Singh

*Independent  
Non-Executive Director*

### Ir. Moslim bin Othman

*Independent  
Non-Executive Director*

## Shariah Advisory Committee

Associate Professor Dr. Abdul Karim bin Ali

Dr. Marjan binti Muhammad

Dr. Luqman bin Haji Abdullah

Dr. Sa'adan bin Man

Associate Professor Dr. Zurina binti Shafii

Assistant Professor Dr. Akhtarzaite binti Abdul Aziz

## President and Chief Executive Officer

Dato' Ahmad Zaini bin Othman

## Company Secretaries

Koh Ai Hoon (MAICSA 7006997)

Tong Lee Mee (MAICSA 7053445)

## Registrar

Tricor Investor & Issuing House Services Sdn Bhd

Unit 32-01, Level 32, Tower A,

Vertical Business Suite,

Avenue 3, Bangsar South,

No. 8, Jalan Kerinchi,

59200 Kuala Lumpur

Tel : 03-2783 9299

Fax: 03-2783 9222

## Auditors

Ernst & Young  
(Chartered Accountants)

## Bankers

RHB Bank Berhad

Malayan Banking Berhad

Affin Bank Berhad

## Registered Office

11<sup>th</sup> Floor, Wisma MBSB

48 Jalan Dungun, Damansara Heights

50490 Kuala Lumpur

Tel : 03-2096 3000

Fax : 03-2096 3144

Website : [www.mbsb.com.my](http://www.mbsb.com.my)

## Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

(Listed since 14 March 1972)



Anak Syarikat KWSP (9417-K)

**MBSB**

**WISM**

Pembiay



# OUR PROFILE

## MBSB History in Brief

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

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

## MBSB is an Exempt Finance Company

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

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

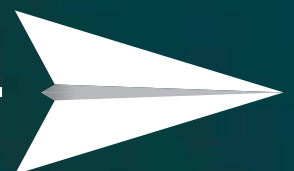
## MBSB Corporate Highlights

MBSB has been granted with an exemption under Section 7(4) of the Borrowing Companies Act 1969 (BCA).

As a result of the change from BCA to Finance Companies Act (FCA), all references to borrowing business and borrowing company were to be construed respectively as finance business and finance company.

The FCA was later repealed by Banking and Financial Institutions Act 1989 (BAFIA).

The BAFIA has been repealed and replaced with FSA 2013.



# PROFILE OF



Chairman  
Non-Independent Non-Executive Director

Tan Sri Abdul Halim bin Ali, a Malaysian, aged 72, was appointed as Chairman of MBSB on 22 June 2001. He is also the Chairman of the Executive Committee of MBSB.

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

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

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

He is the Chairman of the Multimedia Development Corporation, Universiti Teknologi Malaysia, IJM Corporation Berhad and Sedania Innovator Berhad.

## TAN SRI ABDUL HALIM BIN ALI

# DIRECTORS

Datuk Shahril Ridza bin Ridzuan, a Malaysian, aged 45, was appointed as a Non-Independent Non-Executive Director on 30 November 2011. He serves as a Member of the Executive Committee and the Audit Committee.

Datuk Shahril holds a Bachelor of Civil Law (1<sup>st</sup> Class) from Oxford University, England and a Master of Arts (1<sup>st</sup> Class) from Cambridge University, England.

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

Datuk Shahril was then appointed to the Board of Malaysian Resources Corporation Berhad on 9 August 2001. He served as the Group Managing Director of the Company from 1 September 2003 to 1 December 2009. He is presently the Chief Executive Officer of the Employees Provident Fund.

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

Non-Independent  
Non-Executive Director

A black and white portrait of Datuk Shahril Ridza bin Ridzuan, a middle-aged man with a receding hairline, wearing a dark suit, white shirt, and patterned tie. He is smiling slightly and looking towards the camera. The background is plain white.

**DATUK SHAHRIL RIDZA  
BIN RIDZUAN**

## Profile of Directors



Datuk Syed Zaid bin Syed Jaffar Albar, a Malaysian, aged 61, was appointed as an Independent Non-Executive Director on 14 August 2002. He was appointed Senior Independent Non-Executive Director on 7 February 2013 and was redesignated as Non-Independent Non-Executive Director on 22 April 2014. He serves as a Member of the Executive Committee, the Nominating & Remuneration Committee and the Option Committee.

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

Datuk Syed Zaid Albar is also a Director of Malaysian Pacific Industries Berhad.

Non-Independent  
Non-Executive Director

**DATUK SYED ZAID  
BIN SYED JAFFAR ALBAR**



Encik Aw Hong Boo, a Malaysian, aged 66, was appointed as an Independent Non-Executive Director on 18 November 2005. He was redesignated as Senior Independent Non-Executive Director on 22 April 2014. He is the Chairman of the Audit Committee, the Nominating & Remuneration Committee and the Option Committee. He also serves as a Member of the Risk Management Committee.

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

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

Senior Independent Non-Executive Director

A black and white portrait of Encik Aw Hong Boo, a middle-aged man with dark hair, wearing a dark suit, white shirt, and patterned tie. He is smiling slightly and looking towards the camera. The background is plain white.

**ENCIK AW HONG BOO**

## Profile of Directors



Dato' Jasmy bin Ismail, a Malaysian, aged 52, was appointed as a Non-Independent Non-Executive Director on 11 August 2009 and was redesignated as Independent Non-Executive Director on 26 February 2013. He serves as a Member of the Risk Management Committee and the Audit Committee.

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

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

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

Dato' Jasmy is a Director of TSH Resources Berhad and several other private limited companies. He is also an appointed Council Member of Badminton Association of Malaysia.

Independent Non-Executive Director

# DATO' JASMY BIN ISMAIL

Encik Lim Tian Huat, a Malaysian, aged 61, was appointed as an Independent Non-Executive Director on 4 April, 2011. He is the Chairman of the Risk Management Committee and also serves as a Member of the Audit Committee, the Nominating & Remuneration Committee and the Option Committee.

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

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

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

Encik Lim is a Director of UEM Sunrise Berhad, PLUS Malaysia Berhad and Perbadanan Insurans Deposit Malaysia. He is also a Director of Bank of Yingkou, China and Anglo-Eastern Plantation PLC, a Company listed in London Stock Exchange.

Independent Non-Executive Director

A black and white portrait of Encik Lim Tian Huat, a middle-aged man with short dark hair, wearing glasses, a dark suit jacket, a white shirt, and a patterned tie. He is smiling slightly and looking towards the camera. The background is plain white.

**ENCIK LIM TIAN HUAT**

## Profile of Directors



Cik Ravinder Kaur a/p Mahan Singh, a Malaysian, aged 55, was appointed as an Independent Non-Executive Director on 5 June 2013. She serves as a Member of the Executive Committee.

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

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

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

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

Independent Non-Executive Director

**CIK RAVINDER KAUR  
a/p MAHAN SINGH**



Ir. Moslim bin Othman, a Malaysian aged 61 was appointed as an Independent Non-Executive Director on 21 September 2015. He serves as Member of the Executive Committee.

Moslim received his Bachelor of Engineering (Civil) from University of Melbourne and his Master of Science (Building Services) from Brunel University, London. He is a Registered Professional Engineer with the Board of Engineers Malaysia and a Member of the Institution of Engineers Malaysia.

Moslim began his career as a civil engineer with Public Works Department (PWD) in 1978. In 1996 he joined the private sector when he was recruited by Bumi Hiway Group of Companies (now known as Selia Group) as Chief Operating Officer of its construction division. He then served as Chief Operating Officer at Infra Desa Johor Sdn Bhd, an associate company of Bumi Hiway.

Moslim formed a project management consultancy firm namely Haluan Fokus Sdn Bhd in 2001 and undertook several project audit and project management works for the Ministry of Finance, Construction Industry Development Board and Majlis Amanah Rakyat, Malaysia.

Currently, he is the sole proprietor of Sejagat Consultant, a civil and structural consulting firm which undertakes the design of building projects and asset management as well as maintenance of rural roads.

Independent Non-Executive Director

A black and white portrait of Ir. Moslim bin Othman, a middle-aged man with short, graying hair, wearing glasses, a dark suit jacket, a white shirt, and a patterned tie. He is smiling slightly and looking towards the camera. The background is plain white.

**IR. MOSLIM BIN OTHMAN**

# PROFILE OF PRESIDENT AND



**DATO' AHMAD ZAINI  
BIN OTHMAN**

# CHIEF EXECUTIVE OFFICER

Dato' Ahmad Zaini bin Othman, a Malaysian, aged 59, was appointed the President and Chief Executive Officer of MBSB on 26 February 2009.

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

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

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

In 2004 he was made CEO of Amlslamic Bank managing all the group's affairs pertaining to Islamic Banking in commercial and corporate finance and was responsible for setting up the Islamic Business Model for the group.

Dato' Ahmad Zaini was appointed as an Accreditation Panel Member of the Asian Institute of Finance for the year 2011.

In August 2014, Dato' Ahmad Zaini received the "Asia Pacific Outstanding Entrepreneurship Award 2014" from the Enterprise Asia. The award recognizes talented young entrepreneurs to experienced industrialists who are considered pioneers in their respective fields.

Dato' Ahmad Zaini has also been appointed as a member of the CEO Faculty Program, emplaced by Ministry of Higher Education in 2016.

Dato' Ahmad Zaini is also a member of the Chartered Institute of Islamic Finance Professionals (CIIF). In recognition of his contributions to Islamic banking he was appointed a faculty member (Industry expert) to the International Centre for Education in Islamic Finance (INCEIF).

## Notes:

### 1. Family relation with Director and/or substantial shareholder

The Directors and President and CEO do not have any family relationship with any directors and/or major shareholders of MBSB other than Tan Sri Abdul Halim bin Ali and Datuk Shahril Ridza bin Ridzuan who are nominees of Employees Provident Fund Board (EPF).

### 2. Conflict of Interest

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

### 3. Conviction of Offences

All the Directors and President and CEO have not been convicted for any offences within the past ten years other than traffic offences, if any.

### 4. Attendance of Board Meetings

The number of Board meetings attended by the Directors during the financial year ended 31 December 2015 is disclosed in the Statement of Corporate Governance in page 54 of this Annual Report.

# PROFILE OF SHARIAH



Dr. Abdul Karim bin Ali, born in 1966, serves as an Associate Professor for Department of Fiqh and Usul, Academy of Islamic Studies at University of Malaya (UM). He obtained his degree in Shariah from University of Malaya in 1990 and doctoral degree (Ph.D) from University of Edinburgh, Scotland in 1996. Dr. Abdul Karim is an active member in a number of research committees at the University Malaya.

His areas of specialization are Principles of Islamic Jurisprudence, Fiqh Textual Studies, History of Islamic Law and Sciences of Hadith. Previously, he was appointed as Head of Department Fiqh & Usul, Academy of Islamic Studies, UM. He is actively involved in Muslim Scholar Association.

Chairman,  
Shariah Advisory Committee

**ASSOC. PROF. DR. ABDUL  
KARIM BIN ALI**



# ADVISORY COMMITTEE (SAC)

Dr. Marjan binti Muhammad, born in 1975, is currently the Director of Research, Research Affairs Department at the International Shariah Research Academy for Islamic Finance (ISRA). She obtained her Master and Doctoral degrees in Islamic Revealed Knowledge and Heritage (Fiqh and Usul al-Fiqh) at the International Islamic University Malaysia (IIUM), after graduating from the same university in 1998 for her Bachelor degree.

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

Member,  
Shariah Advisory Committee

A black and white portrait of Dr. Marjan Binti Muhammad. She is wearing a light-colored hijab with a decorative brooch at the neck and glasses. She is smiling slightly and looking towards the camera. Her hands are clasped in front of her. The background is plain white.

**DR. MARJAN BINTI  
MUHAMMAD**

## Profile of Shariah Advisory Committee (SAC)



Dr. Luqman Bin Haji Abdullah, born in 1969, currently serves as a lecturer at University of Malaya (UM). He graduated with a Degree B.Is (Hons) in Shariah from University of Malaya in 1993. He obtained his Ph.D (Islamic Law of Property) at Edinburgh University, Scotland in 2005. He also serves as a Committee Member of Scholars and Fatwa for Kelantan Islamic Religious Council and Chairman, Board of Trustees, Center for Development of Pondok Studies Ltd (Kelantan) and was a visiting Scholar in 2013 at University of Edinburgh, Scotland.

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

Member,  
Shariah Advisory Committee

**DR. LUQMAN BIN  
HAJI ABDULLAH**

Dr. Sa'adan Bin Man, born in 1969, serves as a lecturer at the University of Malaya (UM), Department of Fiqh and Usul, Academy of Islamic Studies. He obtained his Doctoral degree in Islamic Law at Edinburgh University, United Kingdom in 2004 after graduating from the University of Malaya (UM) in Shariah for his Bachelor Degree (B.Sy First Class Hons). He served as a Visiting Scholar at Edinburgh University in 2013.

His areas of specialization are Contemporary Fiqh, Principles of Islamic Jurisprudence, Islamic Consumerism, Fiqh Al-Ibadat, Fiqh Al-Ikhtilaf and Islamic Astronomy. Previously, he was appointed as Head of Department Fiqh & Usul, Academy of Islamic Studies, UM.

He is also appointed as an external auditor for Malaysian Qualifications Agency (MQA) as well as JAKIM's Expert Panel for Falak and Advisory Committee for Malaysia Halal Certification. He intensively leads several research projects in his area of expertise and presents papers on his specialization on various conferences at both national and international levels.

Member,  
Shariah Advisory Committee

A black and white portrait of Dr. Sa'adan Bin Man. He is a middle-aged man with a beard and mustache, wearing a dark suit jacket, a white shirt, and a patterned tie. He is also wearing a black traditional Islamic cap (peci). He is looking slightly to the right of the camera with a neutral expression. The background is plain white.

**DR. SA'ADAN BIN MAN**

## Profile of Shariah Advisory Committee (SAC)



Member,  
Shariah Advisory Committee

Associate Professor Dr. Zurina binti Shafii is a lecturer in the Faculty of Economics and Muamalat and a research fellow in Islamic Finance and Wealth Management Institute (IFWMI) of Universiti Sains Islam Malaysia (USIM). She holds an Accounting Degree from Universiti Teknologi Mara (UiTM) and a Master's degree and PhD in Islamic Finance from Durham University, UK. She holds professional accounting qualification, ACCA and also a Certified Islamic Financial Planner.

Her research interests are Shariah audit, Islamic financial institutions' accounting and reporting, Islamic financial planning and Halal Compliance Procedures. She authored four books on Islamic financial planning, Shariah audit and Islamic finance. She won some recognition for her innovation on Shariah audit; bronze medal for Shariah Audit Kit in PECIPTA and a silver medal for Shariah Audit Step by Step Procedures in ITEX. In 2015, her team working on a game-based board game for Islamic finance education, Muamalat Interactive Game (MIG) won gold medal in 14<sup>th</sup> International Conference and Exposition on Inventions by Institutions of Higher Learning (PECIPTA 2015) and bronze medal in i-INOVA, an Islamic innovation competition.

In 2014-2015, she was a visiting researcher in Durham University Business School (Durham University, UK), Islamic Research Training Institute (IRTI) of Islamic Development Bank (IDB) and Global Islamic Finance Development Centre, a research centre for World Bank based in Istanbul. She is also the Chairman for Education Committee for a Non-Governmental Organisation (NGO), Association for Islamic Financial and Wealth Management Malaysia (AIFIWM). She is an expert panel for Finance Accreditation Agency (FAA) as well as serving as an exco in International Council of Islamic Finance Educators (ICIFE) and Association of Shariah Advisor in Islamic Finance Malaysia (ASAS).

**ASSOC. PROF.  
DR. ZURINA BINTI SHAFII**



Assistant Professor Dr. Akhtarzaite binti Abdul Aziz, born in 1972, serves as an Assistant Professor for Department of Fiqh and Usul al Fiqh at International Islamic University Malaysia (IIUM). She graduated with a degree in LLB and LLB(S) from International Islamic University Malaysia in 1995. She then obtained her Master and Ph.D in Fiqh and Usul al Fiqh from the same institution in 2000 and 2005.

Her areas of specialization are Islamic Banking and Finance, Fiqh and Usul al Fiqh and Halal & Shariah Compliance. She has been involved in various trainings on Islamic Finance apart from actively involved in writing books and articles as well as presenting papers at various conferences at both international and national levels.

Member,  
Shariah Advisory Committee

A black and white portrait of Assistant Professor Dr. Akhtarzaite binti Abdul Aziz. She is wearing a black hijab with a decorative element on the side and a dark, long-sleeved garment with intricate lace detailing on the cuffs. She is looking directly at the camera with a slight smile.

**ASST. PROF.  
DR. AKHTARZAITE  
BINTI ABDUL AZIZ**

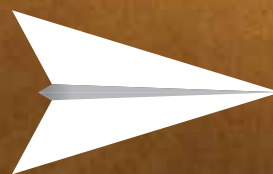
# Continuously remained resolute in Taking MBSB to the Next Level

## Dear Shareholders

On behalf of the Board of Director's (Board) of Malaysia Building Society Berhad (MBSB), I am pleased to present the Annual Report and Audited Financial Statements (Annual Report) for the twelve (12) months of financial year ended 31 December 2015 (FYE 2015).

## Review of Financial Performance

During the year 2015, despite a very challenging economic and regulatory environment, Group revenue increased by 16.8% to RM3.1 billion from RM2.6 billion recorded in the previous year. Group Profit Before Tax, however, declined by 61.9% to RM355.0 million from RM932.6 recorded in the previous financial year (FYE 2014).



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**TAN SRI ABDUL HALIM  
BIN ALI**

## Chairman's Review

The decline in pre-tax profits was attributable in part to the impairment program that had begun in the fourth quarter of 2014. This is an exercise that is needed to help close the gaps as we persisted with our efforts to increase company's level of preparedness to enter a full-fledged banking platform.

Meanwhile the Group's Total Assets of RM41.1 billion reflected a sustainable growth of 9.1% or RM3.4 billion as compared to RM37.7 billion (FYE 2014). As at 31 December 2015, Net Loans, Financing and Advances stood at RM31.8 billion, a marginal increase of 2.4% from RM31.0 billion (FYE 2014).

The Group's Net Impaired Financing Ratio was also reduced to 2.8% from 4.1% (FYE 2014) due to the effective Non-performing Financing Loan (NPL) preventive measures and strengthened credit processes.

### Dividends

Notwithstanding the lower net profit registered for the year, the Board has proposed that a final single tier dividend of 3% amounting to RM85.16 million be paid, subject to the shareholders' approval at the forthcoming Annual General Meeting.

### Corporate Social Responsibility (CSR)

Our commitment to the company's Corporate Social Responsibility (CSR) agenda had remained intact despite the unfavourable economic circumstances as we believe that it becomes even more imperative to ensure the disadvantaged continue to receive their much desired aid. Our flagship programs, namely Over the Top-PINTAR School Adoption Program, Program Sejahtera and MBSB Home Safety Campaign, were successfully implemented, targeting communities in the areas we operate.

While Over the Top-PINTAR School Adoption Program continued to accord priority to the teaching of the English language and learning skills to school children and teachers at all six adopted schools nationwide, the MBSB Home Safety Campaign, designed to raise awareness on the importance of home safety measures, was carried out through a series of roadshows held in Pahang, Perak and Negeri Sembilan with the support and cooperation of the relevant authorities such as PDRM and Fire Brigade.

Through "Program Sejahtera MBSB" the Company have brought much-needed relief to destitute communities by providing them with habitable homes through its home building and rehabilitation exercises. Last year's initiative under this flagship program specially focused on flood victims in Kuala Krai, Kelantan.

Other activities under this program include the annual Blood Donation drive and the Food for Homeless program in collaboration with Food Aid Foundation. We are very encouraged by the overwhelming response of our employees towards these voluntary activities. The compassion and the spirit of giving they have demonstrated is truly commendable.

Recognising the importance of a happy and motivated workforce, our CSR program also covers assistance to our staff who are encouraged to improve themselves through the provision of education incentives and financial aid which are extended to their deserving children.

## Chairman's Review

### Prospects

This year 2016 is expected to be another challenging year for the Malaysian economy. GDP is expected to remain within 4 - 4.5%, taking into consideration current projections of fluctuations in crude oil prices, the weakening of Malaysian Ringgit and increase in cost of living.

Nevertheless, overall loans growth is expected throughout all key sectors following the government's commitment to accord priority to construction projects with high multiplier effects such as construction of affordable houses, hospitals, schools, roads and public transports. These would translate to government contracts and financing opportunities for MBSB to participate in.

However, the growth trend for retail loans is anticipated to be flattish this year following expected decline in banking industry growth last year. The industry achieved a 9.3% growth for 2014 but is expected to be at 7.9% in 2015.

Taking all the above factors into consideration, MBSB will implement a robust Business Plan for 2016 designed to achieve sustainable and healthy asset growth, enhance the risk and compliance management frameworks and further tighten overall operational processes. These efforts are necessary to prevent any erosion of the Company's value under a challenging operating environment.

### Awards and Recognitions

We are indeed pleased that our commitment to deliver value to all stakeholders has been recognized by the industry. MBSB was credited with the *IFR Asia Awards 2014 for Islamic Issue of the Year* category and *The Prestigious Developer Awards 2015 for Most Innovative Financier 2015*.

On behalf of the Board, I would like to extend our sincere appreciation to our shareholders and customers for their continued confidence and support to MBSB.

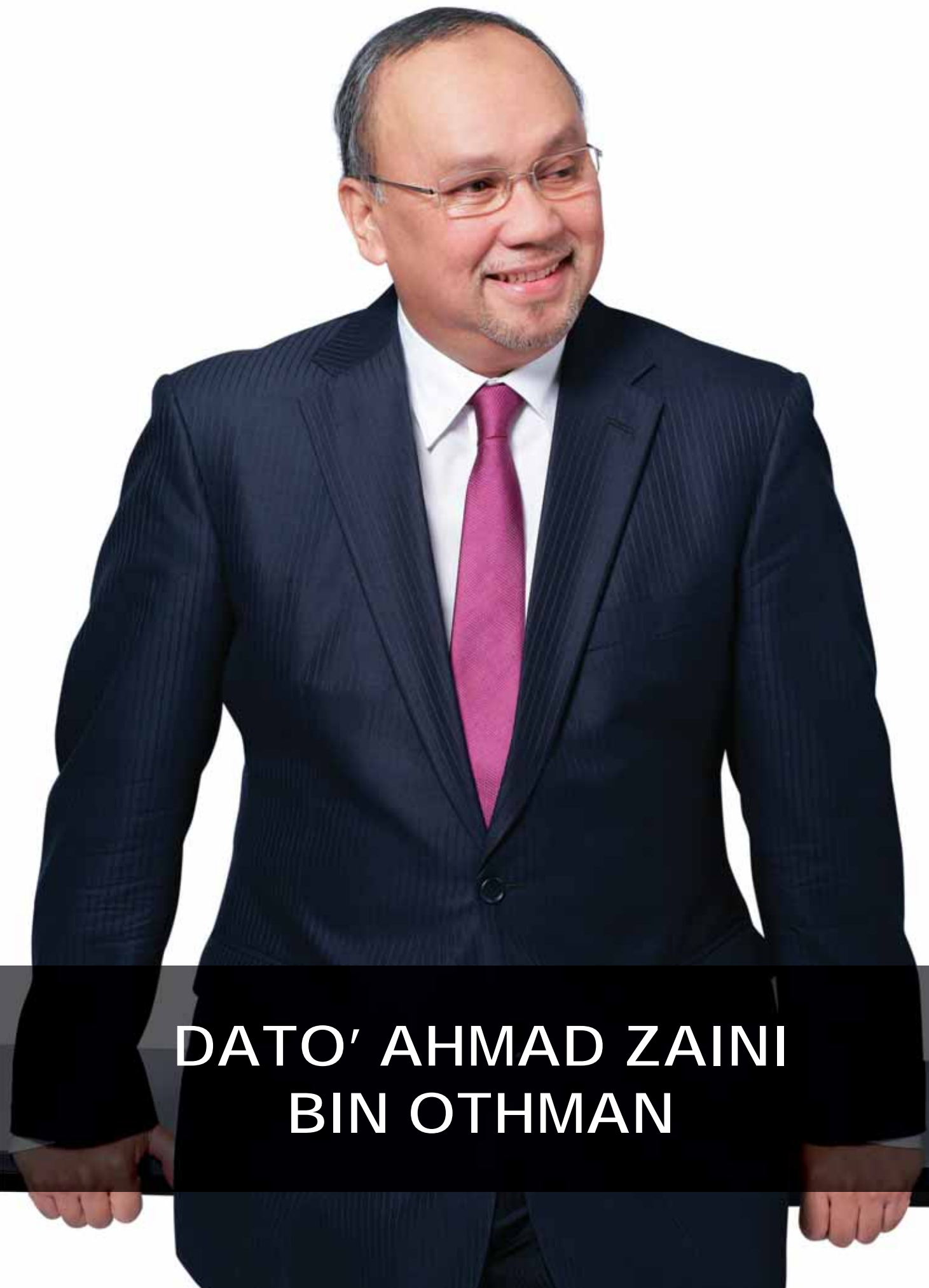
I would also like to take this opportunity to welcome Encik Ir. Moslim bin Othman who joined the Board on 21 September 2015 and Dr. Akhtarzaite binti Abdul Aziz who joined the Shariah Advisory Committee on 25 March 2015. Further, my deepest gratitude also goes to my fellow Board members, the Shariah Advisory Committee and our dedicated management and employees who have continuously remained resolute in Taking MBSB to the Next Level.

Thank you.

**Tan Sri Abdul Halim bin Ali**  
Chairman

23 March 2016





**DATO' AHMAD ZAINI  
BIN OTHMAN**

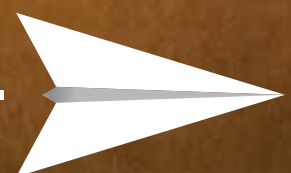
## PRESIDENT AND CEO'S

We remained steadfast in our commitment to provide value and a consistent level of returns to our shareholders.

### Dear Shareholders

The financial year ended 31 December 2015 (FYE 2015) has relatively been a tough year for MBSB due to the challenging economic and operating environment. While the management team had to undertake a revision of strategies to adapt to an evolving environment, several months have also been spent in concentration of a merger negotiation with Bank Muamalat Berhad. It was a demanding period for the senior management as the team needed to strike a balance between achieving our set deliverables and managing the negotiation process.

Nevertheless, we had remained steadfast in our commitment to provide value and a consistent level of returns to our shareholders. This was done by ensuring a sustainable and healthy asset growth for the Company.



## President and CEO's Statement

### Financial Review

The Group Revenue for Financial Year Ended 31 December 2015 (FYE 2015) is recorded at RM3.1 billion, an increase of RM437.6 million or 16.8% from RM2.6 billion for Financial Year Ended 31 December 2014 (FYE 2014). The growth in revenue is attributable to the higher income recorded from the investment in liquid assets and corporate financing segment. However, the Group Profit Before Tax at RM355.0 million is a significant reduction from RM932.6 million (FYE 2014) representing a decline of 61.9%. This is largely due to the aggressive impairment program initiated in the final quarter of FYE 2014.

We have constantly been informing all our stakeholders on the importance of this program. This exercise raises the Company's impairment standards to the banking industry's and will further close the gap. The impairment program contributed 75% of the total allowance for the impairment losses.

Meanwhile, the Group's Total Assets of RM41.1 billion (FYE 2015) registered a growth of 9.1% or RM3.4 billion from RM37.7 billion (FYE 2014). Gross loans and financing also showed a positive growth trend of 4.4% from RM32.7 billion (FYE 2014) to RM34.1 billion (FYE 2015), mainly attributable to the expansion in corporate financing. This is in line with our strategy to achieve a well-balanced composition in financing asset portfolio of 70:30 between retail and corporate. As at FYE 2015, retail financing assets made up 85.1% of total asset financing portfolio, a slight progress from the previous 88.7% (FYE 2014).

On the Net Loans, Financing and Advances, the Company registered RM31.8 billion, marginally increasing by 2.4% from RM31.0 billion (FYE 2014).

The Group's Net Impaired Financing ratio markedly improved from 4.1% (FYE 2014) to 2.8% (FYE 2015), an indication of good quality assets as we strengthened credit underwriting processes. The downward trend is also due to the effective Non-performing Financing/Loan (NPFL) preventive measures as well as aggressive collection efforts.

The Company continued to adopt a more cost conscious approach in operating the business. On this, we are pleased to highlight that the Cost to Income Ratio stood at 22.7% and remained as one of the industry's lowest.

In sustaining business growth, we had concurrently strengthened and widened the depositor base to boost the funding program. Deposits from business enterprises have increased by 31.4% or RM1.9 billion, contributing 27.2% of total deposit from customers. This is a significant development for the Company as we aim to reduce dependence on deposits from the Government and its agencies.

To further raise funding level, the Company issued two Sukuk tranches amounting to RM1.8 billion and one Cagamas tranche of RM0.4 billion. These issuances have helped provide the necessary liquidity in support of asset growth as well as meeting BNM's prudential requirements.

### Business Expansion

#### Retail Segment

A variety of factors have dampened sentiments in the retail segment leading to a slightly moderated loans growth for the industry from 8.9% (2014) to 8.5% (2015). These factors include the economic uncertainties, loss of employments, Goods & Service Tax (GST) and tightened lending criteria enlaced by the banks.

Against such backdrop, we had also exercised caution in retail financing activities to ensure that only quality assets are being acquired and applicants meet the affordability level. These factors have resulted in financing approval rate at the average of 45.7% and a flattish gross asset growth of 0.1% for FYE 2015.

## President and CEO's Statement

The flattish growth was also caused by the intense pricing competition in the industry. Consumers have become more rate-sensitive with rising costs of living and we constantly face a stiff challenge especially when low cost deposit remains largely lacking from the Company's liability program. Anti-attrition program became a critical measure as a result of this and we were able to retain 80% of the redemption requests raised. Against some of these hurdles, home financing assets registered a minimal expansion of 3.0%. This has helped us to maintain a certain growth momentum in the retail segment and prevent loss of market share.

Our endeavour to boost the fee income level persisted as well, having Wealth Management develop seven new products last year. This had benefitted us from the perspective of staff productivity as acquiring new financing assets poses a rising challenge.

### Corporate Segment

We began the year with RM7.3 billion of undisbursed financing stock and during the year had generated an asset growth of 38.2% or RM1.4 billion. This was made possible with the financing support extended to property developers who secured the affordable housing projects from Government. A significant contribution from this segment resulted in the rise of bridging finance disbursements of 14% or RM416.1 million as compared to RM365 million disbursed in the previous FYE 2014.

Corporate business expansion was also attributable to the new equipment financing product with the acquisition of new accounts from Central Region.

It was paramount for the Company not to be deterred by the influence that an adverse economic environment had on local sectors. While we observed that such factor has weakened sentiments, we pursued business expansion having revised our strategies and target segments.

The overall corporate loans growth for the banking industry had shrunk from 9.8% (2014) to 7.3% (2015), reflecting the significant reduction in loan disbursements from 13.2% (2014) to 1.3% (2015). Banks were clearly cautious in view of some sectors being affected by the turbulent economy, namely oil & gas, automotive and retail. Fortunately, the Company does not have any large or direct exposure in these sectors. We financed Government-awarded projects and contracts and impose tighter evaluation criteria on property development proposals. Our corporate clientele are mainly those with financial strength and proven track record. Market conditions and project saleability were thoroughly assessed in line with the efforts to effectively manage corporate credit risk.

In summary, our corporate financing activities have shown great improvements as we had also expanded our business reach in strategic growth areas that include parts of Sabah and Sarawak.

### Risk Management and Compliance

We have undertaken many initiatives last year to enhance and strengthen the risk management and compliance frameworks. In recent years, we hired key talents from the industry to accelerate the process and to map our frameworks against the industry's. There has been considerable progress made in this area with regular reporting to the relevant Board committees before escalation to the Board.

Relevant training was also conducted across the Company and branches nationwide on regulatory compliance. New Guidelines and policies were regularly communicated. We do place great emphasis on the need to continuously raise compliance awareness amongst our staff. Setting in place a dynamic compliance culture is certainly imperative for the Company towards realizing its banking aspiration.

## President and CEO's Statement

The expanded Compliance team also carried out thematic reviews critically on areas that are governed by laws such as the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (AMLATPUAA) and Foreign Account Tax Compliance Act (FATCA). The same was conducted on retail marketing activities and operations to ensure compliance with the adopted banking guidelines which include the Responsible Financing Guidelines as well as our own Shariah Governance framework.

Risk management had remained top priority as we embarked on more initiatives last year to boost the effectiveness of managing credit, market and operational risks. Existing policies were reviewed and continuously improved, and additional policies were introduced to ensure our risk assessment and mitigation plans are in line with the industry's best practice. Some of these policies include Impairment Classification of Financing Policy, Contingency Funding Plan and Funding Mix Policy. We also continued to enhance our credit underwriting policies in light of the changing economic conditions.

Other completed undertakings include the enhancement of credit risk reporting on retail portfolio for improved detection of distressed accounts, the development of Material Risk Assessment document and Risk Control Self-Assessment as well as Key Risk Indicators for all business and support units.

We had also carried out risk awareness programs throughout the year in order to embed a strong risk culture amongst our employees.

### Operations

In respect of the uncertainties last year, we believe it was essential for any enterprise to respond timely by adapting to changes in market conditions and to sustain profitability level. Hence, we are indeed pleased that on the operational front, we continued to maintain a low Cost to Income ratio (CIR) of 22.7%, which is one of the industry's lowest in comparison to the industry average of 48.7%.

We were able to achieve this by keeping our overheads and operational expenditure at the most optimum level. Staff overheads are very much in parallel to the business volume as we reduced the size of retail operations in response to the decline in submissions. While we have expanded corporate teams both in marketing and support, financing approvals and disbursements have also increased in tandem. We have also taken a review of branch network and closed one Sales & Service Centre (SSC) in Puchong due to profitability concerns.

We had improvised the role of a Branch Network Head by assigning his main responsibilities to branch operations and created a new position for achieving deposit targets. This separation of key duties would assist the Company in realizing an efficient network for deposit taking and branch services. Likewise the roles of Head of Sales and Service (HOSS) and Head of Operations (HOO) were redefined.

Greater focus and attention on retail collections were enhanced as we took note that potentially an adverse economy could compromise the performance of retail accounts. We embarked on more proactive measures and an aggressive push for collections.

Notwithstanding all the necessary improvements above, the Company's service and delivery turnaround time were not compromised or affected as they are measured and assigned as Key Performance Indicator (KPI) of the respective operational division.



## President and CEO's Statement

### Funding and Deposit

In the aim to further strengthen our liquidity structure, we have established a new initiative, the Fixed Income Desk under the purview of Group Treasury Division to manage the portfolio of liquid assets. In expanding and diversifying the portfolio, our investments last year included purchases of Government Islamic Securities and Government Guaranteed Islamic Private Debt Securities (PDS) bringing the total principal investments made to RM983 million. We have also issued two tranches of securitization under the Structured Covered Sukuk Commodity Murabahah Program and 1 tranche with Cagamas Berhad, contributing an additional RM2.2 billion to our total funding.

There was also a rise in deposit taking activities in order to diversify and expand the deposit base. Our deposit clientele grew in number and placement amount with the securing of 123 new corporate customers, resulting in a strong deposit level of RM28.6 billion for FYE 2015.

### Going Forward

In conclusion, last year was a highly challenging year in view of the volatile economic conditions. We entered the new financial year 2016 with the expectations that another difficult year may unfold as the local economy continues to face a weakening Malaysia Ringgit and fluctuations of global oil prices.

Our plans in navigating the year shall largely be premised on our commitment to meet prudential requirements and completing the impairment program. This commitment would bring about high compliance costs, hence it is imperative to ensure that we carefully evaluate each business initiative and operational enhancement to ensure profitability and efficiency.

Consequently our Business Plan for 2016 will center on six areas namely business focus, right pricing, asset quality, cost cutting, retail collection and IT initiatives. Ultimately, we maintain our aim to preserve the shareholders' value irrespective of another possibly difficult year.

### Acknowledgement

It gives me great honour and pleasure to express my heartfelt gratitude to the Chairman and Board of Directors for their endless support and guidance, SAC members for their continued oversight and assistance and to the management and employees of MBSB for their dedication, perseverance and hard work in achieving the Company's objectives.

My sincere appreciation to the EPF, all shareholders and business partners as well for their support and confidence rendered to the Company. Such encouragement from all stakeholders, Insha-Allah shall motivate us to deliver the desired results.

