

**THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

If you have sold or transferred all the MBSB Shares, you should at once hand this Abridged Prospectus together with the NPA and the RSF to the agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue, which is the subject of this Abridged Prospectus, should be addressed to the Company's Share Registrar, Equiniti Services Sdn Bhd, at Level 8, Menara MIDF, 82, Jalan Raja Chulan 50200 Kuala Lumpur.

This Abridged Prospectus, together with the NPA and the RSF are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue is not intended to be (and will not be) made or offered or deemed to be made or offered for purchase or subscription, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which this Abridged Prospectus relates is only available to the persons receiving this Abridged Prospectus and the RSF electronically or otherwise within Malaysia. Accordingly, this Abridged Prospectus and the accompanying documents relating to the Rights Issue will not be despatched to the Entitled Shareholders who do not have a registered address in Malaysia as stated in the Record of Depositors of MBSB on the Entitlement Date. It shall be the sole responsibility of the Entitled Shareholders who are or may be subject to the laws of country or jurisdiction other than Malaysia to consult their legal advisers and/or other professional advisers as to whether the acceptance in any manner whatsoever of the Rights Issue would result in the contravention of any law of such country or jurisdiction. Neither MBSB, AmInvestment Bank, Deutsche Bank nor any other advisers to the Rights Issue shall accept any responsibility or liability in the event that any acceptance or sale/transfer of the provisional allotment of the Rights Shares made by the Entitled Shareholders and/or their renounees shall become illegal, unenforceable, voidable or void in any such country or jurisdiction. Deutsche Bank is a Joint Global Coordinator and has not and will not be undertaking any activities in relation to the offering or sale of the Rights Shares and Deutsche Bank does not and will not have any liability whatsoever in relation to or arising from the Abridged Prospectus (save and except for information relating to Deutsche Bank).

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus, together with the NPA and the RSF, has also been lodged with the Registrar of Companies, who takes no responsibility for their contents.

Approval for the Rights Issue has been obtained from the MBSB Shareholders at the EGM held on 10 December 2013. Approval has been obtained from Bursa Securities vide its letter dated 18 November 2013 for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities. The listing of and quotation for the Rights Shares will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/or their renounees (if applicable) who have subscribed for the Rights Shares, have been duly credited and notices of allotment have been despatched to them. The listing of and quotation for the Rights Shares on Bursa Securities is in no way reflective of the merits of the Rights Issue.

All the documentation relating to the Rights Issue have been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in these documents false or misleading.

AmInvestment Bank, being the Principal Adviser, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE SEE "RISK FACTORS" AS SET OUT IN SECTION 6 OF THIS ABRIDGED PROSPECTUS.**



## MALAYSIA BUILDING SOCIETY BERHAD

(Company No. 9417-K)

(Incorporated in Malaysia under the Companies Act, 1965)

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 889,807,870 NEW ORDINARY SHARES OF RM1.00 EACH IN MALAYSIA BUILDING SOCIETY BERHAD ("MBSB" OR "COMPANY") ("MBSB SHARES") ("RIGHTS SHARES") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING MBSB SHARES HELD BY THE ENTITLED SHAREHOLDERS AT 5.00 P.M. ON 26 DECEMBER 2013 AT AN ISSUE PRICE OF RM1.65 PER RIGHTS SHARE**

*Principal Adviser, Managing & Joint Underwriter, Lead Manager and Joint Global Coordinator*



**AmInvestment Bank**

**AmInvestment Bank Berhad**

(Company No. 23742-V)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

*Joint Global Coordinator*

*Joint Underwriters*



**AFFIN INVESTMENT BANK**

AFFIN INVESTMENT BANK BERHAD (9999-V)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)



**RHB Investment Bank Berhad**

(Company No. 19663-F)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

### IMPORTANT RELEVANT DATES AND TIMES

Entitlement Date..... : Thursday, 26 December 2013 at 5.00 p.m.

**Last date and time for the:**

Sale of Provisional Allotment of Rights Shares ..... : Friday, 3 January 2014 at 5.00 p.m.

Transfer of Provisional Allotment of Rights Shares ..... : Wednesday, 8 January 2014 at 4.00 p.m.

Acceptance and Payment..... : Monday, 13 January 2014 at 5.00 p.m.\*

Excess Application and Payment..... : Monday, 13 January 2014 at 5.00 p.m.\*

\* or such later date and time as the Board may decide in its absolute discretion and announce not less than two (2) Market Days before the stipulated date and time

This Abridged Prospectus is dated 26 December 2013.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS. A COPY OF THIS ABRIDGED PROSPECTUS HAS BEEN REGISTERED WITH THE SC.

SHAREHOLDERS / INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

THE COMPANY HAS APPOINTED DEUTSCHE BANK AS JOINT GLOBAL COORDINATOR FOR THE PURPOSE OF MANAGING THE RIGHTS ISSUE OUTSIDE MALAYSIA (AND ALL SUCH ACTIVITIES WILL BE UNDERTAKEN BY DEUTSCHE BANK OUTSIDE MALAYSIA AND WILL NOT INVOLVE THE OFFERING OR SALE OF THE RIGHTS SHARES). DEUTSCHE BANK DOES NOT AND WILL NOT HAVE ANY LIABILITY WHATSOEVER IN RELATION TO OR ARISING FROM THIS ABRIDGED PROSPECTUS (SAVE AND EXCEPT FOR THOSE INFORMATION IN RELATION TO DEUTSCHE BANK).

THE DISTRIBUTION OF THIS ABRIDGED PROSPECTUS TOGETHER WITH THE NPA AND THE RSF ("DOCUMENTS") IS SUBJECT TO MALAYSIAN LAWS. THE COMPANY, AMINVESTMENT BANK, DEUTSCHE BANK AND/OR ANY OTHER ADVISERS TO THE RIGHTS ISSUE ("ADVISERS") ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE COMPANY AND ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF MBSB SHARES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY MBSB SHARES IN ANY JURISDICTION OTHER THAN MALAYSIA. THE COMPANY AND ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THIS ABRIDGED PROSPECTUS IS NOT AN OFFER FOR SALE OF THE SECURITIES IN THE UNITED STATES. THE RIGHTS SHARES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED ("U.S. SECURITIES ACT"), NEITHER THE COMPANY NOR ANY SELLER OF SECURITIES INTENDS TO REGISTER ANY PORTION OF ANY OFFERING IN UNITED STATES OR TO CONDUCT A PUBLIC OFFERING OF SECURITIES IN THE UNITED STATES. NEITHER THIS ABRIDGED PROSPECTUS NOR ANY COPY THEREOF MAY BE TAKEN, TRANSMITTED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, INTO THE UNITED STATES OR OUTSIDE OF MALAYSIA. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF THE U.S SECURITIES LAWS, EACH SUBSCRIBER ACKNOWLEDGES THAT THE RIGHTS SHARES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES. BY ACCEPTING THIS ABRIDGED PROSPECTUS, YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATION.

SHAREHOLDERS / INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR FACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, INCLUDING, *INTER ALIA*, DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

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## DEFINITIONS

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For the purpose of this Abridged Prospectus, unless where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus:-

<b>Abridged Prospectus</b>	:	This abridged prospectus dated 26 December 2013 issued by MBSB in relation to the Rights Issue
<b>Act</b>	:	The Companies Act, 1965
<b>Additional Warrants</b>	:	New additional warrants to be issued to holder(s) of Warrants pursuant to the adjustment made to the Warrants as specified in the deed poll dated 21 April 2011
<b>Affin Investment Bank</b>	:	Affin Investment Bank Berhad (Company No. 9999-V)
<b>Angkasa</b>	:	Angkatan Koperasi Kebangsaan Malaysia Bhd
<b>AmInvestment Bank or Principal Adviser or Managing Underwriter or Lead Manager</b>	:	AmInvestment Bank Berhad (Company No. 23742-V)
<b>Bloomberg</b>	:	Bloomberg (Malaysia) Sdn Bhd (Company No. 462050-K)
<b>BNM</b>	:	Bank Negara Malaysia
<b>Board</b>	:	Board of Directors of MBSB
<b>Bursa Depository</b>	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
<b>Bursa Depository Rules</b>	:	The rules of the Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991 including any amendments thereof issued by Bursa Depository from time to time
<b>Bursa Securities</b>	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
<b>Cagamas</b>	:	Cagamas Berhad
<b>CDS Account(s)</b>	:	The account(s) established by Bursa Depository for the recording of deposit and withdrawal of securities and for the dealing in such securities by the depositor
<b>CMSA</b>	:	Capital Markets and Services Act, 2007
<b>Code</b>	:	Malaysian Code on Take-Overs and Mergers, 2010
<b>Director(s)</b>	:	Director(s) of MBSB
<b>DRP</b>	:	Dividend reinvestment plan that gives Shareholders the option to elect to reinvest their dividend entitlements (representing cash dividends declared by MBSB including interim, final, special or any other cash dividends) in new MBSB Shares
<b>Deutsche Bank</b>	:	Deutsche Bank AG, Hong Kong Branch
<b>EBITDA</b>	:	Earnings before interest, taxation, depreciation and amortisation
<b>EGM</b>	:	Extraordinary General Meeting of MBSB held on 10 December 2013

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**DEFINITIONS (CONT'D)**

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<b>Electable Portion</b>	:	The whole or a portion of a dividend, that may be declared by MBSB to which the Board, at its absolute discretion, determines that the Option to Reinvest applies
<b>Entitlement Date</b>	:	26 December 2013 at 5.00 p.m., being the date and time at which the names of the shareholder(s) of MBSB must appear in the Record of Depositors in order to be entitled to participate in the Rights Issue
<b>Entitled Shareholder(s)</b>	:	Shareholder(s) of MBSB whose name(s) appear in the Record of Depositors of the Company on the Entitlement Date
<b>EPF</b>	:	Employees Provident Fund Board
<b>EPS</b>	:	Earnings per Share
<b>ESOS</b>	:	Employees' Share Option Scheme of MBSB
<b>ESOS Option(s)</b>	:	Option(s) granted and/or to be granted to eligible employees and directors of MBSB Group in accordance with the by-laws of MBSB's ESOS to subscribe for new MBSB Shares
<b>Excess Application</b>	:	Application for additional Rights Shares in excess of the Entitled Shareholder's entitlement under the Rights Issue as set out in Section 10.5 of this Abridged Prospectus
<b>FPE</b>	:	Financial period ended
<b>FYE</b>	:	Financial year(s) ended/ending, as the case may be
<b>Joint Global Coordinators</b>	:	AmInvestment Bank and Deutsche Bank
<b>Joint Underwriters</b>	:	AmInvestment Bank, RHB Investment Bank and Affin Investment Bank
<b>Listing Requirements</b>	:	Main Market Listing Requirements of Bursa Securities
<b>LPD</b>	:	29 November 2013, being the latest practicable date prior to the printing of this Abridged Prospectus
<b>Market Day</b>	:	A day on which Bursa Securities is open for the trading of securities
<b>Maximum Scenario</b>	:	Assuming 16,931,321 ESOS Options which can be exercised prior to the Entitlement Date and the Warrants, will be fully exercised prior to the Entitlement Date. The Remaining ESOS Options are assumed to be exercised after the completion of the Rights Issue
<b>MBSB or Company</b>	:	Malaysia Building Society Berhad (9417-K)
<b>MBSB Group or Group</b>	:	MBSB and its subsidiaries
<b>MBSB Share(s)</b>	:	Ordinary share(s) of RM1.00 each in MBSB
<b>MBSB Shareholder(s) or Shareholder(s)</b>	:	Shareholder(s) of MBSB
<b>Member(s)</b>	:	Any person(s) whose names appears in the Record of Depositors being the holder of MBSB Share
<b>Minimum Scenario</b>	:	Assuming that none of the ESOS Options and Warrants are exercised prior to the Entitlement Date

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**DEFINITIONS (CONT'D)**

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<b>NA</b>	:	Net assets
<b>NPA</b>	:	Notice of provisional allotment issued pursuant to the Rights Issue
<b>NTA</b>	:	Net tangible assets
<b>Option to Reinvest</b>	:	Option given to the Shareholders pursuant to the DRP, to reinvest the Electable Portion of their dividend in new MBSB Shares as the Board may, at its absolute discretion, make available
<b>PAT</b>	:	Profit after tax
<b>PBT</b>	:	Profit before tax
<b>Price-Fixing Date</b>	:	10 December 2013, being the date on which the issue price of the Rights Issue was determined and announced by the Company
<b>RHB Investment Bank</b>	:	RHB Investment Bank Berhad (Company No. 19663-P)
<b>Record of Depositors</b>	:	The record of depositors in relation to the securities of the Company issued from time to time by Bursa Depository to the Company at the request of the Company under the provisions of Section 34 of the Securities Industry (Central Depositories) Act 1991 and Chapter 24.0 of the Bursa Depository Rules
<b>Remaining ESOS Options</b>	:	The remaining 21,560,123 ESOS Options which can only be exercised in the coming years after the Entitlement Date
<b>Rights Issue</b>	:	Renounceable rights issue of up to 889,807,870 Rights Shares on the basis of one (1) Rights Share for every two (2) existing MBSB Shares held on the Entitlement Date
<b>Rights Share(s)</b>	:	Up to 889,807,870 new MBSB Share(s) to be issued under the Rights Issue
<b>RM and sen</b>	:	Ringgit Malaysia and sen respectively
<b>RSF</b>	:	Rights subscription form issued pursuant to the Rights Issue
<b>SC</b>	:	Securities Commission Malaysia
<b>Share Registrar</b>	:	Equiniti Services Sdn Bhd (Company No. 11324-H)
<b>Structured Covered Sukuk Programme</b>	:	The 15-year structured covered sukuk commodity murabahah programme of up to RM3 billion established by the Company.
<b>Sukuk Murabahah Programme</b>	:	The 16-year sukuk commodity murabahah programme of up to RM4 billion established by the Company's wholly-owned subsidiary, Jana Kapital Sdn Bhd. The establishment of the Sukuk Murabahah Programme is to facilitate the issuance of structured covered sukuk under the Structured Covered Sukuk Programme.
<b>Sukuk Programme</b>	:	The Structured Covered Sukuk Programme and Sukuk Murabahah Programme, collectively
<b>TERP</b>	:	Theoretical ex-rights price

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**DEFINITIONS (CONT'D)**

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- Undertaking** : The irrevocable written undertaking from EPF dated 10 October 2013, to subscribe in full for its entitlement for the Rights Shares, subject to, *inter-alia*, a minimum of 20% discount to the TERP based on the five (5)-day VWAP up to the date preceding the announcement of the Entitlement Date
- Underwriting Agreement** : Underwriting Agreement dated 10 December 2013 entered between MBSB, the Managing Underwriter and the Joint Underwriters relating to the Rights Issue
- VWAP** : Volume-weighted average market price
- Warrant(s)** : Warrant(s) of MBSB constituted by a deed poll executed by MBSB on 21 April 2011

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Abridged Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise stated.

All references to "you" and "your" in this Abridged Prospectus are made to the Entitled Shareholders.

Any discrepancy in the figures included in this Abridged Prospectus between the amounts stated and the totals thereof are due to rounding.

Certain statements in this Abridged Prospectus may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Abridged Prospectus should not be regarded as a representation or warranty that our Company's plans and objectives will be achieved.

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**CORPORATE DIRECTORY**

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**BOARD OF DIRECTORS**

<b>Name (Designation)</b>	<b>Address</b>	<b>Nationality</b>	<b>Profession</b>
Tan Sri Abdul Halim bin Ali <i>(Chairman and Non-Independent Non-Executive Director)</i>	No. 21, Jalan Setiaraya Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director
Datuk Syed Zaid bin Syed Jaffar Albar <i>(Senior Independent Non-Executive Director)</i>	No.5, Jalan Setiamurni 8 Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director
Datuk Shahril Ridza bin Ridzuan <i>(Non-Independent Non-Executive Director)</i>	No. 5, Jalan Rimba Riang 9/1C, Seksyen 9 Kota Damansara 47810 Petaling Jaya Selangor	Malaysian	Company Director
Aw Hong Boo <i>(Independent Non-Executive Director)</i>	No. 15, SS21/17 Damansara Utama 47400 Petaling Jaya Selangor	Malaysian	Company Director
Dato' Jasmy bin Ismail <i>(Independent Non-Executive Director)</i>	No. 22, Jalan 16/6 46350 Petaling Jaya Selangor	Malaysian	Company Director
Lim Tian Huat <i>(Independent Non-Executive Director)</i>	A-17-02, <b>Bangsar Peak</b> No. 17, Jalan Medang Serai, Bangsar 59100 Kuala Lumpur	Malaysian	Company Director
Ravinder Kaur a/p Mahan Singh <i>(Independent Non-Executive Director)</i>	7-2 Mont Kiara Banyan 28 Jalan Kiara Mont Kiara 50480 Kuala Lumpur	Malaysian	Company Director

**PRESIDENT/CHIEF EXECUTIVE OFFICER**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>	<b>Profession</b>
Dato' Ahmad Zaini Othman	53, Lorong Cempaka 2 Bangi Golf Resort 43650 Bandar Baru Bangi Selangor	Malaysian	President/ Chief Executive Officer

**AUDIT COMMITTEE**

<b>Name</b>	<b>Responsibility</b>	<b>Designation</b>
Aw Hong Boo	Chairman	Independent Non-Executive Director
Datuk Shahril Ridza bin Ridzuan	Member	Non-Independent Non-Executive Director
Lim Tian Huat	Member	Independent Non-Executive Director

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**CORPORATE DIRECTORY (CONT'D)**

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- COMPANY SECRETARIES** : Koh Ai Hoon (MAICSA 7006997)  
B0715 Aman Desa Resort Condominium  
Jalan 5/125  
Desa Petaling  
57100 Kuala Lumpur
- Tong Lee Mee (MAICSA 7053445)  
B-7-7, Oakwood Park  
No.1, Jalan Putramas 1  
Sri Putramas  
51200 Kuala Lumpur
- REGISTERED/  
HEAD/MANAGEMENT OFFICE** : 11<sup>th</sup> Floor, Wisma MBSB  
48, Jalan Dungun, Damansara Heights  
50490 Kuala Lumpur  
Tel : 03-2096 3000  
Fax : 03-2096 3144  
Email : registered.office@mbsb.com.my  
Website : www.mbsb.com.my
- AUDITORS FOR MBSB AND  
REPORTING ACCOUNTANTS  
FOR THE RIGHTS ISSUE** : Ernst & Young  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50734 Kuala Lumpur
- SOLICITORS FOR THE RIGHTS  
ISSUE** : Messrs. Mah-Kamariyah & Philip Koh  
3A07, Block B  
Phileo Damansara II  
15 Jalan 16/11  
Off Jalan Damansara  
46350 Petaling Jaya
- INTERNATIONAL SOLICITOR  
FOR DEUTSCHE BANK** : Clifford Chance Pte Ltd  
Marina Bay Financial Centre  
25th Floor, Tower 3  
12 Marina Boulevard  
Singapore 018982
- MALAYSIAN SOLICITOR FOR  
DEUTSCHE BANK** : Messrs. Adnan Sundra & Low  
Level 11, Menara Olympia  
No. 8, Jalan Raja Chulan  
50200 Kuala Lumpur
- PRINCIPAL BANKERS** : Affin Bank Berhad  
17<sup>th</sup> Floor, Menara Affin  
No. 80, Jalan Raja Chulan  
50200 Kuala Lumpur
- Malayan Banking Berhad  
Level 14, Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur
- RHB Bank Berhad  
Level 7, Tower Two & Three  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur

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**CORPORATE DIRECTORY (CONT'D)**

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<b>SHARE REGISTRAR</b>	:	Equiniti Services Sdn Bhd Level 8, Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur
<b>PRINCIPAL ADVISER, MANAGING UNDERWRITER AND LEAD MANAGER FOR THE RIGHTS ISSUE</b>	:	AmInvestment Bank Berhad 22 <sup>nd</sup> Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur
<b>JOINT UNDERWRITERS</b>	:	AmInvestment Bank Berhad 22 <sup>nd</sup> Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur  Affin Investment Bank Berhad 3rd Floor, Chulan Tower No. 3, Jalan Conlay, 50200 Kuala Lumpur  RHB Investment Bank Berhad Level 10, Tower One RHB Centre Jalan Tun Razak 50400 Kuala Lumpur
<b>JOINT GLOBAL COORDINATORS</b>	:	AmInvestment Bank Berhad 22 <sup>nd</sup> Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur  Deutsche Bank AG, Hong Kong Branch Level 52, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
<b>STOCK EXCHANGE LISTING</b>	:	Main Market of Bursa Securities



**MALAYSIA BUILDING SOCIETY BERHAD**  
(Company No. 9417-K)  
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office**  
11<sup>th</sup> Floor, Wisma MBSB  
48, Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur

26 December 2013

### **Board of Directors**

Tan Sri Abdul Halim bin Ali (*Chairman and Non-Independent Non-Executive Director*)  
Datuk Syed Zaid bin Syed Jaffar Albar (*Senior Independent Non-Executive Director*)  
Datuk Shahril Ridza bin Ridzuan (*Non-Independent Non-Executive Director*)  
Aw Hong Boo (*Independent Non-Executive Director*)  
Dato' Jasmy bin Ismail (*Independent Non-Executive Director*)  
Lim Tian Huat (*Independent Non-Executive Director*)  
Ravinder Kaur a/p Mahan Singh (*Independent Non-Executive Director*)

### **To : The Entitled Shareholders**

Dear Sir / Madam,

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 889,807,870 NEW MBSB SHARES ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING MBSB SHARES HELD BY THE ENTITLED SHAREHOLDERS AS AT 5.00 P.M. ON 26 DECEMBER 2013 AT AN ISSUE PRICE OF RM1.65 PER RIGHTS SHARE**

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### **1. INTRODUCTION**

The Board is pleased to inform that MBSB Shareholders had, during the EGM held on 10 December 2013, approved, *inter-alia*, the renounceable rights issue of new MBSB Shares to the Entitled Shareholders to raise maximum gross proceeds of up to RM1.47 billion. A certified true extract of the ordinary resolution approving, *inter-alia*, the Rights Issue at the said EGM is attached as Appendix I of this Abridged Prospectus.

On 19 November 2013, AmInvestment Bank had, on behalf of the Board, announced that Bursa Securities had, amongst others, vide its letter dated 18 November 2013, approved the following:-

- (a) listing of and quotation for the Rights Shares to be issued pursuant to Rights Issue;
- (b) listing of and quotation for the Additional Warrants; and
- (c) listing of and quotation for new MBSB Shares to be issued upon exercise of the Additional Warrants,

The Bursa Securities' approval is subject to, *inter-alia*, the following conditions:-

No.	Condition	Status of compliance
(a)	MBSB and AmInvestment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue	Noted.
(b)	MBSB and AmInvestment Bank to inform Bursa Securities upon the completion of the Rights Issue	To be complied.
(c)	MBSB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue is completed	To be complied.

On 10 December 2013, AmInvestment Bank had, on behalf of the Board, announced that:-

- (a) the issue price of the Rights Shares has been fixed at RM1.65 per Rights Share at an entitlement basis of one (1) Rights Share for every two (2) existing MBSB Shares held by the Entitled Shareholders;
- (b) MBSB has entered into the Underwriting Agreement with the Managing Underwriter and the Joint Underwriters; and
- (c) the Entitlement Date has been fixed on 26 December 2013.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus and if given or made, such information or representation must not be relied upon as having been authorised by AmInvestment Bank or the Company in connection with the Rights Issue.

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

## **2. DETAILS OF THE RIGHTS ISSUE**

### **2.1 Introduction**

In accordance with the terms of the Rights Issue as approved by Bursa Securities as well as MBSB Shareholders and subject to the terms of this Abridged Prospectus and the accompanying documents, the Rights Issue entails a provisionally allotment of up to 889,807,870 Rights Shares on the basis of one (1) Rights Share for every two (2) existing MBSB Shares held by the Entitled Shareholders at an issue price of RM1.65 per Rights Share.

The Rights Issue will raise proceeds of up to RM1,468,182,986.

Shareholders whose names appear in the Record of Depositors as at the Entitlement Date are entitled to participate in the Rights Issue. However, only the Entitled Shareholders who have an address in Malaysia as stated in the Record of Depositors or who have provided the Share Registrar with an address in Malaysia in writing by the Entitlement Date will receive this Abridged Prospectus, together with the NPA and RSF.

The Entitled Shareholders can fully or partially renounce their entitlements to the Rights Shares. The Rights Shares which are not taken-up or validly taken-up shall be made available for Excess Application by the Entitled Shareholders. It is the intention of the Board to allocate the excess Rights Shares on a fair and equitable manner as set out in Section 10.5 of this Abridged Prospectus.

In determining the Shareholders' entitlements to the Rights Issue, any fractional entitlements of the Rights Shares arising from the Rights Issue shall be disregarded, and dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient and in the best interest of the Company.

As you are an Entitled Shareholder, you will find enclosed with this Abridged Prospectus, a NPA setting out the number of Rights Shares which you are entitled to subscribe for and a RSF which is to be used for the acceptance of the Rights Shares provisionally allotted to you, and for the application of any Rights Shares pursuant to the Excess Application, should you wish to do so.

Upon allotment and issuance by the Company, the Rights Shares will be credited directly into the respective CDS Account(s) of yourself and/or your renounee(s) who have successfully subscribed for the Rights Shares. No physical share certificates will be issued to you and/or your renounee(s).

## **2.2 Basis of Determining the Issue Price of the Rights Shares**

As announced on 10 December 2013, the issue price has been fixed at RM1.65 per Right Share. The issue price of RM1.65 per Rights Share represents a discount of approximately 28.9% from the TERP of MBSB Shares of RM2.32, based on the five (5)-day VWAP of MBSB Shares of RM2.66 up to and including 9 December 2013, being the last trading date prior to the Price-Fixing Date of the Rights Issue.

The Issue Price was determined after taking into consideration, *inter-alia*, the prevailing market prices of MBSB Shares and the pricing for rights issue exercises undertaken by Malaysian banking financial institutions. The discount of approximately 28.9% for the Rights Issue is within the range of the discount to the TERP of the rights issue exercises undertaken by the Malaysian banking financial institutions since 2007 and up to LPD which ranges between 10% to 34%, as per the price-fixing announcements by the respective banking financial institutions.

## **2.3 Ranking of the Rights Shares**

The Rights Shares will, upon allotment and issuance, rank *pari passu* in all respects with the then existing MBSB Shares, save and except that the Rights Shares will not be entitled to any distributable income, rights, allotments and/or other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment of the Rights Shares.

### 3. MAJOR SHAREHOLDER'S UNDERTAKING AND UNDERWRITING ARRANGEMENT

#### 3.1 Major Shareholder's Undertaking

The Rights Issue is to be undertaken on a full subscription basis.

The Company had, on 10 October 2013, procured an irrevocable undertaking letter from its major shareholder, EPF to subscribe in full for its entitlement under the Rights Issue as at the Entitlement Date subject to, *inter-alia*, a minimum discount of 20% to the TERP based on the five (5)-day VWAP up to the date preceding the announcement of the Entitlement Date. As at the LPD, EPF holds 1,127,805,820 MBSB Shares representing approximately 64.6% equity interest in MBSB.

The table below sets out the number of Rights Shares to be subscribed by EPF pursuant to its Undertaking and its resulting total shareholding after the Rights Issue:-

	Shareholding as at the LPD		Rights Shares to be subscribed pursuant to the Undertaking	
	No. of MBSB Shares	%	No. of MBSB Shares	%
Minimum Scenario	1,127,805,820	64.6	563,902,910	64.6
Maximum Scenario	1,127,805,820	63.4 <sup>(a)</sup>	563,902,910	63.4

**Note:-**

<sup>(a)</sup> Assuming 16.9 million exercisable ESOS Options and 17.3 million Warrants will be exercised prior to the Entitlement Date.

In view that EPF has a controlling stake of more than 50% of the voting shares in MBSB, there will not be any implication under the Code in the event EPF subscribes for its entitlements or applies for and subsequently subscribes for excess Rights Shares.

#### 3.2 Underwriting Arrangement

On 10 December 2013, the Company had entered into an underwriting agreement with the Managing Underwriter and Joint Underwriters to underwrite the remaining portion of up to 325,904,960 Rights Shares ("**Underwritten Shares**") representing approximately 36.6% of the Rights Shares at an underwriting commission of 1.10% ("**Underwriting Commission**") and a managing fee of 0.35% of the total value of the Underwritten Rights Shares, subject to the terms and conditions of the Underwriting Agreement.

The number of Underwritten Shares underwritten by each Joint Underwriter is as follow:-

<b>Joint Underwriters</b>	<b>No. of Underwritten Shares</b>
AmInvestment Bank	90,909,090
Affin Investment Bank	117,497,935
RHB Investment Bank	117,497,935

The Underwriting Commission and the managing fee for the Underwritten Rights Shares and all reasonable costs in relation to the underwriting arrangement will be fully borne by the Company.

#### 4. OTHER CORPORATE PROPOSALS APPROVED BUT PENDING COMPLETION

Save for the Rights Issue and as disclosed below, there are no other corporate proposals which have been approved by regulatory authorities but have yet to be completed as at the LPD:-

- (a) proposed acquisition by MBSB Tower Sdn Bhd, a wholly-owned subsidiary of MBSB, of a proposed office building to be developed for a total cash consideration of RM239,236,750 which was approved by the MBSB Shareholders' on 10 December 2013 ("**Proposed Acquisition**"); and
- (b) proposed establishment of the 15-year Structured Covered Sukuk Programme of up to RM3 billion by MBSB and the Company's wholly-owned subsidiary, Jana Kapital Sdn Bhd ("**Jana Kapital**") proposes to establish the 16-year Sukuk Murabahah Programme of up to RM4 billion. MBSB holds shares in Jana Kapital on trust for a charitable organisation. The proposed establishment of the Sukuk Murabahah Programme is to facilitate the issuance of structured covered sukuk under the Structured Covered Sukuk Programme. The Sukuk Programme has been approved by the SC via its letters dated 25 October 2013.

In addition to the above, MBSB has also obtained approval from its Shareholders for the dividend reinvestment plan that gives Shareholders the option to elect to reinvest their dividend entitlements (representing cash dividends declared by MBSB including interim, final, special or any other cash dividends) in new MBSB Shares ("**DRP**"). The DRP has yet to be implemented by MBSB.

#### 5. RATIONALE FOR THE RIGHTS ISSUE AND UTILISATION OF PROCEEDS

##### 5.1 Rationale for the Rights Issue

The Board is of the view that the Rights Issue is the most appropriate means of raising funds for the MBSB Group based on the following rationale:-

- (a) the Rights Issue is part of the Company's capital management strategy to strengthen its core capital and consequently, improve MBSB's shareholders funds as well as gearing;
- (b) with a stronger capital base, MBSB will have greater flexibility in its capital structure to take advantage of future growth and business opportunities. The larger capital base post the Rights Issue will pave way for MBSB to meet Basel III Adequacy Capital Requirements and in a position to capitalise on growth and business opportunities; and
- (c) to provide the Entitled Shareholders with an opportunity to maintain their equity interests in the Company as well as increase their equity participation and ultimately, participate in the prospects and future growth of the MBSB Group.



## 5.2 Utilisation of Proceeds from the Rights Issue

The gross proceeds to be raised by the Company under the Rights Issue are proposed to be utilised in the following manner:-

Details of Utilisation	Timeframe for Utilisation <sup>(a)</sup>	Minimum Scenario	Maximum Scenario
		RM' million	RM' million
(i) Expansion of financing business	Within 6 months	630.4	658.7
(ii) Settlement of higher cost of funding of the MBSB Group	Within 12 months	400.0	400.0
(iii) Purchase of financial instruments qualified as Liquefiable Assets	Within 6 months	400.0	400.0
(iv) Defray expenses in relation to the Rights Issue	Within 6 months	9.5	9.5
		<b>1,439.9</b>	<b>1,468.2</b>

**Note:-**

(a) From the date of listing of the Rights Shares.

### (i) Expansion of financing business

The expansion of MBSB's financing business includes but not limited to, in the area of personal financing, property financing, corporate and project financing, mortgage, and corporate loans. For information, amongst the financing business, the personal financing segment contributed approximately 74% to the MBSB Group's PBT for the FYE 31 December 2012.

### (ii) Settlement of higher cost of funding of the MBSB Group

As at the LPD, the total borrowings of the MBSB Group (including recourse obligation on loans sold to Cagamas) stood at RM2.54 billion.

The MBSB Group intends to utilise approximately RM400 million of the total proceeds to settle part of those borrowings with higher cost of funding. Assuming the borrowings are settled at the beginning of the financing year, the settlement will result in pre-tax interest savings of approximately RM19.6 million per annum assuming cost of funds at 4.9%.

Should there be any excess or shortfall in the amount allocated for the settlement of higher cost of funding, it will be adjusted to/ from expansion of financing business.

### (iii) Purchase of financial instruments qualified as Liquefiable Assets

The Liquefiable Assets are such assets that fulfill the qualifying characteristics specified under the BNM's Liquidity Framework Guidelines and are eligible for liquefiable assets status. Examples of Liquefiable Assets are RM Marketable securities/papers issued/guaranteed by Federal Government or BNM, RM denominated bonds issued by Multilateral Development Banks or Multilateral Financial Institutions and ABF Malaysia Bond Index Fund.

The maintenance of Liquefiable Assets which facilitates MBSB to operate under a liquidity framework in a financial regulatory environment will enhance the funding structure of MBSB and its ability to handle short to medium-term liquidity management as well as provide better means of assessing the present and future liquidity of MBSB. This is in line with MBSB's roadmap to transform itself into a full-fledge financial institution and to operate in a structured regulatory environment (please refer to Section 7.3 for further details).

**(iv) Defray expenses in relation to the Rights Issue**

The estimated expenses include professional and underwriting fees of RM8.8 million, regulatory fees of RM0.3 million and other miscellaneous expenses (namely, EGM and printing expenses). Any shortfall/excess shall be adjusted from the expansion of financing business of the MBSB Group.

The actual gross proceeds to be raised will depend on the total number of Rights Shares to be issued. Any differences between the maximum gross proceeds of RM1.468 billion and actual gross proceeds raised shall be adjusted from the amount allocated for the financing business of the MBSB Group.

## **6. RISK FACTORS**

You should carefully consider, in addition to the other information contained herein, the following factors (which may not be exhaustive) before making your decision on whether to subscribe for your entitlements to the Rights Issue:-

### **6.1 Risks in relation to the MBSB Group**

#### **6.1.1 Economic and Political**

The MBSB Group operates principally in Malaysia and accordingly, its continued growth depends on a large extent on the continued growth of the Malaysian economy. The MBSB Group is also deemed to be exposed to the global economic conditions by virtue of its effects to the Malaysian economy. Any adverse changes in the economic development in Malaysia and globally could adversely affect its business, financial conditions and results of operations.

#### **6.1.2 Regulatory Factors**

The MBSB Group is involved in the provision of financing/loan products and services. MBSB is an exempt finance company under the Financial Services Act 2013 ("FSA"), which allows MBSB to undertake the financing business in the absence of a banking license. Nevertheless, failure to comply with any of the laws and/or directions of the regulatory authorities (including BNM), may result in the MBSB Group to be imposed with fines and/or sanction which may adversely impact the operations of the MBSB Group.

The MBSB Group is exposed to changes to the regulatory measures introduced by the government and relevant authorities for the financing business which will have an impact on the Group's financial performance and operations. Such measures may include but not limited to changes in the maximum loan tenure allowed, loan to value ratio as well as the rules pertaining to profit and interest rates.

Whilst MBSB, in anticipation of changes to the regulatory environment, has commenced and is in the process of implementing measures which should, amongst others, help the MBSB Group to comply with standards and best practices of the banking sector, there is no assurance that changes to the laws, regulations and regulatory policies will not have an adverse effect on the MBSB Group's financial performance and operations.

### **6.1.3 Credit Risk in connection with the MBSB Group's Business**

Credit risk is the risk that a borrower or counterparty will be unable or unwilling to meet a commitment that it has entered into or that any pledged collateral does not fully cover the lender's claim. Risk arising from changes in credit quality and the recoverability of the loans amounts due are inherent to the MBSB Group's business. Such risk could arise from, amongst others, a general deterioration in local or global economic conditions, which could affect the recoverability and value of the MBSB Group's assets as well as increase provisions for impairment.

The MBSB Group's main borrowers are civil servants which account for more than 70% of its loans and advances as at the LPD. The MBSB Group has access to the Angkatan Koperasi Kebangsaan Malaysia Bhd ("**Angkasa**") code as well as the Accountant-General ("**AG**") code which allow the loan repayments to be deducted directly from civil servants' salaries. Any change to, amongst others, the Malaysian political and economic environment may have a significant impact on their ability to service the loans.

Whilst the MBSB Group has in place risk management processes to manage the MBSB Group's credit risk exposure and ensure it is within an acceptable level and that returns are commensurate to the risk underwritten, there can be no assurance that the MBSB Group's risk management process will be able to completely address potential credit risks or adverse impact arising therefrom on the future performance of the MBSB Group. There is also no assurance that the MBSB Group will continue to have access to the Angkasa and/or AG codes and any change in this access could have a material adverse impact on the financial performance of the Group.

### **6.1.4 Concentration on the Personal Financing Segment**

The MBSB Group's revenue growth for the last three (3) years was derived mainly from growth in the business of personal financing to the civil servants. The personal financing segment to the civil servants contributed more than 70% to the MBSB Group's revenue for the FYE 31 December 2012. The continued growth in this area is dependent on, amongst others, domestic economic growth, sustained income/salary growth, attractiveness of the interest rates and competition. It is also dependent on government policies that are implemented from time to time. On 5 July 2013, BNM announced measures to further promote a sound and sustainable household sector which has seen the personal loan tenor being reduced from a maximum of 25 years to 10 years. This has slowed down the demand for personal financing/refinancing among the civil servants.

Whilst the MBSB Group has introduced various strategies to address the abovementioned change including but not limited to increasing the number of marketers, agents and outlets as well as improving the loan processing efficiency, there is no assurance that the MBSB Group will be able to continue to grow or maintain its market position in the civil servants' personal financing segment.

### **6.1.5 Competition**

The MBSB Group operates in a very competitive environment. For the civil servants segment i.e. mainly for the personal financing business, the MBSB Group is in competition with other financial institutions which can also provide salary deductions via the Angkasa code and the AG code. For the corporate financing business, the MBSB Group is in competition with commercial banks. Increased competition could have an adverse effect on the MBSB Group's financial performance which could include, amongst others, reduced margins, smaller market share and reduced income generally.

Whilst the MBSB Group continuously seeks to improve its competitiveness through operational efficiency, competitively priced solutions and new financial products, there can be no assurance that the MBSB Group will be able to maintain or expand its present market share or the increased competition will not have any material and adverse impact on the MBSB Group's future financial performance and prospects.

### **6.1.6 Liquidity Risk**

As a financial institution, customer deposits remain the MBSB Group's primary source of funding. Decreases in customer deposits will reduce the MBSB Group's liquidity reserves, which in turn, will reduce its ability to extend new loans/financing. As at the LPD, the net loan to deposit ratio of the MBSB Group stood at approximately 107%. Based on historical trends, MBSB has been actively reducing the loan to deposit ratio by having various initiatives to attract deposits.

In addition, in order to expand its financing business, the MBSB Group has announced various fundraising initiatives namely, the RM3 billion Sukuk Programme as well as equity fundraising via this Rights Issue. The MBSB Group believes that such initiatives will allow the MBSB Group to have a more diverse source of funding and hence reduce its reliance on the deposits from customers. However, funding via increase in borrowings will increase the MBSB Group's gearing level. Although, most of MBSB's borrowings are under the securitisation programs, any deterioration/ reduction in value of the assets could result in the Group being required to redeem its loans.

Whilst, the MBSB Group has in place its liquidity risk management policy, there can be no assurance that the MBSB Group will be able to maintain the growth rate of the customer deposits, prevent unusually high level of withdrawals, adhere to the financial covenants for its borrowings as well as to meet its debt repayment obligations as and when they fall due. The liquidity risk management of the MBSB Group is governed by established risk tolerance level under the MBSB Group's internal market risk framework which includes an early warning system and contingency funding plans to alert and enable management to act effectively and efficiently during a liquidity crisis.

### **6.1.7 Dependence on Key Personnel**

The continued success of the MBSB Group, to a significant extent, relies on the competency, experience, business directions and strategies of the Directors and senior management. The loss of any of the Directors and/or key personnel could adversely affect the MBSB Group's ability to operate its business or compete effectively and ultimately, could have an adverse impact on the MBSB Group's financial performance and prospects.

Whilst the MBSB Group has in place human resource incentives such as ESOS, competitive remuneration packages and relevant training to retain its key personnel and to attract experienced personnel to join the MBSB Group, there is no assurance that these measures will be successful in retaining and/or attracting key personnel.

## **6.2 Risks in respect of the Rights Issue**

### **6.2.1 Market Risk**

The price of MBSB Shares as traded on Bursa Securities may fluctuate, like all other listed securities. A variety of factors could cause the price of the MBSB Shares to fluctuate, including trades of substantial amounts of the MBSB Shares in the public market, announcements of developments relating to the MBSB Group's business, fluctuations in the MBSB Group's operating results and revenue levels, general industry conditions or economic conditions, and announcements of services or products or service enhancements by the MBSB Group or competitors of the MBSB Group.

In addition to the fundamentals of the MBSB Group, the future price performance of the MBSB Shares will also depend upon various external factors such as general economic, political and industry conditions, the performance of regional and world bourses as well as sentiments and liquidity in the local stock market.

