

MBSB BANK BERHAD 200501033981 (716122-P)
(Incorporated in Malaysia)

BASEL II PILLAR 3 - CAPITAL ADEQUACY FRAMEWORK FOR ISLAMIC BANKS ("CAFIB") DISCLOSURES
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

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

Overview

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 38 to the Financial Statements for the year ended 31 December 2019 for MBSB Bank Berhad.

The Pillar 3 disclosure requirements aim to enhance transparency by setting the minimum requirements for disclosure of information on risk management practices and capital adequacy of Islamic Banks. In compliance with the disclosure requirements by BNM, the Pillar 3 disclosure of the Bank Group is prepared for 2 periods: 30 June and 31 December. This disclosure is also made available under the Financial Statements section of the Bank's website at www.mbsbbank.com.

Capital Adequacy

The capital adequacy ratios of MBSB Bank Berhad ("Bank") and its subsidiary ("Bank Group") and the Financial Holding Company and its subsidiaries ("Group") are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) guideline.

The Group and the Bank Group have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

The capital adequacy ratios of the Group and the Bank Group consist of capital base and risk-weighted assets derived from consolidated balances of the Group and its subsidiaries. The Group's capital requirements are generally based on the principles of consolidation adopted in the preparation of the financial statements, as discussed in Note 1 to the Financial Statements for the year ended 31 December 2019.

During the financial year, the Group and the Bank Group did not experience any restrictions or other major impediments on the transfer of funds or regulatory capital within the Group.

Capital management

The Group's and the Bank Group'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 Group and the Bank operate;
- To safeguard the Group's and the Bank's 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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Capital adequacy (continued)

	MBSB Bank Group		MBSB Bank	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
<u>CET1 Capital</u>				
Paid-up ordinary share capital	5,159,859	4,625,859	5,159,859	4,625,859
Accumulated profit/(loss)	875,072	324,224	728,583	259,543
Fair value reserves	155,090	10,708	155,090	10,708
Regulatory reserve	5,234	5,234	5,234	5,234
	6,195,255	4,966,025	6,048,766	4,901,344
Less : CET1 regulatory adjustments				
Deferred tax assets	-	-	-	-
Intangible assets	(115,559)	(104,692)	(115,559)	(104,692)
Cumulative (gains)/losses of FVOCI financial instruments	(114,082)	(8,152)	(114,082)	(8,152)
Regulatory reserve attributable to financing	(5,234)	(5,234)	(5,234)	(5,234)
Total CET1 capital	5,960,380	4,847,947	5,813,891	4,783,266
<u>Tier 1 Capital</u>				
Additional Tier 1 capital instruments	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-
Total Tier 1 capital	5,960,380	4,847,947	5,813,891	4,783,266
<u>Tier II Capital</u>				
Stage 1 & Stage 2 expected credit loss allowances	463,664	439,855	494,693	474,812
Additional Tier II capital instruments	1,293,075		1,293,075	
Regulatory reserve	5,234	5,234	5,234	5,234
Total Tier II capital	1,761,973	445,089	1,793,002	480,046
Total capital base	7,722,353	5,293,036	7,606,893	5,263,311
Breakdown of risk weighted assets in various categories of risk weights are as follows:				
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
<u>Total risk weighted assets ("RWA")</u>				
- Credit risk	37,511,800	35,607,133	39,994,106	38,403,661
- Market risk	33,759	2,136	33,759	2,136
- Operational risk	1,331,960	619,526	1,227,512	573,889
Total RWA	38,877,519	36,228,795	41,255,377	38,979,686
<u>Capital ratios</u>				
CET1 capital ratio	15.331%	13.381%	14.092%	12.271%
Tier 1 capital ratio	15.331%	13.381%	14.092%	12.271%
Total capital ratio	19.863%	14.610%	18.439%	13.503%

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Capital adequacy (continued)