Thank you.

**Dato' Ahmad Zaini bin Othman**

President and Chief Executive Officer

23 March 2016

TEAM  
MANAGEMENT



**TOP ROW (from left to right)**

**AZMAN BIN AZIZ**  
Senior Vice President, Retail Business

**NOR AZAM BIN M. TAIB**  
Senior Vice President, Corporate Business

**ASRUL HAZLI BIN SALLEH**  
Senior Vice President, Group Treasury

**BOTTOM ROW (from left to right)**

**NUR ZARINA BT GHAZALI**  
Senior Vice President, Wholesale Financing

**AZLINA BT MOHD RASHAD**  
Senior Vice President, Corporate Planning & Communication

TEAM  
MANAGEMENT





**TOP ROW (from left to right)**

TANG YOW SAI  
Chief Financial Officer

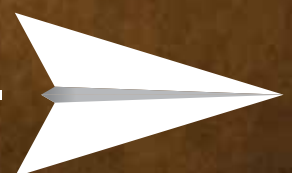
LIM SEONG SOON  
Chief Risk Officer

**BOTTOM ROW (from left to right)**

NORHAYATI BT MOHD DAUD  
Deputy Senior Vice President,  
Commercial Business & Bumiputera Development

MOHD ROZALI BIN IDRIS  
Deputy Senior Vice President,  
Corporate Credit Management

HAZIM BIN DATO' YAHYA  
Deputy Senior Vice President,  
Project & Property Management





# MANAGEMENT TEAM



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**1** ABD RAHIM BIN AHMAD  
Vice President, Human Capital

**2** ADZAMIMAH BT ADZMI  
Vice President, Compliance

**3** KHOO BOO KHENG  
Vice President,  
Information Technology

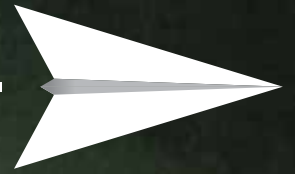
**4** TINA KOH AI HOON  
Company Secretary

**5** SHEELA THAVER  
Deputy Vice President, Legal

**6** CHONG YIOW LOONG  
Deputy Vice President,  
Retail Credit Management

**7** MOHD ZULKIFLEE  
BIN MOHD JAAFAR  
Deputy Vice President,  
Retail Collection &  
Management

**8** NOR'AINI BT HARUN  
Assistant Vice President,  
Corporate Recovery &  
Project Rehabilitation



# REGIONAL MANAGERS



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6

1 MORSHIDI BIN HJ. ABONG  
Regional Manager  
(Sarawak)

2 ZAM ZURI IZANI  
BIN ABU HASSAN  
Regional Manager  
(East Coast)

3 NASIR BIN MAROB  
Regional Manager  
(Southern)

4 FRED LEE THIAM SIN  
Regional Manager  
(Northern)

5 FARAHEEDA BT  
AHMAD REJAB  
Regional Manager  
(Central)

6 RIDWAN BIN TENRIRANRAN  
Regional Manager  
(Sabah)

# Branch Network

## Sales and Service Centres

### CENTRAL REGION

#### Damansara

Ground Floor, Wisma MBSB,  
48, Jalan Dungun,  
Damansara Heights,  
50490 Kuala Lumpur.  
Tel. No. 03-20963333  
Fax No. 03-20963376

#### Kuala Lumpur

No. 8, Wisma RKT,  
Jalan Raja Abdullah,  
Off Jalan Sultan Ismail,  
50300 Kuala Lumpur.  
Tel. No. 03-26912689  
Fax No. 03-26912830

#### Petaling Jaya

No. 3 Jalan 52/16,  
46200 Petaling Jaya, Selangor.  
Tel. No. 03-79569200  
Fax No. 03-79569627

#### Klang

33, Jalan Tiara 3,  
Bandar Baru Klang,  
41150 Klang, Selangor.  
Tel. No. 03-33426822  
Fax No. 03-33411410

#### Batu Caves

Ground Floor,  
No. 16G, Prima Samudera,  
Jalan Samudera Utara 11,  
68100 Batu Caves, Selangor.  
Tel. No. 03-61777956  
Fax No. 03-61772404

#### Cheras

185, Jalan Sarjana,  
Taman Connaught,  
56000 Cheras, Kuala Lumpur.  
Tel. No. 03-91322955  
Fax No. 03-91322954

#### Bandar Baru Bangi

No. 49, Jalan Medan Pusat 2D,  
Seksyen 9, 43650 Bandar Baru Bangi,  
Selangor.  
Tel. No. 03-89257584  
Fax No. 03-89257708

#### Puchong

1-G-1, Ground Floor,  
Tower 1 @ PFCC,  
Jalan Puteri 1/2, Bandar Puteri,  
47100 Puchong, Selangor.  
Tel. No. 03-80635208  
Fax No. 03-80635867

#### Shah Alam

No. 21, Jalan Plumbum R7/R,  
Seksyen 7, 40000 Shah Alam,  
Selangor.  
Tel. No. 03-55105075  
Fax No. 03-55104144

#### Kelana Jaya

A-1-11 & A-2-11, Blok A,  
Plaza Glomac,  
Jalan SS7/19, Kelana Jaya,  
47301 Petaling Jaya, Selangor.  
Tel. No. 03-78830089  
Fax No. 03-78830120

#### Putrajaya

No. 30, Jalan Diplomatik 3/1,  
Presint 15, 62000 Putrajaya,  
Wilayah Persekutuan.  
Tel. No. 03-88810569  
Fax No. 03-88810572

#### Wangsa Maju

Ground Floor & 1st Floor,  
No. 52, Jalan Wangsa Delima 6,  
Pusat Bandar Wangsa Maju,  
53300 Kuala Lumpur.  
Tel. No. 03-41421292  
Fax No. 03-41421269

#### Kajang

No. 21G, 21A & 21B,  
Jalan S10/2, Seksyen 10,  
Off Jalan Bukit,  
43000 Kajang, Selangor.  
Tel. No. 03-87336720  
Fax No. 03-87336746

### NORTHERN REGION

#### Penang

No. W-00 Ground Floor,  
Wisma Penang Garden,  
No. 42, Jalan Sultan Ahmad Shah,  
10050 Pulau Pinang.  
Tel. No. 04-2266275  
Fax No. 04-2286275

#### Alor Setar

1578, Jalan Kota,  
05000 Alor Setar, Kedah.  
Tel. No. 04-7314655  
Fax No. 04-7317996

#### Kangar

No. 35, Jalan Seruling,  
01000 Kangar, Perlis.  
Tel. No. 04-9766400  
Fax No. 04-9774141

#### Sungai Petani

No. 114, Jalan Pengkalan,  
Taman Pekan Baru,  
08000 Sg. Petani, Kedah.  
Tel. No. 04-4229302  
Fax No. 04-4212046

#### Butterworth

No. 2783 Jalan Chain Ferry,  
Taman Inderawasih,  
13600 Perai, Pulau Pinang.  
Tel. No. 04-3980145  
Fax No. 04-3980898

#### Kulim

No. 26, Jalan Raya,  
09000 Kulim, Kedah.  
Tel. No. 04-4951400  
Fax No. 04-4904400

#### Langkawi

No. 26 & 28,  
Jalan Pandak Mayah 4,  
Pusat Bandar Kuah,  
07000 Langkawi, Kedah.  
Tel. No. 04-9666055  
Fax No. 04-9669055

### SOUTHERN REGION

#### Melaka

No. 203 & 204, Jalan Melaka Raya 1,  
Taman Melaka Raya, 75000 Melaka.  
Tel. No. 06-2828255  
Fax No. 06-2847270

#### Johor Bahru

1st & 2nd Floor, Bangunan KWSP,  
Jalan Dato' Dalam,  
80000 Johor Bahru, Johor.  
Tel. No. 07-2238977  
Fax No. 07-2240143

#### Seremban

No. S-1, Kompleks Negeri,  
Jalan Dato' Bandar Tunggal,  
70000 Seremban, Negeri Sembilan.  
Tel. No. 06-7638455  
Fax No. 06-7630701

#### Tebrau

No. 17 & 17-1, Jalan Mutiara Emas 9/3,  
Austin Boulevard,  
Taman Mount Austin,  
81100 Johor Bahru, Johor.  
Tel. No. 07-3581700  
Fax No. 07-3581703

## Branch Network

**Batu Pahat**

No. 28 & 29,  
Jalan Persiaran Flora Utama,  
Taman Flora Utama,  
83000 Batu Pahat, Johor.  
Tel. No. 07-4316614  
Fax No. 07-4317382

**Muar**

No. 30A-2, Jalan Arab,  
84000 Muar, Johor.  
Tel. No. 06-9532000  
Fax No. 06-9533200

**Kluang**

No. 6, Lot 9053, Jalan Hj Manan,  
86000 Kluang, Johor.  
Tel. No. 07-7717585  
Fax No. 07-7726572

**Kulai**

19, Jalan Sri Putra, Bandar Putra,  
81000 Kulai, Johor.  
Tel. No. 07-6633458  
Fax No. 07-6633284

**EAST COAST REGION****Kemaman**

K10723, Taman Chukai Utama,  
Fasa 4, Jalan Kubang Kurus,  
24000 Kemaman, Terengganu.  
Tel. No. 09-8589486  
Fax No. 09-8589291

**Kuala Terengganu**

No. 1A, Jalan Air Jernih,  
20300 Kuala Terengganu,  
Terengganu.  
Tel. No. 09-6227844  
Fax No. 09-6220744

**Kuantan**

No. A157 & A159, Sri Dagangan,  
Jalan Tun Ismail,  
25000 Kuantan, Pahang.  
Tel. No. 09-5157677  
Fax No. 09-5145060

**SABAH****Kota Kinabalu**

Lot 11 & 12, Ground Floor,  
Block C, Lintasjaya Uptownship,  
88300 Kota Kinabalu, Sabah.  
Tel. No. 088-722500  
Fax No. 088-713503

**Sandakan**

Lot 201, Prima Square,  
Phase 3, Jalan Utara,  
90000 Sandakan, Sabah.  
Tel. No. 089-223400  
Fax No. 088-223544

**Tawau**

Ground & 1st Floor,  
TB 15590, Block B,  
Lot 45, Kubota Square,  
91000 Tawau, Sabah.  
Tel. No. 089-755400  
Fax No. 089-749400

**Keningau**

Ground Floor & 1st Floor,  
Lot No. 7, Block A, Keningau Plaza,  
89000 Keningau, Sabah.  
Tel. No. 087-337611  
Fax No. 087-337617

**Kota Kinabalu Main**

Lot 144, Q6 Block Q,  
Lorong Plaza Permai 1,  
Alamesra-Sulaman Coastal Highway,  
88450 Kota Kinabalu, Sabah.  
Tel. No. 088-485680  
Fax No. 088-485620

**Labuan**

Lot 25, Block B, Jalan OKK Abdullah,  
Lazenda Centre, 87013 Labuan,  
Wilayah Persekutuan Labuan.  
Tel. No. 087-440141  
Fax No. 087-440144

**SARAWAK****Kuching**

Tingkat Bawah & Satu,  
Bangunan Tunku Muhammad Al-Idrus,  
439, Jalan Kulas Utara 1,  
93400 Kuching, Sarawak.  
Tel. No. 082-248240  
Fax No. 082-248611

**Miri**

No. 1115, Ground Floor,  
Pelita Commercial Centre,  
98000 Miri, Sarawak.  
Tel. No. 085-424400  
Fax No. 085-424141

**Sibu**

Ground Floor,  
SL 166 Lorong Pahlawan 7B3,  
Jalan Pahlawan,  
96000 Sibu, Sarawak.  
Tel. No. 084-210703  
Fax No. 084-210714

**Bintulu**

No. 1, Ground Floor,  
Jalan Tun Ahmad Zaidi /  
Jalan Kambar Bubin,  
97000 Bintulu, Sarawak.  
Tel. No. 086-336400  
Fax No. 086-339400

**Mukah**

Ground Floor & 1st Floor,  
Sub Lot 77, Lot 927,  
New Mukah Town Centre,  
Jln Green, Block 68,  
96400 Mukah, Sarawak.  
Tel. No. 084-874262  
Fax No. 084-874259

**PERAK REGION****Ipoh**

No. 45, Persiaran Greenhill,  
30450 Ipoh, Perak.  
Tel. No. 05-2545659  
Fax No. 05-2544748

**Taiping**

No. 1, Lot 10958,  
Jalan Saujana, Taman Saujana 3,  
34600 Kemunting, Perak.  
Tel. No. 05-8074000  
Fax No. 05-8041444

**Sitiawan**

Ground & 1st Floor,  
No. 35, Persiaran PM 3/2,  
Pusat Bandar Sri Manjung, Seksyen 3,  
32040 Sri Manjung, Perak.  
Tel. No. 05-6882700  
Fax No. 05-6882703



Pn Azlina Mohd Rashad,  
Head of Corporate Planning  
and Communication Division  
checking on MBSB's contribution  
worth RM100,000.00 for East Coast  
flood victims at Tesco Warehouse,  
Bukit Beruntung, Selangor

1 JANUARY 2015



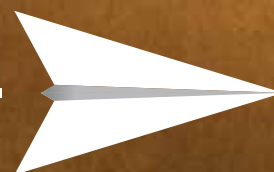
MBSB volunteers visit flood victims  
at Kuala Krai and handed over  
cash and goods contribution to  
ease their burden

7 JANUARY 2015



7 JANUARY 2015

MBSB and Hatten Group  
entered into a facility  
agreement for Islamic  
financial facilities of  
RM256.5 million held  
at Hatten Hotel, Melaka







10 FEBRUARY 2015

MBSB received an award for 'Islamic Issue of the Year' during IFR Asia Awards 2014 in Hong Kong

En Asrul Hazli Salleh, Senior Vice President of Group Treasury handed over MBSB contribution to UiTM for the construction of 'Surau Kita' to Tan Sri Dato' Sri Prof Ir Dr Sahol Hamid Abu Bakar, Vice Chancellor of UiTM held at Dewan Agung Tuanku Canselor

10 FEBRUARY 2015



11 FEBRUARY 2015

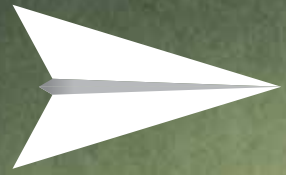
MBSB agreed to provide an Islamic financing facility of RM476 million to China Railway Engineering Corp (M) Sdn Bhd for the development of the D'Rapport Residence in Ampang, Kuala Lumpur



16 FEBRUARY 2015

Dato' Ahmad Zaini announcing that MBSB sustains strong performance with pre-tax profit of RM932.6 million for FYE 31 Dec 2014 during 4<sup>th</sup> Quarter Analyst Briefing and Press Conference at Le Meridien Hotel, Kuala Lumpur

Corporate Events



MBSB signs agreement with AKPK for participation in debt management program

9 APRIL 2015

MBSB received the 'Most Innovative Financier' award during the Prestigious Developer Awards 2015 at Westin Hotel, Kuala Lumpur

30 MARCH 2015



15 APRIL 2015

45<sup>th</sup> Annual General Meeting held at Pullman Hotel, Kuala Lumpur



7 MAY 2015

Pre-tax profits up by 80% to RM157.65 million for first quarter of 2015





10 MAY 2015

MBSB Corporate Treasure Hunt 2015 organized by Group Treasury in Malacca



13 MAY 2015

Dato' Ahmad Zaini being interviewed during the 'Breakfast Grille Session' at BFM



2 JUNE 2015

Mohd Jefri Mohd Nasir of Group Treasury handed over MBSB's Zakat contribution during 'Majlis Zakat Perniagaan 2015' organized by MAIWP held at Grand Seasons Hotel, Kuala Lumpur

MBSB kicked off its new CSR initiative, 'Food For Homeless Project' a collaboration with Food Aid Foundation

5 JUNE 2015



Corporate Events

MBSB and YBK Usahasama inks agreement for Tawarruq refinancing facility of RM250 million

8 JUNE 2015



Volunteers assisting orphans with their preparation for Hari Raya during 'Jom Shopping Raya' with orphans, an annual CSR event

20 JUNE 2015



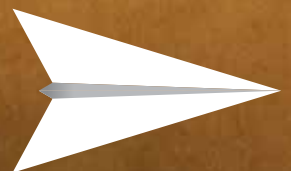
27 JUNE 2015

MBSB celebrates Ramadhan with 100 refugee children and asylum seekers at The Royale Chulan Hotel, Kuala Lumpur



29 JULY 2015

Dato' Ahmad Zaini with Corporate Clients during Rumah Terbuka Aidilfitri MBSB held at Dorsett Grand, Subang





145 staff participated in the MERCY Malaysia International Humanitarian Run held at Padang Merbok, Kuala Lumpur

1 AUGUST 2015



9 AUGUST 2015

Central Regional Manager, Pn Faraheeda Rejab extends motivational support at '2015 Jelajah Didik Fasa 2' held at Sekolah Kebangsaan Semenyih, Selangor



7 - 9 AUGUST 2015

MBSB graduated from the GLCs and GLICs 10 years Transformation Program during the GLC Open Day 2015 held at Kuala Lumpur Convention Center, Kuala Lumpur

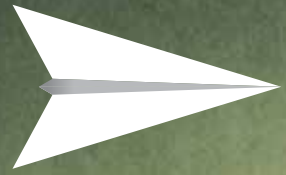


6 AUGUST 2015

MBSB achieves pre-tax profit of RM129.3 million for second quarter of 2015



Corporate Events



Students of Sekolah Kebangsaan Tanjung Lumpur, Pahang vowed to achieve 5A's for UPSR during the last day of 'Be Better' UPSR Clinic and Motivational Program sponsored by MBSB

16 AUGUST 2015



31 AUGUST 2015

MBSB volunteers representing the GLC contingent during Malaysia's National Day Celebration 2015



12 SEPTEMBER 2015

En Zamzuri Izani Abu Hassan, Regional Manager of East Coast attending MBSB's Home Safety Campaign launching ceremony at Dewan Sri Mentakab, Temerloh, Pahang



29 SEPTEMBER 2015

MBSB held its Media Appreciation Night to express its gratitude to members of the media for their continuous support towards MBSB

Townhall Meeting hosted by Dato' Ahmad Zaini

2 OCTOBER 2015



Amongst activities to increase awareness, safety demonstrations by the local Fire Brigade during MBSB Home Safety Campaign in Taiping, Perak

18 OCTOBER 2015



12 NOVEMBER 2015

En Abd Rahim Ahmad, Vice President of Human Capital Division and MBSB's SLIM trainees at the Dialog Session & Special Meeting with the Prime Minister at Kuala Lumpur Convention Centre, Kuala Lumpur



22 NOVEMBER 2015

MBSB staff and family were treated to watch an interactive musical pantomime the 'Aladdin a Musical Comedy' at PJ Live Arts, Jaya One. This initiative is to show appreciation to staff for their efforts and services



28 NOVEMBER 2015

Local authorities in Paroi, Negeri Sembilan participated in promoting safety measures during MBSB Home Safety Campaign



4 DECEMBER 2015

MBSB in collaboration with Food Aid Foundation contributed RM300,000.00 to the East Coast Flood Relief Program, a program that aims to provide food supplies to victims of natural disaster



17 DECEMBER 2015

More than 150 staff attended the recording program of Al-Kuliyah that was held at Surau An Nur, Wisma MBSB





Malaysia Property  
Insight Prestigious  
Developer Awards  
2015  
'Most Innovative  
Financier'

IFR Asia  
Awards 2014  
Islamic Issue of  
the Year

The Asia Pacific  
Entrepreneurship  
Awards 2014  
Outstanding  
Category

HR Asia Awards  
Best Companies  
to Work For  
in Asia 2014

The EDGE Billion  
Ringgit Club 2014  
• 'Most Profitable  
Company' for  
Finance Sector  
• 'Highest Profit  
Growth Company'  
for Finance Sector

The  
BrandLaureate  
Awards  
2013/2014  
Best Brand  
Signature  
Award  
(Category  
Financial  
Services  
2013/2014)

# AWARDS & ACCOLA



**Asset ASIAN Awards  
2014 (Triple A)**

- Best Islamic Structured Financing
- Best Deal Malaysia
- Best Local Currency Sukuk

**RAM League Awards  
2014  
(Blueprint Award)**

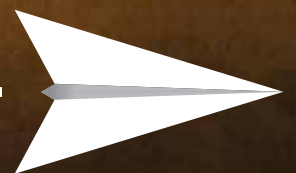
- New Structured - Finance Benchmark Deal
- Outstanding Deal of The Year

**IBFIM Islamic  
Finance Talent  
Development  
Champion Award**

**Islamic Finance  
News Award -  
Structured  
Finance Deal  
Of The Year**

**Forbes Asia -  
The Region's  
Top 200, Small  
& Midsize  
Companies**

# DES



# Statement on Corporate Governance

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

In addition, the Board also considers and adopts where appropriate, the principles and best practices of corporate governance as prescribed in the Malaysian Code of Corporate Governance 2012 ("Code") and those outlined by other regulatory bodies such as Bank Negara Malaysia's guidelines on Corporate Governance save for one of the recommendations that the tenure of an Independent Director should not exceed a cumulative tenure of 9 years.

The Board is pleased to report to shareholders the manner in which it has applied the Principles of the Code and the extent to which it has complied with the Best Practices of the Code, pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and Corporate Governance Guide : Towards Boardroom Excellence, throughout the Financial Year 2015.

## A. Board of Directors

### Board Charter

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

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

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

### Duties and Responsibilities of the Board

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

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

- i) Review and approve strategies, business plans and significant policies and monitor management's performance in implementing them;
- ii) Oversee the conduct of the Company's business;
- iii) Set corporate values and clear lines of responsibility and accountability that are communicated throughout the organization;
- iv) Identify principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- v) Succession planning;
- vi) Ensure competent management;
- vii) Ensure that the operations of the Company are conducted prudently, and within the framework of relevant laws and policies;
- viii) Ensure that the Company establishes comprehensive risk management policies, processes and infrastructure, to manage the various types of risks;
- ix) Set up an effective internal audit department, staffed with qualified internal audit personnel to perform internal audit functions, covering the financial and management audit;



## Statement on Corporate Governance

- x) Establish procedures to avoid self-serving practices and conflicts of interest including dealings of any form with related entities;
- xi) Review the adequacy and the integrity of the management information and internal controls system of the Company;
- xii) Establish and ensure the effective functioning of various board committees;
- xiii) Oversee the development and implementation of a shareholder communications policy for the Company; and
- xiv) Ensure that the Company has a beneficial influence on the economic well-being of its community.

### **Directors' Code of Ethics**

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

### **Composition of the Board/Board Balance**

The Board currently comprise of eight (8) Directors of whom five (5) are Independent Non-Executive Directors and three (3) are Non-Independent Non-Executive Directors.

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

The Chairman of the Board is YBhg Tan Sri Abdul Halim bin Ali, a Non-Independent Non-Executive Director. Although the Chairman is a Non-Independent Director, the Board composition comprising a majority of Independent Directors can bring expertise and objectivity which will assure that the Company is effectively managed and in the best interest of stakeholders.

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

The Board recognises the challenges in achieving the right balance of diversity on the Board to form a highly effective Board in today's competitive business environment. Diversity is not limited only to gender, but includes ethnicity and age.

The Board is committed to Board diversity and will ensure that all appointments to the Board will be made based on merit while taking into account the Company's needs and circumstances, present size of the Board, suitability for the role, skills, experience, knowledge, experience and diversity.

The Board has not set a specific gender diversity target at this time. Nonetheless, the presence of a female director to the Board of MBSB reflects that the Board recognises the value of gender diversity in the Board and was an initial step taken by the Board towards achieving a more gender diversified Board.

In respect of ethnic diversity, the ethnicity of the Board members is reflective with the three major ethnic groups in Malaysia. The Board is also composed of Directors in varying ages, ranging from 45 to 72 years old.

## Statement on Corporate Governance

### Board Meetings

Board meetings for the ensuing financial year are scheduled in advance before the end of each financial year to enable Directors to plan ahead and fit the year's Board meetings into their own schedule.

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

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

The Board met twenty-five (25) times during the financial year ended 31 December 2015.

The details of each of the Directors' attendance are given as below:

Name of Director	Total Meetings Attended	Percentage of Attendance
Tan Sri Abdul Halim bin Ali <i>(Non-Independent Non-Executive Director/Chairman)</i>	25/25	100%
Datuk Shahril Ridza bin Ridzuan <i>(Non-Independent Non-Executive Director)</i>	24/25	96%
Datuk Syed Zaid bin Syed Jaffar Albar <i>(Non-Independent Non-Executive Director)</i>	22/25	88%
Encik Aw Hong Boo <i>(Senior Independent Non-Executive Director)</i>	25/25	100%
Dato' Jasmy bin Ismail <i>(Independent Non-Executive Director)</i>	24/25	96%
Encik Lim Tian Huat <i>(Independent Non-Executive Director)</i>	21/25	84%
Cik Ravinder Kaur a/p Mahan Singh <i>(Independent Non-Executive Director)</i>	23/25	92%
Ir. Moslim bin Othman <sup>1</sup> <i>(Independent Non-Executive Director)</i>	8/8	100%

Note:

<sup>1</sup> Ir. Moslim was appointed as Director on 21 September 2015.

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

### Training and Development of Directors

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

## Statement on Corporate Governance

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

The training programmes/conferences/seminars/dialogues attended by the Directors in 2015 focus on Corporate Governance, Directors Responsibilities, Finance (Conventional & Islamic), Accounting, Investment, Business Sustainability and Risk Management:-

### **YBhg Tan Sri Abdul Halim bin Ali**

1. Introduction to Zarith Sofiah Center for Global Islamic Studies Islam Beyond Media-Driven Narratives: Muslim and Non-Muslims in Search for Common Ground  
Yayasan Raja Zarith Sofiah Negeri Johor
2. Dinner address by Frank Gardner OBE - Overcoming Adversity  
Khazanah Nasional Berhad
3. Corporate Governance Breakfast Series with Directors – Bringing the best out in Boardrooms  
Bursa Malaysia Berhad
4. IJM Senior Management Forum 2015: "Focused Execution, Enhancing Capabilities"  
IJM
5. A-LCS C012: Governance Institute for Malaysia University Board Chairs and Vice Chancellors/Presidents  
Akademi Kepimpinan Pendidikan Tinggi (AKEPT)
6. Board of Directors, Shariah Advisory Committee & Management Committee Session – Salient features of Islamic Banks and its role to socio-economic development; updates on MCSN resolution 2015; updates on Muzakarah Cendekiawan Syariah Nusantara 2015  
Malaysia Building Society Berhad
7. Khazanah Megatrends Forum 2015  
Khazanah Nasional Berhad

### **YBhg Datuk Syed Zaid bin Syed Jaffar Albar**

1. Shaking Things Up: Technology that Transforms and How to Keep Pace  
Asia Policy Partners
2. Board of Directors, Shariah Advisory Committee & Management Committee Session – Salient features of Islamic Banks and its role to socio-economic development; updates on MCSN resolution 2015; updates on Muzakarah Cendekiawan Syariah Nusantara 2015  
Malaysia Building Society Berhad

## Statement on Corporate Governance

### **YBhg Datuk Shahril Ridza bin Ridzuan**

1. World Capital Markets Symposium 2015  
Securities Commission Malaysia
2. HSBC Dinner Talk (Panel Speaker)  
HSBC Bank
3. Invest Malaysia Conference 2015 - EPF's Investment Directions for the Future (Panel Speaker)  
CIMB Group & Bursa Malaysia Berhad
4. International Social Security Conference (ISSC) 2015 - Sustainable Social Security Eco-System Within An Ageing Society (Panel Speaker)  
EPF & JP Morgan
5. Amundi World Investment Forum 2015 - Looking Beyond The Horizon  
Amundi Group
6. In The Spotlight - Value Proposition of ESG Investment (Panel Speaker)  
Bursa Malaysia Berhad & Malaysian Investor Relations Assoc. (MIRA)
7. GLC Open Day - The GLCT Story (Panel Speaker)  
Khazanah Nasional Berhad
8. EPF Risk Management Seminar 2015  
EPF
9. 6<sup>th</sup> Annual Multinational Pensions Forum - Communicating with Members - Global Best Practice (Panel Speaker)  
JP Morgan
10. Media Prima Berhad: Board of Directors Workshop  
Media Prima Berhad
11. Thought Leaders Roundtable - Roundtable Discussion  
Institutional Investor
12. EPF Investment Seminar 2015 - Exploring Challenges & Gaining Opportunities  
Employees Provident Fund & Macquarie Group
13. BFM's General Management Programme  
BFM Business School
14. EPF Global Private Equity Summit 2015  
EPF
15. CHOGM: Commonwealth Business Forum 2015 - Investing in Infrastructure: Building for the Long Term (Panel Speaker)  
Commonwealth Heads of Government Meeting (CHOGM) and Commonwealth Enterprise and Investment Council
16. CAM Corporate Leadership Dialogue Series - Navigating Through The Middle Income Trap The Road Ahead for Malaysia (Guest Speaker)  
Chevening Alumni of Malaysia (CAM)

## Statement on Corporate Governance

### **YBhg Dato' Jasmy bin Ismail**

1. Directors Forum 2015 – Talent and Human Capital: The drivers of growth and creativity  
MINDA
2. Board of Directors, Shariah Advisory Committee & Management Committee Session – Salient features of Islamic Banks and its role to socio-economic development; updates on MCSN resolution 2015; updates on Muzakarah Cendekiawan Syariah Nusantara 2015  
Malaysia Building Society Berhad

### **Encik Aw Hong Boo**

1. Board of Directors, Shariah Advisory Committee & Management Committee Session – Salient features of Islamic Banks and its role to socio-economic development; updates on MCSN resolution 2015; updates on Muzakarah Cendekiawan Syariah Nusantara 2015  
Malaysia Building Society Berhad
2. MIA International Accountants Conference 2015  
Malaysian Institute of Accountants

### **Encik Lim Tian Huat**

1. INSOL International, Annual Regional Conference  
INSOL San Francisco
2. Conference for Insurance Guarantees Scheme  
PIDM
3. Board of Directors, Shariah Advisory Committee & Management Committee Session – Salient features of Islamic Banks and its role to socio-economic development; updates on MCSN resolution 2015; updates on Muzakarah Cendekiawan Syariah Nusantara 2015  
Malaysia Building Society Berhad
4. 2015 National Conference on Governance Risk and Control – Gearing for innovation  
Institute of Internal Auditors Malaysia
5. MIA International Accountants Conference 2015  
Malaysian Institute of Accountants
6. The Exchange Building Capabilities and Competencies  
UEM Group



## Statement on Corporate Governance

### **Cik Ravinder Kaur a/p Mahan Singh**

1. Economic Wrap-Up 2014  
Performance Management Delivery Unit (PEMANDU)
2. International Directors Summit 2015  
Malaysian Directors Academy (MINDA)
3. Talent Mismatch Dialogue: Acquiring & developing the right talent for the Financial Services industry  
Finance Accreditation Agency (FAA)
4. Forum for Spouses of ASEAN Heads of State & Government: Empowerment through social business  
ASEAN Secretariat
5. Crystal Ball 2015 Economic Forecast  
American Malaysian Chamber of Commerce (AMCHAM)
6. The 3<sup>rd</sup> Annual Technology & Innovation Conference: The future of banking & financial services  
FST Media
7. Rolling Out Personal Data Protection Act (PDPA) Compliance Programme: Business issues & practical challenges to manage  
Brickfields Asia College (BAC)
8. Future of Companies: A roundtable discussion  
Alpha Catalyst Consulting (ACC)
9. The 19<sup>th</sup> Malaysian Banking Summit: Banking in a new regional landscape with ASEAN economic integration  
Asian Strategy & Leadership Institute (ASLI)
10. CIMA global initiative: Roundtable on managing the value of your talent  
Chartered Institute of Management Accountants (CIMA)
11. AIF International Symposium 2015: Bridging the talent gap  
Asian Institute of Finance (AIF)
12. Enterprise Risk Management (ERM) Global Conference 2015: The Next Generation  
Institute of Enterprise Risk Practitioners (IERP)
13. Crisis Management & Protecting Brand Reputation Workshop  
Institute of Enterprise Risk Practitioners (IERP)
14. Brand You Conference: A key leadership strategy for women  
LeadWomen
15. Economic Update & Outlook  
Performance Management Delivery Unit (PEMANDU)
16. Khazanah Megatrends Forum 2015: Harnessing Creative Disruption: Unlocking the Power of Inclusive Innovation  
Khazanah Nasional Berhad (KNB)
17. Board of Directors, Shariah Advisory Committee & Management Committee Session – Salient features of Islamic Banks and its role to socio-economic development; updates on MCSN resolution 2015; updates on Muzakarah Cendekiawan Syariah Nusantara 2015  
Malaysia Building Society Berhad

## Statement on Corporate Governance

### **Ir. Moslim bin Othman**

1. 25<sup>th</sup> Annual Professor Chin Fung Kee Memorial Lecture - Ensuring a Better Water Future for Malaysia by Tan Sri Dato' Ir. Shahrizaila Bin Abdullah  
The Institution of Engineers
2. Mandatory Accreditation Program (MAP) for Directors of Public Listed Companies  
Bursatra

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

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

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

The President and Chief Executive Officer is primarily responsible for overseeing the day to day management to ensure the smooth and effective running of the Company and the Group.

He is entrusted with making sure that all decisions, directions, policies and/or instructions approved by the Board are carried out by Management in a timely and efficient manner. He carries the primary responsibility in ensuring management competency including the emplacement of an effective succession plan to sustain continuity.

### **Senior Independent Director**

In accordance with the best practices on Corporate Governance, Encik Aw Hong Boo has been appointed as a Senior Independent Non-Executive Director on 22 April 2014. Encik Aw Hong Boo has extensive experience in finance and accounting and he is able to continue to provide constructive and independent advice from various perspective.

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

1. be available to Board Members if they have concerns which contact through the normal channels of Chairman or President and Chief Executive Officer has failed to resolve or for which such contact is inappropriate;
2. act as a sounding Board for the Chairman and President and Chief Executive Officer on board matters;
3. chair the Nominating & Remuneration Committee in ensuring that board composition meets the needs of the Company; and
4. act as a trusted intermediary for Non-Executive Directors where this is required to help them to challenge and contribute effectively.

## Statement on Corporate Governance

### **Appointment and Re-election of the Board**

A formal and transparent procedure has been established by the Board for the appointment of new directors. A proposed candidate is first considered by the Nominating & Remuneration Committee which takes into account the skills and experience of the person before making a recommendation to the Board. The process of appointment is detailed out in Page 65 of this Annual Report.

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

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

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

### **Independent Directors**

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

- i. Fulfillment of all criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- 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.

In addition to the annual assessment by the Board on the Directors' independence, each Independent Director also submits an annual declaration on their independence.

The Board noted Recommendation 3.2 of the Code that the tenure of an independent director should not exceed a cumulative term of nine (9) years. The Board is of the view that the ability of long serving independent director to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age. Their long service should not affect their independence as they are independent minded and had provided necessary checks and balances in the interest of the shareholders. Further, the continued tenure of directorship brings stability to the Board and the Company benefits from directors who have over time gained valuable insight into the Group, its market and the industry.

Therefore, Recommendation 3.2 of the Code (assessment criteria for independence of directors should include tenure) and Recommendation 3.3 of the code (the Board is allowed to seek shareholders' approval for independent directors after nine (9) years to remain as an independent director) do not arise.

Accordingly, Encik Aw Hong Boo who have been Independent Non-Executive Director since 18 November 2005 will continue to be Independent Director of the Company notwithstanding having served as independent director on the Board for more than nine (9) years.

## Statement on Corporate Governance

### Supply of Information

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

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

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

### Company Secretary

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

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

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

### Board Committees

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

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

The Board Committees of the Company are as follows:-

- Executive Committee
- Audit Committee
- Risk Management Committee
- Nominating & Remuneration Committee
- Option Committee

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

## Statement on Corporate Governance

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

### (a) Executive Committee

The Executive Committee 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 Executive Committee or loans/financing with connected parties as defined in the Guidelines on Related Party Transactions for Directors and Key Management Officers will be escalated to the Board for further deliberation and approval.

