

MBSB BANK BERHAD (716122-P)
(Formerly known as Asian Finance Bank Berhad)
(Incorporated in Malaysia)

BASEL II PILLAR 3 - CAPITAL ADEQUACY FRAMEWORK FOR ISLAMIC BANKS ("CAFIB") DISCLOSURES
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

MBSB BANK BERHAD (716122-P)
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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 37 to the Draft Audited Financial Statements for the year ended 31 December 2018 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 2 to the Draft Audited Financial Statements for the year ended 31 December 2018.

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.

Effective 1 January 2018, the Group and the Bank Group adopted MFRS 9 whereby exposures are now classified by Stage 1, Stage 2 and Stage 3. The impact is as discussed in Note 3 to the Draft Audited Financial Statements for the year ended 31 December 2018.

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-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
<u>CET1 Capital</u>				
Paid-up ordinary share capital	4,625,859	532,530	4,625,859	532,530
Accumulated profit/(loss)	324,224	(43,336)	259,543	(43,336)
Fair value reserves	10,708	41	10,708	41
Regulatory reserve	5,234	5,234	5,234	5,234
	4,966,025	494,469	4,901,344	494,469
Less : CET1 regulatory adjustments				
Deferred tax assets	-	(626)	-	(626)
Intangible assets	(104,692)	(1,620)	(104,692)	(1,620)
Cumulative (gains)/losses of FVOCI financial instruments	(8,152)	(30)	(8,152)	(30)
Regulatory reserve attributable to financing	(5,234)	(5,234)	(5,234)	(5,234)
Total CET1 capital	4,847,947	486,959	4,783,266	486,959
<u>Tier 1 Capital</u>				
Additional Tier 1 capital instruments	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-
Total Tier 1 capital	4,847,947	486,959	4,783,266	486,959
<u>Tier II Capital</u>				
Collective impairment/allowance for bad and doubtful financing ^	439,855	6,209	474,812	6,209
Regulatory reserve	5,234	5,234	5,234	5,234
Total Tier II capital	445,089	11,442	480,046	11,442
Total capital base	5,293,036	498,402	5,263,311	498,402
Breakdown of risk weighted assets in various categories of risk weights are as follows:				
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
<u>Total risk weighted assets ("RWA")</u>				
- Credit risk	35,607,133	1,511,253	38,403,661	1,511,253
- Market risk	2,136	9,836	2,136	9,836
- Operational risk	619,526	89,397	573,889	89,397
Total RWA	36,228,795	1,610,485	38,979,686	1,610,485
<u>Capital ratios</u>				
CET1 capital ratio	13.381%	30.236%	12.271%	30.236%
Tier 1 capital ratio	13.381%	30.236%	12.271%	30.236%
Total capital ratio	14.610%	30.947%	13.503%	30.947%

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

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Capital adequacy (continued)

MBSB Bank Group

31-Dec-18			Risk	Risk	Total Risk	Capital
<u>Exposure Class</u>	Exposures Pre CRM	Exposures Post CRM	Weighted Assets	Weighted Assets Absorbed by PSIA	Weighted Assets after effects of PSIA	Requirements
	RM'000	RM'000	RM'000	RM'000	RM'000	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
31-Dec-18

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%	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
31-Dec-18

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	<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%	-	-	-	-	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

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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	43,483,190	94,121	43,577,311
<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	6,078,229	251	6,078,480
Total On and Off-Balance Sheet Exposures	49,561,419	94,372	49,655,791

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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	7,814,668	6,215,196	29,547,446	43,577,311
<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	1,487,798	4,369,865	220,817	6,078,480
Total On and Off-Balance Sheet Exposures	9,302,466	10,585,061	29,768,262	49,655,791

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Capital adequacy (continued)

MBSB Bank Group

31-Dec-17 <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	-	-	-	-	-	-
Banks, MDBs and FDIs	19,916	19,916	-	-	-	-
Corporates	1,822,692	1,822,692	1,258,181	-	1,258,181	226,473
Regulatory Retail	20,788	20,788	17,074	-	17,074	3,073
Other Assets	-	-	-	-	-	-
Total for On-Balance Sheet Exposures	1,863,396	1,863,396	1,275,255	-	1,275,255	229,546
<i>Off-Balance Sheet Exposures</i>						
Off balance sheet exposures other than OTC derivatives or credit derivatives	598,062	241,828	235,997	-	235,997	42,479
Total for Off-Balance Sheet Exposures	598,062	241,828	235,997	-	235,997	42,479
Total On and Off-Balance Sheet Exposures	2,461,458	2,105,224	1,511,253	-	1,511,252	272,025
<u>Market Risk</u>						
	Long Position	Short Position				
Benchmark Rate Risk	-	-	-	-	-	-
Equity Position Risk	-	-	-	-	-	-
Foreign Currency Risk	9,836	-	9,836	9,836	9,836	1,770
Operational Risk	-	-	-	89,397	89,397	16,091
Total RWA and Capital Requirements	2,471,294	2,461,458	2,115,060	1,610,486	1,610,485	289,886

