# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD
**(201601032761 (1203702-U))**
**(Incorporated in Malaysia)**

## Directors' Report and Audited Financial Statements
## 31 December 2024

201601032761 (1203702-U)

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## Corporate information

### Board of Directors

Liu Jiang
Wang Qijie
Chong Kwai Ying
Lee Teck Seng
Datin Ooi Swee Lian
Dato' Lee Teck Hua

### Company Secretary

Wong Bee Ping
SSM PC No. 201908001807
MAICSA 7025334

### Registered Office

Level 20, Menara CCB, Quill 6
No 6. Leboh Ampang
50100 Kuala Lumpur
Malaysia

### Auditors

Ernst & Young PLT
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

**201601032761 (1203702-U)**

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Contents** **Page**

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Bank for the financial year ended 31 December 2024.

### Principal activities

The principal activities of the Bank are commercial banking and related financial services.

### Results

| | RM'000 |
|---|---|
| Profit before taxation | 45,457 |
| Taxation | (19,650) |
| Net profit for the financial year | 25,807 |

### Dividend

No dividend have been paid or declared by the Bank. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2024.

### Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

### Directors

The names of the Directors of the Bank in office since the beginning of the financial year to the date of this report are:

Liu Jiang (appointed on 10 December 2024)
Wang Qijie (appointed on 1 August 2024)
Chong Kwai Ying
Lee Teck Seng
Datin Ooi Swee Lian
Dato' Lee Teck Hua
Lu Yang (resigned on 30 October 2024)
Qian Lihong (resigned on 1 August 2024)

## Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Bank a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

## Indemnification of directors

During the financial year, the amount of Director’s and Officer’s Liability Insurance premium paid for Directors and officers of the Bank are RM34,976 (2023: RM29,418). The directors and officers shall not be indemnified by the insurance for any negligence, fraud, intentional breach of law or breach of trust proven against them.

## Directors' interests

According to the Register of Directors’ Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Bank or its holding company or subsidiaries of the holding company during the financial year.

## Holding company

The holding and ultimate holding company is China Construction Bank Corporation ("CCB"), which is incorporated in China.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## Profile of Directors

**Mr Liu Jiang**
**Non-Independent Non-Executive Director/Chairman**

Mr Liu Jiang, aged 53, holds a Doctoral Degree in Business Management from RenMin University, China (2009). He was appointed as a Non-Independent Non-Executive Director and the Chairman of China Construction Bank (Malaysia) Berhad on 10 December 2024. He also serves as a member of the Audit Committee, Board Risk Management Committee and Board Remuneration Committee of the Bank.

Mr Liu possesses over 31 years of experience in the banking industry. He commenced his career with China Construction Bank Corporation ("CCB") Group in July 1993, holding various positions, including Relationship Manager, Accountant, and Senior Manager of the Foreign Currency Trading Room and Hong Kong Center within the Treasury Department of CCB Head Office. In August 2007, he was appointed Deputy Chief Representative for CCB London Representative Office. Subsequently, he held multiple senior positions internationally, including Deputy CEO and Executive Director of CCB (London) Limited (May 2009 - February 2011), Deputy CEO of CCB Johannesburg Branch (March 2011 – 11 December 2014), Representative for the establishment of the Barcelona branch (12 December 2014 – 26 October 2015), General Manager of CCB (Europe) S.A. Barcelona Branch, Spain (27 October 2015 - August 2018), General Manager of CCB (Europe) S.A. and CCB Luxembourg Branch (September 2018 – 20 July 2021), and Vice Chairman of CCB (Europe) S.A. (21 July 2021 – 2 December 2024). Mr Liu currently acts as the Senior Advisor at CCB's Financial Institution Business Department.

Mr Liu attended the following in-house training sessions conducted during the financial year 2024 since his appointment to the Bank: -

- Emerging Cyber Risks and Resilience Measures (in-house)
- Leading with Integrity: Navigating the Corporate Liability (Section 17A, MACC Act) Prevention for Board of Directors (in-house)

Mr Liu does not hold any shareholding in the Bank. He attended one (1) Board meeting during the financial year 2024 following his appointment on 10 December 2024.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Profile of Directors (cont'd.)**

**Mr Wang Qijie**
**Managing Director / Chief Executive Officer**

Mr Wang Qijie, aged 53, holds a Bachelor Degree in Economics from Shandong Institute of Engineering, China (1994). He was initially appointed as the Chief Executive Officer of China Construction Bank (Malaysia) Berhad on 21 January 2022, concurrently serving as the Principal Officer of China Construction Bank Corporation Labuan Branch. On 1 August 2024, he assumed the role of Managing Director of the Bank, and he has maintained all positions to date. Additionally, he also serves as a member of the Bank's Board Nomination Committee.