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

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

During the financial year 2015, six (6) meetings were held by the Executive Committee. The members and their attendance at the meetings are as follows:

Name of Members	Total Meetings Attended
Tan Sri Abdul Halim bin Ali <i>(Non-Independent Non-Executive Director/Chairman)</i>	6/6
Datuk Shahril Ridza bin Ridzuan <i>(Non-Independent Non-Executive Director)</i>	6/6
Datuk Syed Zaid bin Syed Jaffar Albar <i>(Non-Independent Non-Executive Director)</i>	6/6
Dato' Jasmy bin Ismail <sup>1</sup> <i>(Independent Non-Executive Director)</i>	4/5
Cik Ravinder Kaur a/p Mahan Singh <i>(Independent Non-Executive Director)</i>	6/6
Ir. Moslim bin Othman <sup>2</sup> <i>(Independent Non-Executive Director)</i>	1/1

Note:

<sup>1</sup>Dato' Jasmy retired from the Executive Committee on 9 October 2015.

<sup>2</sup>Ir. Moslim was appointed as a member of the Executive Committee on 9 October 2015.



## Statement on Corporate Governance

### (b) Audit Committee

The principal function of the Audit Committee is to assist the Board in the effective discharge of its fiduciary responsibilities particularly in the areas of accounting and management controls and financial reporting; to reinforce the independence and objectivity of the Internal Audit Division; to provide the focal point for communication between external auditors, internal auditors, 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 of Directors.

The Audit Committee currently consists of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

In accordance with the best practices of corporate governance, the Audit Committee presents its report as set out on pages 84-91 of this Annual Report.

### (c) Risk Management Committee

The Primary objectives of the Risk Management Committee are to assist the Board with 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 risk management activities.

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

During the financial year 2015, there were ten (10) meetings held by the Risk Management Committee. The members and their attendance at the meetings are as follows:-

Name of Members	Total Meetings Attended
Encik Lim Tian Huat <i>(Independent Non-Executive Director/Chairman)</i>	10/10
Encik Aw Hong Boo <i>(Senior Independent Non-Executive Director)</i>	10/10
Dato' Jasmy bin Ismail <i>(Independent Non-Executive Director)</i>	10/10
Cik Ravinder Kaur a/p Mahan Singh <sup>1</sup> <i>(Independent Non-Executive Director)</i>	9/9

Note:

<sup>1</sup>Cik Ravinder Kaur retired from the Risk Management Committee on 9 October 2015.

## Statement on Corporate Governance

### (d) Nominating & Remuneration Committee

The primary responsibilities of the Nominating Committee are:

- a. To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board. In making its recommendations, the Nominating Committee should consider the candidates'-
  - skills, knowledge, expertise and experience;
  - professionalism;
  - gender diversity;
  - integrity; and
  - in the case of candidates for the position of independent non-executive directors, the Nominating Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from the independent non-executive directors;
- b. To consider, in making its recommendations, candidates for directorships proposed by the President and Chief Executive Officer and, within the boundaries of practicability, by any other senior executive or any director or shareholder;
- c. To recommend to the Board, directors to fill the seats on the Board Committee;
- d. To conduct annual review with the Board, the required mix of skills and experience, gender diversity and other qualities, including core competences which non-executive directors should bring to the Board;
- e. To implement a process with the Board, for assessing the effectiveness of the Board as a whole, the Committees of the Board, and for assessing the contribution of each individual director, including independent non-executive directors, as well as the President and Chief Executive Officer. All assessments and evaluations carried out in the discharge of all its functions should be properly documented;
- f. To consider and to recommend to the Board the appointment, resignation, retirement and other related issues involving the President and Chief Executive Officer;
- g. To consider and approve the appointment, promotion, resignation, retirement, removal and other related issues involving the key responsible persons. Key responsible person is defined as a person who:-
  - (i) has the authority, makes or has substantial influence in making decisions that affect the whole, or a substantial part of, the Company's business;
  - (ii) is principally accountable or responsible, whether solely or jointly with other persons, for implementing and enforcing policies and strategies approved by the board; or
  - (iii) is principally accountable or responsible, whether solely or jointly with other persons, for developing and implementing systems, internal controls and processes that identify, measure, monitor or control the Company's risks.

## Statement on Corporate Governance

- h. To recommend to the Board, candidates for appointment as Shariah Advisory Committee members. In making the recommendation, the Nominating Committee should consider the following criteria:
  - 1. The candidate considered should be a Muslim;
  - 2. The skills set of the candidates for the position; and
  - 3. The candidate fulfilling the fit and proper criteria as per the applicable guidelines by the relevant authorities.
- i. To conduct the annual review on the Performance of the Shariah Advisory Committee members.

The activities of the Nominating Committee in 2015 are summarized as follows:-

- a. Reviewed and recommended the re-appointment and re-election of Directors at the 45<sup>th</sup> Annual General Meeting.
- b. Reviewed and recommended the appointment of a Shariah Advisory Committee member.
- c. Reviewed and recommended the performance bonus and salary increment of all staff.
- d. Reviewed and recommended the revision of terms/renewal of employment contract of the President and Chief Executive Officer.
- e. Reviewed and recommended the appointment of an additional Independent Non-Executive Director.
- f. Reviewed the performance of the Shariah Advisory Committee.
- g. Reviewed Directors Training requirement and expenses.
- h. Reviewed and recommended the changes and the composition of Board Committees.

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

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

The primary responsibilities of the Remuneration Committee are:

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

## Statement on Corporate Governance

- e) To consider and approve the promotion, remuneration package, increment, bonuses and other related matters involving the key responsible persons. Key responsible person is defined as a person who:-
- (i) has the authority, makes or has substantial influence in making decisions that affect the whole, or a substantial part of, the Company's business;
  - (ii) is principally accountable or responsible, whether solely or jointly with other persons, for implementing and enforcing policies and strategies approved by the board; or
  - (iii) is principally accountable or responsible, whether solely or jointly with other persons, for developing and implementing systems, internal controls and processes that identify, measure, monitor or control the Company's risks.
- f) To consider and recommend to the Board, the remuneration package and other related matters involving the Shariah Advisory Committee; and
- g) The Committee, when considering and recommending where appropriate will take into account that such recommendation/remuneration package/programmes and other related matters should reflect and be commensurate with the accountability, duties and responsibilities of the abovesaid parties under consideration.

The Nominating & Remuneration Committee also carries out the periodic review of the overall remuneration for Directors, President and Chief Executive Officer and key responsible persons whereupon recommendations for Directors and the President and Chief Executive Officer are submitted to the Board for approval.

The Nominating and Remuneration Committee currently consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

During the year ended 31 December 2015, five (5) meetings were held. The members of the Nominating & Remuneration Committee and their attendance at the meeting are as follows:

<b>Name of Members</b>	<b>Total Meetings Attended</b>
Encik Aw Hong Boo <i>(Senior Independent Non-Executive Director/Chairman)</i>	5/5
Datuk Syed Zaid bin Syed Jaffar Albar <i>(Non-Independent Non-Executive Director)</i>	5/5
Encik Lim Tian Huat <i>(Independent Non-Executive Director)</i>	3/5

## Statement on Corporate Governance

### (e) Option Committee

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

The Option Committee currently consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

During the financial year 2015, three (3) meetings were held by the Option Committee. The members of Option Committee and their attendance at the meeting are as follows:

Name of Members	Total Meetings Attended
Encik Aw Hong Boo <i>(Senior Independent Non-Executive Director/Chairman)</i>	3/3
Datuk Syed Zaid bin Syed Jaffar Albar <i>(Non-Independent Non-Executive Director)</i>	2/3
Encik Lim Tian Huat <i>(Independent Non-Executive Director)</i>	2/3

### B. Directors' Remuneration

#### Objective of Directors' Remuneration

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

#### Remuneration Package

The remuneration package is as follows:-

##### (a) Directors' Fee

The Directors are paid an annual fee, the quantum of which is approved by the shareholders at the Annual General Meeting. In the event a Director is appointed or resigns during a financial year, the fee will be pro-rated and apportioned accordingly based on the month of the said Director's appointment or resignation.

##### (b) Allowance

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



## Statement on Corporate Governance

### (c) Details

The aggregate remuneration of the Directors during the financial year 2015 are categorized into the appropriate components as follows:-

	Emoluments (RM)	Allowance (RM)	Fee (RM)	Bonuses (RM)	Benefit- in-Kind (RM)	Total (RM)
Executive Director	-	-	-	-	-	-
Non-Executive Director	-	735,000	789,167	-	120,000	1,644,167

Range of Remuneration	Number of Directors	
	Executive Director	Non-Executive Director
Nil	-	-
Below RM50,000	-	-
RM50,001 - RM100,000	-	1
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	-	3
RM200,001 - RM250,000	-	3
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	-	1

Details of the Directors' remuneration of each Director during the financial year 2015 are set out under Note 30 of the Notes to the Financial Statements in this Annual Report.

### C. Shareholders

#### Relationship with Shareholders and Investors

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

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

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

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

## Statement on Corporate Governance

### **Annual General Meeting**

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

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

### **D. Accountability and Audit**

#### **Financial Reporting**

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

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

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

The Audit Committee assists the Board in scrutinizing the information for disclosure to ensure accuracy, adequacy and completeness.

#### **Internal Control**

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

The Audit Committee through the Internal Audit Division reviews the effectiveness of the system of internal controls of the Group periodically. The review covers the financial, operational and compliance controls.

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

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

#### **Complaint & Whistle Blowing Policy**

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

## Statement on Corporate Governance

### Relationship with Auditors

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

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

### E. Directors' Responsibility Statement

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

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

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

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

### F. Additional Compliance Statement

#### Utilisation of Proceeds Raised from any Corporate Proposal

During the financial year ended 31 December 2015, the following were carried out by the Group:

Dividend Reinvestment Plan ("DRP")

The net proceeds raised from DRP (after deducting the estimated expenses for DRP) are for working capital purposes and/or other requirements of the Group.

#### Share Buy-back

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

#### Options, Warrants or Convertible Securities

During the financial year ended 31 December 2015, a total of 3,691,041 options over ordinary shares were exercised pursuant to the Company's Employees' Share Option Scheme ("ESOS").

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

Name	Revised Exercise Price	As at 1.1.2015	Granted	Exercised	As at 31.12.2015
Dato' Ahmad Zaini Othman	1.01	142,808	-	142,808	-
	2.01	190,936	-	-	190,936

## Statement on Corporate Governance

Since the commencement of the ESOS, the maximum allocation applicable to Key Senior Management of MBSB is 50% of the ESOS Aggregate Maximum Allocation.

As at 31 December 2015, the actual percentage of total options granted to Key Senior Management of MBSB under the ESOS was 0.87% of the total ESOS granted.

Details of the ESOS during the financial year 2015 are set out under Note 22 of the Notes to the Financial Statements in this Annual Report.

During the financial year ended 31 December 2015, a total of 4,026,684 warrants were exercised pursuant to the Company's warrant 2011/2016.

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

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

### **Sanctions and/or Penalties Imposed**

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

### **Non-Audit Fees**

Apart from the annual audit fees, the Group has incurred other assurance related fees of RM5,000 and non-audit fees of RM1,311,000 to the external auditors of MBSB, Messrs Ernst & Young or its affiliates for the financial year ended 31 December 2015.

### **Variation in results**

There were no variations between the audited results for the financial year ended 31 December 2015 and the unaudited results for the fourth quarter ended 31 December 2015 of the Group.

### **Profit Guarantee**

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

### **Material Contracts with Related Parties**

Save as disclosed in Note 35 to the financial statements, there are no other material contracts subsisting at the end of the financial year or entered into since the end of the previous financial year by the Company and its subsidiaries which involves interests of Directors and major shareholders.

### **Dividend Payment Policy**

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

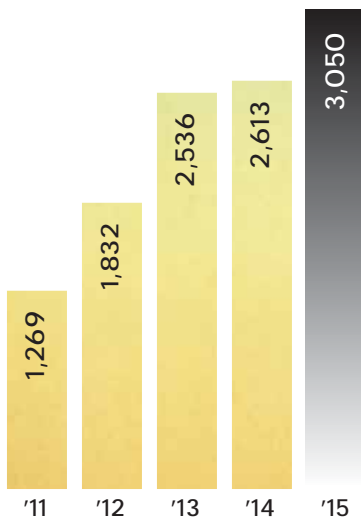
## **G. Statement on Compliance with the Best Practices of the Malaysian Code on Corporate Governance**

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

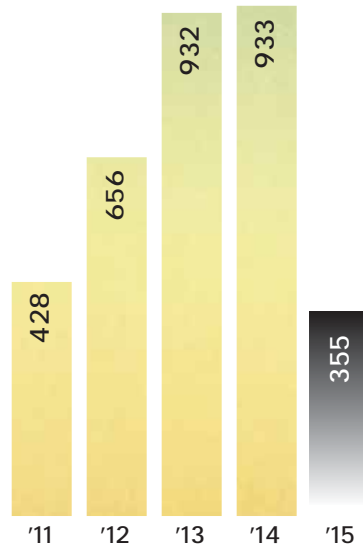
This Statement on Corporate Governance was approved by the Board of Directors on 9 March 2016.

# Financial HIGHLIGHTS

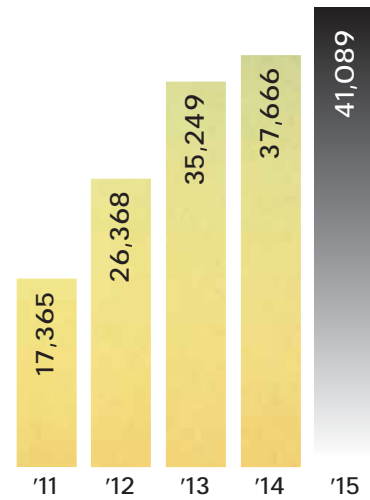
**Group Revenue**  
(RM Million)



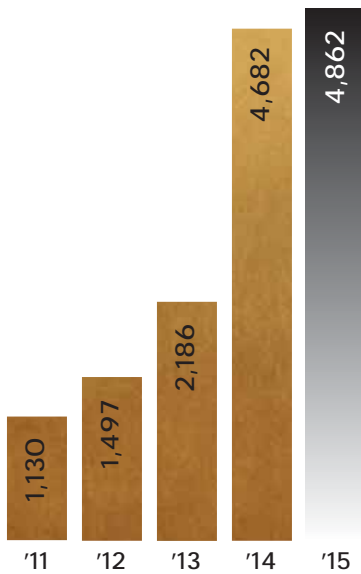
**Group Profit Before Taxation**  
(RM Million)



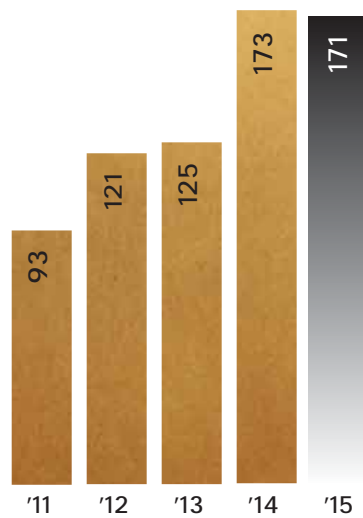
**Group Total Asset**  
(RM Million)



**Group Shareholders' Equity**  
(RM Million)



**Group Net Asset Per Share**  
(Sen)

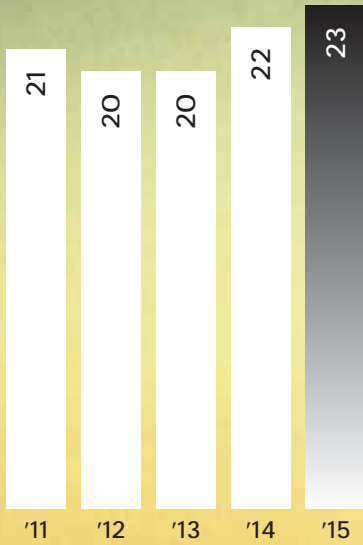


**Group Basic Earnings Per Share**  
(Sen)

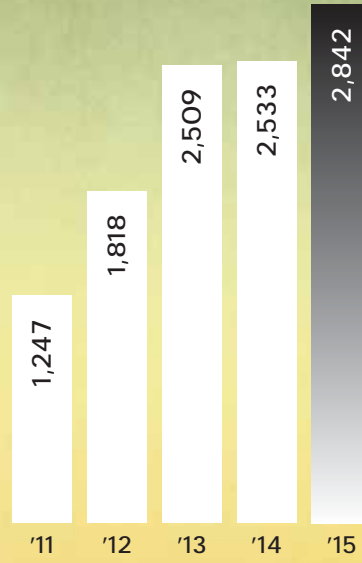




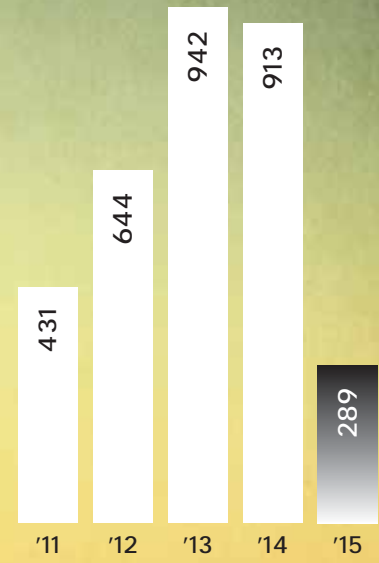
**Group  
Cost to Income Ratio**  
(%)



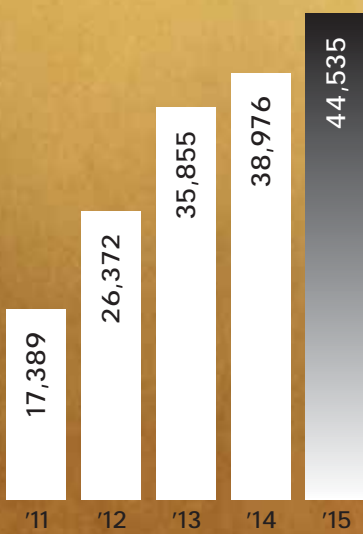
**Company  
Revenue**  
(RM Million)



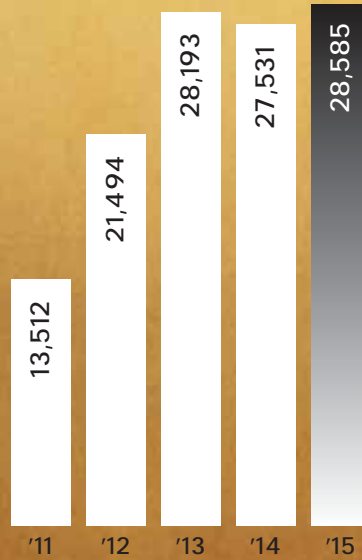
**Company  
Profit Before Taxation**  
(RM Million)



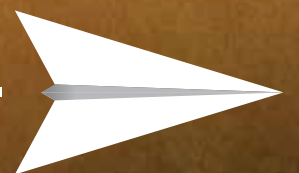
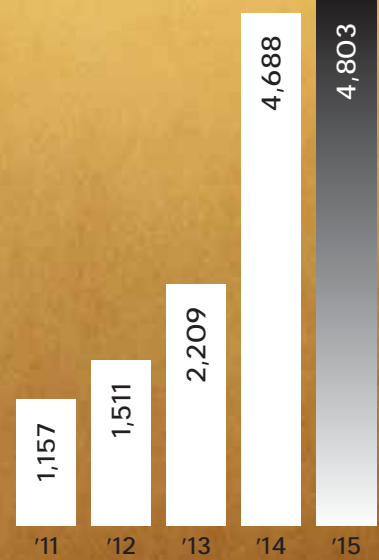
**Company  
Total Assets**  
(RM Million)



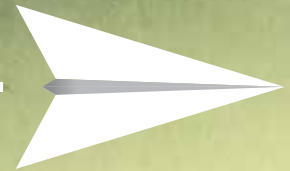
**Company  
Deposit**  
(RM Million)



**Company  
Shareholders' Equity**  
(RM Million)



# Corporate Social RESPONSI



For the year 2015, MBSB continued with its Corporate Social Responsibility (CSR) initiatives to serve people in the community as well as at the workplace and marketplace.

At MBSB, we consider ourselves to be on a mission to make a difference in the communities that we live and work. We do this by focusing our CSR efforts on those unfortunate and deserving members of the society. Most of the underprivileged and poor are normally confronted with various issues from lack of education aid to non-conductive homes or even the inability to fully feed themselves. These are concerns that we hope to address in ways that we can alleviate the suffering.

We also deem it important to keep society abreast with certain skills and knowledge, which can enhance their feelings of security and comfort. Based on this perspective, we conducted activities and programs to raise awareness on a subject that is of prime importance - home safety. It is our hope that the communities who benefit from such programs are able to sustain this knowledge and elevate their social being.

## The Community

MBSB's Flagship CSR initiative, Over the Top PINTAR School program extended its journey to support our adopted schools with English Language programs to enhance the students' English proficiency level. A special program on developing their Higher Order Thinking Skills (HOTS) was also conducted to sharpen and improve their analytical thinking.

These programs provided the necessary platform to establish the development of self-management and self-motivation skills for the students. As for teachers, English Workshops are also held for them to ensure there is continuous support for the students.

Last year, we have also created an outreach and public awareness program through MBSB Home Safety Campaign. The campaign was successfully implemented by carrying out roadshows in 3 states within Peninsular Malaysia to educate the community on the importance of home safety measures. The activities held included exhibitions and demonstrations from local authorities such as the Royal Malaysian Police, Fire Brigade, Malaysia Civil Defense Department and Ministry of Health Malaysia.

# BILITY

It is our hope that the communities who benefit from such programs are able to sustain this knowledge and elevate their social being.





## Corporate Social Responsibility



“Program Sejahtera MBSB” another CSR flagship program represents our ongoing efforts to create a sustainable living environment for the less privileged communities in Malaysia. This was done through home building and rehabilitation exercises. For 2015, in view of the dire circumstances that the floods had left the victims early of the year, MBSB assisted by building homes for five families whose homes had been destroyed. These families reside in Manek Urai, Kelantan, one of the worst hit areas.

Adding on to the flood relieve efforts were the voluntary activities by our 60 employees in cleaning up Sekolah Menengah Kebangsaan Pahi, Kuala Krai, Kelantan in preparation of the new term. Food, clothing and other basic necessities were also transported and distributed to recovery centers in Kelantan, Terengganu and Pahang.

We also made monetary contribution to Food Aid Foundation, an NGO whose regular efforts include preparation and provision of food to flood victims. They undertake the same activities in Kuala Lumpur where they are based, targeting the homeless living in the city. This charitable endeavor came under their Food for Homeless Project, which we had also used as a platform for our employees to undertake voluntary work.

During the year, we had greeted month of Ramadan with the customary aid for those deprived. We celebrated iftar with 100 refuge and asylum children under the purview of Malaysia Social Research Institute (MRSI). At the same event, zakat contributions were presented to several charitable organizations.

The annual Blood Donation Drive continued to receive overwhelming support, showing positive community engagement by employees of MBSB to assist the National Blood Bank in maintaining a positive blood balance.

### The Workplace

MBSB places great value in creating a conducive work environment to carve the best out of its employees.

The Human Capital Division had implemented training and development programs throughout the year 2015 with total investments of RM4.6 million to further enhance employees’ skillsets and performance. MBSB holds a record of 1,379 employees as at December 2015, ranging from upper management level to Sales and Service Centers personnel with a total of 45 Sales and Service Centers across Malaysia.



MBSB also participated in the 1Malaysia Training Scheme (SLIM), a collaboration between Government-Linked Companies (GLCs) and the Economic Planning Unit, Prime Minister's Department aims to heighten employability among Malaysian graduates. Under this program, MBSB had recruited 50 unemployed graduates in October 2015 for a period of 6 months, providing them the opportunity to sharpen their level of competency and crafting their career path.

At MBSB, we offer our employees comprehensive remuneration packages, good incentives and rewards for high performers who create business values to the organization, in the hope that it will stimulate employees' achievements and future performances. We always encourage our employees and their children to excel academically by rewarding employees who have successfully progressed in their tertiary education and their children who excelled in the National examinations through MBSB High Achievement Award and Excellence Award.

### The Marketplace

In support of MBSB's growing corporate financing segment, two Equipment financing hubs have successfully been established in the Northern and Southern region, providing our clients with convenience and increased accessibility.

This year, MBSB had graduated from Khazanah Nasional's Government-Linked Investment Companies (GLICs) and Government-Linked Companies (GLCs) 10-year GLC Transformation (GLCT) program, a journey that had helped MBSB to give back to the nation. The education sector is being listed as the 10<sup>th</sup> major area under the National Key Economic Area (NKEA) stipulated in the Economic Transformation Program (ETP). On this, MBSB can take pride in its contribution to this key area by providing 10 financing facilities for the development of Universiti Teknologi Mara (UiTM) campuses nationwide.





# Statement on Risk Management and Internal Control

## Introduction

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

## Board's Responsibility

The Board acknowledges overall responsibility and recognizes the importance of maintaining a sound system of risk management and internal control and reviewing its adequacy and integrity so as to safeguard shareholders' investments and the Group's assets. The Board endeavors to identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures.

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

The Board remains committed towards operating a sound system of risk management and internal control and therefore recognize that the system must continuously evolve to support the Group's businesses and operations in a dynamic business environment. As such, the Board is ensuring that the Group establishes comprehensive risk management policies, processes and infrastructure to manage the various types of risks.

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

## Risk Management and Internal Control Processes

The Board regards risk management as an integral part of business operations and confirms that there is an on-going process of identifying, evaluating, monitoring, managing and reporting on the significant risks that may affect the achievement of its business objectives. The control structure and processes which have been instituted throughout the Group are reviewed and updated from time to time to strengthen and tighten the relevant internal controls which is consistent with the Group's and market practices.

Responsibility for implementing the Group's strategies and day-to-day businesses are delegated to the Management. The organization structure sets out clear segregation of roles and responsibilities, lines of accountability and levels of authority to ensure effective and independent stewardship. The Management assists the Board in implementing the risk management policies and procedures approved by the Board as well as developing and operating internal controls to manage the identified risks as well as monitors and reports regularly to the Board on all risks related to the Group. The Management is also accountable to ensure such policies and procedures are being continuously reviewed in order to meet the changing financial landscape as well as the changes in the nature and size of the Group's activities.

## Statement on Risk Management and Internal Control

### Group Risk Management Framework

The Group's risk management framework is designed to identify, analyse and evaluate significant risks that hinder the achievement of the Group's policies and objectives. The risk management framework acts as the main reference document in matters relating to the Group's risk management activities and serves as a guide to Risk Management staff in monitoring risk management practices. It also assists the Management and the Board in managing risk within the Group, where the business activities are mainly risk-taking in nature.

MBSB has an organizational structure which clearly defines lines of accountability and delegation of responsibility to ensure that there are no overlaps and coverage gaps. In addition, the Group's risk management structure provides clear lines of responsibility and accountability for the risk management process as well as outlines the principal risk and control responsibilities.

A sound risk management and internal control practice has been implemented, covering three lines of defence. The Business Units form the first line of defence against risk by managing risk-reward trade-off within the scope of the Group's risk tolerance and policies. The second line of defence is made up of the Group Risk Management Division (GRM), Compliance Department and Legal Division, and is responsible for ensuring that the necessary balance in risk/return decisions is not in any way compromised by business pressures to generate revenues. In addition, the Group has a Project and Property Management Division which acts as a second line of defence for financing applications involving property development projects as the division will provide an independent estimate of the costs and projected revenue of the project/contract and assess the viability of the project/contract. The Board and Risk Management Committee (RMC) along with Internal Audit Division, being the third line of defence, provide an independent assessment of risk management processes and infrastructure and the adequacy and effectiveness of risk policies and internal controls.

### Risk Management Committee

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

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

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

During the financial year ended 31 December 2015, a total of 10 RMC meetings were held. The Committee comprises the following members and details of their attendance of meetings held during the financial year are as follows:

Name of Members	Total Meetings Attended
Encik Lim Tian Huat <i>(Independent Non-Executive Director/Chairman)</i>	10/10
Encik Aw Hong Boo <i>(Senior Independent Non-Executive Director)</i>	10/10
Dato' Jasmy bin Ismail <i>(Independent Non-Executive Director)</i>	10/10
Cik Ravinder Kaur a/p Mahan Singh* <i>(Independent Non-Executive Director)</i>	9/9*

\* Cik Ravinder retired from RMC on 9 October 2015

## Statement on Risk Management and Internal Control

### Management Committees

The Management Committee (MANCO), comprising members of Senior Management, acts as a platform for addressing all inherent risks to the Group as well as the development of risk mitigation measures and strategies. In implementing the Risk Appetite Framework across the Group, MANCO ensures timely escalation of all events which may materially impact the Group's financial condition or reputation for appropriate action. The committee is also responsible for identifying, discussing and resolving any operational, financial and key management issues.

Other dedicated management committees namely, Credit and Rehabilitation Assessment Committee (CARAC); Asset Liability Committee (ALCO); Initial Alert Report Committee (IAR); and IT Steering Committee assist RMC, EXCO and Board in managing credit, operational, market and liquidity risks. Further details of the roles and responsibilities of these committees are as follows:

- **CARAC** deliberates and approves corporate and retail loans/financing, within the authority limit delegated by the Board. Where the prospective corporate and retail loans/financing is not within CARAC's authority limit, it would recommend the loans/financing to the relevant Board/Board Committee for approval.
- **ALCO** serves as the primary oversight and decision making body that provides strategic direction for the management of market risk and liquidity risk. The committee also monitors capital adequacy through capital management.
- **IAR**, in attending to corporate and retail loans/financing, reviews and evaluates the position of loan/financing accounts that are in arrears or require closer monitoring and determines the course of action to be taken for these accounts. On a portfolio level, the committee assesses the quality of the retail and corporate loan/financing portfolios and evaluates any significant trends detected.
- **IT Steering Committee**, as the senior governance and policy making body for information technology (IT) at MBSB, ensures that MBSB's planning for and investment in IT supports the organisation's strategic goals.

These committees are responsible for overseeing the development and assessing the effectiveness of policies approved by the Board. Senior Management oversees the execution and implementation of the policies.

### Group Risk Management Division

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

GRM continues to provide advice and guidance on the credit, operational, market, liquidity, Shariah and general business risk to the Group. The scope of advice serves to manage and control significant risk exposures inherent to the Group's business operations as well as covers the identification of significant risks. GRM is involved in all aspects of the Group's activities, including new product approvals, credit approval, credit monitoring and review of process workflows and policies.

During the year, GRM was involved in the following key activities:

- Enhancement of the Impairment Classification of Financing Policy to be in line with the changes imposed by BNM in 2015;
- Enhancement of the Contingency Funding Plan which addresses potential adverse liquidity events/crisis;
- Development of a Funding Mix Policy that details funding strategies such as liquidity mismatches and funding costs;
- Development of the Material Risk Assessment Document, in relation to the Internal Capital Adequacy Assessment Process (ICAAP), to determine the material risks that MBSB is exposed to and to assess how these risks are being managed, measured and mitigated;
- Appointed an external consultant to conduct a review and validation exercise of ICAAP related documents;
- Tightening of credit underwriting criteria for selected products to ensure credit quality is controlled, in view of the forecasted challenging economic conditions;

## Statement on Risk Management and Internal Control

- Participation in the Debt Management Program conducted by Agensi Kaunseling Dan Pengurusan Kredit (AKPK) where MBSB has entered into a Memorandum of Understanding (MoU) in the areas of financial education, credit counseling and Debt Management Programme (DMP) to MBSB's borrowers/customers;
- Conducted Stress Testing on the Financing Portfolio arising from the uncertainty of the domestic and global economic condition;
- Implemented early warning Key Risk Indicators (KRI) as well as Risk Control Self Assessments (RCSA) to alert Management and Board of significant changes in risk levels; and
- Enhanced monitoring and reporting of major risk exposures to the Management and Board in order to identify emerging risks on a timely basis.

GRM also reviews the Group's compliance to risk limits and identifies emerging risk issues. GRM has representation in decision-making meetings as a member of ALCO, MANCO, IAR and the IT Steering Committee, and as an attendee of CARAC meetings.

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

### Internal Audit Division

The Internal Audit Division, reporting to the Audit Committee (AC), performs systematic and regular reviews of key processes via audit of divisions/departments and Sales & Service Centers in an effort to assess the effectiveness, adequacy and integrity of internal controls including compliance to the necessary policies and guidelines. Areas of improvement and proposed recommendations are highlighted to Senior Management and the AC with periodic follow-up reviews on actions taken.

During the year, the Internal Audit Division has carried out independent and objective reviews in accordance with an approved audit plan covering credit operations, treasury, financial accounting and operational controls. The annual audit plan is developed using a risk-based approach and is reviewed and approved by the AC. The Internal Audit Division has also performed a Shariah audit to ensure that the Group's Islamic products and practices are Shariah Compliant.

Based on the reviews, the Internal Audit Division has provided the AC with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal controls. The AC, on behalf of the Board, regularly reviews and deliberates on internal control issues identified in reports prepared by the internal auditors and the related actions taken by Senior Management. The AC also reviews the external auditor's annual audit plan and the annual audit report with the management response on any findings raised.

### Compliance Function

Compliance management is the collective responsibility of the Board, Senior Management and every employee of the Group. The Group Compliance function is driven by the Compliance Department, whereby its main function is to identify and manage compliance risk at the Group level through consistent compliance monitoring and testing carried out across the group.

The Compliance Department, reporting to the President and Chief Executive Officer and to the Board, continuously performs Compliance Thematic reviews, Anti-Money Laundering (AML) & Counter Financing of Terrorism (CFT) transaction monitoring and provides compliance advisory support to ensure regulatory and compliance risks are mitigated. Shariah Compliance reviews were also conducted with the objective of ensuring that the Group's activities and operations do not contravene with Shariah rulings. The Compliance Thematic reports, Shariah Compliance review reports and progress of rectification of issues are tabled to MANCO, RMC and the Board. In addition, the Shariah Compliance review reports are also tabled to the Shariah Advisory Committee (SAC) to ensure that the Group's practices are Shariah compliant.

## Statement on Risk Management and Internal Control

During the year, the Compliance Department has implemented the following key initiatives:

- Implementation of Compliance Framework to provide the fundamental policies and guidelines on Compliance management and oversight within MBSB;
- Implementation of US Foreign Account Tax Compliance Act (FATCA) Framework which sets the overall policy for MBSB to guide its conduct in complying with the requirements under the US Foreign Account Tax Compliance Act;
- Introduction of Compliance Matrix, a table that shows various regulatory guidelines that are applicable across all business divisions and support functions of MBSB. The main purpose of this matrix is to guide business and support functions of the relevant guidelines that required to be complied with in order to meet the industry standards; and
- Continuous Compliance Thematic reviews on pertinent regulatory requirements. In addition, the review has been extended to Sales & Service Centre, covering the pertinent regulatory and operational requirements as the scopes of the review.

### Other Key Elements of Internal Control

The other key elements of the procedures established by the Board that provide effective internal control include:

- A detailed integrated budgeting process has been established, resulting in clear ownership of business objectives, plans and the expected financial outcome based on the Board's approved budget. The Group's budget and business plan as well as strategic initiatives, taking into account the risk appetite, are deliberated by the Management and the Board on an annual basis. The Board also reviews the operational and financial performance of the Group. Quarterly management reports are presented to the Board providing information on the financial performance and risk exposure of the Group to enable the Board to effectively oversee the Group's overall performance objectives, key initiatives, financial plans and annual budget.
- In addition to the RMC and the AC, the Board is supported by other established Board Committees in the execution of its responsibilities namely, the Executive Committee (EXCO) and Nominating & Remuneration Committee, details of which are set out in the Statement on Corporate Governance. Each committee has clear terms of reference.
- Approving Authority Policy with appropriate empowerment and authority limits has been approved by the Board, including authorization limits at various levels of Management in the Group, to ensure accountability and responsibility.
- The Risk Control Self-Assessment (RCSA) serves as a tool to empower risk owners to perform risk analyses on their business operations. The RCSA allows risk owners to identify, assess, mitigate, monitor and report operational risk at a process level. The objective is to ensure that processes become inherently stronger, in its effort to reduce residual risk and the number of lapses in the processes.
- Business Continuity Management (BCM) policies have been established for the Group. The processes are regularly tested during the year with the relevant department/division to ensure the effectiveness of the process. The BCM programme serves as a guideline for the Group to resume critical operations within the required timeframes and minimises the cost of damages and interruptions due to disasters.
- Policies, procedures and processes governing the Group's businesses and operations are documented and are made available to employees across the Group through the Group's intranet portal. These policies and procedures are reviewed and updated by the business and functional units through a structured review process to address changes in laws and regulations and business and operational environment, as well as to manage any risks arising from such changes.