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Capital adequacy (continued)

MBSB Bank Group

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

31-Dec-17

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%	-	-	19,916	-	400,012	-
20%	-	-	3,780	756	285,252	57,050
50%	-	-	251	125	-	-
75%	-	-	-	-	-	-
100%	-	-	-	-	1,191,992	1,191,992
150%	-	-	-	-	115,139	172,709
Total	-	-	23,947	881	1,992,395	1,421,751
Defaulted Exposures						
0%	-	-	-	-	-	-
50%	-	-	-	-	30,576	15,288
100%	-	-	-	-	-	-
150%	-	-	-	-	37,493	56,239
Total	-	-	-	-	68,069	71,527
Total Performing and Defaulted Exposures	-	-	23,947	881	2,060,464	1,493,278

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Capital adequacy (continued)

MBSB Bank Group

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

31-Dec-17

<u>Risk Weights</u>	<u>Regulatory Retail</u>		<u>Total</u>	<u>Total Risk</u>
	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>	<u>Exposure</u> Exposures after Netting & CRM	<u>Assets</u> <i>Risk Weighted Asset</i>
Performing Exposures				
0%	-	-	419,928	-
20%	-	-	289,032	57,806
50%	-	-	251	125
75%	17,823	13,367	17,823	13,367
100%	-	-	1,191,992	1,191,992
150%	-	-	115,139	172,709
Total	17,823	13,367	2,034,165	1,435,999
Defaulted Exposures				
0%	-	-	-	-
50%	-	-	30,576	15,288
100%	1,520	1,520	1,520	1,520
150%	1,471	2,206	38,963	58,445
Total	2,991	3,726	71,059	75,253
Total Performing and Defaulted Exposures	20,814	17,093	2,105,224	1,511,253

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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-17			
<u>Exposure Class</u>			
<u>Gross Credit Exposures</u>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns & Central Banks	-	-	-
Banks, MDBs and FDIs	19,916	-	19,916
Corporates	1,822,692	-	1,822,692
Regulatory Retail	13,304	7,484	20,788
Other Assets	-	-	-
Total for On-Balance Sheet Exposures	<u>1,855,912</u>	<u>7,484</u>	<u>1,863,396</u>
<i>Off-Balance Sheet Exposures</i>			
Off balance sheet exposures other than OTC derivatives or credit derivatives	<u>597,766</u>	<u>296</u>	<u>598,062</u>
Total for Off-Balance Sheet Exposures	<u>597,766</u>	<u>296</u>	<u>598,062</u>
Total On and Off-Balance Sheet Exposures	<u><u>2,453,678</u></u>	<u><u>7,780</u></u>	<u><u>2,461,458</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-17				
<u>Exposure Class</u>				
<u>Gross Credit Exposures</u>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns & Central Banks	-	-	-	-
Banks, MDBs and FDIs	-	19,916	-	19,916
Corporates	843,860	862,012	116,821	1,822,693
Regulatory Retail	70	1,049	19,668	20,787
Other Assets	-	-	-	-
Total for On-Balance Sheet Exposures	<u>843,930</u>	<u>882,977</u>	<u>136,489</u>	<u>1,863,396</u>
<i>Off-Balance Sheet Exposures</i>				
Off balance sheet exposures other than OTC derivatives or credit derivatives	<u>524,464</u>	<u>22,781</u>	<u>50,817</u>	<u>598,062</u>
Total for Off-Balance Sheet Exposures	<u>524,464</u>	<u>22,781</u>	<u>50,817</u>	<u>598,062</u>
Total On and Off-Balance Sheet Exposures	<u><u>1,368,394</u></u>	<u><u>905,758</u></u>	<u><u>187,306</u></u>	<u><u>2,461,458</u></u>

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Capital adequacy (continued)