MBSB Bank Group

31-Dec-19 <u>Exposure Class</u>	Exposures Pre CRM RM'000	Exposures Post CRM 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
<u>Credit Risk</u>						
<i>On-Balance Sheet Exposures</i>						
Sovereigns & Central Banks	10,773,852	10,773,852	-	-	-	-
Banks, MDBs and FDIs	1,084,703	1,084,703	200,657	-	200,657	16,053
Corporates	11,496,099	11,496,099	9,869,298	-	9,869,298	789,544
Regulatory Retail	25,099,153	25,099,153	24,602,389	-	24,602,389	1,968,191
Residential Real Estate Financing	-	-	-	-	-	-
Other Assets	881,410	881,410	773,006	-	773,006	61,840
Total for On-Balance Sheet Exposures	49,335,217	49,335,217	35,445,350	-	35,445,350	2,835,628
<i>Off-Balance Sheet Exposures</i>						
Off balance sheet exposures other than OTC derivatives or credit derivatives	5,069,104	2,127,039	2,066,450	-	2,066,450	165,316
Total for Off-Balance Sheet Exposures	5,069,104	2,127,039	2,066,450	-	2,066,450	165,316
Total On and Off-Balance Sheet Exposures	54,404,321	51,462,256	37,511,800	-	37,511,800	3,000,944
<u>Market Risk</u>						
	Long Position	Short Position				
Benchmark Rate Risk	-	-	-	-	-	-
Equity Position Risk	-	-	-	-	-	-
Foreign Currency Risk	33,759	(7,330)	33,759	33,759	33,759	2,701
Operational Risk	-	-	-	1,331,960	1,331,960	106,557
Total RWA and Capital Requirements	54,438,080	54,396,991	51,496,015	38,877,519	38,877,519	3,110,202

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Capital adequacy (continued)**MBSB Bank Group****31-Dec-19**

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

<u>Risk Weights</u>	<u>Sovereigns & Central Banks</u>		<u>Banks, MDBs and FDIs</u>		<u>Corporates</u>	
	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>
Performing Exposures						
0%	10,773,852	-	93,824	-	1,479,312	-
20%	-	-	989,785	197,957	583,141	116,628
50%	-	-	8,270	4,135	-	-
75%	-	-	-	-	-	-
100%	-	-	-	-	10,604,156	10,604,156
150%	-	-	-	-	458,506	687,759
Total	10,773,852	-	1,091,879	202,092	13,125,115	11,408,543
Defaulted Exposures						
0%	-	-	-	-	-	-
50%	-	-	-	-	28,040	14,020
100%	-	-	-	-	36,681	36,681
150%	-	-	-	-	207,581	311,372
Total	-	-	-	-	272,302	362,073
Total Performing and Defaulted Exposures	10,773,852	-	1,091,879	202,092	13,397,417	11,770,616

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Capital adequacy (continued)

MBSB Bank Group
31-Dec-19

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

Risk Weights	Regulatory Retail*		Residential Real Estate Financing		Other Assets		Total Exposure	Total Risk Weighted Assets
	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>
Performing Exposures								
0%	-	-	-	-	108,404	-	12,455,392	-
20%	-	-	-	-	-	-	1,572,926	314,585
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	8,270	4,135
75%	1,941,328	1,455,996	-	-	-	-	1,941,328	1,455,996
100%	23,242,177	23,242,177	-	-	773,006	773,006	34,619,339	34,619,339
150%	-	-	-	-	-	-	458,506	687,759
Total	25,183,505	24,698,173	-	-	881,410	773,006	51,055,761	37,081,814
Defaulted Exposures								
0%	-	-	-	-	-	-	-	-
50%	132,659	66,330	-	-	-	-	160,699	80,350
100%	1,435	1,435	-	-	-	-	38,116	38,116
150%	99	149	-	-	-	-	207,680	311,520
Total	134,193	67,913	-	-	-	-	406,495	429,986
Total Performing and Defaulted Exposures	25,317,698	24,766,086	-	-	881,410	773,006	51,462,256	37,511,800

* Property financing exposures are included herein.

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Capital adequacy (continued)**Geographic Distribution of Gross Credit Exposures**

	Inside Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
<u>MBSB Bank Group</u>			
31-Dec-19			
<u>Exposure Class</u>			
<u>Gross Credit Exposures</u>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns & Central Banks	10,773,852	-	10,773,852
Banks, MDBs and FDIs	1,075,904	8,799	1,084,703
Corporates	11,455,151	40,948	11,496,099
Regulatory Retail	25,099,153	-	25,099,153
Residential Real Estate Financing	-	-	-
Other Assets	881,410	-	881,410
Total for On-Balance Sheet Exposures	49,285,470	49,747	49,335,217
<i>Off-Balance Sheet Exposures</i>			
Off balance sheet exposures other than OTC derivatives or credit derivatives	5,069,104	-	5,069,104
Total for Off-Balance Sheet Exposures	5,069,104	-	5,069,104
Total On and Off-Balance Sheet Exposures	54,354,574	49,747	54,404,321