There is no assurance that the MBSB Shares will be traded at or above the Issue Price of RM1.65 and the TERP of RM2.32 based on the five (5)-days VWAP up to and including 9 December 2013, after the listing of the Rights Shares on the Main Market of Bursa Securities.

### **6.2.2 Delay in or Abortion of the Rights Issue**

The Rights Issue is exposed to risk that it may be aborted or delayed due to, *inter-alia* the following events:-

- (a) the undertaking party for whatever reason, being unable to fulfil the obligations under the Undertaking; or
- (b) *Force majeure* such as flood, earthquake, storm, epidemic, which are beyond the control of the Company and Principal Adviser, arising prior to the implementation of the Rights Issue; or
- (c) the Managing Underwriter and Joint Underwriters exercise their rights under the underwriting agreement to terminate their commitments and discharge themselves from their obligations for any reason whatsoever.

In the event that the Rights Issue is aborted, all monies received in respect of all applications for any Rights Shares will be returned in full without interest. Pursuant to Section 243 of the CMSA, if any such money received from the Entitled Shareholders are not repaid within fourteen (14) days after the Company becomes liable to pay, the Company will repay such money with interest at the rate of ten (10%) per centum per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA. Whilst the Company endeavours to implement the Rights Issue, there can be no assurance that the abovementioned events will not cause a delay in or abortion of the Rights Issue.

### **6.2.3 Potential Dilution**

Entitled Shareholders who do not or are not able to accept the Rights Shares provisionally allotted to them will have their proportionate ownership and voting interests in the Company reduced, and the percentage of their shareholdings in the Company will also be reduced accordingly.

In addition, the MBSB Shareholders at the EGM has approved the DRP. Pursuant to the DRP, the MBSB Shareholders will have the option to elect to reinvest their dividend entitlements in new MBSB Shares. In the event, the Board declares a dividend and decides that the DRP applies to the said dividend, MBSB Shareholders who do not accept the Rights Shares and who do not elect to reinvestment their dividends entitlements in new MBSB Shares, will have their proportionate ownership and voting interests in the Company reduced further pursuant to the DRP.

### 6.3 Forward-Looking Statements

Certain statements in this Abridged Prospectus are forward-looking in nature, which are subject to uncertainties and contingencies. All forward-looking statements are based on estimations and assumptions made by the Board, and although the Board believes that these statements and assumptions are reasonable, they are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

In light of these uncertainties, the inclusion of forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by the Company and/or the Principal Adviser that the plans and objectives of the MBSB Group will be achieved.

## 7. INDUSTRY OVERVIEW AND PROSPECTS OF THE MBSB GROUP

The MBSB Group is principally involved in 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. Accordingly, the MBSB Group's prospects are inherently linked to the outlook of the financial market in Malaysia. In view of the above, the overview of the Malaysian economy and outlook of the financial market are set out below:-

### 7.1 Overview and Outlook of the Malaysian Economy

The Malaysian economy recorded a stronger growth of 5.0% in the third quarter of 2013 with domestic demand continuing to drive growth. Growth in private sector spending was higher, supported by both private consumption and investment. After four consecutive quarters of contraction, exports turned around to record a positive growth during the quarter. This resulted in a positive contribution of net exports to growth, despite higher import growth in the third quarter. On a quarter-on-quarter seasonally adjusted basis, the economy recorded a growth of 1.7% (2Q 2013: 1.4%).

Private consumption expanded by 8.2% (2Q 2013: 7.2%), supported by sustained employment conditions and wage growth. Growth in public consumption moderated in the third quarter to 7.8% (2Q 2013: 11.8%), reflecting mainly lower Government spending on supplies and services.

Growth in gross fixed capital formation improved to 8.6% (2Q 2013: 6.0%), underpinned by capital spending in the private sector. Private investment grew by 15.2% (2Q 2013: 12.7%), driven by capital spending in the services and manufacturing sectors as well as the on-going implementation of projects in the oil and gas sector. Meanwhile, public investment growth improved but remained weak at -1.3% (2Q 2013: -6.4%). Public investment was driven mainly by public enterprises investing in the transportation, oil and gas and utilities sectors.

On the supply side, growth in most economic sectors improved in the third quarter. The services and manufacturing sectors expanded further, supported by domestic demand and the improvement in trade activity. Growth of the agriculture sector was higher, supported mainly by the production of food crops, while the moderation in growth of the mining sector reflected the lower production of natural gas and crude oil. In the construction sector, growth was sustained, driven mainly by the residential sub-sector. Growth was further supported by the non-residential and civil engineering subsectors.

The headline inflation rate, as measured by the annual change in the Consumer Price Index ("CPI"), was higher at 2.2% in the third quarter (2Q 2013: 1.8%). The increase was mainly attributed to higher inflation in the transport and food and non-alcoholic beverages categories.

In the external sector, the current account surplus increased to RM9.8 billion in the third quarter, equivalent to 4.1% of gross national income ("**GNI**") (2Q 2013: RM2.6 billion or 1.1% of GNI), due mainly to a higher surplus in the goods account. The financial account recorded a net outflow of RM11.5 billion (2Q 2013: inflow of RM5.2 billion), as net inflows of direct investment were offset by outflows from portfolio and other investments. The overall balance of payments registered a larger surplus of RM11.8 billion in the third quarter (2Q 2013: RM1.5 billion).

Going forward, emerging signs of a recovery in the major advanced economies are expected to support overall global growth. Uncertainties surrounding the fiscal and monetary policy adjustments in these economies, however, may affect market sentiment and overall growth prospects in the global economy. While global policy spillovers may have some impact on Asia, growth will continue to be underpinned by domestic demand.

For the Malaysian economy, the gradual recovery in the external sector will support growth. Domestic demand from the private sector will remain supportive of economic activity amid the continued consolidation of the public sector. The economy is therefore expected to remain on its steady growth trajectory.

*(Source: Extracted from BNM, Quarterly Bulletin, Developments in the Malaysian Economy, Third Quarter 2013)*

The Malaysian economy is expected to expand further by 5% - 5.5% in 2014 (2013 : 4.5%-5%), supported by favourable domestic demand and an improving external environment. Growth will be private-led, supported by strong private capital spending while private consumption continues to remain resilient. Although some degree of uncertainty exists in the global environment due to the volatility of capital flows associated with the possibility of reduced global liquidity, Malaysia's external sector is expected to improve. This is in tandem with the continued recovery of growth across advanced economies as well as stronger regional trade activities which is evident in the second half of 2013. The better outlook of Malaysia's external sector is premised upon China's real gross domestic product growth, which is expected to be sustained at around 7.5%, while global trade will continue to grow at a steady pace of 5% in 2014.

Domestic demand is expected to continue its strong growth momentum, driven mainly by the private sector. Strong domestic fundamentals, including low unemployment, rising household income and sustained consumer confidence, will support the continued expansion of private consumption. Growth in private investment is expected to remain strong in line with improving external demand and increasing domestic activity. Public expenditure will be largely underpinned by increased spending on supplies and services.

Malaysia's macroeconomic fundamentals are expected to remain strong. Of significance, labour market conditions are expected to be favourable with the unemployment rate at 3.1%. The labour market is expected to be supported by increased employment, particularly in the services-related industries and export-oriented manufacturing industries in tandem with strong domestic consumption and improving external demand. Headline inflation is expected to remain manageable at 2%-3% in 2014. The increase in the CPI largely reflects fuel price adjustment in September 2013.

*(Source: Extracted from the Economic Report 2013/2014, Economic Performance and Prospects, Ministry of Finance)*

## 7.2 Overview and Outlook of the Malaysian Financial Sector

In the third quarter, total gross financing raised by the private sector through the banking system and the capital market amounted to RM260.5 billion (2Q 2013: RM251.0 billion). Banking system loans outstanding expanded at an annual growth rate of 9.5% as at end-September (end-June 2013: 9.1%).

In the business sector, outstanding banking system loans during the quarter expanded by a lower amount of RM3.8 billion compared to the previous quarter (2Q 2013: RM13.8 billion). This contributed to the slower growth of 7.2% on an annual basis (end-June 2013: 8.2%). Nevertheless, the level of loans disbursed to businesses remained high compared to previous periods with higher loans disbursed to the finance, insurance and business services, real estate, construction and agriculture sectors during the quarter. Demand for new financing by businesses also increased with higher loan applications recorded from most major sectors.

Financing to the household sector from the banking system expanded by RM19.7 billion during the quarter (2Q 2013: RM17.3 billion). On an annual basis, household loans outstanding grew at a stable pace of 11.9% as at end-September (end-June 2013: 11.8%). Household demand for loans during the quarter came mainly from the purchase of residential property, passenger cars, securities and for personal use.

*(Source: Extracted from BNM, Quarterly Bulletin- Monetary and Financial Developments in the Malaysian Economy, Third Quarter 2013)*

The domestic financial system remained resilient throughout the third quarter, despite increased volatility in global and domestic financial markets. Financial intermediation continued to be well-supported by sound financial institutions, orderly financial market conditions and sustained confidence in the financial system.

Market risk exposures of financial institutions were well-contained despite the increased financial market volatility amid uncertainties in the global environment. Volatility in short-term capital flows continued to be well-intermediated by the financial system. Average volatility for 10-year Malaysian Government Securities ("MGS") yields and the FBM KLCI increased to 17.8% and 10.4% (2Q 2013: 8.0% and 9.3%) respectively. Trading activity, as measured by the turnover ratio for MGS and FBM KLCI, declined to 11.9% and 2.2% (2Q 2013: 17.5% and 2.6%) respectively. The bid-ask spreads for MGS and FBM KLCI remained tight, averaging at 0.2% and 0.4% of the mid price (2Q 2013: 0.1% and 0.4%) respectively. Banks' exposures to interest rate risks declined to 4.1% of total capital (2Q 2013: 4.4%), while exposures to equity risks remained stable at 0.6% of total capital (2Q 2013: 0.6%). Meanwhile, the FX net open position of the banking system declined slightly to 6.1% of total capital (2Q 2013: 7.2%). Similarly, the interest rate and equity risk exposures of insurers remained stable at 2.5% and 6.9% of total capital base (2Q 2013: 2.8% and 7.1%) respectively.

*(Source: Extracted from BNM, Quarterly Bulletin-Managing Risks to Financing Stability, Third Quarter 2013)*



### 7.3 Prospects of the MBSB Group

Based on the outlook of the Malaysian financial sector in which MBSB operates as stated above, the Board believes that the growth potential and prospects of the Malaysian financial sector continue to augur well for the prospects of the MBSB Group.

MBSB is largely a retail-based lender, which has seen strong demand for its Islamic Personal Finance-i ("PFI") products for the last few years. Part of MBSB's loan and financing portfolio is derived from personal financing for approximately 1.3 million civil servants the financing of which is repaid directly via salary deduction in co-operation with Angkasa. PFI will continue to be one of the main drivers of the asset growth in the retail segment for MBSB and the Company shall continue to provide financing to civil servants, a market that is considered to be stable. MBSB has and will continue to launch further campaigns, develop more products, carry out targeted campaigns and strategically expand its marketing force nationwide. However, the growth of PFI assets is expected to be lower than the previous year with the lending measures announced by the BNM on the personal financing sector on 5 July 2013.

Whilst sustaining the PFI portfolio, MBSB has been expanding its corporate business segment including tapping into opportunities under the Federal Government's Economic Transformation Programme. MBSB is already involved in a number of the Government's private financing initiatives where it financed several Governments' public projects. MBSB also finances property development projects and contracts within the oil and gas sector. In the short and long-term prospects, MBSB believes that a well-planned expansion programme into the corporate segment will contribute positively to the MBSB Group in terms of assets and earnings growth.

The MBSB Group continues to enhance its risk management framework to improve its operational workflows and quality of loan and financing assets. The MBSB Group will continue to focus on fee-based income to enhance profitability and to improve its customer service level for a better customer experience.

The Rights Issue will provide MBSB with new capital to improve its capital base to support its growth plan. More importantly, it will assist MBSB in its roadmap to transform itself into a full-fledged financial institution which would enable MBSB to offer a wider range of financial products akin to the Malaysian banking financial institutions and to operate in a structured regulatory environment. Accordingly, MBSB's capital will be strengthened and adhere to the financial regulatory requirements. MBSB has taken several other key action programmes in its transformation, which include the following:-

- (i) closing of gaps to the guidelines, standards and best practices of the banking sector such as enhancing risk management frameworks to improve operational workflows;
- (ii) invested into a new banking system platform, i.e. the MBSB Integrated Core Banking ("MICoB"), which is now in live production since end of 2012. The MICoB allows MBSB to function on a present-day information technology ("IT") infrastructure in meeting the requirements of a structured banking environment. The implementation of MICoB has improved MBSB's services and operational efficiency especially in the area of product development and customer service; and
- (iii) entered into an agreement for a proposed acquisition of a 27-storey office building to be developed and identified as Tower 3, P.J Sentral Garden City. The proposed office building will house the business, operational and administration divisions together with the information technology infrastructure of the MBSB Group thus providing the necessary and required infrastructure to operate in a well-structured platform.

In light of the above, the Board believes that MBSB is strategically well-positioned to harness the conducive environment provided by the stable yet growing Malaysian financial sector.

## 8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE

The proforma effects of the Rights Issue in this section are based on the following:-

- (a) As at the LPD, the Company has the following outstanding securities:-
- (i) 1,745,356,998 MBSB Shares;
  - (ii) 38,491,444 ESOS Options with exercise prices ranging from RM1.17 to RM2.33 each, of which 16,931,321 ESOS Options can be exercised prior to the Entitlement Date and the remaining 21,560,123 ESOS Options can only be exercised in the coming years ("**Remaining ESOS Options**"); and
  - (iii) 17,327,421 Warrants which are exercisable into 17,327,421 MBSB Shares at an exercise price of RM1.00 each.
- (b) The Rights Issue is illustrated based on the following parameters:-

<b>Minimum Scenario</b>	Assuming that none of the ESOS Options and Warrants are exercised prior to the Entitlement Date
<b>Maximum Scenario*</b>	Assuming 16,931,321 ESOS Options which can be exercised prior to the Entitlement Date and the Warrants, will be fully exercised prior to the Entitlement Date. The Remaining ESOS Options are assumed to be exercised after the completion of the Rights Issue.

Based on the above parameters, the proceeds to be raised from the Rights Issue will amount to between RM1.440 billion and RM1.468 billion.

**Note:-**

- \* Pursuant to the Rights Issue, the exercise price and the corresponding number of outstanding convertible securities will be adjusted in accordance with the terms of the by-laws and deed poll governing the ESOS Options and Warrants respectively.

Pursuant to the by-laws and deed poll, the adjustment factors for the exercise price of the ESOS Option and the number of ESOS Option as well as Warrants are derived based on the formula below:-

$$\text{Adjusted exercise price of the ESOS Option} = \frac{C - \left[ \frac{C-E}{F+1} \right]}{C}$$

$$\text{Adjusted number of ESOS Options/Warrants} = \frac{C}{C - \left[ \frac{C-E}{F+1} \right]}$$

<b>C</b>	: Five (5)-day VWAP of MBSB Share including and up to the Market Day immediately preceding the date on the Rights Issue is publicly announced to Bursa Securities	-	RM2.83
<b>E</b>	: The subscription consideration for one additional MBSB Share under the terms of such offer or invitation	-	RM1.65
<b>F</b>	: The number of MBSB Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one additional MBSB Share	-	2

Accordingly, based on the above, the adjusted factors are computed as follows:-

$$\begin{aligned} \text{Adjusted exercise price for the ESOS Option} &= \frac{\text{RM2.83} - 0.39333333}{\text{RM2.83}} \\ &= 0.86101296 \end{aligned}$$

$$\begin{aligned} \text{Number of adjusted ESOS Options/Warrants} &= \frac{\text{RM2.83}}{\text{RM2.83} - 0.39333333} \\ &= 1.16142271 \end{aligned}$$

Based on the above, the ESOS Options exercise prices will be adjusted to RM1.01 to RM2.01. The computations are as follows:-

$$\begin{aligned} \text{Adjusted exercise price} &= \text{RM1.17} \times 0.86101296 \text{ to } \text{RM2.33} \times 0.86101296 \\ &= \text{RM1.01 to RM2.01} \end{aligned}$$

Based on the above and as disclosed in Section 8(a)(ii), the number of ESOS Options and the number of Remaining ESOS Options will be adjusted to 44,704,837 and 25,040,416 respectively. The computations are as follows:-

**Under Minimum Scenario**

$$\begin{aligned} \text{Number of adjusted ESOS Options} &= 38,491,444 \times 1.16142271 \\ &= 44,704,837 \end{aligned}$$

**Under Maximum Scenario**

$$\begin{aligned} \text{Number of adjusted Remaining ESOS Options} &= 21,560,123 \times 1.16142271 \\ &= 25,040,416 \end{aligned}$$

No adjustment will be made to the Warrants' exercise price as the exercise price of the Warrants is RM1.00, being the par value of MBSB Shares and the number of Warrants will be adjusted to 20,124,460.

The number of adjusted Warrants is computed as follows:-

$$\begin{aligned} \text{Number of adjusted Warrants} &= 17,327,421 \times 1.16142271 \\ &= 20,124,460 \end{aligned}$$

## 8.1 Issued and Paid-Up Share Capital

The proforma effects of the Rights Issue on the issued and paid-up capital of the Company as at the LPD are as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of MBSB Shares (‘000)	RM’000	No. of MBSB Shares (‘000)	RM’000
<b>Authorised share capital</b>	10,000,000	10,000,000	10,000,000	10,000,000
<b>Issued and paid-up share capital:-</b>				
As at LPD	1,745,357	1,745,357	1,745,357	1,745,357
To be issued:-				
- assuming exercise of exercisable ESOS Options	-	-	16,931	16,931
- assuming exercise of Warrants	-	-	17,328	17,328
- pursuant to Rights Issue	872,679	872,679	889,808	889,808
<b>Enlarged issued and paid-up share capital after the Rights Issue</b>	<b>2,618,036</b>	<b>2,618,036</b>	<b>2,669,424</b>	<b>2,669,424</b>

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## 8.2

## NA and Gearing

The proforma effects of the Rights Issue on the consolidated NA per share and gearing based on the audited consolidated financial statements FYE 31 December 2012 of the MBSB Group are as follows:-

Minimum Scenario

	Audited as at 31 December 2012 RM'000	(I) After Adjusting for Subsequent Events <sup>(a)</sup> RM'000	(II) After (I) and Rights Issue RM'000	(III) After (II) and Exercise of All ESOS Options and Warrants <sup>(c)</sup> RM'000
Share capital	1,240,361	1,745,357	2,618,036	2,682,865
Share premium	514,098	629,614	1,187,355 <sup>(b)</sup>	1,231,069
Accumulated losses	(389,143)	(746,277)	(746,277)	(755,363)
Other reserve	131,330	36,260	36,260	30,324
<b>Total equity/NA</b>	<b>1,496,646</b>	<b>1,664,954</b>	<b>3,095,374</b>	<b>3,188,895</b>
Intangible Assets	(47,392)	(47,392)	(47,392)	(47,392)
<b>NTA</b>	<b>1,449,254</b>	<b>1,617,562</b>	<b>3,047,982</b>	<b>3,141,503</b>
Number of MBSB Shares ('000)	1,240,361	1,745,357	2,618,036	2,682,865
NA per MBSB Share (RM)	1.21	0.95	1.18	1.19
NTA per MBSB Share (RM)	1.17	0.93	1.16	1.17
Borrowings (RM'000)				
- excluding recourse obligation on loans sold to Cagamas <sup>(d)</sup>	701,420	701,420	701,420	701,420
- including recourse obligation on loans sold to Cagamas <sup>(e)</sup>	3,063,417	3,063,417	2,663,417 <sup>(e)</sup>	2,663,417 <sup>(e)</sup>
Gearing ratio (times)				
- excluding recourse obligation on loans sold to Cagamas <sup>(d)</sup>	0.47	0.42	0.23	0.22
- including recourse obligation on loans sold to Cagamas <sup>(e)</sup>	2.05	1.84	0.86	0.84

**Notes:-**

- (a) After adjusting for the exercise of the ESOS Options and Warrants from 1 January 2013 up to LPD and the dividends which were declared and paid during the second quarter of 2013 in relation to the FYE 31 December 2012 of approximately RM350 million.
- (b) After deducting the estimated expenses relating to the Rights Issue of approximately RM9.5 million.
- (c) Assuming adjusted 20.1 million Warrants and 44.7 million ESOS Options are exercised at exercise prices of RM1.00 and RM1.01 to RM2.01 respectively.
- (d) The loan sold to Cagamas refers to the proceeds received from conventional and Islamic housing loan and Islamic personal financing sold to Cagamas with recourse to MBSB.
- (e) Assuming the proposed repayment of the recourse obligation on loans sold to Cagamas amounting to RM400 million from the proposed utilisation of the proceeds of the Rights Issue.
- (f) The effects above exclude the DRP, the Proposed Acquisition and the Sukuk Programme which are not inter-conditional with and/or conditional upon the Rights Issue or vice versa.

**Maximum Scenario**

	(I) Audited as at 31 December 2012 RM'000	(II) After adjusting for subsequent events and exercise of Warrants and exercisable ESOS <sup>(a)(b)</sup> RM'000	(III) After (I) and after Rights Issue RM'000	(III) After (II) and after Exercising of the Remaining ESOS Options <sup>(f)</sup> RM'000
Share capital	1,240,361	1,779,616	2,669,424	2,694,464
Share premium	514,098	653,865	1,222,740 <sup>(c)</sup>	1,243,628
Accumulated losses	(389,143)	(746,277)	(746,277)	(754,054)
Other reserve	131,330	30,324	30,324	30,324
<b>Total equity/NA</b>	<b>1,496,646</b>	<b>1,717,528</b>	<b>3,176,211</b>	<b>3,214,362</b>
Intangible Assets	(47,392)	(47,392)	(47,392)	(47,392)
<b>NTA</b>	<b>1,449,254</b>	<b>1,670,136</b>	<b>3,128,819</b>	<b>3,166,970</b>
Number of MBSB Shares ('000)	1,240,361	1,779,616	2,669,424	2,694,464
NA per MBSB Share (RM)	1.21	0.97	1.19	1.19
NTA per MBSB Share (RM)	1.17	0.94	1.17	1.18
Borrowings (RM'000)	701,420	701,420	701,420	701,420
- excluding recourse obligation on loans sold to Cagamas <sup>(d)</sup>				
- including recourse obligation on loans sold to Cagamas <sup>(d)</sup>	3,063,417	3,063,417	2,663,417 <sup>(e)</sup>	2,663,417 <sup>(e)</sup>

	(I) Audited as at 31 December 2012 RM'000	(II) After adjusting for subsequent events and exercise of Warrants and exercisable ESOS <sup>(a)(b)</sup> RM'000	(III) After (I) and after Rights Issue RM'000	(III) After (II) and after Exercising of the Remaining ESOS Options <sup>(f)</sup> RM'000
Gearing ratio (times)				
- excluding recourse obligation on loans sold to Cagamas <sup>(d)</sup>	0.47	0.41	0.22	0.22
- including recourse obligation on loans sold to Cagamas <sup>(d)</sup>	2.05	1.78	0.84	0.83

**Notes:-**

- (a) After adjusting for the exercise of the ESOS Options and Warrants from 1 January 2013 up to LPD and the dividends which were declared and paid during the second quarter of 2013 in relation to the FYE 31 December 2012 of approximately RM350 million.
- (b) Assuming all 17.3 million Warrants and 16.9 million exercisable ESOS Options are exercised at exercise prices of RM1.00 and RM1.17 to RM2.33 respectively.
- (c) After deducting the estimated expenses relating to the Rights Issue of approximately RM9.5 million.
- (d) The loan sold to Cagamas refers to the proceeds received from conventional and Islamic housing loan and Islamic personal financing sold to Cagamas with recourse to MBSB.
- (e) Assuming the proposed repayment of the recourse obligation on loans sold to Cagamas amounting to RM400 million from the proposed utilisation of the proceeds of the Rights Issue.
- (f) Assuming the adjusted Remaining ESOS Options are exercised at exercise prices of RM1.01 to RM2.01.
- (g) The effects above exclude the DRP, the Proposed Acquisition and the Sukuk Programme which are not inter-conditional with and/or conditional upon the Rights Issue or vice versa.

### 8.3 Earnings and EPS

The impact of the Rights Issue on the earnings and EPS of MBSB will depend on, amongst others, the actual number of Rights Shares to be issued, the level of returns generated from the utilisation of proceeds raised from the Rights Issue.

The Rights Issue may result in the Company's EPS being diluted as a result of the increase in the number of MBSB Shares in issue upon completion of the Rights Issue.

However, the Rights Issue is expected to contribute positively to the consolidated earnings of MBSB for the ensuing financial years, when the benefits of the proposed utilisation of proceeds pursuant to the Rights Issue are realised.

## 9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL CAPITAL COMMITMENTS

### 9.1 Working Capital

The Board is of the opinion that after taking into account the amount to be raised from the Rights Issue, the banking facilities available to the Group, the funds to be generated from the Group's operations as well as the funds to be raised pursuant to the Sukuk Programme, the Group will have sufficient working capital for a period of twelve (12) months from the date of this Abridged Prospectus to meet its present and foreseeable future working capital requirements.

### 9.2 Borrowings

As at the LPD, the total outstanding borrowings of the Group amounted to approximately RM2.54 billion, the details of which are set out below:-

	RM'000
Short-term borrowings-	
Islamic financing facility (secured)	278,407
Recourse obligation on loans sold to Cagamas	89,217
<b>Total short-term borrowings</b>	<b>367,624</b>
Long-term borrowings:-	
Recourse obligation on loans sold to Cagamas	2,169,675
<b>Total long-term borrowings</b>	<b>2,169,675</b>
<b>Total borrowings</b>	<b>2,537,299</b>

After having made all reasonable enquiries and to the best knowledge of the Board, there has been no default or any known event that could give rise to a default of payments of either interest and/or principal sum in relation to any of the MBSB Group's borrowings for the past one financial year up to the LPD.



### 9.3 Contingent Liabilities

The contingent liabilities incurred by the Company and/or its subsidiaries, as at the LPD are as follows:-

	<b>RM'000</b>
Financial guarantees*	<u>116,394</u>

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

### 9.4 Material Capital Commitments

The material commitments incurred or known to be incurred by the Company and/or its subsidiaries, as at the LPD, are as follows:-

	<b>Amount RM'000</b>
Loan commitments approved for:	
- End finance	310,728
- Islamic	68,446
- Bridging, structured and term loans	4,316,707
Property development:	
- Approved but not contracted for	421,528
Acquisition of property, plant and equipment:	
- Approved but not contracted for	<u>73,758</u>
<b>Total</b>	<u><b>5,191,167</b></u>

The above capital commitments will be funded by internally generated funds, Sukuk Programme, proceeds from the Rights Issue (only for the loan commitments approved for which is in relation to the expansion of the financing business) and/or bank borrowings.

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## 10. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT AND EXCESS APPLICATION

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) WISH TO DISPOSE OF ALL OR ANY PART OF YOUR ENTITLEMENTS AS WELL AS FOR EXCESS APPLICATION ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF. YOU AND/OR YOUR RENOUNCEE(S) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY. THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS ABRIDGED PROSPECTUS.

ACCEPTANCES WHICH DO NOT CONFORM STRICTLY TO THE TERMS OF THIS ABRIDGED PROSPECTUS, THE RSF AND NOTES AND INSTRUCTIONS PRINTED THEREIN OR WHICH ARE ILLEGIBLE MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF THE BOARD.

### 10.1 General

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisionally allotted Rights Shares, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue (fractional allotment, if any, shall be dealt with in such manner as the Board shall at its sole and absolute discretion deems fit or expedient and in the best interest of the Company). You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such provisionally allotted Rights Shares into your CDS Account and a RSF to enable you to subscribe for the Rights Shares provisionally allotted to you, as well as to apply for any excess Rights Shares if you choose to do so. This Abridged Prospectus and the RSF are also available on Bursa Securities' website (<http://www.bursamalaysia.com>).

### 10.2 Last Date and Time for Acceptance and Payment

The last date and time for acceptance and payment for the Rights Shares is on 13 January 2014 at 5.00 p.m., or such other later date and time as the Board at its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar.

### 10.3 Procedures for Acceptance and Payment

If you wish to accept the Rights Shares provisionally allotted to you either in full or in part, please complete Parts I(a) and II of the RSF in accordance with the notes and instructions contained in the RSF and deliver it together with the appropriate remittance either by ORDINARY POST, COURIER or DELIVERED BY HAND in the official envelope prescribed (at your own risk) to the Share Registrar, **Equiniti Services Sdn Bhd, at Level 8, Menara MIDF, 82, Jalan Raja Chulan, 50200 Kuala Lumpur, not later than 13 January 2014 at 5.00 p.m.**, being the last date and time for acceptance and payment, or such later date and time as the Board at its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time.

If you do not wish to accept the Rights Shares provisionally allotted to you in full, you are entitled to accept part of your entitlements that can be subscribed/applied for. Applicants should take note that a trading board lot of the Rights Shares comprises one hundred (100) Rights Shares. You have to complete Parts I(a) and II of the RSF by specifying the number of Rights Shares which you are accepting. The portion of the Rights Shares that has not been accepted will be allotted to applicants applying for Excess Application in the manner set out in Section 10.5 of this Abridged Prospectus.

Acceptance and payment for the Rights Shares provisionally allotted to you must be made on the RSF issued with this Abridged Prospectus and must be completed in accordance with the notes and instructions printed therein. Acceptances which do not strictly conform to the terms and conditions of this Abridged Prospectus or the RSF together with notes and instructions printed therein or which are illegible may not be accepted at the absolute discretion of the Board.

Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights Shares accepted in the form of banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia and must be made payable to "**MBSB RIGHTS SHARES ACCOUNT**", crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name in block letters and your CDS Account number. The payment must be made in the exact amount. Any excess or insufficient payment will be rejected at the absolute discretion of the Board. Cheques or any other mode of payments not prescribed herein are not acceptable.

**NO ACKNOWLEDGEMENT OF THE RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY THE COMPANY OR THE SHARE REGISTRAR IN RESPECT OF THE RIGHTS SHARES. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN THE RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**APPLICATION SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF REMITTANCE BEING PRESENTED FOR PAYMENT.**

If acceptance and payment for the Rights Shares provisionally allotted to you are received by the Share Registrar later than 13 January 2014 at 5.00 p.m., being the last date and time for acceptance and payment, or such later date and time as may be determined and announced by the Board, the said provisional allotment to you will be deemed to have been declined and will be cancelled and such Rights Shares not taken up will be allotted to applicants who have applied for Excess Application as stated in Section 10.5 below.

The Board reserves the right not to accept any application or to accept in part only any application accompanied by payment other than in the manner prescribed herein or which is otherwise howsoever incomplete or not in order, without assigning any reason thereof.

**YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES LODGED WITH THE SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN. WHERE THE APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO YOU WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS AT YOUR OWN RISK.**

**YOU AND/OR YOUR RENOUNCEE(S) WHO ARE SUBJECT TO CERTAIN RESTRICTIONS UNDER APPLICABLE SECURITIES LAWS MAY NOT BE ABLE TO SUBSCRIBE FOR THE RIGHTS SHARES.**

#### 10.4 Procedures for Sale and/or Transfer of Provisional Allotment of Rights Shares

The provisional allotment of Rights Shares is renounceable and will be traded on Bursa Securities commencing from 27 December 2013 up to and including 3 January 2014. As such, you and/or your renounee(s) may sell and/or transfer all or part of your/their entitlements to the Rights Shares.

As the provisional allotment of Rights Shares are prescribed securities, you and/or your renounee(s) who wish to dispose of all or part of your entitlements to the Rights Shares may do so immediately through your/their stockbroker for the period up to the last day of trading of the provisional allotment of Rights Shares on 3 January 2014, without first having to request for a split of the provisional allotment of Rights Shares standing to the credit in your/their CDS Accounts.

To dispose of all or part of your provisional entitlements to the Rights Shares, you and/or your renounee(s) may sell such entitlements on the open market of Bursa Securities or transfer such entitlements to such persons as may be allowed pursuant to the Bursa Depository Rules.

**IN SELLING AND/OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL ALLOTMENT OF RIGHTS SHARES, YOU AND/OR YOUR RENOUNCEES(S) NEED NOT DELIVER ANY DOCUMENT (INCLUDING THE RSF), TO THE STOCKBROKER IN RESPECT OF THE PORTION OF THE PROVISIONAL ALLOTMENT SOLD AND/OR TRANSFERRED. HOWEVER, YOU AND/OR YOUR RENOUNCEES(S) MUST ENSURE THAT YOU HAVE SUFFICIENT PROVISIONAL ALLOTMENT OF RIGHTS SHARES STANDING TO THE CREDIT IN YOUR CDS ACCOUNTS THAT ARE AVAILABLE FOR SETTLEMENT OF THE SALE AND/OR TRANSFER.**

If you and/or your renounee(s) have disposed of and/or transferred only part of your/their entitlements of the Rights Shares, you/they may still accept the balance of your/their entitlements of the Rights Shares by completing Parts I(a) and II of the RSF and forwarding the RSF together with the full amount payable on the balance of the Rights Shares applied for to the Share Registrar in accordance with the instructions in Section 10.3 above.

**IF YOU AND/OR YOUR RENOUNCEE(S) SELL AND/OR TRANSFER ALL OR PART OF YOUR/THEIR PROVISIONAL ALLOTMENT OF RIGHTS SHARES, YOU OR THEY WILL AUTOMATICALLY BE DISPOSING YOUR/THEIR ENTITLEMENTS TO THE PROVISIONAL ALLOTMENT OF RIGHTS SHARES. YOU/THEY CANNOT DISPOSE YOUR/THEIR ENTITLEMENTS IN ANY OTHER PROPORTIONS OTHER THAN THAT STATED ABOVE.**

**YOU AND/OR YOUR RENOUNCEE(S) ARE ADVISED TO READ AND ADHERE TO THE RSF TOGETHER WITH THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.**

#### 10.5 Procedures for Excess Application

If you wish to apply for additional Rights Shares in excess of those provisionally allotted to you, you may do so by completing Part I(b) of the RSF (in addition to Parts I(a) and II of the RSF) and forwarding it with a **separate remittance** for the full amount payable in respect of the excess Rights Shares applied for to the Share Registrar, **Equiniti Services Sdn Bhd**, at **Level 8, Menara MIDF, 82, Jalan Raja Chulan, 50200 Kuala Lumpur, not later than 13 January 2014 at 5.00 p.m.**, being the last date and time for Excess Application and payment, or such later date and time as the Board at its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time.

Payment under the Excess Application should be made in the same manner described in Section 10.3 above except that the banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia should be made payable to "**MBSB EXCESS RIGHTS SHARES ACCOUNT**", crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name in block letters and your CDS Account number. Cheques or any other mode of payments not prescribed herein are not acceptable.

It is the intention of the Board to allot the excess Rights Shares, if any, in the following priority:-

- (i) Firstly, to minimise the incidence of odd lots;
- (ii) Secondly, for allocation to the Entitled Shareholders who have applied for excess Rights Shares on a pro-rata basis based on their respective shareholdings as at the Entitlement Date until the excess Rights Shares have been fully allocated to the Entitled Shareholders who have applied for excess Rights Shares; and
- (iii) Thirdly, in the event there is any balance of excess Rights Shares unallocated, for the allocation to the renounee(s) and/or transferee(s) who have applied for excess Rights Shares on a pro-rata basis based on the quantum of their respective excess Rights Shares applications.

Nevertheless, the Board reserves the right to allot any excess Rights Shares applied under Part I(b) of the RSF in such manner as the Board deems fit and expedient in the best interest of the Company subject always to such allocation being made on a fair and equitable basis and that the intention of the Board as set out above are achieved.

**NO ACKNOWLEDGEMENT OF THE RECEIPT OF THE RSF FOR THE EXCESS APPLICATION OR APPLICATION MONIES WILL BE ISSUED BY THE COMPANY OR THE SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES.**

**IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS APPLICATION, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES (AS THE CASE MAY BE) WILL BE REFUNDED WITHOUT INTEREST WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE OF APPLICATION AND PAYMENT OF THE EXCESS RIGHTS SHARES BY ORDINARY POST AT THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS AT YOUR OWN RISK.**

**IF YOU LOSE, MISPLACE OR FOR ANY REASON REQUIRE ANOTHER COPY OF THE RSF, YOU MAY OBTAIN ADDITIONAL COPIES FROM YOUR STOCKBROKERS, BURSA SECURITIES' WEBSITE ([HTTP://WWW.BURSAMALAYSIA.COM](http://www.bursamalaysia.com)) OR THE SHARE REGISTRAR AT EQUINITY SERVICES SDN BHD, AT LEVEL 8, MENARA MIDF, 82, JALAN RAJA CHULAN, 50200 KUALA LUMPUR.**

## **10.6 Splitting**

Under the CDS environment, the processes of splitting, nomination and renunciation are generated by electronic book-entries made in the CDS Accounts of the Entitled Shareholders. The provisional allotment of Rights Shares will be credited into your CDS Account. You will be notified of the crediting via the NPA which is enclosed with this Abridged Prospectus. You may sell part of or all of the Rights Shares provisionally allotted to you.

## 10.7 Purchases of Rights

If you have purchased any provisional allotment of Rights Shares on Bursa Securities, to enable you to accept the Rights Shares, you should obtain the RSF from one of the following:-

- 1) The Registered Office of the Company at:-  
  
11<sup>th</sup> Floor, Wisma MBSB  
48 Jalan Dungun, Damansara Heights  
50490 Kuala Lumpur  
Tel : 03-2096 3000  
Fax : 03-2096 3144
- 2) The Share Registrar at:-  
  
Equiniti Services Sdn Bhd  
Level 8, Menara MIDF  
82, Jalan Raja Chulan  
50200 Kuala Lumpur
- 3) Bursa Securities' website at the following address:-  
  
[www.bursamalaysia.com](http://www.bursamalaysia.com)

**You are required to complete the RSF and submit the same with the requisite payment to the Share Registrar as described under Section 10.3 of this Abridged Prospectus on Procedures for Acceptance and Payment.**

## 10.8 Laws of Foreign Jurisdiction

This Abridged Prospectus, together with the NPA and RSF, have not been and will not be registered under or be made to comply with any applicable securities legislation or equivalent legislation (or with or by any regulatory authority or other relevant body) of any country/jurisdiction other than Malaysia.

This Abridged Prospectus, together with the NPA and the RSF are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue will not be made or offered or deemed to be made or offered for purchase or subscription, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which this Abridged Prospectus relates is only available to the Entitled Shareholders receiving this Abridged Prospectus, the NPA and the RSF or otherwise within Malaysia.

Accordingly, this Abridged Prospectus and the accompanying NPA and RSF relating to the Rights Issue will not be despatched to you if you do not have a registered address in Malaysia as stated in the Record of Depositors on the Entitlement Date. However, you may collect this Abridged Prospectus including the accompanying documents from the Share Registrar, in which event the Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the documents relating to the Rights Issue.

The Rights Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the U.S. Securities Act ("**Regulation S**")) unless the Rights Shares are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act is available. The Rights Shares are being offered and sold only outside the United States in reliance on Regulation S.

The Company will not make or be bound to make any enquiry as to whether you have a registered address in Malaysia other than as stated in the Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. We will assume that the Rights Issue and the acceptance thereof by you would not be in breach of the laws of any jurisdiction. We will further assume that you have accepted the Rights Issue in Malaysia and will at all applicable times be subject to the laws of Malaysia.

You and/or your renounee(s) shall not have any right or claim against the Company, the Directors and officers, AmInvestment Bank, Joint Underwriters or Deutsche Bank ("**Parties**") in respect of your rights or entitlements under the Rights Issue or to any proceeds thereof. You may only accept or renounce or transfer (as the case may be) all or part of your entitlement and exercise any other rights in respect of the Rights Issue only to the extent that it would be lawful to do so, and the Parties would not be in breach of the laws of any foreign jurisdiction/country to which that you or your renounee(s) is or may be subject to.

However, the Company reserves the right, at its absolute discretion, to treat any acceptance as invalid, if the Company believes that such acceptance may violate applicable legal or regulatory requirements. The provisional Rights Shares relating to any acceptance with is treated as invalid will be included in the pool of excess Rights Shares available for Excess Application by Entitled Shareholders and/or their renounee(s) (if applicable).

If you are or may be subject to the laws or country/jurisdiction other than Malaysia ("**Foreign Shareholder(s)**"), it shall be your sole responsibility to consult your legal advisers and/or other professional advisers as to whether the acceptance or renunciation in any manner whatsoever of your entitlement under the Rights Issue would result in the contravention of any laws of such country/jurisdiction and the Parties shall not accept any responsibility or liability whatsoever to any party in the event that any acceptance or renunciation of the sale or transfer of the provisional allotment of Rights Shares made by you and/or your renounee(s) is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

Any envelope containing a RSF and post-marked from the United States or from a U.S. person (as defined in Regulation S) will not be accepted. Similarly, any RSF in which the accepting holder, renounee or subscribing applicant requests Rights Shares to be issued in registered form or credited to a securities account and gives an address in the United States or is a U.S. person (as defined in Regulation S) will not be accepted. Any payment made in respect of any RSF that does not meet the foregoing criteria will be returned without interest.