MBSB Bank

31-Dec-18			Risk	Risk	Total Risk	Capital
<u>Exposure Class</u>	Exposures Pre CRM	Exposures	Weighted	Weighted	Assets after	Requirements
	RM'000	Post CRM	Assets	Assets	effects of PSIA	RM'000
		RM'000	RM'000	RM'000	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

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Capital adequacy (continued)

MBSB Bank
31-Dec-18

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%	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 (716122-P)
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Capital adequacy (continued)

MBSB Bank
31-Dec-18

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%	-	-	-	-	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

MBSB BANK BERHAD (716122-P)
(Formerly known as Asian Finance Bank Berhad)
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Capital adequacy (continued)

Geographic Distribution of Gross Credit Exposures

	Inside Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
MBSB Bank			
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	45,654,846	94,121	45,748,967
<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	6,078,229	251	6,078,480
Total On and Off-Balance Sheet Exposures	51,733,075	94,372	51,827,446

MBSB BANK BERHAD (716122-P)
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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</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>8,893,309</u>	<u>11,854,772</u>	<u>31,079,365</u>	<u>51,827,446</u>

MBSB BANK BERHAD (716122-P)
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Capital adequacy (continued)

MBSB Bank

31-Dec-17 <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	-	-	-	-	-	-
Banks, MDBs and FDIs	19,916	19,916	-	-	-	-
Corporates	1,822,692	1,822,692	1,258,181	-	1,258,181	226,473
Regulatory Retail	20,788	20,788	17,074	-	17,074	3,073
Other Assets	-	-	-	-	-	-
Total for On-Balance Sheet Exposures	1,863,396	1,863,396	1,275,255	-	1,275,255	229,546
<i>Off-Balance Sheet Exposures</i>						
Off balance sheet exposures other than OTC derivatives or credit derivatives	598,062	241,828	235,997	-	235,997	42,479
Total for Off-Balance Sheet Exposures	598,062	241,828	235,997	-	235,997	42,479
Total On and Off-Balance Sheet Exposures	2,461,458	2,105,224	1,511,253	-	1,511,252	272,025
<u>Market Risk</u>						
	Long Position	Short Position				
Benchmark Rate Risk	-	-	-	-	-	-
Equity Position Risk	-	-	-	-	-	-
Foreign Currency Risk	9,836	-	9,836	9,836	9,836	1,770
Operational Risk	-	-	-	89,397	89,397	16,091
Total RWA and Capital Requirements	2,471,294	2,461,458	2,115,060	1,610,486	1,610,485	289,886

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Capital adequacy (continued)

MBSB Bank

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

31-Dec-17

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%	-	-	19,916	-	400,012	-
20%	-	-	3,780	756	285,252	57,050
50%	-	-	251	125	-	-
75%	-	-	-	-	-	-
100%	-	-	-	-	1,191,992	1,191,992
150%	-	-	-	-	115,139	172,709
Total	-	-	23,947	881	1,992,395	1,421,751
Defaulted Exposures						
0%	-	-	-	-	-	-
50%	-	-	-	-	30,576	15,288
100%	-	-	-	-	-	-
150%	-	-	-	-	37,493	56,239
Total	-	-	-	-	68,069	71,527
Total Performing and Defaulted Exposures	-	-	23,947	881	2,060,464	1,493,278

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Capital adequacy (continued)

MBSB Bank

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

31-Dec-17

<u>Risk Weights</u>	Regulatory Retail		Total Exposure	Total Risk Weighted Assets
	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset
Performing Exposures				
0%	-	-	419,928	-
20%	-	-	289,032	57,806
50%	-	-	251	125
75%	17,823	13,367	17,823	13,367
100%	-	-	1,191,992	1,191,992
150%	-	-	115,139	172,709
Total	17,823	13,367	2,034,165	1,435,999
Defaulted Exposures				
0%	-	-	-	-
50%	-	-	30,576	15,288
100%	1,520	1,520	1,520	1,520
150%	1,471	2,206	38,963	58,445
Total	2,991	3,726	71,059	75,253
Total Performing and Defaulted Exposures	20,814	17,093	2,105,224	1,511,252