Mr Wang possesses over 30 years of experience in the banking industry. He began his career with China Construction Bank Corporation ("CCB") Group in July 1994, serving in various roles, including Business Manager in the International Business Department of CCB Shandong Branch, Senior Product Manager in the Trade Finance Division of the International Department at CCB Head Office, Chief Manager of the International Settlement & Trade Finance Division, and Cross Border Trade Finance & Letter of Guarantee Division in International Department at CCB Head Office. He subsequently held the position of Deputy General Manager of the International Department from August 2019 to December 2021.

Mr Wang attended the following in-house training sessions conducted during the financial year 2024 since his appointment to the Bank: -

- Anti-Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing Update (in-house)
- Emerging Cyber Risks and Resilience Measures (in-house)
- Leading with Integrity: Navigating the Corporate Liability (Section 17A, MACC Act) Prevention for Board of Directors (in-house)
- 2025 Budget Briefing (in-house)

Mr Wang does not hold any shareholding in the Bank. He attended three (3) Board meetings during the financial year 2024 following his appointment on 1 August 2024.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Profile of Directors (cont'd.)**

**Ms Chong Kwai Ying**
**Independent Non-Executive Director**

Ms Chong Kwai Ying, aged 64, holds a Bachelor of Economics (Hons) majoring in Business Administration from University Malaya, Malaysia. She was appointed as an Independent Non-Executive Director of China Construction Bank (Malaysia) Berhad on 15 October 2018. She is the Chairman of Board Risk Management Committee and a member of the Audit Committee of the Bank.

Ms Chong joined Bank Negara Malaysia (“BNM”) in April 1982 as an Administrative Officer. During her 35 years’ tenure in BNM, she had served in various positions before being promoted to Deputy Director of Banking Supervision Department in May 1998 until her retirement in April 2017. She was responsible for the supervision of domestic banking groups and locally incorporated foreign banks. She has vast knowledge in banking products and operations, financial analysis, risk management and governance as well as policies, legal and regulatory requirements imposed on the banking institutions by BNM.

After her retirement from BNM, she has a short engagement with Perbadanan Insurans Deposit Malaysia (PIDM) from June 2017 to January 2018 where she provided advisory and consultancy services on one of its resolution projects. Currently, she is an Independent Non-Executive Director of Generali Life Insurance Malaysia Berhad and Genting Malaysia Berhad.

Ms Chong had attended the following training programmes/conference during the financial year 2024:

- Anti-Bribery & Corruption "Navigating Difficulties and Pitfalls" (A discussion on Section 17A of the MACC Act 2018)
- Responsibility Mapping - Engagement with Directors of Financial Institutions
- Climate Risk Management (in-house)
- Mandatory Accreditation Programme Part II: Leading for Impact by Institute of Corporate Directors Malaysia
- Climate Governance Masterclass Series – Director’s Masterclass Series: What Directors Must Know about Recent Developments in Climate Science
- Overview of Conflict of Interest covering Common Law & Equity Principle, Companies Act 2016 Provision, Self-Dealing Rule, No Profit Rule and No Profit Rule Exemptions
- Understanding IFRS 17 Key Financial Metrics & Their Key Drivers Impacting Business
- How investment returns contribute or impact to Profit & Loss
- IT & Cyber Security Preparedness
- Climate and Sustainability Preparedness
- Understanding Financial Condition Report
- Typical types of life insurance products
- EY FSO Insurance Forum 2024
- Preparing for FATF Mutual Evaluation - Key Expectations for the Insurance Industry

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Profile of Directors (cont'd.)**

**Ms Chong Kwai Ying (cont'd.)**
**Independent Non-Executive Director**

Ms Chong had attended the following training programmes/conference during the financial year 2024:

- Tomorrow's Challenges in Insurance Board Governance - Best Practices & Compliance Essentials
- Preventing Fraud: The Board's Role and Responsibilities
- Cybersecurity Oversight: Board Oversight in Light of the Cybersecurity Act 2024
- Cybersecurity Act 2024 & Personal Data Protection (Amendment) Act 2024
- Briefing on Nature and Taskforce on Nature-related Financial Discussions
- Competition Law and Antitrust
- Climate Risk Management - What Insurance Directors Need to Know
- Anti-Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing Updates (in-house)
- 2024 Genting Malaysia Senior Managers' Conference - Brand Building and Corporate Entrepreneurship
- PowerTalk: Strategic Data and Frameworks in Board Governance
- The 2024 Budget Seminar
- Emerging Cyber Risks and Resilience Measures (in-house)
- Leading with Integrity: Navigating the Corporate Liability (Section 17A, MACC Act) Prevention for Board of Directors (in-house)

Ms Chong does not have any shareholding in the Bank. She had attended six (6) out of seven (7) Board meetings held in the financial year 2024.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Profile of Directors (cont'd.)**

**Mr Lee Teck Seng**
**Independent Non-Executive Director**

Mr Lee Teck Seng, aged 67, holds a Bachelor of Science (Hons) from University Malaya, Malaysia. He was appointed as an Independent Non-Executive Director of China Construction Bank (Malaysia) Berhad on 20 January 2023. He is the Chairman of the Board Nomination Committee and a member of the Audit Committee and Board Risk Management Committee.

Mr Lee has over 37 years of working experience in banking primarily in the area of treasury and investment banking since the beginning of his career in 1980. He has worked for Malayan Banking Berhad, Citibank Malaysia, Standard Chartered Bank (Malaysia and Thailand), United Overseas Bank Ltd (Singapore), ABN AMRO Bank Malaysia (The Royal Bank of Scotland Berhad), CIMB Thailand and CIMB Investment Bank Berhad before his last appointment as Sale Director and Country Head for Thomson Reuters Malaysia Sdn Bhd in June 2016 till June 2018. Over the years, Mr Lee has actively participated in the development of financial markets in Malaysia and provided training to Bank Negara Malaysia and the South East Asian Central Banks Research and Training Centre. Currently, he is Chairman of ALCO for MAHA Agriculture Microfinance, Myanmar and Non-Executive Advisor for 5X Capital Sdn Bhd.

Mr Lee had attended the following training programmes/conference during the financial year 2024:

- Fireside Chat with the Former Central Bank Governors: Central Banking in an Evolving International Financial System
- Sustainable Sustainability - Why is ESG Not Enough
- Responsibility Mapping - Engagement with Directors of Financial Institutions
- Climate Risk Management (in-house)
- Engagement Session with FIDE FORUM Members on BNM Annual Report 2023, Economic and Monetary Review 2023 and Financial Stability Review 2H 2023
- Sasana Symposium
- Info Sharing Session on Board Culture
- Preventing Fraud : The Board's Role and Responsibilities
- Anti-Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing Updates (in-house)
- Directors’ Remuneration Report 2024 Launch
- Economic Outlook & Post-Budget 2025 Forum
- Emerging Cyber Risks and Resilience Measures (in-house)
- Leading with Integrity : Navigating the Corporate Liability (Section 17A, MACC Act) Prevention for Board of Directors (in-house)
- 2025 Budget Briefing (in-house)

Mr Lee does not have any shareholding in the Bank. He had attended all seven (7) Board meetings held in the financial year 2024.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Profile of Directors (cont'd.)**

**Datin Ooi Swee Lian**
**Independent Non-Executive Director**

Datin Ooi Swee Lian, aged 64, holds a Bachelor of Economics (Hons) majoring in Business Administration from University Malaya, Malaysia. She was appointed as an Independent Non-Executive Director of China Construction Bank (Malaysia) Berhad on 20 January 2023. She is the Chairman of the Board Remuneration Committee and a member of the Board Risk Management Committee and Board Nomination Committee.

Datin Ooi has over 30 years of working experience in the banking industry including seven years overseas. She began her banking career in the Lending Division of Malayan Banking Berhad in 1983. In 1986, she went abroad and furthered her banking exposure with Lloyds Bank, Hong Kong and Indover Asia Limited, Hong Kong.