## Statement on Risk Management and Internal Control

- Employees are bound to observe prescribed standards of business ethics when conducting themselves at work and in their relationship with external parties, such as customers and suppliers. The Group Code of Conduct and Ethics sets out the standards of good and ethical banking practices, and aims to maintain confidence in the security and integrity of the Group's business practices. Employees are expected to comply with the Code of Conduct and Ethics to conduct themselves with integrity and objectivity and not be placed in a position of conflict of interest.
- The Group has a Complaint & Whistle Blowing Manual which addresses the avenues for individuals to report suspected breaches of law or regulations or other improprieties. All staff is accorded the opportunity to report via the Whistle Blowing mechanism with the assurance that it shall be dealt with confidentiality and that the reporter's identity is protected.
- The Group participates in forums and trainings to stay informed on fraud events and controls. To this extent, the Fraud & Corruption Control Guidelines has been approved by the Board and has been disseminated to all employees. Where suspected fraud is detected, the Group ensures prompt investigations and disciplinary actions are taken accordingly.
- The Group's AML/CFT Framework is continuously reviewed and updated to meet regulatory requirements as well as to combat money laundering and financing of terrorism activities. All employees are expected to carry out their functions with the highest ethical and professional standards, in accordance with the AML/CFT Framework and to continuously be vigilant against the Group being exposed or used to launder money or finance illegal activities including terrorist financing.
- The President and Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Head of Compliance of the Group have provided confirmation on the effectiveness of the system of risk management and internal control. There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.

### Review of the Statement by External Auditors

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report for the financial year ended 31 December 2015. Their review was performed in accordance with Recommended Practice Guide (RPG) 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors had assured that this Statement is consistent with their understanding of the process that the Board has adopted in the review of the adequacy and effectiveness of the Group's risk management and internal control system.

RPG5 does not require the external auditors to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control procedures.

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

The statement was approved by the Board of Directors on 9 March 2016.

# Report of the Audit Committee

The Audit Committee (AC) of MBSB is committed to its role of ensuring high corporate governance practices and providing oversight on the Group's financial reporting, risk management and internal control systems.

## 1.0 The Audit Committee

The AC consists of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. Two of the members namely Encik Aw Hong Boo and Encik Lim Tian Huat are Chartered Accountants and members of the Malaysian Institute of Accountants (MIA). This meets the requirement of the Bursa Securities Listing Requirements which requires at least one qualified accountant as a member of the AC.

During the financial year ended 31 December 2015, a total of 8 Audit Committee meetings were held. The Audit Committee comprises the following members and the details of attendance of each member at the Committee meetings held during the financial year are as follows: -

Name of Members	Total Meetings Attended
Encik Aw Hong Boo <i>(Senior Independent Non-Executive Director/Chairman)</i>	8/8
Encik Lim Tian Huat <i>(Independent Non-Executive Director)</i>	8/8
Datuk Shahril Ridza Ridzuan <i>(Non-Independent Non-Executive Director)</i>	8/8
Dato' Jasmy Ismail <sup>1</sup> <i>(Independent Non-Executive Director)</i>	-

Note:-

<sup>1</sup> Dato' Jasmy Ismail was appointed as a member on 10 March 2016

The Chairman of the Audit Committee reports to the Board on matters deliberated during the Audit Committee meetings. Minutes of each meeting are also distributed to each member of the Board.

## 2.0 Authority

The Audit Committee is a Board delegated committee. The Audit Committee in discharging its duties has explicit authority to investigate any matter within its terms of reference. It has full access to and co-operation from the Management and full discretion to invite any director or executive officer to attend its meetings. The Audit Committee shall have the necessary resources made available to it by the Group to enable it to discharge its functions effectively. The Audit Committee has full and unrestricted access to information and is able to obtain independent professional advice if necessary, with any expenses related thereto to be borne by the MBSB.

## Report of the Audit Committee

### 3.0 Summary of Activities of the Audit Committee

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

#### 3.1 Financial Reporting

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

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

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

In the review of the annual audited financial statements, the Audit Committee discussed with Management and the external auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements.

#### 3.2 Internal Audit

- a) Reviewed and approved the annual Internal Audit Plan to ensure adequacy of scope and coverage of the auditable areas including Internal Audit resource requirements.
- b) Reviewed the status of completion of the Internal Audit Plan and assessed the performance of the Internal Audit Division.
- c) Reviewed the internal audit reports tabled during the year, which outlined the audit issues, recommendations and management's response thereon. Discussed with management and where appropriate, directed management to rectify and improve the system of internal controls and workflow processes based on the internal auditors' recommendations for improvement to ensure control lapses are addressed.
- d) Monitored the corrective actions taken on the outstanding audit issues to ensure that all the key risks and control lapses have been addressed.
- e) Reviewed and approved the revised Audit Charter which incorporated material updates with regards to Shariah related requirements and consultative activities undertaken by the Internal Audit Division.
- f) Reviewed the minutes of Audit Committee meetings for an overview of the deliberation and remedial actions taken by the Management on the control lapses raised by the Internal Auditors.

## Report of the Audit Committee

### 3.3 External Audit

- a) Reviewed with the external auditors: -
  - their audit planning memorandum for the year ended 31 December 2015 comprising their audit plan, audit strategy and scope of work for the year.
  - their annual audit report and management letter together with management's response to the findings of the external auditors.
  - updates of new developments on Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board.
- b) Met the external auditors twice for discussion without the presence of the Management.
- c) Evaluate the performance and effectiveness of the external auditors and made recommendations to the Board of Directors on their audit fees and for their reappointment to hold office until the conclusion of the next annual general meeting.

### 3.4 Policy Review and Other Matters

- a) Reviewed the Report of Audit Committee for inclusion in MBSB's 2015 Annual Report before recommendation to the Board for approval.
- b) Reviewed the disclosure statements on compliance with the Malaysian Code on Corporate Governance and the statement of internal controls on the annual audited financial statements for inclusion in the MBSB's 2015 Annual Report before recommendation to the Board for approval.
- c) Tabled the minutes of each Audit Committee meeting to the Board for notation, and for further direction by the Board, where necessary.

### 3.5 Employee's Share Option Scheme

Verified the allocation of share option scheme for the employees to ensure compliance with the required criteria.

### 3.6 Directors' Training

During the year, the Committee members have attended the relevant training programmes, conferences and seminars as detailed out on Pages 54-59 of the Annual Report.

## 4.0 Statement on Internal Audit Function

**4.1** The internal audit function is performed in-house and undertaken by MBSB's Internal Audit Division. The Internal Audit Division functionally reports to the Audit Committee as an independent unit that provides independent and objective assurance on the adequacy and effectiveness of MBSB's internal control systems implemented by the Management.

**4.2** The Internal Audit Division function which is guided by its Audit Charter that formally documents the roles, duties and responsibilities of the internal auditors, administratively reports to the President and Chief Executive Officer.

The principle activities of the Internal Audit Division are to provide independent and objective assurance on the adequacy and effectiveness of MBSB's internal control system as implemented by the Management.

**4.3** The Internal Audit Division is represented at the onset in all major IT projects undertaken, and provide necessary input especially in relation to controls required.

## Report of the Audit Committee

- 4.4** The Internal Audit Division provides periodic reports to the Audit Committee deliberating the results of the audit conducted in terms of risk management of the unit, operating effectiveness of internal controls, compliance with internal and regulatory requirements and overall management of the unit. Key control issues, significant risks and recommendations are highlighted along with the Management's responses and action plans for improvement and/or rectification where applicable. This enables the Audit Committee to execute its oversight function by forming an opinion on the adequacy of measures undertaken by the Management.
- 4.5** The Internal Audit Division in performing its duties covered all units and operations of MBSB. The selection of the units to be audited from the audit universe was based on the Annual Audit plan which was premised on a risk-based approach with the emphasis on the following main core audit strategies: -
- a) Financial Audit where the primary objective was to provide an independent, reasonable assurance of the accounting system and information.
  - b) Credit audit of Head Office/Sales and Service Centres covering the credit underwriting of post-disbursed loan, credit operations, security documentation and credit recovery.
  - c) Operational audit with the primary objective to ensure effective operations of business and banking processes were discharged.
  - d) Treasury audit with the aim to ensure that Treasury operations were in-line with the objectives and strategies of the asset and liabilities management and the approved policies and procedures as well as to ensure proper authentication and verification of treasury transactions.
  - e) Information System (IS) audit with the primary objective to ensure that the in-house application system and those outsourced systems in respect of process data migration, operations, access control, physical security, maintenance and its contingency planning were in accordance with MBSB's policies and procedures.
- 4.6** During the financial year ended 31 December 2015, the Internal Audit Division has carried out the following activities: -
- a) Presented its audit plan, audit budget and scope of work to Audit Committee for approval. The internal auditors have adopted a risk-based approach towards the planning and conduct of audits, which is designed to evaluate and monitor MBSB's internal controls system.
  - b) Conducted the scheduled audits and tabled the audit reports to the Audit Committee highlighting the audit findings, issues and recommendations for improvement.
  - c) Followed-up on management corrective actions on unresolved audit findings and reported the status to the Audit Committee.
  - d) Performed ad-hoc audit assignments and investigations at the request of the Audit Committee on areas of concern identified by the Audit Committee.
  - e) Provided advisory services to review the operational guidelines and manuals to ensure pertinent controls embedded are consistent with the changes in businesses and operations.
  - f) Worked closely with the external auditors to resolve any control issues as raised by the external auditors to ensure that significant issues are duly acted upon by the Management.
- 4.7** The cost incurred for the internal audit function in respect of the financial year ended 31 December 2015 amounted to RM1,665,823.



## Report of the Audit Committee

### 5.0 Internal Audit Reports

The Internal Audit Division completed 79 assignments during the year covering audits of all key operations and investigations carried out. All findings by the Internal Audit Division are tracked and followed-up until closed.

### Terms of Reference

#### 1.0 Composition of the Committee

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

- i) At least three (3) non-executive directors, a majority of whom are independent directors;
- ii) At least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants (MIA) or any other equivalent qualifications recognised by the MIA;
- iii) No alternate directors shall be appointed as a member of the Committee. The members of the Committee shall elect a Chairman from among themselves who shall be an Independent Director; and
- iv) All members of the Committee hold office only so long as they are Directors of the Company. In the event of any vacancy in the Committee, arising from retirement or resignation, with the result that the number of members is reduced below 3, the Board of Directors must fill the vacancy within 3 months.

#### 2.0 Objectives

The primary objectives of the Committee are to: -

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

#### 3.0 Rights

The Committee shall: -

- i) Have the authority to investigate any matter within its terms of reference;
- ii) Have the resources, which are required to perform its duties;
- iii) Have full and unrestricted access to any information pertaining to the Company and the Group;
- iv) Have direct communication channels with external auditors, internal auditors and risk managers;
- v) Be able to obtain independent professional or other advice; and
- vi) Have the authority to convene meetings with external auditors, internal auditors or both, in the absence of other directors and employees, at least twice a year.

## Report of the Audit Committee

### 4.0 Duties and Responsibilities

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

#### 4.1 External Audit

- a) To review with external auditors, their audit plan, scope and nature of the audit.
- b) To review with external auditors, their audit report and audit findings and Management's response including the status of previous audit recommendations.
- c) To recommend the nomination of a person or persons as external auditors.
- d) To consider the appointment of external auditors, the audit fee and any question of resignation or dismissal and to make recommendations to the Board.
- e) Assess the qualification, expertise, resources and effectiveness of the external auditors.
- f) Monitor the effectiveness of the external auditors' performance and their independence and objectivity.
- g) Review the assistance given by the Group's officers to the external auditors and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- h) To approve the provision of non-audit services by the external auditors, evaluating whether such non-audit services would impair their independence.
- i) To ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the auditors.
- j) To meet with the external auditors at least twice a year without the presence of the management to discuss any key concerns and obtain feedbacks.
- k) To ensure that the financial statements are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions for loan impairments and values ascribed to financial instruments.

#### 4.2 Financial Reporting

To review the Group's quarterly financial statements and reports and the Group's and Company's audited annual Financial statements before submission to the Board of Directors for approval, focusing on: -

- a) Any changes in accounting policies and practices;
- b) Significant adjustments and issues arising from the audit;
- c) Significant and unusual events;
- d) The going concern assumption; and
- e) Compliance with applicable Malaysian Financial Reporting Standards and other legal and regulatory requirements.

## Report of the Audit Committee

### 4.3 Related Party Transaction

Review any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedures or course of conduct that raises questions on Management's integrity.

### 4.4 Internal Audit

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

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

- a) Review the adequacy of the scope, functions, resources and competency of the Internal Audit Division and that it has the necessary authority to carry out its duties.
- b) Review the internal audit programme processes, results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the Internal Audit Division.
- c) To perform the appointment, transfer or removal of the Head of Internal Audit. The appraisal of the Head of Internal Audit would be evaluated and moderated by the Chairman of the Audit Committee.
- d) To evaluate and review the performance and decide on the remuneration package of internal auditors.
- e) Approve any appointment or termination of senior staff members of the internal audit functions.
- f) Take cognisance of resignations of senior internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- g) Ensure that the internal audit function is adequately resourced and staffed with competent and well trained officers.
- h) Ensure the independence of the internal audit function.
- i) On a regular basis, meet separately with the Head of Internal Audit to discuss any matters that the Audit Committee or internal audit believes should be discussed privately.
- j) To ensure the internal audit function is well placed to undertake review or investigation on behalf of the Audit Committee, thus internal auditors should have an appropriate standing within institution and be placed under the direct authority and supervision of the Audit Committee.
- k) Review the effectiveness of the infrastructure for ensuring Shariah compliance.
- l) Exercise direct authority and supervision over the functions of the Internal Audit Division and review its effectiveness and compliance with "BNM Guidelines on Internal Audit Function" requirement.

### 4.5 Write Off

To review, evaluate and endorse all debts written off.

## Report of the Audit Committee

### 4.6 Others

- a) To undertake any other activities as authorised by the Board of Directors.
- b) To review operational policies and processes of the Group and to formulate new ones where appropriate with a view to improve efficiency, cost effectiveness and control over the resources of the Group.

### 4.7 Training

The committee is entitled to and required to attend structured training programmes organised for independent directors to enable them to better fulfill their responsibilities.

## 5.0 MEETINGS

- i) The Committee meets every quarter or more frequently as circumstances dictate.
- ii) The quorum for a meeting shall be two (2) members whereby both members present must be Independent Non-Executive Directors.
- iii) As part of its duty to foster communication, the President and Chief Executive Officer, the Management Team and the Head of Internal Audit are invited to attend the meetings for the purpose of briefing the Committee on the activities involving their areas of responsibilities. The presence of the external auditors will be requested when required.
- iv) The Chairman of the Committee shall report and update the Board of Directors on significant issues and concerns discussed during the Committee meetings and where appropriate, make the necessary recommendations to the Board of Directors.
- v) The Chairman of the Committee should engage on a continuous basis with senior management, such as the President and Chief Executive Officer, the Chief Financial Controller, the Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Company and the Group.
- vi) The Head of Internal Audit shall be the Secretary to the Committee.

# Analysis of Shareholdings

as at 9 March 2016

Authorised Share Capital : 10,000,000,000 Ordinary Shares of RM1.00 each

Issued and Fully Paid-Up Capital : 2,838,618,091 Ordinary Shares of RM1.00 each

Class of Shares : Ordinary Shares of RM1.00 each

Voting Rights : One Vote per Ordinary Share

## Analysis of Ordinary Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 - 99	631	2.801	19,033	0.000
100 - 1,000	4,640	20.598	4,167,429	0.146
1,001 - 10,000	11,940	53.005	53,231,584	1.875
10,001 - 100,000	4,637	20.585	135,379,576	4.769
100,001 - 141,930,903	677	3.005	797,924,745	28.109
141,930,904 AND ABOVE	1	0.004	1,847,895,724	65.098
<b>TOTAL</b>	<b>22,526</b>	<b>100.00</b>	<b>2,838,618,091</b>	<b>100.00</b>

## Directors' Direct and Indirect Interests in Shares in the Company

Name	Direct Interest		Indirect Interest		Total Shareholdings	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tan Sri Abdul Halim bin Ali	79,042	0.002	–	–	79,042	0.002

## Substantial Shareholders

Name	Direct Interest		Indirect Interest		Total Shareholdings	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Employees Provident Fund Board	1,847,895,724 <sup>1</sup>	65.098	–	–	1,847,895,724	65.098
Tan Sri Dato' Chua Ma Yu	106,672,450 <sup>2</sup>	3.758	65,226,200 <sup>3</sup>	2.298	171,898,650	6.056

Notes:

<sup>1</sup> Total direct interest of EPF held under Citigroup Nominees (Tempatan) Sdn Bhd.

<sup>2</sup> Total direct interest of Tan Sri Dato' Chua Ma Yu held under Cimsec Nominees (Tempatan) Sdn Bhd exempt an for CIMB Securities (Singapore) Pte Ltd (Retail Clients) and Maybank Securities Nominees (Tempatan) Sdn Bhd.

<sup>3</sup> Total indirect interest of Tan Sri Dato' Chua Ma Yu held under Maybank Securities Nominees (Asing) Sdn Bhd, Maybank Kim Eng Securities Pte Ltd for CMY Global Ltd.



## Analysis of Shareholdings

as at 9 March 2016

## Thirty Largest Shareholders

No.	Name	No. of Shares	% of Shares
1.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	1,847,895,724	65.098
2.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HAWANG KIM LIAN	106,578,000	3.754
3.	CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	91,672,450	3.229
4.	PERMODALAN NASIONAL BERHAD	86,356,052	3.042
5.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR CMY GLOBAL LTD	65,226,200	2.297
6.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEAN SIEW SEE	64,488,350	2.271
7.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD YAYASAN HASANAH (AUR-VCAM)	36,535,800	1.287
8.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA MA YU	15,000,000	0.528
9.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (VCAM EQUITY FD)	13,754,180	0.484
10.	HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS EQUITY FUND L.P.	10,466,900	0.368
11.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	9,161,267	0.322
12.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)	8,355,993	0.294
13.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (AUSTRALIA)	6,581,027	0.231
14.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR DEUTSCHE BANK AG LONDON (PRIME BROKERAGE)	6,547,300	0.230
15.	POSEIDON SENDIRIAN BERHAD	6,053,648	0.213
16.	HLB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW KANG HAI RICHARD (SIN 9131-9)	5,611,770	0.197
17.	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (LIFE PAR)	5,022,024	0.176
18.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	4,893,206	0.172
19.	B-OK SDN BHD	4,619,381	0.162
20.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)	4,259,708	0.150
21.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ACCCIM SERC TRUST	4,125,000	0.145
22.	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	4,004,300	0.141
23.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HENG TENG KUANG	3,388,590	0.119
24.	TEE KOK THYE	3,157,428	0.111
25.	YEAP CHIN LOON	3,136,333	0.110
26.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIM HEUNG	2,975,914	0.104
27.	YEAP HOOI HOOI	2,835,768	0.099
28.	YEAP MONG SIE	2,638,219	0.092
29.	MARY YEOW	2,567,800	0.090
30.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUNG CHEE YANG (CHU0328C)	2,469,681	0.087
<b>Total Shareholding of the Thirty Largest Shareholders</b>		<b>2,430,378,013</b>	<b>85.603</b>

# Analysis of Warrantholdings

as at 9 March 2016

Size of Warrantholdings	No. of Warrantholders	% of Warrantholders	No. of Warrants	% of Warrants
1 - 99	215	9.684	5,801	0.041
100 - 1,000	332	14.954	228,888	1.642
1,001 - 10,000	1,418	63.873	4,052,537	29.084
10,001 - 100,000	238	10.720	6,381,462	45.799
100,001 - 696,672	17	0.765	3,264,773	23.431
696,673 AND ABOVE	-	0.000	-	0.000
<b>TOTAL</b>	<b>2,220</b>	<b>100.00</b>	<b>13,933,461</b>	<b>100.00</b>

## Substantial Warrantholders

There is no substantial warrant holder as at 9 March 2016.

## Analysis of Warrantholdings

as at 9 March 2016

## Thirty Largest Warrantholders

No.	Name	No. of Warrants	% of Warrants
1.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	568,847	4.082
2.	LOH WAN KHEAT	408,918	2.934
3.	AFFIN HWANG NOMINEES (ASING) SDN BHD PHILLIP SECURITIES PTE LTD FOR WEI JACK NGOH	277,900	1.994
4.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BERNADETTE JEANNE DE SOUZA (003)	243,732	1.749
5.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE BAN WAN (E-KLG/JTH)	171,700	1.232
6.	MOHD RADZUAN BIN AB HALIM	168,638	1.210
7.	LGK SENDIRIAN BERHAD	162,599	1.166
8.	B-OK SDN BHD	150,000	1.076
9.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ERWIN SELVARAJAH A/L PETER SELVARAJAH	150,000	1.076
10.	LAU TEIK HIM CO SDN BHD	149,325	1.071
11.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEAW HUNG MENG (PENANG-CL)	127,941	0.918
12.	TOMMY BIN BUGO @ HAMID BIN BUGO	127,524	0.915
13.	KAM SIONG CHEE	121,949	0.875
14.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PUA MENG HONG	115,800	0.831
15.	LIM JIT HAI	110,000	0.789
16.	OOI CHEE SENG	105,900	0.760
17.	YAP TECK SIONG	104,000	0.746
18.	ABD RAHIM BIN AMBAK	100,000	0.717
19.	KHENG HWA TIN FACTORY SDN. BERHAD	100,000	0.717
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD RADZUAN BIN AB HALIM	97,094	0.696
21.	TAN SHU MEI	96,978	0.696
22.	THEN YOON YIN	80,000	0.574
23.	MAK KIN SENG	77,600	0.556
24.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE TIAN FATT (REM 878 - MARGIN)	75,228	0.539
25.	HEW YU KHIM	70,000	0.502
26.	KAMLESH A/L RAMANLAL	70,000	0.502
27.	LOO AH HOOI	70,000	0.502
28.	TAN LENG HOCK	70,000	0.502
29.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHUA LEE PING	69,685	0.500
30.	ONG ENG LEONG	64,900	0.465
<b>Total Warrantholding of the Thirty Largest Warrantholders</b>		<b>4,306,258</b>	<b>30.892</b>

# Schedule of Properties

No.	Location	Tenure	No. of Years	Expiry Date	Land Area (Sq. Metres)	Description	Age of Building (Years)	Book Value (RM'000)
1.	Lot 31632, 31633 and 31634 PM No. 416, 417 and 418, Bukit Raja, Mukim of Kapar, District of Klang, Selangor.	Leasehold	99	08.05.2093	42,208.89	Vacant Land	Nil	102,163
2.	Lot 353, PN 7164, Kawasan Bandar VIII, District of Melaka Tengah.	Leasehold	99	29.08.2074	7,048.10	Hotel	16	50,013
3.	3 agricultural lots and 246 building lots, Mukim of Linggi, District of Port Dickson, Negeri Sembilan.	Leasehold	60 (3 lots) 99 (246 lots)	22.12.2046 08.11.2094	2,155,202.84	Vacant Land	Nil	35,000
4.	No. 48, Jalan Dungun, Damansara Heights, Kuala Lumpur.	Freehold	Nil	Nil	1,595.28	Office Building	28	29,000
5.	Lot No. 3077 Title Pajakan Negeri No. 32340, Mukim Pegoh, Alor Gajah, Melaka. (phase 2C, A'Famosa resort)	Leasehold	99	18.12.2094	64,588.09	A parcel of vacant condominium development land	Nil	22,468
6.	Lot No. 2402 PN 28760 Port Dickson, Negeri Sembilan (No. 325, Batu 1, Jalan Rumah Rehat, Port Dickson).	Leasehold	99	06.10.2095	6,042.00	Hotel	18	19,159
7.	8 units of completed shop office at Butterworth - Lot 2622, 2651, 2624, 2653, 2654, 2625, 2676, 2674, 2626, 2655, 2628, 2657, 2629, 2658	Freehold	Nil	Nil	1,040.00	Shop Office	Newly completed in 2015	14,000
8.	65 undeveloped detached house plots of land, Part of Phase 12, A'Famosa Resort Malaysia, Jalan Kemus, Simpang Ampat, Melaka.	Leasehold	99	18.12.2094	54,835.13	Vacant Land	Nil	7,541
9.	62 undeveloped detached house plots of land, Part of Phase 8, A'Famosa Resort Malaysia, Jalan Kemus, Simpang Ampat, Melaka.	Leasehold	99	18.12.2094	41,682.79	Vacant Land	Nil	5,730
10.	Lot 328 Geran 1901, Pekan Klebang, Seksyen III, Melaka.	Freehold	Nil	Nil	13,557.02	Vacant Land	Nil	5,223

# Statements

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# Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

## Principal activities

The Company is principally engaged in investment holding, money market activities, provision of financing, advancing and financial guarantees on a secured and unsecured basis, which includes Islamic financing, and other related financial services. The principal activities of the subsidiaries are described in Note 11 to the financial statements.

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

## Results

	Group RM'000	Company RM'000
Profit for the year	257,592	193,466

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

## Dividends

The amount of dividends paid by the Company since 31 December 2014 was as follows:

	RM'000
In respect of the financial year ended 31 December 2014:	
- single-tier final taxable dividend of 10% and single-tier special dividend of 2% on 2,716,686,000 ordinary shares declared on 29 April 2015, paid on 29 May 2015	326,002

At the forthcoming Annual General Meeting, a single-tier final dividend of 3% in respect of the financial year ended 31 December 2015 on approximately 2,838,553,597 ordinary shares of RM1.00 each as at 15 February 2016, amounting to a total dividend of RM85,156,608 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect the proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity in the financial year ending 31 December 2016.

The entire portion of the dividend can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP") as disclosed in Note 34 to the financial statements and subject to the relevant regulatory approvals. The DRP was previously approved by the shareholders on 10 December 2013.

## Directors

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

Tan Sri Abdul Halim bin Ali  
 Datuk Shahril Ridza bin Ridzuan  
 Datuk Syed Zaid bin Syed Jaffar Albar  
 Encik Aw Hong Boo  
 Dato' Jasmy bin Ismail  
 Encik Lim Tian Huat  
 Cik Ravinder Kaur a/p Mahan Singh  
 Ir. Moslim bin Othman (appointed on 21 September 2015)

## Directors' Report

**Directors' benefits**

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 30 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

**Directors' interests**

According to the register of directors' shareholdings, the interest of a director in office at the end of the financial year in shares of the Company during the financial year were as follows:

Name of director	Number of ordinary shares of RM1.00 each			31.12.2015
	1.1.2015	Acquired	Sold	
Direct interest:				
<i>Ordinary shares of the Company</i>				
Tan Sri Abdul Halim bin Ali	79,042	-	-	79,042

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares or options over shares in the Company or its related corporations during the financial year.

**Issue of shares**

During the financial year, the Company increased its issued and paid up ordinary share capital from RM2,709,623,000 to RM2,838,551,000 via the issuance of approximately 128,928,000 new ordinary shares of RM1.00 each for cash as follows:

	Number of new ordinary shares of RM1.00 each Units '000	RM'000	Issue/ exercise price
Issuance of new shares pursuant to:			
ESOS granted on 11.9.2010	891	891	1.01
ESOS granted on 9.3.2012	1,942	1,942	1.44
ESOS granted on 15.11.2012	707	707	2.01
ESOS granted on 9.03.2014	151	151	2.15
Exercise of Warrants	4,027	4,027	1.00
Exercise of Special Issue (DRP)	121,210	121,210	1.91
	128,928	128,928	

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

## Directors' Report

### Employee Share Option Scheme

The Malaysia Building Society Berhad's Employee Share Option Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 29 April 2010.

The ESOS was implemented on 12 August 2010 and is in force for a period of 5 years from the date of implementation. The Board of Directors approved the extension of the duration of the ESOS for a further 5 years from 12 August 2015 to 11 August 2020 in accordance with By-Law 19.3 of Malaysia Building Society Berhad's ESOS by-Laws on 6 August 2015.

The salient features and other terms of the ESOS are disclosed in Note 22(a) to the financial statements.

Details of the options to subscribe for ordinary shares of the Company pursuant to the ESOS as at 31 December 2015 are as follows:

Grant date	Expiry date	Exercise price (RM)	Number of options
11.09.2010	11.08.2020	1.01*	893,073
09.03.2012	11.08.2020	1.44*	649,008
15.11.2012	11.08.2020	2.01*	7,030,364
09.03.2014	11.08.2020	2.15*	12,960,592

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

There were no ESOS granted during the current financial year.

### Other statutory information

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

## Directors' Report

**Employee Share Option Scheme (cont'd.)**

- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company as disclosed in Note 37 to the financial statements.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

**Auditors**

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 March 2016.

Tan Sri Abdul Halim bin Ali  
Chairman

Aw Hong Boo  
Director

Kuala Lumpur, Malaysia  
9 March 2016

# Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Abdul Halim bin Ali and Aw Hong Boo, being two of the directors of Malaysia Building Society Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 105 to 207 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 44 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 March 2016.

Tan Sri Abdul Halim bin Ali  
Chairman

Aw Hong Boo  
Director

Kuala Lumpur, Malaysia

# Statutory Declaration

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

I, Tang Yow Sai, being the officer primarily responsible for the financial management of Malaysia Building Society Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 105 to 207 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Tang Yow Sai at  
Kuala Lumpur in the Federal  
Territory on 9 March 2016

Tang Yow Sai

Before me,



# Independent Auditors' Report

to the members of Malaysia Building Society Berhad (Incorporated in Malaysia)

## Report on the financial statements

We have audited the financial statements of Malaysia Building Society Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 105 to 207.

### *Directors' responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' report of the subsidiary for which we have not acted as auditors, which is indicated in Note 11 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

## Independent Auditors' Report

to the members of Malaysia Building Society Berhad (Incorporated in Malaysia)

### Other reporting responsibility

The supplementary information set out in Note 44 on page 208 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other matter

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young  
AF: 0039  
Chartered Accountants

Yeo Beng Yean  
No. 3013/10/16(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
9 March 2016

# Statements of Financial Position

as at 31 December 2015

	Note	2015 RM'000	Group 2014 RM'000
<b>Assets</b>			
Cash and short-term funds	5(a)	6,928,263	5,683,939
Deposits and placements with financial institutions	5(b)	406,529	83,418
Trade receivables	6	819	365
Other receivables	7	195,078	213,564
Inventories	8	103,287	103,233
Loans, advances and financing	9	31,784,970	31,032,148
Financial investments available-for-sale	12	983,354	-
Property, plant and equipment	13	138,052	137,773
Land use rights	14	5,746	5,908
Tax recoverable		3,181	-
Intangible assets	15	28,679	36,129
Deferred tax assets	21	511,050	369,426
<b>Total assets</b>		<b>41,089,008</b>	<b>37,665,903</b>
<b>Liabilities and shareholders' equity</b>			
Deposits from customers	16	28,585,387	27,530,858
Bank borrowings	17	1,645,591	1,415,844
Other borrowings	17	50,181	150,544
Trade payables	18	214	184
Other payables	19	325,968	313,753
Provision for taxation and zakat		10,850	33,867
Recourse obligation on loans/financing sold	20	2,767,242	2,373,039
Sukuk - MBSB Structured Covered ("SC") Murabahah	10(a)	2,827,955	1,150,124
Deferred tax liabilities	21	14,080	15,277
<b>Total liabilities</b>		<b>36,227,468</b>	<b>32,983,490</b>
Share capital	22	2,838,551	2,709,623
Share premium	22	1,392,980	1,278,873
Other reserves	23	40,733	36,810
Retained earnings		589,276	657,107
<b>Total equity</b>		<b>4,861,540</b>	<b>4,682,413</b>
<b>Total liabilities and shareholders' equity</b>		<b>41,089,008</b>	<b>37,665,903</b>

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

## Statements of Financial Position

as at 31 December 2015

	Note	Company	
		2015 RM'000	2014 RM'000
<b>Assets</b>			
Cash and short-term funds	5(a)	6,911,177	5,657,580
Deposits and placements with financial institutions	5(b)	2,127	8,117
Other receivables	7	137,506	239,546
Inventories	8	900	900
Loans, advances and financing	9	31,852,399	31,081,954
Sukuk Commodity Murabahah	10(b)	3,792,751	1,373,565
Investments in subsidiaries	11(a)	22,332	24,644
Loans to subsidiaries	11(b)	255,400	139,938
Financial investments available-for-sale	12	983,354	-
Property, plant and equipment	13	49,177	59,655
Intangible assets	15	28,590	36,032
Tax recoverable		3,181	-
Deferred tax assets	21	496,548	354,375
<b>Total assets</b>		<b>44,535,442</b>	<b>38,976,306</b>
<b>Liabilities and shareholders' equity</b>			
Deposits from customers	16	28,585,387	27,530,858
Bank borrowings	17	1,645,591	1,415,844
Other borrowings	17	50,181	150,544
Other payables	19	3,848,335	1,639,239
Provision for zakat		7,817	28,725
Recourse obligation on loans/financing sold	20	2,767,242	2,373,039
Sukuk - MBSB SC Murabahah	10(a)	2,827,955	1,150,124
<b>Total liabilities</b>		<b>39,732,508</b>	<b>34,288,373</b>
Share capital	22	2,838,551	2,709,623
Share premium	22	1,392,980	1,278,873
Other reserves	23	40,733	36,810
Retained earnings		530,670	662,627
<b>Total equity</b>		<b>4,802,934</b>	<b>4,687,933</b>
<b>Total liabilities and shareholders' equity</b>		<b>44,535,442</b>	<b>38,976,306</b>

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

# Statements of Comprehensive Income

for the year ended 31 December 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	24	<b>3,050,098</b>	2,612,512	<b>2,841,758</b>	2,532,663
Interest income	25	<b>487,358</b>	519,387	<b>477,458</b>	502,699
Interest expense	26	<b>(278,344)</b>	(274,898)	<b>(278,344)</b>	(274,898)
Net interest income		<b>209,014</b>	244,489	<b>199,114</b>	227,801
Income derived from investment of general investment deposits and Islamic capital funds		<b>2,395,635</b>	1,995,329	<b>2,318,043</b>	1,964,586
Income attributable to depositors		<b>(1,035,244)</b>	(891,729)	<b>(1,035,244)</b>	(891,729)
Income attributable to sukuk		<b>(271,382)</b>	(76,196)	<b>(271,382)</b>	(76,196)
Net income from Islamic financing operations	42	<b>1,089,009</b>	1,027,404	<b>1,011,417</b>	996,661
Operating income		<b>1,298,023</b>	1,271,893	<b>1,210,531</b>	1,224,462
Other income	27	<b>62,542</b>	91,787	<b>54,541</b>	78,395
Net income		<b>1,360,565</b>	1,363,680	<b>1,265,072</b>	1,302,857
Other operating expenses	28	<b>(308,303)</b>	(304,949)	<b>(295,124)</b>	(263,387)
Operating profit		<b>1,052,262</b>	1,058,731	<b>969,948</b>	1,039,470
Allowance for impairment losses on loans, advances and financing	31	<b>(697,237)</b>	(126,175)	<b>(680,499)</b>	(126,175)
Profit before taxation and zakat		<b>355,025</b>	932,556	<b>289,449</b>	913,295
Taxation	32	<b>(91,834)</b>	87,818	<b>(90,384)</b>	90,099
Zakat		<b>(5,599)</b>	(5,345)	<b>(5,599)</b>	(5,345)
Profit for the year		<b>257,592</b>	1,015,029	<b>193,466</b>	998,049
Other comprehensive income		<b>1,566</b>	-	<b>1,566</b>	-
Total comprehensive income for the year, net of tax		<b>259,158</b>	1,015,029	<b>195,032</b>	998,049
Earnings per share (sen)					
Basic	33 (a)	<b>9.24</b>	39.15		
Diluted	33 (b)	<b>9.22</b>	38.96		

