

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

BASEL II PILLAR 3 - CAPITAL ADEQUACY FRAMEWORK FOR ISLAMIC BANKS ("CAFIB") DISCLOSURES
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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

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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 29 to the Interim Financial Statements for the year ended 30 June 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 Interim Financial Statements for the year ended 30 June 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.

Capital adequacy (continued)

	MBSB Bank Group		MBSB Bank	
	30-June-19	31-Dec-18	30-June-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
<u>CET1 Capital</u>				
Paid-up ordinary share capital	4,625,859	4,625,859	4,625,859	4,625,859
Accumulated profit/(loss)	324,225	324,224	259,542	259,543
Fair value reserves	101,055	10,708	101,055	10,708
Regulatory reserve	5,234	5,234	5,234	5,234
	5,056,373	4,966,025	4,991,690	4,901,344
Less : CET1 regulatory adjustments				
Deferred tax assets	-	-	-	-
Intangible assets	(110,042)	(104,692)	(110,042)	(104,692)
Cumulative (gains)/losses of FVOCI financial instruments	(67,026)	(8,152)	(67,026)	(8,152)
Regulatory reserve attributable to financing	(5,234)	(5,234)	(5,234)	(5,234)
Total CET1 capital	4,874,071	4,847,947	4,809,388	4,783,266
<u>Tier 1 Capital</u>				
Additional Tier 1 capital instruments	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-
Total Tier 1 capital	4,874,071	4,847,947	4,809,388	4,783,266
<u>Tier II Capital</u>				
Stage 1 & Stage 2 expected credit loss allowances	470,311	439,855	503,894	474,812
Regulatory reserve	5,234	5,234	5,235	5,234
Total Tier II capital	475,545	445,089	509,129	480,046
Total capital base	5,349,616	5,293,036	5,318,517	5,263,311
Breakdown of risk weighted assets in various categories of risk weights are as follows:				
	30-June-19	31-Dec-18	30-June-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
<u>Total risk weighted assets ("RWA")</u>				
- Credit risk	38,043,603	35,607,133	40,730,303	38,403,661
- Market risk	26,355	2,136	26,355	2,136
- Operational risk	945,135	619,526	871,025	573,889
Total RWA	39,015,093	36,228,795	41,627,683	38,979,686
<u>Capital ratios</u>				
CET1 capital ratio	12.493%	13.381%	11.553%	12.271%
Tier 1 capital ratio	12.493%	13.381%	11.553%	12.271%
Total capital ratio	13.712%	14.610%	12.776%	13.503%

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Capital adequacy (continued)

MBSB Bank Group

30-June-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	8,644,259	8,644,259	-	-	-	-
Banks, MDBs and FDIs	1,404,601	1,404,601	429,553	-	429,553	34,364
Corporates	12,027,277	12,027,277	9,865,539	-	9,865,539	789,243
Regulatory Retail	24,850,611	24,850,611	24,366,628	-	24,366,628	1,949,330
Residential Real Estate Financing	-	-	-	-	-	-
Other Assets	1,013,227	1,013,227	870,716	-	870,716	69,657
Total for On-Balance Sheet Exposures	47,939,975	47,939,975	35,532,436	-	35,532,436	2,842,595
<i>Off-Balance Sheet Exposures</i>						
Off balance sheet exposures other than OTC derivatives or credit derivatives	5,934,446	2,552,293	2,511,167	-	2,511,167	200,893
Total for Off-Balance Sheet Exposures	5,934,446	2,552,293	2,511,167	-	2,511,167	200,893
Total On and Off-Balance Sheet Exposures	53,874,421	50,492,268	38,043,603	-	38,043,603	3,043,488
<u>Market Risk</u>						
	Long Position	Short Position				
Benchmark Rate Risk	10,163	-	10,163	5,209	5,209	417
Equity Position Risk	-	-	-	-	-	-
Foreign Currency Risk	21,146	(387)	21,146	21,146	21,146	1,692
Operational Risk	-	-	-	945,135	945,135	75,611
Total RWA and Capital Requirements	53,905,730	53,874,034	50,523,577	39,015,093	39,015,093	3,121,207

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Capital adequacy (continued)

