

FREQUENTLY ASKED QUESTIONS (FAQ)

Please read this FAQ on the Conversion of Conversion of Home Leasing-*i* / Ijarah Term Financing-*i* Facility (under Shariah Principle of Ijarah Muntahiya Bitamlik) or Istisna' Ijarah / Home Leasing-*i* Facility (under Shariah principle of Ijarah Mausufah Fi Zimmah) (as the case may be) to Commodity Murabahah Property Financing-*i* (CMPF-*i*) – **For non-individual customer.**



1. What is the Conversion exercise all about?

MBSB Bank (Company No. 716122-P) ("MBSB Bank") is undertaking an exercise to streamline its Islamic Banking products to be in line with its current business direction.

In line with the above, your existing **Home Leasing-*i* / Ijarah Term Financing-*i* Facility (under Shariah Principle of Ijarah Muntahiya Bitamlik) or Istisna' Ijarah / Home Leasing-*i* Facility (under Shariah principle of Ijarah Mausufah Fi Zimmah)** (as the case may be) ("**Ijarah Facility**") will be converted to **Commodity Murabahah Property Financing-*i* Facility ("CMPF-*i*")** by **May 2019**.

2. What will happen to our existing Ijarah Facility?

Your existing Ijarah Facility will be converted to CMPF-*i*. MBSB Bank wishes to assure you that even with this exercise, you shall continue to enjoy the same or better benefits with CMPF-*i*.

3. What is the Shariah concept applicable under CMPF-*i*?

The Shariah concept applied is Tawarruq (also known as Commodity Murabahah) which comprises Murabahah and Wakalah contracts. Tawarruq means the arrangement that involves sale of an asset to the purchaser on a deferred basis and subsequent sale of the asset to a third party to obtain cash.

For this product, the Tawarruq arrangement shall be as follows:

MBSB Bank will sell the commodities to you on Murabahah basis at MBSB Bank's Selling Price on deferred payment. Under this arrangement, the purchase will be performed by MBSB Bank as your Purchase Agent. MBSB Bank will then sell the commodities to a third party in its capacity as your Sale Agent at an amount equivalent to the principal balance under your Ijarah Facility. The proceeds of the sale of the Commodities will then be used to settle the Ijarah Facility.

Murabahah refers to the selling of goods/assets at a price whereby the costs and profit margin (mark-up) are made known and agreed to by both parties. Wakalah refers to a contract in which a party mandates another party as his agent/wakeel to perform a particular task in matters that may be delegated voluntarily. In CMPF-*i* product, MBSB Bank will act as your Purchase and Sale Agent to complete the Tawarruq arrangement.

4. What will be the changes made to our Ijarah Facility account upon Conversion to CMPF-*i*?

Details	Ijarah Facility	CMPF- <i>i</i>
Nature of financing	Leasing	A sale-based financing with Selling Price computed at Contracted / Ceiling Rate
Underlying assets	The leased Property	Shariah compliant goods and all commodities acceptable to MBSB Bank purchased under the platform of any commodity trader appointed by MBSB Bank.
Financing amount	Financing amount granted by AFB as per the Letter of Offer	Only the remaining principal balance of your Ijarah Facility will be converted
Tenure	As per the Letter of Offer	On Conversion, your remaining financing tenure will remain the same.
Instalment	There will be NO CHANGE to your monthly commitment or instalment.	
Financing Account Number	The Financing Account number WILL BE CHANGED upon Conversion	

FREQUENTLY ASKED QUESTIONS (FAQ)

Please read this FAQ on the Conversion of Conversion of Home Leasing-*i* / Ijarah Term Financing-*i* Facility (under Shariah Principle of Ijarah Muntahiya Bitamlik) or Istisna' Ijarah / Home Leasing-*i* Facility (under Shariah principle of Ijarah Mausufah Fi Zimmah) (as the case may be) to Commodity Murabahah Property Financing-*i* (CMPF-*i*) – **For non-individual customer.**



Details	Ijarah Facility	CMPF- <i>i</i>
Profit Rate	<p>Profit rate charged is as per the Letter of Offer / notices</p> <p><u>Example:</u> BFR - 0.75% p.a. = 6.25%</p> <p>BFR - Base Financing Rate <i>Current Bank's BFR is 7.00% p.a.</i></p>	<p>Under CMPF-<i>i</i>, there will be two (2) rates for variable rate financing; Effective Profit Rate (EPR) and Ceiling/Contracted Rate (CPR).</p> <p>The EPR is as per the rate charged under your Ijarah Facility. Hence, there will be NO CHANGE to the rate upon Conversion.</p> <p>Example: BFR - 0.75% p.a. = 6.25%</p> <p>BFR - Base Financing Rate <i>Current Bank's BFR is 7.00% p.a.</i></p> <p>Since the CMPF-<i>i</i> is a sale-based financing, there will be a CPR of 15% p.a. to calculate the Selling Price.</p> <p>It also serves as a protection upon the fluctuation of MBSB Bank's BFR throughout the facility tenure.</p>
Selling Price	Not Applicable	Selling Price is computed based on the principal balance at the CPR and the remaining financing tenure.
Rebate / Ibra'	Not Applicable	For variable rate financing, MBSB Bank will grant rebate if the amount of profit calculated based on the EPR is lower than the CPR or upon settlement of any of the scenarios under item 9 (Rebate) below.
Late Payment Compensation (LPC) / Tawidh	As per the Letter of Offer	<p>To be synchronized with MBSB Bank:</p> <p>You shall be liable to pay the Bank Late Payment Compensation (<i>Ta'widh</i>) on any amount overdue as follows:</p> <ol style="list-style-type: none"> if default occurs during the tenure of the facility or any part thereof, at the rate of one per centum (1%) per annum on such overdue amount or calculated by such other method or rate as shall be stipulated by the Shariah Advisory Committee of BNM or MBSB Bank from time to time ; and if default occurs after the maturity of the facility or any part thereof, at the rate that shall not exceed the prevailing daily overnight Islamic Interbank Money Market Rate (IIMM) on the outstanding balance. <p>Late Payment Compensation (<i>Ta'widh</i>) shall not be compounded.</p>
Standing / Auto Debit Instructions	All existing standing / auto debit instructions (if any) will not be affected and shall continue .	
Other Charges	All outstanding ancillary charges (if any) such as renewal of fire takaful, will remain due until payment is made.	
Other Terms	As per Letter of Offer and/or security documents	<p>All other terms, save for terms in contradiction with the Shariah principles, remain unchanged, together with terms stipulated in the Addendum, Annexure and Tawarruq Transaction Documents.</p> <p>However, as the converted financing is a sale-based financing based on Shariah concept of Tawarruq, terms and new transactional documents for Commodities trading shall be applied as per the Tawarruq Transaction Documents.</p>