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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
<u>MBSB Bank Group</u>				
31-Dec-19				
<u>Exposure Class</u>				
<u>Gross Credit Exposures</u>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns & Central Banks	2,832,969	2,446,436	5,494,447	10,773,852
Banks, MDBs and FDIs	922,739	135,017	26,947	1,084,703
Corporates	2,472,140	4,317,615	4,706,344	11,496,099
Regulatory Retail	26,811	940,044	24,132,298	25,099,153
Residential Real Estate Financing	-	-	-	-
Other Assets	881,410	-	-	881,410
Total for On-Balance Sheet Exposures	<u>7,136,069</u>	<u>7,839,112</u>	<u>34,360,036</u>	<u>49,335,217</u>
<i>Off-Balance Sheet Exposures</i>				
Off balance sheet exposures other than OTC derivatives or credit derivatives	1,815,550	3,181,554	72,000	5,069,104
Total for Off-Balance Sheet Exposures	<u>1,815,550</u>	<u>3,181,554</u>	<u>72,000</u>	<u>5,069,104</u>
Total On and Off-Balance Sheet Exposures	<u>8,951,619</u>	<u>11,020,666</u>	<u>34,432,036</u>	<u>54,404,321</u>

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Capital adequacy (continued)

MBSB Bank Group

31-Dec-18 <u>Exposure Class</u>	Exposures Pre CRM RM'000	Exposures Post CRM 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
<u>Credit Risk</u>						
<i>On-Balance Sheet Exposures</i>						
Sovereigns & Central Banks	6,275,006	6,275,006	-	-	-	-
Banks, MDBs and FDIs	870,270	870,270	181,288	-	181,288	14,503
Corporates	10,681,250	10,681,250	8,138,938	-	8,138,938	651,115
Regulatory Retail	24,850,086	24,850,086	23,714,796	-	23,714,796	1,897,184
Residential Real Estate Financing	-	-	-	-	-	-
Other Assets	900,699	900,699	779,086	-	779,086	62,327
Total for On-Balance Sheet Exposures	43,577,311	43,577,311	32,814,108	-	32,814,108	2,625,129
<i>Off-Balance Sheet Exposures</i>						
Off balance sheet exposures other than OTC derivatives or credit derivatives	6,078,480	2,817,733	2,793,025	-	2,793,025	223,442
Total for Off-Balance Sheet Exposures	6,078,480	2,817,733	2,793,025	-	2,793,025	223,442
Total On and Off-Balance Sheet Exposures	49,655,791	46,395,044	35,607,133	-	35,607,133	2,848,571
<u>Market Risk</u>						
	Long Position	Short Position				
Benchmark Rate Risk	-	-	-	-	-	-
Equity Position Risk	-	-	-	-	-	-
Foreign Currency Risk	2,136	-	1,030	2,136	2,136	171
Operational Risk	-	-	-	619,526	619,526	49,562
Total RWA and Capital Requirements	49,657,927	49,655,791	46,396,074	36,228,795	36,228,795	2,898,304

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Capital adequacy (continued)

MBSB Bank Group

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

31-Dec-18

Risk Weights

	Sovereigns & Central Banks		Banks, MDBs and FDIs		Corporates	
	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>
Performing Exposures						
0%	6,275,006	-	40,729	-	1,841,562	-
20%	-	-	778,308	155,662	1,004,824	200,965
50%	-	-	51,465	25,733	-	-
75%	-	-	-	-	-	-
100%	-	-	19	19	10,259,704	10,259,704
150%	-	-	-	-	55,797	83,696
Total	6,275,006	-	870,521	181,413	13,161,887	10,544,364
Defaulted Exposures						
0%	-	-	-	-	-	-
50%	-	-	-	-	7,274	3,637
100%	-	-	-	-	74,334	74,334
150%	-	-	-	-	157,693	236,540
Total	-	-	-	-	239,301	314,511
Total Performing and Defaulted Exposures	6,275,006	-	870,521	181,413	13,401,188	10,858,875

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Capital adequacy (continued)

