Company No.

716122	P

ASIAN FINANCE BANK BERHAD

(Incorporated in Malaysia)

BASEL II PILLAR 3 - CAPITAL ADEQUACY FRAMEWORK FOR ISLAMIC BANKS ("CAFIB") DISCLOSURES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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BASEL II PILLAR 3 - CAPITAL ADEQUACY FRAMEWORK FOR ISLAMIC BANKS ("CAFIB") DISCLOSURES

The purpose of this disclosure is to provide the information in accordance with Bank Negara Malaysia ("BNM") Capital Adequacy Framework for Islamic Bank (CAFIB - BASEL II) - Disclosure Requirements (Pillar 3) Guideline. This supplements the related information in the Note 33 to the Financial Statements.

33. Capital adequacy

Capital management

The Bank's objectives when managing capital, which is a broader concept than the ‘equity’ on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;

- To safeguard the Bank ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- To maintain a strong capital base to support the development of its business.

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33. Capital adequacy (continued)

	Economic Entity and Bank	
	2016	2015
	RM	RM
CET1 Capital		
Paid-up ordinary share capital	**532,530,020**	532,530,020
Accumulated losses	**(53,094,267)**	(49,685,510)
AFS revaluation reserve	**(777,068)**	(1,569,330)
Statutory reserve	**13,363,710**	11,538,745
Regulatory reserve**	**5,233,721**	-
	497,256,116	492,813,925
Less : CET1 regulatory adjustments		
Deferred tax assets	**(349,226)**	-
Cumulative losses of AFS financial instruments	**562,352**	537,614
Regulatory reserve attributable to financing**	**(5,233,721)**	-
Total CET1 capital	**492,235,521**	493,351,539
Tier 1 Capital		
Additional Tier 1 capital instruments	**-**	-
Less: Tier 1 regulatory adjustments	**-**	-
Total Tier 1 capital	**492,235,521**	493,351,539
Tier II Capital		
Collective impairment/allowance for bad and doubtful financing ^	**11,090,712**	28,407,853
Regulatory reserve**	**5,233,721**	-
Total Tier II capital	**16,324,433**	28,407,853
Total capital base	**508,559,954**	521,759,392

Breakdown of risk weighted assets in various categories of risk weights are as follows:

	2016	2015
	RM'000	RM'000
Total risk weighted assets ("RWA")		
- Credit risk	**1,952,246**	1,951,619
- Market risk	**1,744**	3,144
- Operational risk	**94,281**	97,903
Total RWA	**2,048,271**	2,052,666
Capital ratios		
CET1 capital	**24.032%**	24.035%
Tier 1 capital	**24.032%**	24.035%
Total capital ratio	**24.829%**	25.419%

^ Excludes collective assessment impairment allowance attributable to financing and advances classified as impaired but not individually assessed for impaiment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing" issued 6 April 2015

** The regulatory reserve is maintained in aggregate with collective impairment allowance representing financing loss provision required to be maintained at a minimum level of 1.2% of total outstanding financing and advances less individual impairment allowance.

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33. Capital adequacy (continued)

Economic Entity and Bank

2016 Exposure Class	Gross Exposures RM'000		Net Exposures RM'000	Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Capital Requirements RM'000
Credit Risk							
On-Balance Sheet Exposures							
Sovereigns & Central Banks	-		-	-	-	-	-
Banks, MDBs and FDIs	69,795		69,795	10,012	-	10,012	1,802
Corporates	2,117,012		2,117,012	1,797,265	-	1,797,265	323,508
Regulatory Retail	22,009		22,009	17,190	-	17,190	3,094
Other Assets	-		-	-	-	-	-
Total for On-Balance Sheet Exposures	2,208,816		2,208,816	1,824,467	-	1,824,467	328,404
Off-Balance Sheet Exposures							
Off balance sheet exposures other than OTC derivatives or credit derivatives	494,064		150,178	127,779	-	127,779	23,000
Total for Off-Balance Sheet Exposures	494,064		150,178	127,779	-	127,779	23,000
Total On and Off-Balance Sheet Exposures	2,702,880		2,358,994	1,952,246	-	1,952,246	351,404
Market Risk	Long Position	Short Position					
Benchmark Rate Risk	-	-	-	-	-	-	-
Equity Position Risk	-	-	-	-	-	-	-
Foreign Currency Risk	1,744	1,379	1,744	1,744	-	1,744	314
Operational Risk	-	-	-	94,281	-	94,281	16,971
Total RWA and Capital Requirements	2,704,624	2,704,259	2,360,738	2,048,271	-	2,048,271	368,689