If you are a Foreign Shareholder, remittances by you and/or your renounee(s) who wish to accept the provisional allotment of Rights Shares subject to the above conditions must be made in the manner prescribed in Sections 10.3 and 10.5 of this Abridged Prospectus.

If you are a Foreign Shareholder, by signing the RSF, you and/or your renounee(s) are deemed to have represented, acknowledged and declared in favour of (and which representation, acknowledgement and declaration will be relied upon by) the Parties that:-

- (i) the Company would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction which you and/or your renounee(s) are or may be subject to;
- (ii) you and/or your renounee(s) have complied with the laws which you and/or your renounee(s) are or may be subject to in connection with the acceptance or renunciation;
- (iii) you and/or your renounee(s) are not a nominee or agent of a person in respect of whom the Company would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction which that person is or may be subject to;

- (iv) you and/or your renounee(s) are aware that the provisional allotment of Rights Shares can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged or dealt with in any way in accordance with all applicable laws in Malaysia;
- (v) you and/or your renounee(s) have respectively received a copy of this Abridged Prospectus and have read and understood the contents of this Abridged Prospectus;
- (vi) you and/or your renounee(s) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Rights Shares, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares;
- (vii) the Rights Shares have not been and will not be registered under the U.S. Securities Act and/or with any securities regulatory authority of any state of the United States or other jurisdiction (other than Malaysia) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except to persons in offshore transactions in reliance on Regulation S; and
- (viii) it is, or the time the Rights Shares are purchased will be, the beneficial owner of the Rights Shares and (i) it is located outside United States (within the meaning of Regulation S) and (ii) it is not an affiliate of the Company or a person acting on our behalf or on behalf of any of the Company's affiliates.

Persons receiving this Abridged Prospectus, NPA and/or RSF (including without limitation custodians, nominees and trustees) must not, in connection with the Rights Issue, offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or other relevant laws or regulations. If this Abridged Prospectus, NPA and RSF are received by any person in such jurisdictions, or by the agent or nominee of such a person, he/she/it/they must not seek to accept the offer unless he/she/it/they has/have complied with and observed the laws of the relevant jurisdiction.

Any person who does forward this Abridged Prospectus, NPA and/or RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and the Company reserves the right to reject a purported acceptance of the Rights Shares from any application by Foreign Shareholders and/or their renounee(s) in any jurisdiction other than Malaysia.

The Company reserves the right, at its absolute discretion, to treat any acceptance as invalid if the Company believes that such acceptance may violate any applicable legal or regulatory requirements. The provisional Rights Shares relating to any acceptance with is treated as invalid will be included in the pool of excess Rights Shares available for Excess Application by Entitled Shareholders and/or their renounee(s) (if applicable).

## 10.9 CDS Accounts

Bursa Securities has already prescribed the securities of the Company listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares are prescribed securities and as such, all dealings in the provisional allotment of Rights Shares will be by book entry through CDS Accounts and will be governed by the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) Amendment Act, 1998 and the Bursa Depository Rules. You are required to have valid and subsisting CDS Accounts in order to subscribe for the Rights Shares.



The acceptance of the Rights Shares by you or any purchaser of the rights thereof shall mean consent to receiving such Rights Shares as prescribed securities which will be credited directly into your or the purchaser's CDS Account.

All excess Rights Shares allotted shall be credited directly into the CDS Accounts of the successful applicants.

**You are required to use one (1) RSF for each CDS Account. Separate RSF must be used if you have more than one CDS Account having been credited with the provisional allotments of Rights Shares.**

**A REPLY ENVELOPE IS ENCLOSED WITH THIS ABRIDGED PROSPECTUS. TO FACILITATE THE PROCESSING OF THE RSFs BY THE SHARE REGISTRAR OF THE COMPANY, YOU ARE ADVISED TO USE ONE (1) REPLY ENVELOPE FOR EACH COMPLETED RSF.**

#### **10.10 Notice of Allotment**

Upon allotment of the Rights Shares in respect of your acceptance and Excess Application (if any), the Rights Shares shall be credited into your CDS Account. No physical shares certificates will be issued to you in respect of the Rights Shares. However, a notice of allotment will be despatched to you by ordinary post within eight (8) Market Days from the last date of acceptance and payment of the Rights Shares and Excess Application at the address shown in the Record of Depositors at your own risk.

Where any application for the Rights Shares is not accepted due to non-compliance with the terms of the Rights Issue or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest and be despatched to you within fifteen (15) Market Days from the last date of acceptance and payment in respect of the Rights Shares by ordinary post to the address shown in the Record of Depositors at your own risk.

The allotment of the Rights Shares, despatch of notice of allotment and application to Bursa Securities for the quotation of the Rights Shares will be made within eight (8) Market Days from the last date for payment and acceptance of the Rights Shares.

**PLEASE NOTE THAT A COMPLETED RSF AND THE PAYMENT THEREOF ONCE LODGED WITH THE SHARE REGISTRAR CANNOT SUBSEQUENTLY BE WITHDRAWN.**

**THE LATEST DATE AND TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES WILL BE ON 13 JANUARY 2014 AT 5.00 P.M. OR SUCH LATER DATE AND TIME AS THE BOARD AT ITS ABSOLUTE DISCRETION MAY DECIDE AND ANNOUNCE NOT LESS THAN TWO (2) MARKET DAYS BEFORE THE STIPULATED DATE AND TIME.**

**AN APPLICATION SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.**

**11. TERMS AND CONDITIONS**

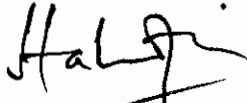
The issue of the Rights Shares pursuant to the Rights Issue is governed by the terms and conditions set out in this Abridged Prospectus and the accompanying NPA and RSF.

**12. FURTHER INFORMATION**

Please refer to the attached Appendices for further information.

Yours faithfully

For and on behalf of the Board of  
**MALAYSIA BUILDING SOCIETY BERHAD**



**TAN SRI ABDUL HALIM BIN ALI**  
*Chairman*

**MALAYSIA BUILDING SOCIETY BERHAD (9417-K)  
(Incorporated in Malaysia)**

Extract of Minutes of the EXTRAORDINARY GENERAL MEETING of MALAYSIA BUILDING SOCIETY BERHAD (9417-K) held at Grand Ballroom, Jalan Kelab Tropicana, Tropicana Golf & Country Club, 47410 Petaling Jaya on Tuesday, 10 December 2013 at 9.30 a.m.

**ORDINARY RESOLUTION I**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES OF RM1.00 EACH IN MBSB (“MBSB SHARES”) (“RIGHTS SHARES”) TO RAISE MAXIMUM GROSS PROCEEDS OF UP TO RM1.47 BILLION (“PROPOSED RIGHTS ISSUE”)**

“**THAT** subject to the approvals of all relevant regulatory authorities being obtained (if required), the Board of Directors of MBSB (“**Board**”) be and is hereby authorised to provisionally allot by way of a renounceable rights issue of such number of new MBSB Shares to raise maximum gross proceeds of up to RM1.47 billion at an issue price and entitlement basis to be determined and announced by the Board, to the shareholders of MBSB whose names appear in the Record of Depositors of MBSB at 5.00 p.m. on an entitlement date to be determined by the Board, and that the Rights Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing MBSB Shares, save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions, the entitlement date of which is prior to the date of allotment of the Rights Shares;

**THAT** any Rights Shares which are not validly taken up or which are not allotted for any reason whatsoever shall first be made available for excess applications in such a manner as the Board shall determine at its absolute discretion;

**THAT** the Rights Shares shall be listed on the Main Market of Bursa Malaysia Securities Berhad;

**THAT** the proceeds of the Proposed Rights Issue be utilised for the purposes as set out in the Circular to Shareholders of MBSB dated 25 November 2013, and the Board be authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject to the approval of the relevant authorities, where required.

**AND THAT** the Board be and is hereby authorised to:-

- (a) deal with any fractional entitlements that may arise from the Proposed Rights Issue in such manner and on such terms and conditions as the Board in its absolute discretion deems fit or expedient or in the best interest of the Company;
- (b) enter into any underwriting agreement(s) for the underwriting of any part of the open portion of the Rights Shares and all other documents, agreements and/or arrangements in connection with the underwriting of the Rights Shares with such parties and upon such terms and conditions as the Board may deem fit; and

Extract of Minutes of the EXTRAORDINARY GENERAL MEETING of MALAYSIA BUILDING SOCIETY BERHAD (9417-K) held at Grand Ballroom, Jalan Kelab Tropicana, Tropicana Golf & Country Club, 47410 Petaling Jaya on Tuesday, 10 December 2013 at 9.30 a.m.

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- (c) do all acts, deeds, and things and execute, sign, deliver and cause to be delivered on behalf of MBSB all such transactions, arrangements, agreements and/or documents as may be necessary or expedient in order to implement, give effect to and complete the Proposed Rights Issue with full powers to assent to any condition, modification, variation and/or amendment to the terms of the Proposed Rights Issue as the Board may deem fit, necessary and/or expedient in the interest of the Company or as may be imposed by any relevant authority 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 Proposed Rights Issue.

## **ORDINARY RESOLUTION II**

### **PROPOSED DIVIDEND REINVESTMENT PLAN THAT GIVES SHAREHOLDERS OF MBSB THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND IN NEW MBSB SHARES ("PROPOSED DRP")**

**"THAT** subject to the approvals of all relevant regulatory authorities for the Proposed DRP being obtained (where required) and to the extent permitted by law, the Proposed DRP be and is hereby approved, and that the Board be and is hereby authorised to:-

- (a) establish and implement the Proposed DRP;
- (b) determine, at its sole and absolute discretion, whether the Proposed DRP will apply to any cash dividend(s), (whether interim, final, special or any other cash dividends, declared and/or approved by the Company);
- (c) issue and allot such number of new MBSB Shares from time to time as may be required to be allotted and issued pursuant to the Proposed DRP until the conclusion of the next annual general meeting of MBSB, upon such terms and conditions as the Board may, in its sole and absolute discretion deem fit and in the best interest of the Company; and
- (d) do all acts, deeds, and things and execute, sign, deliver and cause to be delivered on behalf of MBSB all such transactions, arrangements, agreements and/or documents as may be necessary or expedient in order to implement, give effect to and complete the Proposed DRP with full powers to assent to any condition, modification, variation and/or amendment to the terms of the Proposed DRP as the Board may deem fit, necessary and/or expedient in the interest of the Company or as may be imposed by any relevant authority 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 Proposed DRP;

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APPENDIX I CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTIONS IN RESPECT OF THE RIGHTS ISSUE AND DRP PASSED AT THE EGM OF THE COMPANY HELD ON 10 DECEMBER 2013 (CONT'D)

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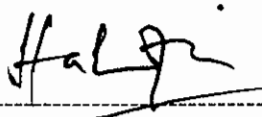
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Extract of Minutes of the EXTRAORDINARY GENERAL MEETING of MALAYSIA BUILDING SOCIETY BERHAD (9417-K) held at Grand Ballroom, Jalan Kelab Tropicana, Tropicana Golf & Country Club, 47410 Petaling Jaya on Tuesday, 10 December 2013 at 9.30 a.m.

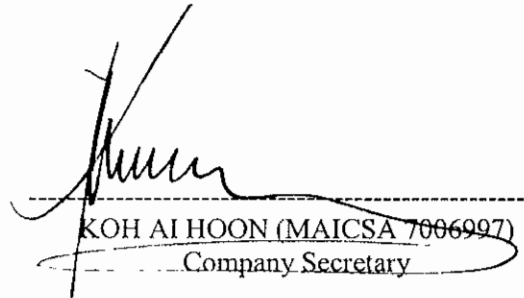
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AND THAT the said new MBSB Shares shall, upon allotment and issue, rank *pari passu* in all respects with the existing MBSB Shares in issue, save and except that the new MBSB Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, the entitlement date of which is prior to the date of allotment of the new MBSB Shares issued pursuant to the Proposed DRP.”

CERTIFIED TRUE COPY



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TAN SRI ABDUL HALIM BIN ALI  
Chairman



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KOH AL HOON (MAICSA 7006997)  
Company Secretary

Page 3 of 3

**1. HISTORY OF THE BUSINESS AND PRINCIPAL ACTIVITIES**

The Company was incorporated in Malaysia under the Act on 17 March 1970. By way of a scheme of arrangement, the business undertakings and operations of Malaya Borneo Building Society Limited (“MBBSL”) in Peninsular Malaysia were transferred to the Company effective from 1 March 1972. Following this scheme of arrangement, MBBSL became the Company’s wholly-owned subsidiary. The Company was subsequently listed on the Kuala Lumpur Stock Exchange (now known as Bursa Securities) on 14 March 1972. The EPF is currently its major shareholder.

MBSB is principally involved 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.

Further details of the principal activities of the subsidiaries of MBSB are disclosed in Section 5 below.

**2. SHARE CAPITAL AND MOVEMENTS IN SHARE CAPITAL**

The authorised, issued and paid-up share capital of the Company as at the LPD are as follows:-

Type	No. of MBSB Shares (’000)	Par Value (RM)	Amount (RM’000)
Authorised	10,000,000	1.00	10,000,000
Issued and paid-up	1,745,357	1.00	1,745,357

Save for the 38,491,444 ESOS Options and 17,327,421 Warrants, MBSB does not have any other convertible securities as at the LPD.

The changes in the issued and paid-up ordinary share capital of the Company for the last three (3) years up to the LPD, are as follows:-

Date	No. of MBSB Shares <sup>(a)</sup>	Consideration	Type of Issue	Cumulative No. of MBSB Shares
23.02.2011	10,600	RM1.45	Exercise of ESOS Option	700,308,127
15.03.2011	15,000	RM1.45	Exercise of ESOS Option	700,323,127
22.03.2011	159,620	RM1.45	Exercise of ESOS Option	700,482,747
24.03.2011	148,620	RM1.45	Exercise of ESOS Option	700,631,367
25.03.2011	274,300	RM1.45	Exercise of ESOS Option	700,905,667
28.03.2011	263,360	RM1.45	Exercise of ESOS Option	701,169,027
29.03.2011	465,450	RM1.45	Exercise of ESOS Option	701,634,477
31.03.2011	433,640	RM1.45	Exercise of ESOS Option	702,068,117
01.04.2011	311,160	RM1.45	Exercise of ESOS Option	702,379,277
04.04.2011	1,225,920	RM1.45	Exercise of ESOS Option	703,605,197
05.04.2011	1,022,540	RM1.45	Exercise of ESOS Option	704,627,737
06.04.2011	232,580	RM1.45	Exercise of ESOS Option	704,860,317
07.04.2011	420,680	RM1.45	Exercise of ESOS Option	705,280,997
11.04.2011	472,000	RM1.45	Exercise of ESOS Option	705,752,997
12.04.2011	365,220	RM1.45	Exercise of ESOS Option	706,118,217
15.04.2011	556,820	RM1.45	Exercise of ESOS Option	706,675,037

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**APPENDIX II INFORMATION ON MBSB (CONT'D)**


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Date	No. of MBSB Shares <sup>(a)</sup>	Consideration	Type of Issue	Cumulative No. of MBSB Shares
19.04.2011	1,262,650	RM1.45	Exercise of ESOS Option	707,937,687
20.04.2011	330,360	RM1.45	Exercise of ESOS Option	708,268,047
22.04.2011	182,660	RM1.45	Exercise of ESOS Option	708,450,707
26.04.2011	152,180	RM1.45	Exercise of ESOS Option	708,602,887
27.04.2011	200,760	RM1.45	Exercise of ESOS Option	708,803,647
29.04.2011	28,620	RM1.45	Exercise of ESOS Option	708,832,267
03.05.2011	127,720	RM1.45	Exercise of ESOS Option	708,959,987
05.05.2011	41,180	RM1.45	Exercise of ESOS Option	709,001,167
31.05.2011	6,000	RM1.45	Exercise of ESOS Option	709,007,167
01.06.2011	506,424,813	RM1.00	Issuance of new MBSB Shares pursuant to the rights issue in 2011	1,215,431,980
23.06.2011	35,714	RM1.00	Conversion of Warrants	1,215,467,694
06.07.2011	1,000	RM1.00	Conversion of Warrants	1,215,468,694
13.07.2011	2,600	RM1.00	Conversion of Warrants	1,215,471,294
20.07.2011	1,800	RM1.00	Conversion of Warrants	1,215,473,094
09.08.2011	15,000	RM1.00	Conversion of Warrants	1,215,488,094
15.08.2011	2,600	RM1.00	Conversion of Warrants	1,215,490,694
18.08.2011	9,956	RM1.00	Conversion of Warrants	1,215,500,650
17.01.2012	6,700	RM1.00	Conversion of Warrants	1,215,507,350
20.01.2012	550	RM1.00	Conversion of Warrants	1,215,507,900
02.02.2012	1,800	RM1.00	Conversion of Warrants	1,215,509,700
09.02.2012	2,000	RM1.00	Conversion of Warrants	1,215,511,700
14.02.2012	175,952	RM1.17	Exercise of ESOS Option	1,215,687,652
17.02.2012	1,482,832	RM1.17	Exercise of ESOS Option	1,217,170,484
23.02.2012	1,548,958	RM1.17	Exercise of ESOS Option	1,218,719,442
23.02.2012	271,428	RM1.00	Conversion of Warrants	1,218,990,870
27.02.2012	2,173,281	RM1.17	Exercise of ESOS Option	1,221,164,151
28.02.2012	1,937,630	RM1.17	Exercise of ESOS Option	1,223,101,781
01.03.2012	22,600	RM1.00	Conversion of Warrants	1,223,124,381
05.03.2012	951,861	RM1.17	Exercise of ESOS Option	1,224,076,242
07.03.2012	436,712	RM1.17	Exercise of ESOS Option	1,224,512,954
14.03.2012	169,502	RM1.17	Exercise of ESOS Option	1,224,682,456
14.03.2012	96,100	RM1.17	Exercise of ESOS Option	1,224,778,556
14.03.2012	248,900	RM1.67	Exercise of ESOS Option	1,225,027,456
16.03.2012	3,400	RM1.00	Conversion of Warrants	1,225,030,856
19.03.2012	202,181	RM1.17	Exercise of ESOS Option	1,225,233,037
19.03.2012	1,063,150	RM1.67	Exercise of ESOS Option	1,226,296,187
20.03.2012	60,247	RM1.17	Exercise of ESOS Option	1,226,356,434
20.03.2012	503,450	RM1.67	Exercise of ESOS Option	1,226,859,884
26.03.2012	186,735	RM1.17	Exercise of ESOS Option	1,227,046,619
26.03.2012	83,100	RM1.67	Exercise of ESOS Option	1,227,129,719

**APPENDIX II INFORMATION ON MBSB (CONT'D)**

<b>Date</b>	<b>No. of MBSB Shares<sup>(a)</sup></b>	<b>Consideration</b>	<b>Type of Issue</b>	<b>Cumulative No. of MBSB Shares</b>
26.03.2012	237,000	RM1.00	Conversion of Warrants	1,227,366,719
27.03.2012	71,500	RM1.17	Exercise of ESOS Option	1,227,438,219
27.03.2012	108,275	RM1.67	Exercise of ESOS Option	1,227,546,494
03.04.2012	13,026	RM1.00	Conversion of Warrants	1,227,559,520
03.04.2012	81,000	RM1.67	Exercise of ESOS Option	1,227,640,520
03.04.2012	92,822	RM1.17	Exercise of ESOS Option	1,227,733,342
06.04.2012	3,208,256	RM1.00	Conversion of Warrants	1,230,941,598
09.04.2012	151,640	RM1.17	Exercise of ESOS Option	1,231,093,238
09.04.2012	82,000	RM1.67	Exercise of ESOS Option	1,231,175,238
09.04.2012	57,700	RM1.17	Exercise of ESOS Option	1,231,232,938
12.04.2012	4,000	RM1.00	Conversion of Warrants	1,231,236,938
17.04.2012	10,378	RM1.17	Exercise of ESOS Option	1,231,247,316
17.04.2012	63,200	RM1.67	Exercise of ESOS Option	1,231,310,516
25.04.2012	17,000	RM1.17	Exercise of ESOS Option	1,231,327,516
25.04.2012	22,200	RM1.67	Exercise of ESOS Option	1,231,349,716
30.04.2012	34,590	RM1.17	Exercise of ESOS Option	1,231,384,306
03.05.2012	10,000	RM1.17	Exercise of ESOS Option	1,231,394,306
07.05.2012	15,000	RM1.17	Exercise of ESOS Option	1,231,409,306
07.05.2012	6,200	RM1.67	Exercise of ESOS Option	1,231,415,506
15.05.2012	29,600	RM1.17	Exercise of ESOS Option	1,231,445,106
21.05.2012	197	RM1.00	Conversion of Warrants	1,231,445,303
29.05.2012	6,000	RM1.17	Exercise of ESOS Option	1,231,451,303
06.06.2012	52,900	RM1.67	Exercise of ESOS Option	1,231,504,203
15.06.2012	23,796	RM1.17	Exercise of ESOS Option	1,231,527,999
15.06.2012	38,776	RM1.17	Exercise of ESOS Option	1,231,566,775
19.06.2012	2,200	RM1.17	Exercise of ESOS Option	1,231,568,975
19.06.2012	14,900	RM1.67	Exercise of ESOS Option	1,231,583,875
22.06.2012	71,830	RM1.17	Exercise of ESOS Option	1,231,655,705
29.06.2012	6,000	RM1.17	Exercise of ESOS Option	1,231,661,705
05.07.2012	20,196	RM1.17	Exercise of ESOS Option	1,231,681,901
05.07.2012	13,200	RM1.67	Exercise of ESOS Option	1,231,695,101
12.07.2012	66,400	RM1.17	Exercise of ESOS Option	1,231,761,501
12.07.2012	15,100	RM1.67	Exercise of ESOS Option	1,231,776,601
17.07.2012	3,300	RM1.17	Exercise of ESOS Option	1,231,779,901
17.07.2012	19,000	RM1.67	Exercise of ESOS Option	1,231,798,901
17.07.2012	61,419	RM1.17	Exercise of ESOS Option	1,231,860,320
23.07.2012	16,800	RM1.17	Exercise of ESOS Option	1,231,877,120
23.07.2012	39,650	RM1.67	Exercise of ESOS Option	1,231,916,770
25.07.2012	48,856	RM1.17	Exercise of ESOS Option	1,231,965,626
30.07.2012	2,000	RM1.00	Conversion of Warrants	1,231,967,626
01.08.2012	33,500	RM1.17	Exercise of ESOS Option	1,232,001,126



**APPENDIX II INFORMATION ON MBSB (CONT'D)**

<b>Date</b>	<b>No. of MBSB Shares<sup>(a)</sup></b>	<b>Consideration</b>	<b>Type of Issue</b>	<b>Cumulative No. of MBSB Shares</b>
13.08.2012	58,125	RM1.67	Exercise of ESOS Option	1,232,059,251
27.08.2012	16,000	RM1.17	Exercise of ESOS Option	1,232,075,251
30.08.2012	5,000	RM1.17	Exercise of ESOS Option	1,232,080,251
30.08.2012	13,200	RM1.67	Exercise of ESOS Option	1,232,093,451
06.09.2012	1,000	RM1.00	Conversion of Warrants	1,232,094,451
14.09.2012	1,476,228	RM1.17	Exercise of ESOS Option	1,233,570,679
18.09.2012	2,129,135	RM1.17	Exercise of ESOS Option	1,235,699,814
18.09.2012	1,032,344	RM1.17	Exercise of ESOS Option	1,236,732,158
24.09.2012	311,059	RM1.17	Exercise of ESOS Option	1,237,043,217
28.09.2012	820,861	RM1.17	Exercise of ESOS Option	1,237,864,078
04.10.2012	80,775	RM1.67	Exercise of ESOS Option	1,237,944,853
04.10.2012	999,361	RM1.17	Exercise of ESOS Option	1,238,944,214
04.10.2012	25,000	RM1.00	Conversion of Warrants	1,238,969,214
10.10.2012	578,076	RM1.17	Exercise of ESOS Option	1,239,547,290
11.10.2012	268,051	RM1.17	Exercise of ESOS Option	1,239,815,341
17.10.2012	152,972	RM1.17	Exercise of ESOS Option	1,239,968,313
17.10.2012	5,000	RM1.00	Conversion of Warrants	1,239,973,313
24.10.2012	54,654	RM1.17	Exercise of ESOS Option	1,240,027,967
29.10.2012	2,000	RM1.00	Conversion of Warrants	1,240,029,967
02.11.2012	157,138	RM1.17	Exercise of ESOS Option	1,240,187,105
12.11.2012	34,000	RM1.17	Exercise of ESOS Option	1,240,221,105
28.11.2012	9,800	RM1.17	Exercise of ESOS Option	1,240,230,905
04.12.2012	38,296	RM1.17	Exercise of ESOS Option	1,240,269,201
11.12.2012	23,320	RM1.17	Exercise of ESOS Option	1,240,292,521
21.12.2012	68,361	RM1.17	Exercise of ESOS Option	1,240,360,882
7.01.2013	2,142	RM1.00	Conversion of Warrants	1,240,363,024
7.01.2013	26,000	RM1.17	Exercise of ESOS Option	1,240,389,024
11.01.2013	36,320	RM1.17	Exercise of ESOS Option	1,240,425,344
21.01.2013	107,700	RM1.17	Exercise of ESOS Option	1,240,533,044
08.02.2013	79,500	RM1.00	Conversion of Warrants	1,240,612,544
15.02.2013	92,296	RM1.17	Exercise of ESOS Option	1,240,704,840
15.02.2013	6,821,200	RM1.00	Conversion of Warrants	1,247,526,040
15.02.2013	80,934	RM1.17	Exercise of ESOS Option	1,247,606,974
19.02.2013	2,768,100	RM1.00	Conversion of Warrants	1,250,375,074
20.02.2013	42,951	RM1.17	Exercise of ESOS Option	1,250,418,025
21.02.2013	3,428,014	RM1.00	Conversion of Warrants	1,253,846,039
22.02.2013	5,100	RM1.17	Exercise of ESOS Option	1,253,851,139
25.02.2013	1,195,300	RM1.00	Conversion of Warrants	1,255,046,439
27.02.2013	186,736	RM1.17	Exercise of ESOS Option	1,255,233,175
01.03.2013	2,863,685	RM1.00	Conversion of Warrants	1,258,096,860
01.03.2013	96,480	RM1.17	Exercise of ESOS Option	1,258,193,340

**APPENDIX II INFORMATION ON MBSB (CONT'D)**

Date	No. of MBSB Shares <sup>(a)</sup>	Consideration	Type of Issue	Cumulative No. of MBSB Shares
05.03.2013	2,175,100	RM1.00	Conversion of Warrants	1,260,368,440
08.03.2013	972,200	RM1.00	Conversion of Warrants	1,261,340,640
08.03.2013	137,880	RM1.17	Exercise of ESOS Option	1,261,478,520
08.03.2013	27,400	RM2.33	Exercise of ESOS Option	1,261,505,920
11.03.2013	343,000	RM1.00	Conversion of Warrants	1,261,848,920
11.03.2013	1,089,200	RM1.00	Conversion of Warrants	1,262,938,120
11.03.2013	42,547	RM1.17	Exercise of ESOS Option	1,262,980,667
11.03.2013	15,000	RM2.33	Exercise of ESOS Option	1,262,995,667
13.03.2013	982,600	RM1.67	Exercise of ESOS Option	1,263,978,267
13.03.2013	41,592	RM1.17	Exercise of ESOS Option	1,264,019,859
13.03.2013	37,420	RM2.33	Exercise of ESOS Option	1,264,057,279
14.03.2013	119,513	RM1.17	Exercise of ESOS Option	1,264,176,792
14.03.2013	351,200	RM1.67	Exercise of ESOS Option	1,264,527,992
14.03.2013	4,033	RM2.33	Exercise of ESOS Option	1,264,532,025
15.03.2013	105,651	RM1.17	Exercise of ESOS Option	1,264,637,676
15.03.2013	252,750	RM1.67	Exercise of ESOS Option	1,264,890,426
15.03.2013	89,989	RM2.33	Exercise of ESOS Option	1,264,980,415
15.03.2013	6,769,556	RM1.00	Conversion of Warrants	1,271,749,971
19.03.2013	1,784,000	RM1.00	Conversion of Warrants	1,273,533,971
19.03.2013	131,050	RM1.67	Exercise of ESOS Option	1,273,665,021
19.03.2013	219,900	RM2.33	Exercise of ESOS Option	1,273,884,921
19.03.2013	73,122	RM1.17	Exercise of ESOS Option	1,273,958,043
20.03.2013	4,644,200	RM1.00	Conversion of Warrants	1,278,602,243
22.03.2013	276,900	RM1.67	Exercise of ESOS Option	1,278,879,143
22.03.2013	31,608	RM2.33	Exercise of ESOS Option	1,278,910,751
22.03.2013	29,950	RM1.17	Exercise of ESOS Option	1,278,940,701
26.03.2013	332,649,994	RM1.00	Conversion of Warrants	1,611,590,695
26.03.2013	56,415	RM1.17	Exercise of ESOS Option	1,611,647,110
26.03.2013	73,850	RM1.67	Exercise of ESOS Option	1,611,720,960
26.03.2013	73,366	RM2.33	Exercise of ESOS Option	1,611,794,326
27.03.2013	12,200	RM1.17	Exercise of ESOS Option	1,611,806,526
27.03.2013	33,050	RM1.67	Exercise of ESOS Option	1,611,839,576
27.03.2013	111,520	RM2.33	Exercise of ESOS Option	1,611,951,096
28.03.2013	2,190,100	RM1.00	Conversion of Warrants	1,614,141,196
29.03.2013	23,320	RM1.17	Exercise of ESOS Option	1,614,164,516
29.03.2013	40,750	RM1.67	Exercise of ESOS Option	1,614,205,266
29.03.2013	44,620	RM2.33	Exercise of ESOS Option	1,614,249,886
04.04.2013	1,231,000	RM1.00	Conversion of Warrants	1,615,480,886
05.04.2013	19,776	RM1.17	Exercise of ESOS Option	1,615,500,662
05.04.2013	131,450	RM1.67	Exercise of ESOS Option	1,615,632,112
05.04.2013	18,300	RM2.33	Exercise of ESOS Option	1,615,650,412

**APPENDIX II INFORMATION ON MBSB (CONT'D)**

Date	No. of MBSB Shares <sup>(a)</sup>	Consideration	Type of Issue	Cumulative No. of MBSB Shares
09.04.2013	512,400	RM1.00	Conversion of Warrants	1,616,162,812
10.04.2013	70,939	RM1.17	Exercise of ESOS Option	1,616,233,751
10.04.2013	26,500	RM1.67	Exercise of ESOS Option	1,616,260,251
10.04.2013	44,100	RM2.33	Exercise of ESOS Option	1,616,304,351
12.04.2013	811,300	RM1.00	Conversion of Warrants	1,617,115,651
16.04.2013	40,300	RM2.33	Exercise of ESOS Option	1,617,155,951
19.04.2013	54,000	RM1.17	Exercise of ESOS Option	1,617,209,951
19.04.2013	24,000	RM1.67	Exercise of ESOS Option	1,617,233,951
19.04.2013	35,740	RM2.33	Exercise of ESOS Option	1,617,269,691
19.04.2013	445,600	RM1.00	Conversion of Warrants	1,617,715,291
24.04.2013	1,654,557	RM1.00	Conversion of Warrants	1,619,369,848
26.04.2013	36,892	RM1.17	Exercise of ESOS Option	1,619,406,740
26.04.2013	7,784	RM1.67	Exercise of ESOS Option	1,619,414,524
26.04.2013	44,200	RM2.33	Exercise of ESOS Option	1,619,458,724
26.04.2013	12,642,513	RM1.00	Conversion of Warrants	1,632,101,237
29.04.2013	988,100	RM1.00	Conversion of Warrants	1,633,089,337
29.04.2013	48,480	RM1.17	Exercise of ESOS Option	1,633,137,817
29.04.2013	43,250	RM1.67	Exercise of ESOS Option	1,633,181,067
29.04.2013	904,112	RM2.33	Exercise of ESOS Option	1,634,085,179
30.04.2013	1,816,199	RM1.00	Conversion of Warrants	1,635,901,378
03.05.2013	42,077	RM1.17	Exercise of ESOS Option	1,635,943,455
03.05.2013	27,450	RM1.67	Exercise of ESOS Option	1,635,970,905
03.05.2013	3,420,628	RM1.00	Conversion of Warrants	1,639,391,533
06.05.2013	482,093	RM2.33	Exercise of ESOS Option	1,639,873,626
06.05.2013	1,768,100	RM1.00	Conversion of Warrants	1,641,641,726
06.05.2013	42,200	RM1.67	Exercise of ESOS Option	1,641,683,926
07.05.2013	87,238,284	RM1.00	Conversion of Warrants	1,728,922,210
08.05.2013	1,464,519	RM2.33	Exercise of ESOS Option	1,730,386,729
08.05.2013	108,500	RM2.33	Exercise of ESOS Option	1,730,495,229
08.05.2013	100,016	RM2.33	Exercise of ESOS Option	1,730,595,245
08.05.2013	41,400	RM2.33	Exercise of ESOS Option	1,730,636,645
10.05.2013	1,670,400	RM1.00	Conversion of Warrants	1,732,307,045
13.05.2013	63,600	RM2.33	Exercise of ESOS Option	1,732,370,645
14.05.2013	281,000	RM1.00	Conversion of Warrants	1,732,651,645
15.05.2013	12,714	RM1.00	Conversion of Warrants	1,732,664,359
17.05.2013	34,300	RM2.33	Exercise of ESOS Option	1,732,698,659
17.05.2013	6,250	RM1.67	Exercise of ESOS Option	1,732,704,909
27.05.2013	1,124,309	RM2.33	Exercise of ESOS Option	1,733,829,218
28.05.2013	5,500	RM1.00	Conversion of Warrants	1,733,834,718
28.05.2013	294,708	RM2.33	Exercise of ESOS Option	1,734,129,426
31.05.2013	40,000	RM1.67	Exercise of ESOS Option	1,734,169,426

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**APPENDIX II INFORMATION ON MBSB (CONT'D)**


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<b>Date</b>	<b>No. of MBSB Shares<sup>(a)</sup></b>	<b>Consideration</b>	<b>Type of Issue</b>	<b>Cumulative No. of MBSB Shares</b>
31.05.2013	31,300	RM2.33	Exercise of ESOS Option	1,734,200,726
03.06.2013	879	RM1.00	Conversion of Warrants	1,734,201,605
03.06.2013	13,200	RM1.67	Exercise of ESOS Option	1,734,214,805
03.06.2013	551,291	RM2.33	Exercise of ESOS Option	1,734,766,096
05.06.2013	119,300	RM2.33	Exercise of ESOS Option	1,734,885,396
11.06.2013	364,649	RM2.33	Exercise of ESOS Option	1,735,250,045
11.06.2013	1,000	RM1.00	Conversion of Warrants	1,735,251,045
12.06.2013	95,528	RM2.33	Exercise of ESOS Option	1,735,346,573
18.06.2013	39,200	RM1.17	Exercise of ESOS Option	1,735,385,773
18.06.2013	7,900	RM1.67	Exercise of ESOS Option	1,735,393,673
18.06.2013	99,625	RM2.33	Exercise of ESOS Option	1,735,493,298
25.06.2013	275,836	RM2.33	Exercise of ESOS Option	1,735,769,134
26.06.2013	1,500	RM1.00	Conversion of Warrants	1,735,770,634
28.06.2013	331,042	RM2.33	Exercise of ESOS Option	1,736,101,676
02.07.2013	4,000	RM1.67	Exercise of ESOS Option	1,736,105,676
02.07.2013	130,340	RM2.33	Exercise of ESOS Option	1,736,236,016
04.07.2013	32,020	RM2.33	Exercise of ESOS Option	1,736,268,036
04.07.2013	8,000	RM1.67	Exercise of ESOS Option	1,736,276,036
12.07.2013	78,596	RM2.33	Exercise of ESOS Option	1,736,354,632
12.07.2013	110,758	RM2.33	Exercise of ESOS Option	1,736,465,390
22.07.2013	21,000	RM1.00	Conversion of Warrants	1,736,486,390
24.07.2013	32,679	RM2.33	Exercise of ESOS Option	1,736,519,069
29.07.2013	143,780	RM2.33	Exercise of ESOS Option	1,736,662,849
31.07.2013	5,000	RM1.00	Conversion of Warrants	1,736,667,849
31.07.2013	12,300	RM1.17	Exercise of ESOS Option	1,736,680,149
31.07.2013	13,200	RM1.67	Exercise of ESOS Option	1,736,693,349
31.07.2013	78,658	RM2.33	Exercise of ESOS Option	1,736,772,007
05.08.2013	62,873	RM2.33	Exercise of ESOS Option	1,736,834,880
07.08.2013	13,400	RM2.33	Exercise of ESOS Option	1,736,848,280
16.08.2013	4,200	RM2.33	Exercise of ESOS Option	1,736,852,480
21.08.2013	20,000	RM1.67	Exercise of ESOS Option	1,736,872,480
21.08.2013	4,000	RM2.33	Exercise of ESOS Option	1,736,876,480
29.08.2013	68,116	RM2.33	Exercise of ESOS Option	1,736,944,596
13.09.2013	19,500	RM1.00	Conversion of Warrants	1,736,964,096
17.09.2013	521,016	RM1.17	Exercise of ESOS Option	1,737,485,112
19.09.2013	1,001,973	RM1.17	Exercise of ESOS Option	1,738,487,085
20.09.2013	464,158	RM1.17	Exercise of ESOS Option	1,738,951,243
23.09.2013	2,015,493	RM1.17	Exercise of ESOS Option	1,740,966,736
26.09.2013	1,131,412	RM1.17	Exercise of ESOS Option	1,742,098,148
01.10.2013	26,420	RM2.33	Exercise of ESOS Option	1,742,124,568
01.10.2013	984,991	RM1.17	Exercise of ESOS Option	1,743,109,559

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**APPENDIX II INFORMATION ON MBSB (CONT'D)**

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<b>Date</b>	<b>No. of MBSB Shares<sup>(a)</sup></b>	<b>Consideration</b>	<b>Type of Issue</b>	<b>Cumulative No. of MBSB Shares</b>
09.10.2013	401,278	RM1.17	Exercise of ESOS Option	1,743,510,837
09.10.2013	13,000	RM1.67	Exercise of ESOS Option	1,743,523,837
09.10.2013	40,720	RM2.33	Exercise of ESOS Option	1,743,564,557
22.10.2013	237,358	RM1.17	Exercise of ESOS Option	1,743,801,915
22.10.2013	10,000	RM2.33	Exercise of ESOS Option	1,743,811,915
24.10.2013	20,000	RM1.00	Conversion of Warrants	1,743,831,915
29.10.2013	332,700	RM1.17	Exercise of ESOS Option	1,744,164,615
29.10.2013	49,420	RM2.33	Exercise of ESOS Option	1,744,214,035
29.10.2013	228,100	RM1.00	Conversion of Warrants	1,744,442,135
30.10.2013	471,300	RM1.00	Conversion of Warrants	1,744,913,435
31.10.2013	151,351	RM1.17	Exercise of ESOS Option	1,745,064,786
31.10.2013	6,000	RM2.33	Exercise of ESOS Option	1,745,070,786
31.10.2013	17,000	RM1.00	Conversion of Warrants	1,745,087,786
01.11.2013	90,900	RM1.00	Conversion of Warrants	1,745,178,686
04.11.2013	67,000	RM1.00	Conversion of Warrants	1,745,245,686
07.11.2013	6,000	RM1.00	Conversion of Warrants	1,745,251,686
08.11.2013	36,332	RM1.17	Exercise of ESOS Option	1,745,288,018
19.11.2013	61,480	RM1.17	Exercise of ESOS Option	1,745,349,498
26.11.2013	7,500	RM1.17	Exercise of ESOS Option	1,745,356,998

**Note:-**

(a) *The par value of MBSB Shares allotted is RM1.00.*

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**APPENDIX II INFORMATION ON MBSB (CONT'D)**

**3. SUBSTANTIAL SHAREHOLDERS**

The percentage shareholdings of the substantial shareholder will remain the same in the event they subscribe in full for their entitlements under the Rights Issue.

**Minimum Scenario** : Assuming that none of the ESOS Options and Warrants are exercised prior to the Entitlement Date.

**Maximum Scenario** : Assuming 16,931,321 ESOS Options which can be exercised prior to the Entitlement Date and the Warrants will be fully exercised prior to the Entitlement Date. The Remaining ESOS Options are assumed to be exercised after the completion of the Rights Issue.

The proforma effects of the Rights Issue on the substantial shareholder's shareholdings based on the Register of Substantial Shareholders as at the LPD under the Minimum Scenario and the Maximum Scenario based on the Undertaking provided by EPF are as follows:-

**Minimum Scenario**

Substantial shareholder	As at LPD			(I) After Rights Issue <sup>(a)</sup>			(II) After (I) and exercise of ESOS Options and Warrants <sup>(b)</sup>		
	Direct No. of MBSB Shares ('000)	%	Indirect No. of MBSB Shares ('000)	Direct No. of MBSB Shares ('000)	%	Indirect No. of MBSB Shares ('000)	Direct No. of MBSB Shares ('000)	%	Indirect No. of MBSB Shares ('000)
EPF	1,127,806	64.6	-	1,691,709	64.6	-	1,691,709	63.1	-

**Notes:-**

(a) Assuming 17.3 million Warrants and 38.5 million ESOS Options are not exercised prior to the Entitlement Date.