MBSB Bank Group

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

31-Dec-18

<u>Risk Weights</u>	Regulatory Retail*		Residential Real Estate Financing		Other Assets		Total Exposure	Total Risk Weighted Assets
	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset
Performing Exposures								
0%	-	-	-	-	121,613	-	8,278,910	-
20%	-	-	-	-	-	-	1,783,132	356,626
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	51,465	25,733
75%	4,406,969	3,305,227	-	-	-	-	4,406,969	3,305,227
100%	20,422,767	20,422,767	-	-	779,086	779,086	31,461,576	31,461,576
150%	-	-	-	-	-	-	55,797	83,696
Total	24,829,736	23,727,994	-	-	900,699	779,086	46,037,849	35,232,857
Defaulted Exposures								
0%	(1,492)	-	-	-	-	-	(1,492)	-
50%	119,157	59,579	-	-	-	-	126,431	63,216
100%	313	313	-	-	-	-	74,647	74,647
150%	(84)	(126)	-	-	-	-	157,609	236,414
Total	117,894	59,766	-	-	-	-	357,195	374,276
Total Performing and Defaulted Exposures	24,947,630	23,787,759	-	-	900,699	779,086	46,395,044	35,607,133

* Property financing exposures are included herein.

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Capital adequacy (continued)**Geographic Distribution of Gross Credit Exposures**

	Inside Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
<u>MBSB Bank Group</u>			
31-Dec-18			
<u>Exposure Class</u>			
<u>Gross Credit Exposures</u>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns & Central Banks	6,275,006	-	6,275,006
Banks, MDBs and FDIs	818,007	52,263	870,270
Corporates	10,640,507	40,743	10,681,250
Regulatory Retail	24,848,971	1,115	24,850,086
Residential Real Estate Financing	-	-	-
Other Assets	900,699	-	900,699
Total for On-Balance Sheet Exposures	<u>43,483,190</u>	<u>94,121</u>	<u>43,577,311</u>
<i>Off-Balance Sheet Exposures</i>			
Off balance sheet exposures other than OTC derivatives or credit derivatives	6,078,229	251	6,078,480
Total for Off-Balance Sheet Exposures	<u>6,078,229</u>	<u>251</u>	<u>6,078,480</u>
Total On and Off-Balance Sheet Exposures	<u><u>49,561,419</u></u>	<u><u>94,372</u></u>	<u><u>49,655,791</u></u>

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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
<u>MBSB Bank Group</u>				
31-Dec-18				
<u>Exposure Class</u>				
<u>Gross Credit Exposures</u>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns & Central Banks	4,229,972	841,234	1,203,800	6,275,006
Banks, MDBs and FDIs	829,541	40,729	-	870,270
Corporates	1,831,088	4,590,113	4,260,050	10,681,250
Regulatory Retail	23,370	743,119	24,083,596	24,850,086
Residential Real Estate Financing	-	-	-	-
Other Assets	900,699	-	-	900,699
Total for On-Balance Sheet Exposures	<u>7,814,668</u>	<u>6,215,196</u>	<u>29,547,446</u>	<u>43,577,311</u>
<i>Off-Balance Sheet Exposures</i>				
Off balance sheet exposures other than OTC derivatives or credit derivatives	1,487,798	4,369,865	220,817	6,078,480
Total for Off-Balance Sheet Exposures	<u>1,487,798</u>	<u>4,369,865</u>	<u>220,817</u>	<u>6,078,480</u>
Total On and Off-Balance Sheet Exposures	<u><u>9,302,466</u></u>	<u><u>10,585,061</u></u>	<u><u>29,768,262</u></u>	<u><u>49,655,791</u></u>

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Capital adequacy (continued)