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33. Capital adequacy (continued)

Economic Entity and Bank Disclosures on Risk Weights - Expressed in nearest RM thousand (RM'000)
2016

Risk Weights	**Sovereigns & Central Banks**		**Banks, MDBs and FDIs**		**Corporates**	
Performing Exposures	Exposures after Netting & CRM	***Risk Weighted Asset***	Exposures after Netting & CRM	***Risk Weighted Asset***	Exposures after Netting & CRM	***Risk Weighted Asset***
0%	**-**	**-**	**19,734**	**-**	**250,015**	**-**
20%	**-**	**-**	**77,804**	**15,561**	**209,993**	**41,999**
50%	**-**	**-**	**251**	**126**	**50,000**	**25,000**
75%	**-**	**-**	**-**	**-**	**-**	**-**
100%	**-**	**-**	**-**	**-**	**1,429,660**	**1,429,660**
150%	**-**	**-**	**-**	**-**	**209,692**	**314,538**
Total	**-**	**-**	**97,789**	**15,687**	**2,149,360**	**1,811,197**
Defaulted Exposures						
0%	**-**	**-**	**-**	**-**	**-**	**-**
50%	**-**	**-**	**-**	**-**	**407**	**204**
100%	**-**	**-**	**-**	**-**	**51,876**	**51,876**
150%	**-**	**-**	**-**	**-**	**37,238**	**55,857**
Total	**-**	**-**	**-**	**-**	**89,521**	**107,937**
Total Performing and Defaulted Exposures	**-**	**-**	**97,789**	**15,687**	**2,238,881**	**1,919,134**

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ASIAN FINANCE BANK BERHAD
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33. Capital adequacy (continued)

Economic Entity and Bank
2016

Disclosures on Risk Weights - Expressed in nearest RM thousand (RM'000)

Risk Weights	**Regulatory Retail**		**Total Exposure**	**Total Risk Weighted Assets**
Performing Exposures	Exposures after Netting & CRM	***Risk Weighted Asset***	Exposures after Netting & CRM	***Risk Weighted Asset***
0%	**-**	**-**	**269,749**	**-**
20%	**-**	**-**	**287,797**	**57,559**
50%	**-**	**-**	**50,251**	**25,126**
75%	**20,379**	**15,284**	**20,379**	**15,284**
100%	**-**	**-**	**1,429,660**	**1,429,660**
150%	**-**	**-**	**209,692**	**314,538**
Total	**20,379**	**15,284**	**2,267,528**	**1,842,167**
Defaulted Exposures				
0%	**-**	**-**	**-**	**-**
50%	**-**	**-**	**407**	**204**
100%	**1,551**	**1,551**	**53,427**	**53,427**
150%	**394**	**591**	**37,632**	**56,448**
Total	**1,945**	**2,142**	**91,466**	**110,079**
Total Performing and Defaulted Exposures	**22,324**	**17,426**	**2,358,994**	**1,952,246**

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33. Capital adequacy (continued)

Geographic Distribution of Gross Credit Exposures

	Inside Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Economic Entity and Bank			
2016			
Exposure Class			
Gross Credit Exposures			
On-Balance Sheet Exposures			
Sovereigns & Central Banks	-	-	-
Banks, MDBs and FDIs	69,795	-	69,795
Corporates	2,117,012	-	2,117,012
Regulatory Retail	13,974	8,035	22,009
Other Assets	-	-	-
Total for On-Balance Sheet Exposures	2,200,781	8,035	2,208,816
Off-Balance Sheet Exposures			
Off balance sheet exposures other than OTC derivatives or credit derivatives	493,187	877	494,064
Total for Off-Balance Sheet Exposures	493,187	877	494,064
Total On and Off-Balance Sheet Exposures	2,693,968	8,912	2,702,880

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ASIAN FINANCE BANK BERHAD
(Incorporated in Malaysia)

33. Capital adequacy (continued)

Contractual Maturity of Gross Credit Exposures

	One Year or Less RM'000	Over One Year to Five Years RM'000	Over Five Years RM'000	Total RM'000
Economic Entity and Bank				
2016				
Exposure Class				
Gross Credit Exposures				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	-	-	-	-
Banks, MDBs and FDIs	50,060	19,734	-	69,794
Corporates	1,230,436	725,196	810	1,956,442
Regulatory Retail	393	161,381	20,806	182,580
Other Assets	-	-	-	-
Total for On-Balance Sheet Exposures	1,280,889	906,311	21,616	2,208,816
Off-Balance Sheet Exposures				
Off balance sheet exposures other than OTC derivatives or credit derivatives	461,472	26,961	5,631	494,064
Total for Off-Balance Sheet Exposures	461,472	26,961	5,631	494,064
Total On and Off-Balance Sheet Exposures	1,742,361	933,272	27,247	2,702,880