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



# Statements of Changes in Equity

for the year ended 31 December 2015

Group	← Non Distributable →								
	Ordinary Shares RM'000	Share Premium RM'000	Capital Reserve (Note 23) RM'000	Share Option Reserve (Note 23) RM'000	Warrants Reserve (Note 23) RM'000	Capital Redemption Reserve - Redeemable Cumulative Preference Shares (Note 23) RM'000	Available- for-sale Reserves RM'000	(Accumulated Losses)/ Retained Profits RM'000	Total RM'000
<b>At 1 January 2014</b>	1,747,868	631,189	17,838	2,713	3,633	12,486	-	(229,517)	2,186,210
Total comprehensive income for the year	-	-	-	-	-	-	-	1,015,029	1,015,029
Dividends (Note 34)	-	-	-	-	-	-	-	(131,240)	(131,240)
Share options granted under ESOS recognised in profit or loss (Note 29)	-	-	-	12,389	-	-	-	-	12,389
Issuance of ordinary shares pursuant to exercise of rights issue	873,929	558,448	-	-	-	-	-	1,027	1,433,404
Issuance of ordinary shares pursuant to exercise of DRP	49,327	50,807	-	-	-	-	-	-	100,134
Issuance of ordinary shares pursuant to exercise of ESOS	38,115	38,429	-	(10,441)	-	-	-	-	66,103
Issuance of ordinary shares pursuant to exercise of warrants	384	-	-	-	-	-	-	-	384
Transfer of share option reserve to accumulated losses upon expiry of share options	-	-	-	(1,808)	-	-	-	1,808	-
<b>At 31 December 2014</b>	2,709,623	1,278,873	17,838	2,853	3,633	12,486	-	657,107	4,682,413
Profit for the year	-	-	-	-	-	-	-	257,592	257,592
Other comprehensive income for the year	-	-	-	-	-	-	1,566	-	1,566
Total comprehensive income for the year	-	-	-	-	-	-	1,566	257,592	259,158
Dividends (Note 34)	-	-	-	-	-	-	-	(326,002)	(326,002)
Share options granted under ESOS recognised in profit or loss (Note 29)	-	-	-	5,001	-	-	-	-	5,001
Issuance of ordinary shares pursuant to exercise of DRP	121,210	110,291	-	-	-	-	-	-	231,501
Issuance of ordinary shares pursuant to exercise of ESOS	3,691	3,816	-	(2,065)	-	-	-	-	5,442
Issuance of ordinary shares pursuant to exercise of warrants	4,027	-	-	-	-	-	-	-	4,027
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(579)	-	-	-	579	-
<b>At 31 December 2015</b>	2,838,551	1,392,980	17,838	5,210	3,633	12,486	1,566	589,276	4,861,540

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

## Statements of Changes in Equity

for the year ended 31 December 2015

Company	← Non Distributable →								
	Ordinary Shares RM'000	Share Premium RM'000	Capital Reserve (Note 23) RM'000	Share Option Reserve (Note 23) RM'000	Warrants Reserve (Note 23) RM'000	Capital Redemption Reserve - Redeemable Cumulative Preference Shares (Note 23) RM'000	Available- for-sale Reserves RM'000	(Accumulated Losses)/ Retained Profits RM'000	Total RM'000
<b>At 1 January 2014</b>	1,747,868	631,189	17,838	2,713	3,633	12,486	-	(207,017)	2,208,710
Total comprehensive income for the year	-	-	-	-	-	-	-	998,049	998,049
Dividends (Note 34)	-	-	-	-	-	-	-	(131,240)	(131,240)
Share options granted under ESOS recognised in profit or loss (Note 29)	-	-	-	12,389	-	-	-	-	12,389
Issuance of ordinary shares pursuant to exercise of rights issue	873,929	558,448	-	-	-	-	-	1,027	1,433,404
Issuance of ordinary shares pursuant to exercise of DRP	49,327	50,807	-	-	-	-	-	-	100,134
Issuance of ordinary shares pursuant to exercise of ESOS	38,115	38,429	-	(10,441)	-	-	-	-	66,103
Issuance of ordinary shares pursuant to exercise of warrants	384	-	-	-	-	-	-	-	384
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(1,808)	-	-	-	1,808	-
<b>At 31 December 2014</b>	2,709,623	1,278,873	17,838	2,853	3,633	12,486	-	662,627	4,687,933
Profit for the year	-	-	-	-	-	-	-	193,466	193,466
Other comprehensive income for the year	-	-	-	-	-	-	1,566	-	1,566
Total comprehensive income for the year	-	-	-	-	-	-	1,566	193,466	195,032
Dividends (Note 34)	-	-	-	-	-	-	-	(326,002)	(326,002)
Share options granted under ESOS recognised in profit or loss (Note 29)	-	-	-	5,001	-	-	-	-	5,001
Issuance of ordinary shares pursuant to exercise of DRP	121,210	110,291	-	-	-	-	-	-	231,501
Issuance of ordinary shares pursuant to exercise of ESOS	3,691	3,816	-	(2,065)	-	-	-	-	5,442
Issuance of ordinary shares pursuant to exercise of warrants	4,027	-	-	-	-	-	-	-	4,027
Transfer of share option reserve to retained profits upon expiry of share options	-	-	-	(579)	-	-	-	579	-
<b>At 31 December 2015</b>	2,838,551	1,392,980	17,838	5,210	3,633	12,486	1,566	530,670	4,802,934

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

# Statements of Cash Flows

for the year ended 31 December 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	355,025	932,556	289,449	913,295
Adjustments for:				
Depreciation:				
- investment properties	-	12	-	-
- property, plant and equipment	14,720	14,497	11,602	11,203
Amortisation:				
- land use rights	162	160	-	-
- intangible assets	13,408	12,794	13,363	12,754
Loss/(gain) on disposal of property, plant and equipment and land use rights	24	(3)	24	(3)
Gain on disposal of inventories	-	(20,379)	-	(803)
Gain on disposal of foreclosed properties	(3,307)	(4,050)	(3,307)	(4,050)
Gain on disposal of investment properties	-	(166)	-	-
Allowance/(write back of allowance) for impairment in subsidiaries	-	-	2,309	(5,479)
Allowance/(write back of allowance) for impairment of:				
- amount due from/loans to subsidiaries	-	-	30,803	(3,957)
- (reversal of)/additional provision for diminution from foreclosed properties	(12,020)	-	12,020	(3,271)
- provision for doubtful debts	-	-	(2,767)	2,134
- unsecured advances in respect of certain projects	33,589	30,257	-	-
Allowance for impairment losses on loans, advances and financing	701,943	126,175	685,205	126,175
Reversal of accruals during the year	3,342	2,074	3,342	2,074

## Statements of Cash Flows

for the year ended 31 December 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from operating activities (cont'd.)</b>				
Interest/profit income adjustment on:				
- loans, advance and financing	90,233	265,765	90,233	265,765
- profit payable on financial investments AFS	(8,884)	-	(8,884)	-
- Sukuk - MBSB SC Murabahah	(13,652)	(2,173)	(13,652)	(2,173)
- Sukuk Commodity Murabahah	-	-	(113,155)	(23,110)
Operating profit before working capital changes	1,174,583	1,357,519	996,586	1,290,554
(Increase)/decrease in deposits with financial institutions with maturity of more than one month	(323,111)	(76,465)	5,990	(1,164)
Increase in loans, advances and financing	(1,544,340)	(897,841)	(1,542,883)	(867,921)
Increase in Inventories	(54)	-	-	-
(Increase)/decrease in trade receivables	(454)	159	-	-
Increase in other receivables	(20,444)	(55,868)	(30,238)	(101,536)
Increase/(decrease) in deposits from customers	1,054,529	(661,811)	1,054,529	(661,811)
Increase/(decrease) in trade payables	30	(40)	-	-
Increase/(decrease) in other payables	8,872	(68,104)	2,211,559	667,263
Decrease in loans to subsidiaries	-	-	(44,542)	(34,626)
Cash generated from/(used in) operations	349,611	(402,451)	2,651,001	290,759
Tax paid	(258,750)	(334,100)	(258,750)	(334,100)
Tax refund	-	103	-	-
Zakat paid	(3,475)	(3,620)	(3,475)	(3,620)
Net cash generated from/(used in) operating activities	87,386	(740,068)	2,388,776	(46,961)

## Statements of Cash Flows

for the year ended 31 December 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(15,058)	(53,420)	(1,183)	(10,874)
Purchase of inventories	-	(111,804)	-	-
Purchase of intangible assets	(6,313)	(11,252)	(6,276)	(11,237)
Investment in subsidiary	-	-	3	(230)
Proceeds from disposal of property, plant and equipment and land use rights	35	3	35	3
Proceeds from disposal of investment properties	-	600	-	-
Proceeds from disposal of foreclosed properties	19,075	4,050	19,075	4,050
Proceeds from disposal of inventories	-	24,458	-	7,394
Increase in financial Investments available-for-sale	(972,904)	-	(972,904)	-
Investment in Sukuk Commodity Murabahah	-	-	(2,306,031)	(833,045)
<b>Net cash used in investing activities</b>	<b>(975,165)</b>	<b>(147,365)</b>	<b>(3,267,281)</b>	<b>(843,939)</b>
<b>Cash flows from financing activities</b>				
Drawdown/(repayment) of bank borrowings	229,747	(24,475)	229,747	(24,475)
Repayment of other borrowings	(100,363)	(100,325)	(100,363)	(100,325)
Proceeds from recourse obligation on loans/financing sold	394,203	105,815	394,203	105,815
Proceeds from Sukuk - MBSB SC Murabahah	1,691,483	535,449	1,691,483	535,449
Dividends paid on ordinary shares	(326,002)	(131,240)	(326,002)	(131,240)
Net proceeds from issuance of ordinary shares	243,035	1,609,437	243,035	1,609,437
<b>Net cash generated from financing activities</b>	<b>2,132,103</b>	<b>1,994,661</b>	<b>2,132,103</b>	<b>1,994,661</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,244,324</b>	<b>1,107,228</b>	<b>1,253,597</b>	<b>1,103,761</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>5,683,939</b>	<b>4,576,711</b>	<b>5,657,580</b>	<b>4,553,819</b>
<b>Cash and cash equivalents at end of year (Note 5(a))</b>	<b>6,928,263</b>	<b>5,683,939</b>	<b>6,911,177</b>	<b>5,657,580</b>

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



# Notes to the Financial Statements

31 December 2015

## 1. Corporate information

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

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

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

The principal activities of the subsidiaries are described in Note 11. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The consolidated and separate financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 9 March 2016.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

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

The financial statements of the Group and of the Company have been prepared on a historical cost basis except as disclosed in the accounting policies below. The financial statements incorporate those activities relating to Islamic banking operations which have been undertaken by the Group and by the Company. Islamic banking operations refer generally to the acceptance of deposits and granting of financing under the principles of Shariah. Disclosures relating to the Islamic banking operations are disclosed in Note 42.

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

### (b) Subsidiaries and basis of consolidation

#### (i) Subsidiaries

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

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

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

## Notes to the Financial Statements

31 December 2015

### 2. Summary of significant accounting policies (cont'd.)

#### (b) Subsidiaries and basis of consolidation (cont'd.)

##### (ii) Basis of consolidation

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. In preparing the consolidated financial statements, all intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The assessment of control is performed continuously to determine if control exists or continues to exist over an entity. Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date. Acquisition costs incurred are expensed and included in administrative expenses.

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

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

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

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

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

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

## Notes to the Financial Statements

31 December 2015

### 2. Summary of significant accounting policies (cont'd.)

#### (b) Subsidiaries and basis of consolidation (cont'd.)

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

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

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

#### (c) Intangible assets

##### (i) Goodwill

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

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

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

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

##### (ii) Other intangible assets

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

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

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

## Notes to the Financial Statements

31 December 2015

### 2. Summary of significant accounting policies (cont'd.)

#### (c) Intangible assets (cont'd.)

##### (ii) Other intangible assets (cont'd.)

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

##### Software licences

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

##### Land use rights

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

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

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

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

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

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

Building in progress	0%*
Buildings	2.5%
Building renovation	20.0%
Furniture and equipment	20.0%
Motor vehicles	20.0%
Data processing equipment	20.0%

\* Building in progress will not be depreciated until it becomes ready for use.

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

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

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

## Notes to the Financial Statements

31 December 2015

**2. Summary of significant accounting policies (cont'd.)****(e) Employee benefits****(i) Short term benefits**

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

**(ii) Defined contribution plans**

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

**(iii) Employee share option scheme**

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

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

**(f) Investment properties**

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

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

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

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



## Notes to the Financial Statements

31 December 2015

### 2. Summary of significant accounting policies (cont'd.)

#### (g) Inventories

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

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

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

#### (h) Provisions

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

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

#### (i) Cash and cash equivalents

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

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

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

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

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

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

Impairment losses are recognised in profit or loss.

## Notes to the Financial Statements

31 December 2015

### 2. Summary of significant accounting policies (cont'd.)

#### (j) Impairment of non-financial assets (cont'd.)

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

#### (k) Financial assets

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

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

##### (i) Loans and receivables

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

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

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

##### (ii) Financial investments available-for-sale ("AFS")

Financial investments AFS include debt securities. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial investments AFS are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income ("OCI") in the "AFS reserve" until the investment is derecognised, at which time the cumulative gain or loss is recognised in "other operating income". If the investment is determined to be impaired, the cumulative loss is reclassified from the "AFS reserve" to profit or loss in "impairment losses on financial investments". Interest earned whilst holding financial investments AFS is reported as interest income using the effective interest rate ("EIR") method.

The Company evaluates whether the ability and intention to sell its financial investments AFS in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial investments due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial investments. Reclassification to loans and receivables is permitted when the financial investments meet the definition of loans and receivables and the Company has the intent and ability to hold these investments for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

## Notes to the Financial Statements

31 December 2015

### 2. Summary of significant accounting policies (cont'd.)

#### (k) Financial assets (cont'd.)

##### (ii) Financial investments available-for-sale ("AFS") (cont'd.)

For financial investments reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes their new amortised cost and any previous gain or loss on the investments that has been recognised in equity are amortised to the profit or loss over the remaining life of the investments using the EIR. Any difference between the new amortised cost and the maturity amounts are also amortised over the remaining life of the investments using the EIR. If the investments are subsequently determined to be impaired, then the amount recorded in equity are reclassified to the profit or loss.

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

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

#### (l) Impairment of financial assets

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

##### Trade and other receivables and other financial assets carried at amortised cost

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

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

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

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

## Notes to the Financial Statements

31 December 2015

### 2. Summary of significant accounting policies (cont'd.)

#### (m) Financial liabilities

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

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

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

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Bank and other borrowings and recourse obligations on loans sold to Cagamas Berhad are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

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

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

#### (n) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as a liability and deducted from equity in the period in which all relevant approvals have been obtained.

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

#### (o) Warrants

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

## Notes to the Financial Statements

31 December 2015

### 2. Summary of significant accounting policies (cont'd.)

#### (p) Financial guarantee contracts

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

#### (q) Revenue recognition

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

##### (i) Interest income and profit from operations of Islamic business

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

##### (ii) Sale of properties

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

##### (iii) Fee income

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

Commitment fees are recognised as income based on the amortised cost method.

##### (iv) Dividend income

Dividend income is recognised when the Group's and/or the Company's right to receive payment is established.

##### (v) Rental income

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

##### (vi) Other income

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

#### (r) Income tax

##### (i) Current tax

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

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

## Notes to the Financial Statements

31 December 2015

**2. Summary of significant accounting policies (cont'd.)****(r) Income tax (cont'd.)****(ii) Deferred tax**

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

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

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

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

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

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

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



## Notes to the Financial Statements

31 December 2015

### 2. Summary of significant accounting policies (cont'd.)

#### (s) Fair value measurement

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

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

31 December 2015

**3. Changes in accounting policies****(a) Amendments to MFRSs effective for annual periods on or after 1 January 2015**

On 1 January 2015, the Group and the Company adopted the following Amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2015:

Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions  
 Amendments to MFRS 2: Share-based Payment (Annual Improvement to MFRSs 2010-2012 Cycle)  
 Amendments to MFRS 3: Business Combinations (Annual Improvements to MFRSs 2010-2012 Cycle)  
 Amendments to MFRS 3: Business Combinations (Annual Improvements to MFRSs 2010-2013 Cycle)  
 Amendments to MFRS 8: Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)  
 Amendments to MFRS 13: Fair Value Measurement (Annual Improvements to MFRSs 2011-2013 Cycle)  
 Amendments to MFRS 116: Property, Plant & Equipment  
 Amendments to MFRS 138: Intangible Assets (Annual Improvements to MFRSs 2010-2012 Cycle)  
 Amendments to MFRS 124: Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)  
 Amendments to MFRS 140: Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)

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

**(b) Standards and IC Interpretations issued but not yet effective**

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments of MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012-2014 Cycle)	1 January 2016
Amendments to MFRS 7: Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012-2014 Cycle)	1 January 2016
Amendments to MFRS 119: Employee Benefits (Annual Improvements to MFRSs 2012-2013 Cycle)	1 January 2016
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements to MFRSs 2012- 2014 Cycle)	1 January 2016
Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

The Directors of the Company do not anticipate that the application of the above will have a material impact on the financial statements of the Group and Company.

## Notes to the Financial Statements

31 December 2015

### 3. Changes in accounting policies (cont'd.)

#### (b) Standards and IC Interpretations issued but not yet effective (cont'd.)

##### **MFRS 15 Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

##### **MFRS 9 Financial Instruments**

In November 2014, MASB issued the final version of MFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of MFRS 9 and plans to adopt the new standard on the required effective date.

## Notes to the Financial Statements

31 December 2015

**4. Significant accounting estimates and judgements****(a) Critical judgements made in applying accounting policies**

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

**Assessment of derecognition of Personal Financing - Islamic ("PFI") sold to Jana Kapital Sdn. Bhd. ("JKSB")**

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

In line with the Principal Terms and Condition of the Sukuk - MBSB SC Murabahah programme of the Group (as detailed in Note 10(a)), Sukuk - MBSB SC Murabahah and Sukuk Commodity Murabahah will be issued in tranches from time to time, as decided by management and each tranche is required to be backed by a portfolio of identified PFI held by JKSB. The portfolio of identified PFI is purchased by JKSB from the Company on an arm's length basis. Management has considered the derecognition criteria prescribed in MFRS 139 *Financial Instruments: Recognition and Measurement*, and concluded, as per above, that the sale of PFI by the Company to JKSB has not met the derecognition criteria as stipulated in the standard.

**(b) Key sources of estimation uncertainty**

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

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

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

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

The amount of collective impairment required is determined based on the amount of data available from the Group's and the Company's current and past portfolios of loans, advances and financing. Such data include, but not limited to, credit policies, practices and quality, historical loss experiences and levels of arrears. Determination of collective impairment allowances also involve the use of credit models which are subjected to the further use of certain bases and assumptions. Included in the models used, and consequently in the quantum of collective impairment losses, are adjustments made to compensate for some of the possible inherent limitations of a model-based approach.

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

## Notes to the Financial Statements

31 December 2015

### 4. Significant accounting estimates and judgements (cont'd.)

#### (b) Key sources of estimation uncertainty (cont'd.)

##### (ii) Impairment of investments in subsidiaries

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

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

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

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

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

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

##### (iii) Recognition of deferred tax asset

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. Assumptions about generation of future taxable profits depend on management's estimates of future cash flows.

##### (iv) Provision for income tax

The Company had, in October 2010, submitted an application to the Ministry of Finance ("MoF") seeking approval to apply the Guidelines on Income Tax Treatment from Adopting FRS 139 - *Financial Instruments: Recognition and Measurement* ("Guidelines"). The Guidelines were issued by the MoF on 1 April 2008 and are only applicable to financial institutions regulated by Bank Negara Malaysia ("BNM") that are licensed pursuant to the Banking and Financial Institutions Act 1989, or the Islamic Banking Act 1983 or prescribed pursuant to the Development Financial Institutions Act 2002.

Pending the said approval as at the date of this report, the provision for tax payable of the Company is made without adopting the Guidelines. Should the approval be obtained, provision for tax payable and deferred taxation for the relevant financial years may be revised.

## Notes to the Financial Statements

31 December 2015

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(a) Cash and short-term funds:				
Cash at banks and on hand	326,838	393,345	313,325	370,449
Money at call	–	2,338,246	–	2,338,246
Deposits and placements with financial institutions with maturity of less than one month	6,601,425	2,952,348	6,597,852	2,948,885
<b>Total cash and short-term funds</b>	<b>6,928,263</b>	<b>5,683,939</b>	<b>6,911,177</b>	<b>5,657,580</b>
(b) Deposits and placements with financial institutions with maturity of more than one month	406,529	83,418	2,127	8,117
<b>Total cash and short-term funds and deposits and placements financial institutions</b>	<b>7,334,792</b>	<b>5,767,357</b>	<b>6,913,304</b>	<b>5,665,697</b>

Short-term deposits are made for varying periods of between 1 day and 1 year depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposits rates. The weighted average effective interest rate as at 31 December 2015 for the Group was 4.33% (2014: 3.96%) and the Company was 3.95% (2014: 3.72%) per annum respectively. The average maturity as at 31 December 2015 for the Group was 84 days (2014: 136 days) and the Company was 19 days (2014: 134 days) respectively.

## 6. Trade receivables

	Group	
	2015 RM'000	2014 RM'000
Gross balance	25,628	25,175
Less: Allowance for impairment	(24,809)	(24,810)
<b>Net balance</b>	<b>819</b>	<b>365</b>

Movements in allowance for impairment are as follows:

	Group	
	2015 RM'000	2014 RM'000
Balance as at 1 January	24,810	24,810
Reversal of impairment losses (Note 28)	(1)	–
<b>Balance as at 31 December</b>	<b>24,809</b>	<b>24,810</b>

Trade receivables are non-interest bearing and credit terms provided are generally on 7 to 30 days (2014: 7 to 30 days) term.



## Notes to the Financial Statements

31 December 2015

## 7. Other receivables

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Advances in respect of certain projects	338,388	304,799	-	-
Loan commitment fees	8,740	8,740	8,740	8,740
Amount due from subsidiaries	-	-	48,770	144,864
Foreclosed properties	138,658	139,658	138,658	139,658
Prepayments and deposits	8,300	7,777	7,555	6,919
Sundry receivables	46,553	64,584	39,600	42,469
Deferred expenses due to issuance of Sukuk Commodity Murabahah	168	178	-	-
Deferred expenses due to issuance of Sukuk - MBSB SC Murabahah	3,257	3,425	3,257	3,425
	<b>544,064</b>	<b>529,161</b>	<b>246,580</b>	<b>346,075</b>
Less: Allowance for impairment	<b>(348,986)</b>	<b>(315,597)</b>	<b>(109,074)</b>	<b>(106,529)</b>
	<b>195,078</b>	<b>213,564</b>	<b>137,506</b>	<b>239,546</b>

Movements in allowance for impairment are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Balance as at 1 January	315,597	286,477	106,529	106,048
Transfer from individual impairment allowance for loans, advances and financing (Note 9(vi))	8,370	-	8,370	-
Charge/(reversal) for the year:				
Provision for diminution from foreclosed properties	(8,581)	(3,271)	(8,581)	(3,271)
Advances in respect of certain projects (Note 28)	33,588	30,257	-	-
Amount due from subsidiaries	-	-	2,744	1,618
Commission fees (Note 28)	12	2,134	12	2,134
Balance as at 31 December	<b>348,986</b>	<b>315,597</b>	<b>109,074</b>	<b>106,529</b>

Details of allowance for impairment are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Advances in respect of certain projects	274,648	241,060	-	-
Loan commitment fees	8,740	8,740	8,740	8,740
Amount due from subsidiaries	-	-	38,925	36,181
Public Low Cost Housing Payment ("PLCHP")	23,118	23,118	23,118	23,118
Sundry receivables	12,493	12,481	8,304	8,292
Foreclosed properties	29,987	30,198	29,987	30,198
	<b>348,986</b>	<b>315,597</b>	<b>109,074</b>	<b>106,529</b>

## Notes to the Financial Statements

31 December 2015

**7. Other receivables (cont'd.)**

The unsecured advances in respect of certain projects relate to monies advanced and interest charged on these advances by a subsidiary of the Company to a third party. These advances bear interest of 10.50% (2014: 10.50%) per annum.

The amount due from subsidiaries is unsecured, bears weighted effective interest rate of 7.42% (2014: 6.48%) per annum and is repayable on demand.

The credit risk of other receivables of the Group and the Company are mitigated by the collateral held against the other receivables and would reduce the extent of impairment allowance for the assets subject to impairment review. In this respect, the individual impairment allowance as at the reporting date would have been higher by approximately RM108,671,000 (2014: RM109,460,000) without the mitigating effect of collateral held.

Included in prepayments and deposits of the Group and of the Company are rental deposits paid to the Employees Provident Fund ("EPF"), the ultimate holding body, amounting to RM94,125 (2014: RM94,125).

Other than described above, the Group has no significant concentration of credit risk within other receivables that may arise from exposure to a single debtor or to groups of debtors other than the unsecured advances in respect of certain projects.

**8. Inventories**

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At cost:				
Hotel inventories	224	170	-	-
At net realisable value:				
Freehold land held for sale	103,063	103,063	900	900
	<b>103,063</b>	<b>103,063</b>	<b>900</b>	<b>900</b>
Total inventories	<b>103,287</b>	<b>103,233</b>	<b>900</b>	<b>900</b>

**9. Loans, advances and financing**

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
End finance:				
Normal housing programme	3,538,080	3,562,253	3,538,080	3,562,253
Low cost housing programme	17,842	17,961	17,842	17,961
Islamic:				
Property	1,884,525	1,699,574	1,884,525	1,699,574
Personal	23,159,664	23,395,418	23,159,664	23,395,418
Auto finance	376,630	280,344	376,630	280,344
Bridging, structured and term loans and financing	5,081,068	3,677,660	5,148,497	3,961,726
Staff loans	51,020	45,364	51,020	45,364
Gross loans, advances and financing	<b>34,108,829</b>	<b>32,678,574</b>	<b>34,176,258</b>	<b>32,962,640</b>
Allowance for impairment:				
- Collectively assessed	(2,045,943)	(1,437,747)	(2,045,943)	(1,437,747)
- Individually assessed	(277,916)	(208,679)	(277,916)	(442,939)
Net loans, advances and financing	<b>31,784,970</b>	<b>31,032,148</b>	<b>31,852,399</b>	<b>31,081,954</b>

## Notes to the Financial Statements

31 December 2015

**9. Loans, advances and financing (cont'd.)**

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

	Company	
	2015 RM'000	2014 RM'000
Loans to subsidiaries	—*	37,773

\* Denotes RM1

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

	Group and Company	
	2015 RM'000	2014 RM'000
Islamic financing facility granted by:		
EPF (Note 17)	161,452	316,760
Recourse obligation on loans/financing sold (Note 20)	2,081,435	1,909,567
Sukuk - MBSB SC Murabahah* (Note 10(a))	3,494,863	1,302,779

The Islamic personal financing charged to Sukuk - MBSB SC Murabahah relate to Islamic personal financing sold to a subsidiary, JKSB, amounting to:

Tranche	Selling date	Group and Company	
		2015 RM'000	2014 RM'000
		Selling price	Selling price
1	1 December 2013	570,637	570,637
2	1 November 2014	833,045	833,045
3	1 May 2015	1,232,642	—
4	1 October 2015	1,239,677	—
		<b>3,876,001</b>	<b>1,403,682</b>

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Maturing within one year	575,232	1,691,198	575,232	1,691,198
One year to three years	1,037,731	592,130	1,037,731	592,130
Three years to five years	941,459	769,799	941,459	769,799
Over five years	31,554,407	29,625,447	31,621,836	29,909,513
	<b>34,108,829</b>	<b>32,678,574</b>	<b>34,176,258</b>	<b>32,962,640</b>

## Notes to the Financial Statements

31 December 2015

## 9. Loans, advances and financing (cont'd.)

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchase of residential properties	5,173,290	5,011,516	5,173,290	5,011,516
Purchase of non-residential properties	293,858	291,085	293,858	291,085
Personal use	23,182,139	23,416,107	23,182,139	23,416,107
Property development	2,685,005	2,070,967	2,685,005	2,070,967
Working capital	1,706,762	817,857	1,706,762	817,857
Purchase of transport vehicles	378,473	282,202	378,473	282,202
Others	689,302	788,840	756,731	1,072,906
	<b>34,108,829</b>	<b>32,678,574</b>	<b>34,176,258</b>	<b>32,962,640</b>

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Domestic business enterprises:				
- Small medium enterprises	2,637,084	1,318,941	2,637,084	1,318,941
- Others	2,557,619	2,474,248	2,625,048	2,758,314
Individuals	28,914,126	28,885,385	28,914,126	28,885,385
	<b>34,108,829</b>	<b>32,678,574</b>	<b>34,176,258</b>	<b>32,962,640</b>

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate:				
Personal financing	23,145,495	23,401,781	23,145,495	23,401,781
Auto finance	378,473	282,202	378,473	282,202
Mortgage and property Islamic Bridging, structured and term loans and financing	867,843	937,824	867,843	937,824
	413,920	540,241	413,920	540,241
Variable rate:				
Personal financing	36,644	14,327	36,644	14,327
Mortgage and property Islamic Bridging, structured and term loans and financing	4,599,305	4,364,778	4,599,305	4,364,778
	4,667,149	3,137,421	4,734,578	3,421,487
	<b>34,108,829</b>	<b>32,678,574</b>	<b>34,176,258</b>	<b>32,962,640</b>

## Notes to the Financial Statements

31 December 2015

## 9. Loans, advances and financing (cont'd.)

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Balance as at 1 January	2,145,793	1,648,383	2,429,860	1,932,532
Classified as impaired during the year	2,370,388	3,479,877	2,388,012	3,479,795
Reclassified as non-impaired	(1,983,079)	(2,744,898)	(1,983,079)	(2,744,898)
Amount recovered	(22,482)	(168,422)	(22,482)	(168,422)
Amount written off	9,013	(69,147)	(225,248)	(69,147)
Balance as at 31 December	2,519,633	2,145,793	2,587,063	2,429,860
Collective allowance*	(1,442,441)	(839,425)	(1,442,441)	(839,425)
Individual allowance	(183,679)	(48,774)	(183,679)	(283,035)
Allowance for impairment	(1,626,120)	(888,199)	(1,626,120)	(1,122,460)
Net impaired loans, advances and financing	893,513	1,257,594	960,943	1,307,400
Net impaired loans as a percentage of net loans, advances and financing	2.8%	4.1%	3.0%	4.2%

\* The collective allowance included in the computation of net impaired loans, advances and financing pertain to the collective allowance recognised on loans categorised as impaired.

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

	Group and Company			
	2015 RM'000	2014 RM'000		
<b>Collective Impairment</b>				
Balance as at 1 January	1,437,747	1,318,453		
Impairment during the year (Note 31)	608,196	119,294		
Balance as at 31 December	2,045,943	1,437,747		
	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Individual Impairment</b>				
Balance as at 1 January	208,679	300,865	442,939	535,125
Impairment during the year (Note 31)	67,597	7,824	67,597	7,824
Written off	10,010	(94,032)	(224,250)	(94,032)
Transfer to other receivables (Note 7)	(8,370)	(5,978)	(8,370)	(5,978)
Balance as at 31 December	277,916	208,679	277,916	442,939

## Notes to the Financial Statements

31 December 2015

**9. Loans, advances and financing (cont'd.)**

(vii) Impaired loans, advances and financing by economic purpose are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchase of residential properties	<b>981,582</b>	1,080,179	<b>981,582</b>	1,080,179
Purchase of non-residential properties	<b>79,135</b>	87,068	<b>79,135</b>	87,068
Personal use	<b>1,181,594</b>	871,761	<b>1,181,594</b>	871,761
Property development	<b>3,533</b>	4,784	<b>3,533</b>	4,784
Working capital	<b>60,759</b>	53,370	<b>60,759</b>	53,370
Purchase of transport vehicles	<b>35,407</b>	16,474	<b>35,407</b>	16,474
Others	<b>177,623</b>	32,157	<b>245,053</b>	316,224
	<b>2,519,633</b>	2,145,793	<b>2,587,063</b>	2,429,860

(viii) Impaired loans, advances and financing by type of customer are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Domestic business enterprises:				
- Small medium enterprises	<b>40,016</b>	25,104	<b>40,016</b>	25,104
- Others	<b>234,873</b>	105,669	<b>302,303</b>	389,736
Individuals	<b>2,244,744</b>	2,015,020	<b>2,244,744</b>	2,015,020
	<b>2,519,633</b>	2,145,793	<b>2,587,063</b>	2,429,860

The credit risk of financial assets of the Group and the Company is mitigated by the collateral held against the financial assets and would reduce the extent of impairment allowance for the assets subject to impairment review. In this respect, the individual impairment allowance as at the reporting date would have been higher by approximately RM138,754,000 (2014: RM110,340,000) without the mitigating effect of collateral held.



## Notes to the Financial Statements

31 December 2015

## 10. Sukuk - MBSB SC Murabahah and Sukuk Commodity Murabahah

## (a) Sukuk - MBSB SC Murabahah

	Group and Company	
	2015	2014
	RM'000	RM'000
Sukuk - MBSB SC Murabahah	2,827,955	1,150,124
Maturity of Sukuk - MBSB SC Murabahah:		
Within one year	385,239	115,001
More than one year	2,442,716	1,035,123
	<b>2,827,955</b>	<b>1,150,124</b>

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

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

As at the reporting date, the carrying amount of Financing Receivables identified to back the outstanding Sukuk MBSB SC - Murabahah amounted to RM3,494,863,000 (2014: RM1,302,779,000).

## Notes to the Financial Statements

31 December 2015

## 10. Sukuk - MBSB SC Murabahah and Sukuk Commodity Murabahah (cont'd.)

## (b) Sukuk Commodity Murabahah

	Company	
	2015 RM'000	2014 RM'000
Sukuk Commodity Murabahah	3,792,751	1,373,565

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

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

On 24 December 2013, the first drawdown of the Programme amounting to approximately RM495,000,000 was made by the Company with an equivalent issuance by JKSB amounting to approximately RM579,000,000 to the Company. The first Tranche is secured against Tranche Cover Assets amounting to RM570,637,000 sold to JKSB on 1 December 2013. The first Tranches of the Sukuk - MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 8 and 9 years from their drawdown dates respectively and both instruments carry profit rates ranging from 3.84% to 4.68% per annum, payable semi-annually in arrears. The repayment of the Sukuk - MBSB SC Murabahah is disclosed in Note 38.

On 10 December 2014, the second drawdown of the Programme amounting to approximately RM700,000,000 was made by the Company with an equivalent issuance by JKSB amounting to approximately RM931,000,000 to the Company. The second Tranche is secured against Tranche Cover Assets amounting to RM833,045,000 sold to JKSB on 1 November 2014. The second Tranches of the Sukuk - MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 10 and 11 years from their drawdown dates respectively and both instruments carry profit rates ranging from 4.00% to 5.00% per annum, payable semi-annually in arrears. The repayment of the Sukuk - MBSB SC Murabahah is disclosed in Note 38.

On 29 May 2015, the third drawdown of the Programme amounting to approximately RM900,000,000 was made by the Company with an equivalent issuance by JKSB amounting to approximately RM1,510,000,000 to the Company. The third Tranche is secured against Tranche Cover Assets amounting to RM1,232,642,000 sold to JKSB on 1 May 2015. The third Tranches of the Sukuk - MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 9 and 10 years from their drawdown dates respectively and both instruments carry profit rates ranging from 4.30% to 5.20% per annum, payable semi-annually in arrears. The repayment of the Sukuk - MBSB SC Murabahah is disclosed in Note 38.

On 21 October 2015, the fourth drawdown of the Programme amounting to approximately RM900,000,000 was made by the Company with an equivalent issuance by JKSB amounting to approximately RM900,000,000 to the Company. The fourth Tranche is secured against Tranche Cover Assets amounting to RM1,239,677,000 sold to JKSB on 1 October 2015. The fourth Tranches of the Sukuk - MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 12 and 13 years from their drawdown dates respectively and both instruments carry profit rates ranging from 4.30% to 5.50% per annum, payable semi-annually in arrears. The repayment of the Sukuk - MBSB SC Murabahah is disclosed in Note 38.