(b) Including the adjusted 20.1 million Warrants and 44.7 million ESOS Options.

**APPENDIX II INFORMATION ON MBSB (CONT'D)**

**Maximum Scenario**

Substantial shareholder	As at LPD		(I) After exercise of exercisable ESOS Options and Warrants <sup>(a)</sup>		(II) After (I) and Rights Issue		(III) After (II) and after exercising the Remaining ESOS Options <sup>(b)</sup>	
	Direct No. of MBSB Shares ( '000)	Indirect No. of MBSB Shares ( '000)	Direct No. of MBSB Shares ( '000)	Indirect No. of MBSB Shares ( '000)	Direct No. of MBSB Shares ( '000)	Indirect No. of MBSB Shares ( '000)	Direct No. of MBSB Shares ( '000)	Indirect No. of MBSB Shares ( '000)
EPF	1,127,806	64.6	1,127,806	63.4	1,691,709	63.4	1,691,709	62.8

**Notes:-**

- (a) Assuming 17.3 million Warrants and 38.5 million ESOS Options are exercised prior to the Entitlement Date.  
(b) Including the adjusted 25.0 million Remaining ESOS Options.

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**APPENDIX II INFORMATION ON MBSB (CONT'D)**

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**4. BOARD OF DIRECTORS**

The particulars of the Board as at the LPD are as follows:-

<b>Name</b>	<b>Designation</b>	<b>Address</b>	<b>Nationality</b>	<b>Profession</b>	<b>Age</b>
Tan Sri Abdul Halim bin Ali	Chairman and Non-Independent Non-Executive Director	No. 21, Jalan Setiaraya Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director	70
Datuk Syed Zaid bin Syed Jaffar Albar	Senior Independent Non-Executive Director	No.5, Jalan Setiamurni 8 Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director	59
Datuk Shahril Ridza bin Ridzuan	Non-Independent Non-Executive Director	No. 5, Jalan Rimba Riang 9/1C, Seksyen 9 Kota Damansara 47810 Petaling Jaya Selangor	Malaysian	Company Director	43
Aw Hong Boo	Independent Non-Executive Director	No. 15, SS21/17 Damansara Utama 47400 Petaling Jaya Selangor	Malaysian	Company Director	63
Dato' Jasmy bin Ismail	Independent Non-Executive Director	No. 22, Jalan 16/6 46350 Petaling Jaya Selangor	Malaysian	Company Director	50
Lim Tian Huat	Independent Non-Executive Director	A-17-02, Bangsar Peak No. 17, Jalan Medang Serai, Bangsar 59100 Kuala Lumpur	Malaysian	Company Director	59
Ravinder Kaur a/p Mahan Singh	Independent Non-Executive Director	7-2 Mont Kiara Banyan 28 Jalan Kiara Mont Kiara 50480 Kuala Lumpur	Malaysian	Company Director	53

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**APPENDIX II INFORMATION ON MBSB (CONT'D)**

**4. BOARD OF DIRECTORS (CONT'D)**

For the effects on the shareholdings of the Directors of the Company, the following were assumed:-

**Minimum Scenario** : Assuming that none of the ESOS Options and Warrants are exercised prior to the Entitlement Date.

**Maximum Scenario** : Assuming 16,931,321 ESOS Options which can be exercised prior to the Entitlement Date and the Warrants will be fully exercised prior to the Entitlement Date. The Remaining ESOS Options are assumed to be exercised after the completion of the Rights Issue.

The shareholdings of the Directors of the Company as at the LPD and the effects of the Rights Issue on their shareholdings, assuming such Director subscribe for the Rights Issue, are as follows:-

**Minimum Scenario**

Director	As at LPD			(i) After the Rights Issue <sup>(a)</sup>			(ii) After (i) and exercise of ESOS Options and Warrants <sup>(b)</sup>			
	Direct		Indirect	Direct		Indirect	Direct		Indirect	
	No. of MBSB Shares	%	No. of MBSB Shares	%	No. of MBSB Shares	%	No. of MBSB Shares	%	No. of MBSB Shares	%
Tan Sri Abdul Halim bin Ali	51,428	0.003	-	-	77,142	0.003	-	77,142	0.003	-

As at the LPD, Tan Sri Abdul Halim bin Ali does not have any ESOS Options and Warrants. Apart from Tan Sri Abdul Halim bin Ali, the other Directors of the Company do not have any shares and/or interest in MBSB.

**Notes:-**

(a) Assuming 17.3 million Warrants and 38.5 million ESOS Options are not exercised prior to the Entitlement Date.

(b) Including the adjusted 20.1 million Warrants and 44.7 million ESOS Options.

**APPENDIX II INFORMATION ON MBSB (CONT'D)**

**4. BOARD OF DIRECTORS (CONT'D)**

Maximum Scenario

Director	As at LPD			(I) After exercise of exercisable ESOS Options and Warrants <sup>(a)</sup>			(II) After (I) and Rights Issue			(III) After (II) and after exercise of the Remaining ESOS Options <sup>(b)</sup>		
	Direct No. of MBSB Shares	Indirect No. of MBSB Shares	%	Direct No. of MBSB Shares	Indirect No. of MBSB Shares	%	Direct No. of MBSB Shares	Indirect No. of MBSB Shares	%	Direct No. of MBSB Shares	Indirect No. of MBSB Shares	%
Tan Sri Abdul Halim bin Ali	51,428	0.003	-	51,428	0.003	-	77,142	0.003	-	77,142	0.003	-

As at the LPD, Tan Sri Abdul Halim bin Ali does not have any ESOS Options and Warrants. Apart from Tan Sri Abdul Halim bin Ali, the other Directors do not have any shares and/or interest in MBSB.

**Notes:-**

- (a) Assuming 17.3 million Warrants and 38.5 million ESOS Options are exercised prior to the Entitlement Date.  
 (b) Including the adjusted 25.0 million Remaining ESOS Options.

**APPENDIX II INFORMATION ON MBSB (CONT'D)**
**5. SUBSIDIARY AND ASSOCIATED COMPANIES**

As at the LPD, the subsidiaries of the Company are as follows:-

Name of Company	Date/Country of Incorporation	Issued and Paid-Up Capital (RM)	Effective Interest Held %	Principal Activities
MBSB Properties Sdn Bhd	29.02.1980 / Malaysia	24,400,000	100	Letting of real property
MBSB Development Sdn Bhd	18.06.1992 / Malaysia	250,000	100	Property development
Prudent Legacy Sdn Bhd	09.04.1996 / Malaysia	250,000	92	Property development
Sigmaprise Sdn Bhd	11.09.2000 / Malaysia	42,800,002	100	Hotel operations
Ganesha Sdn Bhd	23.07.1979 / Malaysia	1,000,000	100	Property development
Springtide Sdn Bhd	02.05.1980 / Malaysia	6,569,178	100	Property development
Trimonds Sdn Bhd	07.03.1989 / Malaysia	100,000	100	Investment holding
MBSB Project Management Sdn Bhd	04.12.1997 / Malaysia	25,000	100	Ceased operations
Definite Pure Sdn Bhd	08.03.1996 / Malaysia	2	100	Dormant
Malaya Borneo Building Society Limited	29.03.1950 / Singapore	SGD 2	100	Dormant
Farawide Sdn Bhd	09.09.2000 / Malaysia	2	100	Hotel operations services
Raynergy Sdn Bhd	09.09.2000 / Malaysia	2	100	Dormant
Idaman Usahamas Sdn Bhd	20.10.2005 / Malaysia	2	100	Property development
Ombak Pesaka Sdn Bhd	08.02.2011 / Malaysia	2	100	Hotel operations
MBSB Tower Sdn Bhd (formerly known as Ambang Hartamas Sdn Bhd)	12.11.2012 / Malaysia	2	100	Property development
Jana Kapital Sdn Bhd <sup>(a)</sup>	16.04.2013 / Malaysia	2	100	Investment holding

**APPENDIX II INFORMATION ON MBSB (CONT'D)**

Name of Company	Date/Country of Incorporation	Issued and Paid-Up Capital (RM)	Effective Interest Held %	Principal Activities
Home Approach Sdn Bhd	12.04.2013 / Malaysia	2	100	Property investment and dealings in properties

**Note:-**

(a) Hold on trust for a charitable organisation.

As at the LPD, MBSB does not have any associated company.

**6. PROFIT AND DIVIDEND RECORD**

The following table summarises the relevant financial information based on the audited consolidated statements of comprehensive income for the FYE 31 December 2010, 2011 and 2012 and the unaudited financial statements for the nine (9)-month FPE 30 September 2013.

	< -- Audited FYE 31 December -- >			Unaudited
	2010	2011	2012	Nine (9)-month FPE 30 September 2013
	RM'000	RM'000	RM'000	RM'000
Revenue	769,940	1,269,438	1,831,560	1,815,349
Interest income	319,068	366,877	395,221	329,284
Finance cost	(142,552)	(161,320)	(172,243)	(211,814)
Net interest income	176,516	205,557	222,978	117,470
Net income from Islamic Banking Operations	173,918	397,857	746,871	849,454
Operating income	350,434	603,414	969,849	966,924
Other income	91,154	160,335	125,660	80,553
Total income	441,588	763,749	1,095,509	1,047,477
Other operating expenses	(121,957)	(160,815)	(224,071)	(181,150)
Operating profit	319,631	602,934	871,438	866,327
Allowance for impairment losses on loans, advances and financing	(112,234)	(174,672)	(215,211)	(185,393)
PBT	207,397	428,262	656,227	680,934
Taxation	(60,848)	(102,306)	(206,840)	(216,314)
Zakat	(524)	(524)	(2,736)	(600)
PAT	146,025	325,432	446,651	464,020
Profit / (loss) attributable to:-				
Owners of the Company	146,025	325,432	446,651	464,020
Non-controlling interest	-	-	-	-
	146,025	325,432	446,651	464,020
Weighted average number of MBSB Shares ('000)	700,199	1,003,622	1,215,507	1,566,990
EPS attributable to owners of the Company (sen)				
- Basic	20.85	32.43	36.75	29.61
- Diluted	20.77	27.15	29.83	29.32

**APPENDIX II INFORMATION ON MBSB (CONT'D)**

	< -- Audited FYE 31 December -- >			Unaudited Nine (9)-month FPE 30 September
	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000
Operating profit margin (%)	41.51	47.50	47.58	47.72
PAT margin (%)	18.97	25.64	24.39	25.56
Dividend per share declared for the year/period				
- Normal net dividend (sen)	6.75	9.00	11.25	-
- Special net dividend (sen)	-	-	13.50	-
- Normal single tier dividend (sen)	-	-	-	5.00

**Commentary on Financial Performance**

**FYE 31 December 2010**

Revenue for FYE 31 December 2010 was at RM769.94 million, 43.1% higher than that of FYE 31 December 2009 which was at RM537.96 million. The increase in revenue was mainly due to the growth in the total net loans by 31.8% from RM8.1 billion for the FYE 31 December 2009 to RM10.7 billion for the FYE 31 December 2010. The personal financing sector has continued to be a major contributor to the MBSB's loan asset growth. Additionally, the higher revenue for FYE 31 December 2010 was also attributable MBSB's efforts to make inroads into certain market segments, especially on high net worth clientele in the mortgage market. Contract financing, introduced as a corporate business package in late 2009, allowed MBSB to secure financing for government contracts and those in the oil and gas sector. Deposits from customers stood at RM10.5 billion as at 31 December 2010, an increase of 39% from December 2009 figures of RM7.6 billion.

Pursuant to the improvement in the personal financing sector, the PBT of the Group for the FYE 31 December 2010 had also registered an increase of 158.2% compared to FYE 31 December 2009 which also resulted in an improved PAT for FYE 31 December 2010, from RM57.2 million in FYE 31 December 2009 to RM146.0 million in FYE 31 December 2010.

**FYE 31 December 2011**

Revenue increased by RM499.5 million or 64.9% in the FYE 31 December 2011 as compared to the previous year. This is mainly due to growth in net loans and advances of RM4.5 billion, an increase of 42% as compared to the FYE 31 December 2010 of RM10.7 billion. This growth was predominantly led by MBSB's Personal Financing-I ("PF-I") scheme to government servants and staff of government related agencies.

As a result of the higher revenue for the FYE 31 December 2011, the Group recorded an increase in PBT amounting to RM220.9 million or approximately 106.5% as compared to the PBT for the FYE 31 December 2010. The PAT of the Group also recorded an increase of 122.9% from RM146.0 million for the FYE 31 December 2010 to RM325.4 million for the FYE 31 December 2011.

**FYE 31 December 2012**

Revenue increased by RM562.1 million or 44.3% compared to FYE 31 December 2011, mainly attributable to the continuous growth in the total net loans of 59.8% for the FYE 31 December 2012.

The MBSB Group recorded a strong performance with a total net loans' growth of 59.8% for FYE 31 December 2012, which translates to a net improvement of RM9.1 billion to RM24.3 billion over 2011 figures of RM15.2 billion. The Group's PBT for the year also registered an increase of 53.2% to RM656.2 million for the FYE 31 December 2012 against RM428.3 million reported for the FYE 31 December 2011. Additionally, the Group also recorded a higher PAT for the FYE 31 December 2012 of RM446.6 million as compared to RM325.4 million in the previous year.

**Nine (9)-month FPE 30 September 2013**

The MBSB Group recorded an increase in revenue of 35.1% from RM1,344.0 million for the nine (9)-month FPE 30 September 2012 to RM1,815.3 million for the nine (9)-month FPE 30 September 2013. Following the increase in the revenue, the PBT of the MBSB Group also shows an increase of 65.9% from RM410.5 million for the nine (9)-month FPE 30 September 2012 to RM680.9 million for the nine (9)-month FPE 30 September 2013. The increase in revenue and PBT is mainly attributable to higher income from Islamic banking operations via personal financing and higher net interest income from conventional business. The gross income from personal financing was higher due to the growth of personal financing portfolio.

Following the increased revenue, the MBSB Group's PAT for the nine (9)-month FPE 30 September 2013 also marked growth of 76.4% from RM263.0 million in 2012 to RM464.0 million in the current year.

**7. SHARE PRICES**

The monthly high and low prices of MBSB Shares as traded for the past twelve (12) months on the Main Market of Bursa Securities up to November 2013 are as follows:-

<b>Month</b>	<b>High (RM)</b>	<b>Low (RM)</b>
<b><u>2012</u></b>		
December	2.30	2.21
<b><u>2013</u></b>		
January	2.39	2.20
February	2.49	2.37
March	2.80	2.46
April	2.86	2.63
May	3.24	2.70
June	3.17	2.90
July	3.20	2.96
August	3.18	2.53
September	2.99	2.68
October	2.96	2.75
November	2.78	2.48

The last transacted price of the MBSB Shares on Bursa Securities on 9 October 2013, being the last transacted market price prior to the announcement of the Rights Issue was RM2.85 per MBSB Share.

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**APPENDIX II INFORMATION ON MBSB (CONT'D)**

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The last transacted price of the MBSB Shares on Bursa Securities on 29 November 2013, being the last transacted market price on the LPD was RM2.62 per MBSB Share.

The last transacted price of the MBSB Shares on Bursa Securities on 20 December 2013, being the last transacted market price on the day prior to the ex-date on 23 December 2013 was RM2.69 per MBSB Share.

*(Source: Bloomberg)*

**8. OTHER INFORMATION AND UPDATES**

In compliance with the Listing Requirements, any material developments on the MBSB Group will be announced on the website of Bursa Securities at [www.bursamalaysia.com](http://www.bursamalaysia.com). Kindly refer to the Bursa Securities' website for the latest development on MBSB.

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**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE MBSB GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON**

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**Building a better  
working world**

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**REPORTING ACCOUNTANTS' REPORT ON THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Prepared for inclusion in the Abridged Prospectus to be dated 26 December 2013)

18 December 2013

The Board of Directors  
Malaysia Building Society Berhad  
11th Floor, Wisma MBSB  
48 Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur

Dear Sirs

**MALAYSIA BUILDING SOCIETY BERHAD ("MBSB" OR "THE COMPANY") AND ITS SUBSIDIARIES (COLLECTIVELY KNOWN AS "THE GROUP")**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION IN RELATION TO THE RENOUNCEABLE RIGHTS ISSUE OF UP TO 889,807,870 NEW ORDINARY SHARES OF RM1.00 EACH IN MBSB ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING MBSB SHARES HELD BY THE ENTITLED SHAREHOLDERS AT 5.00 P.M. ON 26 DECEMBER 2013 AT AN ISSUE PRICE OF RM1.65 ("PROPOSED ISSUE")**

We have completed our assurance engagement to report on the compilation of proforma consolidated statements of financial position of MBSB as at 31 December 2012. The pro forma consolidated statements of financial position which is set out in the Appendix (which we have stamped for the purpose of identification) have been compiled by the Directors of the Company ("Directors") for inclusion in the Abridged Prospectus to be dated 26 December 2013 in connection with the Proposed Issue.

The applicable criteria on the basis of which the Directors have compiled the proforma consolidated statements of financial position are described in Note 1 of the Appendix.

The proforma consolidated statements of financial position have been compiled by the Directors, for illustrative purposes only, to show the effects of the Proposed Issue on the audited consolidated statement of financial position of the Company as at 31 December 2012 had the Proposed Issue been effected on that date.

As part of this process, information about the consolidated statements of financial position has been extracted by the Directors from the relevant financial statements for the years ended 31 December 2012, on which audit reports have been published.





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### **The Directors' Responsibility for the ProForma Consolidated Statements of Financial Position**

The Directors are responsible for compiling the proforma consolidated statements of financial position as at 31 December 2012 on the basis of the applicable criteria.

#### **Our responsibilities**

Our responsibility is to express an opinion as required by the Securities Commission, about whether the proforma consolidated statements of financial position has been compiled, in all material respects, by the Directors on the basis of the applicable criteria.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the proforma consolidated statements of financial position on the basis of the applicable criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the proforma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the proforma financial information.

The purpose of the proforma consolidated statements of financial position included in the Abridged Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the proforma consolidated statements of financial position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of proforma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related proforma adjustments give appropriate effect to those criteria; and
- The proforma consolidated statements of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the proforma consolidated statements of financial position has been compiled, and other relevant engagement circumstances.



The engagement also involves evaluating the overall presentation of the proforma consolidated statements of financial position.

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

### Opinion

In our opinion:

- (i) the proforma consolidated statements of financial position of the Group as at 31 December 2012, which have been compiled by the directors of the Company, have been properly compiled on the basis stated in Note 1 of the Appendix using financial statements prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group; and
- (ii) the adjustments made to the information used in the preparation of the proforma consolidated statements of financial position as at 31 December 2012 is appropriate for the purposes of preparing the proforma financial information.

### Other matters

This letter is issued for the sole purpose of complying with the Prospectus Guidelines - Abridged Prospectus issued by the Securities Commission in connection with the Proposed Issue. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposed Issue described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Proposed Issue.

Yours faithfully

Ernst & Young  
AF: 0039  
Chartered Accountants

Yeo Beng Yean  
3013/10/14(J)  
Chartered Accountant

**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE MBSB GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

9417-K

Malaysia Building Society Berhad  
(Incorporated in Malaysia)

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012**

Minimum Scenario	Proforma I		Proforma II		Proforma III	
	Audited as at 31 December 2012	After adjusting for ESOS and Warrants from 1 January 2013 up to 29 November 2013	Adjustment	After (I) and after the Rights Issue	Adjustment	After (II) and after full conversion of outstanding ESOS Options and Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>						
Cash and short term funds	1,275,431	1,443,739	168,308	1,443,739	93,521	1,537,260
Deposits and placements with financial institutions	5,354	5,354		5,354		5,354
Trade receivables	407	407		407		407
Other receivables	362,213	362,213		362,213		362,213
Inventories	60,908	60,908		60,908		60,908
Loans, advances and financing investments held-to-maturity	24,265,570	24,265,570		24,895,990		24,895,990
Investments (liquetable assets)	200,000	200,000		200,000		200,000
Investment properties	-	-		400,000		400,000
Property, plant and equipment	467	467		467		467
Land use rights	130,532	130,532		130,532		130,532
Intangible assets	9,456	9,456		9,456		9,456
	47,392	47,392		47,392		47,392
<b>Total assets</b>	<b>26,357,730</b>	<b>26,526,038</b>		<b>27,556,458</b>		<b>27,649,979</b>
<b>Liabilities and shareholders' equity</b>						
Bank borrowings	350,217	350,217		350,217		350,217
Deposits from customers	21,494,099	21,494,099		21,494,099		21,494,099
Other borrowings	351,203	351,203		351,203		351,203
Trade payables	195	195		195		195
Other payables	235,975	235,975		235,975		235,975
Provision for taxation and zakat	55,972	55,972		55,972		55,972
Recourse obligation on loans sold to Cagamas Berhad	2,361,997	2,361,997	(400,000)	1,961,997		1,961,997
Deferred tax liabilities	11,426	11,426		11,426		11,426
<b>Total liabilities</b>	<b>24,861,084</b>	<b>24,861,084</b>		<b>24,461,084</b>		<b>24,461,084</b>

**ERNST & YOUNG (AF: 0039)**

Chartered Accountants, Kuala Lumpur  
For identification purposes only

**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE MBSB GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

9417-K

Malaysia Building Society Berhad  
(Incorporated in Malaysia)

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D.)**

**Minimum Scenario (cont'd.)**

	Proforma I		Proforma II		Proforma III	
	Audited as at 31 December 2012	After adjusting for ESOS and Warrants from 1 January 2013 up to 29 November 2013	After (I) and after the Rights Issue	Adjustment	After (II) and after full conversion of outstanding ESOS Options and Warrants	Adjustment
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Liabilities and shareholders' equity (cont'd.)</b>						
Share capital	1,240,361	1,745,357	2,618,036	64,829	2,682,865	
Warrants reserve	98,207	3,396	3,396	(3,396)	-	
Share premium	514,098	629,614	1,187,355	43,714	1,231,069	
Share option reserve	2,799	(259)	2,540	(2,540)	-	
Capital reserve	17,838	17,838	17,838	17,838	17,838	
Capital redemption reserve	12,486	12,486	12,486	12,486	12,486	
Accumulated losses	(389,143)	(746,277)	(746,277)	(9,086)	(755,363)	
Total equity	1,496,646	1,664,954	3,095,374	(9,086)	3,188,895	
Total liabilities and shareholders' equity	26,357,730	26,526,038	27,556,458		27,649,979	
No. of ordinary shares in issue of RM1.00 each ('000)	1,240,361	1,745,357	2,618,036		2,682,865	
Net assets per share (RM)	1.21	0.95	1.18		1.19	
Net tangible asset (RM'000)	1,449,254	1,617,562	3,047,982		3,141,503	
Net tangible asset per share (RM)	1.17	0.93	1.16		1.17	
Borrowings						
- excluding cagamas	701,420	701,420	701,420		701,420	
- including cagamas	3,063,417	3,063,417	2,663,417		2,663,417	
Gearing						
- excluding cagamas	0.47	0.42	0.23		0.22	
- including cagamas	2.05	1.84	0.86		0.84	

**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE MBSB GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

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Malaysia Building Society Berhad  
(Incorporated in Malaysia)

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012**

Maximum Scenario	Proforma I		Proforma II		Proforma III		Proforma IV	
	Audited as at 31 December 2012	After adjusting for ESOS and Warrants from 1 January 2013 up to 29 November 2013	After (i) and after exercise of outstanding ESOS Options (exercisable currently) and Warrants	Adjustment	After (ii) and after the Rights Issue	Adjustment	After (iii) and after exercising the remaining ESOS	Adjustment
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>								
Cash and short term funds	1,275,431	1,443,739	1,496,313	52,574	1,496,313	38,151	1,534,464	
Deposits and placements with financial institutions	5,354	5,354	5,354		5,354		5,354	
Trade receivables	407	407	407		407		407	
Other receivables	362,213	362,213	362,213		362,213		362,213	
Inventories	60,908	60,908	60,908		60,908		60,908	
Loans, advances and financing investments held-to-maturity	24,265,570	24,265,570	24,265,570		24,924,253	658,683	24,924,253	
Investments (liquefiable assets)	200,000	200,000	200,000		200,000		200,000	
Investment properties	-	-	-		400,000	400,000	400,000	
Property, plant and equipment	467	467	467		467		467	
Land use rights	130,532	130,532	130,532		130,532		130,532	
Intangible assets	9,456	9,456	9,456		9,456		9,456	
Total assets	47,392	47,392	47,392		47,392		47,392	
	26,357,730	26,526,038	26,578,612		27,637,295		27,675,446	
<b>Liabilities and shareholders' equity</b>								
Bank borrowings	350,217	350,217	350,217		350,217		350,217	
Deposits from customers	21,494,099	21,494,099	21,494,099		21,494,099		21,494,099	
Other borrowings	351,203	351,203	351,203		351,203		351,203	
Trade payables	195	195	195		195		195	
Other payables	235,975	235,975	235,975		235,975		235,975	
Provision for taxation and zakat	55,972	55,972	55,972		55,972		55,972	
Recourse obligation on loans sold to Cagamas Berhad	2,361,997	2,361,997	2,361,997	(400,000)	1,961,997		1,961,997	
Deferred tax liabilities	11,426	11,426	11,426		11,426		11,426	
Total liabilities	24,861,084	24,861,084	24,861,084		24,461,084		24,461,084	

**ERNST & YOUNG** (AF: 0039)  
Chartered Accountants, Kuala Lumpur  
For identification purposes only

**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE MBSB GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

9417-K

Malaysia Building Society Berhad  
(Incorporated in Malaysia)

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D.)**

**Maximum Scenario (cont'd.)**

	Audited as at 31 December 2012 RM'000	Adjustment RM'000	Proforma I After adjusting for ESOS and Warrants from 1 January 2013 up to 29 November 2013 RM'000	Adjustment RM'000	Proforma II After (I) and after exercise of outstanding ESOS Options (exercisable currently) and Warrants RM'000	Adjustment RM'000	Proforma III After (II) and after the Rights Issue RM'000	Adjustment RM'000	Proforma IV After (III) and after exercising the remaining ESOS RM'000
<b>Liabilities and shareholders' equity (cont'd.)</b>									
Share capital	1,240,361	504,996	1,745,357	34,259	1,779,616	889,808	2,669,424	25,040	2,694,464
Warrants reserve	98,207	(94,811)	3,396	(3,396)	-	-	-	-	-
Share premium	514,098	115,516	629,614	24,251	653,865	568,875	1,222,740	20,888	1,243,628
Share option reserve	2,799	(259)	2,540	(2,540)	-	-	-	-	-
Capital reserve	17,838	-	17,838	-	17,838	17,838	17,838	17,838	17,838
Capital redemption reserve	12,486	-	12,486	-	12,486	12,486	12,486	12,486	12,486
Accumulated losses	(389,143)	(357,134)	(746,277)	(746,277)	(746,277)	(746,277)	(746,277)	(746,277)	(754,054)
<b>Total equity</b>	<b>1,496,646</b>		<b>1,664,954</b>		<b>1,717,528</b>		<b>3,176,211</b>		<b>3,214,362</b>
<b>Total liabilities and shareholders' equity</b>	<b>26,357,730</b>		<b>26,526,038</b>		<b>26,578,612</b>		<b>27,637,295</b>		<b>27,675,446</b>
No. of ordinary shares in issue of RM1.00 each ('000)	1,240,361		1,745,357		1,779,616		2,669,424		2,694,464
Net assets per share (RM)	1.21		0.95		0.97		1.19		1.19
Net tangible asset (RM'000)	1,449,254		1,617,562		1,670,136		3,128,819		3,166,970
Net tangible asset per share (RM)	1.17		0.93		0.94		1.17		1.18
<b>Borrowings</b>									
- excluding cagamas	701,420		701,420		701,420		701,420		701,420
- including cagamas	3,063,417		3,063,417		3,063,417		2,663,417		2,663,417
<b>Gearing</b>									
- excluding cagamas	0.47		0.42		0.41		0.22		0.22
- including cagamas	2.05		1.84		1.78		0.94		0.83

**ERNST & YOUNG (AF: 0039)**

Chartered Accountants, Kuala Lumpur  
For identification purposes only

Company No.: 9417-K

Malaysia Building Society Berhad  
(Incorporated in Malaysia)

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012**

**1. Basis of Preparation**

The proforma consolidated statements of financial position of Malaysia Building Society Berhad ("MBSB") as at 31 December 2012 as illustrated in the Appendix, for which the Board of Directors of MBSB ("Board") are solely responsible, have been prepared for illustrative purposes only for inclusion in the Abridged Prospectus to be dated 26 December 2013 ("Abridged Prospectus") in connection with the proposed renounceable rights issue of up to 889,807,870 new ordinary shares of RM1.00 each in MBSB ("MBSB Shares") ("Rights Share") at an issue price of RM1.65 for each Rights Share on the basis of 1 Rights Shares for every 2 existing MBSB Shares held at 5.00 p.m. on 26 December 2013 ("Entitlement Date") ("Rights Issue").


The proforma consolidated statements of financial position illustrates the effect of the Rights Issue, assuming the Rights Issue had been implemented and completed on 31 December 2012. The proforma consolidated statement of financial position of MBSB have been properly compiled using the audited consolidated financial statements of MBSB for the year ended 31 December 2012 which was prepared in accordance with Malaysia Financial Reporting Standards ("MFRS") and International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies of MBSB.

The proforma consolidated statements of financial position does not purport to predict the future financial position of MBSB and its subsidiaries ("MBSB Group").

The proforma consolidated statements of financial position, and the notes thereto, is presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

**1.1 Transaction costs for equity instruments**

Transaction costs for equity instruments are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

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### 1.2 Warrants reserve

Warrants issued by the Company are equity instruments which cannot be revalued subsequent to initial issuance. Upon issuance of warrants, a warrants reserve is recognised based on the fair value of warrants issued. The warrants reserve is non-distributable and will be transferred to the share premium account upon the exercise of warrants at their initial fair value. The balance of the warrants reserve in relation to unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

### 1.3 MBSB's Employees' Share Option Scheme Option ("ESOS Options") reserve

At each reporting date, the management will revise 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, as well as a corresponding adjustment to the share option reserve over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

## 2. Scenarios illustrated

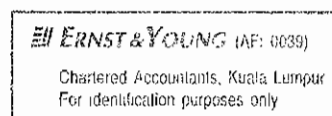
For the purposes of the preparation of the proforma consolidated statements of financial position, the following 2 scenarios are illustrated:

#### *Minimum Scenario*

The minimum scenario assumes that none of MBSB's outstanding ESOS Options and Warrants as at 31 December 2012 are exercised prior to the Entitlement Date.

#### *Maximum Scenario*

The maximum scenario assumes that the ESOS Options which can be exercised prior to the Entitlement Date and the Warrants would be fully exercised.





**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE MBSB GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

Company No.: 9417-K

Malaysia Building Society Berhad  
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**2.1 Changes in the subscription price and number of ESOS Options and Warrants**

In accordance with the Company's ESOS By-Laws and Deed Poll, a rights issue will result in adjustments to the exercise price and the number of ESOS Options and warrants, the results of which - under the minimum and maximum scenario as discussed further below - are presented as follows:

***Minimum scenario***

Type/Batch	Additional options/warrants	Exercise price (RM)
Warrants	2,797,039	1.00
ESOS Batch 1	1,822,824	1.01
ESOS Batch 2	780,033	1.44
ESOS Batch 3	3,610,536	2.01

***Maximum scenario***

Type/Batch	Additional options/warrants	Exercise price (RM)
ESOS Batch 1	1,462,630	1.01
ESOS Batch 2	384,764	1.44
ESOS Batch 3	1,632,900	2.01

For the maximum scenario, the adjustments to the exercise price and the number of ESOS Options are only applied to the remaining ESOS Options that becomes exercisable in the future i.e. after the Entitlement Date.

Where adjustments to the subscription price would result in a reduction below the par value of the Company's shares, the exercise price will be a minimum of RM1.00 each.

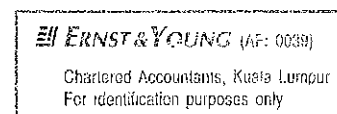
**2.2 Formula used in computing the Theoretical Ex-Rights and Ex-Dividend Price**

The formula used to compute the Theoretical Ex-Rights and Ex-Dividend are as follows:

$$\text{Theoretical Ex-Rights} = \frac{(\text{5 days VWAP}^{\#} \text{ as at 9.12.2013} \times 2^*) + (\text{Rights Issue price} \times 1^*)}{2^* + 1^*}$$

<sup>#</sup> VWAP refers to the Volume weighted average market price

<sup>\*</sup> Rights shares are issued on the basis of 1 Rights Shares for every 2 existing MBSB Shares



**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE MBSB GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

Company No.: 9417-K

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**3. Proforma Adjustments**

The proforma consolidated statements of financial position of MBSB incorporate the following adjustments:

i) **Minimum Scenario and Maximum Scenario**

**Proforma I**

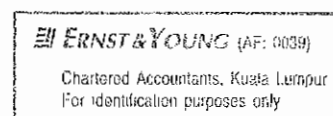
Proforma I incorporate the payment of dividends in respect of the financial year ended 31 December 2012 which were paid on 30 May 2013 and the effects of changes in equity arising from the exercise of 19,773,351 ESOS Options and the conversion of 485,222,765 Warrants from 1 January 2013 up to 29 November 2013.

The details of ESOS Options and Warrants are as follows:

Type/Batch	No. exercised/converted	Exercise price (RM)	Option cost/Fair value (RM)
Warrants	485,222,765	1.00	0.196
ESOS Batch 1	8,987,413	1.17	0.347
ESOS Batch 2	2,570,334	1.67	0.828
ESOS Batch 3	8,215,604	2.33	0.156

The transactions had resulted in an increase in issued and paid-up share capital of RM504,996,000 comprising 504,996,000 MBSB Shares and a cash inflow of RM518,886,000. The net cash inflow is RM168,308,000 after taking into account the 2012 dividends paid out of RM350,865,000.

There will also be an increase in the share premium account of RM115,516,000 which is inclusive of a transfer from the share option and warrants reserves of RM259,000 and RM94,811,000 respectively. The adjustment to the accumulated losses includes the amount arising from the lapse of ESOS Options, the grant of ESOS Options and the 2012 dividends paid out subsequent to 31 December 2012 for the financial year ended 31 December 2012 totaling RM357,134,000.



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**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE MBSB GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

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Company No.: 9417-K

Malaysia Building Society Berhad  
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ii) Minimum Scenario

Proforma II

Proforma II incorporates Proforma I and the effects of the issuance of 872,679,000 Rights Shares. The issuance of 872,679,000 Rights Shares are on the basis of 1 Rights Shares for every 2 existing MBSB Shares.

Proforma II will give rise to an increase in the issued and paid-up share capital of RM872,679,000 comprising 872,679,000 MBSB Shares and an increase in the share premium account of RM557,741,000 as Rights Shares are issued at RM1.65 each, net of the estimated incremental transaction costs directly attributable to the Rights Issue.

The total gross proceeds of RM1,439,920,000 are assumed to be utilised as follows:

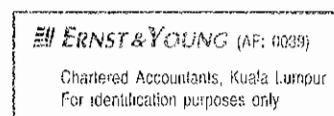
- (a) RM630,420,000 for the expansion of the financing business of the MBSB Group;
- (b) RM400,000,000 for the settlement of the higher costs of funding of the MBSB Group;
- (c) RM400,000,000 for the purchase of financial instruments qualified as Liquefiable Assets (that is, such assets that fulfill the qualifying characteristics as specified in Bank Negara Malaysia's Liquidity Framework Guidelines); and
- (d) RM9,500,000 to defray all of the estimated incremental transactions costs directly attributable to the Rights Issue.

Proforma III

Proforma III incorporates Proforma I, Proforma II, and the effects of full conversion of the remaining outstanding ESOS Options and Warrants.

As the conversion would occur subsequent to the Rights Issue, the subscription price and the number of ESOS Options and Warrants would vary in accordance with the ESOS By-Laws and the Deed Poll.

Accordingly, there would be an increase in the issued and paid-up share capital of RM64,829,000, an increase in the share premium account of approximately RM43,714,000 and cash inflows of approximately RM93,521,000. The increase in the share premium account reflects the full conversion of the outstanding ESOS Options issued above par value together with the transfer of the share option reserve and warrants reserve balances to the share premium account.



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**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE MBSB GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

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Company No.: 9417-K

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Proforma III (cont'd.)

The increase in the accumulated losses of RM9,086,000 is due to the additional option and warrant cost recognised in relation to additional ESOS Options and Warrants due to the fractional adjustment.

iii) Maximum Scenario

Proforma II

Proforma II incorporates Proforma I and the effects resulting from the full conversion of 16,931,321 exercisable ESOS Options at exercise prices of RM1.17, RM1.67 and RM2.33 and the exercise of 17,327,421 outstanding warrants at RM1.00 each, leading to an increase in issued and paid-up share capital of RM34,259,000 from the issuance of 34,259,000 MBSB Shares and cash inflows of RM52,573,000.

This would consequently result in transfers from the share option and warrants reserves to the share premium account, together with the amount raised from full conversion of the outstanding ESOS Options issued above par value, leading to an increase in the share premium account of approximately RM24,251,000.

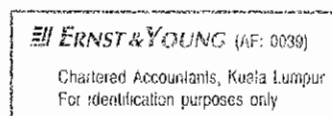
Proforma III

Proforma III incorporates Proforma I, Proforma II and the effects arising from the issuance of 889,808,000 Rights Shares on the basis of 1 Rights Shares for every 2 existing MBSB Shares.

Proforma III will give rise to an increase in the issued and paid-up share capital by RM889,808,000 through the issuance of 889,808,000 MBSB Shares and an increase in the share premium account of RM568,875,000 from the excess of the issuance price at RM1.65 and the par value of RM1.00, net of the estimated direct expenses relating to the Rights Issue.

The total gross proceeds of RM1,468,183,000 are assumed to be utilised as follows:

- (a) RM658,683,000 for the expansion of the financing business of the MBSB Group;
- (b) RM400,000,000 for the settlement of the higher costs of funding of the MBSB Group;
- (c) RM400,000,000 for the purchase of financial instruments qualified as Liquefiable Assets (that is, such assets that fulfill the qualifying characteristics as specified in Bank Negara Malaysia's Liquidity Framework Guidelines); and
- (d) RM9,500,000 to defray all of the estimated incremental transactions costs directly attributable to the Rights Issue.



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**APPENDIX III PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE MBSB GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

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Company No.: 9417-K

Malaysia Building Society Berhad  
(Incorporated in Malaysia)

**Proforma IV**

Proforma IV incorporates Proforma I, Proforma II, Proforma III and the effects of full conversion of the remaining ESOS Options become exercisable after the entitlement date.

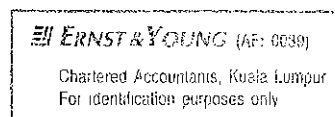
As the conversion would occur subsequent to the Rights Issue, the subscription price and the number of ESOS Options would vary in accordance with the ESOS By-Laws.

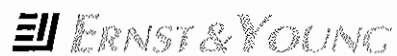
Accordingly, there would be an increase in the issued and paid-up share capital of RM25,040,000, an increase in the share premium account of approximately RM20,888,000 and cash inflows of approximately RM38,151,000. The increase in the share premium account reflects the full conversion of the outstanding ESOS Options issued above par value together with the transfer of the share option reserve balances to the share premium account.

The increase in the accumulated losses of RM7,777,000 is due to the additional option cost recognised in relation to additional ESOS Options due to the fractional adjustment and remaining outstanding ESOS options that become exercisable after the entitlement date.

**4. Other matters**

The proforma consolidated statements of financial position above excludes the effects of the Dividend Reinvestment Plan, proposed acquisition of an office building by MBSB Tower Sdn. Bhd., a wholly owned subsidiary of the Company, and the Sukuk Programme of the Company which are not inter-conditional and/or conditional with the Rights Issue and vice versa.





**MALAYSIA BUILDING SOCIETY  
BERHAD  
(9417-K)  
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial  
Statements  
31 December 2012**

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APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT  
THEREON (CONT'D)

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**Malaysia Building Society Berhad**  
**(Incorporated in Malaysia)**

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**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT  
THEREON (CONT'D)**

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**Malaysia Building Society Berhad**  
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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 2012.