MBSB BANK BERHAD (716122-P)
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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</u>			
<u>31-Dec-17</u>			
<u>Exposure Class</u>			
<u>Gross Credit Exposures</u>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns & Central Banks	-	-	-
Banks, MDBs and FDIs	19,916	-	19,916
Corporates	1,822,692	-	1,822,692
Regulatory Retail	13,304	7,484	20,788
Other Assets	-	-	-
Total for On-Balance Sheet Exposures	<u>1,855,912</u>	<u>7,484</u>	<u>1,863,396</u>
<i>Off-Balance Sheet Exposures</i>			
Off balance sheet exposures other than OTC derivatives or credit derivatives	597,766	296	598,062
Total for Off-Balance Sheet Exposures	<u>597,766</u>	<u>296</u>	<u>598,062</u>
Total On and Off-Balance Sheet Exposures	<u><u>2,453,678</u></u>	<u><u>7,780</u></u>	<u><u>2,461,458</u></u>

MBSB BANK BERHAD (716122-P)
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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</u>				
31-Dec-17				
<u>Exposure Class</u>				
<u>Gross Credit Exposures</u>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns & Central Banks	-	-	-	-
Banks, MDBs and FDIs	-	19,916	-	19,916
Corporates	843,860	862,012	116,821	1,822,693
Regulatory Retail	70	1,049	19,668	20,787
Other Assets	-	-	-	-
Total for On-Balance Sheet Exposures	<u>843,930</u>	<u>882,977</u>	<u>136,489</u>	<u>1,863,396</u>
<i>Off-Balance Sheet Exposures</i>				
Off balance sheet exposures other than OTC derivatives or credit derivatives	524,464	22,781	50,817	598,062
Total for Off-Balance Sheet Exposures	<u>524,464</u>	<u>22,781</u>	<u>50,817</u>	<u>598,062</u>
Total On and Off-Balance Sheet Exposures	<u><u>1,368,394</u></u>	<u><u>905,758</u></u>	<u><u>187,306</u></u>	<u><u>2,461,458</u></u>

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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.

	MBSB Bank Group		MBSB Bank	
	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Tax rate	RM'000	RM'000	RM'000	RM'000
2018				
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
2017				
Impact to profit before tax	7,008	(7,008)	7,008	(7,008)
Impact to profit after tax and equity	24% 5,326	(5,326)	5,326	(5,326)

MBSB BANK BERHAD (716122-P)

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Capital adequacy (continued)**Disclosure of rated and unrated exposures according to rating by ECAs****MBSB Bank Group****31-Dec-18****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	-	278,801	-	-	-	10,402,449
Total	-	278,801	-	-	-	10,402,449

MBSB BANK BERHAD (716122-P)

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Capital adequacy (continued)**Disclosure of rated and unrated exposures according to rating by ECAs (continued)****MBSB Bank Group****31-Dec-18****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	-	-	-	-	-	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

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Capital adequacy (continued)**Disclosure of rated and unrated exposures according to rating by ECAs****MBSB Bank Group**

31-Dec-17

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	-	400,391,741	-	-	-	400,011,790
Total	-	400,391,741	-	-	-	400,011,790

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Capital adequacy (continued)**Disclosure of rated and unrated exposures according to rating by ECAs (continued)****MBSB Bank Group**

31-Dec-17

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	-	-	-	-	-	-
Total	-	-	-	-	-	-

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	-	-	-	-	-	19,916,000
Total	-	-	-	-	-	19,916,000

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Capital adequacy (continued)**Disclosure of rated and unrated exposures according to rating by ECAs****MBSB Bank****31-Dec-18****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	-	278,801	-	-	-	13,327,184
Total	-	278,801	-	-	-	13,327,184

MBSB BANK BERHAD (716122-P)

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Capital adequacy (continued)**Disclosure of rated and unrated exposures according to rating by ECAs (continued)****MBSB Bank****31-Dec-18****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	-	-	-	-	-	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

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Capital adequacy (continued)**Disclosure of rated and unrated exposures according to rating by ECAs****MBSB Bank**

31-Dec-17

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	-	400,391,741	-	-	-	400,011,790
Total	-	400,391,741	-	-	-	400,011,790

MBSB BANK BERHAD (716122-P)

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Capital adequacy (continued)**Disclosure of rated and unrated exposures according to rating by ECAs (continued)****MBSB Bank**

31-Dec-17

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	-	-	-	-	-	-
Total	-	-	-	-	-	-

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	-	-	-	-	-	19,916,000
Total	-	-	-	-	-	19,916,000

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(Incorporated in Malaysia)

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 MBSB Bank Berhad (Formerly known as Asian Finance Bank Berhad) for the financial period ended 31 December 2018 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