## Notes to the Financial Statements

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## 11. Investments in subsidiaries and loans to subsidiaries

## (a) Investments in subsidiaries

	Company	
	2015 RM'000	2014 RM'000
Unquoted shares at cost	118,394	118,397
Less: Accumulated impairment losses	(96,062)	(93,753)
	<b>22,332</b>	<b>24,644</b>

Details of the subsidiaries are as follows:

Name of subsidiaries	Effective interest held (%)		Principal activities
	2015	2014	
MBSB Properties Sdn. Bhd.	100	100	Leasing of real property
MBSB Development Sdn. Bhd.	100	100	Property development
Prudent Legacy Sdn. Bhd.	92	92	Property development
Sigmaprise Sdn. Bhd.	100	100	Hotel operations
Ganesha Sdn. Bhd.	100	100	Property development
Springtide Sdn. Bhd. #	-	100	In liquidation
Trimonds Sdn. Bhd. #	-	100	In liquidation
MBSB Project Management Sdn. Bhd.	100	100	Ceased operations
Definite Pure Sdn. Bhd.	100	100	Dormant
Malaya Borneo Building Society Limited ("MBBS") *	100	100	Dormant
Farawide Sdn. Bhd.	100	100	Hotel operations services
Raynergy Sdn. Bhd. #	-	100	In liquidation
Idaman Usahamas Sdn. Bhd.	100	100	Property development
Ombak Pesaka Sdn. Bhd.	100	100	Hotel operations
MBSB Tower Sdn. Bhd.	100	100	Property development
Home Approach Sdn. Bhd.	100	100	Dormant
Jana Kapital Sdn. Bhd.	100	100	Investment holding
88 Legacy Sdn. Bhd.	100	100	Property development

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

# These liquidated subsidiaries did not give rise to significant impact to results of the Company and Group.

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

## Notes to the Financial Statements

31 December 2015

## 11. Investments in subsidiaries and loans to subsidiaries (cont'd.)

## (b) Loans to subsidiaries

	Company	
	2015 RM'000	2014 RM'000
Secured	180,850	51,251
Unsecured	205,513	191,591
	<b>386,363</b>	242,842
Less: Allowance for impairment	<b>(130,963)</b>	(102,904)
	<b>255,400</b>	139,938

Movements in the allowance for impairment are as follows:

	Company	
	2015 RM'000	2014 RM'000
Balance as at 1 January	102,904	94,928
Charge for the year		
Secured	830	573
Unsecured	27,229	7,403
Total charge for the year (Note 28)	<b>28,059</b>	7,976
Balance as at 31 December	<b>130,963</b>	102,904
Details of the allowance for impairment are as follows:		
Secured	8,213	7,383
Unsecured	122,750	95,521
	<b>130,963</b>	102,904

The loans to subsidiaries are repayable on demand and certain loans to subsidiaries are secured against landed properties. The weighted average effective interest rates of loans to subsidiaries at the reporting date was 7.42% (2014: 6.48%) per annum.

## Notes to the Financial Statements

31 December 2015

## 12. Financial investments available-for-sale ("AFS")

	Group and Company	
	2015	2014
	RM'000	RM'000
At fair value	983,354	-
<b>Money Market Instruments</b>		
Malaysian Government Investment Issues	584,787	-
<b>Quoted Securities:</b>		
Private and Islamic debt securities	398,567	-
	983,354	-

The maturity profile of financial investment available-for-sale is as follows:

	Group and Company	
	2015	2014
	RM'000	RM'000
Within one year	99,655	-
One year to three years	177,549	-
Three years to five years	307,005	-
After five years	399,145	-
	983,354	-

## Notes to the Financial Statements

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## 13. Property, plant and equipment

Group	Freehold land RM'000	Buildings in progress RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Total RM'000
<b>Cost</b>								
At 1 January 2015	6,217	42,415	103,718	35,618	31,913	839	34,172	254,892
Additions	-	13,718	-	559	531	163	87	15,058
Disposals	-	-	-	(340)	(14)	(134)	(186)	(674)
At 31 December 2015	<b>6,217</b>	<b>56,133</b>	<b>103,718</b>	<b>35,837</b>	<b>32,430</b>	<b>868</b>	<b>34,073</b>	<b>269,276</b>
<b>Accumulated depreciation and impairment losses</b>								
At 1 January 2015:								
Accumulated depreciation	-	-	11,539	23,360	25,480	676	21,406	82,461
Accumulated impairment losses	371	-	34,287	-	-	-	-	34,658
	371	-	45,826	23,360	25,480	676	21,406	117,119
Depreciation charge for the year (Note 28)	-	-	3,022	4,719	2,270	107	4,602	14,720
Disposals	-	-	-	(288)	(7)	(134)	(186)	(615)
At 31 December 2015	<b>371</b>	<b>-</b>	<b>48,848</b>	<b>27,791</b>	<b>27,743</b>	<b>649</b>	<b>25,822</b>	<b>131,224</b>
Analysed as:								
Accumulated depreciation	-	-	14,561	27,791	27,743	649	25,822	96,566
Accumulated impairment losses	371	-	34,287	-	-	-	-	34,658
	371	-	48,848	27,791	27,743	649	25,822	131,224
<b>Net book value</b>								
At 31 December 2015	<b>5,846</b>	<b>56,133</b>	<b>54,870</b>	<b>8,046</b>	<b>4,687</b>	<b>219</b>	<b>8,251</b>	<b>138,052</b>



## Notes to the Financial Statements

31 December 2015

## 13. Property, plant and equipment (cont'd.)

Group	Freehold land RM'000	Buildings in progress RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Total RM'000
<b>Cost</b>								
At 1 January 2014	6,217	-	103,718	29,669	28,220	839	33,155	201,818
Additions	-	42,415	-	5,949	3,704	-	1,352	53,420
Disposals	-	-	-	-	(11)	-	(335)	(346)
At 31 December 2014	6,217	42,415	103,718	35,618	31,913	839	34,172	254,892
<b>Accumulated depreciation and impairment losses</b>								
At 1 January 2014:								
Accumulated depreciation	-	-	8,446	18,824	23,320	515	17,205	68,310
Accumulated impairment losses	371	-	34,287	-	-	-	-	34,658
	371	-	42,733	18,824	23,320	515	17,205	102,968
Depreciation charge for the year (Note 28)	-	-	3,093	4,536	2,171	161	4,536	14,497
Disposals	-	-	-	-	(11)	-	(335)	(346)
At 31 December 2014	371	-	45,826	23,360	25,480	676	21,406	117,119
Analysed as:								
Accumulated depreciation	-	-	11,539	23,360	25,480	676	21,406	82,461
Accumulated impairment losses	371	-	34,287	-	-	-	-	34,658
	371	-	45,826	23,360	25,480	676	21,406	117,119
<b>Net book value</b>								
At 31 December 2014	5,846	42,415	57,892	12,258	6,433	163	12,766	137,773

## Notes to the Financial Statements

31 December 2015

## 13. Property, plant and equipment (cont'd.)

Company	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Total RM'000
<b>Cost</b>							
At 1 January 2015	9,968	18,946	28,546	17,890	564	33,203	109,117
Additions	-	-	559	399	150	75	1,183
Disposals	-	-	(340)	(14)	(134)	(186)	(674)
At 31 December 2015	<b>9,968</b>	<b>18,946</b>	<b>28,765</b>	<b>18,275</b>	<b>580</b>	<b>33,092</b>	<b>109,626</b>
<b>Accumulated depreciation</b>							
At 1 January 2015:							
Accumulated depreciation	-	2,014	15,191	11,184	386	20,687	49,462
Depreciation charge for the year (Note 28)	-	474	4,422	2,061	66	4,579	11,602
Disposals	-	-	(288)	(7)	(134)	(186)	(615)
At 31 December 2015	-	<b>2,488</b>	<b>19,325</b>	<b>13,238</b>	<b>318</b>	<b>25,080</b>	<b>60,449</b>
<b>Net book value</b>							
At 31 December 2015	<b>9,968</b>	<b>16,458</b>	<b>9,440</b>	<b>5,037</b>	<b>262</b>	<b>8,012</b>	<b>49,177</b>
<b>Company</b>							
Company	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Total RM'000
<b>Cost</b>							
At 1 January 2014	9,968	18,946	22,652	14,241	564	32,218	98,589
Additions	-	-	5,894	3,660	-	1,320	10,874
Disposals	-	-	-	(11)	-	(335)	(346)
At 31 December 2014	9,968	18,946	28,546	17,890	564	33,203	109,117
<b>Accumulated depreciation</b>							
At 1 January 2014:							
Accumulated depreciation	-	1,540	10,998	9,267	294	16,506	38,605
Depreciation charge for the year (Note 28)	-	474	4,193	1,928	92	4,516	11,203
Reversal/reclassification (Note 28)	-	-	-	(11)	-	(335)	(346)
At 31 December 2014	-	<b>2,014</b>	<b>15,191</b>	<b>11,184</b>	<b>386</b>	<b>20,687</b>	<b>49,462</b>
<b>Net book value</b>							
At 31 December 2014	<b>9,968</b>	<b>16,932</b>	<b>13,355</b>	<b>6,706</b>	<b>178</b>	<b>12,516</b>	<b>59,655</b>

## Notes to the Financial Statements

31 December 2015

**13. Property, plant and equipment (cont'd.)**

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Pending subdivision of titles	628	658	-	-

**14. Land use rights**

	Group	
	2015 RM'000	2014 RM'000
<b>Cost:</b>		
At 1 January/31 December	8,428	8,428
<b>Accumulated amortisation:</b>		
At 1 January	2,520	2,360
Amortisation for the year (Note 28)	162	160
At 31 December	2,682	2,520
<b>Net carrying amount</b>	<b>5,746</b>	<b>5,908</b>
Amount to be amortised:		
- Not later than one year	162	160
- Later than one year but not later than five years	648	640
- Later than five years	4,936	5,108
	5,746	5,908

**15. Intangible assets**

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Software licences</b>				
<b>Cost</b>				
At 1 January	71,843	66,382	71,448	66,002
Additions	5,961	5,461	5,921	5,446
At 31 December	77,804	71,843	77,369	71,448
<b>Accumulated depreciation and impairment losses</b>				
At 1 January	35,714	23,403	35,416	23,145
Amortisation for the year (Note 28)	13,411	12,311	13,363	12,271
At 31 December	49,125	35,714	48,779	35,416
<b>Net book value</b>				
At 31 December	28,679	36,129	28,590	36,032

## Notes to the Financial Statements

31 December 2015

## 16. Deposits from customers

	Group and Company	
	2015	2014
	RM'000	RM'000
By type of products:		
Savings	82,014	117,323
Fixed deposits	28,503,373	27,413,535
	<b>28,585,387</b>	<b>27,530,858</b>
By type of customers:		
Government and statutory bodies	18,558,905	19,318,499
Business enterprises	7,761,195	5,906,404
Individuals	2,265,287	2,305,955
	<b>28,585,387</b>	<b>27,530,858</b>
Maturity of deposits from customers:		
Within one year	25,610,754	25,159,654
More than one year	2,974,633	2,371,204
	<b>28,585,387</b>	<b>27,530,858</b>

## 17. Bank and other borrowings

	Group and Company	
	2015	2014
	RM'000	RM'000
<b>Total borrowings</b>		
Bank borrowings	1,645,591	1,415,844
Other borrowings	50,181	150,544
	<b>1,695,772</b>	<b>1,566,388</b>
<b>Maturity of borrowings:</b>		
Within one year	1,695,772	1,516,388
Within one to five years	-	50,000
	<b>1,695,772</b>	<b>1,566,388</b>

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

	Group and Company	
	2015	2014
	%	%
Bank borrowings	4.53	4.34
Other borrowings	5.50	5.50

Bank borrowings represent unsecured revolving credit and interest charged on these borrowings from licensed commercial banks is based on the lenders' cost of funds plus 0.50% to 1.00% (2014: 0.50% to 1.00%). The bank borrowings are due within one year.

Other borrowings relate to Islamic financing facilities granted by EPF and secured on a portfolio of PFI advances amounting to RM161,452,000 (2014: RM316,760,000) as disclosed in Note 9.

## Notes to the Financial Statements

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**18. Trade payables**

Trade payables are unsecured and non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 60 (2014: 30 to 60) days.

**19. Other payables**

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amount due to a subsidiary, Jana Kapital Sdn. Bhd. ("JKSB")	-	-	3,494,863	1,302,779
Due to other subsidiaries	-	-	29,890	24,676
Al-Mudharabah security deposit	101,947	94,946	101,947	94,946
Accruals	40,963	53,002	40,280	52,515
Deferred income	65,349	102,099	65,349	102,099
Others	117,709	63,706	116,006	62,224
	<b>325,968</b>	<b>313,753</b>	<b>3,848,335</b>	<b>1,639,239</b>

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

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

**20. Recourse obligation on loans/financing sold**

	Group and Company	
	2015 RM'000	2014 RM'000
Repayments due within 12 months	940,078	101,888
Repayments due after 12 months	1,827,164	2,271,151
	<b>2,767,242</b>	<b>2,373,039</b>

These amounts relate to proceeds received from the sale of conventional and Islamic housing loan/financing and Islamic personal financing to intermediary banks which will onward sell the loan/financing portfolios to Cagamas Berhad with recourse to the Company. Under the agreement, the Company undertakes to administer the loans/financing on behalf of intermediary banks and Cagamas Berhad and to buy back any loans/financing which are regarded as defective based on a set of pre-determined criteria. In November 2014, the Company has started its first sale of loan/financing portfolios with recourse directly with Cagamas Berhad without participation of intermediary banks.

## Notes to the Financial Statements

31 December 2015

## 21. Deferred tax (assets)/liabilities

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	(354,149)	11,967	(354,375)	11,625
Recognised in profit or loss (Note 32)	(142,821)	(366,116)	(142,173)	(366,000)
At 31 December	<b>(496,970)</b>	(354,149)	<b>(496,548)</b>	(354,375)
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	14,080	15,277	-	-
Deferred tax assets	(511,050)	(369,426)	(496,548)	(354,375)
	<b>(496,970)</b>	(354,149)	<b>(496,548)</b>	(354,375)

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

## Deferred tax (assets)/liabilities of the Group:

	Fair value adjustment arising from business combination RM'000	Property, plant and equipment RM'000	Collective allowances RM'000	Others RM'000	Total RM'000
At 1 January 2014	5,026	16,273	-	(9,332)	11,967
Recognised in profit or loss (Note 32)	-	-	(359,437)	(6,679)	(366,116)
At 1 January 2015	5,026	16,273	(359,437)	(16,011)	(354,149)
Recognised in profit or loss (Note 32)	-	-	(122,025)	(20,796)	(142,821)
At 31 December 2015	<b>5,026</b>	<b>16,273</b>	<b>(481,462)</b>	<b>(36,807)</b>	<b>(496,970)</b>

## Deferred tax (assets)/liabilities of the Company:

	Accelerated capital allowances RM'000	Collective allowances RM'000	Others RM'000	Total RM'000
At 1 January 2014	16,420	-	(4,795)	11,625
Recognised in profit or loss (Note 32)	-	(359,437)	(6,563)	(366,000)
At 1 January 2015	16,420	(359,437)	(11,358)	(354,375)
Recognised in profit or loss (Note 32)	-	(125,025)	(17,148)	(142,173)
At 31 December 2015	<b>16,420</b>	<b>(484,462)</b>	<b>(28,506)</b>	<b>(496,548)</b>



## Notes to the Financial Statements

31 December 2015

**21. Deferred tax (assets)/liabilities (cont'd.)**

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unused tax losses	206,111	66,277	-	-
Unabsorbed capital allowances	39,584	31,927	-	-
Others	347,071	7,939	-	-

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

**22. Share capital and share premium****Group and Company**

	Number of Shares of RM1.00 Each		Amount	
	2015 Units'000	2014 Units'000	2015 RM'000	2014 RM'000
Authorised:				
- Ordinary Shares				
At 1 January/31 December	10,000,000	10,000,000	10,000,000	10,000,000
Ordinary shares Issued and fully paid:				
At 1 January	2,709,623	1,747,868	2,709,623	1,747,868
Issued during the year:				
Issue of ordinary shares pursuant to right issue	-	873,929	-	873,929
Issue of ordinary shares pursuant to DRP	121,210	49,327	121,210	49,327
Issue of ordinary shares pursuant to ESOS	3,691	38,115	3,691	38,115
Issue of ordinary shares pursuant to warrants	4,027	384	4,027	384
At 31 December	2,838,551	2,709,623	2,838,551	2,709,623

## Notes to the Financial Statements

31 December 2015

**22. Share capital and share premium (cont'd.)****Share premium****Group and Company**

	Amount	
	2015 RM'000	2014 RM'000
At 1 January	1,278,873	631,189
Issue of ordinary shares pursuant to right issue	–	558,448
Issue of ordinary shares pursuant to DRP	110,291	50,807
Issue of ordinary shares pursuant to ESOS	3,816	38,429
At 31 December	1,392,980	1,278,873

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

The Malaysia Building Society Berhad's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 29 April 2010. The ESOS was implemented on 12 August 2010 and is in force for a period of 10 years from the date of implementation.

The salient features of the ESOS are as follows:

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

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

No option has been granted to any of the Directors of the Company since the implementation of the scheme. As at 31 December 2014, the maximum allocation applicable to senior management of the Company was not more than 50% of the ESOS 2010/2015 Aggregate Maximum Allocation.

The number of shares allocated to any individual Director or employee who, either individually or collectively through persons connected (which term shall have the same meaning as that assigned to "a person connected with a director" in Section 122A of the Companies Act, 1965 in Malaysia), holds 20% or more in the issued and paid-up share capital of the Company shall not exceed 10% of the total shares available under the Scheme;

## Notes to the Financial Statements

31 December 2015

**22. Share capital and share premium (cont'd.)****(a) Employee Share Option Scheme ("ESOS") (cont'd.)**

- (vii) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company;
- (viii) In respect of the ESOS granted in 11.9.2010, 100% of the options granted are exercisable during the validity of the option provided that the employee has been in continuous service with the Group throughout the period;
- (ix) In respect of the ESOS granted in 9.3.2012, 100% of the options granted are exercisable during the validity of the option provided that the employee has been in continuous service with the Group throughout the period;
- (x) In respect of the ESOS granted in 15.11.2012, 100% of the options granted are exercisable during the validity of the option provided that the employee has been in continuous service with the Group throughout the period;
- (xi) In respect of the ESOS granted in 9.3.2014, 100% of the options granted are exercisable during the validity of the option provided that the employee has been in continuous service with the Group throughout the period; and
- (xii) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank *pari passu* in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

**Movement of ESOS during the financial year**

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

	Group			
	2015			2014
	No.'000	WAEP (RM)	No.'000	WAEP (RM)
Outstanding at 1 January	27,610	-	39,812	-
- Adjusted*/granted	-	-	30,370	2.08
- Exercised	(3,691)	1.47	(38,115)	1.73
- Lapsed	(2,386)	2.13	(4,457)	2.00
Outstanding at 31 December	21,533	2.04	27,610	1.97
Exercisable at 31 December	21,533	2.04	13,389	1.91

- The weighted average fair value of options granted during the financial year was RM0.32 (2014: RM0.29).
- The weighted average share price at the date of exercise of the options exercised during the financial year was RM2.19 (2014: RM2.49).
- The weighted average exercise price for options outstanding at the end of the year was RM1.46 (2014: RM1.83). The weighted average remaining contractual life for these options is 4.60 years (2014: 0.60 years).

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

## Notes to the Financial Statements

31 December 2015

**22. Share capital and share premium (cont'd.)****(a) Employee Share Option Scheme ("ESOS") (cont'd.)****ESOS exercised during the financial year**

The exercise of the ESOS during the financial year resulted in the issuance of 3,691,041 ordinary shares at prices stated below.

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

	No. units	Exercise price* (RM) RM'000
ESOS granted on 11.9.2010	890,616	1.01
ESOS granted on 9.3.2012	1,942,401	1.44
ESOS granted on 15.11.2012	707,229	2.01
ESOS granted on 9.3.2014	150,795	2.15
	3,691,041	

\* Exercise prices have been adjusted after the Rights Issue exercise in prior year.

**Fair value of ESOS granted**

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

The following table lists the inputs to the model used:

	Granted on 09.03.2014	Granted on 15.11.2012	Granted on 09.03.2012	Granted on 11.09.2010
Fair value per ESOS granted (RM)	0.25	0.16	0.83	0.35
Weighted average share price (RM)	2.14	2.32	1.66	1.44
Weighted average exercise price (RM)	2.15	2.33	1.67	1.45
Expected volatility (%)	22.36	16.17	34.05	26.77
Expected life (years)	7	8	9	10
Risk free rate (%)	4.11	3.49	3.64	3.91
Expected dividend yield(%)	4.52	4.09	3.85	3.00

The expected life of the share option is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

**(b) Warrants**

Pursuant to an abridged prospectus dated 6 May 2011, the Company had issued rights shares, together with detachable warrants, which can be separately traded on Bursa Securities. The warrants were to be issued free to entitled shareholders who subscribe for the rights shares. Each warrant entitles the registered holder to subscribe for 1 new Company share at any time during the exercise period in accordance with the provisions of the deed poll. The expiry date of the warrants is 5 years from and including the date of issue of the warrants. The exercise price is RM1.00 for each new Company share. The registered holder of the warrants shall pay cash equivalent to the exercise price when exercising the warrants for new Company shares. The holders of the warrants are not entitled to any voting rights or to participate in any distribution and/or offer of further securities. The new Company shares to be issued upon exercise of the warrants shall, upon allotment and issue, be of the same class and rank *pari passu* in all respects with the then existing Company shares.

During the financial year, 4,026,684 (2014: 383,664) warrants were exercised by the warrant holders and 14,098,234 (2014: 18,124,918) warrants are still outstanding as at 31 December 2015.

## Notes to the Financial Statements

31 December 2015

## 23. Other reserves

Group and Company	Capital Reserve RM'000 Note (a)	Share Option Reserve RM'000 Note (b)	Warrants Reserve RM'000 Note (c)	Capital Redemption Reserve - Redeemable Cumulative Preference Shares RM'000 Note (d)	Financial Investments available-for-sale Reserve RM'000	Total RM'000
At 1 January 2015	17,838	2,853	3,633	12,486	-	36,810
Share options granted under ESOS recognised in profit or loss (Note 29)	-	5,001	-	-	-	5,001
Issue of ordinary shares pursuant to ESOS	-	(2,065)	-	-	-	(2,065)
Transfer of share option reserve to retained profits upon lapsed of share options	-	(579)	-	-	-	(579)
Other comprehensive income for the year	-	-	-	-	1,566	1,566
<b>At 31 December 2015</b>	<b>17,838</b>	<b>5,210</b>	<b>3,633</b>	<b>12,486</b>	<b>1,566</b>	<b>40,733</b>
At 1 January 2014	17,838	2,713	3,633	12,486	-	36,670
Share options granted under ESOS recognised in profit or loss (Note 29)	-	12,389	-	-	-	12,389
Issue of ordinary shares pursuant to ESOS	-	(10,441)	-	-	-	(10,441)
Transfer of share option reserve to retained profits upon lapsed of share options	-	(1,808)	-	-	-	(1,808)
Other comprehensive income for the year	-	-	-	-	-	-
<b>At 31 December 2014</b>	<b>17,838</b>	<b>2,853</b>	<b>3,633</b>	<b>12,486</b>	<b>-</b>	<b>36,810</b>

(a) The capital reserve arose out of the transfer of the reserves of Malaya Borneo Building Society Limited as at 29 February 1972 to the Company on 1 March 1972 via a Scheme of Arrangement and is not distributable as cash dividends.

(b) The share option reserve relates to the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options and is transferred to retained earnings upon expiry of the share options.

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

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

## 24. Revenue

Revenue of the Company comprises financing income, interest income, fee and commission income, and other income as disclosed in Notes 25, 27 and 42.

Revenue of the Group comprises all types of revenue derived from the business of granting of financing and loans, property development, property management, renting of real property and hotel operations.

## Notes to the Financial Statements

31 December 2015

## 25. Interest income

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income from:				
- Loans, advances and financing	435,535	465,029	425,635	448,341
- Deposits and placements with banks and other financial institutions	51,823	54,358	51,823	54,358
	<b>487,358</b>	<b>519,387</b>	<b>477,458</b>	<b>502,699</b>

## 26. Interest expense

	Group and Company	
	2015 RM'000	2014 RM'000
Bank borrowings	16,541	13,132
Deposits from customers	261,803	261,766
	<b>278,344</b>	<b>274,898</b>

## 27. Other income

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Rental income	38	459	38	306
Revenue from hotel operations	7,721	9,155	-	-
Loan agency fees	1	5	1	5
Loan processing fees	31,934	47,173	31,934	47,173
Insurance commission	1,727	10,895	1,727	10,895
Loan facility fees	9,348	4,625	9,348	4,625
Legal notice fees	1,960	1,820	1,960	1,820
Sundry income	6,530	8,957	6,250	8,715
(Loss)/gain from disposal of:				
Property, plant and equipment and land use rights	(24)	3	(24)	3
Foreclosed properties	3,307	4,050	3,307	4,050
Investment properties	-	166	-	-
Inventories	-	4,479	-	803
	<b>62,542</b>	<b>91,787</b>	<b>54,541</b>	<b>78,395</b>



## Notes to the Financial Statements

31 December 2015

**28. Other operating expenses**

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personnel expenses (Note 29)	141,717	141,187	137,667	137,068
Establishment related expenses	14,621	15,857	13,927	15,431
Promotion and marketing related expenses	13,224	13,603	13,057	13,456
General administrative expenses	71,731	72,869	63,938	62,141
Angkasa charges	29,759	29,042	29,759	29,042
Allowance/(write back of allowance) for impairment of:				
Investments in subsidiaries	-	-	2,309	(5,479)
Loans to subsidiaries (Note 11(b))	-	-	28,059	7,976
Amount due from subsidiaries (Note 7)	-	-	2,744	1,618
Foreclosed properties	3,652	-	3,652	-
Advances in respect of certain projects (Note 7)	33,588	30,257	-	-
Commission fees (Note 7)	12	2,134	12	2,134
Trade receivables (Note 6)	(1)	-	-	-
	<b>308,303</b>	<b>304,949</b>	<b>295,124</b>	<b>263,387</b>

Included in other operating expenses are the following:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Auditors' remuneration:				
- Audit				
- Parent auditors	584	546	495	457
- Other auditors	4	3	4	3
- Regulated related services				
- Parent auditors	5	5	5	5
- Other services				
- Parent auditors	1,311	3,583	1,311	3,583
Professional fees	2,108	224	2,108	224
Amortisation:				
- land use rights (Note 14)	162	160	-	-
- intangible assets (Note 15)	13,411	12,311	13,363	12,271
Depreciation:				
- investment properties	-	12	-	-
- property, plant and equipment (Note 13)	14,720	14,497	11,602	11,203
Directors' remuneration (Note 30)	1,644	1,494	1,644	1,494
Rental of buildings	6,894	7,314	7,898	8,318

## Notes to the Financial Statements

31 December 2015

## 29. Personnel expenses

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Wages and salaries	107,974	99,554	104,572	96,136
Social security costs	839	808	797	763
Pension costs - Employees Provident Fund	16,932	15,098	16,625	14,780
Share options granted under ESOS	5,001	12,389	5,001	12,389
Other staff related expenses	10,971	13,338	10,672	13,000
	<b>141,717</b>	<b>141,187</b>	<b>137,667</b>	<b>137,068</b>

## 30. Directors' remuneration

	Group and Company	
	2015 RM'000	2014 RM'000
Directors of the Company		
Non-Executive:		
Fees	789	760
Other emoluments	855	734
Total	<b>1,644</b>	<b>1,494</b>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2015	2014
Non-executive directors:		
RM1,000 - RM50,000	-	-
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	3	4
RM200,001 - RM250,000	3	2
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	1	1

## Notes to the Financial Statements

31 December 2015

**30. Directors' remuneration (cont'd.)**

Details of the directors' remuneration of each director during the financial year ended 31 December 2015 are as follows:

Directors	Director Fees RM'000	Allowance RM'000	Total RM'000
1. Tan Sri Abdul Halim bin Ali	140	205	345
2. Datuk Shahril Ridza bin Ridzuan	100*	98	198
3. Datuk Syed Zaid bin Syed Jaffar Albar	100	90	190
4. Encik Aw Hong Boo	120	125	245
5. Dato' Jasmy bin Ismail	100	101	201
6. Encik Lim Tian Huat	100	115	215
7. Cik Ravinder Kaur a/p Mahan Singh	100	95	195
8. Ir. Moslim bin Othman	29	26	55
	789	855	1,644

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

**31. Allowance for impairment losses on loans, advances and financing**

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Allowance for/(write back of)				
impairment on loans, advances and financing:				
- Collective impairment (Note 9(vi))	608,196	119,294	608,196	119,294
- Individual impairment (Note 9(vi))	84,335	7,824	67,597	7,824
- Write off	4,706	-	4,706	-
- Write back	-	(943)	-	(943)
	697,237	126,175	680,499	126,175

## Notes to the Financial Statements

31 December 2015

## 32. Taxation

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysian income tax:				
Current income tax	239,972	275,549	237,729	273,049
(Over)/under provision in prior years	(5,317)	2,852	(5,172)	2,852
	<b>234,655</b>	<b>278,401</b>	<b>232,557</b>	<b>275,901</b>
Deferred tax (Note 21):				
Over provision in prior years	(10,986)	(333,081)	(10,986)	(333,081)
Relating to reduction in Malaysian income tax rate	14,614	-	14,614	-
Relating to origination and reversal of temporary differences	(146,449)	(33,035)	(145,801)	(32,919)
	<b>(142,821)</b>	<b>(366,116)</b>	<b>(142,173)</b>	<b>(366,000)</b>
Total income tax expense	<b>91,834</b>	<b>(87,715)</b>	<b>90,384</b>	<b>(90,099)</b>
Tax refund	-	(103)	-	-
Tax expense/(credit) for the year	<b>91,834</b>	<b>(87,818)</b>	<b>90,384</b>	<b>(90,099)</b>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year.

## Notes to the Financial Statements

31 December 2015

**32. Taxation (cont'd.)**

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

<b>Group</b>	<b>2015 RM'000</b>	<b>2014 RM'000</b>
Profit before taxation and zakat	355,025	932,556
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	88,756	233,139
Effect on change in statutory tax rate on deferred tax	6,436	-
Effect on opening deferred tax of reduction in income tax rate	14,615	-
Effect of income not subject to tax	(33,945)	(12,923)
Effect of expenses not deductible for tax purposes	23,003	17,270
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	676	2,603
Deferred tax assets not recognised	9,228	2,322
Reversal of deferred tax assets not previously recognised	(556)	-
Reversal of deferred tax liabilities	(74)	-
(Over)/underprovision of income tax in prior years	(10,988)	2,852
Overprovision of deferred tax in prior years	(5,317)	(333,081)
Tax (credit)/expense for the year	91,834	(87,818)

**Company**

Profit before taxation and zakat	289,449	913,295
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	72,362	228,324
Effect on change in statutory tax rate on deferred tax	6,099	-
Effect on opening deferred tax of reduction in income tax rate	14,614	-
Effect of income not subject to tax	-	-
Effect of expenses not deductible for tax purposes	13,348	11,806
Deferred tax assets not recognised	119	-
(Over)/underprovision of income tax in prior years	(10,986)	2,852
Overprovision of deferred tax in prior years	(5,172)	(333,081)
Tax (credit)/expense for the year	90,384	(90,099)

## Notes to the Financial Statements

31 December 2015

**33. Earnings per share****(a) Basic**

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	2015	2014
Net profit for the year (RM'000)	257,592	1,015,029
Weighted average number of ordinary shares in issue ('000)	2,787,607	2,592,379
Basic earnings per share (sen)	9.24	39.15

**(b) Diluted**

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

	2015	2014
Net profit for the year (RM'000)	257,592	1,015,029
Weighted average number of ordinary shares in issue ('000)	2,787,607	2,592,379
Adjusted for assumed conversion of ESOS ('000)	581	2,637
Adjusted for assumed conversion of warrants ('000)	6,717	10,541
Adjusted weighted average number of ordinary shares in issue ('000)	2,794,905	2,605,557
Diluted earning per share (sen)	9.22	38.96



## Notes to the Financial Statements

31 December 2015

**34. Dividends**

**Group and Company**  
2015                      2014  
RM'000                      RM'000

**Recognised during the financial year:**

Dividends on ordinary shares:

In respect of the financial year ended 31 December 2014/2013:

- Final taxable dividend of 10% (2013: Final 5%) per share	271,668	131,240
- Special taxable dividend of 2% per share	54,334	-
	326,002	131,240

**Proposed but not recognised as a liability as at 31 December:**

Dividend on ordinary shares, subject to shareholders' approval at the AGM:

In respect of financial year ended 31 December 2015/2014:

- Single-tier final taxable dividend of 3% per share	85,157	-
- Single-tier final taxable dividend of 10% per share	-	271,128
- Single-tier special taxable dividend of 2% per share	-	54,226
	85,157	325,354

The Board of Directors has recommended a Single-Tier Final Dividend of 3.0% (3.0 sen net per Ordinary Share) for the financial year ended 31 December 2015. Based on the issued and paid up share capital of 2,838,553,579 ordinary shares of RM1.00 each as at 15 February 2016, the Single-Tier Final Dividend payable would be RM85,156,608.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity in the financial year ending 31 December 2016.

**MBSB Dividend Reinvestment Plan**

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

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

The Board of Directors has determined that the option to reinvest via the Dividend Reinvestment Plan ("DRP") shall apply to the entire portion of the proposed Single-Tier Final Dividend of 3.0% for the financial year ended 31 December 2015. The approval for the proposed Single-Tier Final Dividend of 3.0% will be sought at the coming Annual General Meeting.

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

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

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

## Notes to the Financial Statements

31 December 2015

**34. Dividends (cont'd.)****MBSB Dividend Reinvestment Plan (cont'd.)**

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

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

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

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

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

**35. Significant related party transactions/balances**

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

EPF, the ultimate holding body, is a shareholder with control over the Group, with direct shareholdings of 65.10% (2014: 64.18%) as at 31 December 2015. EPF is also a government-linked entity. EPF and entities directly controlled by EPF are collectively referred to as government-related entities to the Group.

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

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Expenses</b>				
Interest on loans	5,825	11,363	5,825	11,363
Rental expense	280	275	280	275
<b>Balances</b>				
Other borrowings (Note 17)	50,181	150,544	50,181	150,544
Rental deposit (Note 7)	94	94	94	94

## Notes to the Financial Statements

31 December 2015

**35. Significant related party transactions/balances (cont'd.)**

(a) Transactions and balances with government-related entities are as follows: (cont'd.)

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>Expenses</b>				
Sukuk facility agent fees	12,128	4,755	12,021	4,714
<b>Balances</b>				
Deposits and placements				
with financial institutions	1,300,622	2,193	1,300,622	2,193
Bank borrowings	450,126	475,396	450,126	475,396
Recourse obligation on				
loans/financing sold	869,805	910,727	869,805	910,727

(iii) Collectively, but not individually, significant balances:

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

For the financial year ended 31 December 2015, the aggregate amount of the Group's and Company's significant balances with other government-related entities other than the RHB Banking Group of companies are as disclosed below:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>Balances</b>				
Deposits from customers	14,228	774,428	14,228	774,428

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

	Company	
	2015	2014
	RM'000	RM'000
<b>Income/(expenses)</b>		
Interest charged on loans/advances	67,924	54,315
Rental paid	(1,004)	(1,004)
<b>Balances</b>		
Loans to subsidiaries	445,914	491,568
Amount due from subsidiaries	48,771	144,864
Amount due to subsidiaries	29,890	24,676
Amount due to a subsidiary		
Jana Kapital Sdn. Bhd. ("JKSB")	3,494,863	1,302,779

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

## Notes to the Financial Statements

31 December 2015

**35. Significant related party transactions/balances (cont'd.)**

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

	Group and Company	
	2015	2014
	RM'000	RM'000
Short-term employee benefits	5,862	5,376
Share-based payment	-	101
Pension costs: EPF	692	623
	<b>6,554</b>	<b>6,100</b>

Included in the total key management personnel are:

Directors' remuneration comprising fees and allowances (Note 30)	1,644	1,494
Chief Executive Officer's remuneration comprising salary, bonus, allowances and other emoluments	3,446	2,901

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

	Group and Company	
	2015	2014
	RM'000	RM'000
<b>Expense</b>		
Interest cost incurred on savings and deposits	(68)	(117)
<b>Balance</b>		
Amount due to in respect of savings and deposits	1,478	2,602

Directors of the Company and other members of key management of the Group and the Company have been granted the following number of options under the Employee Share Option Scheme:

	Group and Company	
	2015	2014
	'000	'000
At 1 January	837	721
Granted	-	403
Adjustments	-	136
Exercised	(263)	-
Lapsed	-	(423)
At 31 December*	<b>574</b>	<b>837</b>

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

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

## Notes to the Financial Statements

31 December 2015

## 36. Commitments and contingencies

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>(i) Operational Commitments</b>				
Loan commitments not yet recognised in the financial statements:				
End finance	251,351	314,516	251,351	314,516
Islamic properties	142,849	63,221	142,849	63,221
Islamic personal	1,323	2,493	1,323	2,493
Bridging, structured and term loans and financing	7,614,958	7,251,844	7,614,958	7,251,844
Financial guarantees	104,076	85,110	104,076	85,110
	<b>8,114,557</b>	<b>7,717,184</b>	<b>8,114,557</b>	<b>7,717,184</b>
Approved and contracted for property development	421,528	421,528	1,667	1,667
<b>Total</b>	<b>8,536,085</b>	<b>8,138,712</b>	<b>8,116,224</b>	<b>7,718,851</b>
<b>(ii) Capital Commitments</b>				
Property, plant and equipment:				
Approved and contracted for	183,105	196,822	-	-
Approved but not contracted for	46,702	-	60,616	11
	<b>229,807</b>	<b>196,822</b>	<b>60,616</b>	<b>11</b>

**(iii) Lease Commitments**

The Group and the Company has entered into operating lease agreements for the use of certain office premises. These non-cancellable leases have an average life of between 1 to 5 years with certain contracts carrying renewal options in the contracts.