MBSB Bank Group
30-June-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%	8,644,259	-	20,278	-	1,957,206	-
20%	-	-	880,459	176,092	712,774	142,555
50%	-	-	508,908	254,454	-	-
75%	-	-	-	-	-	-
100%	-	-	20	20	10,943,238	10,943,238
150%	-	-	-	-	554,930	832,395
Total	8,644,259	-	1,409,665	430,566	14,168,148	11,918,188
Defaulted Exposures						
0%	-	-	-	-	-	-
50%	-	-	-	-	2,964	1,482
100%	-	-	-	-	76,462	76,462
150%	-	-	-	-	179,407	269,111
Total	-	-	-	-	258,833	347,055
Total Performing and Defaulted Exposures	8,644,259	-	1,409,665	430,566	14,426,982	12,265,242

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Capital adequacy (continued)

MBSB Bank Group
30-June-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	<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%	-	-	-	-	142,511	-	10,764,254	-
20%	-	-	-	-	-	-	1,593,233	318,647
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	508,908	254,454
75%	1,857,841	1,393,381	-	-	-	-	1,857,841	1,393,381
100%	23,010,373	23,010,373	-	-	870,716	870,716	34,824,347	34,824,347
150%	-	-	-	-	-	-	554,930	832,395
Total	24,868,214	24,403,754	-	-	1,013,227	870,716	50,103,513	37,623,223
Defaulted Exposures								
0%	-	-	-	-	-	-	-	-
50%	116,062	58,031	-	-	-	-	119,026	59,513
100%	10,992	10,992	-	-	-	-	87,454	87,454
150%	2,868	4,302	-	-	-	-	182,275	273,413
Total	129,922	73,325	-	-	-	-	388,755	420,380
Total Performing and Defaulted Exposures	24,998,136	24,477,079	-	-	1,013,227	870,716	50,492,268	38,043,603

* 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>			
30-June-19			
<u>Exposure Class</u>			
<u>Gross Credit Exposures</u>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns & Central Banks	8,644,259	-	8,644,259
Banks, MDBs and FDIs	1,367,303	37,298	1,404,601
Corporates	11,986,400	40,877	12,027,277
Regulatory Retail	24,850,611	-	24,850,611
Residential Real Estate Financing	-	-	-
Other Assets	1,013,227	-	1,013,227
Total for On-Balance Sheet Exposures	47,861,800	78,175	47,939,975
<i>Off-Balance Sheet Exposures</i>			
Off balance sheet exposures other than OTC derivatives or credit derivatives	5,934,446	-	5,934,446
Total for Off-Balance Sheet Exposures	5,934,446	-	5,934,446
Total On and Off-Balance Sheet Exposures	53,796,246	78,175	53,874,421

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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>				
30-June-19				
<u>Exposure Class</u>				
<u>Gross Credit Exposures</u>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns & Central Banks	3,240,743	1,557,698	3,845,818	8,644,259
Banks, MDBs and FDIs	1,404,601	-	-	1,404,601
Corporates	2,573,859	4,633,295	4,820,123	12,027,277
Regulatory Retail	24,952	837,931	23,987,728	24,850,611
Residential Real Estate Financing	-	-	-	-
Other Assets	1,013,227	-	-	1,013,227
Total for On-Balance Sheet Exposures	8,257,382	7,028,924	32,653,669	47,939,975
<i>Off-Balance Sheet Exposures</i>				
Off balance sheet exposures other than OTC derivatives or credit derivatives	1,655,206	4,133,428	145,812	5,934,446
Total for Off-Balance Sheet Exposures	1,655,206	4,133,428	145,812	5,934,446
Total On and Off-Balance Sheet Exposures	9,912,588	11,162,352	32,799,481	53,874,421

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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>	<u>Regulatory Retail*</u>		<u>Residential Real Estate Financing</u>		<u>Other Assets</u>		<u>Total Exposure</u>	<u>Total Risk Weighted Assets</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>	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

* 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>49,561,419</u>	<u>94,372</u>	<u>49,655,791</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