**Principal activities**

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

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

**Results**

	<b>Group</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit for the year	446,651	434,148

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

**Dividends**

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

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



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**Malaysia Building Society Berhad**  
(Incorporated in Malaysia)

**Dividends (cont'd.)**

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

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

**Directors**

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

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

**Directors' benefits**

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

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

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT  
THEREON (CONT'D)**

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**Malaysia Building Society Berhad**  
(Incorporated in Malaysia)

**Directors' interests**

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

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

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

**Issue of shares**

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

	No. of new ordinary shares of RM1.00 each	RM	Issued/ exercise price
Issuance of new shares pursuant to ESOS	18,485,950	18,485,950	1.17
Issuance of new shares pursuant to ESOS	2,568,325	2,568,325	1.67
Issuance of new shares pursuant to the exercise of Warrants	3,805,957	3,805,957	1.00
	<u>24,860,232</u>	<u>24,860,232</u>	

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

**Employee Share Option Scheme**

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

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
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THEREON (CONT'D)**

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**Malaysia Building Society Berhad  
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**Employee Share Option Scheme (cont'd.)**

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

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

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

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

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

Name	Exercise Price RM	Number of Share Options				
		1.1.2012	Granted	Exercised	Lapsed	31.12.2012
Dato' Ahmad Zaini Bin Othman	1.17	491,840	-	122,960	-	368,880
Dato' Ahmad Zaini Bin Othman	2.33	-	164,400	-	-	164,400
Tang Yow Sai	1.17	326,540	-	-	-	326,540
Tang Yow Sai	2.33	-	106,860	-	-	106,860
Azlina Binti Mohd Rashad	1.17	147,552	-	36,888	-	110,664
Azlina Binti Mohd Rashad	2.33	-	292,360	-	-	292,360
Nur Zarina Binti Ghazali	1.17	245,920	-	61,480	-	184,440
Nur Zarina Binti Ghazali	2.33	-	186,360	-	-	186,360
Azman Bin Aziz	1.17	245,920	-	122,960	-	122,960
Azman Bin Aziz	2.33	-	198,450	-	-	198,450
Norhayati Binti Mohd Daud	1.17	245,920	-	61,400	-	184,520
Norhayati Binti Mohd Daud	2.33	-	91,500	-	-	91,500
Kamari Bin Tukiman	1.17	147,552	-	73,776	-	73,776
Kamari Bin Tukiman	2.33	-	197,500	-	-	197,500

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
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**Malaysia Building Society Berhad  
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**Employee Share Option Scheme (cont'd.)**

Name	Exercise Price		Number of Share Options			
	RM	1.1.2012	Granted	Exercised	Lapsed	31.12.2012
Koh Ai Hoon	1.17	274,920	-	90,000	-	184,920
Koh Ai Hoon	2.33	-	82,200	-	-	82,200
Sheela Thaver A/P Gangatharan V' Thaver	1.17	245,920	-	61,480	-	184,440
Sheela Thaver A/P Gangatharan V' Thaver	2.33	-	82,200	-	-	82,200
Mohd Rozali Bin Idris	1.17	245,920	-	91,480	-	154,440
Mohd Rozali Bin Idris	2.33	-	82,200	-	-	82,200
Zaili Bin Ismail	1.17	245,920	-	122,960	-	122,960
Zaili Bin Ismail	2.33	-	91,500	-	-	91,500
Kamarudin Bin Samsudin	1.17	245,920	-	122,960	-	122,960
Kamarudin Bin Samsudin	2.33	-	82,200	-	-	82,200
Shamsudin Bin Haji Md Yusoff	1.17	245,920	-	61,480	184,440	-
Asrul Hazli Bin Salleh	1.67	-	265,000	36,000	-	229,000
Junaili Binti Ab Hamid	1.67	-	265,000	66,200	-	198,800
Nor Azam Bin M.Taib	1.67	-	265,000	66,200	-	198,800
Abd Rahim Bin Ahmad	2.33	-	325,500	-	-	325,500
Zainnurain Bin Othman	2.33	-	325,500	-	-	325,500
Teong Chwee Yee	2.33	-	195,300	-	-	195,300
Ida Weduri Binti Ridzwan	2.33	-	195,300	-	-	195,300
Khairul Annuar Bin Othman	2.33	-	195,300	-	-	195,300
Mohammad Haida Bin Abd Rahman	2.33	-	195,300	-	-	195,300
Mohd Nazri Bin Abd Ghani	2.33	-	195,300	-	-	195,300
Bibi Nurazlyn Binti Alli Rahman	2.33	-	195,300	-	-	195,300
Ida Suryani Binti Mat Jadi	2.33	-	195,300	-	-	195,300
Khairil Anuar Bin Md Allwi	2.33	-	195,300	-	-	195,300
Muhd Nur Naimullah Bin Mohammed Ghazali	2.33	-	195,300	-	-	195,300
Mohammad Khairrul Azmi Bin Jamalludin	2.33	-	195,300	-	-	195,300
Nurhamdi Bin Mohamad Suroi	2.33	-	195,300	-	-	195,300
Tamin Bin Jafeeri	2.33	-	195,300	-	-	195,300
Zainal Bin Aziz	2.33	-	195,300	-	-	195,300
Azizul Akhbar Bin Abdul Aziz	2.33	-	195,300	-	-	195,300

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**Malaysia Building Society Berhad**  
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**Other statutory information**

- (a) Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company as disclosed in Note 39 to the financial statements.

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**Malaysia Building Society Berhad**  
**(Incorporated in Malaysia)**

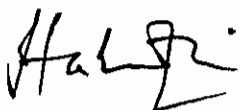
**Other statutory information (cont'd.)**

- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

**Auditors**

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

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



Tan Sri Abdul Halim bin Ali  
Chairman

Kuala Lumpur, Malaysia



Aw Hong Boo  
Director

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**Malaysia Building Society Berhad**  
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**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 12 to 126 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and the cash flows of the Group and of the Company for the year then ended.

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

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

Tan Sri Abdul Halim bin Ali  
Chairman

Aw Hong Boo  
Director

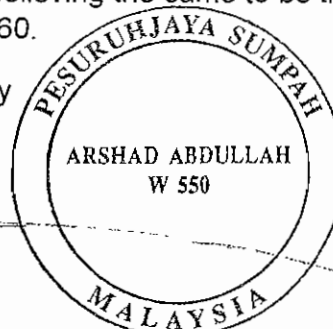
Kuala Lumpur, Malaysia

**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 12 to 126 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

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



Tang Yow Sai

Before me,

NO. 102 & 104 1st FLOOR BANGUNAN  
PERSATUAN YAP SELANGOR  
JALAN TUN HS LEE  
50000 KUALA LUMPUR



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[www.ey.com](http://www.ey.com)

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Independent auditors' report to the members of  
Malaysia Building Society Berhad  
(Incorporated in Malaysia)

### Report on the financial statements

We have audited the financial statements of Malaysia Building Society Berhad, which comprise statements of financial position as at 31 December 2012 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 125.

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

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

#### *Auditors' responsibility*

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

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

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





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Independent auditors' report to the members of  
Malaysia Building Society Berhad (cont'd.)  
(Incorporated in Malaysia)

*Opinion*

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

**Report on other legal and regulatory requirements**

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

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



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Independent auditors' report to the members of  
Malaysia Building Society Berhad (cont'd.)  
(Incorporated in Malaysia)

Other matters

- (i) As stated in Note 2 to the financial statements, Malaysia Building Society Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.
- (ii) The supplementary information set out in Note 47 on page 126 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance based on the directive of Bursa Malaysia Securities Berhad.
- (iii) This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
7 February 2013

A handwritten signature in black ink that reads 'Gloria Goh Ewe Gim'.

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

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT  
THEREON (CONT'D)**

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**Malaysia Building Society Berhad  
(Incorporated in Malaysia)**

**Statements of financial position as at 31 December 2012**

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

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

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT  
THEREON (CONT'D)**

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**Malaysia Building Society Berhad  
(Incorporated in Malaysia)**

**Statements of financial position as at 31 December 2012 (cont'd.)**

	Note	Group		
		2012 RM'000	2011 RM'000	1.1.2011 RM'000
Share capital	24	1,240,361	1,215,501	700,298
Share premium	24	514,098	498,498	497,252
Other reserve	25	131,330	131,980	32,409
Accumulated losses		<u>(389,143)</u>	<u>(715,830)</u>	<u>(848,837)</u>
<b>Total equity</b>		<u>1,496,646</u>	<u>1,130,149</u>	<u>381,122</u>
<b>Total liabilities and shareholders' equity</b>		<u>26,357,730</u>	<u>17,364,807</u>	<u>12,225,944</u>

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

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT  
THEREON (CONT'D)**

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**Malaysia Building Society Berhad  
(Incorporated in Malaysia)**

**Statements of financial position as at 31 December 2012 (cont'd.)**

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

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

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT  
THEREON (CONT'D)**

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**Malaysia Building Society Berhad  
(Incorporated in Malaysia)**

**Statements of financial position as at 31 December 2012 (cont'd.)**

	Note	Company		
		2012 RM'000	2011 RM'000	1.1.2011 RM'000
Share capital	24	1,240,361	1,215,501	700,298
Share premium	24	514,098	498,498	497,252
Other reserve	25	131,330	131,980	32,409
Accumulated losses		(374,706)	(688,890)	(824,524)
<b>Total equity</b>		<u>1,511,083</u>	<u>1,157,089</u>	<u>405,435</u>
<b>Total liabilities and shareholders' equity</b>		<u>26,371,890</u>	<u>17,388,716</u>	<u>12,242,623</u>

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

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT  
THEREON (CONT'D)**

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**Malaysia Building Society Berhad  
(Incorporated in Malaysia)**

**Statements of comprehensive income  
For the year ended 31 December 2012**

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

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

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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Malaysia Building Society Berhad  
(Incorporated in Malaysia)

Statements of changes in equity  
For the year ended 31 December 2012

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

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



**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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Malaysia Building Society Berhad  
(Incorporated in Malaysia)

Statements of changes in equity  
For the year ended 31 December 2012

Company

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

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

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**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT  
THEREON (CONT'D)**

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**Malaysia Building Society Berhad**  
(Incorporated in Malaysia)

**Statements of cash flows**  
**For the year ended 31 December 2012**

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

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT  
THEREON (CONT'D)**

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**Malaysia Building Society Berhad**  
(Incorporated in Malaysia)

**Statements of cash flows**

**For the year ended 31 December 2012 (cont'd.)**

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

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT  
THEREON (CONT'D)**

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**Malaysia Building Society Berhad  
(Incorporated in Malaysia)**

**Statements of cash flows  
For the year ended 31 December 2012 (cont'd.)**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(25,147)	(29,620)	(24,636)	(5,417)
Purchase of intangible assets	(48,702)	(1,306)	(48,596)	(1,304)
Proceeds from disposal of property, plant and equipment	26	20,623	2	20,623
Proceeds from disposal of investment properties	500	1,600	-	-
Proceeds from disposal of inventories	-	-	-	-
Net cash inflow from disposal of subsidiary	56,172	-	56,172	-
Net cash (used in)/generated from investing activities	(17,151)	(8,703)	(17,058)	13,902
<b>Cash flows from financing activities</b>				
Proceeds/(repayment) in bank borrowings	250,173	(100,075)	250,173	(100,075)
Long term financing facility	(100,429)	451,632	(100,429)	451,632
Repayment of other borrowings	-	-	-	-
Recourse obligation on loans sold to Cagamas Berhad	428,613	969,291	428,613	969,291
Dividends paid - ordinary shares	(120,293)	(93,187)	(120,293)	(93,187)
Net proceeds from issuance of ordinary shares	39,421	516,428	39,421	516,428
Net cash generated from financing activities	497,485	1,744,089	497,485	1,744,089

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT  
THEREON (CONT'D)**

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**Malaysia Building Society Berhad  
(Incorporated in Malaysia)**

**Statements of cash flows**

**For the year ended 31 December 2012 (cont'd.)**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>Net (decrease)/increase in cash and cash equivalents</b>	(75,218)	525,374	(89,617)	527,352
<b>Cash and cash equivalents at beginning of year</b>	1,350,649	825,275	1,338,363	811,011
<b>Cash and cash equivalents at end of year (Note 5(a))</b>	<u>1,275,431</u>	<u>1,350,649</u>	<u>1,248,746</u>	<u>1,338,363</u>
<b>Cash and cash equivalents is represented by:</b>				
<b>Cash and short-term funds</b>	1,271,232	1,346,524	1,248,746	1,338,363
<b>Cash held pursuant to Section 7A of the Housing Development Act (Note 5)</b>	4,199	4,125	-	-
<b>Cash and cash equivalents at end of year (Note 5(a))</b>	<u>1,275,431</u>	<u>1,350,649</u>	<u>1,248,746</u>	<u>1,338,363</u>

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

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**Malaysia Building Society Berhad**  
(Incorporated in Malaysia)

**Notes to the financial statements - 31 December 2012**

**1. Corporate information**

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

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

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

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

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

**2. Summary of significant accounting policies**

**(a) Basis of preparation**

The consolidated financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia. These consolidated financial statements also comply with International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB").

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

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Malaysia Building Society Berhad  
(Incorporated in Malaysia)

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

**(a) Basis of preparation (cont'd.)**

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

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

**(b) Subsidiaries and basis of consolidation**

**(i) Subsidiaries**

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

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

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

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Malaysia Building Society Berhad  
(Incorporated in Malaysia)

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

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

**(ii) Basis of consolidation**

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

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

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

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

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

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.



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

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

**(ii) Basis of consolidation (cont'd.)**

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

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

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

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

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

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**Malaysia Building Society Berhad**  
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**2. Summary of significant accounting policies (cont'd.)**

**(c) Intangible assets**

**(i) Goodwill**

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

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

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

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

**(ii) Other intangible assets**

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

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

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

(c) Intangible assets (cont'd.)

(ii) Other intangible assets

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

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

**Software licences**

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

**Land use rights**

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

(d) Property, plant and equipment and depreciation

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

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

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

**(d) Property, plant and equipment and depreciation (cont'd.)**

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

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

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

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

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

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

**(e) Employee benefits**

**(i) Short term benefits**

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

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

(e) Employee benefits (cont'd.)

(ii) Defined contribution plans

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

(iii) Employee share option scheme

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

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

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

**(f) Investment properties**

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

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

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

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

**(g) Property development costs**

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

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

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

**(h) Inventories**

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

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

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

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

**(i) Provisions**

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

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

**(j) Cash and cash equivalents**

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

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

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

(k) Impairment of non-financial assets

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

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

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

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

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



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

**(I) Financial assets**

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

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

**(i) Loans and receivables**

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

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

**(ii) Investments held-to-maturity**

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

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

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

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

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

(m) Impairment of financial assets

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

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

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

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

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

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.

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

(n) Financial liabilities

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

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

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

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

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

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

(o) Equity instruments

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

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

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

**(p) Warrants**

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

**(q) Financial guarantee contracts**

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

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

**(r) Leases**

**(i) As lessee**

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

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

**(r) Leases (cont'd.)**

**(i) As lessee (cont'd.)**

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

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

**(ii) As lessor**

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

**(s) Revenue recognition**

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

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

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

**(ii) Sale of properties**

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

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

(s) Revenue recognition (cont'd.)

(iii) Fee income

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

Commitment fees are recognised as income based on time apportionment.

(iv) Dividend income

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

(v) Rental income

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

(vi) Other income

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

(t) Income tax

(i) Current tax

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

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

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

(t) 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, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

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

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

(t) Income tax (cont'd.)

(ii) Deferred tax (cont'd.)

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

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

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

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

3. Changes in accounting policies

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

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

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 4	Insurance Contracts
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations



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

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

MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 7	Financial Instruments: Disclosures
MFRS 8	Operating Segments
MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events after the Reporting Period
MFRS 111	Construction Contracts
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 117	Leases
MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 123	Borrowing Costs
MFRS 124	Related Party Disclosures
MFRS 126	Accounting and Reporting by Retirement Benefit Plans
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investment in Associates
MFRS 129	Financial Reporting in Hyperinflationary Economies
MFRS 131	Interest in Joint Ventures
MFRS 132	Financial Instruments: Presentation
MFRS 133	Earning Per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instruments: Recognition and Measurement

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

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

MFRS 140	Investment Property
MFRS 141	Agriculture
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Member's Shares in Co-operative Entities and Similar Instruments
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	MFRS 119-The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
IC Interpretation 107	Introduction of the Euro
IC Interpretation 110	Government Assistance-No Specific Relation to Operating Activities
IC Interpretation 112	Consolidation-Special Purpose Entities
IC Interpretation 113	Jointly Controlled Entities-Non-Monetary Contributions by Venturers
IC Interpretation 115	Operating Leases-Incentives
IC Interpretation 125	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders

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

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

IC Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC Interpretation 129	Service Concession Arrangements: Disclosures
IC Interpretation 131	Revenue-Barter Transactions Involving Advertising Services
IC Interpretation 132	Intangible Assets-Web Site Costs
MASB TR1 (Revised)	Share Buybacks-Accounting and Disclosure
TR 2	The Year 2000 Issue: Accounting and Disclosure
TR 3	Guidance on Disclosures of Transition to IFRSs
Tri-1	Accounting for Zakat on Business
Tri-2	Ijarah
Tri-3	Presentation of Financial Statements of Islamic Financial Institutions
Tri-4	Shariah Compliant Sale Contracts

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

**(b) Upcoming MFRS and IC Interpretations**

Amendments to	
MFRS 101	Presentation of Items of Other Comprehensive Income
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments In Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)

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

**(b) Upcoming MFRS and IC Interpretations (cont'd.)**

Amendments to MFRS 7	Disclosures: Offsetting Financial Assets and Financial Liabilities
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities

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

**4. Significant accounting estimates and judgments**

**(a) Critical judgments made in applying accounting policies**

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

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

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

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

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4. Significant accounting estimates and judgments (cont'd.)

(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 the loans, advances and financing and receivables

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

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

(ii) Employee benefits

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

**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT  
THEREON (CONT'D)**

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

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

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

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

**6. Trade receivables**

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

Movements in allowance for impairment are as follows:

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

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6. Trade receivables (cont'd.)

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

7. Other receivables

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

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

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

Details of allowance for impairment are as follows:

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

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

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**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.

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

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

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

**8. Inventories**

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

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

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

**9. Loans, advances and financing**

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



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9. Loans, advances and financing (cont'd.)

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

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

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

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

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

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

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

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

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

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9. Loans, advances and financing (cont'd.)

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

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

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Balance as at 1 January		3,137,754		4,907,989
Classified as impaired during the year		926,090		746,587
Reclassified as non-impaired		(565,840)		(1,252,381)
Amount recovered		(259,006)		(167,850)
Amount written off		(238,210)		(1,096,591)
Balance as at 31 December		<u>3,000,788</u>		<u>3,137,754</u>
Collective allowance		(390,888)		(61,320)
Individual allowance		(1,517,034)		(1,782,639)
Allowance for impairment		<u>(1,907,922)</u>		<u>(1,843,959)</u>
Net impaired loans, advances and financing		<u>1,092,866</u>		<u>1,293,795</u>
Net impaired loans as a percentage of net loans, advances and financing		4.5%		8.5%
				4.7%
				8.8%

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

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

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**9. Loans, advances and financing (cont'd.)**

(vii) Movements in the allowance for impairment are as follows: (cont'd.)

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

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

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

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

**10. Investments held-to-maturity**

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

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

**11. Loans to subsidiaries**

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

Movements in allowance for impairment are as follows:

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

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**11. Loans to subsidiaries (cont'd.)**

Details of allowance for impairment are as follows:

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

The loans to subsidiaries are repayable on demand.

The secured loans are secured against landed properties.

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

**12. Investments in subsidiaries**

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

Details of the subsidiaries are as follows:

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

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12. Investments in subsidiaries (cont'd.)

Name of subsidiaries	Effective interest held (%)			Principal activities
	2012	2011	1.1.2011	
Idaman Usahamas Sdn. Bhd.	100	100	100	Property development
Ombak Pesaka Sdn. Bhd.	100	100	-	Hotel operations
Ambang Hartamas Sdn. Bhd.	100	-	-	Property development
Gadini Sdn. Bhd. **	-	100	100	Property development

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

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

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

Disposal of subsidiary

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

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

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

13. Investment properties

	Group		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
<b>At cost:</b>			
At 1 January	1,554	2,456	2,456
Disposals	(478)	(902)	-
At 31 December	1,076	1,554	2,456
<b>Accumulated depreciation and impairment loss:</b>			
At 1 January	(674)	(1,031)	(983)
Depreciation charge for the year (Note 30)	(22)	(45)	(48)
Disposals	87	402	-
At 31 December	(609)	(674)	(1,031)
<b>Net book value:</b>			
At 31 December	467	880	1,425

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**13. Investment properties (cont'd.)**

Valuation of investment properties

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

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

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

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

**14. Property development costs**

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

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

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**15. Property, plant and equipment  
Group**

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

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**15. Property, plant and equipment (cont'd.)**

Group

Cost	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
At 1 January 2011	26,250	166,917	17,094	22,168	859	12,715	246,003
Additions	-	21,338	4,560	2,779	-	943	29,620
Disposals	(10,426)	(8,031)	-	(3)	(373)	(375)	(19,208)
Reversal/Reclassification	-	-	-	(14)	-	-	(14)
At 31 December 2011	15,824	180,224	21,654	24,930	486	13,283	256,401

**Accumulated depreciation and impairment losses**

At 1 January 2011:

Accumulated depreciation  
Accumulated impairment losses

	-	53,724	12,233	20,157	658	11,275	98,047
	371	40,771	-	-	-	-	41,142
	371	94,495	12,233	20,157	658	11,275	139,189
Depreciation charge for the year (Note 30)	-	3,666	1,907	958	89	526	7,146
Disposals	-	(954)	-	-	(373)	(375)	(1,702)
Impairment written off	-	(6,484)	-	-	-	-	(6,484)
At 31 December 2011	371	90,723	14,140	21,115	374	11,426	138,149

Analysed as:

Accumulated depreciation  
Accumulated impairment losses

	-	56,436	14,140	21,115	374	11,426	103,491
	371	34,287	-	-	-	-	34,658
	371	90,723	14,140	21,115	374	11,426	138,149

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15. Property, plant and equipment (cont'd.)

Group	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Total RM'000
<b>Net book value</b>							
At 1 January 2011	25,879	72,422	4,861	2,011	201	1,440	106,814
<b>Net book value</b>							
At 31 December 2011	15,453	89,501	7,514	3,815	112	1,857	118,252

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15. Property, plant and equipment (cont'd.)

Company

Cost	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
At 1 January 2012	9,968	18,946	13,238	9,427	295	12,330	64,204
Additions	-	-	3,386	2,212	95	18,943	24,636
Disposals	-	-	-	(2)	-	-	(2)
Reversal/reclassification	-	-	(1,257)	(227)	-	(1)	(1,485)
At 31 December 2012	9,968	18,946	15,367	11,410	390	31,272	87,353

Accumulated depreciation and impairment losses

At 1 January 2012:							
Accumulated depreciation	-	592	5,768	7,028	163	10,691	24,242
Depreciation charge for the year (Note 30)	-	474	2,277	963	50	1,860	5,624
Reversal/reclassification (Note 30)	-	-	(46)	(11)	-	-	(57)
At 31 December 2012	-	1,066	7,999	7,980	213	12,551	29,809

Net book value

At 31 December 2012	9,968	17,880	7,368	3,430	177	18,721	57,544
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15. 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 2011	20,394	26,977	10,021	8,185	668	11,764	78,009
Additions	-	-	3,217	1,259	-	941	5,417
Disposals	(10,426)	(8,031)	-	(3)	(373)	(375)	(19,208)
Reversal/Reclassification	-	-	-	(14)	-	-	(14)
At 31 December 2011	9,968	18,946	13,238	9,427	295	12,330	64,204
<b>Accumulated depreciation and impairment losses</b>							
At 1 January 2011:							
Accumulated depreciation	-	1,022	4,093	6,378	479	10,545	22,517
Accumulated impairment losses	-	6,484	-	-	-	-	6,484
Depreciation charge for the year (Note 30)	-	7,506	4,093	6,378	479	10,545	29,001
Disposals	-	524	1,675	650	57	521	3,427
Impairment written off	-	(954)	-	-	(373)	(375)	(1,702)
At 31 December 2011	-	(6,484)	-	-	-	-	-
Analysed as:							
Accumulated depreciation	-	592	5,768	7,028	163	10,691	24,242

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15. 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>Net book value</b> At 1 January 2011	20,394	19,471	5,928	1,807	189	1,219	49,008
<b>Net book value</b> At 31 December 2011	9,968	18,354	7,470	2,399	132	1,639	39,962

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**15. Property, plant and equipment (cont'd.)**

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

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

**16. Land use rights**

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

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

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

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**17. Intangible assets**

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

**18. Deposits from customers**

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

**19. Bank and other borrowings**

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
<b>Total borrowings</b>			
Bank borrowings	350,217	100,044	200,119
Other borrowings	351,203	451,632	-
	701,420	551,676	200,119

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19. Bank and other borrowings (cont'd.)

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Maturity of borrowings:			
Within one year	467,403	201,676	200,119
Within one to five years	234,017	350,000	-
	<u>701,420</u>	<u>551,676</u>	<u>200,119</u>

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

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

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

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

20. Trade payables

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

21. Other payables

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

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

22. Recourse obligation on loans sold to Cagamas Berhad

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

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

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**23. Deferred tax liabilities**

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

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

**Deferred tax liabilities/(assets) of the Group:**

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

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

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



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**23. Deferred tax liabilities (cont'd.)**

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

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

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

**24. Share capital and share premium**

**Share capital**

	Number of Shares of RM1.00 Each		Amount	
	2012 Units'000	2011 Units'000	2012 RM'000	2011 RM'000
<b>Authorised:</b>				
- Ordinary Shares				
At 1 January	2,800,000	1,000,000	2,800,000	1,000,000
Increase during the year	-	1,800,000	-	1,800,000
At 31 December	2,800,000	2,800,000	2,800,000	2,800,000
- Redeemable Cumulative Preference Shares				
At 1 January	-	300,000	-	300,000
Cancelled during the year	-	(300,000)	-	(300,000)
At 31 December	-	-	-	-
- Redeemable Convertible Preference Shares ("RCPS")				
At 1 January	-	500,000	-	500,000
Cancelled during the year	-	(500,000)	-	(500,000)
At 31 December	-	-	-	-

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

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**24. Share capital and share premium (cont'd.)**

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

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

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

The salient features of the ESOS are as follows:

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

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

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

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

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**24. Share capital and share premium (cont'd.)**

**(a) Employee Share Option Scheme ("ESOS") (cont'd.)**

Movement of ESOS during the financial year

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

	Group					
	2012		2011		1.1.2011	
	No.'000	WAEP (RM)	No.'000	WAEP (RM)	No.'000	WAEP (RM)
Outstanding at 1 January	41,421	-	48,626	-	-	-
- Granted	43,198	2.16	5,856	1.18	49,552	1.45
- Exercised	(21,054)	1.23	(8,707)	1.45	(126)	1.45
- Lapsed	(2,286)	1.25	(4,354)	1.45	(798)	1.45
Outstanding at 31 December	61,279	1.85	41,421	1.17	48,628	1.45
Exercisable at 31 December	13,854	2.08	11,784	1.45	9,675	1.45

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

ESOS exercised during the year

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

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

	No. units	Exercise price
Exercised	18,485,950	1.17
Exercised	2,568,325	1.67
	<u>21,054,275</u>	

Fair value of ESOS granted during the year

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

The following table lists the inputs to the model used:

	Granted on 15.11.2012	Granted on 09.03.2012	Granted on 11.09.2010
Fair value per ESOS granted (RM)	0.16	0.83	0.35
Weighted average share price (RM)	2.32	1.66	1.44
Weighted average exercise price (RM)	2.33	1.67	1.45
Expected volatility (%)	16.17	34.05	26.77
Expected life (years)	3	3	5
Risk free rate (%)	3.49	3.64	3.91
Expected dividend yield (%)	4.09	3.85	3.00

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.

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**24. Share capital and share premium (cont'd.)**

**(b) Warrants**

Pursuant to an abridged prospectus dated 6 May 2011, options were granted by way of free detachable warrants from the rights shares upon issuance and shall be separately traded on Bursa Securities. The warrants were issued free to entitled shareholders who subscribe for the rights shares. Each warrant entitles the registered holder to subscribe for 1 new company share at anytime during the exercise period at the accordance with the provisions of the deed poll. The expiry date of the warrants was 5 years from and including the date of issue of the warrants. The exercise price was RM1.00 for each new company share.

The registered holder of the warrants shall pay cash for the exercise price when exercising the warrants for new company shares. The holders of the warrants are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the warrants are issued with new company shares arising from their exercise of the warrants. The new company shares to be issued upon exercise of the warrants shall, upon allotment and issue, be of the same class and rank pari passu in all respects with the then existing company shares.

**25. Other reserve**

Group and Company	Capital Reserve RM'000 Note (a)	Share Option Reserve RM'000	Warrants Reserve RM'000	Capital Redemption Reserve - Redeemable Cumulative Preference Shares RM'000 Note (b)	Total RM'000
At 1 January	17,838	2,410	99,246	12,486	131,980
Share options granted under ESOS recognised in profit or loss (Note 31)	-	10,416	-	-	10,416
Issue of ordinary shares pursuant to ESOS	-	(9,698)	-	-	(9,698)
Issue of ordinary shares pursuant to warrants	-	-	(1,039)	-	(1,039)
Transfer of share option reserve to accumulated losses upon forfeiture of share options	-	(329)	-	-	(329)
At 31 December 2012	<u>17,838</u>	<u>2,799</u>	<u>98,207</u>	<u>12,486</u>	<u>131,330</u>
At 1 January	17,838	2,085	-	12,486	32,409
Share options granted under ESOS recognised in profit or loss (Note 31)	-	1,977	-	-	1,977
Issue of ordinary shares pursuant to ESOS	-	(1,882)	-	-	(1,882)
Issue of ordinary shares pursuant to warrants	-	-	99,246	-	99,246
Transfer of share option reserve to accumulated losses upon forfeiture of share options	-	(95)	-	-	(95)
Revised ESOS subscription price	-	325	-	-	325
At 31 December 2011	<u>17,838</u>	<u>2,410</u>	<u>99,246</u>	<u>12,486</u>	<u>131,980</u>

(a) Capital reserve arose out of the transfer of the reserves of Malaya Borneo Building Society Limited as at 29 February 1972 to the Company on 1 March 1972 via a Scheme of Arrangement and is not distributable as cash dividends.

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

**26. Revenue**

Revenue of the Company comprises gross financing income, gross interest income, fee and commission income, and other income as disclosed in Notes 27, 29 and 45(f) to the financial statements.

Revenue of the Group comprises all types of revenue derived from the business of granting of financing and loans, property development, property management, letting of real property and hotel operations.

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**27. Interest income**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income from:				
- Loans, advances and financing	367,688	333,191	363,968	320,996
- Investment held to maturity	839	10,228	839	10,228
- Deposits and placements with banks and other financial institutions	26,694	23,458	26,694	23,458
	<u>395,221</u>	<u>366,877</u>	<u>391,501</u>	<u>354,682</u>

**28. Interest expense**

	Group and Company	
	2012 RM'000	2011 RM'000
Bank borrowings	10,209	5,453
Deposits from customers	162,034	155,867
	<u>172,243</u>	<u>161,320</u>

**29. Other income**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Rental income	796	347	677	110
Revenue from completed properties	124	-	-	-
Revenue from hotel operations	10,013	9,564	-	-
Loan agency fees	30	61	30	61
Loan processing fees	20,132	107,142	20,132	107,142
Insurance commission	22,186	21,477	22,186	21,477
Loan facility fees	5,531	4,395	5,531	4,395
Legal notice fee	1,071	2,207	1,071	2,207
Sundry income	12,794	10,925	12,527	9,736
Dividend income	-	-	32,500	-
Gain/(loss) from disposal of:				
Property, plant and equipment	26	3,117	-	3,117
Foreclosed properties	2,241	-	2,241	-
Investment properties	112	1,100	-	-
Inventories	-	-	-	-
Subsidiaries	(4,829)	-	(7,663)	-
Land held for sale	55,433	-	-	-
	<u>125,660</u>	<u>160,335</u>	<u>89,232</u>	<u>148,245</u>

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**30. Other operating expenses**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Personnel expenses (Note 31)	110,638	82,849	107,121	79,847
Establishment related expenses	11,558	8,879	10,793	8,668
Promotion and marketing related expenses	8,249	5,920	8,070	5,708
General administrative expenses	45,276	22,030	34,863	17,671
Angkasa charges	18,382	6,961	18,382	6,961
Allowance/(write back) for impairment of:				
Investments in subsidiaries	-	-	832	152
Amount due from subsidiaries	-	-	4,783	(3,457)
Loans to subsidiaries (Note 11)	-	-	4,963	6,051
Loss on provision for unsecured loans	-	-	595	-
Foreclosed properties	215	12,232	215	12,232
Other receivables	30,658	23,148	4,851	-
Trade receivables	(905)	(1,204)	-	-
	<u>224,071</u>	<u>160,815</u>	<u>195,468</u>	<u>133,833</u>

Included in other operating expenses are the following:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Auditors' remuneration:				
- Statutory audit:				
Ernst & Young	548	408	482	357
Other auditors*	5	-	5	-
- Other assurance related services	1,550	-	1,550	-
- Non-audit fees	2,848	447	2,848	420
Amortisation:				
- land use rights (Note 16)	165	165	-	-
- intangible assets (Note 17)	3,968	660	3,933	660
Depreciation:				
- investment properties (Note 13)	22	45	-	-
- property, plant and equipment (Note 15)	10,337	7,146	5,624	3,427
- reversal from property, plant and equipment (Note 15)	(57)	-	(57)	-
Directors' remuneration (Note 32)	858	910	858	910
Rental of buildings	-	-	4,828	3,347

\* Relates to fees paid and payable to accounting firms other than the Company's auditors.

**31. Personnel expenses**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Wages and salaries	77,609	57,189	74,700	54,794
Social security costs	666	541	619	498
Pension costs:				
- Employees Provident Fund	13,898	10,048	13,617	9,801
Share options granted under ESOS	10,416	1,977	10,416	1,977
Other staff related expenses	8,049	6,824	7,769	6,507
Staff gratuity	-	6,270	-	6,270
	<u>110,638</u>	<u>82,849</u>	<u>107,121</u>	<u>79,847</u>

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**32. Directors' remuneration**

	Group and Company	
	2012	2011
	RM'000	RM'000
Directors of the Company		
Non-Executive:		
Fees	560	673
Other emoluments	298	237
<b>Total</b>	<b>858</b>	<b>910</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	
	2012	2011
Non-executive directors:		
RM1,000 - RM50,000	1	2
RM50,001 - RM100,000	-	3
RM100,001 - RM200,000	6	5

Details of the Directors' remuneration of each Director during the financial year 2012 are as follows:

Directors	Director Fees for the financial year 2012 (RM'000)	Allowance (RM'000)	Total (RM'000)
1. Tan Sri Abdul Halim bin Ali	120	140	260
2. Datuk Syed Zaid bin Syed Jaffar Albar	80	28	108
3. Encik Aw Hong Boo	100	37	137
4. Encik Jasmy bin Ismail	80	22	102
5. Encik Lim Tian Huat	80	37	117
6. Datuk Shahril Ridza bin Ridzuan	80 *	29	109
7. Dato' Zuraidah Atan	20	5	25
	<b>560</b>	<b>298</b>	<b>858</b>

\* 50% of the Directors' Fees is paid to the organization to whom the Director represents.

**33. Allowance for impairment losses on loans, advances and financing**

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans, advances and financing:				
- Collective impairment (Note 9(vi))	207,802	57,519	207,802	57,519
- Individual impairment (Note 9(vii))	7,044	116,495	7,044	116,495
- Settlement cost	-	-	-	-
- Written off	365	658	596	658
	<b>215,211</b>	<b>174,672</b>	<b>215,442</b>	<b>174,672</b>

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**34. Taxation**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current income tax:				
Malaysian income tax	216,809	127,199	205,884	127,194
Over provision in prior years:				
Malaysian income tax	386	(27,294)	386	(27,294)
	<u>217,195</u>	<u>99,905</u>	<u>206,270</u>	<u>99,900</u>
Deferred tax (Note 23):				
Relating to origination and reversal of temporary differences	(10,355)	2,525	1,297	2,599
	<u>(10,355)</u>	<u>2,525</u>	<u>1,297</u>	<u>2,599</u>
Total income tax expense	<u>206,840</u>	<u>102,430</u>	<u>207,567</u>	<u>102,499</u>
RPGT recovered	-	(124)	-	(124)
	<u>206,840</u>	<u>102,306</u>	<u>207,567</u>	<u>102,375</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (31.12.2011: 25%) of the estimated assessable profit for the year. The computation of deferred tax as at 31 December 2012 has reflected these changes.

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

Pending the said approval as at the date of this report, provision for tax payable for the financial year ended 31 December 2010 and 2011 was made without adopting the Guidelines. Should the approval be obtained, provision for tax payable for the financial year ended 31 December 2011 and 2012 would be revised.

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

Group	2012	2011
	RM'000	RM'000
Profit before taxation	<u>656,227</u>	<u>428,262</u>
Taxation at Malaysian statutory tax rate of 25% (31.12.2011: 25%)	164,057	107,066
Effect of income not subject to tax	(8,552)	(8,644)
Effect of expenses not deductible for tax purposes	11,872	10,569
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	298	(642)
Deferred tax assets not recognised	54,156	21,375
Utilisation of deferred tax asset not recognised in prior years	(11,628)	-
Overprovision of income tax in prior years	386	(27,294)
Overprovision of deferred tax in prior years	(3,749)	-
Tax for the year	<u>206,840</u>	<u>102,430</u>
Company		
Profit before taxation	<u>644,451</u>	<u>430,959</u>
Taxation at Malaysian statutory tax rate of 25% (31.12.2011: 25%)	161,113	107,740
Effect of income not subject to tax	(560)	(779)
Effect of expenses not deductible for tax purposes	3,789	3,917
Deferred tax assets not recognised	46,588	18,915
Overprovision of income tax in prior years	386	(27,294)
Overprovision of deferred tax in prior years	(3,749)	-
Tax for the year	<u>207,567</u>	<u>102,499</u>



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**35. Earnings per share**

(a) Basic

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	2012	2011
Net profit for the year (RM'000)	446,651	325,432
Weighted average number of ordinary shares in issue ('000)	1,215,507	1,003,622
Basic earnings per share (sen)	<u>36.75</u>	<u>32.43</u>

(b) Diluted

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

	2012	2011
Net profit for the year (RM'000)	446,651	325,432
Weighted average number of ordinary shares in issue ('000)	1,215,507	1,003,622
Adjusted for assumed conversion of ESOS ('000)	830	1,061
Adjusted for assumed conversion of warrants ('000)	281,201	193,791
Adjusted weighted average number of ordinary shares in issue ('000)	<u>1,497,538</u>	<u>1,198,474</u>
Diluted earning per share (sen)	<u>29.83</u>	<u>27.15</u>

**36. Dividends**

	<u>Group and Company</u>	
	2012	2011
	RM'000	RM'000
<b>Recognised during the financial year:</b>		
Dividends on ordinary shares:		
In respect of financial year ended 31 December 2011/2010:		
- Final taxable dividend of 7% less 25%, 5.25 sen net of tax (2010: 9% less 25%, 6.75 sen net of tax) per share	64,640	47,606
In respect of financial year ended 31 December 2012/2011:		
- Interim taxable dividend of 6% less 25%, 4.50 sen net of tax (2011: 5% less 25%, 3.75 sen net of tax) per share	55,653	45,581
	<u>120,293</u>	<u>93,187</u>
<b>Proposed but not recognised as a liability as at 31 December:</b>		
Dividend on ordinary shares, subject to shareholders' approval at the AGM:		
In respect of financial year ended 31 December 2012/2011:		
- Final taxable dividend of 9% less 25%, 6.75 sen net of tax (2011: 7% less 25%, 5.25 sen net of tax) per share	83,724	64,640
- Special taxable dividend of 18% less 25%, 13.50 sen net of tax (2011: Nil) per share	167,449	-
	<u>251,173</u>	<u>64,640</u>
	<u>371,466</u>	<u>157,827</u>

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**36. Dividends (cont'd.)**

At the forthcoming Annual General Meeting, a final dividend of 9% less 25% taxation (6.75 sen net per ordinary share) and a special dividend of 18.0% less 25% taxation (13.5 sen net per ordinary share) in respect of the financial year ended 31 December 2012, will be proposed for shareholders' approval.

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

**37. Significant related party transactions/balances**

(a) Transactions/balances with Employees Provident Fund, the ultimate holding body:

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>Expenses</b>					
Interest on loans		22,688	12,726	22,688	12,726
Rental paid		287	283	287	283
<b>Balances</b>					
Term loan	19	351,203	451,632	351,203	451,632

(b) Transactions/balances with subsidiaries:

	Company	
	2012 RM'000	2011 RM'000
<b>Income/(expenses)</b>		
Interest charged on loans/advances	53,460	17,489
Rental paid	(1,548)	(1,748)
<b>Balances</b>		
Loans to subsidiaries	346,343	323,931
Bridging, structured and term loans	252,045	252,045
Amount due from subsidiaries	83,040	63,561
Amount due to subsidiaries	17,801	17,891
End finance loans	108	128

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

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**37. Significant related party transactions/balances (cont'd.)**

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

	Group and Company	
	2012	2011
	RM'000	RM'000
Short-term employee benefits	4,653	4,295
Share-based payment	135	44
	<u>4,788</u>	<u>4,339</u>

Included in the total key management personnel are:

	Group and Company	
	2012	2011
	RM'000	RM'000
Directors' remuneration comprising fees and allowances (Note 32)	858	910
The Chief Executive Officer's remuneration comprising salary, bonus, allowances and other emoluments	2,782	2,357
	<u>2,782</u>	<u>2,357</u>

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

	Group and Company	
	2012	2011
	RM'000	RM'000
<b>Income/(expenses)</b>		
Interest income earned on loans, advances and financing	3	-
Interest cost incurred on savings and deposits	(73)	(43)
<b>Balances with directors and key management personnel</b>		
Amount due from in respect of financing and loans	217	-
Amount due to in respect of savings and deposits	3,282	1,338
	<u>3,282</u>	<u>1,338</u>

Executive directors of the Company and other members of key management of the Group and the Company have been granted the following number of options under the Employee Share Option Scheme:

	Group and Company	
	2012	2011
	RM'000	RM'000
At 1 January	819	769
Granted	271	113
Exercised	(123)	(63)
At 31 December	<u>967</u>	<u>819</u>

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

**38. Commitments and contingencies**

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
<b>(i) Operational Commitments</b>				
Loan commitments not provided for in the financial statements:				
End finance	460,768	243,602	460,768	243,602
Islamic	155,829	217,780	155,829	217,780
Bridging, structured and term loans	2,734,937	2,925,838	2,734,937	2,925,838
Property development:				
Approved and contracted for	421,528	421,528	1,667	1,667
Total	<u>3,773,062</u>	<u>3,808,748</u>	<u>3,353,201</u>	<u>3,388,887</u>

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**38. Commitments and contingencies (cont'd.)**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(ii) <b>Capital Commitments</b>				
Property, plant and equipment: Approved but not contracted for	16,450	86,953	16,450	86,953
(iii) <b>Contingencies</b>				
Fully secured: Financial guarantees	25,436	80,375	25,436	80,375

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

**39. Contingent liabilities (Unsecured)**

- (i) A contractor appointed by one of the Company's borrowers had instituted civil suits against the Company for an alleged breach of contract and is claiming damages amounting to RM2.54 million.