MBSB Bank

31-Dec-19 <u>Exposure Class</u>	Exposures Pre CRM RM'000	Exposures Post CRM 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
<u>Credit Risk</u>						
<i>On-Balance Sheet Exposures</i>						
Sovereigns & Central Banks	10,773,852	10,773,852	-	-	-	-
Banks, MDBs and FDIs	211,187	211,187	25,954	-	25,954	2,076
Corporates	14,114,590	14,114,590	12,487,789	-	12,487,789	999,023
Regulatory Retail	25,099,153	25,099,153	24,602,389	-	24,602,389	1,968,191
Residential Real Estate Financing	-	-	-	-	-	-
Other Assets	917,673	917,673	811,524	-	811,524	64,922
Total for On-Balance Sheet Exposures	51,116,455	51,116,455	37,927,656	-	37,927,656	3,034,212
<i>Off-Balance Sheet Exposures</i>						
Off balance sheet exposures other than OTC derivatives or credit derivatives	5,069,104	2,127,039	2,066,450	-	2,066,450	165,316
Total for Off-Balance Sheet Exposures	5,069,104	2,127,039	2,066,450	-	2,066,450	165,316
Total On and Off-Balance Sheet Exposures	56,185,559	53,243,494	39,994,106	-	39,994,106	3,199,528
<u>Market Risk</u>						
	Long Position	Short Position				
Benchmark Rate Risk	-	-	-	-	-	-
Equity Position Risk	-	-	-	-	-	-
Foreign Currency Risk	33,759	(7,330)	33,759	33,759	33,759	2,701
Operational Risk	-	-	-	1,227,512	1,227,512	98,201
Total RWA and Capital Requirements	56,219,318	56,178,229	53,277,253	41,255,377	41,255,377	3,300,430

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Capital adequacy (continued)**MBSB Bank****31-Dec-19**

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

<u>Risk Weights</u>	Sovereigns & Central Banks		Banks, MDBs and FDIs		Corporates	
	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>
Performing Exposures						
0%	10,773,852	-	93,824	-	1,479,312	-
20%	-	-	116,270	23,254	583,141	116,628
50%	-	-	8,270	4,135	-	-
75%	-	-	-	-	-	-
100%	-	-	-	-	13,222,647	13,222,647
150%	-	-	-	-	458,506	687,759
Total	10,773,852	-	218,364	27,389	15,743,606	14,027,034
Defaulted Exposures						
0%	-	-	-	-	-	-
50%	-	-	-	-	28,040	14,020
100%	-	-	-	-	36,681	36,681
150%	-	-	-	-	207,581	311,372
Total	-	-	-	-	272,302	362,073
Total Performing and Defaulted Exposures	10,773,852	-	218,364	27,389	16,015,908	14,389,107

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Capital adequacy (continued)

MBSB Bank
31-Dec-19

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

<u>Risk Weights</u>	Regulatory Retail*		Residential Real Estate Financing		Other Assets		Total Exposure	Total Risk Weighted Assets
	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset
Performing Exposures								
0%	-	-	-	-	106,148	-	12,453,136	-
20%	-	-	-	-	-	-	699,411	139,882
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	8,270	4,135
75%	1,941,328	1,455,996	-	-	-	-	1,941,328	1,455,996
100%	23,242,177	23,242,177	-	-	811,524	811,524	37,276,348	37,276,348
150%	-	-	-	-	-	-	458,506	687,759
Total	25,183,505	24,698,173	-	-	917,672	811,524	52,836,999	39,564,120
Defaulted Exposures								
0%	-	-	-	-	-	-	-	-
50%	132,659	66,330	-	-	-	-	160,699	80,350
100%	1,435	1,435	-	-	-	-	38,116	38,116
150%	99	149	-	-	-	-	207,680	311,520
Total	134,193	67,913	-	-	-	-	406,495	429,986
Total Performing and Defaulted Exposures	25,317,698	24,766,086	-	-	917,672	811,524	53,243,494	39,994,106

* Property financing exposures are included herein.

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Capital adequacy (continued)**Geographic Distribution of Gross Credit Exposures**

	Inside Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
<u>MBSB Bank</u>			
31-Dec-19			
<u>Exposure Class</u>			
<u>Gross Credit Exposures</u>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns & Central Banks	10,773,852	-	10,773,852
Banks, MDBs and FDIs	202,388	8,799	211,187
Corporates	14,073,642	40,948	14,114,590
Regulatory Retail	25,099,153	-	25,099,153
Residential Real Estate Financing	-	-	-
Other Assets	917,673	-	917,673
Total for On-Balance Sheet Exposures	51,066,708	49,747	51,116,455
<i>Off-Balance Sheet Exposures</i>			
Off balance sheet exposures other than OTC derivatives or credit derivatives	5,069,104	-	5,069,104
Total for Off-Balance Sheet Exposures	5,069,104	-	5,069,104
Total On and Off-Balance Sheet Exposures	56,135,812	49,747	56,185,559