30-June-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	8,644,259	8,644,259	-	-	-	-
Banks, MDBs and FDIs	529,982	529,982	254,629	-	254,629	20,370
Corporates	14,856,441	14,856,441	12,694,702	-	12,694,702	1,015,576
Regulatory Retail	24,850,611	24,850,611	24,366,628	-	24,366,628	1,949,330
Residential Real Estate Financing	-	-	-	-	-	-
Other Assets	1,034,689	1,034,689	903,177	-	903,177	72,254
Total for On-Balance Sheet Exposures	49,915,982	49,915,982	38,219,136	-	38,219,136	3,057,531
<i>Off-Balance Sheet Exposures</i>						
Off balance sheet exposures other than OTC derivatives or credit derivatives	5,934,446	2,552,293	2,511,167	-	2,511,167	200,893
Total for Off-Balance Sheet Exposures	5,934,446	2,552,293	2,511,167	-	2,511,167	200,893
Total On and Off-Balance Sheet Exposures	55,850,428	52,468,275	40,730,303	-	40,730,303	3,258,424
<u>Market Risk</u>						
	Long Position	Short Position				
Benchmark Rate Risk	10,163	-	10,163	5,209	-	5,209
Equity Position Risk	-	-	-	-	-	-
Foreign Currency Risk	21,146	(387)	21,146	21,146	-	21,146
Operational Risk	-	-	-	871,025	-	871,025
Total RWA and Capital Requirements	55,881,737	55,850,041	52,499,584	41,627,683	-	41,627,683
						3,330,215

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Capital adequacy (continued)

MBSB Bank
30-June-19

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

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%	8,644,259	-	20,278	-	1,957,206	-
20%	-	-	5,840	1,168	712,774	142,555
50%	-	-	508,908	254,454	-	-
75%	-	-	-	-	-	-
100%	-	-	20	20	13,772,401	13,772,401
150%	-	-	-	-	554,930	832,395
Total	8,644,259	-	535,046	255,642	16,997,311	14,747,351
Defaulted Exposures						
0%	-	-	-	-	-	-
50%	-	-	-	-	2,964	1,482
100%	-	-	-	-	76,462	76,462
150%	-	-	-	-	179,407	269,111
Total	-	-	-	-	258,833	347,055
Total Performing and Defaulted Exposures	8,644,259	-	535,046	255,642	17,256,144	15,094,405

Capital adequacy (continued)

MBSB Bank
30-June-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%	-	-	-	-	131,513	-	10,753,256	-
20%	-	-	-	-	-	-	718,614	143,723
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	508,908	254,454
75%	1,857,840	1,393,380	-	-	-	-	1,857,840	1,393,380
100%	23,010,373	23,010,373	-	-	903,177	903,177	37,685,971	37,685,971
150%	-	-	-	-	-	-	554,930	832,395
Total	24,868,213	24,403,753	-	-	1,034,690	903,177	52,079,519	40,309,923
Defaulted Exposures								
0%	-	-	-	-	-	-	-	-
50%	116,063	58,032	-	-	-	-	119,027	59,514
100%	10,992	10,992	-	-	-	-	87,454	87,454
150%	2,868	4,302	-	-	-	-	182,275	273,413
Total	129,923	73,326	-	-	-	-	388,756	420,380
Total Performing and Defaulted Exposures	24,998,136	24,477,079	-	-	1,034,690	903,177	52,468,275	40,730,303

* Property financing exposures are included herein.

MBSB BANK BERHAD (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>			
<u>30-June-19</u>			
<u>Exposure Class</u>			
<u>Gross Credit Exposures</u>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns & Central Banks	8,644,259	-	8,644,259
Banks, MDBs and FDIs	492,684	37,298	529,982
Corporates	14,815,563	40,878	14,856,441
Regulatory Retail	24,850,611	-	24,850,611
Residential Real Estate Financing	-	-	-
Other Assets	1,034,689	-	1,034,689
Total for On-Balance Sheet Exposures	<u>49,837,806</u>	<u>78,176</u>	<u>49,915,982</u>
<i>Off-Balance Sheet Exposures</i>			
Off balance sheet exposures other than OTC derivatives or credit derivatives	5,934,446	-	5,934,446
Total for Off-Balance Sheet Exposures	<u>5,934,446</u>	<u>-</u>	<u>5,934,446</u>
Total On and Off-Balance Sheet Exposures	<u>55,772,252</u>	<u>78,176</u>	<u>55,850,428</u>