The contractor's application to amend the statement of claim was dismissed on 22 June 2010 and the Court fixed 10 November 2011 for case management. The Court of Appeal had on 13 December 2011 allowed the contractor's application to amend statement of claim.

Pre-trial case management was fixed on 21 March 2012 and for full trial from 26 March 2012 to 30 March 2012. The matter came up for decision on 30 April 2012 and the claim against MBSB was dismissed with costs. The contractor had on 29 May 2012 filed an appeal against MBSB and it is pending a hearing date.

- (ii) A former borrower of the Company has instituted a civil suit against the Company for an alleged breach of facility agreement and is claiming damages amounting up to RM43.311 million. The Company had terminated the said facility due to the former borrower's breach of facility agreement and had subsequently sold the loan asset to an unrelated company.

On 30 September 2010, the Court dismissed the borrower's claim with costs. The borrower has filed an appeal on 25 October 2010. The appeal is fixed for hearing on 23 January 2013. The hearing date has been vacated to a future date to be informed as the borrower was wound up by a third party.

- (iii) A third party and its holding company (collectively "Plaintiffs") have instituted a civil suit against the Company and its subsidiary for an alleged breach of facility agreement.

The Company and its subsidiary had filed its defence and counterclaim in response to the suit. The Company and its subsidiary had also filed an application to strike out the Plaintiff's suit which was dismissed with costs on 24 May 2010. The Company's appeal in respect of the striking out was heard on 3 April 2012 and was dismissed by the Court of Appeal with costs.

The Company filed an application for security for costs against the Plaintiffs and this was dismissed on 18 May 2011. The Company's solicitors filed an appeal on 20 May 2011 ("Company's security for costs appeal"). The Company's security for costs appeal was allowed on 30 November 2011. The Plaintiffs have deposited the security for costs with the Court by way of Bank Guarantee.

The main suit is now fixed for hearing from 19 to 21 August 2013.

The directors after obtaining advice from the Company's solicitors, are of the opinion that the Company has reasonably good cases in respect of all the claims against the Company and as such, no provision has been made in the financial statements.

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**40. Financial risk management**

(a) Financial risk management objectives and policies

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

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

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

(b) Risk management framework

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

(c) Risk organisation

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

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

- (i) Executive Committee ("EXCO"): EXCO assists the Board to evaluate and approve loan applications within their approval authority limits and consider recommendation from ARC on all matters relating to impaired loans as well as the capital expenditure and operating expenditure of the Group and the Company.
- (ii) Arrears & Recovery Committee ("ARC"): ARC deliberates on proposals for recovery of impaired loans, approve proposals within its authority and recommends to the Board on proposals beyond ARC's authority. Additionally, ARC also monitors the progress of recovery of impaired loans and formulates recovery strategies.
- (iii) Asset & Liability Committee ("ALCO"): ALCO is responsible for the Group's and the Company's liquidity management by focusing on the maturity gap, liquidity position, loans portfolio concentration, deposits composition and depositors' concentration. ALCO also manages the interest rate exposures and interest margin of the Group and the Company by reviewing the lending rates, cost of funds, interest margin and the repricing gaps.
- (iv) Credit & Rehabilitation Assessment Committee ("CARAC"): CARAC deliberates and recommends to the relevant Board or Board Committee for Corporate Loan and Mortgage applications and decide whether to proceed with the preparation of the Board paper based on completed credit assessment report. CARAC also deliberates and recommends any appeal on variations to the terms and conditions as earlier approved by Board or Board Committees. CARAC also deliberates and approves the submission of the relevant corporate rehabilitation papers for the Board or Board Committees.

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40. Financial risk management (cont'd.)

(c) Risk organisation (cont'd.)

- (v) Retail Loans Committees ("RLCs"): RLCs deliberate and approve or recommend to the relevant Board for new mortgage loan applications as well as any appeal on variations to the earlier approved terms and conditions of the loan within the approval authority limit. RLCs were disbanded in September 2012 and replaced by the Approval Authority, which consists of experienced senior managers.
- (vi) Management Committee ("MANCO"): MANCO deliberates the implementation of the enterprise-wide risk management framework which addresses credit, market and operational and strategic risks and also resolves operational issues within the policies established by the Board and recommending policy changes to the Board.

(d) Risk reporting & monitoring

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

(e) Credit risk mitigation

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

(f) Concentration risk

Concentration of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group and the Company monitor their portfolios, to identify and assess risk concentrations. The credit portfolios are monitored and periodically reviewed to identify, assess and guard against unacceptable risk concentrations. GRM also applies single customer counterparty limits to protect against unacceptably large exposures to single risk. GRM conducts analysis and reporting of concentration risk to ARMCO on a quarterly basis.

**Credit risk**

Credit risk is the risk of loss to the Group and the Company due to the deterioration in credit worthiness of its borrowers and consequently their inability to discharge their contractual obligations to the Group and the Company. Credit risk remains the most significant risk to which the Group and the Company are exposed. The purpose of credit risk management is to keep credit risk exposure to an acceptable level in line with the Group's and the Company's risk appetite and to ensure that the returns are commensurate to the risk underwritten.

A new credit platform was established in 2010 with the primary objective of enhancing the efficiency and effectiveness of the credit oversight as well as credit approval process for all retail and corporate loans of the Group and the Company. In September 2012, RLC has been disbanded and replaced by the Approval Authority which consists of senior managers. Credit proposals are submitted to the relevant credit committees for approval or concurrence, and are subsequently submitted to GRM for independent assessment. Credit exposures are evaluated by GRM and are monitored against approved limits on a periodic basis on a portfolio and individual basis.

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**40. Financial risk management (cont'd.)**

**Credit risk (cont'd.)**

(i) Maximum exposure to credit risk

The maximum exposure to credit risk without taking into account the fair value of collateral for each class of financial assets is the carrying value of these assets as shown below:

	Group			Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000	2012 RM'000	2011 RM'000	1.1.2011 RM'000
<b>On balance sheet assets:</b>						
<b>Financial Assets:</b>						
<b>Loans, Advances and Financing:</b>						
End finance and islamic property	4,887,323	5,159,747	5,353,777	4,887,323	5,159,747	5,353,960
Personal financing	17,491,196	8,521,802	3,885,061	17,491,196	8,521,802	3,885,061
Bridging, structured and term loans	1,771,947	1,503,082	1,467,692	1,825,176	1,553,329	1,517,858
Auto finance	115,104	-	-	115,104	-	-
Loans to subsidiaries	-	-	-	255,219	237,768	89,662
	<u>24,265,570</u>	<u>15,184,631</u>	<u>10,706,530</u>	<u>24,574,018</u>	<u>15,472,646</u>	<u>10,846,541</u>
<b>Deposits with Financial Institutions and Bank Balance:</b>						
Cash and short-term funds	1,275,431	1,350,649	825,275	1,248,746	1,338,363	811,011
Deposits and placements with financial institutions	5,354	4,950	63,554	5,354	4,139	63,445
	<u>1,280,785</u>	<u>1,355,599</u>	<u>888,829</u>	<u>1,254,100</u>	<u>1,342,502</u>	<u>874,456</u>
<b>Other Financial Assets:</b>						
Trade receivables	407	394	1,182	-	-	-
Investments held-to-maturity	200,000	204,354	200,000	200,000	204,354	200,000
Other receivables*	243,096	114,538	111,920	67,684	89,746	85,422
	<u>443,503</u>	<u>319,286</u>	<u>313,102</u>	<u>267,684</u>	<u>294,100</u>	<u>285,422</u>

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

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**40. Financial Risk Management (cont'd.)**

(ii) Credit quality

The credit quality of financial assets are analysed as follows:

Group	2012							
	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	1,552,592	1,523,485	915,869	397,407	1,019,369	5,408,722	(521,399)	4,887,323
Personal financing	15,681,566	1,409,320	354,575	74,504	273,709	17,793,674	(302,478)	17,491,196
Auto finance	20,742	76,277	30,434	507	138	128,098	(12,994)	115,104
Bridging, structured and term loans	1,489,133	214,888	100,028	10,144	1,707,572	3,521,765	(1,749,818)	1,771,947
	18,744,033	3,223,970	1,400,906	482,562	3,000,788	26,852,259	(2,586,689)	24,265,570
<b>Deposits with Financial Institutions and Bank Balance:</b>								
Cash and short-term funds	1,275,431	-	-	-	-	1,275,431	-	1,275,431
Deposits and placements with financial institutions	5,354	-	-	-	-	5,354	-	5,354
	1,280,785	-	-	-	-	1,280,785	-	1,280,785
<b>Other Financial Assets:</b>								
Trade receivables	-	330	76	1	24,830	25,237	(24,830)	407
Other receivables	77,515	165,581	-	-	207,466	450,562	(207,466)	243,096
Investments held-to-maturity	200,000	-	-	-	-	200,000	-	200,000
	277,515	165,911	76	1	232,296	675,799	(232,296)	443,503



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**40. Financial Risk Management (cont'd.)**

(ii) Credit quality (cont'd.)

Group

	2011						Total Gross	Impairment Allowances	Total Net
	Neither Past Due Nor Impaired	Past Due Up To <1 Month	Past due but not impaired 1 To < 3 Months	Past Due 3 To < 6 Months	Impaired	Total Gross			
<b>Financial Assets:</b>									
<b>Loans, Advances and Financing:</b>									
End finance and Islamic property	2,438,242	984,104	902,795	442,770	813,536	5,581,447	(421,700)	5,159,747	
Personal financing	7,994,772	444,069	128,984	24,058	132,696	8,724,579	(202,777)	8,521,802	
Bridging, structured and term loans	1,280,027	2,076	23,681	748	2,191,522	3,498,054	(1,994,972)	1,503,082	
	11,713,041	1,430,249	1,055,460	467,576	3,137,754	17,804,080	(2,619,449)	15,184,631	
<b>Deposits with Financial Institutions and Bank Balance:</b>									
Cash and short-term funds	1,350,649	-	-	-	-	1,350,649	-	1,350,649	
Deposits and placements with financial institutions	4,950	-	-	-	-	4,950	-	4,950	
	1,355,599	-	-	-	-	1,355,599	-	1,355,599	
<b>Other Financial Assets:</b>									
Trade receivables	-	353	41	-	25,735	26,129	(25,735)	394	
Other receivables	114,273	264	1	-	178,023	292,561	(178,023)	114,538	
Investments held-to-maturity	204,354	-	-	-	-	204,354	-	204,354	
	318,627	617	42	-	203,758	523,044	(203,758)	319,286	

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**40. Financial Risk Management (cont'd.)**

(ii) Credit quality (cont'd.)

Group

	1.1.2011						Total Gross	Impairment Allowances	Total Net
	Neither Past Due Nor Impaired	Past Due Up To <1 Month	Past Due 1 To < 3 Months	Past Due 3 To < 6 Months	Impaired	Total Gross			
<b>Financial Assets:</b>									
<b>Loans, Advances and Financing:</b>									
End finance and islamic property	2,649,186	1,038,193	899,923	485,970	768,003	5,821,275	(467,498)	5,353,777	
Personal financing	2,424,557	1,037,300	449,895	29,945	45,763	3,987,460	(102,399)	3,885,061	
Bridging, structured and term loans	591,525	-	1,271	1,879	4,094,223	4,688,898	(3,221,206)	1,467,692	
	5,665,268	2,075,493	1,351,089	497,794	4,907,989	14,497,633	(3,791,103)	10,706,530	
<b>Deposits with Financial Institutions and Bank Balance:</b>									
Cash and short-term funds	825,275	-	-	-	-	825,275	-	825,275	
Deposits and placements with financial institutions	63,554	-	-	-	-	63,554	-	63,554	
	888,829	-	-	-	-	888,829	-	888,829	
<b>Other Financial Assets:</b>									
Trade receivables	-	1,138	44	-	26,939	28,121	(26,939)	1,182	
Other receivables	111,665	250	5	-	147,660	259,580	(147,660)	111,920	
Investments held-to-maturity	200,000	-	-	-	-	200,000	-	200,000	
	311,665	1,388	49	-	174,599	487,701	(174,599)	313,102	

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**40. Financial Risk Management (cont'd.)**

(ii) Credit quality (cont'd.)

Company

	2012							Total Net	
	Neither Past Due Nor Impaired	Past due but not impaired			Past Due 3 To < 6 Months	Impaired	Total Gross		Impairment Allowances
		Past Due Up To <1 Month	Past Due 1 To < 3 Months	Past Due 3 To < 6 Months					
<b>Financial Assets:</b>									
<b>Loans, Advances and Financing:</b>									
End finance and islamic property	1,552,592	1,523,485	915,869	397,407	1,019,369	5,408,722	(521,399)	4,887,323	
Personal financing	15,681,566	1,409,320	354,575	74,504	273,709	17,793,674	(302,478)	17,491,196	
Auto finance	20,742	76,277	30,434	507	138	128,098	(12,994)	115,104	
Bridging, structured and term loans	1,489,129	214,888	100,028	10,144	1,995,065	3,809,254	(1,984,078)	1,825,176	
	18,744,029	3,223,970	1,400,906	482,562	3,288,281	27,139,748	(2,820,949)	24,318,799	
<b>Loans to subsidiaries</b>	95	-	-	-	346,250	346,345	(91,126)	255,219	
<b>Deposits with Financial Institutions and Bank Balance:</b>									
Cash and short-term funds	1,248,746	-	-	-	-	1,248,746	-	1,248,746	
Deposits and placements with financial institutions	5,354	-	-	-	-	5,354	-	5,354	
	1,254,100	-	-	-	-	1,254,100	-	1,254,100	
<b>Other Financial Assets:</b>									
Other receivables	120,699	-	-	-	-	120,699	(53,015)	67,684	
Investments held-to-maturity	200,000	-	-	-	-	200,000	-	200,000	
	320,699	-	-	-	-	320,699	(53,015)	267,684	

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**40. Financial Risk Management (cont'd.)**

(ii) Credit quality (cont'd.)

Company

	2011								
	Neither Past Due Nor Impaired RM'000	Past due but not impaired			Past Due 3 To < 6 Months RM'000	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	2,438,240	984,104	902,795	442,770	813,536	5,581,445	(421,700)	5,159,745	
Personal financing	7,994,772	444,069	128,984	24,058	132,696	8,724,579	(202,777)	8,521,802	
Bridging, structured and term loans	1,280,027	2,076	23,683	748	2,476,029	3,782,563	(2,229,232)	1,553,331	
	11,713,039	1,430,249	1,055,462	467,576	3,422,261	18,088,587	(2,853,709)	15,234,878	
	150,618	-	-	-	173,313	323,931	(86,163)	237,768	
<b>Loans to subsidiaries</b>									
<b>Deposits with Financial Institutions and Bank Balance:</b>									
Cash and short-term funds	1,338,363	-	-	-	-	1,338,363	-	1,338,363	
Deposits and placements with financial institutions	4,139	-	-	-	-	4,139	-	4,139	
	1,342,502	-	-	-	-	1,342,502	-	1,342,502	
<b>Other Financial Assets:</b>									
Other receivables	133,126	-	-	-	-	133,126	(43,380)	89,746	
Investments held-to-maturity	204,354	-	-	-	-	204,354	-	204,354	
	337,480	-	-	-	-	337,480	(43,380)	294,100	

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**40. Financial Risk Management (cont'd.)**

(ii) Credit quality (cont'd.)

Company

	1.1.2011							
	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	2,649,186	1,038,193	899,923	466,153	768,003	5,821,458	(467,498)	5,353,960
Personal financing	2,424,557	1,037,300	449,895	29,945	45,763	3,987,460	(102,399)	3,885,061
Bridging, structured and term loans	591,525	-	1,271	1,879	4,378,649	4,973,324	(3,455,466)	1,517,858
	5,665,268	2,075,493	1,351,089	497,977	5,192,415	14,782,242	(4,025,363)	10,756,879
<b>Loans to subsidiaries</b>	323	-	-	-	169,451	169,774	(80,112)	89,662
<b>Deposits with Financial Institutions and Bank Balance:</b>								
Cash and short-term funds	811,011	-	-	-	-	811,011	-	811,011
Deposits and placements with financial institutions	63,445	-	-	-	-	63,445	-	63,445
	874,456	-	-	-	-	874,456	-	874,456
<b>Other Financial Assets:</b>								
Other receivables	132,259	-	-	-	-	132,259	(46,837)	85,422
Investments held-to-maturity	200,000	-	-	-	-	200,000	-	200,000
	332,259	-	-	-	-	332,259	(46,837)	285,422

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**40. 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 which have been disbursed in previous years and are neither past due nor impaired. Standard Grade financial assets also include other financial assets that are neither past due nor impaired.

c) **New Loans During The Year**

This refers to financial assets in respect of loans, advances and financing which were disbursed during the year and are neither past due nor impaired.

Credit quality of financial assets that are neither past due nor impaired by credit quality is as follows:

Group	2012				
	← Rated →			New Loans During The Year	Total
	High Grade RM'000	Standard Grade RM'000	RM'000		
<b>Financial Assets:</b>					
<b>Loans, Advances and Financing:</b>					
End finance and islamic property	-	1,117,411	435,181	1,552,592	
Personal financing	-	6,340,539	9,341,027	15,681,566	
Auto finance	-	313	20,429	20,742	
Bridging, structured and term loans	-	769,860	719,273	1,489,133	
	-	8,228,123	10,515,910	18,744,033	
<b>Deposits with Financial Institutions and Bank Balance:</b>					
Cash at banks and on hand	246,185	-	-	246,185	
Money at call	869,172	-	-	869,172	
<b>Deposits and placements with financial institutions:</b>					
- with maturity of less than one month	160,074	-	-	160,074	
- with maturity of more than one month	5,354	-	-	5,354	
	1,280,785	-	-	1,280,785	
<b>Other Financial Assets:</b>					
Other receivables	-	77,515	-	77,515	
Investments held-to-maturity	-	200,000	-	200,000	
	-	277,515	-	277,515	
<b>Group</b>					
2011					
← Rated →					
	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	-	2,290,972	147,270	2,438,242	
Personal financing	-	2,021,570	5,973,202	7,994,772	
Bridging, structured and term loans	-	93,125	1,186,902	1,280,027	
	-	4,405,667	7,307,374	11,713,041	

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40. Financial risk management (cont'd.)

Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Group	2011			
	Rated		New Loans During The Year	Total
	High Grade	Standard Grade		
RM'000	RM'000	RM'000	RM'000	
<b>Deposits with Financial Institutions and Bank Balance:</b>				
Cash at banks and on hand	184,298	-	-	184,298
Money at call	781,000	-	-	781,000
Deposits and placements with financial institutions:				
- with maturity of less than one month	385,351	-	-	385,351
- with maturity of more than one month	4,950	-	-	4,950
	<u>1,355,599</u>	<u>-</u>	<u>-</u>	<u>1,355,599</u>
<b>Other Financial Assets:</b>				
Other receivables	-	114,273	-	114,273
Investments held-to-maturity	-	204,354	-	204,354
	<u>-</u>	<u>318,627</u>	<u>-</u>	<u>318,627</u>

Group	1.1.2011			
	Rated		New Loans During The Year	Total
	High Grade	Standard Grade		
RM'000	RM'000	RM'000	RM'000	
<b>Financial Assets:</b>				
<b>Loans, Advances and Financing:</b>				
End finance and islamic property	-	2,261,537	387,649	2,649,186
Personal financing	-	497,358	1,927,199	2,424,557
Bridging, structured and term loans	-	273,452	318,073	591,525
	<u>-</u>	<u>3,032,347</u>	<u>2,632,921</u>	<u>5,665,268</u>
<b>Deposits with Financial Institutions and Bank Balance:</b>				
Cash at banks and on hand	40,470	-	-	40,470
Money at call	461,000	-	-	461,000
Deposits and placements with financial institutions:				
- with maturity of less than one month	323,805	-	-	323,805
- with maturity of more than one month	63,554	-	-	63,554
	<u>888,829</u>	<u>-</u>	<u>-</u>	<u>888,829</u>
<b>Other Financial Assets:</b>				
Other receivables	-	111,665	-	111,665
Investments held-to-maturity	-	200,000	-	200,000
	<u>-</u>	<u>311,665</u>	<u>-</u>	<u>311,665</u>

Company	2012			
	Rated		New Loans During The Year	Total
	High Grade	Standard Grade		
RM'000	RM'000	RM'000	RM'000	
<b>Financial Assets:</b>				
<b>Loans, Advances and Financing:</b>				
End finance and islamic property	-	1,117,411	435,181	1,552,592
Personal financing	-	6,340,539	9,341,027	15,681,566
Auto finance	-	313	20,429	20,742
Bridging, structured and term loans	-	769,856	719,273	1,489,129
	<u>-</u>	<u>8,228,119</u>	<u>10,515,910</u>	<u>18,744,029</u>

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40. Financial risk management (cont'd.)

Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Company	2012			
	Rated		New Loans During The Year RM'000	Total RM'000
High Grade RM'000	Standard Grade RM'000			
<b>Deposits with Financial Institutions and Bank Balance:</b>				
Cash at banks and on hand	219,500	-	-	219,500
Money at call	869,172	-	-	869,172
<b>Deposits and placements with financial institutions:</b>				
- with maturity of less than one month	160,074	-	-	160,074
- with maturity of more than one month	5,354	-	-	5,354
	<u>1,254,100</u>	<u>-</u>	<u>-</u>	<u>1,254,100</u>
<b>Loans to subsidiaries</b>	<u>-</u>	<u>95</u>	<u>-</u>	<u>95</u>
<b>Other Financial Assets:</b>				
Other receivables	-	120,699	-	120,699
Investments held-to-maturity	-	200,000	-	200,000
	<u>-</u>	<u>320,699</u>	<u>-</u>	<u>320,699</u>
<b>Company</b>	<b>2011</b>			
	Rated		New Loans During The Year RM'000	Total RM'000
	High Grade RM'000	Standard Grade RM'000		
<b>Financial Assets:</b>				
<b>Loans, Advances and Financing:</b>				
End finance and islamic property	-	2,290,972	147,268	2,438,240
Personal financing	-	2,021,570	5,973,202	7,994,772
Bridging, structured and term loans	-	93,125	1,186,902	1,280,027
	<u>-</u>	<u>4,405,667</u>	<u>7,307,372</u>	<u>11,713,039</u>
<b>Deposits with Financial Institutions and Bank Balance:</b>				
Cash at banks and on hand	172,012	-	-	172,012
Money at call	781,000	-	-	781,000
<b>Deposits and placements with financial institutions:</b>				
- with maturity of less than one month	385,351	-	-	385,351
- with maturity of more than one month	4,139	-	-	4,139
	<u>1,342,502</u>	<u>-</u>	<u>-</u>	<u>1,342,502</u>
<b>Loans to subsidiaries</b>	<u>-</u>	<u>150,618</u>	<u>-</u>	<u>150,618</u>
<b>Other Financial Assets:</b>				
Other receivables	-	133,126	-	133,126
Investments held-to-maturity	-	204,354	-	204,354
	<u>-</u>	<u>337,480</u>	<u>-</u>	<u>337,480</u>



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40. Financial risk management (cont'd.)

Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Company	1.1.2011			
	Rated		New Loans During The Year RM'000	Total RM'000
High Grade RM'000	Standard Grade RM'000			
<b>Financial Assets:</b>				
<b>Loans, Advances and Financing:</b>				
End finance and islamic property	-	2,261,537	387,649	2,649,186
Personal financing	-	497,358	1,927,199	2,424,557
Bridging, structured and term loans	-	273,452	318,073	591,525
	-	3,032,347	2,632,921	5,665,268
<b>Deposits with Financial Institutions and Bank Balance:</b>				
Cash at banks and on hand	26,206	-	-	26,206
Money at call	461,000	-	-	461,000
<b>Deposits and placements with financial institutions:</b>				
- with maturity of less than one month	323,805	-	-	323,805
- with maturity of more than one month	63,445	-	-	63,445
	874,456	-	-	874,456
<b>Loans to subsidiaries</b>	-	323	-	323
<b>Other Financial Assets:</b>				
Other receivables	-	132,259	-	132,259
Investments held-to-maturity	-	200,000	-	200,000
	-	332,259	-	332,259

Past Due But Not Impaired

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

Impaired

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

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**40. Financial Risk Management (cont'd.)**

**Credit risk (cont'd.)**

(iii) Industry analysis  
Group

31 December 2012

**Financial Assets:**

Cash and short-term funds  
Deposits and placements with financial institutions  
Trade receivables  
Other receivables  
Loans, advances and financing:  
-End finance and islamic property  
-Personal financing  
-Auto finance  
-Bridging, structured and term loans  
Investments held-to-maturity

	Property Development RM'000	Financial Services RM'000	Telecom- munication RM'000	Food RM'000	Consumer RM'000	Oil and gas RM'000	Services <sup>1</sup> RM'000	Others RM'000	Total RM'000
	23,464	1,248,746	-	-	-	-	3,221	-	1,275,431
	-	5,354	-	-	-	-	-	-	5,354
	1	-	-	-	-	-	406	-	407
	170,609	-	-	-	-	-	743	71,744	243,096
	-	-	-	-	4,887,323	-	-	-	4,887,323
	-	-	-	-	17,491,196	-	-	-	17,491,196
	-	-	-	-	115,104	-	-	-	115,104
	1,502,308	63,140	12,507	7,767	30,042	54,713	94,546	6,924	1,771,947
	1,696,382	1,317,240	12,507	7,767	22,523,665	54,713	98,916	278,668	25,989,858

Company

31 December 2012

**Financial Assets:**

Cash and short-term funds  
Deposits and placements with financial institutions  
Other receivables  
Loans, advances and financing:  
-End finance and islamic property  
-Personal financing  
-Auto finance  
-Bridging, structured and term loans  
Investments held-to-maturity  
Loans to subsidiaries

	Property Development RM'000	Financial Services RM'000	Telecom- munication RM'000	Food RM'000	Consumer RM'000	Oil and gas RM'000	Services <sup>1</sup> RM'000	Others RM'000	Total RM'000
	-	1,248,746	-	-	-	-	-	-	1,248,746
	-	5,354	-	-	-	-	-	-	5,354
	-	-	-	-	-	-	-	67,684	67,684
	-	-	-	-	4,887,323	-	-	-	4,887,323
	-	-	-	-	17,491,196	-	-	-	17,491,196
	-	-	-	-	115,104	-	-	-	115,104
	1,555,537	63,140	12,507	7,767	30,042	54,713	94,546	6,924	1,825,176
	-	147,624	-	-	-	-	107,595	200,000	200,000
	1,555,537	1,464,864	12,507	7,767	22,523,665	54,713	202,141	274,608	26,095,802

<sup>1</sup> Services includes hotel operation.

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**40. Financial Risk Management (cont'd.)**

**Credit risk (cont'd.)**

(iii) Industry analysis (cont'd.)

**Group**

**31 December 2011**

**Financial Assets:**

Cash and short-term funds  
Deposits and placements with financial institutions  
Trade receivables  
Other receivables  
Loans, advances and financing:  
-End finance and islamic property  
-Personal financing  
-Bridging, structured and term loans  
Investments held-to-maturity

	Property Development RM'000	Financial Services RM'000	Telecom- munication RM'000	Food RM'000	Consumer RM'000	Oil and gas RM'000	Services <sup>1</sup> RM'000	Others RM'000	Total RM'000
	8,844	1,337,552	-	-	-	-	4,253	-	1,350,649
	-	4,950	-	-	-	-	-	-	4,950
	8	-	-	-	-	-	386	-	394
	22	-	-	-	-	-	292	114,224	114,538
	-	-	-	-	5,159,747	-	-	-	5,159,747
	-	-	-	-	8,521,802	-	-	-	8,521,802
	1,267,701	69,523	933	19,086	61,401	56,087	21,385	6,966	1,503,082
	-	-	-	-	-	-	-	204,354	204,354
	1,276,575	1,412,025	933	19,086	13,742,950	56,087	26,316	325,544	16,859,516

**Company**

**31 December 2011**

**Financial Assets:**

Cash and short-term funds  
Deposits and placements with financial institutions  
Other receivables  
Loans, advances and financing:  
-End finance and islamic property  
-Personal financing  
-Bridging, structured and term loans  
Investments held-to-maturity  
Loans to subsidiaries

	Property Development RM'000	Financial Services RM'000	Telecom- munication RM'000	Food RM'000	Consumer RM'000	Oil and gas RM'000	Services <sup>1</sup> RM'000	Others RM'000	Total RM'000
	-	1,338,363	-	-	-	-	-	-	1,338,363
	-	4,139	-	-	-	-	-	-	4,139
	-	-	-	-	-	-	-	89,746	89,746
	-	-	-	-	5,159,747	-	-	-	5,159,747
	-	-	-	-	8,521,802	-	-	-	8,521,802
	1,317,723	69,498	1,183	19,086	61,401	56,087	21,385	6,966	1,553,329
	-	-	-	-	-	-	-	204,354	204,354
	-	157,645	-	-	-	-	80,123	-	237,768
	1,317,723	1,569,645	1,183	19,086	13,742,950	56,087	101,508	301,066	17,109,248

<sup>1</sup> Services includes hotel operation.

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**40. Financial Risk Management (cont'd.)**

**Credit risk (cont'd.)**

(iii) Industry analysis (cont'd.)

**Group**

**1 January 2011**

**Financial Assets:**

Cash and short-term funds  
Deposits and placements with financial institutions  
Trade receivables  
Other receivables  
Loans, advances and financing:  
-End finance and Islamic property  
-Personal financing  
-Bridging, structured and term loans  
Investments held-to-maturity

	Property Development RM'000	Financial Services RM'000	Telecom- munication RM'000	Food RM'000	Consumer RM'000	Oil and gas RM'000	Services <sup>1</sup> RM'000	Others RM'000	Total RM'000
	8,582	810,914	-	-	-	-	5,779	-	825,275
	-	63,554	-	-	-	-	-	-	63,554
	464	-	-	-	-	-	718	-	1,182
	523	-	-	-	-	-	484	110,913	111,920
	-	-	-	-	5,353,777	-	-	-	5,353,777
	-	-	-	-	3,885,061	-	-	-	3,885,061
	1,351,650	81,984	11,822	12,236	-	-	-	-	1,457,692
	-	-	-	-	-	-	-	200,000	200,000
	1,371,219	956,452	11,822	12,236	9,238,838	-	6,981	310,913	11,908,461

**Company**

**1 January 2011**

**Financial Assets:**

Cash and short-term funds  
Deposits and placements with financial institutions  
Other receivables  
Loans, advances and financing:  
-End finance and Islamic property  
-Personal financing  
-Bridging, structured and term loans  
Investments held-to-maturity  
Loans to subsidiaries

	Property Development RM'000	Financial Services RM'000	Telecom- munication RM'000	Food RM'000	Consumer RM'000	Oil and gas RM'000	Services <sup>1</sup> RM'000	Others RM'000	Total RM'000
	-	811,011	-	-	-	-	-	-	811,011
	-	63,445	-	-	-	-	-	-	63,445
	-	-	-	-	-	-	-	85,422	85,422
	-	-	-	-	5,353,960	-	-	-	5,353,960
	-	-	-	-	3,885,061	-	-	-	3,885,061
	1,411,816	81,984	11,822	12,236	-	-	-	-	1,517,858
	-	-	-	-	-	-	-	200,000	200,000
	-	9,535	-	-	-	-	80,127	-	89,662
	1,411,816	965,975	11,822	12,236	9,239,021	-	80,127	285,422	12,006,419

<sup>1</sup> Services includes hotel operation.

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40. Financial risk management (cont'd.)

(iv) Collateral

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

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

For loan, advances and financing individual assessment allowance as at the date of the statement of financial position would be higher by approximately RM241,902,000 (31.12.2011: RM453,009,000, 1.1.2011: RM722,928,000) without the collateral held.

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Residential	13,160	8,306	8,306
Non residential	96,826	117,536	66,029
	<u>109,986</u>	<u>125,842</u>	<u>74,335</u>

The above assets are accounted for as foreclosed properties under other receivables in the statement of financial position. There were additional assets obtained for financial year ended 2012 of RM4,854,000 (31.12.2011: RM51,507,000, 1.1.2011: RM42,360,000).

**Market risk**

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

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

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

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 profit net of tax and shareholders' equity would have been RM117,595,000 higher/lower, arising mainly as a result of changes in interest expenses from floating rate borrowings and fixed deposit from customers and interest income from floating rate loans, advances and financing.

**Liquidity risk**

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

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

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40. Financial risk management (cont'd.)

Liquidity risk (cont'd.)

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.

		2012 RM'000			
Group	On demand or within one year	One to five years	Over five years	Total	
<b>Financial liabilities:</b>					
Deposits from customers	19,707,142	2,143,006	39,271	21,889,419	
Bank borrowings	350,528	-	-	350,528	
Other borrowings	117,188	268,906	-	386,094	
Trade and other payables	165,890	144	70,136	236,170	
Recourse obligation on loans sold to Cagamas Berhad	210,962	2,500,689	-	2,711,651	
	<b>20,551,710</b>	<b>4,912,745</b>	<b>109,407</b>	<b>25,573,862</b>	
		2011 RM'000			
Group	On demand or within one year	One to five years	Over five years	Total	
<b>Financial liabilities:</b>					
Deposits from customers	12,456,325	1,261,982	34,158	13,752,465	
Bank borrowings	100,044	-	-	100,044	
Other borrowings	122,688	386,094	-	508,782	
Trade and other payables	96,258	2,189	40,220	138,667	
Recourse obligation on loans sold to Cagamas Berhad	175,282	2,108,099	-	2,283,381	
	<b>12,950,597</b>	<b>3,758,364</b>	<b>74,378</b>	<b>16,783,339</b>	
		1.1.2011 RM'000			
Group	On demand or within one year	One to five years	Over five years	Total	
<b>Financial liabilities:</b>					
Deposits from customers	9,685,932	952,577	26,969	10,665,478	
Bank borrowings	200,119	-	-	200,119	
Trade and other payables	75,851	2,102	16,077	94,030	
Recourse obligation on loans sold to Cagamas Berhad	36,152	118,991	835,577	990,720	
	<b>9,998,054</b>	<b>1,073,670</b>	<b>878,623</b>	<b>11,950,347</b>	
		2012 RM'000			
Company	On demand or within one year	One to five years	Over five years	Total	
<b>Financial liabilities:</b>					
Deposits from customers	19,707,142	2,143,006	39,271	21,889,419	
Bank borrowings	350,528	-	-	350,528	
Other borrowings	117,188	268,906	-	386,094	
Trade and other payables	181,975	-	70,136	252,111	
Recourse obligation on loans sold to Cagamas Berhad	210,962	2,500,689	-	2,711,651	
	<b>20,567,795</b>	<b>4,912,601</b>	<b>109,407</b>	<b>25,589,803</b>	

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**40. Financial risk management (cont'd.)**

Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

Company	2011 RM'000			
	On demand or within one year	One to five years	Over five years	Total
<b>Financial liabilities:</b>				
Deposits from customers	12,456,325	1,261,982	34,158	13,752,465
Bank borrowings	100,044	-	-	100,044
Other borrowings	122,688	386,094	-	508,782
Trade and other payables	112,446	-	40,220	152,666
Recourse obligation on loans sold to Cagamas Berhad	175,282	2,108,099	-	2,283,381
	<u>12,966,785</u>	<u>3,756,175</u>	<u>74,378</u>	<u>16,797,338</u>

Company	1.1.2011 RM'000			
	On demand or within one year	One to five years	Over five years	Total
<b>Financial liabilities:</b>				
Deposits from customers	9,685,932	952,577	26,969	10,665,478
Bank borrowings	200,119	-	-	200,119
Other borrowings	-	-	-	-
Trade and other payables	87,423	-	16,077	103,500
Recourse obligation on loans sold to Cagamas Berhad	36,152	118,991	835,577	990,720
	<u>10,009,626</u>	<u>1,071,568</u>	<u>878,623</u>	<u>11,959,817</u>

At the reporting date, the counterparties to the financial guarantees does not have a right to demand cash as the default event has not occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

**41. Capital management**

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

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

The Group and the Company monitor their capital using a internally developed risk weighted capital adequacy ratio ("RWCR"), which is capital base divided by total risk weighted assets. The Group's and the Company's policy is to set the internal RWCR at a minimum of 7%.

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42. Fair values

- (a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

	Note	Group		Company	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>2012</b>					
<b>Financial assets</b>					
Loans, advances and financing	9	24,265,570	21,040,478	24,318,799	21,093,707
Investments held-to-maturity	10	200,000	195,382	200,000	195,382
<b>Financial liabilities</b>					
Other borrowings	19	351,203	351,843	351,203	351,843
Deposits from customers	18	21,494,099	21,317,258	21,494,099	21,317,258
Recourse obligation on loans sold to Cagamas Berhad	22	2,361,997	2,367,353	2,361,997	2,367,353
<b>2011</b>					
<b>Financial assets</b>					
Loans, advances and financing	9	15,184,631	13,344,175	15,234,878	13,394,420
Investments held-to-maturity	10	204,354	211,345	204,354	211,345
<b>Financial liabilities</b>					
Other borrowings	19	451,632	447,061	451,632	447,061
Deposits from customers	18	13,511,948	13,294,962	13,511,948	13,294,962
Recourse obligation on loans sold to Cagamas Berhad	22	1,933,384	1,923,791	1,933,384	1,923,791

Loans, advances and financing

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

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

Other borrowings

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

Investments held-to-maturity

The estimated fair value is based on estimated future cash flows discounted using market indicative rates of similar instruments at the reporting date.



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**42. Fair values (cont'd.)**

- (a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value. (cont'd.)

Deposits from customers

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities.

Recourse obligation on loans sold to Cagamas Berhad

The fair values for recourse obligations on loans sold to Cagamas Berhad are determined based on discounted cash flows of future instalments payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

- (b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Cash and short-term funds	5
Trade receivables	6
Other receivables (exclude foreclosed properties, prepayments and deposits)	7
Loans to subsidiaries	11
Bank borrowings	19
Trade payables	20
Other payables	21

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

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

- (c) Fair value of financial instruments that are not carried at fair value and whose cost could not be reliably measured.

The fair values of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs.

**Determination of fair value and fair value hierarchy**

As at 31 December 2012 and 31 December 2011, there is no financial instruments that are carried at fair value.

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**43. 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.

Group 2012	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	1,275,431	1,275,431	
Deposits and placements with financial institutions	-	254	5,100	-	-	-	5,354	3.43
Trade receivables	-	-	-	-	-	407	407	
Other receivables	-	-	-	-	-	362,213	362,213	
Loans, advances and financing:								
- non-impaired	56,109	65,503	277,904	1,029,040	21,744,147	-	23,172,703	6.25
- impaired	-	-	-	-	-	1,092,867	1,092,867	
Investments held-to-maturity	-	-	200,000	-	-	-	200,000	5.25
Other assets	-	-	-	-	-	248,755	248,755	
<b>Total assets</b>	<b>56,109</b>	<b>65,757</b>	<b>483,004</b>	<b>1,029,040</b>	<b>21,744,147</b>	<b>2,979,673</b>	<b>26,357,730</b>	
<b>Liabilities</b>								
Deposits from customers	9,741,135	5,404,778	4,459,201	1,888,985	-	-	21,494,099	3.57
Bank borrowings	350,217	-	-	-	-	-	350,217	3.89

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43. Interest rate risk (cont'd.)

Group 2012 (cont'd.)	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>Liabilities (cont'd.)</b>								
Other borrowings	-	29,812	87,374	234,017	-	-	351,203	5.50
Trade payables	-	-	-	-	-	195	195	
Other payables	-	-	-	-	-	235,975	235,975	
Recourse obligation on loans sold to Cagamas Berhad	20,139	32,380	158,442	2,151,036	-	-	2,361,997	5.24
Other liabilities	-	-	-	-	-	67,398	67,398	
<b>Total liabilities</b>	<b>10,111,491</b>	<b>5,466,970</b>	<b>4,705,017</b>	<b>4,274,038</b>	<b>-</b>	<b>303,568</b>	<b>24,861,084</b>	
Shareholders' equity	-	-	-	-	-	1,496,646	1,496,646	
<b>Total liabilities and shareholders' equity</b>	<b>10,111,491</b>	<b>5,466,970</b>	<b>4,705,017</b>	<b>4,274,038</b>	<b>-</b>	<b>1,800,214</b>	<b>26,357,730</b>	
On-balance sheet interest sensitivity gap	(10,055,382)	(5,401,213)	(4,222,013)	(3,244,998)	21,744,147	1,179,459	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
<b>Total interest sensitivity gap</b>	<b>(10,055,382)</b>	<b>(5,401,213)</b>	<b>(4,222,013)</b>	<b>(3,244,998)</b>	<b>21,744,147</b>	<b>1,179,459</b>	<b>-</b>	

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43. Interest rate risk (cont'd.)