FREQUENTLY ASKED QUESTIONS (FAQ)

Please read this FAQ on the Conversion of Conversion of Home Leasing-*i* / Ijarah Term Financing-*i* Facility (under Shariah Principle of Ijarah Muntahiya Bitamlik) or Istisna' Ijarah / Home Leasing-*i* Facility (under Shariah principle of Ijarah Mausufah Fi Zimmah) (as the case may be) to Commodity Murabahah Property Financing-*i* (CMPF-*i*) – **For non-individual customer.**



Details	CMPF- <i>i</i>	Ijarah Facility
Costs	Not applicable	There will be NO COSTS to be borne by you for the Conversion
Payment Due Date	As per the notification by the Bank	Payment due date will be on the 1st of every month

5. What happens to our existing takaful coverage taken under the Ijarah Facility account?

- ✓ **Mortgage Reducing Term Takaful (MRTT)**
The existing coverage remains unchanged. You shall continue to enjoy the same coverage as per your Ijarah Facility.
- ✓ **Fire Takaful Policy**
The existing coverage remains unchanged. Upon yearly renewal, MBSB Bank will arrange on your behalf, for the property to be covered according to its reinstatement value against fire and other contingencies as may be required by MBSB Bank.

6. What are our obligations after the Effective Date of the Conversion?

Other than the change in your payment due date, you will continue to hold the same obligations of servicing the same amount of instalment until maturity of the facility.

7. Do we need to issue a new Board Resolution for the Conversion of Ijarah Term Financing-*i* to CMPF-*i*?

A new Board Resolution is not required for the Conversion.

8. What are we required to do upon receiving the Specific Notice ("Notice) for Conversion?

MBSB Bank will issue a Specific Notice ("Notice") explaining the details of the Conversion process and specimen Addendum to the existing Ijarah Term Financing-*i* instruments and other security documents to the affected customers. Upon receipt of the Notice,

- i) **If you wish to proceed with the Conversion**, you are required to signify your consent in the Response Form that is attached to the Notice within twenty-one (21) days of the Notice. You are also required to regularize the accounts for the Conversion to run smoothly; **OR**
- ii) **If you do not wish to proceed with the Conversion**, kindly indicate your disagreement in the Response Form and return to us within twenty-one (21) days from the date of the Notice.

9. Upon Conversion to CMPF-*i*, what if we decide to make an early settlement of our financing?

MBSB Bank will grant Ibra' (Rebate), on such amount of the balance Selling Price remaining unpaid by you based on the following situations:-

Upon full settlement of the financing facility by you in the following scenarios:-

- i) Redemption or prepayment of the financing facility.
- ii) Due to restructuring exercise.
- iii) In the case of default by you.
- iv) In the event of termination or cancellation of the financing facility before the expiry date.

MBSB Bank shall grant rebate (Ibra') to you that is calculated in accordance to the following formula:

Settlement Amount = Outstanding Selling Price + Instalments Due + Late Payment Compensation (Ta'widh) + Other Charges – Rebate (Ibra')

Rebate (Ibra') = Deferment Profit – Early Settlement Charges (if any)

FREQUENTLY ASKED QUESTIONS (FAQ)

Please read this FAQ on the Conversion of Conversion of Home Leasing-*i* / Ijarah Term Financing-*i* Facility (under Shariah Principle of Ijarah Muntahiya Bitamlik) or Istisna' Ijarah / Home Leasing-*i* Facility (under Shariah principle of Ijarah Mausufah Fi Zimmah) (as the case may be) to Commodity Murabahah Property Financing-*i* (CMPF-*i*) – **For non-individual customer.**



10. Where can we get further information / clarification?

- ✓ Contact our dedicated Customer Service Centre (CSC) at **03-2096 3000** on weekdays between 8.30 am. to 5.30 p.m. (Malaysian time);
- ✓ E-mail us at **enquiry@mbsbbank.com**; or
- ✓ Visit MBSB Bank website at **www.mbsbbank.com** or any of MBSB Bank's Branches.