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

Capital adequacy (continued)

Contractual Maturity of Gross Credit Exposures

<u>MBSB Bank</u> <u>30-June-19</u> <u>Exposure Class</u>	One Year or Less RM'000	Over One Year to Five Years RM'000	Over Five Years RM'000	Total RM'000
<u>Gross Credit Exposures</u>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns & Central Banks	3,240,743	1,557,698	3,845,818	8,644,259
Banks, MDBs and FDIs	529,982	-	-	529,982
Corporates	2,917,910	5,903,557	6,034,974	14,856,441
Regulatory Retail	24,952	837,931	23,987,728	24,850,611
Residential Real Estate Financing	-	-	-	-
Other Assets	1,034,689	-	-	1,034,689
Total for On-Balance Sheet Exposures	7,748,276	8,299,186	33,868,520	49,915,982
<i>Off-Balance Sheet Exposures</i>				
Off balance sheet exposures other than OTC derivatives or credit derivatives	1,655,206	4,133,429	145,811	5,934,446
Total for Off-Balance Sheet Exposures	1,655,206	4,133,429	145,811	5,934,446
Total On and Off-Balance Sheet Exposures	9,403,482	12,432,615	34,014,331	55,850,428

MBSB BANK BERHAD (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	-	3,118,375

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	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset
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

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 (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>			
<u>31-Dec-18</u>			
<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><u>51,733,075</u></u>	<u><u>94,372</u></u>	<u><u>51,827,446</u></u>

MBSB BANK BERHAD (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
MBSB Bank				
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>

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 RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
30-June-19				
Impact to profit before tax	(225,236)	225,236	(233,982)	233,982
Impact to profit after tax and equity	24% (168,927)	168,927	(177,826)	177,826
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 (716122-P)
(Incorporated in Malaysia)

Capital adequacy (continued)

Disclosure of rated and unrated exposures according to rating by ECAs

MBSB Bank Group
30-June-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
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	-	1,281,261	-	-	-	13,145,719
Total	-	1,281,261	-	-	-	13,145,719

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

Capital adequacy (continued)

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

MBSB Bank Group
30-June-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	-	8,644,259	-	-	-	-
Total	-	8,644,259	-	-	-	-

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	-	5,840	36,992	20	-	1,366,813
Total	-	5,840	36,992	20	-	1,366,813

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

Capital adequacy (continued)

Disclosure of rated and unrated exposures according to rating by ECAIs

MBSB Bank Group

31-Dec-18

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	-	278,801	-	-	-	10,402,449
Total	-	278,801	-	-	-	10,402,449

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

Capital adequacy (continued)

Disclosure of rated and unrated exposures according to rating by ECAs

MBSB Bank
30-June-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	-	1,281,261	-	-	-	15,974,883
Total	-	1,281,261	-	-	-	15,974,883

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

Capital adequacy (continued)

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

MBSB Bank
30-June-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
On and Off Balance Sheet Exposures						
Sovereign Central Banks	-	8,644,259	-	-	-	-
Total	-	8,644,259	-	-	-	-

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
On and Off Balance Sheet Exposures						
Banks, MDBs and FDI	-	5,840	36,992	20	-	492,194
Total	-	5,840	36,992	20	-	492,194

MBSB BANK BERHAD (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 (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

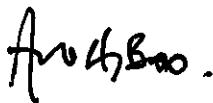
Exposure Class	Rating of Sovereign Central Banks by approved ECAs					
	MOODY'S	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	FITCH	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance Sheet Exposures						
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
On and Off Balance Sheet Exposures						
Banks, MDBs and FDI	-	-	-	-	-	95,372
Total	-	-	-	-	-	95,372

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

Pillar 3, Basel II - Capital Adequacy Framework for Islamic Banks (CAFIB) Disclosures - Director 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 30 June 2019 are consistent with the manner in which the Bank assesses and manages its risks, and are not misleading in any particular way.



AW HONG BOO
CHAIRMAN OF BOARD AUDIT COMMITTEE