Group 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	1,350,649	1,350,649	
Deposits and placements with financial institutions	-	246	4,591	113	-	-	4,950	3.55
Trade receivables	-	-	-	-	-	394	394	
Other receivables	-	-	-	-	-	242,121	242,121	
Loans, advances and financing:								
- non-impaired	474,964	53,795	221,680	288,634	12,851,763	-	13,890,836	8.43
- impaired	-	-	-	-	-	1,293,795	1,293,795	
Investments held-to-maturity	-	-	-	204,354	-	-	204,354	5.25
Other assets	-	-	-	-	-	377,708	377,708	
<b>Total assets</b>	<b>474,964</b>	<b>54,041</b>	<b>226,271</b>	<b>493,101</b>	<b>12,851,763</b>	<b>3,264,667</b>	<b>17,364,807</b>	
<b>Liabilities</b>								
Deposits from customers	6,584,511	3,287,339	2,510,773	1,102,078	26,647	600	13,511,948	3.56
Bank borrowings	100,044	-	-	-	-	-	100,044	4.07
Trade payables	-	26,632	75,000	350,000	-	-	451,632	5.50
Other payables	-	-	-	-	-	178	178	
Recourse obligation on loans sold to Cagamas Berhad	34,504	4,931	51,220	1,842,729	-	138,489	138,489	5.34

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43. Interest rate risk (cont'd.)

Group 2011(cont'd.)	Up to 1					Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
	month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	>1-3 months RM'000				
<b>Liabilities (cont'd.)</b>									
Other liabilities	-	-	-	-	-	-	98,983	98,983	
<b>Total liabilities</b>	6,719,059	3,318,902	2,636,993	3,294,807	26,647	238,250	16,234,658		
Shareholders' equity	-	-	-	-	-	-	1,130,149	1,130,149	
<b>Total liabilities and shareholders' equity</b>	6,719,059	3,318,902	2,636,993	3,294,807	26,647	1,368,399	17,364,807		
On-balance sheet interest sensitivity gap	(6,244,095)	(3,264,861)	(2,410,722)	(2,801,706)	12,825,116	1,896,268	-		
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-		
<b>Total interest sensitivity gap</b>	(6,244,095)	(3,264,861)	(2,410,722)	(2,801,706)	12,825,116	1,896,268	-		

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**43. Interest rate risk (cont'd.)**

Group	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>1.1.2011</b>								
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	825,275	825,275	
Deposits and placements with financial institutions	-	30,296	29,449	3,809	-	-	63,554	3.31
Trade receivables	-	-	-	-	-	1,182	1,182	
Other receivables	-	-	-	-	-	187,636	187,636	
Loans, advances and financing:								
- non-impaired	3,113	339	4,118	149,577	8,867,047	-	9,024,194	7.94
- impaired	-	-	-	-	-	1,682,336	1,682,336	
Investments held-to-maturity	-	-	-	200,000	-	-	200,000	5.25
Other assets	-	-	-	-	-	241,767	241,767	
<b>Total assets</b>	<b>3,113</b>	<b>30,635</b>	<b>33,567</b>	<b>353,386</b>	<b>8,867,047</b>	<b>2,938,196</b>	<b>12,225,944</b>	
<b>Liabilities</b>								
Deposits from customers	4,238,267	3,273,997	1,844,132	1,127,347	-	-	10,483,743	3.27
Bank borrowings	200,119	-	-	-	-	-	200,119	3.45
Trade payables	-	-	-	-	-	4,442	4,442	5.50
Other payables	-	-	-	-	-	89,588	89,588	

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43. Interest rate risk (cont'd.)

Group	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>1.1.2011 (cont'd.)</b>								
<b>Liabilities (cont'd.)</b>								
Recourse obligation on loans sold to Cagamas Berhad	11,226	11,319	67,635	873,913	-	-	964,093	5.60
Other liabilities	-	-	-	-	-	102,837	102,837	
<b>Total liabilities</b>	<b>4,449,612</b>	<b>3,285,316</b>	<b>1,911,767</b>	<b>2,001,260</b>	<b>-</b>	<b>196,867</b>	<b>11,844,822</b>	
Shareholders' equity	-	-	-	-	-	381,122	381,122	
<b>Total liabilities and shareholders' equity</b>	<b>4,449,612</b>	<b>3,285,316</b>	<b>1,911,767</b>	<b>2,001,260</b>	<b>-</b>	<b>577,989</b>	<b>12,225,944</b>	
On-balance sheet interest sensitivity gap	(4,446,499)	(3,254,681)	(1,878,200)	(1,647,874)	8,867,047	2,360,207	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
<b>Total interest sensitivity gap</b>	<b>(4,446,499)</b>	<b>(3,254,681)</b>	<b>(1,878,200)</b>	<b>(1,647,874)</b>	<b>8,867,047</b>	<b>2,360,207</b>	<b>-</b>	

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43. Interest rate risk (cont'd.)

Company 2012	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	1,248,746	1,248,746	
Deposits and placements with financial institutions	-	254	5,100	-	-	-	5,354	3.43
Other receivables (excluding amount due from subsidiaries)	-	-	-	-	-	131,309	131,309	
Amount due from subsidiaries	-	-	-	-	-	49,752	49,752	
Loans, advances and financing: - non-impaired	56,109	65,503	277,904	1,029,040	21,744,146	-	23,172,702	6.25
- impaired	-	-	-	-	-	1,146,097	1,146,097	
Investments held-to-maturity	-	-	200,000	-	-	-	200,000	5.25
Loans to subsidiaries	-	-	-	-	-	255,219	255,219	
Other assets	-	-	-	-	-	162,711	162,711	
<b>Total assets</b>	<b>56,109</b>	<b>65,757</b>	<b>483,004</b>	<b>1,029,040</b>	<b>21,744,146</b>	<b>2,993,834</b>	<b>26,371,890</b>	
<b>Liabilities</b>								
Deposits from customers	9,741,135	5,404,778	4,459,201	1,888,985	-	-	21,494,099	3.57
Bank borrowings	350,217	-	-	-	-	-	350,217	3.89

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43. Interest rate risk (cont'd.)

Company 2012 (cont'd.)	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>Liabilities (cont'd.)</b>								
Other borrowings	-	29,812	87,374	234,017	-	-	351,203	5.50
Recourse obligation on loans sold to Cagamas Berhad	20,139	32,380	158,442	2,151,036	-	-	2,361,997	5.24
Other payables	-	-	-	-	-	252,111	252,111	
Other liabilities	-	-	-	-	-	51,180	51,180	
<b>Total liabilities</b>	<b>10,111,491</b>	<b>5,466,970</b>	<b>4,705,017</b>	<b>4,274,038</b>	<b>-</b>	<b>303,291</b>	<b>24,860,807</b>	
Shareholders' equity	-	-	-	-	-	1,511,083	1,511,083	
<b>Total liabilities and shareholders' equity</b>	<b>10,111,491</b>	<b>5,466,970</b>	<b>4,705,017</b>	<b>4,274,038</b>	<b>-</b>	<b>1,814,374</b>	<b>26,371,890</b>	
On-balance sheet interest sensitivity gap	(10,055,382)	(5,401,213)	(4,222,013)	(3,244,998)	21,744,146	1,179,460	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
<b>Total interest sensitivity gap</b>	<b>(10,055,382)</b>	<b>(5,401,213)</b>	<b>(4,222,013)</b>	<b>(3,244,998)</b>	<b>21,744,146</b>	<b>1,179,460</b>	<b>-</b>	

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**43. Interest rate risk (cont'd.)**

Company 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	1,338,363	1,338,363	
Deposits and placements with financial institutions	-	246	3,893	-	-	-	4,139	3.55
Other receivables (excluding amount due from subsidiaries)	-	-	-	-	-	181,639	181,639	
Amount due from subsidiaries	-	-	-	-	-	35,056	35,056	
Loans, advances and financing: - non-impaired	474,964	53,795	221,680	288,634	12,851,765	-	13,890,838	8.43
- impaired	-	-	-	-	-	1,344,040	1,344,040	
Investments held-to-maturity	-	-	-	204,354	-	-	204,354	5.25
Loans to subsidiaries	-	-	-	-	-	237,768	237,768	
Other assets	-	-	-	-	-	152,519	152,519	
<b>Total assets</b>	<b>474,964</b>	<b>54,041</b>	<b>225,573</b>	<b>492,988</b>	<b>12,851,765</b>	<b>3,289,385</b>	<b>17,388,716</b>	
<b>Bank</b>								
Deposits from customers	6,584,511	3,287,339	2,510,773	1,102,078	26,647	600	13,511,948	3.56
Bank borrowings	100,044	-	-	-	-	-	100,044	4.07

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**43. Interest rate risk (cont'd.)**

Company 2011 (cont'd.)	Up to 1	>1-3	>3-12	>1-5	Over 5	Non-	Total	Average interest rate % per annum
	month RM'000	months RM'000	months RM'000	years RM'000	years RM'000	interest sensitive RM'000		
<b>Liabilities (cont'd.)</b>								
Other borrowings	-	26,632	75,000	350,000	-	-	451,632	5.50
Recourse obligation on loans sold to Cagamas Berhad	34,504	4,931	51,220	1,842,729	-	-	1,933,384	5.34
Other payables	-	-	-	-	-	152,666	152,666	
Other liabilities	-	-	-	-	-	81,953	81,953	
<b>Total liabilities</b>	<b>6,719,059</b>	<b>3,318,902</b>	<b>2,636,993</b>	<b>3,294,807</b>	<b>26,647</b>	<b>235,219</b>	<b>16,231,627</b>	
Shareholders' equity	-	-	-	-	-	1,157,089	1,157,089	
<b>Total liabilities and shareholders' equity</b>	<b>6,719,059</b>	<b>3,318,902</b>	<b>2,636,993</b>	<b>3,294,807</b>	<b>26,647</b>	<b>1,392,308</b>	<b>17,388,716</b>	
On-balance sheet interest sensitivity gap	(6,244,095)	(3,264,861)	(2,411,420)	(2,801,819)	12,825,118	1,897,077	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
<b>Total interest sensitivity gap</b>	<b>(6,244,095)</b>	<b>(3,264,861)</b>	<b>(2,411,420)</b>	<b>(2,801,819)</b>	<b>12,825,118</b>	<b>1,897,077</b>	<b>-</b>	

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43. Interest rate risk (cont'd.)

Company 1.1.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	811,011	811,011	
Deposits and placements with financial institutions	-	30,296	29,340	3,809	-	-	63,445	3.31
Other receivables (excluding amount due from subsidiaries)	-	-	-	-	-	126,483	126,483	
Amount due from subsidiaries	-	-	-	-	-	34,030	34,030	
Loans, advances and financing: - non-impaired	3,113	339	4,118	149,577	8,867,230	-	9,024,377	7.94
- impaired	-	-	-	-	-	1,732,502	1,732,502	
Investments held-to-maturity	-	-	-	200,000	-	-	200,000	5.25
Loans to subsidiaries	-	-	-	-	-	89,662	89,662	
Other assets	-	-	-	-	-	161,113	161,113	
<b>Total assets</b>	<b>3,113</b>	<b>30,635</b>	<b>33,458</b>	<b>353,386</b>	<b>8,867,230</b>	<b>2,954,801</b>	<b>12,242,623</b>	
<b>Bank</b>								
Deposits from customers	4,238,267	3,273,997	1,844,132	1,127,347	-	-	10,483,743	3.27
Bank borrowings	200,119	-	-	-	-	-	200,119	3.45
						109		
						177		

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43. Interest rate risk (cont'd.)

Company	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
1.1.2011 (cont'd.)								
<b>Liabilities (cont'd.)</b>								
Recourse obligation on loans sold to Cagamas Berhad	11,226	11,319	67,635	873,913	-	-	964,093	5.60
Other payables	-	-	-	-	-	103,500	103,500	
Other liabilities	-	-	-	-	-	85,733	85,733	
<b>Total liabilities</b>	4,449,612	3,285,316	1,911,767	2,001,260	-	189,233	11,837,188	
Shareholders' equity	-	-	-	-	-	405,435	405,435	
<b>Total liabilities and shareholders' equity</b>	4,449,612	3,285,316	1,911,767	2,001,260	-	594,668	12,242,623	
On-balance sheet interest sensitivity gap	(4,446,499)	(3,254,681)	(1,878,309)	(1,647,874)	8,867,230	2,360,133	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
<b>Total interest sensitivity gap</b>	(4,446,499)	(3,254,681)	(1,878,309)	(1,647,874)	8,867,230	2,360,133	-	

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44. Segment information

(a) Business segments:

The Group is organised into four major business segments:

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

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

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

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**44. Segment information (cont'd.)**

(a) Business segments

	Financing		Property Development		Letting of Real Property		Hotel operations		Others		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	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	1,789,253	1,193,232	24,736	22,104	158	237	12,727	12,206	-	-	4,686	41,659	1,831,560	1,269,438
Inter-segment sales	28,330	54,209	-	-	1,509	1,748	-	-	-	-	(29,839)	(55,957)	-	-
Total revenue													1,831,560	1,269,438
<b>Result</b>														
Segment results	644,451	430,959	21,721	(19,431)	(10,160)	(9,472)	(8,043)	(3,551)	(99)	(1,891)	8,357	31,648	656,227	428,262
Taxation													(206,840)	(102,306)
Zakat													(2,736)	(524)
Net profit for the year													446,651	325,432
<b>Assets</b>														
Segment assets	26,371,890	17,388,716	31,586	41,611	42,476	44,009	82,995	63,916	372	148,860	(171,589)	(322,305)	26,357,730	17,364,807
Unallocated corporate assets														
Consolidated total assets													26,357,730	17,364,807
<b>Liabilities</b>														
Segment liabilities	24,860,807	16,231,627	500,914	309,048	138,952	130,325	141,450	112,446	2,462	152,649	(783,501)	(701,437)	24,861,084	16,234,658
Unallocated corporate liabilities														
Consolidated total liabilities													24,861,084	16,234,658

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**44. Segment information (cont'd.)**

(a) Business segments (cont'd.)

	Financing		Property Development		Letting of Real Property		Hotel operations		Others		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	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>Other Information</b>														
Capital expenditure	23,152	5,417	-	-	-	-	512	258	-	23,944	-	-	23,664	29,619
Depreciation and amortisation of land use rights, investment properties and property, plant and equipment	5,565	3,427	-	-	1,281	1,302	3,227	2,140	-	94	228	228	10,301	7,191
Amortisation	3,933	660	-	-	23	23	176	142	-	-	-	-	4,132	825
Investments in subsidiaries	832	151	-	-	-	-	-	-	-	-	(832)	(151)	-	-
Non-cash expenses other than depreciation, amortisation and impairment losses	230,850	177,266	18,808	16,552	(825)	4	1,196	-	8	-	(4,850)	(2,041)	245,179	191,789

(b) Geographical Segments:

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

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45. The operations of Islamic business

Statements of financial position as at 31 December 2012

	Note	Group and Company		
		2012 RM'000	2011 RM'000	1.1.2011 RM'000
<b>Assets</b>				
Cash and short-term funds	(a)	797,892	55,784	304,035
Deposits and placements with financial institutions	(a)	5,095	3,889	3,445
Financing	(b)	19,468,755	10,392,002	5,693,877
Other receivables	(c)	306,180	1,925,378	2,138,444
<b>Total assets</b>		<b>20,577,922</b>	<b>12,377,053</b>	<b>8,139,801</b>
<b>Liabilities</b>				
Deposits from customers	(d)	15,264,952	9,030,086	6,392,104
Other payables	(e)	3,869,409	2,938,753	1,671,518
Financing sold to Cagamas		500,388	-	-
Provision for taxation		275,244	141,296	58,096
Provision for zakat		2,018	118	355
<b>Total liabilities</b>		<b>19,912,011</b>	<b>12,110,253</b>	<b>8,122,073</b>
Islamic fund		4,000	4,000	4,000
Retained profits		661,911	262,800	13,728
		<u>665,911</u>	<u>266,800</u>	<u>17,728</u>
<b>Total liabilities and Islamic fund</b>		<b>20,577,922</b>	<b>12,377,053</b>	<b>8,139,801</b>

Statements of comprehensive income for the year ended 31 December 2012

	Note	Group and Company	
		2012 RM'000	2011 RM'000
Income derived from investment of general investment deposits and Islamic capital funds	(f)	1,377,136	757,477
Income attributable to depositors		(630,265)	(359,620)
Net income from financing operations		746,871	397,857
Other income		49,072	136,004
Other expenses	(g)	(131,096)	(85,599)
Allowance for losses on financing		(129,048)	(115,467)
Profit before taxation and zakat		535,799	332,795
Taxation	(i)	(133,949)	(83,199)
Zakat		(2,736)	(524)
Profit after taxation and zakat		<u>399,114</u>	<u>249,072</u>

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45. The operations of Islamic business (cont'd.)

Statements of changes in equity for the year ended 31 December 2012

Group and Company

	Islamic fund RM'000	Retained profits RM'000	Total RM'000
At 1 January 2011	4,000	13,728	17,728
Profit after taxation and zakat	-	249,072	249,072
At 31 December 2011	4,000	262,800	266,800
At 1 January 2012	4,000	262,800	266,800
Profit after taxation and zakat	-	399,114	399,114
At 31 December 2012	4,000	661,914	665,914

Statements of cash flows for the year ended 31 December 2012

	Group and Company	
	2012 RM'000	2011 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation and zakat	535,799	332,795
Adjustments for:		
Bad debt written-off	(31)	-
Allowance for losses on financing	129,048	115,464
Operating profit before working capital changes	664,816	448,259
(Increase)/decrease in deposits with financial institutions	(1,206)	(444)
Increase in financing	(9,213,676)	(4,813,588)
Decrease/(increase) in other receivables	1,627,098	213,066
Increase in deposits from customers	6,234,868	2,637,982
Increase/(decrease) in other payables	930,656	1,267,235
Increase in cagamas	500,388	-
Cash (used in)/generated from operations	742,944	(247,490)
Zakat paid	(836)	(761)
Net cash (used in)/generated from operating activities	742,108	(248,251)
Net (decrease)/increase in cash and cash equivalents	742,108	(248,251)
Cash and cash equivalents at beginning of financial year	55,784	304,035
Cash and cash equivalents at end of financial year	797,892	55,784

(a) Cash and short-term funds and deposits and placements with financial institutions

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
<b>Cash and short-term funds:</b>			
Cash at banks	81,766	48,725	11,979
Money at call	556,052	7,000	272,000
Deposits and placements with financial institutions with maturity less than one month	160,074	59	20,056
	797,892	55,784	304,035
Deposits and placements with financial institutions with maturity of more than one month	5,095	3,889	3,445
	802,987	59,673	307,480

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**45. The operations of Islamic business (cont'd.)**

**(a) Cash and short-term funds (cont'd.)**

The weighted average effective yield rates of deposits with financial institutions at the reporting date was 3.45% (31.12.2011: 2.54%, 1.1.2011: 2.79%).

The average maturities of deposits with financial institutions as at the end of the financial year were from overnight placement to 365 days (31.12.2011: 365 days, 1.1.2011: 365 days).

**(b) Financing**

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
(i) By type:			
Term financing			
Corporate financing	365,261	223,882	132,655
Property financing	4,573,674	4,774,683	4,891,191
Personal financing	31,424,105	16,183,972	7,163,897
Staff financing	52,460	7,161	5,588
Less: Unearned income	<u>(16,397,948)</u>	<u>(10,385,821)</u>	<u>(6,203,043)</u>
	20,017,552	10,803,877	5,990,288
Allowance for impaired financing:			
- Collective allowance	(512,345)	(392,620)	(296,411)
- Individual allowance	<u>(36,452)</u>	<u>(19,255)</u>	<u>-</u>
Net financing	<u>19,468,755</u>	<u>10,392,002</u>	<u>5,693,877</u>
(ii) By contract:			
Bai Bithaman Ajil (deferred payment sale)	1,618,397	1,674,837	1,693,560
Bai Al-Inah (cost-plus)	17,528,063	8,521,801	3,885,154
Contract financing	<u>322,295</u>	<u>195,364</u>	<u>115,163</u>
	<u>19,468,755</u>	<u>10,392,002</u>	<u>5,693,877</u>
(iii) Impaired loans			
Balance as at 1 January	297,894	159,176	135,414
Classified as impaired during the year	440,937	351,156	179,380
Reclassified as non-impaired during the year	(200,993)	(212,438)	(155,591)
Amount written off	<u>(1,725)</u>	<u>-</u>	<u>(27)</u>
Balance as at 31 December	536,113	297,894	159,176
Individual/Collective allowance	<u>(191,351)</u>	<u>(39,693)</u>	<u>(13,043)</u>
Net impaired financing	<u>344,762</u>	<u>258,201</u>	<u>146,133</u>
Net impaired loans as a percentage of net financing	<u>1.8%</u>	<u>2.5%</u>	<u>2.6%</u>

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45. The operations of Islamic business (cont'd.)

(b) Financing (cont'd.)

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

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
<b>Collective Impairment</b>			
Balance as at 1 January	392,620	296,411	193,637
Impairment during the year	111,821	96,209	101,079
Write off	-	-	(27)
Reclassification*	7,904	-	1,722
Balance as at 31 December	512,345	392,620	296,411

\* Reclassification of collective allowance into Islamic book

**Individual Impairment**

Balance as at 1 January	19,255	-	-
Impairment during the year	17,197	19,255	-
Balance as at 31 December	36,452	19,255	-

(c) Other receivables

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Interbranch transaction	241,666	1,846,425	2,137,545
Others	64,514	78,953	899
	306,180	1,925,378	2,138,444

(d) Deposits from customers

(i) By type of deposit:

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Al-Wadiah savings account	22,617	23,026	18,106
Mudharabah Fund	15,242,335	9,007,060	6,373,998
	15,264,952	9,030,086	6,392,104

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45. The operations of Islamic business (cont'd.)

(d) Deposits from customers (cont'd.)

(ii) By type of customer:

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Business enterprises	15,147,491	8,967,756	6,332,057
Individuals	117,461	62,330	60,047
	<u>15,264,952</u>	<u>9,030,086</u>	<u>6,392,104</u>

(e) Other payables

	Group and Company		
	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Amount due to conventional	3,015,834	2,498,619	1,473,989
Al-Mudharabah security deposits	70,136	40,220	16,077
Disbursement payable	198,804	56,968	24,963
Proportionate Operating Expenses	230,280	119,284	46,235
Cagamas	233,481	133,342	73,897
Others	120,874	90,320	36,357
	<u>3,869,409</u>	<u>2,938,753</u>	<u>1,671,518</u>

(f) Income derived from investment of General Investment Deposits and Islamic capital funds

	Group and Company	
	2012 RM'000	2011 RM'000
Financing	1,369,662	749,129
Deposits with financial institutions	7,474	8,348
	<u>1,377,136</u>	<u>757,477</u>

(g) Other expenses

	Group and Company	
	2012 RM'000	2011 RM'000
Personnel expenses (Note 45(h))	63,351	44,401
Promotion and marketing related expenses	6,022	3,894
General administrative expenses	61,723	37,304
	<u>131,096</u>	<u>85,599</u>

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45. The operations of Islamic business (cont'd.)

(h) Personnel expenses

	Group and Company	
	2012 RM'000	2011 RM'000
Wages and salaries	53,478	35,521
Social security costs	403	1,776
Pension costs - Employees Provident Fund	9,470	7,104
	63,351	44,401

(i) Taxation

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (31.12.2011: 25%) of the estimated assessable profit for the year.

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

	Group and Company	
	2012 RM'000	2011 RM'000
Profit before taxation and zakat	535,799	332,795
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	133,950	83,199
Tax expense for the year	133,950	83,199

Deferred tax assets amounting to nil (31.12.2011 and 1.1.2011: Nil) have not been recognised in respect of the following items.

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45. 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 and Company 2012	Up to 1	>1-3	>3-12	>1-5	Over 5	Non-yield/ profit rate	Average yield/profit rate % per annum
	month RM'000	months RM'000	months RM'000	years RM'000	years RM'000	sensitive RM'000	
<b>Assets</b>							
Cash and short-term funds	-	-	-	-	-	797,892	797,892
Deposits and placements with financial institutions	-	254	4,841	-	-	-	5,095
Financing:							
- non-impaired	15,123	39,679	85,397	304,375	18,679,416	-	19,123,990
- impaired	-	-	-	-	-	344,765	344,765
Other receivables	-	-	-	-	-	306,180	306,180
<b>Total assets</b>	<b>15,123</b>	<b>39,933</b>	<b>90,238</b>	<b>304,375</b>	<b>18,679,416</b>	<b>1,448,837</b>	<b>20,577,922</b>
<b>Liabilities</b>							
Deposits from customers	7,108,083	4,536,146	2,648,157	956,219	16,347	-	15,264,952
Financing sold to Cagamas	9,155	-	28,350	462,883	-	-	500,388
Other liabilities	-	-	-	-	-	4,146,671	4,146,671
<b>Total liabilities</b>	<b>7,117,238</b>	<b>4,536,146</b>	<b>2,676,507</b>	<b>1,419,102</b>	<b>16,347</b>	<b>4,146,671</b>	<b>19,912,011</b>
Equity	-	-	-	-	-	665,911	665,911
<b>Total liabilities and equity</b>	<b>7,117,238</b>	<b>4,536,146</b>	<b>2,676,507</b>	<b>1,419,102</b>	<b>16,347</b>	<b>4,812,582</b>	<b>20,577,922</b>

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45. The operations of Islamic business (cont'd.)

(j) Yield/profit rate risk (cont'd.)

Group and Company 2012 (cont'd.)	Up to 1	>1-3	>3-12	>1-5	Over 5	Non-yield/ profit rate	Average yield/profit rate % per annum
	month RM'000	months RM'000	months RM'000	years RM'000	years RM'000	sensitive RM'000	
On-balance sheet yield/ profit sensitivity gap	(7,102,115)	(4,496,213)	(2,586,269)	(1,114,727)	18,663,069	(3,363,745)	-
Off-balance sheet yield/ profit sensitivity gap	-	-	-	-	-	-	-
<b>Total yield/profit sensitivity gap</b>	<b>(7,102,115)</b>	<b>(4,496,213)</b>	<b>(2,586,269)</b>	<b>(1,114,727)</b>	<b>18,663,069</b>	<b>(3,363,745)</b>	<b>-</b>

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Malaysia Building Society Berhad  
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45. The operations of Islamic business (cont'd.)

(i) Yield/profit rate risk (cont'd.)

Group and Company 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average yield/profit rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	55,784	55,784	
Deposits and placements with financial institutions	-	240	3,649	-	-	-	3,889	3.56
Financing:								
- non-impaired	142	180	198,424	119,505	9,815,550	-	10,133,801	8.80
- impaired	-	-	-	-	-	258,201	258,201	
Other receivables	-	-	-	-	-	1,925,378	1,925,378	
<b>Total assets</b>	<b>142</b>	<b>420</b>	<b>202,073</b>	<b>119,505</b>	<b>9,815,550</b>	<b>2,239,363</b>	<b>12,377,053</b>	
<b>Liabilities</b>								
Deposits from customers	4,700,364	2,635,706	1,160,544	516,288	17,184	-	9,030,086	3.54
Other liabilities	-	-	-	-	-	3,080,167	3,080,167	
<b>Total liabilities</b>	<b>4,700,364</b>	<b>2,635,706</b>	<b>1,160,544</b>	<b>516,288</b>	<b>17,184</b>	<b>3,080,167</b>	<b>12,110,253</b>	
Equity	-	-	-	-	-	266,800	266,800	
<b>Total liabilities and equity</b>	<b>4,700,364</b>	<b>2,635,706</b>	<b>1,160,544</b>	<b>516,288</b>	<b>17,184</b>	<b>3,346,967</b>	<b>12,377,053</b>	

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45. The operations of Islamic business (cont'd.)

(j) Yield/profit rate risk (cont'd.)

Group and Company 2011 (cont'd.)	Up to 1	>1-3	>3-12	>1-5	Over 5	Non-yield/ profit rate	Average yield/profit rate % per annum
	month RM'000	months RM'000	months RM'000	years RM'000	years RM'000	sensitive RM'000	
On-balance sheet yield/ profit sensitivity gap	(4,700,222)	(2,635,286)	(958,471)	(396,783)	9,798,366	(1,107,604)	-
Off-balance sheet yield/ profit sensitivity gap	-	-	-	-	-	-	-
<b>Total yield/profit sensitivity gap</b>	<b>(4,700,222)</b>	<b>(2,635,286)</b>	<b>(958,471)</b>	<b>(396,783)</b>	<b>9,798,366</b>	<b>(1,107,604)</b>	<b>-</b>

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Malaysia Building Society Berhad  
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45. The operations of Islamic business (cont'd.)

(j) Yield/profit rate risk (cont'd.)

Group and Company 1.1.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Total RM'000	Average yield/profit rate % per annum
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	304,035	304,035	
Deposits and placements with financial institutions	-	234	3,211	-	-	-	3,445	3.25
Financing:								
- non-impaired	220	132	2,134	106,003	5,439,255	-	5,547,744	8.47
- impaired	-	-	-	-	-	146,133	146,133	
Other receivables	-	-	-	-	-	2,138,444	2,138,444	
<b>Total assets</b>	<b>220</b>	<b>366</b>	<b>5,345</b>	<b>106,003</b>	<b>5,439,255</b>	<b>2,588,612</b>	<b>8,139,801</b>	
<b>Liabilities</b>								
Deposits from customers	2,848,203	2,169,394	859,479	515,028	-	-	6,392,104	3.24
Other liabilities	-	-	-	-	-	1,729,969	1,729,969	
<b>Total liabilities</b>	<b>2,848,203</b>	<b>2,169,394</b>	<b>859,479</b>	<b>515,028</b>	<b>-</b>	<b>1,729,969</b>	<b>8,122,073</b>	
Equity	-	-	-	-	-	17,728	17,728	
<b>Total liabilities and equity</b>	<b>2,848,203</b>	<b>2,169,394</b>	<b>859,479</b>	<b>515,028</b>	<b>-</b>	<b>1,747,697</b>	<b>8,139,801</b>	

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45. The operations of Islamic business (cont'd.)

(j) Yield/profit rate risk (cont'd.)

Group and Company 1.1.2011 (cont'd.)	Up to 1	>1-3	>3-12	>1-5	Over 5	Non-yield/ profit rate	Average yield/profit rate % per annum
	month RM'000	months RM'000	months RM'000	years RM'000	years RM'000	sensitive RM'000	
On-balance sheet yield/ profit sensitivity gap	(2,847,983)	(2,169,028)	(854,134)	(409,025)	5,439,255	840,915	-
Off-balance sheet yield/ profit sensitivity gap	-	-	-	-	-	-	-
<b>Total yield/profit sensitivity gap</b>	<b>(2,847,983)</b>	<b>(2,169,028)</b>	<b>(854,134)</b>	<b>(409,025)</b>	<b>5,439,255</b>	<b>840,915</b>	<b>-</b>

46. Restatement of comparatives

During the financial year, certain comparative figures have been restated to conform with current year's presentation which better reflects the nature of the items.

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**APPENDIX IV AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT  
THEREON (CONT'D)**

9417-K

Malaysia Building Society Berhad  
(Incorporated in Malaysia)

**47. Supplementary information - realised and unrealised profits and losses**

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

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and format required.

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

	Group	
	December 2012 RM'000	December 2011 RM'000
Total accumulated losses of the Group:		
- Realised	(890,448)	(1,172,455)
- Unrealised in respect of deferred tax recognised in profit or loss	(10,355)	(2,525)
	(900,803)	(1,174,980)
Add: Consolidated adjustments	511,660	459,150
Group accumulated losses	(389,143)	(715,830)
	Company	
	December 2012 RM'000	December 2011 RM'000
Total accumulated losses of the Company:		
- Realised	(373,409)	(686,291)
- Unrealised in respect of deferred tax recognised in profit or loss	(1,297)	(2,599)
Company accumulated losses	(374,706)	(688,890)

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.

**APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013**

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

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Quarterly report on consolidated financial statements for the third quarter ended 30 September 2013.  
 The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	3rd quarter ended		9 months ended	
	30 September		30 September	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Revenue	644,033	520,680	1,815,349	1,344,035
Interest income	107,952	102,421	329,284	295,524
Interest expenses	(70,046)	(48,468)	(211,814)	(121,589)
Net interest income	37,906	53,953	117,470	173,935
Net income from Islamic banking operations	297,461	205,503	849,454	510,092
Operating income	335,367	259,456	966,924	684,027
Other income	40,759	34,233	80,553	86,299
Total income	376,126	293,689	1,047,477	770,326
Other operating expenses	(65,225)	(58,174)	(181,150)	(156,081)
Operating profit	310,901	235,515	866,327	614,245
Allowance for impairment losses on loans, advances and financing	(114,666)	(58,134)	(185,393)	(203,765)
Profit before taxation and zakat	196,235	177,381	680,934	410,480
Taxation	(63,514)	(87,404)	(216,314)	(145,767)
Zakat	-	-	(600)	(1,668)
Profit for the period	132,721	89,977	464,020	263,045
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	132,721	89,977	464,020	263,045
Earnings per share (sen):				
Basic	7.64	7.40	29.61	21.64
Diluted	7.57	5.99	29.32	17.53

The condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

**APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (CONT'D)**

MALAYSIA BUILDING SOCIETY BERHAD  
(Company No. 9417-K)  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at 30 September 2013 (RM'000)	As at 31 December 2012 (RM'000)
<b>ASSETS</b>		
Cash and short term funds	4,432,264	1,275,431
Deposits and placements with financial institutions	7,431	5,354
Trade receivables	567	407
Other receivables	192,051	362,213
Inventories	28,899	60,908
Loans, advances and financing	30,140,828	24,265,570
Investments held-to maturity	-	200,000
Investment properties	451	467
Property, plant and equipment	98,577	130,532
Land use rights	6,109	9,456
Intangible assets	43,345	47,392
<b>TOTAL ASSETS</b>	<b>34,950,522</b>	<b>26,357,730</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits from customers	29,351,551	21,494,099
Bank borrowings	490,300	350,217
Other borrowings	275,914	351,203
Trade payables	175	195
Other payables	324,220	235,975
Provision for taxation and zakat	72,279	55,972
Recourse obligation on loans sold to Cagamas Berhad	2,293,837	2,361,997
Deferred tax liabilities	11,370	11,426
<b>TOTAL LIABILITIES</b>	<b>32,819,646</b>	<b>24,861,084</b>
Share capital	1,742,098	1,240,361
Share premium	628,627	514,098
Other reserve	35,261	131,330
Accumulated losses	(275,110)	(389,143)
<b>Shareholders' equity</b>	<b>2,130,876</b>	<b>1,496,646</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>34,950,522</b>	<b>26,357,730</b>

The condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

**APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP FOR THE NINE (9)-MONTH FPE  
30 SEPTEMBER 2013 (CONT'D)**

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FINANCIAL YEAR ENDED 30 SEPTEMBER 2013**

←----- Non Distributable ----->

	Ordinary Shares	Share Premium	Capital Reserve #1	Share Option Reserve	Warrants Reserve	Redemption Reserve #2	Accumulated Losses	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2012</b>	1,215,501	498,498	17,838	2,410	99,246	12,486	(715,830)	1,130,149
Total comprehensive income for the period	-	-	-	-	-	-	263,045	263,045
Dividend	-	-	-	-	-	-	(64,640)	(64,640)
Share options granted under ESOS recognised in profit or loss	-	-	-	4,403	-	-	-	4,403
Issue of ordinary shares pursuant to ESOS	22,089	9,610	-	(5,208)	-	-	-	26,491
Issue of ordinary shares pursuant to warrants	274	-	-	-	-	-	-	274
Transfer of share option reserve to accumulated losses upon forfeiture of share options	-	-	-	(120)	-	-	120	-
<b>At 30 September 2012</b>	1,237,864	508,108	17,838	1,485	99,246	12,486	(517,305)	1,359,722
<b>At 1 January 2013</b>	1,240,361	514,098	17,838	2,799	98,207	12,486	(389,143)	1,496,646
Total comprehensive income for the period	-	-	-	-	-	-	464,020	464,020
Dividend	-	-	-	-	-	-	(350,865)	(350,865)
Share options granted under ESOS recognised in income statement	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to ESOS	17,415	19,691	-	(6,075)	-	-	-	31,031
Issue of ordinary shares pursuant to warrants	484,322	94,838	-	-	(94,635)	-	-	484,525
Issue of ordinary shares pursuant to rights issue	-	-	-	5,519	-	-	-	5,519
Transfer of share option reserve to accumulated losses upon forfeiture of share options	-	-	-	(878)	-	-	878	-
<b>At 30 September 2013</b>	1,742,098	628,627	17,838	1,365	3,572	12,486	(275,110)	2,130,876

#1 Capital reserve arose out of the transfer of the Malaya Borneo Building Society Limited as at 29 February 1972 to the Company on 1 March 1972 via a Scheme of Arrangement and is not distributable as cash dividends.

#2 Capital redemption reserve arose out of the redemption of redeemable cumulative preference shares and is not distributable as cash dividends.

The condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statement for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.



**APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (CONT'D)**

MALAYSIA BUILDING SOCIETY BERHAD  
(Company No. 9417-K)  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

	30 September 2013 RM'000	30 September 2012 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	680,934	410,480
Adjustments for :		
Depreciation		
- Investment properties	16	18
- Property, plant and equipment	9,823	6,887
Amortisation		
- land use rights	122	123
- Intangible assets	8,135	2,084
Gain on disposal of property, plant and equipment	(4)	-
Gain on disposal of inventory	(15,001)	-
Gain on disposal of investment properties	(2,931)	(112)
Gain on disposal of foreclosed properties	(448)	(2,241)
Allowance for impairment of receivables	20,092	17,438
Allowance for impairment losses on loans and financing	185,393	203,765
Share options granted under ESOS	5,520	4,403
Operating profit before working capital changes	891,651	642,845
Increase in deposits with financial institutions	(2,077)	-
Increase in loans, advances and financing	(6,039,053)	(8,155,849)
Decrease/(Increase) in inventories	32,009	(82)
Increase in receivables	(97,652)	(30,413)
Decrease in investments held-to maturity	200,000	4,354
Increase in deposits from customers	7,857,452	6,537,822
Increase in payables	88,226	49,815
Proceeds from disposal of foreclosed properties	4,400	23,300
Cash generated from/(used in) operations	2,934,956	(928,208)
Tax paid	(187,549)	(117,177)
Zakat paid	(760)	(825)
Net cash generated from/(used) in operating activities	2,746,647	(1,046,210)

(Contd.)

**APPENDIX V UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MBSB GROUP  
FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (CONT'D)**

**MALAYSIA BUILDING SOCIETY BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONTD.)**

	<b>30 September 2013 RM'000</b>	<b>30 September 2012 RM'000</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(8,320)	(36,276)
Purchase of intangible assets	(3,908)	(29,214)
Proceeds from disposal of inventory	47,000	-
Proceeds from disposal of investment properties	36,600	500
Net cash generated from/(used in) investing activities	<u>71,372</u>	<u>(64,990)</u>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	140,083	250,193
Long term financing facility	(75,289)	(75,442)
Recourse obligation on loans sold to Cagamas Berhad	(68,160)	450,090
Dividend paid - ordinary shares	(350,865)	(64,640)
Net proceeds from issuance of ordinary shares	693,045	22,363
Net cash generated from financing activities	<u>338,814</u>	<u>582,564</u>
Net increase/(decrease) in cash and cash equivalents	3,156,833	(528,636)
Cash and cash equivalents at beginning of financial period	1,275,431	1,355,599
Cash and cash equivalents at end of financial period	<u><u>4,432,264</u></u>	<u><u>826,963</u></u>
Cash and cash equivalents comprise :		
Cash and short term funds	<u><u>4,432,264</u></u>	<u><u>826,963</u></u>

The condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying notes attached to the interim financial statements.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013**

**A1. Basis of Preparation**

The unaudited interim financial statements for the 3<sup>rd</sup> quarter ended 30 September 2013 have been prepared under the historical cost convention except for the following financial assets and financing liabilities which are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method: Loans and receivables, investments held-to-maturity, trade and other payables, bank borrowings and recourse obligations on loans sold to Cagamas Berhad.

The unaudited interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2012.

The unaudited interim financial statements incorporated those activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board ("IASB"). Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs.

The following MFRSs and IC Interpretations issued by the MASB have been adopted by the Group during the current period:

Effective for annual periods commencing on or after 1 January 2013

- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)
- MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
- MFRS 128 Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- Amendments to MFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013

- IC interpretation Stripping Costs in the Production Phase of a Surface Mine 20
- Government Loans (Amendments to MFRS 1)
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)

The following MFRSs and IC Interpretations have been issued by the MASB and are not yet effective:

Effective for annual periods commencing on or after 1 January 2014

- Amendments to Offsetting Financial Assets and Financial Liabilities  
MFRS 132
- Amendments to Investment Entities  
MFRS 10, MFRS  
12 and MFRS 127

Effective for annual periods commencing on or after 1 January 2015

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)
- Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7)

The directors expect that the new MFRSs, IC Interpretations and Amendments to MFRSs which are issued and effective for periods beginning on or after 1 January 2013 do not have any material impact on the financial statements of the Group. The financial effects of the above MFRSs are still being assessed due to the complexity of these new MFRSs and Amendments to MFRSs, and their proposed changes.