Operating lease payments represent rental payables by the Group for use of building. Leases have an average life of 3 years with no renewal or purchase option included in the contracts.

The future aggregate minimum lease payments under operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Future minimum rental payments:				
Not later than 1 year	5,618	7,261	6,622	8,265
Later than 1 year but less than 5 years	5,787	12,211	9,802	16,226
Later than 5 years	-	-	5,019	5,019
	<b>11,405</b>	<b>19,472</b>	<b>21,443</b>	<b>29,510</b>

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

## Notes to the Financial Statements

31 December 2015

**37. Contingent liabilities (Unsecured)**

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

On conclusion of the Full Trial, the claim against the Company was dismissed with costs. The contractor's appeal to the Court of Appeal was allowed. The Company has filed an application for leave to appeal to the Federal Court and the Federal Court had fixed the matter for further Case Management on 28 April 2016 pending settlement.

- (ii) A third party and its holding company (collectively "the Plaintiffs") had instituted a civil suit against the Company and its subsidiary for an alleged breach of facility agreement. On conclusion of the Full Trial, the Court dismissed the Plaintiffs' claim with costs and allowed the Company's counterclaim. The Plaintiffs filed an appeal to the Court of Appeal against the decision and further Case Management was fixed for 9 October 2015 pending release of the grounds of judgment from the High Court.

The Court of Appeal had fixed the matter for Case Management on 4 March 2016 pending release of the grounds of judgment from the High Court.

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

The directors after obtaining advice from the Company's solicitors are of the opinion that the Company has reasonably good cases in respect of all the claims against the Company and as such, provision has been made where appropriate in the financial statements.

**38. Financial risk management****(a) Financial risk management objectives and policies**

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

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

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

**(b) Risk management framework**

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

## Notes to the Financial Statements

31 December 2015

### 38. Financial risk management (cont'd.)

#### (c) Risk organisation

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

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

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

#### (d) Risk reporting and monitoring

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



## Notes to the Financial Statements

31 December 2015

### 38. Financial risk management (cont'd.)

#### (e) Credit risk mitigation

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

#### (f) Concentration risk

Concentration of credit risk arises when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group and the Company monitor their portfolios to identify and assess risk concentrations. The credit portfolios are monitored and periodically reviewed to identify, assess and guard against unacceptable risk concentrations. The GRM also applies single customer counterparty limits to protect against unacceptably large exposures to single risk. The GRM conducts analyses and reports concentration risk to the Board of Directors on a quarterly basis.

#### Credit risk

Credit risk is the risk of loss to the Group and the Company due to the deterioration in credit worthiness of its borrowers and, consequently, their ability to discharge their contractual obligations to the Group and the Company. Credit risk remains the most significant risk to which the Group and the Company are exposed. The purpose of credit risk management is to keep credit risk exposure to an acceptable level in line with the Group's and the Company's risk appetite and to ensure that the returns are commensurate to the risk underwritten.

The primary objective of the Group and the Company's credit platform is to enhance the efficiency and effectiveness of the credit oversight and credit approval processes for all retail and corporate loans. Credit proposals are submitted to the relevant credit committees for approval or concurrence, and are subsequently submitted to the GRM for independent assessment. Credit exposures are evaluated by the GRM and are monitored against approved limits on a periodic basis on a portfolio and individual basis, individually and on a portfolio level.

## Notes to the Financial Statements

31 December 2015

**38. Financial risk management (cont'd.)****Credit risk (cont'd.)**

(i) Maximum exposure to credit risk

The maximum exposure to credit risk for each class of financial assets is the carrying value of these assets as shown below:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Financial Assets:</b>				
<b>Loans, Advances and Financing:</b>				
<b>Without taking collateral into account:</b>				
End finance and Islamic property	5,467,148	5,302,602	5,467,148	5,302,602
Personal financing	23,182,139	23,416,109	23,182,139	23,416,109
Bridging, structured and term loans and financing	5,081,069	3,677,662	5,148,498	3,961,727
Auto finance	378,473	282,201	378,473	282,202
	<b>34,108,829</b>	<b>32,678,574</b>	<b>34,176,258</b>	<b>32,962,640</b>
<b>Net of Impairment:</b>				
End finance and Islamic property	4,584,249	4,455,798	4,584,249	4,455,798
Personal financing	22,159,423	22,949,210	22,159,423	22,949,210
Bridging, structured and term loans and financing	4,700,648	3,373,226	4,768,077	3,423,033
Auto finance	340,650	253,914	340,650	253,913
	<b>31,784,970</b>	<b>31,032,148</b>	<b>31,852,399</b>	<b>31,081,954</b>
<b>Deposits with Financial Institutions and Bank Balances:</b>				
Cash and short-term funds	6,928,263	5,683,939	6,911,177	5,657,580
Deposits and placements with financial institutions	406,529	83,418	2,127	8,117
	<b>7,334,792</b>	<b>5,767,357</b>	<b>6,913,304</b>	<b>5,665,697</b>
<b>Other Financial Assets:</b>				
Loans to subsidiaries	-	-	255,400	139,938
Financial investments available-for-sale	983,354	-	983,354	-
Trade receivables	819	365	-	-
Other receivables*	78,107	96,327	21,280	123,167
Sukuk Commodity Murabahah	-	-	3,792,751	1,373,565
	<b>1,062,280</b>	<b>96,692</b>	<b>5,052,785</b>	<b>1,636,670</b>
<b>Total financial assets</b>	<b>42,505,901</b>	<b>38,542,623</b>	<b>46,142,347</b>	<b>40,265,007</b>

\* Other receivables exclude foreclosed properties, prepayments and deposits as these items are classified as non-financial assets.

## Notes to the Financial Statements

31 December 2015

## 38. Financial risk management (cont'd.)

## Credit risk (cont'd.)

## (ii) Credit quality

The credit quality of financial assets are analysed as follows:

Group	2015							
	Neither Past Due Nor Impaired RM'000	← Past due but not impaired → Past Due Up To <1 Month RM'000	Past Due 1 to <3 Months RM'000	Past Due 3 to <6 Months RM'000	Impaired RM'000	Total Gross RM'000	Impairment Allowances RM'000	Total Net RM'000
<b>Financial Assets:</b>								
<b>Loans, Advances and Financing:</b>								
End finance and								
Islamic property	2,691,054	1,091,901	623,476	-	1,060,717	5,467,148	(882,899)	4,584,249
Personal financing	21,410,057	426,378	164,110	-	1,181,594	23,182,139	(1,022,716)	22,159,423
Auto finance	204,433	92,341	46,292	-	35,407	378,473	(37,823)	340,650
Bridging, structured and term loans and financing	4,439,863	-	399,290	-	241,916	5,081,069	(380,421)	4,700,648
	28,745,407	1,610,620	1,233,168	-	2,519,634	34,108,829	(2,323,859)	31,784,970
<b>Deposits with Financial Institutions and Bank Balance:</b>								
Cash and short-term funds	6,928,263	-	-	-	-	6,928,263	-	6,928,263
Deposits and placements with financial institutions	406,529	-	-	-	-	406,529	-	406,529
	7,334,792	-	-	-	-	7,334,792	-	7,334,792
<b>Other Financial Assets:</b>								
Financial investments								
available-for-sale	983,354	-	-	-	-	983,354	-	983,354
Trade receivables	-	667	133	19	24,809	25,628	(24,809)	819
Other receivables	77,939	168	-	-	318,999	397,106	(318,999)	78,107
	1,061,293	835	133	19	343,808	1,406,088	(343,808)	1,062,280

## Notes to the Financial Statements

31 December 2015

**38. Financial risk management (cont'd.)****Credit risk (cont'd.)**

(ii) Credit quality (cont'd.)

Group	2014							
	Neither Past Due Nor Impaired RM'000	← Past due but not impaired →			Impaired RM'000	Total Gross RM'000	Impairment Allowances RM'000	Total Net RM'000
Past Due Up To <1 Month RM'000		Past Due 1 to <3 Months RM'000	Past Due 3 to <6 Months RM'000					
<b>Financial Assets:</b>								
<b>Loans, Advances and Financing:</b>								
End finance and								
Islamic property	2,370,371	1,066,255	698,729	-	1,167,247	5,302,602	(846,804)	4,455,798
Personal financing	22,050,752	374,099	119,497	-	871,761	23,416,109	(466,899)	22,949,210
Auto finance	189,520	55,934	20,273	-	16,474	282,201	(28,287)	253,914
Bridging, structured and term loans and financing	3,271,087	-	253,721	62,543	90,311	3,677,662	(304,436)	3,373,226
	27,881,730	1,496,288	1,092,220	62,543	2,145,793	32,678,574	(1,646,426)	31,032,148
<b>Deposits with Financial Institutions and Bank Balance:</b>								
Cash and short-term funds	5,683,939	-	-	-	-	5,683,939	-	5,683,939
Deposits and placements with financial institutions	83,418	-	-	-	-	83,418	-	83,418
	5,767,357	-	-	-	-	5,767,357	-	5,767,357
<b>Other Financial Assets:</b>								
Trade receivables	-	265	75	25	24,810	25,175	(24,810)	365
Other receivables	96,149	178	-	-	285,399	381,726	(285,399)	96,327
	96,149	443	75	25	310,209	406,901	(310,209)	96,692

## Notes to the Financial Statements

31 December 2015

## 38. Financial risk management (cont'd.)

## Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Company	2015							
	Neither Past Due Nor Impaired RM'000	← Past due but not impaired →			Impaired RM'000	Total Gross RM'000	Impairment Allowances RM'000	Total Net RM'000
Past Due Up To <1 Month RM'000		Past Due 1 to <3 Months RM'000	Past Due 3 to <6 Months RM'000					
<b>Financial Assets:</b>								
<b>Loans, Advances and Financing:</b>								
End finance and								
Islamic property	2,691,054	1,091,901	623,476	-	1,060,717	5,467,148	(882,899)	4,584,249
Personal financing	21,410,057	426,378	164,110	-	1,181,594	23,182,139	(1,022,716)	22,159,423
Auto finance	204,433	92,341	46,292	-	35,407	378,473	(37,823)	340,650
Bridging, structured and term loans and financing	4,439,863	-	399,290	-	309,345	5,148,498	(380,421)	4,768,077
	28,745,407	1,610,620	1,233,168	-	2,587,063	34,176,258	(2,323,859)	31,852,399
<b>Deposits with Financial Institutions and Bank Balance:</b>								
Cash and short-term funds	6,911,177	-	-	-	-	6,911,177	-	6,911,177
Deposits and placements with financial institutions	2,127	-	-	-	-	2,127	-	2,127
	6,913,304	-	-	-	-	6,913,304	-	6,913,304
<b>Other Financial Assets:</b>								
Loans to subsidiaries	58,986	-	-	-	327,377	386,363	(130,963)	255,400
Financial investments								
available-for-sale	983,354	-	-	-	-	983,354	-	983,354
Other receivables	21,280	-	-	-	79,087	100,367	(79,087)	21,280
Sukuk Commodity								
Murabahah	3,792,751	-	-	-	-	3,792,751	-	3,792,751
	4,856,371	-	-	-	406,464	5,262,835	(210,050)	5,052,785

## Notes to the Financial Statements

31 December 2015

## 38. Financial risk management (cont'd.)

## Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Company	2014							
	← Past due but not impaired →							
	Neither Past Due Nor Impaired RM'000	Past Due Up To <1 Month RM'000	Past Due 1 to <3 Months RM'000	Past Due 3 to <6 Months RM'000	Impaired RM'000	Total Gross RM'000	Impairment Allowances RM'000	Total Net RM'000
<b>Financial Assets:</b>								
<b>Loans, Advances and Financing:</b>								
End finance and								
Islamic property	2,370,371	1,066,255	698,729	-	1,167,247	5,302,602	(846,804)	4,455,798
Personal financing	22,050,752	374,099	119,497	-	871,761	23,416,109	(466,899)	22,949,210
Auto finance	189,520	55,934	20,274	-	16,474	282,202	(28,289)	253,913
Bridging, structured and term loans and financing	3,271,087	-	253,720	62,542	374,378	3,961,727	(538,694)	3,423,033
	27,881,730	1,496,288	1,092,220	62,542	2,429,860	32,962,640	(1,880,686)	31,081,954
<b>Deposits with Financial Institutions and Bank Balance:</b>								
Cash and short-term funds	5,657,580	-	-	-	-	5,657,580	-	5,657,580
Deposits and placements with financial institutions	8,117	-	-	-	-	8,117	-	8,117
	5,665,697	-	-	-	-	5,665,697	-	5,665,697
<b>Other Financial Assets:</b>								
Loans to subsidiaries	46,011	-	-	-	196,831	242,842	(102,904)	139,938
Other receivables	123,167	-	-	-	76,331	199,498	(76,331)	123,167
Sukuk Commodity Murabahah	1,373,565	-	-	-	-	1,373,565	-	1,373,565
	1,542,743	-	-	-	273,162	1,815,905	(179,235)	1,636,670

## Notes to the Financial Statements

31 December 2015

**38. Financial risk management (cont'd.)****Credit risk (cont'd.)**

(ii) Credit quality (cont'd.)

Neither Past Due Nor Impaired**(a) High Grade**

This refers to cash at banks and short-term deposits with banks and other financial institutions.

**(b) Standard Grade**

This refers to financial assets in respect of loans, advances and financing and financial investments available-for-sale which have been disbursed in previous years and are neither past due nor impaired. Standard Grade financial assets also include other financial assets that are neither past due nor impaired.

**(c) New Loans During The Year**

This refers to financial assets in respect of loans, advances and financing which were disbursed during the year and are neither past due nor impaired.

Credit quality of financial assets that are neither past due nor impaired by credit quality is as follows:

Group	2015			
	High Grade RM'000	Standard Grade RM'000	New Loans During The Year RM'000	Total RM'000
<b>Financial Assets:</b>				
<b>Loans, Advances and Financing:</b>				
End finance and Islamic property	-	2,019,741	671,313	2,691,054
Personal financing	-	21,034,252	375,805	21,410,057
Auto finance	-	117,204	87,229	204,433
Bridging, structured and term loans and financing	-	2,926,197	1,513,666	4,439,863
	-	26,097,394	2,648,013	28,745,407
<b>Deposits with Financial Institutions and Bank Balance:</b>				
Cash at banks and on hand	326,838	-	-	326,838
Money at call	-	-	-	-
Deposits and placements with financial institutions:				
- with maturity of less than one month	6,601,425	-	-	6,601,425
- with maturity of more than one month	406,529	-	-	406,529
	7,334,792	-	-	7,334,792
<b>Other Financial Asset:</b>				
Financial investments available-for-sale	-	983,354	-	983,354
Other receivables	-	77,939	-	77,939
	-	1,061,293	-	1,061,293



## Notes to the Financial Statements

31 December 2015

**38. Financial risk management (cont'd.)****Credit risk (cont'd.)**

## (ii) Credit quality (cont'd.)

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

Group	2014			
	High Grade RM'000	Standard Grade RM'000	New Loans During The Year RM'000	Total RM'000
<b>Financial Assets:</b>				
<b>Loans, Advances and Financing:</b>				
End finance and Islamic property	–	1,927,351	443,020	2,370,371
Personal financing	–	21,434,964	615,788	22,050,752
Auto finance	–	103,082	86,438	189,520
Bridging, structured and term loans and financing	–	1,719,112	1,551,975	3,271,087
	–	25,184,509	2,697,221	27,881,730
<b>Deposits with Financial Institutions and Bank Balance:</b>				
Cash at banks and on hand	393,345	–	–	393,345
Money at call	2,338,246	–	–	2,338,246
Deposits and placements with financial institutions:				
- with maturity of less than one month	2,952,348	–	–	2,952,348
- with maturity of more than one month	83,418	–	–	83,418
	5,767,357	–	–	5,767,357
<b>Other Financial Assets:</b>				
Other receivables	–	96,149	–	96,149
	–	96,149	–	96,149

## Notes to the Financial Statements

31 December 2015

**38. Financial risk management (cont'd.)****Credit risk (cont'd.)**

## (ii) Credit quality (cont'd.)

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

Company	2015			
	High Grade RM'000	Standard Grade RM'000	New Loans During The Year RM'000	Total RM'000
<b>Financial Assets:</b>				
<b>Loans, Advances and Financing:</b>				
End finance and Islamic property	-	2,019,741	671,313	2,691,054
Personal financing	-	21,034,252	375,805	21,410,057
Auto finance	-	117,204	87,229	204,433
Bridging, structured and term loans and financing	-	2,926,197	1,513,666	4,439,863
	-	26,097,394	2,648,013	28,745,407
<b>Deposits with Financial Institutions and Bank Balance:</b>				
Cash at banks and on hand	313,325	-	-	313,325
Money at call	-	-	-	-
Deposits and placements with financial institutions:				
- with maturity of less than one month	6,597,852	-	-	6,597,852
- with maturity of more than one month	2,127	-	-	2,127
	6,913,304	-	-	6,913,304
<b>Other Financial Assets:</b>				
Loans to subsidiaries	-	58,986	-	58,986
Financial investments available-for-sale	-	983,354	-	983,354
Other receivables	-	21,280	-	21,280
Sukuk Commodity Murabahah	-	3,792,751	-	3,792,751
	-	4,856,371	-	4,856,371

## Notes to the Financial Statements

31 December 2015

**38. Financial risk management (cont'd.)****Credit risk (cont'd.)**

## (ii) Credit quality (cont'd.)

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

Company	2014			
	High Grade RM'000	Standard Grade RM'000	New Loans During The Year RM'000	Total RM'000
<b>Financial Assets:</b>				
<b>Loans, Advances and Financing:</b>				
End finance and Islamic property	-	1,927,351	443,020	2,370,371
Personal financing	-	21,434,964	615,788	22,050,752
Auto finance	-	103,082	86,438	189,520
Bridging, structured and term loans and financing	-	1,719,112	1,551,975	3,271,087
	-	25,184,509	2,697,221	27,881,730
<b>Deposits with Financial Institutions and Bank Balance:</b>				
Cash at banks and on hand	370,449	-	-	370,449
Money at call	2,338,246	-	-	2,338,246
Deposits and placements with financial institutions:				
- with maturity of less than one month	2,948,885	-	-	2,948,885
- with maturity of more than one month	8,117	-	-	8,117
	5,665,697	-	-	5,665,697
<b>Other Financial Assets:</b>				
Loans to subsidiaries	-	46,011	-	46,011
Other receivables	-	123,167	-	123,167
Sukuk Commodity Murabahah	-	1,373,565	-	1,373,565
	-	1,542,743	-	1,542,743

Past Due But Not Impaired

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

Impaired

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

## Notes to the Financial Statements

31 December 2015

## 38. Financial risk management (cont'd.)

## Credit risk (cont'd.)

(iii) Industry analysis

Group 31 December 2015	Property Development RM'000	Financial Services RM'000	Consumer RM'000	Oil and gas RM'000	Services <sup>1</sup> RM'000	Others RM'000	Total RM'000
<b>Financial Assets:</b>							
Cash and short-term funds	12,369	6,911,177	-	-	1,548	3,169	6,928,263
Deposits and placements with financial institutions	-	2,127	-	-	-	404,402	406,529
Trade receivables	-	-	-	-	819	-	819
Other receivables	3,836	-	-	-	605	73,666	78,107
Loans, advances and financing:							
- End finance and Islamic property	-	-	4,584,249	-	-	-	4,584,249
- Personal financing	-	-	22,159,423	-	-	-	22,159,423
- Auto finance	-	-	340,650	-	-	-	340,650
- Bridging, structured and term loans and financing	2,978,364	-	30,396	-	949,052	742,836	4,700,648
Financial investments available-for-sale	-	983,354	-	-	-	-	983,354
	2,994,569	7,896,658	27,114,718	-	952,024	1,224,073	40,182,042

Company 31 December 2015	Property Development RM'000	Financial Services RM'000	Consumer RM'000	Oil and gas RM'000	Services <sup>1</sup> RM'000	Others RM'000	Total RM'000
<b>Financial Assets:</b>							
Cash and short-term funds	-	6,911,177	-	-	-	-	6,911,177
Deposits and placements with financial institutions	-	2,127	-	-	-	-	2,127
Other receivables	-	-	-	-	-	21,280	21,280
Sukuk Commodity Murabahah	-	-	-	-	-	3,792,751	3,792,751
Loans, advances and financing:							
- End finance and Islamic property	-	-	4,584,249	-	-	-	4,584,249
- Personal financing	-	-	22,159,423	-	-	-	22,159,423
- Auto finance	-	-	340,650	-	-	-	340,650
- Bridging, structured and term loans and financing	3,045,793	-	30,396	-	949,052	742,836	4,768,077
Loans to subsidiaries	-	172,637	-	-	82,763	-	255,400
Financial investments available-for-sale	-	983,354	-	-	-	-	983,354
	3,045,793	8,069,295	27,114,718	-	1,031,815	4,556,867	43,818,488

<sup>1</sup> Services includes hotel operation.

## Notes to the Financial Statements

31 December 2015

## 38. Financial risk management (cont'd.)

## Credit risk (cont'd.)

(iii) Industry analysis (cont'd.)

Group 31 December 2014	Property Development RM'000	Financial Services RM'000	Consumer RM'000	Oil and gas RM'000	Services <sup>1</sup> RM'000	Others RM'000	Total RM'000
<b>Financial Assets:</b>							
Cash and short-term funds	12,402	5,657,580	-	-	1,548	12,409	5,683,939
Deposits and placements							
with financial institutions	-	8,117	-	-	-	75,301	83,418
Trade receivables	-	-	-	-	365	-	365
Other receivables	3,846	-	-	-	717	91,764	96,327
Loans, advances and financing:							
- End finance and Islamic property	-	-	4,455,798	-	-	-	4,455,798
- Personal financing	-	-	22,949,210	-	-	-	22,949,210
- Auto finance	-	-	253,914	-	-	-	253,914
- Bridging, structured and term loans and financing	2,750,337	-	9,998	359,359	252,748	784	3,373,226
	2,766,585	5,665,697	27,668,920	359,359	255,378	180,258	36,896,197

Company 31 December 2014	Property Development RM'000	Financial Services RM'000	Consumer RM'000	Oil and gas RM'000	Services <sup>1</sup> RM'000	Others RM'000	Total RM'000
<b>Financial Assets:</b>							
Cash and short-term funds	-	5,657,580	-	-	-	-	5,657,580
Deposits and placements							
with financial institutions	-	8,117	-	-	-	-	8,117
Other receivables	-	-	-	-	-	123,167	123,167
Sukuk Commodity Murabahah	-	-	-	-	-	1,373,565	1,373,565
Loans, advances and financing:							
- End finance and Islamic property	-	-	4,455,798	-	-	-	4,455,798
- Personal financing	-	-	22,949,210	-	-	-	22,949,210
- Auto finance	-	-	253,913	-	-	-	253,913
- Bridging, structured and term loans and financing	2,800,144	-	9,998	359,359	252,748	784	3,423,033
Loans to subsidiaries	-	57,325	-	-	82,613	-	139,938
	2,800,144	5,723,022	27,668,919	359,359	335,361	1,497,516	38,384,321

<sup>1</sup> Services includes hotel operation.

## Notes to the Financial Statements

31 December 2015

**38. Financial risk management (cont'd.)****Credit risk (cont'd.)**

## (iv) Collateral

The credit risk of financial assets of the Group and the Company is mitigated by the collateral in respect of financial assets.

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

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

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

**Market risk**

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

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

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

Sensitivity analysis for interest rate risk

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

		Group		Company	
	Tax rate	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
<b>2015</b>					
Impact to profit before tax		(214,854)	214,854	(218,224)	218,224
Impact to profit after tax and equity	25%	(161,141)	161,141	(163,668)	163,668
<b>2014</b>					
Impact to profit before tax		(219,446)	219,446	(219,701)	219,701
Impact to profit after tax and equity	25%	(164,585)	164,585	(164,776)	164,776

## Notes to the Financial Statements

31 December 2015

**38. Financial risk management (cont'd.)****Market risk (cont'd.)****Interest rate risk**

The table below summarises the Group's and the Company's exposure to interest rate risk. The table indicates effective average interest rates at the reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier. Assets classified as non-interest sensitive are either non-interest bearing or, if interest bearing, the cashflows arising from these assets are not expected to change significantly if interest rates change.

Group 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	6,928,263	6,928,263	
Deposits and placements								
with financial institutions	-	-	-	-	-	406,529	406,529	4.05
Trade receivables	-	-	-	-	-	819	819	
Other receivables	-	-	-	-	-	195,078	195,078	
Loans, advances and financing:								
- non-impaired	7,905,784	-	-	-	-	22,985,673	30,891,457	7.42
- impaired	-	-	-	-	-	893,513	893,513	
Financial investments								
available-for-sale	-	-	-	-	-	983,354	983,354	4.11
Other assets	-	-	-	-	-	789,995	789,995	
<b>Total assets</b>	<b>7,905,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,183,224</b>	<b>41,089,008</b>	
<b>Liabilities</b>								
Deposits from customers	-	-	-	-	-	28,585,387	28,585,387	4.02
Bank borrowings	1,645,591	-	-	-	-	-	1,645,591	4.53
Other borrowings	-	-	-	-	-	50,181	50,181	5.50
Trade payables	-	-	-	-	-	214	214	
Other payables	-	-	-	-	-	325,968	325,968	
Recourse obligation on								
loans/financing sold	-	-	-	-	-	2,767,242	2,767,242	4.72
Sukuk - MBSB SC Murabahah	-	-	-	-	-	2,827,955	2,827,955	4.92
Other liabilities	-	-	-	-	-	24,930	24,930	
<b>Total liabilities</b>	<b>1,645,591</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,581,877</b>	<b>36,227,468</b>	
Shareholders' equity	-	-	-	-	-	4,861,540	4,861,540	
<b>Total liabilities and shareholders' equity</b>	<b>1,645,591</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,443,417</b>	<b>41,089,008</b>	
On-balance sheet interest sensitivity gap	6,260,193	-	-	-	-	(6,260,193)	-	
<b>Total interest sensitivity gap</b>	<b>6,260,193</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,260,193)</b>	<b>-</b>	



## Notes to the Financial Statements

31 December 2015

## 38. Financial risk management (cont'd.)

## Market risk (cont'd.)

## Interest rate risk (cont'd.)

Group 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	5,683,939	5,683,939	
Deposits and placements with financial institutions	-	-	-	-	-	83,418	83,418	3.97
Trade receivables	-	-	-	-	-	365	365	
Other receivables	-	-	-	-	-	213,564	213,564	
Loans, advances and financing:								
- non-impaired	6,334,285	-	-	-	-	23,440,269	29,774,554	7.62
- impaired	-	-	-	-	-	1,257,594	1,257,594	
Other assets	-	-	-	-	-	652,469	652,469	
<b>Total assets</b>	<b>6,334,285</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,331,618</b>	<b>37,665,903</b>	
<b>Liabilities</b>								
Deposits from customers	-	-	-	-	-	27,530,858	27,530,858	2.60
Bank borrowings	1,415,844	-	-	-	-	-	1,415,844	4.33
Other borrowings	-	-	-	-	-	150,544	150,544	5.50
Trade payables	-	-	-	-	-	184	184	
Other payables	-	-	-	-	-	313,753	313,753	
Recourse obligation on loans/ financing sold	-	-	-	-	-	2,373,039	2,373,039	4.99
Sukuk - MBSB SC Murabahah	-	-	-	-	-	1,150,124	1,150,124	4.92
Other liabilities	-	-	-	-	-	49,144	49,144	
<b>Total liabilities</b>	<b>1,415,844</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,567,646</b>	<b>32,983,490</b>	
Shareholders' equity	-	-	-	-	-	4,682,413	4,682,413	
<b>Total liabilities and shareholders' equity</b>	<b>1,415,844</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,250,059</b>	<b>37,665,903</b>	
On-balance sheet interest sensitivity gap	4,918,441	-	-	-	-	(4,918,441)	-	
<b>Total interest sensitivity gap</b>	<b>4,918,441</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,918,441)</b>	<b>-</b>	

## Notes to the Financial Statements

31 December 2015

**38. Financial risk management (cont'd.)****Market risk (cont'd.)**

Interest rate risk (cont'd.)

Company 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	6,911,177	6,911,177	
Deposits and placements with financial institutions	-	-	-	-	-	2,127	2,127	3.35
Other receivables (excluding amount due from subsidiaries)	-	-	-	-	-	127,661	127,661	
Amount due from subsidiaries	-	-	-	-	-	9,845	9,845	
Loans, advances and financing: - non-impaired	7,905,783	-	-	-	-	22,985,673	30,891,456	7.42
- impaired	-	-	-	-	-	960,943	960,943	
Sukuk Commodity Murabahah	-	-	-	-	-	3,792,751	3,792,751	3.27
Loans to subsidiaries	-	-	-	-	-	255,400	255,400	
Financial investments available-for-sale	-	-	-	-	-	983,354	983,354	
Other assets	-	-	-	-	-	600,728	600,728	
<b>Total assets</b>	<b>7,905,783</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,629,659</b>	<b>44,535,442</b>	
<b>Liabilities</b>								
Deposits from customers	-	-	-	-	-	28,585,387	28,585,387	4.02
Bank borrowings	1,645,591	-	-	-	-	-	1,645,591	4.53
Other borrowings	-	-	-	-	-	50,181	50,181	5.50
Recourse obligation on loans/ financing sold	-	-	-	-	-	2,767,242	2,767,242	4.72
Sukuk - MBSB SC Murabahah	-	-	-	-	-	2,827,955	2,827,955	4.70
Other liabilities	-	-	-	-	-	3,856,152	3,856,152	
<b>Total liabilities</b>	<b>1,645,591</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,086,917</b>	<b>39,732,508</b>	
Shareholders' equity	-	-	-	-	-	4,802,934	4,802,934	
<b>Total liabilities and shareholders' equity</b>	<b>1,645,591</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,889,851</b>	<b>44,535,442</b>	
On-balance sheet interest sensitivity gap	6,260,192	-	-	-	-	(6,260,192)	-	
<b>Total interest sensitivity gap</b>	<b>6,260,192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,260,192)</b>	<b>-</b>	

## Notes to the Financial Statements

31 December 2015

**38. Financial risk management (cont'd.)****Market risk (cont'd.)**

Interest rate risk (cont'd.)

Company 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	5,657,580	5,657,580	
Deposits and placements with financial institutions	-	-	-	-	-	8,117	8,117	3.48
Other receivables (excluding amount due from subsidiaries)	-	-	-	-	-	130,863	130,863	
Amount due from subsidiaries	-	-	-	-	-	108,683	108,683	
Loans, advances and financing:								
- non-impaired	6,334,285	-	-	-	-	23,440,269	29,774,554	7.62
- impaired	-	-	-	-	-	1,307,400	1,307,400	
Sukuk Commodity Murabahah	-	-	-	-	-	1,373,565	1,373,565	4.72
Loans to subsidiaries	-	-	-	-	-	139,938	139,938	
Other assets	-	-	-	-	-	475,606	475,606	
<b>Total assets</b>	6,334,285	-	-	-	-	32,642,021	38,976,306	
<b>Liabilities</b>								
Deposits from customers	-	-	-	-	-	27,530,858	27,530,858	2.60
Bank borrowings	1,415,844	-	-	-	-	-	1,415,844	4.33
Other borrowings	-	-	-	-	-	150,544	150,544	5.50
Recourse obligation on loans/ financing sold	-	-	-	-	-	2,373,039	2,373,039	4.99
Sukuk - MBSB SC Murabahah	-	-	-	-	-	1,150,124	1,150,124	4.70
Other liabilities	-	-	-	-	-	1,667,964	1,667,964	
<b>Total liabilities</b>	1,415,844	-	-	-	-	32,872,529	34,288,373	
Shareholders' equity	-	-	-	-	-	4,687,933	4,687,933	
<b>Total liabilities and shareholders' equity</b>	1,415,844	-	-	-	-	37,560,462	38,976,306	
On-balance sheet interest sensitivity gap	4,918,441	-	-	-	-	(4,918,441)	-	
<b>Total interest sensitivity gap</b>	4,918,441	-	-	-	-	(4,918,441)	-	

## Notes to the Financial Statements

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**38. Financial risk management (cont'd.)****Liquidity risk**

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

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

Analysis of financial instruments by remaining contractual maturities

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

Group	2015 RM'000			Total
	On demand or within one year	One to five years	Over five years	
<b>Financial liabilities:</b>				
Deposits from customers	25,886,603	3,270,403	–	29,157,006
Bank borrowings	1,646,590	–	–	1,646,590
Other borrowings	51,213	–	–	51,213
Trade and other payables	326,182	–	–	326,182
Recourse obligation on loans/financing sold	1,003,717	1,842,412	–	2,846,129
Sukuk - MBSB SC Murabahah	349,087	1,670,467	2,581,464	4,601,018
	29,263,392	6,783,282	2,581,464	38,628,138
<b>Operational commitments:</b>				
Financial guarantees	62,204	41,872	–	104,076
	62,204	41,872	–	104,076
	29,325,596	6,825,154	2,581,464	38,732,214

## Notes to the Financial Statements

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**38. Financial risk management (cont'd.)****Liquidity risk (cont'd.)**

Analysis of financial instruments by remaining contractual maturities (cont'd.)

Group	2014 RM'000			Total
	On demand or within one year	One to five years	Over five years	
<b>Financial liabilities:</b>				
Deposits from customers	23,871,864	4,181,652	-	28,053,516
Bank borrowings	1,417,234	-	-	1,417,234
Other borrowings	106,732	51,031	-	157,763
Trade and other payables	313,937	-	-	313,937
Recourse obligation on loans/financing sold	168,613	2,350,052	-	2,518,665
Sukuk - MBSB SC Murabahah	166,288	747,267	493,836	1,407,391
	26,044,668	7,330,002	493,836	33,868,506
<b>Operational commitments:</b>				
Financial guarantees	44,114	40,995	-	85,109
	44,114	40,995	-	85,109
	26,088,782	7,370,997	493,836	33,953,615

## Notes to the Financial Statements

31 December 2015

**38. Financial risk management (cont'd.)****Liquidity risk (cont'd)**

Analysis of financial instruments by remaining contractual maturities (cont'd)

Company	2015 RM'000			Total
	On demand or within one year	One to five years	Over five years	
<b>Financial liabilities:</b>				
Deposits from customers	25,886,603	3,270,403	-	29,157,006
Bank borrowings	1,646,590	-	-	1,646,590
Other borrowings	51,213	-	-	51,213
Other payables	3,848,335	-	-	3,848,335
Recourse obligation on loans/financing sold	1,003,717	1,842,412	-	2,846,129
Sukuk - MBSB SC Murabahah	349,087	1,670,467	2,581,464	4,601,018
	32,785,545	6,783,282	2,581,464	42,150,291
<b>Operational commitments:</b>				
Financial guarantees	62,204	41,872	-	104,076
	62,204	41,872	-	104,076
	32,847,749	6,825,154	2,581,464	42,254,367

Company	2014 RM'000			Total
	On demand or within one year	One to five years	Over five years	
<b>Financial liabilities:</b>				
Deposits from customers	23,871,864	4,181,652	-	28,053,516
Bank borrowings	1,417,234	-	-	1,417,234
Other borrowings	106,732	51,031	-	157,763
Other payables	1,639,239	-	-	1,639,239
Recourse obligation on loans/financing sold	168,613	2,350,052	-	2,518,665
Sukuk - MBSB SC Murabahah	166,288	747,267	493,836	1,407,391
	27,369,970	7,330,002	493,836	35,193,808
<b>Operational commitments:</b>				
Financial guarantees	44,114	40,995	-	85,109
	44,114	40,995	-	85,109
	27,414,084	7,370,997	493,836	35,278,917

## Notes to the Financial Statements

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**39. Capital management**

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

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

The Group and the Company monitor their capital using both leverage ratio (which is computed using common equity Tier 1 divided by total assets including off balance sheet commitments) and risk weighted capital adequacy ratio ("RWCR") (which is computed using capital base divided by total risk weighted assets) as prescribed by Bank Negara Malaysia for licensed financial institutions in Malaysia.