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ASIAN FINANCE BANK BERHAD
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33. Capital adequacy (continued)

Economic Entity and Bank

2015 Exposure Class	Gross Exposures RM'000		Net Exposures RM'000	Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Capital Requirements RM'000
Credit Risk							
On-Balance Sheet Exposures							
Sovereigns & Central Banks	-		-	-	-	-	-
Banks, MDBs and FDIs	119,706		119,706	20,017	-	20,017	1,601
Corporates	2,099,046		2,099,046	1,772,575	-	1,772,575	141,806
Regulatory Retail	23,571		23,571	18,646	-	18,646	1,492
Other Assets	-		-	-	-	-	-
Total for On-Balance Sheet Exposures	2,242,323		2,242,323	1,811,238	-	1,811,238	144,899
Off-Balance Sheet Exposures							
Off balance sheet exposures other than OTC derivatives or credit derivatives	553,070		143,800	140,381	-	140,381	11,230
Total for Off-Balance Sheet Exposures	553,070		143,800	140,381	-	140,381	11,230
Total On and Off-Balance Sheet Exposures	2,795,393		2,386,123	1,951,619	-	1,951,619	156,129
Market Risk	Long Position	Short Position					
Benchmark Rate Risk	-	-	-	-	-	-	-
Equity Position Risk	-	-	-	-	-	-	-
Foreign Currency Risk	1,543	3,144	3,144	3,144	-	3,144	252
Operational Risk	-	-	-	97,903	-	97,903	7,832
Total RWA and Capital Requirements	2,796,936	2,798,537	2,389,267	2,052,666	-	2,052,666	164,213

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ASIAN FINANCE BANK BERHAD
(Incorporated in Malaysia)

33. Capital adequacy (continued)

Economic Entity and Bank Disclosures on Risk Weights - Expressed in nearest RM thousand (RM'000)

2015

Risk Weights	**Sovereigns & Central Banks**		**Banks, MDBs and FDIs**		**Corporates**	
Performing Exposures	Exposures after Netting & CRM	***Risk Weighted Asset***	Exposures after Netting & CRM	***Risk Weighted Asset***	Exposures after Netting & CRM	***Risk Weighted Asset***
0%	-	-	19,620	-	285,040	-
20%	-	-	104,019	20,804	204,707	40,941
50%	-	-	251	126	-	-
75%	-	-	-	-	-	-
100%	-	-	-	-	1,502,125	1,502,125
150%	-	-	-	-	245,433	368,149
Total	-	-	123,890	20,930	2,237,305	1,911,215
Defaulted Exposures						
0%	-	-	-	-	-	-
50%	-	-	-	-	763	382
100%	-	-	-	-	-	-
150%	-	-	-	-	-	-
Total	-	-	-	-	763	382
Total Performing and Defaulted Exposures	-	-	123,890	20,930	2,238,068	1,911,597

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ASIAN FINANCE BANK BERHAD
(Incorporated in Malaysia)

33. Capital adequacy (continued)

Economic Entity and Bank Disclosures on Risk Weights - Expressed in nearest RM thousand (RM'000)

2015

Risk Weights	**Regulatory Retail**		**Total Exposure**	**Total Risk Weighted Assets**
Performing Exposures	Exposures after Netting & CRM	***Risk Weighted Asset***	Exposures after Netting & CRM	***Risk Weighted Asset***
0%	-	-	304,660	-
20%	-	-	308,726	61,745
50%	-	-	251	126
75%	21,893	16,420	21,893	16,420
100%	-	-	1,502,125	1,502,125
150%	-	-	245,433	368,149
Total	21,893	16,420	2,383,088	1,948,565
Defaulted Exposures				
0%	-	-	-	-
50%	-	-	763	382
100%	1,473	1,473	1,473	1,473
150%	799	1,199	799	1,199
Total	2,272	2,672	3,035	3,054
Total Performing and Defaulted Exposures	24,165	19,092	2,386,123	1,951,619

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ASIAN FINANCE BANK BERHAD
(Incorporated in Malaysia)