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

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
<u>MBSB Bank</u>				
31-Dec-19				
<u>Exposure Class</u>				
<u>Gross Credit Exposures</u>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns & Central Banks	2,832,969	2,446,436	5,494,447	10,773,852
Banks, MDBs and FDIs	49,224	135,017	26,946	211,187
Corporates	2,830,296	5,530,306	5,753,988	14,114,590
Regulatory Retail	26,811	940,044	24,132,298	25,099,153
Residential Real Estate Financing	-	-	-	-
Other Assets	917,673	-	-	917,673
Total for On-Balance Sheet Exposures	6,656,973	9,051,803	35,407,679	51,116,455
<i>Off-Balance Sheet Exposures</i>				
Off balance sheet exposures other than OTC derivatives or credit derivatives	1,815,549	3,181,555	72,000	5,069,104
Total for Off-Balance Sheet Exposures	1,815,549	3,181,555	72,000	5,069,104
Total On and Off-Balance Sheet Exposures	8,472,522	12,233,358	35,479,679	56,185,559

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Capital adequacy (continued)

MBSB Bank

31-Dec-18 <u>Exposure Class</u>	Exposures Pre CRM RM'000	Exposures Post CRM 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
<u>Credit Risk</u>						
<i>On-Balance Sheet Exposures</i>						
Sovereigns & Central Banks	6,275,006	6,275,006	-	-	-	-
Banks, MDBs and FDIs	95,372	95,372	26,308	-	26,308	2,105
Corporates	13,605,985	13,605,985	11,063,672	-	11,063,672	885,094
Regulatory Retail	24,850,085	24,850,085	23,714,796	-	23,714,796	1,897,184
Residential Real Estate Financing	-	-	-	-	-	-
Other Assets	922,519	922,519	805,858	-	805,858	64,469
Total for On-Balance Sheet Exposures	45,748,967	45,748,967	35,610,634	-	35,610,634	2,848,851
<i>Off-Balance Sheet Exposures</i>						
Off balance sheet exposures other than OTC derivatives or credit derivatives	6,078,480	2,817,733	2,793,025	-	2,793,025	223,442
Total for Off-Balance Sheet Exposures	6,078,480	2,817,733	2,793,025	-	2,793,025	223,442
Total On and Off-Balance Sheet Exposures	51,827,446	48,566,700	38,403,661	-	38,403,661	3,072,293
<u>Market Risk</u>						
	Long Position	Short Position				
Benchmark Rate Risk	-	-	-	-	-	-
Equity Position Risk	-	-	-	-	-	-
Foreign Currency Risk	2,136	-	1,030	2,136	2,136	171
Operational Risk	-	-	-	573,889	573,889	45,911
Total RWA and Capital Requirements	51,829,582	51,827,446	48,567,730	38,979,686	38,979,686	3,118,375

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Capital adequacy (continued)

MBSB Bank

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

31-Dec-18

Risk Weights

	Sovereigns & Central Banks		Banks, MDBs and FDIs		Corporates	
	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>
Performing Exposures						
0%	6,275,006	-	40,729	-	1,841,562	-
20%	-	-	3,411	682	1,004,824	200,965
50%	-	-	51,465	25,732	-	-
75%	-	-	-	-	-	-
100%	-	-	19	19	13,184,438	13,184,438
150%	-	-	-	-	55,797	83,696
Total	6,275,006	-	95,623	26,434	16,086,621	13,469,099
Defaulted Exposures						
0%	-	-	-	-	-	-
50%	-	-	-	-	7,274	3,637
100%	-	-	-	-	74,334	74,334
150%	-	-	-	-	157,693	236,539
Total	-	-	-	-	239,301	314,510
Total Performing and Defaulted Exposures	6,275,006	-	95,623	26,434	16,325,921	13,783,609

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Capital adequacy (continued)

MBSB Bank

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

31-Dec-18

Risk Weights	Regulatory Retail*		Residential Real Estate Financing		Other Assets		Total Exposure	Total Risk Weighted Assets
	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset
Performing Exposures								
0%	-	-	-	-	116,660	-	8,273,956	-
20%	-	-	-	-	-	-	1,008,234	201,647
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	51,465	25,732
75%	4,406,969	3,305,227	-	-	-	-	4,406,969	3,305,227
100%	20,422,767	20,422,767	-	-	805,858	805,858	34,413,083	34,413,083
150%	-	-	-	-	-	-	55,797	83,696
Total	24,829,736	23,727,994	-	-	922,519	805,858	48,209,504	38,029,385
Defaulted Exposures								
0%	(1,492)	-	-	-	-	-	(1,492)	-
50%	119,158	59,579	-	-	-	-	126,432	63,216
100%	313	313	-	-	-	-	74,647	74,647
150%	(84)	(126)	-	-	-	-	157,609	236,413
Total	117,895	59,766	-	-	-	-	357,196	374,276
Total Performing and Defaulted Exposures	24,947,631	23,787,759	-	-	922,519	805,858	48,566,700	38,403,661

* Property financing exposures are included herein.