**40. Fair values**

(a) Fair values of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximations of fair value

	Note	Group		Company	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>2015</b>					
<b>Financial assets</b>					
Loans, advances and financing	9	31,784,970	29,098,361	31,852,399	29,098,361
Sukuk Commodity Murabahah	10(b)	-	-	3,792,751	3,656,006
<b>Financial liabilities</b>					
Sukuk - MBSB SC Murabahah	10(a)	2,827,955	2,717,921	2,827,955	2,717,921
Deposits from customers	16	28,585,387	28,209,704	28,585,387	28,209,704
Other borrowings	17	50,181	51,031	50,181	51,031
Recourse obligation on loans/financing sold	20	2,767,242	2,873,330	2,767,242	2,873,330
<b>2014</b>					
<b>Financial assets</b>					
Loans, advances and financing	9	31,032,148	28,592,000	31,081,954	28,629,774
Sukuk Commodity Murabahah	10(b)	-	-	1,373,565	1,349,946
<b>Financial liabilities</b>					
Sukuk - MBSB SC Murabahah	10(a)	1,150,124	1,126,591	1,150,124	1,126,591
Deposits from customers	16	27,530,858	26,987,309	27,530,858	26,987,309
Other borrowings	17	150,544	150,648	150,544	150,648
Recourse obligation on loans/financing sold	20	2,373,039	2,258,075	2,373,039	2,258,075

Loans, advances and financing

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

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



## Notes to the Financial Statements

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**40. Fair values (cont'd.)**

- (a) Fair values of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximations of fair value (cont'd.)

Sukuk Commodity Murabahah and Sukuk - MBSB SC Murabahah

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

Deposits from customers

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short tenure of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using market rates currently offered for deposits and placements with similar remaining maturities.

Other borrowings

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

Recourse obligation on loans/financing sold

The fair values for recourse obligations on loans/financing sold to Cagamas Berhad are determined based on discounted cash flows of future instalment payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

Financial investments available-for-sale

Financial investments available-for-sale valued using valuation techniques or pricing models primarily consist of debt securities.

- (b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value:

	<b>Note</b>
Cash and short-term funds	5(a)
Deposits and placements with financial institutions	5(b)
Trade receivables	6
Other receivables (excluding foreclosed properties, and prepayments and deposits)	7
Loans to subsidiaries	11(b)
Bank borrowings	17
Trade payables	18
Other payables	19

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

## Notes to the Financial Statements

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## 40. Fair values (cont'd.)

## Determination of fair value and fair value hierarchy

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

Quantitative disclosures fair value measurement hierarchy for assets and liabilities:

	Total RM'000	Fair value measurement using		
		Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
<b>Group</b>				
<b>31 December 2015</b>				
<b>Assets carried at fair values</b>				
Financial investments available-for-sale	983,354	-	983,354	-
<b>Assets for which fair values are disclosed</b>				
Loans, advances and financing	29,098,361	-	24,294,034	4,804,327
<b>Liabilities for which fair values are disclosed</b>				
Sukuk - MBSB SC Murabahah	2,717,921	-	2,717,921	-
Deposits from customers	28,209,704	-	28,209,704	-
Other borrowings	51,031	-	-	51,031
Recourse obligation on loans/financing sold	2,873,330	-	-	2,873,330
<b>Total</b>	<b>33,851,986</b>	<b>-</b>	<b>30,927,625</b>	<b>2,924,361</b>
<b>31 December 2014</b>				
<b>Assets for which fair values are disclosed</b>				
Loans, advances and financing	28,592,000	-	25,168,145	3,423,855
<b>Liabilities for which fair values are disclosed</b>				
Sukuk - MBSB SC Murabahah	1,126,591	-	1,126,591	-
Deposits from customers	26,987,309	-	26,987,309	-
Other borrowings	157,219	-	-	157,219
Recourse obligation on loans/financing sold	2,500,518	-	-	2,500,518
<b>Total</b>	<b>30,771,637</b>	<b>-</b>	<b>28,113,900</b>	<b>2,657,737</b>
<b>Company</b>				
<b>31 December 2015</b>				
<b>Assets carried at fair values</b>				
Financial investments available-for-sale	983,354	-	983,354	-
<b>Assets for which fair values are disclosed</b>				
Loans, advances and financing	29,098,361	-	24,294,034	4,804,327
Sukuk Commodity Murabahah	3,656,006	-	3,656,006	-
<b>Total</b>	<b>32,754,367</b>	<b>-</b>	<b>27,950,040</b>	<b>4,804,327</b>
<b>Liabilities for which fair values are disclosed</b>				
Sukuk - MBSB SC Murabahah	2,717,921	-	2,717,921	-
Deposits from customers	28,209,704	-	28,209,704	-
Other borrowings	51,031	-	-	51,031
Recourse obligation on loans/financing sold	2,873,330	-	-	2,873,330
<b>Total</b>	<b>33,851,986</b>	<b>-</b>	<b>30,927,625</b>	<b>2,924,361</b>

## Notes to the Financial Statements

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**40. Fair values (cont'd.)****Determination of fair value and fair value hierarchy (cont'd.)**

Quantitative disclosures fair value measurement hierarchy for assets and liabilities (cont'd.):

	Total RM'000	Fair value measurement using		
		Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
<b>Company</b>				
<b>31 December 2014</b>				
<b>Assets for which fair values are disclosed</b>				
Loans, advances and financing	28,629,774	-	25,168,145	3,461,629
Sukuk Commodity Murabahah	1,349,946	-	1,349,946	-
<b>Total</b>	<b>29,979,720</b>	<b>-</b>	<b>26,518,091</b>	<b>3,461,629</b>
<b>Liabilities for which fair values are disclosed</b>				
Sukuk - MBSB SC Murabahah	1,126,591	-	1,126,591	-
Deposits from customers	26,987,309	-	26,987,309	-
Other borrowings	157,219	-	-	157,219
Recourse obligation on loans/financing sold	2,500,518	-	-	2,500,518
<b>Total</b>	<b>30,771,637</b>	<b>-</b>	<b>28,113,900</b>	<b>2,657,737</b>

Description of significant unobservable inputs to valuation:

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

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

## Notes to the Financial Statements

31 December 2015

## 40. Fair values (cont'd.)

## Movement of significant unobservable inputs (Level 3)

The following tables present additional information about Level 3 financial assets and financial liabilities measured at fair value on a recurring basis:

	At 1 January RM'000	Repayments RM'000	Drawdown RM'000	Repurchase RM'000	Disbursement RM'000	Interest RM'000	Collections RM'000	Write off RM'000	Impairment RM'000	At 31 December RM'000
<b>Group</b>										
<b>2015</b>										
<b>Financial assets</b>										
Bridging, structured and term loans and financing	3,423,855	-	-	-	2,426,425	309,512	(1,326,664)	(222,503)	193,702	4,804,327
	3,423,855	-	-	-	2,426,425	309,512	(1,326,664)	(222,503)	193,702	4,804,327
<b>Financial liabilities</b>										
Other borrowings	157,219	(106,188)	-	-	-	-	-	-	-	51,031
Recourse obligation on loans/financing sold	2,500,518	(228,399)	500,000	101,211	-	-	-	-	-	2,873,330
	2,657,737	(334,587)	500,000	101,211	-	-	-	-	-	2,924,361
<b>Company</b>										
<b>2015</b>										
<b>Financial assets</b>										
Bridging, structured and term loans and financing	3,461,629	-	-	-	2,426,425	309,512	(1,326,664)	(222,503)	155,928	4,804,327
	3,461,629	-	-	-	2,426,425	309,512	(1,326,664)	(222,503)	155,928	4,804,327
<b>Financial liabilities</b>										
Other borrowings	157,219	(106,188)	-	-	-	-	-	-	-	51,031
Recourse obligation on loans/financing sold	2,500,518	(228,399)	500,000	101,211	-	-	-	-	-	2,873,330
	2,657,737	(334,587)	500,000	101,211	-	-	-	-	-	2,924,361

## Notes to the Financial Statements

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## 40. Fair values (cont'd.)

## Movement of significant unobservable inputs (Level 3) (cont'd.)

	At 1 January RM'000	Repayments RM'000	Drawdown RM'000	Repurchase RM'000	Disbursement RM'000	Interest RM'000	Collections RM'000	Write off RM'000	Impairment RM'000	At 31 December RM'000
<b>Group</b>										
<b>2014</b>										
<b>Financial assets</b>										
Bridging, structured and term loans and financing	2,492,052	-	-	-	2,360,516	236,416	(1,765,906)	(78,216)	178,993	3,423,855
	2,492,052	-	-	-	2,360,516	236,416	(1,765,906)	(78,216)	178,993	3,423,855
<b>Financial liabilities</b>										
Other borrowings	268,906	(111,687)	-	-	-	-	-	-	-	157,219
Recourse obligation on loans/financing sold	2,479,507	(1,000,586)	1,000,000	21,597	-	-	-	-	-	2,500,518
	2,748,413	(1,112,273)	1,000,000	21,597	-	-	-	-	-	2,657,737
<b>Company</b>										
<b>2014</b>										
<b>Financial assets</b>										
Bridging, structured and term loans and financing	2,556,369	-	-	-	2,360,516	236,416	(1,765,906)	(78,216)	152,450	3,461,629
	2,556,369	-	-	-	2,360,516	236,416	(1,765,906)	(78,216)	152,450	3,461,629
<b>Financial liabilities</b>										
Other borrowings	268,906	(111,687)	-	-	-	-	-	-	-	157,219
Recourse obligation on loans/financing sold	2,479,507	(1,000,586)	1,000,000	21,597	-	-	-	-	-	2,500,518
	2,748,413	(1,112,273)	1,000,000	21,597	-	-	-	-	-	2,657,737

## Notes to the Financial Statements

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### 41. Segment information

#### (a) Business segments:

The Group is organised into four major business segments:

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

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

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

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## 41. Segment information (cont'd.)

## (a) Business segments: (cont'd.)

	Financing		Property development		Letting of real property		Hotel Operations		Investment holding		Others		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue and expenses</b>																
<b>Revenue</b>																
External sales	2,831,858	2,515,975	33,589	30,255	-	153	7,721	9,155	190,719	53,853	-	-	(13,789)	3,121	3,050,098	2,612,512
Inter-segment sales	9,900	16,688	-	-	1,004	1,004	3,471	3,416	-	-	-	-	(14,375)	(21,108)	-	-
Total revenue															3,050,098	2,612,512
<b>Result</b>																
Segment results	289,449	913,295	(45,116)	(18,797)	(11,624)	(10,052)	(14,697)	(10,887)	76,827	30,399	(194)	(138)	60,380	28,736	355,025	932,556
Taxation															(91,834)	87,818
Zakat															(5,599)	(5,345)
Net profit for the year															257,592	1,015,029
<b>Assets</b>																
Segment assets	44,535,442	38,976,306	193,389	30,280	6,565	6,800	72,948	75,478	3,905,804	1,409,027	372	372	(7,625,512)	(2,832,360)	41,089,008	37,665,903
Unallocated corporate assets															-	-
Consolidated total assets															41,089,008	37,665,903
<b>Liabilities</b>																
Segment liabilities	39,732,508	34,288,373	590,736	423,151	132,974	121,585	164,160	152,084	3,797,791	1,375,743	2,891	2,698	(8,193,592)	(3,380,144)	36,227,468	32,983,490
Unallocated corporate liabilities															-	-
Consolidated total liabilities															36,227,468	32,983,490
<b>Other Information</b>																
Capital expenditure	1,183	10,874	13,718	42,415	-	-	157	131	-	-	-	-	-	-	15,058	53,420
Depreciation investment properties and property, plant and equipment	11,602	11,203	-	-	185	198	2,705	2,880	-	-	-	-	228	228	14,720	14,509
Amortisation of land used rights and intangible assets	13,363	12,271	-	-	20	20	190	180	-	-	-	-	-	-	13,573	12,471
Impairment for investments in subsidiaries	2,309	(5,478)	-	-	-	-	-	-	-	-	-	-	(2,309)	5,478	-	-
Non-cash expenses other than depreciation, amortisation and impairment losses	714,965	137,903	33,588	30,255	-	-	25	88	-	-	-	-	(14,065)	(9,594)	734,513	158,652

## (b) Geographical Segments:

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



## Notes to the Financial Statements

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## 42. The operations of Islamic business

Statements of financial position as at 31 December 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Assets</b>					
Cash and short-term funds	(a)	6,026,443	4,447,110	6,023,275	4,434,701
Deposits and placements with financial institutions	(a)	404,402	83,142	–	7,841
Financing	(b)	27,152,155	25,962,554	27,152,155	25,962,554
Other receivables	(c)	672,837	776,974	667,182	758,386
Sukuk Commodity Murabahah		–	–	3,792,751	1,373,565
Financial Investment AFS		983,354	–	983,354	–
Amount due from a subsidiary		–	–	4,753	1,806
<b>Total assets</b>		<b>35,239,191</b>	<b>31,269,780</b>	<b>38,623,470</b>	<b>32,538,853</b>
<b>Liabilities</b>					
Deposits from customers	(d)	22,491,784	21,054,086	22,491,784	21,054,086
Other payables	(e)	4,865,787	4,328,524	4,865,459	4,328,102
Bank borrowings		750,419	600,510	750,419	600,510
Other borrowings		50,181	150,544	50,181	150,544
Recourse obligation on financing sold		1,433,445	1,477,120	1,433,445	1,477,120
Amount due to a subsidiary, Jana Kapital Sdn. Bhd. ("JKSB")		–	–	3,494,863	1,302,779
Sukuk - MBSB SC Murabahah		2,827,955	1,150,124	2,827,955	1,150,124
Provision for taxation		220,906	201,552	218,663	201,552
Provision for zakat		7,816	5,712	7,816	5,712
<b>Total liabilities</b>		<b>32,648,293</b>	<b>28,968,172</b>	<b>36,140,585</b>	<b>30,270,529</b>
Islamic fund		4,000	4,000	4,000	4,000
AFS reserve		1,566	–	1,566	–
Retained profits		2,585,332	2,297,608	2,477,319	2,264,324
		<b>2,590,898</b>	<b>2,301,608</b>	<b>2,482,885</b>	<b>2,268,324</b>
<b>Total liabilities and Islamic fund</b>		<b>35,239,191</b>	<b>31,269,780</b>	<b>38,623,470</b>	<b>32,538,853</b>

## Notes to the Financial Statements

31 December 2015

## 42. The operations of Islamic business (cont'd.)

Statements of comprehensive income for the year ended 31 December 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income derived from investment of general investment deposits and Islamic capital funds	(f)	2,395,635	1,995,329	2,318,043	1,964,586
Income attributable to depositors		(1,035,244)	(891,729)	(1,035,244)	(891,729)
Income attributable to sukuk		(271,382)	(76,196)	(271,382)	(76,196)
Net income from financing operations		1,089,009	1,027,404	1,011,417	996,661
Other income		54,358	68,844	54,358	68,844
Profit expenses		(180)	(64)	-	-
Other expenses	(g)	(187,827)	(186,229)	(187,242)	(185,948)
Allowance for losses on financing		(583,417)	(73,350)	(583,417)	(73,350)
Profit before taxation and zakat		371,943	836,605	295,116	806,207
Taxation	(i)	(78,620)	(26,610)	(76,522)	(26,157)
Zakat		(5,599)	(5,345)	(5,599)	(5,345)
Profit for the year		287,724	804,650	212,995	774,705
Other comprehensive income		1,566	-	1,566	-
Total comprehensive income for the year, net of tax		289,290	804,650	214,561	774,705

## Notes to the Financial Statements

31 December 2015

## 42. The operations of Islamic business (cont'd.)

Statements of changes in equity for the year ended 31 December 2015

Group	Islamic fund RM'000	Retained profits RM'000	AFS reserve RM'000	Total RM'000
At 1 January 2014	4,000	1,492,958	-	1,496,958
Profit for the year	-	804,650	-	804,650
<b>At 31 December 2014</b>	<b>4,000</b>	<b>2,297,608</b>	<b>-</b>	<b>2,301,608</b>
At 1 January 2015	4,000	2,297,608	-	2,301,608
Profit for the year	-	287,724	-	287,724
Other comprehensive income for the year	-	-	1,566	1,566
<b>At 31 December 2015</b>	<b>4,000</b>	<b>2,585,332</b>	<b>1,566</b>	<b>2,590,898</b>

Company	Islamic fund RM'000	Retained profits RM'000	AFS reserve RM'000	Total RM'000
At 1 January 2014	4,000	1,489,619	-	1,493,619
Profit for the year	-	774,705	-	774,705
<b>At 31 December 2014</b>	<b>4,000</b>	<b>2,264,324</b>	<b>-</b>	<b>2,268,324</b>
At 1 January 2015	4,000	2,264,324	-	2,268,324
Profit for the year	-	212,995	-	212,995
Other comprehensive income for the year	-	-	1,566	1,566
<b>At 31 December 2015</b>	<b>4,000</b>	<b>2,477,319</b>	<b>1,566</b>	<b>2,482,885</b>

## Notes to the Financial Statements

31 December 2015

## 42. The operations of Islamic business (cont'd.)

Statements of cash flows for the year ended 31 December 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation and zakat	371,943	836,605	295,116	806,207
Adjustments for:				
Profit income adjustments on:				
- Financing	90,233	265,461	90,233	265,461
- Sukuk Commodity Murabahah	-	-	(113,155)	(23,110)
- Sukuk - MBSB SC Murabahah	(13,651)	(2,173)	(13,651)	(2,173)
- Profit payable on Financial Investment AFS	(8,884)	-	(8,884)	-
Allowance for impairment losses on financing	583,417	73,350	583,417	73,350
Operating profit before working capital changes	1,023,058	1,173,243	833,076	1,119,735
Increase in deposits with financial institutions	(321,260)	(76,456)	7,841	(1,155)
Increase in financing	(1,863,251)	(1,288,374)	(1,863,251)	(1,288,374)
Decrease in other receivables	246,403	64,362	233,325	83,168
Increase in Sukuk Commodity Murabahah	-	-	(2,306,031)	(771,809)
Investment in financial instrument available for sale	(972,905)	-	(972,905)	-
Increase/(decrease) in deposits from customers	1,437,698	(30,176)	1,437,698	(30,176)
Increase in bank borrowings	149,909	(100,325)	149,909	(100,325)
Decrease in other borrowings	(100,363)	378	(100,363)	378
Amount due to SPV	-	-	2,192,084	728,292
Amount due from subsidiary	-	-	(2,947)	(1,775)
Increase/(decrease) in other payables	537,264	(89,157)	537,358	(89,342)
Increase in Sukuk - MBSB SC Murabahah	1,691,482	659,601	1,691,482	659,601
(Decrease)/increase in recourse obligation on financing sold	(43,675)	994,288	(43,675)	994,288
Cash generated from operations	1,784,360	1,307,384	1,793,601	1,302,506
Taxation paid	(201,552)	-	(201,552)	-
Zakat paid	(3,475)	(3,620)	(3,475)	(3,620)
Net cash generated from operating activities	1,579,333	1,303,764	1,588,574	1,298,886
Net increase in cash and cash equivalents	1,579,333	1,303,764	1,588,574	1,298,886
Cash and cash equivalents at beginning of financial year	4,447,110	3,143,346	4,434,701	3,135,815
Cash and cash equivalents at end of financial year	6,026,443	4,447,110	6,023,275	4,434,701

## Notes to the Financial Statements

31 December 2015

## 42. The operations of Islamic business (cont'd.)

Statements of cash flows for the year ended 31 December 2015 (cont'd.)

## (a) Cash and short-term funds and deposits and placements with financial institutions

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and short-term funds:				
Cash at banks	1,255,382	308,226	1,252,214	295,817
Money at call	-	2,338,472	-	2,338,472
Deposits and placements with financial institutions with maturity less than one month	4,771,061	1,800,412	4,771,061	1,800,412
	<b>6,026,443</b>	<b>4,447,110</b>	<b>6,023,275</b>	<b>4,434,701</b>
Deposits and placements with financial institutions with maturity of more than one month	404,402	83,142	-	7,841
	<b>6,430,845</b>	<b>4,530,252</b>	<b>6,023,275</b>	<b>4,442,542</b>

The weighted average effective yield rates of deposits with financial institutions at the reporting date was 4.51% (2014: 3.85%).

## (b) Financing

	Group and Company	
	2015 RM'000	2014 RM'000
(i) By type:		
Term financing		
Corporate financing	6,933,062	2,204,727
Property financing	5,182,894	4,244,196
Personal financing	37,283,850	39,240,740
Auto financing	277,847	139,741
Staff financing	19,528	20,324
Less: Unearned income	(21,221,960)	(19,143,455)
	<b>28,475,221</b>	<b>26,706,273</b>
Allowance for impaired financing:		
- Collective allowance	(1,323,066)	(743,719)
Net financing	<b>27,152,155</b>	<b>25,962,554</b>
(ii) By contract:		
Bai Bithaman Ajil (deferred payment sale)	1,884,525	1,699,574
Bai Al-Inah (cost-plus)	14,055,842	14,354,164
Tawarruq	9,357,064	9,178,015
Contract financing	3,177,790	1,474,520
	<b>28,475,221</b>	<b>26,706,273</b>

## Notes to the Financial Statements

31 December 2015

### 42. The operations of Islamic business (cont'd.)

#### (b) Financing (cont'd.)

	Group and Company	
	2015 RM'000	2014 RM'000
(iii) Impaired financing		
Balance as at 1 January	1,158,286	616,734
Classified as impaired during the year	1,222,724	1,678,475
Reclassified as non-impaired during the year	(954,837)	(1,136,111)
Amount recovered	-	(812)
Balance as at 31 December	1,426,173	1,158,286
Collective allowance	(952,458)	(404,518)
Individual allowance	-	-
Allowance for impairment	(952,458)	(404,518)
Net impaired financing	473,715	753,768
Net impaired financing as a percentage of net financing	1.7%	2.8%

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

	Group and Company	
	2015 RM'000	2014 RM'000
<b>Collective impairment</b>		
Balance as at 1 January	743,719	672,230
Impairment during the year	578,858	71,428
Reclassification*	489	61
Balance as at 31 December	1,323,066	743,719
* Reclassification of collective allowance (out of)/into the Islamic fund.		
<b>Individual Impairment</b>		
Balance as at 1 January	-	246
Write back during the year	-	(246)
Balance as at 31 December	-	-

#### (c) Other receivables

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred expenses due to issuance of Sukuk Commodity Murabahah	169	178	-	-
Deferred expenses due to issuance of Sukuk - MBSB SC Murabahah	3,257	3,425	3,257	3,425
Deferred tax asset	319,779	175,395	317,536	175,395
Others	349,632	597,976	346,389	579,566
	672,837	776,974	667,182	758,386

## Notes to the Financial Statements

31 December 2015

## 42. The operations of Islamic business (cont'd.)

## (d) Deposits from customers

## (i) By type of deposit:

	Group and Company	
	2015	2014
	RM'000	RM'000
Al-Wadiah savings account	36,634	39,173
Mudharabah Fund	22,455,150	21,014,913
	<b>22,491,784</b>	<b>21,054,086</b>

## (ii) By type of customer:

	Group and Company	
	2015	2014
	RM'000	RM'000
Business enterprises	22,024,227	20,974,357
Individuals	467,557	79,729
	<b>22,491,784</b>	<b>21,054,086</b>

## (iii) By maturity of deposits from customers:

	Group and Company	
	2015	2014
	RM'000	RM'000
Within one year	20,749,239	19,972,862
More than one year	1,742,545	1,081,224
	<b>22,491,784</b>	<b>21,054,086</b>

## (e) Other payables

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interbranch balances	2,932,930	2,550,231	2,932,930	2,550,231
Al-Mudharabah security deposits	101,947	94,946	101,947	94,946
Disbursement payable	82,496	62,299	82,496	62,299
Proportionate operating expenses	666,348	520,892	666,348	520,892
Deferred income	41,210	86,365	41,210	86,365
Others	1,040,856	1,013,791	1,040,528	1,013,369
	<b>4,865,787</b>	<b>4,328,524</b>	<b>4,865,459</b>	<b>4,328,102</b>



## Notes to the Financial Statements

31 December 2015

## 42. The operations of Islamic business (cont'd.)

## (f) Income derived from investment of general investment deposits and Islamic capital funds

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financing	2,021,890	1,836,402	2,021,890	1,836,402
Profit income from				
Sukuk Commodity Murabahah	181,747	52,038	113,127	23,111
Financial investment AFS	7,322	-	7,322	-
Deposits with financial institutions	184,676	106,889	175,704	105,073
	<b>2,395,635</b>	<b>1,995,329</b>	<b>2,318,043</b>	<b>1,964,586</b>

## (g) Other expenses

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personnel expenses (Note 42(h))	87,343	63,800	87,343	63,800
Promotion and marketing related expenses	8,284	9,461	8,284	9,461
General administrative expenses	92,200	112,968	91,615	112,687
	<b>187,827</b>	<b>186,229</b>	<b>187,242</b>	<b>185,948</b>

## (h) Personnel expenses

	Group and Company	
	2015 RM'000	2014 RM'000
Wages and salaries	76,290	55,838
Social security costs	505	347
Pension costs - Employees Provident Fund	10,548	7,615
	<b>87,343</b>	<b>63,800</b>

## Notes to the Financial Statements

31 December 2015

## 42. The operations of Islamic business (cont'd.)

## (i) Taxation

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year.

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before taxation and zakat	371,943	836,605	295,116	806,207
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	92,986	209,151	73,779	201,552
Effect of change in statutory tax rate on deferred tax	5,793	-	5,793	-
Effect on opening deferred tax of reduction in Malaysian income tax rate	7,437	-	7,437	-
Income not subject to tax	(16,964)	(7,146)	-	-
Expenses not deductible for tax purposes	48	-	48	-
Overprovision of deferred tax in prior years	(10,535)	(175,395)	(10,535)	(175,395)
Overprovision of income tax expense in prior years	(145)	-	-	-
Tax expense for the year	78,620	26,610	76,522	26,157

## Notes to the Financial Statements

31 December 2015

### 42. The operations of Islamic business (cont'd.)

#### (j) Yield/profit rate risk

The table below summarises the Group's and the Company's exposure to yield/profit rate risk for the Islamic business operations. The table indicates effective average yield/profit rates at the reporting date and the periods in which the financial instruments either reprice or mature, whichever is earlier.

Group 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average yield/ profit rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	6,026,443	6,026,443	
Deposits and placements with financial institutions	-	-	-	-	-	404,402	404,402	
Financing:								
- non-impaired	4,041,164	-	-	-	-	22,637,276	26,678,440	7.38
- impaired	-	-	-	-	-	473,715	473,715	
Other receivables	-	-	-	-	-	672,837	672,837	
Financial investments available-for-sale	-	-	-	-	-	983,354	983,354	
<b>Total assets</b>	<b>4,041,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,198,027</b>	<b>35,239,191</b>	
<b>Liabilities</b>								
Deposits from customers	-	-	-	-	-	22,491,784	22,491,784	
Recourse obligation on financing sold	-	-	-	-	-	1,433,445	1,433,445	
Sukuk - MBSB SC Murabahah	-	-	-	-	-	2,827,955	2,827,955	
Other liabilities	-	-	-	-	-	5,895,109	5,895,109	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,648,293</b>	<b>648,293</b>	
Equity	-	-	-	-	-	2,590,898	2,590,898	
<b>Total liabilities and equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,239,191</b>	<b>35,239,191</b>	
On-balance sheet yield/profit sensitivity gap	4,041,164	-	-	-	-	(4,041,164)	-	
<b>Total yield/profit sensitivity gap</b>	<b>4,041,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,041,164)</b>	<b>-</b>	

## Notes to the Financial Statements

31 December 2015

## 42. The operations of Islamic business (cont'd.)

## (j) Yield/profit rate risk (cont'd.)

Company 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average yield/ profit rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	6,023,275	6,023,275	
Deposits and placements with financial institutions	-	-	-	-	-	-	-	
Financing:								
- non-impaired	4,041,164	-	-	-	-	22,637,276	26,678,440	7.38
- impaired	-	-	-	-	-	473,715	473,715	
Sukuk Commodity Murabahah	-	-	-	-	-	3,792,751	3,792,751	
Other receivables	-	-	-	-	-	671,935	671,935	
Financial investments available-for-sale	-	-	-	-	-	983,354	983,354	
<b>Total assets</b>	<b>4,041,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,582,306</b>	<b>38,623,470</b>	
<b>Liabilities</b>								
Deposits from customers	-	-	-	-	-	22,491,784	22,491,784	
Recourse obligation on financing sold	-	-	-	-	-	1,433,445	1,433,445	
Sukuk - MBSB SC Murabahah	-	-	-	-	-	2,827,955	2,827,955	
Amount due to SPV	-	-	-	-	-	3,494,863	3,494,863	
Other liabilities	-	-	-	-	-	5,892,538	5,892,538	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,140,585</b>	<b>36,140,585</b>	
Equity	-	-	-	-	-	2,482,885	2,482,885	
<b>Total liabilities and equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,623,470</b>	<b>38,623,470</b>	
On-balance sheet yield/ profit sensitivity gap	4,041,164	-	-	-	-	(4,041,164)	-	
<b>Total yield/profit sensitivity gap</b>	<b>4,041,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,041,164)</b>	<b>-</b>	

## Notes to the Financial Statements

31 December 2015

### 42. The operations of Islamic business (cont'd.)

#### (j) Yield/profit rate risk (cont'd.)

Group 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average yield/ profit rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	4,447,110	4,447,110	
Deposits and placements with financial institutions	-	-	-	-	-	83,142	83,142	
Financing:								
- non-impaired	2,185,738	-	-	-	-	23,023,048	25,208,786	7.58
- impaired	-	-	-	-	-	753,768	753,768	
Other receivables	-	-	-	-	-	601,579	601,579	
<b>Total assets</b>	<b>2,185,738</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,908,647</b>	<b>31,094,385</b>	
<b>Liabilities</b>								
Deposits from customers	-	-	-	-	-	21,054,086	21,054,086	
Recourse obligation on financing sold	-	-	-	-	-	1,477,120	1,477,120	
Sukuk - MBSB SC Murabahah	-	-	-	-	-	1,150,124	1,150,124	
Other liabilities	-	-	-	-	-	5,111,447	5,111,447	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,792,777</b>	<b>28,792,777</b>	
Equity	-	-	-	-	-	2,301,608	2,301,608	
<b>Total liabilities and equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,094,385</b>	<b>31,094,385</b>	
On-balance sheet yield/profit sensitivity gap	2,185,738	-	-	-	-	(2,185,738)	-	
<b>Total yield/profit sensitivity gap</b>	<b>2,185,738</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,185,738)</b>	<b>-</b>	

## Notes to the Financial Statements

31 December 2015

## 42. The operations of Islamic business (cont'd.)

## (j) Yield/profit rate risk (cont'd.)

Company 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average yield/ profit rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	4,434,701	4,434,701	
Deposits and placements with financial institutions	-	-	-	-	-	7,841	7,841	
Financing:								
- non-impaired	2,185,738	-	-	-	-	23,023,048	25,208,786	7.58
- impaired	-	-	-	-	-	753,768	753,768	
Sukuk Commodity Murabahah	-	-	-	-	-	1,373,565	1,373,565	
Other receivables	-	-	-	-	-	584,797	584,797	
<b>Total assets</b>	2,185,738	-	-	-	-	30,177,220	32,363,458	
<b>Liabilities</b>								
Deposits from customers	-	-	-	-	-	21,054,086	21,054,086	
Recourse obligation on financing sold	-	-	-	-	-	1,477,120	1,477,120	
Sukuk - MBSB SC Murabahah	-	-	-	-	-	1,150,124	1,150,124	
Amount due to SPV	-	-	-	-	-	1,302,779	1,302,779	
Other liabilities	-	-	-	-	-	5,111,025	5,111,025	
<b>Total liabilities</b>	-	-	-	-	-	30,095,134	30,095,134	
Equity	-	-	-	-	-	2,268,324	2,268,324	
<b>Total liabilities and equity</b>	-	-	-	-	-	32,363,458	32,363,458	
On-balance sheet yield/profit sensitivity gap	2,185,738	-	-	-	-	(2,185,738)	-	
<b>Total yield/profit sensitivity gap</b>	2,185,738	-	-	-	-	(2,185,738)	-	

## 43. Significant events

The Group had on 1 October 2015, received a letter from Bank Negara Malaysia ("BNM") dated 30 September 2015 which states that BNM has no objection in principle for the Company to commence negotiations with the existing shareholders of Bank Muamalat Malaysia Berhad ("BMMB"), namely DRB-Hicom Berhad ("DRB") and Khazanah Nasional Berhad ("Khazanah"), for a proposed merger of MBSB and BMMB ("the Proposed Merger").

On 2 February 2016, the Board of Directors of the Company announced that the Company, DRB and Khazanah have not been able to reach an agreement on the terms and conditions of the Proposed Merger. Accordingly, the parties have mutually agreed to end all discussions and not proceed with the proposed merger.

## Notes to the Financial Statements

31 December 2015

**44. Supplementary information - realised and unrealised profits and losses**

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

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

	Group	
	2015 RM'000	2014 RM'000
Total retained earnings/(accumulated losses) of the Group:		
- Realised	306,918	517,570
- Unrealised	508,937	366,116
	<b>818,855</b>	<b>883,686</b>
Add: Consolidation adjustments	<b>(226,579)</b>	<b>(226,579)</b>
Group retained earnings/(accumulated losses)	<b>589,276</b>	<b>657,107</b>
	Company	
	2015 RM'000	2014 RM'000
Total retained earnings/(accumulated losses) of the Company:		
- Realised	34,006	308,136
- Unrealised	496,664	354,491
Company retained earnings/(accumulated losses)	<b>530,670</b>	<b>662,627</b>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

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



# Proxy Form



CDS Account No.	Number of Shares Held

I/We \_\_\_\_\_ NRIC No./Company No. \_\_\_\_\_

Tel No. \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ being a member/members of MALAYSIA BUILDING SOCIETY BERHAD hereby appoint

\_\_\_\_\_ NRIC No. \_\_\_\_\_

of \_\_\_\_\_

or failing him \_\_\_\_\_ NRIC No. \_\_\_\_\_

of \_\_\_\_\_

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Grand Nexus, Level 3A, Connexion@Nexus, No. 7 Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur on Thursday, 5 May 2016 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy to vote as indicated hereunder.

NO.	RESOLUTIONS	FOR	AGAINST
<b>Ordinary Business:-</b>			
1.	To declare a Single-Tier Final Dividend of 3.0 sen per ordinary share of RM1.00 each for the financial year ended 31 December 2015. <b>Resolution 1</b>		
2.	To approve payment of Directors' Fees amounting to RM789,167.00 for the financial year ended 31 December 2015. <b>Resolution 2</b>		
3.	To re-elect Datuk Syed Zaid bin Syed Jaffar Albar who retire in accordance with Article 86 of the Company's Articles of Association and who being eligible offer himself for re-election. <b>Resolution 3</b>		
4.	To re-elect Dato' Jasmy bin Ismail who retire in accordance with Article 86 of the Company's Articles of Association and who being eligible offer himself for re-election. <b>Resolution 4</b>		
5.	To re-elect Ir. Moslim bin Othman who retire in accordance with Article 78 of the Company's Articles of Association and who being eligible offer himself for re-election. <b>Resolution 5</b>		
6.	To consider and if thought fit, to pass the following resolution in accordance with Section 129 (6) of the Companies Act, 1965:-  *That Tan Sri Abdul Halim bin Ali, retiring pursuant to Section 129 (6) of the Companies Act, 1965, be re-appointed a Director of the Company to hold office until the next Annual General Meeting.* <b>Resolution 6</b>		
7.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration. <b>Resolution 7</b>		
<b>Special Business:-</b>			
8.	To authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965. <b>Resolution 8</b>		
9.	To allot and issue shares in relation to the Dividend Reinvestment Plan. <b>Resolution 9</b>		

Date : \_\_\_\_\_ Signed \_\_\_\_\_ in the presence of: \_\_\_\_\_

## Notes:

- For the purpose of determining a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 58A(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 25 April 2016. Only a depositor whose name appears on the Record of Depositors as at 25 April 2016 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
- A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.
- In the case of a corporate body, the proxy appointed must be in accordance with its Memorandum & Articles of Association and the instrument appointing a proxy shall be given under the company's common seal or under the hand of an officer or attorney duly authorised.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- To be valid, the duly completed instrument appointing a proxy must be deposited at the Company's registered office at 11th Floor, Wisma MBSB, 48 Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

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STAMP

**Secretarial Division**  
**MALAYSIA BUILDING SOCIETY BERHAD** (9417-K)  
11th Floor, Wisma MBSB  
No. 48, Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur

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