33. Capital adequacy (continued)

Geographic Distribution of Gross Credit Exposures

	Inside Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Economic Entity and Bank			
2015			
Exposure Class			
Gross Credit Exposures			
On-Balance Sheet Exposures			
Sovereigns & Central Banks	-	-	-
Banks, MDBs and FDIs	119,706	-	119,706
Corporates	2,078,940	20,106	2,099,046
Regulatory Retail	14,948	8,623	23,571
Other Assets	-	-	-
Total for On-Balance Sheet Exposures	2,213,594	28,729	2,242,323
Off-Balance Sheet Exposures			
Off balance sheet exposures other than OTC derivatives or credit derivatives	552,193	877	553,070
Total for Off-Balance Sheet Exposures	552,193	877	553,070
Total On and Off-Balance Sheet Exposures	2,765,787	29,606	2,795,393

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ASIAN FINANCE BANK BERHAD
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33. Capital adequacy (continued)

Contractual Maturity of Gross Credit Exposures

	One Year or Less RM'000	Over One Year to Five Years RM'000	Over Five Years RM'000	Total RM'000
Economic Entity and Bank				
2015				
Exposure Class				
Gross Credit Exposures				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	-	-	-	-
Banks, MDBs and FDIs	100,086	19,620	-	119,706
Corporates	1,293,284	599,913	205,849	2,099,046
Regulatory Retail	574	1,070	21,927	23,571
Other Assets	-	-	-	-
Total for On-Balance Sheet Exposures	1,393,944	620,603	227,776	2,242,323
Off-Balance Sheet Exposures				
Off balance sheet exposures other than OTC derivatives or credit derivatives	543,882	3,000	6,188	553,070
Total for Off-Balance Sheet Exposures	543,882	3,000	6,188	553,070
Total On and Off-Balance Sheet Exposures	1,937,826	623,603	233,964	2,795,393

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ASIAN FINANCE BANK BERHAD
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33. Capital adequacy (continued)

Disclosure of rated and unrated exposures according to rating by ECAIs

Economic Entity and Bank
2016

Exposure Class	Rating of Corporate by approved ECAIs					
	MOODY'S	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	FITCH	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance Sheet Exposures **Credit exposure (using Corporate Risk Weights)**						
Public Sector Entity (applicable for entities risk weighted based on their external rating as	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Corporates	-	264,511,050	-	-	-	19,734,400
Total	-	264,511,050	-	-	-	19,734,400

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ASIAN FINANCE BANK BERHAD
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33. Capital adequacy (continued)

<u>Disclosure of rated and unrated exposures according to rating by ECAIs (continued)</u>

Economic Entity and Bank
2016

Exposure Class	Rating of Sovereign Central Banks by approved ECAIs					
	MOODY'S	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	FITCH	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance Sheet Exposures						
Sovereign Central Banks	-	-	-	-	-	-
Total	-	-	-	-	-	-

Exposure Class	Rating of Banking Institutions by approved ECAIs					
	MOODY'S	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	FITCH	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance Sheet Exposures						
Banks, MDBs and FDI	-	19,734,400	-	-	-	-
Total	-	19,734,400	-	-	-	-

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33. Capital adequacy (continued)

Disclosure of rated and unrated exposures according to rating by ECAIs

Economic Entity and Bank
2015

Exposure Class	Rating of Corporate by approved ECAIs					
	MOODY'S	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	FITCH	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance Sheet Exposures **Credit exposure (using Corporate Risk Weights)**						
Public Sector Entity (applicable for entities risk weighted based on their external rating as	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Corporates	-	485,163,134	-	-	-	250,016,593
Total	-	485,163,134	-	-	-	250,016,593

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33. Capital adequacy (continued)

Disclosure of rated and unrated exposures according to rating by ECAIs (continued)

Economic Entity and Bank
2015

Exposure Class	Rating of Sovereign Central Banks by approved ECAIs					
	MOODY'S	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	FITCH	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance Sheet Exposures						
Sovereign Central Banks	-	-	-	-	-	-
Total	-	-	-	-	-	-

Exposure Class	Rating of Banking Institutions by approved ECAIs					
	MOODY'S	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	FITCH	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance Sheet Exposures						
Banks, MDBs and FDI	-	19,620,000	-	-	-	-
Total	-	19,620,000	-	-	-	-

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ASIAN FINANCE BANK BERHAD
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Pillar 3, Basel II - Capital Adequacy Framework for Islamic Banks (CAFIB) Disclosures - Chief Executive Officer Attestation

In accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank (CAFIB) Pillar 3 Disclosure Requirement, it is hereby attested that the disclosures as set forth in the accompanying notes to the financial statements related to significant business and operations risks of Asian Finance Bank Berhad for the financial year ended 31 December 2016 are consistent with the manner in which the Bank assesses and manages its risks, and are not misleading in any particular way.

....
KHALID MAHMOOD BHAIMIA
CHIEF EXECUTIVE OFFICER