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Capital adequacy (continued)**Geographic Distribution of Gross Credit Exposures**

	Inside Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
<u>MBSB Bank</u>			
31-Dec-18			
<u>Exposure Class</u>			
<u>Gross Credit Exposures</u>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns & Central Banks	6,275,006	-	6,275,006
Banks, MDBs and FDIs	43,110	52,263	95,372
Corporates	13,565,242	40,743	13,605,985
Regulatory Retail	24,848,970	1,115	24,850,085
Residential Real Estate Financing	-	-	-
Other Assets	922,519	-	922,519
Total for On-Balance Sheet Exposures	<u>45,654,846</u>	<u>94,121</u>	<u>45,748,967</u>
<i>Off-Balance Sheet Exposures</i>			
Off balance sheet exposures other than OTC derivatives or credit derivatives	6,078,229	251	6,078,480
Total for Off-Balance Sheet Exposures	<u>6,078,229</u>	<u>251</u>	<u>6,078,480</u>
Total On and Off-Balance Sheet Exposures	<u>51,733,075</u>	<u>94,372</u>	<u>51,827,446</u>

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

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
<u>MBSB Bank</u>				
31-Dec-18				
<u>Exposure Class</u>				
<u>Gross Credit Exposures</u>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns & Central Banks	4,229,972	841,234	1,203,800	6,275,006
Banks, MDBs and FDIs	54,644	40,729	-	95,372
Corporates	2,175,007	5,859,825	5,571,153	13,605,985
Regulatory Retail	23,370	743,119	24,083,596	24,850,085
Residential Real Estate Financing	-	-	-	-
Other Assets	922,519	-	-	922,519
Total for On-Balance Sheet Exposures	<u>7,405,511</u>	<u>7,484,907</u>	<u>30,858,549</u>	<u>45,748,966</u>
<i>Off-Balance Sheet Exposures</i>				
Off balance sheet exposures other than OTC derivatives or credit derivatives	1,487,798	4,369,865	220,817	6,078,480
Total for Off-Balance Sheet Exposures	<u>1,487,798</u>	<u>4,369,865</u>	<u>220,817</u>	<u>6,078,480</u>
Total On and Off-Balance Sheet Exposures	<u><u>8,893,309</u></u>	<u><u>11,854,772</u></u>	<u><u>31,079,365</u></u>	<u><u>51,827,446</u></u>

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Capital adequacy (continued)**Interest Rate Risk/Rate of Return Risk ("IRR"/"RORR") in the Banking Book**

At the reporting date, if interest/profit rates had been 100 basis points lower/higher, with all other variables held constant, the Bank Group's and the Bank's net profit and shareholders' equity would have been as per the following table, arising mainly as a result of changes in interest expenses from floating rate borrowings and fixed deposits placed by customers and interest income from floating rate loans, financing and advances.

	Tax rate	MBSB Bank Group		MBSB Bank	
		+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
31-Dec-19					
Impact to profit before tax		(207,615)	207,615	(216,351)	216,351
Impact to profit after tax and equity	24%	(157,788)	157,788	(164,426)	164,426
31-Dec-18					
Impact to profit before tax		(169,568)	169,568	(177,317)	177,317
Impact to profit after tax and equity	24%	(128,872)	128,872	(134,761)	134,761

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Capital adequacy (continued)

Disclosure of rated and unrated exposures according to rating by ECAs

MBSB Bank Group

31-Dec-19

RM'000

Exposure Class	Rating of Corporate by approved ECAs					
	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
<u>On and Off Balance Sheet Exposures</u>						
<u>Credit exposure (using Corporate Risk Weights)</u>						
Public Sector Entity (applicable for entities risk weighted based on their external rating as	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Corporates	-	2,520,959	-	-	-	10,876,458
Total	-	2,520,959	-	-	-	10,876,458

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Capital adequacy (continued)