**A2. Audit Report of Preceding Financial Year Ended 31 December 2012**

The audit report on the financial statements of the preceding year was not qualified.

**A3. Seasonality and Cyclicity of Operation**

The Group's operations have not been affected by any seasonal or cyclical factors.

**A4. Exceptional or Unusual Items**

There were no items of exceptional or unusual nature that affect the assets, liabilities, equity, net income or cash flows of the Group in the current financial quarter.

**A5. Changes in Estimates of Amounts Reported Previously**

There were no changes in estimates of amounts reported in prior financial years that may have a material effect in the current quarter.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013

A6. Loans, Advances and Financing

	Group	
	30-09-13	31-12-12
	RM'000	RM'000
Personal financing	23,369,205	17,785,007
Mortgage loans and financing	5,260,654	5,418,970
Corporate loans and financing	3,859,146	3,521,763
Auto Financing	195,372	126,519
Gross loans, advances and financing	<u>32,684,377</u>	<u>26,852,259</u>
Allowance for impairment:		
- Collectively assessed	(1,122,166)	(902,630)
- Individually assessed	<u>(1,421,383)</u>	<u>(1,684,059)</u>
Net loans, advances and financing	<u>30,140,828</u>	<u>24,265,570</u>

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

	Group	
	30-09-13	31-12-12
	RM'000	RM'000
Balance as at 1 January	3,000,788	3,137,754
Classified as impaired during the period	766,705	926,090
Reclassified as non-impaired	(771,656)	(565,840)
Amount recovered	(39,153)	(259,006)
Amount written off	<u>(221,964)</u>	<u>(238,210)</u>
Balance as at end of period	<u>2,734,720</u>	<u>3,000,788</u>
Collective allowance	(437,889)	(390,888)
Individual allowance	<u>(1,280,929)</u>	<u>(1,517,034)</u>
	<u>(1,718,818)</u>	<u>(1,907,922)</u>
Net impaired loans, advances and financing	<u>1,015,902</u>	<u>1,092,866</u>
Net impaired loans as per percentage of net loans, advances and financing	<u>3.4%</u>	<u>4.5%</u>

A7. Debts and Equity Securities

Other than the issuance of new shares as shown below pursuant to the Company's Employee Share Option Scheme ("ESOS") and warrants, there were no issuance and repayment of debt and equity securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013

A7. Debts and Equity Securities (continued)

	No of ordinary shares of RM1.00 each '000	Ordinary shares RM'000	Share premium RM'000
<b>At 1 January 2013</b>	1,240,361	1,240,361	514,098
Issued at RM1.17 per share pursuant to ESOS	6,775	6,775	1,152
Issued at RM1.67 per share pursuant to ESOS	2,557	2,557	1,713
Issued at RM2.33 per share pursuant to ESOS	8,083	8,083	10,751
Issued at RM1.00 per share pursuant to warrants	484,322	484,322	-
Transfer from share option reserve	-	-	6,075
Transfer from warrants reserve	-	-	94,838
<b>As at 30 September 2013</b>	<b>1,742,098</b>	<b>1,742,098</b>	<b>628,627</b>

A8. Dividends Paid

No dividends were paid in the current quarter.

A9. Segmental Information on Revenue and Results

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

	Financing RM'000	Hotel Operations RM 000	Eliminations RM'000	Consolidated RM'000
<b>3 months ended 30 September 13</b>				
External sales	632,625	2,307	9,101	644,033
Intersegment sales	11,745	705	(12,450)	-
Total revenue	<u>644,370</u>	<u>3,012</u>	<u>(3,349)</u>	<u>644,033</u>
Segment results	187,389	(1,997)	10,843	196,235
Unallocated income (net of cost)				-
Profit from operations				<u>196,235</u>
<b>3 months ended 30 September 12</b>				
External sales	521,804	2,304	(3,428)	520,680
Intersegment sales	1,775	680	(2,455)	-
Total revenue	<u>523,579</u>	<u>2,984</u>	<u>(5,883)</u>	<u>520,680</u>
Segment result	163,183	(2,129)	16,327	177,381
Unallocated income (net of cost)				-
Profit from operations				<u>177,381</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013

A9. Segmental Information on Revenue and Results (continued)

	Financing RM'000	Hotel Operations RM 000	Eliminations RM'000	Consolidated RM'000
<b>9 months ended 30 September 13</b>				
External sales	1,789,860	6,885	18,604	1,815,349
Intersegment sales	30,277	2,077	(32,354)	-
Total revenue	<u>1,820,137</u>	<u>8,962</u>	<u>(13,750)</u>	<u>1,815,349</u>
Segment results	652,626	(5,820)	34,128	680,934
Unallocated income (net of cost)				-
Profit from operations				<u>680,934</u>
<b>9 months ended 30 September 12</b>				
External sales	1,350,752	7,056	(13,773)	1,344,035
Intersegment sales	3,434	1,972	(5,406)	-
Total revenue	<u>1,354,186</u>	<u>9,028</u>	<u>(19,179)</u>	<u>1,344,035</u>
Segment result	372,925	(5,891)	43,446	410,480
Unallocated income (net of cost)				-
Profit from operations				<u>410,480</u>

A10. Valuation of Property, Plant and Equipment

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

A11. Subsequent Events

As at the date of this report, there were no material events occurring subsequent to the end of the current quarter other than the following proposals:

- (a) a renounceable rights issue of new MBSB Shares to the entitled shareholders of MBSB to raise maximum gross proceeds of up to RM1.47 billion; and
- (b) a dividend reinvestment plan that gives shareholders of MBSB the option to elect to reinvest their dividend entitlements.

The proposals were announced to Bursa Malaysia on 10 October 2013.

A12. Changes in the Composition of the Group

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

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013

A13. Contingent Liabilities

(a) Contingencies

	As at 30-09-13 RM'000
<b>Fully secured:</b>	
Financial guarantee to secure payments by borrowers	<u>86,200</u>

(b) Material Litigations

- (i) A contractor appointed by one of the Company's borrowers has instituted civil suits against the Company for an alleged breach of contract and is claiming damages amounting to RM2.54 million.

The contractor's application to amend the statement of claim was dismissed on 22 June 2010 and the Court fixed 10 November 2011 for case management. The Court of Appeal had on 13 December 2011 allowed the contractor's application to amend statement of claim.

Pre-trial case management was fixed on 21 March 2012 and for full trial from 26 to 30 March 2012. The matter came up for decision on 30 April 2012 and the claim against MBSB was dismissed with costs. The contractor had on 29 May 2012 filed an appeal against MBSB. The Court of Appeal had fixed the matter for hearing on 5 September 2013, and subsequently fixed for further hearing on 23 October 2013.

- (ii) A third party and its holding company (collectively "the Plaintiffs") have instituted a civil suit against the Company and its subsidiary for an alleged breach of facility agreement.

The Company and its subsidiary had filed its defence and counterclaim in response to the suit. The Company and its subsidiary had also filed an application to strike out the Plaintiff's suit which was dismissed with costs on 24 May 2010. The Company's appeal in respect of the striking out was heard on 3 April 2012 and was dismissed by the Court of Appeal with costs.

The Company filed an application for security for costs against the Plaintiffs and this was dismissed on 18 May 2011. The Company's solicitors filed an appeal on 20 May 2011 ("Company's security for costs appeal"). The Company's security for costs appeal was allowed on 30 November 2011. The Plaintiffs have deposited the security for costs with the Court by way of Bank Guarantee. The Court had fixed 19 to 21 August 2013 for trial and subsequently fixed for Continuation of Trial on 12 October 2013 and 19 October 2013 respectively.

The Plaintiffs had on 25 April 2013 served an originating summons on the Company seeking 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.



MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013

**A13. Contingent Liabilities (continued)**

**(b) Material Litigations (continued)**

The Court matter came up for hearing on 24 July 2013 and was adjourned to 26 August 2013 for case management. The matter is now fixed for clarification and/or decision on 8 November 2013.

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

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

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

Court has fixed the matter for Continuation of Trial on 21 November 2013 and 22 November 2013.

The directors after obtaining advice from the Company's solicitors are of the opinion that the Company has reasonably good cases in respect of all the claims against the Company and as such, no provision has been made in the financial statements.

**A14. Acquisition/Disposal of Property, Plant and Equipment**

	As at 30-09-13 RM'000
Additions	
Building renovation	5,000
Furniture & equipment	2,035
Data processing equipment	1,112
Motor vehicle	173
	<u>8,320</u>

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013

A15. Significant Related Party Transactions

	Quarter		Cumulative	
	Current Quarter 30-09-13 RM'000	Preceding Quarter 30-06-13 RM'000	Current Year To Date 30-09-13 RM'000	Preceding Year To Date 30-09-12 RM'000
Transactions with Employees Provident Fund Board, the ultimate holding body:				
Funding cost on securitised financing	4,125	4,469	13,406	17,532
Rental paid	<u>72</u>	<u>72</u>	<u>216</u>	<u>216</u>

A16. Capital Commitments

As at 30 September 2013, there were no commitments other than those stated below:

	RM'000
Approved but not contracted for	
- purchase of property, plant and equipment and software	75,842
Contracted and pending shareholders' approval	
- purchase of real estate	<u>239,237</u>
	<u>315,079</u>

A17. Impairment Loss

There were no other impairment losses other than those disclosed in note A6 above.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013**

**BMSB LISTING REQUIREMENTS – DISCLOSURE REQUIREMENTS AS PART A OF APPENDIX 9B**

**B1. Performance Review**

**Current Period-to-date vs Previous Year Corresponding Period-to-date**

The Group profit before tax for the financial period ended 30 September 2013 of RM680.934 million increased by RM270.454 million or 66% as compared to the previous year corresponding period profit before taxation of RM410.480 million. The increase was mainly due to higher income from Islamic banking operations via personal financing and higher net interest income from conventional business.

The performance of the respective operating business segments for the period ended 30 September 2013 as compared to the previous year corresponding period is analysed as follows:

Personal financing – The gross income from personal financing was higher due to the growth of personal financing portfolio. However, the higher personal financing loan base also resulted in the higher collective allowance charged to the income statement.

Mortgage loans and financing – The gross income from mortgage loans and financing was slightly lower mainly due to lower disbursement during the current period.

Corporate loans and financing – The gross income from corporate loans and financing were higher due to higher disbursements and lower individual assessment impairment allowance for the current period due to settlement of impairment accounts.

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

The Group profit before tax for the 3<sup>rd</sup> quarter 2013 of RM196.235 million decreased by RM51.354 million or 21% as compared to the preceding quarter of RM247.589 million. The decrease was mainly as a result of higher impairment losses on loans, advances and financing and operating expenses, partially set off by the profit contribution from Islamic operations due to continuing growth of personal financing portfolio and higher other operating income.

The higher impairment was due to increase in collective allowance made for personal financing and mortgage portfolios. For the next two quarters, the collective allowance is expected to be at the same level (or less) as per the current quarter under review. The Group expects the collective allowance to smoothen out after that.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013

**B3. Prospects**

**Brief Overview of the Malaysian Economy**

**Private sector financing activity was sustained in the second quarter:** In the second quarter, total gross financing raised by the private sector through the banking system and the capital market amounted to RM250.6 billion (1Q 2013: RM244.8 billion). Banking system loans expanded at an annual growth rate of 9.1% as at end-June (end-March 2013: 10.6%).

In the business sector, loans outstanding of the banking system expanded by RM13.9 billion during the quarter (1Q 2013: RM7 billion) due mainly to higher loan disbursements in the finance, insurance and business services; real estate; wholesale and retail, restaurants and hotels; electricity, gas and water supply and manufacturing sectors. Demand for new financing by businesses also increased with higher loan applications recorded by most major sectors. On an annual basis, however, the growth of business loans outstanding moderated to 8.2% during the quarter (end-March 13: 11.7%) following lower loan disbursements relative to the corresponding period in 2012, when loans disbursed to businesses were exceptionally high.

Financing to the household sector expanded by RM17.2 billion during the quarter (1Q 2013: RM16.2 billion). On an annual basis, household loans outstanding grew at a slower pace of 11.8% as at end-June (end-March 2013: 12.1%). Household demand for loans remained resilient during the quarter, with continued loan applications for the purchase of residential and non-residential properties, as well as for credit card facilities.

*(Extracted from Bank Negara Malaysia's Economic and Financial Developments in the Malaysian Economy Report in the 2<sup>nd</sup> Quarter 2013, dated 13 September 2013)*

**Group Prospect**

On 5 July 2013, Bank Negara Malaysia ("BNM") announced measures to further promote a sound and sustainable household sector. Consequently, the personal financing and mortgage portfolios experienced slower growth. For the 3<sup>rd</sup> quarter 2013, the disbursements were led by the corporate portfolio. The Group has further strengthened its corporate business and other new business strategies in anticipation of the expected changes in the operating environment in order to maintain its competitiveness.

The Group continues to enhance its risk management framework to improve its operational workflows and quality of loans and financing assets. The Group will continue to focus on fee-based income to enhance profitability and to improve its customer service level for a better customer experience.

Barring any unforeseen circumstances, the Group expects performance in 2013 to be satisfactory.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013

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

None.

**B5. Taxation**

	Quarter		Cumulative	
	Current Quarter 30-09-13 RM'000	Preceding Quarter 30-06-13 RM'000	Current Year To Date 30-09-13 RM'000	Preceding Year To Date 30-09-12 RM'000
Current income tax:				
Malaysian income tax	62,768	81,878	215,827	145,822
Tax refund	-	(25)	(25)	-
Over provision in prior years:				
Malaysian income tax	764	-	567	-
	<u>63,532</u>	<u>81,853</u>	<u>216,369</u>	<u>145,822</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(18)	(19)	(55)	(55)
	<u>(18)</u>	<u>(19)</u>	<u>(55)</u>	<u>(55)</u>
Total income tax expense	<u>63,514</u>	<u>81,834</u>	<u>216,314</u>	<u>145,767</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the quarter. The higher effective tax rate for the current quarter was mainly due to adjustments made for non-allowable items.

**B6. Profit/(Loss) on Sale of Unquoted Investments and/or Properties**

There were no significant sales of unquoted investments or properties during the current quarter.

**B7. Purchase and Sale of Quoted Securities**

There were no dealings in quoted securities for the current quarter.

MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013

**B8. Status of Corporate Proposals**

Proposals	Announcement Date	Status
<ul style="list-style-type: none"> <li>Proposed acquisition by MBSB Tower Sdn Bhd (formerly known as Ambang Hartamas Sdn Bhd), a wholly owned subsidiary of the Company, of a proposed office building to be developed for a total cash consideration of RM239,236,750</li> </ul>	12 Dec 2012	Pending fulfilment of conditions precedent to the sale and purchase agreement
<ul style="list-style-type: none"> <li>Proposed renounceable rights issue of new MBSB Shares to the entitled shareholders of MBSB to raise maximum gross proceeds of up to RM1.47 billion</li> </ul>	10 Oct 2013	Pending authorities and shareholders' approval
<ul style="list-style-type: none"> <li>Proposed dividend reinvestment plan that gives shareholders of MBSB the option to elect to reinvest their dividend entitlements</li> </ul>	10 Oct 2013	Pending authorities and shareholders' approval

**B9. Borrowings and Debts**

Borrowings of the Group as at 30 September 2013 were as follows:

	As at 30-09-13 RM'000	As at 31-12-12 RM'000
Short term bank borrowings	490,300	350,217
Islamic financing facility (secured)	275,914	351,203
	<u>766,214</u>	<u>701,420</u>
Maturity of borrowings:		
- One year or less	565,730	467,403
- More than one year	200,484	234,017
Total	<u>766,214</u>	<u>701,420</u>
Recourse obligation on loans sold to Cagamas Berhad (secured):		
- One year or less	106,445	210,961
- More than one year	2,187,392	2,151,036
Total	<u>2,293,837</u>	<u>2,361,997</u>

All borrowings are denominated in Ringgit Malaysia.

**B10. Off Balance Sheet Financial Instruments**

None.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013**

**B11. Realised and Unrealised Profits and Losses**

The breakdown of accumulated losses of the Group as at the reporting date, into realised and unrealised losses, as disclosed pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010, is as follows:

	Cumulative	
	As at 30-09-13 RM'000	As at 31-12-12 RM'000
Total accumulated losses of the Group:		
- Realised	(821,614)	(890,448)
- Unrealised in respect of deferred tax recognised in the income statement	37	(10,355)
Total Group accumulated losses as per consolidated accounts	(821,577)	(900,803)
Add: Consolidated adjustments	545,843	511,660
	(275,734)	(389,143)

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.

**B12. Material Litigation**

The details of the pending material litigation are as per note A13 above.

**B13. Dividends Proposed**

The Directors of the Company has declared an interim single tier dividend of 5% for the financial year ending 31 December 2013. Based on the issued and paid up share capital of the Company as at 30 September 2013 of 1,742,098,148 ordinary shares, the total dividend payable would amount to RM87.105 million.

- (i) Amount per share: Single tier dividend of 5.0 sen
- (ii) Entitlement date: 6 November 2013
- (iii) Payment date: 20 November 2013

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013**

**B14. Earnings Per Share**

**Basic**

Basic earnings per share are calculated by dividing the net profit attributable to shareholders for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Quarter		Cumulative	
	Current	Preceding	Current	Preceding
	Quarter 30-09-13	Quarter 30-06-13	Year to Date 30-09-13	Year to Date 30-09-12
Net profit attributable to shareholders for the year (RM'000)	132,721	165,155	464,020	263,045
Weighted average number of ordinary shares in issue ('000)	1,737,190	1,688,643	1,566,990	1,215,505
Basic earnings per share (sen)	<u>7.64</u>	<u>9.78</u>	<u>29.61</u>	<u>21.64</u>

**Diluted**

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. Employee Share Option Scheme ("ESOS") and Warrants.

	Quarter		Cumulative	
	Current	Preceding	Current	Preceding
	Quarter 30-09-13	Quarter 30-06-13	Year to Date 30-09-13	Year to Date 30-09-12
Net profit attributable to shareholders for the year (RM'000)	132,721	165,155	464,020	263,045
Weighted average number of ordinary shares in issue ('000)	1,737,190	1,688,643	1,566,990	1,215,505
Weighted average effect of dilution on ESOS ('000)	989	8,145	989	2,122
Weighted average effect of dilution on Warrants ('000)	<u>14,610</u>	<u>11,770</u>	<u>14,610</u>	<u>283,292</u>
Adjusted weighted average number of ordinary shares in issue ('000)	<u>1,752,789</u>	<u>1,708,558</u>	<u>1,582,589</u>	<u>1,500,919</u>
Diluted earnings per share (sen)	<u>7.57</u>	<u>9.67</u>	<u>29.32</u>	<u>17.53</u>



MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013

**B15. Authorisation For Issue**

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 October 2013.

BY ORDER OF THE BOARD

Koh Ai Hoon  
Tong Lee Mee  
Joint Company Secretaries  
Kuala Lumpur  
22 October 2013



A Subsidiary of the FFP (9117) B  
Your Financial Provider

**Registered Office**

11<sup>th</sup> Floor, Wisma MBSB  
48, Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur

16 DEC 2013

The Shareholders of **Malaysia Building Society Berhad ("MBSB")**

Dear Sir / Madam,

On behalf of the Board of Directors of MBSB ("**Board**"), I wish to report, after making due enquiries in relation to the interval between 31 December 2012 (being the date to which the last audited consolidated financial statements of MBSB and its subsidiaries ("**MBSB Group**") have been made up) and the date hereof (being a date not earlier than fourteen (14) days before the date of issuance of this Abridged Prospectus), that:-

- (i) the business of the MBSB Group has, in the opinion of the Board, been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstance has arisen since the last audited consolidated financial statements of the MBSB Group which has adversely affected the trading or the value of the assets of the MBSB Group.
- (iii) the current assets of the MBSB Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in this Abridged Prospectus, there are no contingent liabilities which has arisen by reason of any guarantee or indemnity given by the MBSB Group;
- (v) since the last audited consolidated financial statements of the MBSB Group, there has been no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums in relation to any borrowings of the MBSB Group; and
- (vi) save as disclosed in this Abridged Prospectus, there has been no material change in the published reserves or any unusual factor affecting the profits of the MBSB Group since the last audited consolidated financial statements of the MBSB Group.

Yours faithfully,

For and on behalf of the Board of  
**MALAYSIA BUILDING SOCIETY BERHAD**

**TAN SRI ABDUL HALIM BIN ALI**  
Chairman



Ibu Pejabat : TINGKAT 11, WISMA MBSB , No. 48, JALAN DUNGUN, DAMANSARA HEIGHTS,  
PETI SURAT 11506, 50748 KUALA LUMPUR, MALAYSIA. TEL : 03-2096 3000 FAX: 03-2096 3144

**1. SHARE CAPITAL**

- (a) No securities will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of issuance of this Abridged Prospectus.
- (b) As at the LPD, there is only one (1) class of share in the Company, namely ordinary shares of RM1.00 each, all of which rank *pari passu* with one another.
- (c) Save as disclosed in Section 2 of Appendix II, no shares of the Company have been issued or proposed or intended to be issued as fully or partly paid-up in cash or otherwise than in cash within two (2) years preceding the date of this Abridged Prospectus.
- (d) Save as disclosed below, no person has been or is entitled to be granted an option to subscribe for any shares of the Company and no capital of the Company is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Abridged Prospectus:-
  - (i) The Rights Shares to be issued pursuant to the Rights Issue, which are the subject of this Abridged Prospectus;
  - (ii) The DRP which was approved by the Shareholders at the EGM held on 10 December 2013 which gives MBSB Shareholders the option to elect to reinvest their dividend entitlements (representing cash dividends declared by MBSB including interim, final, special or any other cash dividends in new MBSB Shares;
  - (iii) On 1 June 2011, the Company allotted and issued 506,424,813 Warrants, all of which shall expire on 31 May 2016. Each Warrant entitles the Warrant holder to subscribe for one (1) new MBSB Share at an exercise price of RM1.00 per MBSB Share subject to any price adjustment in accordance with the conditions stipulated in the deed poll dated 21 April 2011 constituting such Warrants. As at the LPD, there are 17,327,421 outstanding Warrants; and
  - (iv) On 12 August 2010, the Company established the ESOS for the issuance of up to 10% of the issued and paid-up share capital (excluding treasury shares) of the Company and with a duration of five (5) years and may be extended for a further period of five (5) years. Pursuant to the ESOS, eligible employees who have been confirmed in service and Executive Directors of the MBSB Group who have been or may be granted with the ESOS Options, are entitled to subscribe for MBSB Shares at an exercise price which shall be at a premium of not more than 10% of the five (5)-day VWAP of MBSB Shares immediately preceding the date of offer of the ESOS Options or at the par value of MBSB Share of RM1.00, whichever is higher. Acceptance of the ESOS Options must be accompanied by a payment of RM1.00 as non-refundable consideration for the grant of the ESOS Options by the Company.

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**APPENDIX VII ADDITIONAL INFORMATION (CONT'D)**

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As at the LPD, a total of 98,606,235 ESOS Options had been issued of which a total of 10,418,269 ESOS Options have been lapsed. Further details of our ESOS Options as at the LPD are set out below:-

Date of the Offer of the ESOS Options	Exercise Price per ESOS Option (RM)	Expiry Date	Number of ESOS Options Which Has Been Exercised	Number of Outstanding Granted and Exercisable ESOS Options as at the LPD	Number of Outstanding ESOS Options Granted and Exercisable in Future as at the LPD
11.09.10	1.17	11.08.15	36,309,003	2,231,372	9,060,866
08.02.12	1.67	11.08.15	5,138,659	2,448,661	2,383,580
16.10.12	2.33	11.08.15	8,248,860	12,251,288	10,115,677
		<b>Total</b>	<b>49,696,522</b>	<b>16,931,321</b>	<b>21,560,123</b>

## 2. DIRECTORS

- (a) There is no shareholding qualification for Directors.
- (b) An extract of the provisions of the Company's Articles of Association in relation to the remuneration of the Directors are as follows:-

### Article 81

The directors shall be paid a fixed sum (and not by a commission on or percentage of profit or turnover of the company) out of the funds of the Company as remuneration for their services as the Company in general meeting may from time to time determine, and such remuneration shall be divided among them in such proportions and manner as the directors may determine and, in default of determination, equally. The remuneration so payable to directors shall not be increased except in pursuance of a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting. Salaries payable to executive directors may not include a commission on or percentage of turnover of the Company.

## 3. MATERIAL CONTRACTS

Save as disclosed below, there are no other material contracts, not being contracts in the ordinary course of business which have been entered into by the MBSB Group within two (2) years preceding the date of this Abridged Prospectus:-

- (a) The Underwriting Agreement.
- (b) Sale and Purchase Agreement dated 14 March 2013 entered into between MBSB Properties Sdn Bhd, a wholly-owned subsidiary of the Company (as vendor) ("**MBSB Properties**") and Superb Upline Sdn Bhd (as purchaser) for the disposal by MBSB Properties of the following lands:-
- (i) all that parcel of land held under Geran 25147, Lot No. 104, measuring approximately 130 square metres;
- (ii) all that parcel of land held under Geran 25146, Lot No. 105, measuring approximately 122 square metres;

- (iii) all that parcel of land held under Geran 25145, Lot No 106, measuring approximately 141 square metres;
- (iv) all that parcel of land held under Geran 25144, Lot No. 115, measuring approximately 121 square metres;
- (v) all that parcel of land held under Geran 25143, Lot No. 118, measuring approximately 121 square metres; and
- (vi) all that parcel of land held under Geran 25609, Lot No. 141, measuring approximately 265.787 square metres,

all located in Seksyen 12, Bandar Kuala Lumpur, Daerah and Negeri Wilayah Persekutuan Kuala Lumpur, for an aggregate sale and purchase consideration of RM36,600,000. The transaction has been completed in accordance with the terms of the Sale and Purchase Agreement.

- (c) Sale and Purchase Agreement dated 12 December 2012 entered into between MBSB Tower Sdn Bhd (formerly known as Ambang Hartamas Sdn Bhd) (as purchaser), a wholly-owned subsidiary of the Company ("MBSB Tower") and P.J Sentral Development Sdn Bhd (as vendor) for the acquisition by MBSB Tower of a proposed office building known as 'Tower 3', having a total net lettable area of 281,455 square feet excluding all vehicle parking bays located on any part of the land but including the external wall and roof-top, with vacant possession to be developed and constructed on a portion of a leasehold land held under Lot No. 12, Seksyen 26, No. Hakmilik 71105, Bandar Petaling Jaya, Daerah Petaling Jaya, Selangor, for an aggregate sale and purchase consideration of RM239,236,750. The transaction is currently pending completion in accordance with the terms of the Sale and Purchase Agreement.
- (d) Sale and Purchase Agreement dated 23 August 2012 entered into between Idaman Usahas Sdn Bhd (as vendor), a wholly-owned subsidiary of the Company ("IUSB") and WCT Hartanah Jaya Sdn Bhd (as purchaser) for the disposal by IUSB of a parcel of freehold commercial land together with abandoned shop mall comprising a 4 level retail podium block and 2 levels of car park erected on Lot 32665 held under Geran 413471, Mukim of Tebrau, District of Johor Bharu, State of Johor, at an aggregate sale and purchase consideration of RM180,000,000. The transaction has been completed in accordance with the terms of the Sale and Purchase Agreement.
- (e) Share Sale Agreement dated 18 July 2012 entered into between the Company (as vendor) and Ken Holdings Berhad (as purchaser) for the disposal by the Company of 3,970,635 ordinary shares of RM1.00 each in Gadini Sdn Bhd, representing the entire issued and paid-up share capital of Gadini Sdn Bhd, for an aggregate sale and purchase consideration of RM40,558,345. The transaction has been completed in accordance with the terms of the Share Sale Agreement.
- (f) The Company had on 13 December 2013, established a 15-year Structured Covered Sukuk Programme of up to RM3 billion and executed, *inter alia*, a Programme Agreement with Jana Kapital and RHB Investment Bank (as lead arranger, lead manager and facility agent) and a Trust Deed with Jana Kapital and Malaysian Trustees Berhad (as trustee) in relation to Structured Covered Sukuk Programme. In order to facilitate the issuance of the Structured Covered Sukuk Programme, Jana Kapital had simultaneously on 13 December 2013, established a 16-year Sukuk Murabahah Programme of up to RM4 billion and executed, *inter alia*, a Programme Agreement with RHB Investment Bank (as lead arranger, lead manager and facility agent) and a Trust Deed with Malaysian Trustees Berhad (as Sukuk Trustee) in relation to such Sukuk Murabahah Programme.

#### 4. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, neither MBSB nor its subsidiaries is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which may have a material and adverse effect on the business or financial position of the MBSB Group and the Board is not aware of any proceedings, pending or threatened against the MBSB Group, or of any fact likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the MBSB Group:-

(a) **Kuala Lumpur High Court Suit No. S3-22-53-2003: Bongsor Bina Sendirian Berhad ("BBSB") v Manzer Medical Sdn. Bhd. ("MMSB") & 3 Others consolidated with Kuala Lumpur High Court Suit No. S6-22-588-1999: BBSB v MBSB consolidated with Kuala Lumpur High Court Suit No. S5-22-193-2000: BBSB v MMSB**

BBSB, a contractor appointed by one of the Company's borrowers, has, on 19 August 1999, 4 November 1999 and 20 March 2000, instituted 3 civil suits against the Company for an alleged breach of contract and is claiming damages amounting to RM2.54 million.

The Court has fixed 14 May 2010 for further case management and the trial dates were fixed from 21 to 25 June 2010. However, the abovementioned dates were vacated as BBSB's solicitors had made an oral application for a stay of trial pending disposal of BBSB's appeal to amend the writ of summons and statement of claim to include negotiations between the contractor and the Company's borrower. BBSB's application to amend the statement of claim was dismissed on 22 June 2010 and the Court has fixed 24 May 2011 for further case management. On 13<sup>th</sup> December 2011, The Court of Appeal allowed the amendments.

The full trial at the High Court was completed on 30 April 2012 and the matter was decided in favour of the Company. On 29 May 2012, BBSB filed an appeal to the Court of Appeal against the decision of the High Court.

The appeal has been fixed for hearing on 26 February 2014.

The solicitors handling the matter are of the opinion that the Company has a good chance of success in defeating BBSB's claim.

(b) **Kuala Lumpur High Court Suit No. D1-22-442-2004: Furnishing Fashions Sdn. Bhd. ("FFSB") v Sigmaprise Sdn. Bhd. ("SSB") & 3 Others**

FFSB, a creditor of a wound up unrelated company, has, on 8 April 2004, instituted a civil suit against SSB, a subsidiary of the Company, together with 3 other defendants as co-conspirators and alleged that they were involved in a scheme to sell off a major asset of the unrelated company and had thereafter allowed the unrelated company to be wound up in order to defeat the said creditor's claim for payment from the unrelated company amounting to RM4.8 million for goods sold and delivered.

The full trial at the High Court was completed and the matter was decided in favour of SSB. On 19 March 2010, FFSB filed an appeal to the Court of Appeal against the decision of the High Court.

On 20 March 2012, the Court of Appeal affirmed the decision of the High Court and dismissed FFSB's appeal. On 19 April 2012, FFSB filed in a notice of motion for leave to appeal to the Federal Court and on 25 September 2012, the Federal Court dismissed FFSB's application with costs of RM10,000.

With the Federal Court's dismissal of FFSB's application, this litigation matter has come to an end.

**(c) Kuala Lumpur High Court Civil Suit No. S6-22-705-2005: Nusantara Network Sdn. Bhd. (“NNSB”) v MBSB**

NNSB, a former borrower of the Company, has, on 20 June 2005, instituted a civil suit against the Company for an alleged breach of facility agreement and is claiming damages amounting up to RM43.311 million.

The Company had terminated the said facilities due to NNSB’s breach of facility agreement and had subsequently sold the loan asset to an unrelated company.

On 30 September 2010, the Court dismissed NNSB’s claim with costs. NNSB has filed an appeal to the Court of Appeal on 25 October 2010 against the decision of the High Court. On 23 April 2013, the appeal was struck off by the Court of Appeal with no order as to costs.

As such the matter is now closed.

**(d) Kuala Lumpur High Court Suit No. S7-22-570-2006: Mutu Teratai Sdn. Bhd. (“MTSB”) v MBSB**

MTSB, a former borrower of the Company, has, on 15 June 2006, instituted a civil suit against the Company for an alleged breach of facility agreement and is claiming damages amounting to RM5 million with interest and costs thereon.

The Company had on 22 May 2009 filed a Notice of Appeal to the Court of Appeal following the High Court’s dismissal of the Company’s application to hold a trial of preliminary issues.

The Company filed an application for stay of proceedings pending outcome of the Company’s appeal. The stay application was dismissed on 8 February 2011 with no order as to costs and full trial dates have been fixed by the High Court on 13 May 2011 and 16 May 2011. The full trial at the High Court was completed and the matter was decided in favour of the Company. MTSB filed an appeal to the Court of Appeal against the decision of the High Court and the appeal was dismissed on 17 November 2011.

As such the matter is now closed.

**(e) Kuala Lumpur High Court Suit No. D1-22-819-2007: Binanusa Sdn. Bhd. (“BSB”) v MBSB**

BSB, a former borrower of the Company, has, on 22 June 2007, instituted a civil suit against the Company for an alleged breach of facility agreement and is claiming damages amounting to RM16.136 million with interest and costs thereon.

On 6 May 2009, the High Court allowed the Company’s application to strike out BSB’s claim with costs.

BSB has filed a Notice of Appeal to the Court of Appeal on 29 May 2009. On 22 March 2011, the Court of Appeal dismissed BSB’s appeal with costs.

The Company has not received any notification of BSB’s appeal and the time for BSB to file in its application for leave to appeal to the Federal Court has lapsed.

As such, this litigation matter has come to an end.

- (f) **Kuala Lumpur High Court Suit No. D6-22-1086-2003: MBSB v Yeng Chong Realty Sdn. Bhd. ("YCRSB") (in the original action) & Yeng Chong Realty Bhd. ("YCRB") v MBSB Development Sdn. Bhd. ("MBSB Development") & MBSB Project Management Sdn. Bhd. ("MBSB Project Management") (in the counterclaim)**

**Penang High Court Suit No. 22-479-2003: MBSB v YCRSB (in the original action) & YCRB v MBSB Development & MBSB Project Management (in the counterclaim)**

**Melaka High Court Originating Summons No. 2-24-476-2008: MBSB v YCRB**

**Penang High Court Originating Summons No. 24-1375-2008: MBSB v YCRB**

YCRB, a borrower, has filed a counterclaim seeking damages amounting to RM453 million against MBSB Development and MBSB Project Management, both of which are subsidiaries of the Company for an alleged breach of contract in relation to uncompleted development projects in Melaka ("**Melaka Project**") and Penang ("**Penang Project**").

The Company had, on 2 July 2003, earlier instituted civil suits against YCRSB for its failure to repay term loans amounting to RM239 million in respect of the aforesaid projects.

The parties have entered into a settlement and the above-mentioned suits, namely the Kuala Lumpur High Court suit, the Melaka High Court suit and the Penang High Court suit, have all been withdrawn pursuant to a Deed of Proposed Settlement dated 26 October 2010 which allows the parties to recommence action if the settlement cannot be reached. To date, there has been no finalized settlement by the parties.

- (g) **Kuala Lumpur High Court Suit No. S2-22-692-2009: KCSB Konsortium Sdn. Bhd. ("KCSB Konsortium") & Kausar Corporation Sdn. Bhd. ("Kausar Corp") v MBSB & MBSB Development**

KCSB Konsortium and Kausar Corp ("**Plaintiffs**") have, on 29 September 2009, instituted a civil suit against the Company and MBSB Development, a subsidiary of the Company, for an alleged breach of facility agreement.

The Company and MBSB Development had filed their defence and a counterclaim in response to the suit. The Company and MBSB Development have also filed an application to strike out the Plaintiffs' suit which was dismissed with costs on 24 May 2010. The Company then subsequently filed an appeal on 4 June 2010 against the said dismissal decision.

On 3 April 2012, the Company's appeal was dismissed with costs of RM5,000.00

The Company's application for security for costs against the Plaintiffs was fixed on 30 March 2011 for further case management pending settlement. The application for security for costs was dismissed on 18 May 2011 and the Company filed an appeal to Court of Appeal 20 May 2011 against such dismissal. On 30 November 2011, the Court of Appeal allowed the Company's application for security for costs. The Plaintiffs have deposited the security for costs with the Court by way of bank guarantee.



On 25 April 2013, the Plaintiffs have served an Originating Summons on the Company seeking an order from the Johor Bahru High Court to set aside and remove a charge created in favour of the Company. A hearing for case management was fixed on 24 July 2013 and was subsequently adjourned to 26 August 2013. The matter came up for decision on 13 December 2013. The High Court Judge granted an order in favour of the Plaintiffs. The Company has been granted an interim stay and has filed its application for stay proper. The Company has also filed its appeal to the Court of Appeal.

As for the main suit, the trial has been fixed for hearing on 28 February 2014.

The solicitors handling the matter are of the opinion that the Company has a good chance of success in the matter.

**(h) Johor Bahru High Court suit No.: 22NCVC – 437-11/2012: Blackstone Eight Sdn. Bhd. (“Blackstone”) & 3 Ors. v Capital Dynasty Sdn. Bhd. (“CDSB”), Duar Tuan Kiat (“DTK”), Adam Primus Varghese bin Abdullah (“APVA”) and MBSB**

Blackstone, who failed to complete the ‘Kemayan City Shopping Complex’ based on a scheme of arrangement pursuant to Section 176 of the Act, has, on 1 November 2012, instituted a civil suit against the Company alleging that the Company had induced CDSB, DTK and APVA to terminate the Conditional Sale and Purchase Agreement dated 6 June 2008 entered into between Blackstone and CDSB for the sale and purchase of Kemayan City Shopping Mall.

Blackstone is claiming, *inter alia*, the sum of RM7,000,000.00 and special damages of RM15,531,918.00.

On 22 February 2013, the Company filed and served its defence. The matter has been transferred from Johor Bahru High Court to Kuala Lumpur High Court.

All the parties have on 6 December 2013 entered into a consent judgement. Pursuant to the consent judgement, the parties have no liberty to file afresh.

As such, the matter is now closed.

## **5. GENERAL**

- (a) Save as disclosed in the Sections 4, 6, 7, 8 and 9 of the main body of this Abridged Prospectus, the financial condition and operations of the MBSB Group are not likely to be affected by any of the following:-
- (i) Known trends or known demands, commitments, events or uncertainties that will result in or that is reasonably likely to result in the MBSB Group’s liquidity increasing or decreasing in any material way;
  - (ii) Material commitments for capital expenditure;
  - (iii) Unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from the operations; and
  - (iv) Known trends or uncertainties that have had or that the MBSB Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income.

- (b) Save as disclosed in Sections 4, 6, 7, 8 and 9 of the main body of this Abridged Prospectus, the Board is not aware of any material information including specific trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the MBSB Group.
- (c) There is no existing or proposed service contract entered or to be entered into by the Company with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.

## 6. CONSENTS

- (a) The written consents of the Principal Adviser, Lead Manager, Solicitor for the Rights Issue, Joint Global Coordinators, Share Registrar, Joint Underwriters, Principal Bankers, Malaysian Solicitor for Deutsche Bank and International Solicitor for Deutsche Bank for the inclusion in this Abridged Prospectus of their names in the form and context in which such names appear, have been given before the issue of this Abridged Prospectus and have not subsequently been withdrawn;
- (b) The written consent of Bloomberg to the inclusion in this Abridged Prospectus of its name and citation of the market data made available to its subscribers in the form and context in which such name and market data appear has been given before the issuance of this Abridged Prospectus and has not been subsequently withdrawn; and
- (c) The written consent of the Auditors and Reporting Accountants, Ernst & Young, for the inclusion in this Abridged Prospectus of their name and the proforma consolidated statements of financial position of the MBSB Group as at 31 December 2012 together with the notes and the Reporting Accountants' letter thereon, in the form and context in which such name appear have been given before the issue of this Abridged Prospectus and has not subsequently been withdrawn.

## 7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours from Monday to Friday (except public holidays) at the Registered Office of MBSB for a period of twelve (12) months from the date of this Abridged Prospectus:-

- (a) The Memorandum and Articles of Association of the Company;
- (b) The certified true extract of the ordinary resolutions in respect of the Rights Issue and DRP passed at the EGM of MBSB, as set out in Appendix I of this Abridged Prospectus;
- (c) The proforma consolidated statement of financial position of MBSB as at 31 December 2012 together with the notes and the Reporting Accountants' letter thereon, as set out in Appendix III of this Abridged Prospectus;
- (d) The audited consolidated financial statements of MBSB for the FYE 31 December 2011 and FYE 31 December 2012 as well as the latest unaudited consolidated financial statements for the nine (9)-month FPE 30 September 2013;
- (e) The irrevocable undertaking letter by EPF in relation to the Undertaking referred to in Section 3 of this Abridged Prospectus;
- (f) The Directors' Report as set out in Appendix VI of this Abridged Prospectus;
- (g) The letters of consent referred to in Section 6 of this Appendix;

- (h) the relevant cause papers in respect of the material litigation referred to in Section 4 of this Appendix; and
- (i) The material contracts referred to in Section 3 of this Appendix.

**8. RESPONSIBILITY STATEMENTS**

- (a) The Board have seen and approved this Abridged Prospectus together with the accompanying documents and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.
- (b) AmInvestment Bank, being the Principal Adviser of this Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

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