

Company No.

716122	P
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ASIAN FINANCE BANK BERHAD

(Incorporated in Malaysia)

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

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ASIAN FINANCE BANK BERHAD
(Incorporated in Malaysia)

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ASIAN FINANCE BANK BERHAD
(Incorporated in Malaysia)

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

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

33. Capital adequacy

Capital management

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

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;
- To safeguard the Bank ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

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ASIAN FINANCE BANK BERHAD
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33. Capital adequacy (continued)

	Economic Entity and Bank	
	2016	2015
	RM	RM
<u>CET1 Capital</u>		
Paid-up ordinary share capital	532,530,020	532,530,020
Accumulated losses	(53,094,267)	(49,685,510)
AFS revaluation reserve	(777,068)	(1,569,330)
Statutory reserve	13,363,710	11,538,745
Regulatory reserve**	5,233,721	-
	497,256,116	492,813,925
Less : CET1 regulatory adjustments		
Deferred tax assets	(349,226)	-
Cumulative losses of AFS financial instruments	562,352	537,614
Regulatory reserve attributable to financing**	(5,233,721)	-
Total CET1 capital	492,235,521	493,351,539
<u>Tier 1 Capital</u>		
Additional Tier 1 capital instruments	-	-
Less: Tier 1 regulatory adjustments	-	-
Total Tier 1 capital	492,235,521	493,351,539
<u>Tier II Capital</u>		
Collective impairment/allowance for bad and doubtful financing ^	11,090,712	28,407,853
Regulatory reserve**	5,233,721	-
Total Tier II capital	16,324,433	28,407,853
Total capital base	508,559,954	521,759,392
Breakdown of risk weighted assets in various categories of risk weights are as follows:		
	2016	2015
	RM'000	RM'000
<u>Total risk weighted assets ("RWA")</u>		
- Credit risk	1,952,246	1,951,619
- Market risk	1,744	3,144
- Operational risk	94,281	97,903
Total RWA	2,048,271	2,052,666
<u>Capital ratios</u>		
CET1 capital	24.032%	24.035%
Tier 1 capital	24.032%	24.035%
Total capital ratio	24.829%	25.419%

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

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

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33. Capital adequacy (continued)

Economic Entity and Bank

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

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33. Capital adequacy (continued)

Economic Entity and Bank
2016

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

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ASIAN FINANCE BANK BERHAD
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33. Capital adequacy (continued)

Economic Entity and Bank
2016

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

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

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ASIAN FINANCE BANK BERHAD
(Incorporated in Malaysia)

33. Capital adequacy (continued)

Geographic Distribution of Gross Credit Exposures

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

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ASIAN FINANCE BANK BERHAD
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33. Capital adequacy (continued)

Contractual Maturity of Gross Credit Exposures

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

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ASIAN FINANCE BANK BERHAD
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33. Capital adequacy (continued)

Economic Entity and Bank

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

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ASIAN FINANCE BANK BERHAD
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33. Capital adequacy (continued)

Economic Entity and Bank

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

2015

Risk Weights

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

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ASIAN FINANCE BANK BERHAD
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33. Capital adequacy (continued)

Economic Entity and Bank

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

2015

Risk Weights

Performing Exposures

	Regulatory Retail		Total Exposure	Total Risk Weighted Assets
	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>	Exposures after Netting & CRM	<i>Risk Weighted Asset</i>
0%	-	-	304,660	-
20%	-	-	308,726	61,745
50%	-	-	251	126
75%	21,893	16,420	21,893	16,420
100%	-	-	1,502,125	1,502,125
150%	-	-	245,433	368,149
Total	21,893	16,420	2,383,088	1,948,565

Defaulted Exposures

0%	-	-	-	-
50%	-	-	763	382
100%	1,473	1,473	1,473	1,473
150%	799	1,199	799	1,199
Total	2,272	2,672	3,035	3,054

Total Performing and Defaulted Exposures

	24,165	19,092	2,386,123	1,951,619
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ASIAN FINANCE BANK BERHAD
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33. Capital adequacy (continued)

Geographic Distribution of Gross Credit Exposures

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

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33. Capital adequacy (continued)

Contractual Maturity of Gross Credit Exposures

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

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ASIAN FINANCE BANK BERHAD
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33. Capital adequacy (continued)

Disclosure of rated and unrated exposures according to rating by ECAs

**Economic Entity and Bank
2016**

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	-	264,511,050	-	-	-	19,734,400
Total	-	264,511,050	-	-	-	19,734,400

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ASIAN FINANCE BANK BERHAD
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33. Capital adequacy (continued)

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

**Economic Entity and Bank
2016**

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	-	19,734,400	-	-	-	-
Total	-	19,734,400	-	-	-	-

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33. Capital adequacy (continued)

Disclosure of rated and unrated exposures according to rating by ECAs

**Economic Entity and Bank
2015**

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	-	485,163,134	-	-	-	250,016,593
Total	-	485,163,134	-	-	-	250,016,593

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33. Capital adequacy (continued)

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

**Economic Entity and Bank
2015**

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	-	19,620,000	-	-	-	-
Total	-	19,620,000	-	-	-	-

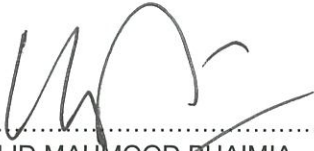
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ASIAN FINANCE BANK BERHAD
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Pillar 3, Basel II - Capital Adequacy Framework for Islamic Banks (CAFIB) Disclosures - Chief Executive Officer Attestation

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



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KHALID MAHMOOD BHAIMIA
CHIEF EXECUTIVE OFFICER