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

MBSB Bank Group

31-Dec-19

RM'000

Exposure Class	Rating of Sovereign Central Banks by approved ECAs					
	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
<u>On and Off Balance Sheet Exposures</u>						
Sovereign Central Banks	-	10,773,852	-	-	-	0
Total	-	10,773,852	-	-	-	0

Exposure Class	Rating of Banking Institutions by approved ECAs					
	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
<u>On and Off Balance Sheet Exposures</u>						
Banks, MDBs and FDI	-	210,093	7,959	244	-	873,583
Total	-	210,093	7,959	244	-	873,583

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Capital adequacy (continued)

Disclosure of rated and unrated exposures according to rating by ECAs

MBSB Bank Group

31-Dec-18

Exposure Class	Rating of Corporate by approved ECAs					
	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
<u>On and Off Balance Sheet Exposures</u>						
<u>Credit exposure (using Corporate Risk Weights)</u>						
Public Sector Entity (applicable for entities risk weighted based on their external rating as	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Corporates	-	278,801	-	-	-	10,402,449
Total	-	278,801	-	-	-	10,402,449

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Capital adequacy (continued)

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

MBSB Bank Group

31-Dec-18

Exposure Class	Rating of Sovereign Central Banks by approved ECAs					
	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
<u>On and Off Balance Sheet Exposures</u>						
Sovereign Central Banks	-	-	-	-	-	6,275,006
Total	-	-	-	-	-	6,275,006

Exposure Class	Rating of Banking Institutions by approved ECAs					
	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
<u>On and Off Balance Sheet Exposures</u>						
Banks, MDBs and FDI	-	-	-	-	-	870,270
Total	-	-	-	-	-	870,270

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Capital adequacy (continued)

Disclosure of rated and unrated exposures according to rating by ECAIs

MBSB Bank

31-Dec-19

RM'000

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
<u>On and Off Balance Sheet Exposures</u>						
<u>Credit exposure (using Corporate Risk Weights)</u>						
Public Sector Entity (applicable for entities risk weighted based on their external rating as	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Corporates	-	2,520,959	-	-	-	13,494,949
Total	-	2,520,959	-	-	-	13,494,949

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Capital adequacy (continued)

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

MBSB Bank

31-Dec-19

RM'000

Exposure Class	Rating of Sovereign Central Banks by approved ECAs					
	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
<u>On and Off Balance Sheet Exposures</u>						
Sovereign Central Banks	-	10,773,852	-	-	-	0
Total	-	10,773,852	-	-	-	0

Exposure Class	Rating of Banking Institutions by approved ECAs					
	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
<u>On and Off Balance Sheet Exposures</u>						
Banks, MDBs and FDI	-	210,093	7,959	244	-	67
Total	-	210,093	7,959	244	-	67

MBSB BANK BERHAD 200501033981 (716122-P)
(Incorporated in Malaysia)

Capital adequacy (continued)

Disclosure of rated and unrated exposures according to rating by ECAs

MBSB Bank
31-Dec-18

Exposure Class	Rating of Corporate by approved ECAs					
	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
<u>On and Off Balance Sheet Exposures</u>						
<u>Credit exposure (using Corporate Risk Weights)</u>						
Public Sector Entity (applicable for entities risk weighted based on their external rating as	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Corporates	-	278,801	-	-	-	13,327,184
Total	-	278,801	-	-	-	13,327,184

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Capital adequacy (continued)

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

MBSB Bank

31-Dec-18

Exposure Class	Rating of Sovereign Central Banks by approved ECAs					
	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
<u>On and Off Balance Sheet Exposures</u>						
Sovereign Central Banks	-	-	-	-	-	6,275,006
Total	-	-	-	-	-	6,275,006

Exposure Class	Rating of Banking Institutions by approved ECAs					
	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
<u>On and Off Balance Sheet Exposures</u>						
Banks, MDBs and FDI	-	-	-	-	-	95,372
Total	-	-	-	-	-	95,372

MBSB BANK BERHAD 200501033981 (716122-P)

(Incorporated in Malaysia)

Pillar 3, Basel II - Capital Adequacy Framework for Islamic Banks (CAFIB) Disclosures - President and 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 MBSB Bank Berhad for the financial period ended 31 December 2019 are consistent with the manner in which the Bank assesses and manages its risks, and are not misleading in any particular way.



DATUK SERI AHMAD ZAINI OTHMAN
PRESIDENT AND CHIEF EXECUTIVE OFFICER