Datin Ooi joined RHB Bank Berhad in October 1994 and has held various senior positions in commercial/corporate and transaction banking since then. She was appointed as the Executive Vice President and Head of Group Business Banking and Transaction Banking in 2014 and held the position till December 2017. Datin Ooi was an Independent Non-Executive Director of Alliance Investment Bank Berhad from 1 November 2018 till 8 August 2022. Currently, she is an Independent Non-Executive Director of Poh Kong Holdings Berhad and Pan Merchant Berhad.

Datin Ooi had attended the following training course/conference during the financial year 2024:

- Responsibility Mapping - Engagement with Directors of Financial Institutions
- Climate Risk Management (in-house)
- Sustainable Finance
- Preventing Fraud : The Board's Role and Responsibilities
- Anti-Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing Updates (in-house)
- Directors’ Remuneration Report 2024 Launch
- Emerging Cyber Risks and Resilience Measures (in-house)
- Leading with Integrity : Navigating the Corporate Liability (Section 17A, MACC Act) Prevention for Board of Directors (in-house)
- 2025 Budget Briefing (in-house)

Datin Ooi does not have any shareholding in the Bank. She had attended all seven (7) Board meetings held in the financial year 2024.

**Dato' Lee Teck Hua**
**Independent Non-Executive Director**

Dato' Lee Teck Hua, aged 51, holds a Bachelor of Arts in Accounting and Finance from University of Strathclyde, Glasgow, United Kingdom (1994) and completed his Association of Chartered Certified Accountants (ACCA) examination in 1996. He is a Fellow of the ACCA and Member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants (MICPA) as well as a Certified Member of Financial Planning Association of Malaysia (CFP). He was appointed as an Independent Non-Executive Director of China Construction Bank (Malaysia) Berhad on 20 January 2023. He is the Chairman of the Audit Committee and a Member of Board Remuneration Committee.

Dato' Lee has over 28 years of working experience in professional accounting firms specialising in financial and audit consulting for listed companies. He was attached with PricewaterhouseCoopers from 1997 to 2000 in both taxation and business assurance (audit) divisions. He worked as a Principal for a local chartered accounting firm since 2001 before becoming the Senior Partner for LTTH PLT, an accounting firm with comprehensive business consultation services for both listed and unlisted clients from 2007 till present. He is currently the Vice Chairman of the Malaysian Xiang Lian Charity Foundation, Central Committee Member cum Vice Chairman of Economics Council of The Federation of Chinese Associations of Malaysia (Huazong), Deputy Secretary General of the Associated Eng Choon Societies of Malaysia, Committee Member of Club Licensing Committee of the Football Association of Malaysia (FAM) and China Fujian Federation of Overseas Chinese and Executive Committee Member of China Jilin Province Overseas Friendship Association. Currently, he is an Independent Non-Executive Director of Globaltec Formation Berhad, Beshom Holdings Berhad and Peoplelogy Berhad.

Dato' Lee had attended the following training programmes/conference during the financial year 2024:

- Responsibility Mapping - Engagement with Directors of Financial Institutions
- Climate Risk Management (in-house)
- Preventing Fraud : The Board's Role and Responsibilities
- Anti-Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing Updates (in-house)
- Economic Outlook & Post-Budget 2025 Forum
- Emerging Cyber Risks and Resilience Measures (in-house)
- Leading with Integrity : Navigating the Corporate Liability (Section 17A, MACC Act) Prevention for Board of Directors (in-house)
- 2025 Budget Briefing (in-house)

Dato' Lee does not have any shareholding in the Bank. He had attended all seven (7) Board meetings held in the financial year 2024.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## Financial Performance and Business Outlook

The Bank's total assets stood at RM8.84 billion as at 31 December 2024, an increase of RM1.16 billion or 15.03% as compared to the previous financial year. This was mainly attributable to the higher debt instruments at fair value through other comprehensive income ("FVOCI") of RM1.72 billion, a growth of 90.01%. Gross impaired loans ratio remained at 0% as at the end of 2024. Deposit from customers remained strong at RM2.50 billion as at 31 December 2024.

For the financial year ended 31 December 2024, the Bank registered profit before tax (“PBT”) of RM45.46 million, an increase of RM5.70 million or 14.33% as compared to the previous financial year. Higher PBT mainly attributable to higher other operating income of RM100.95 million. The Bank recorded a profit after tax (“PAT”) for the financial year of RM25.81 million.

The Bank maintained healthy capital position and ample liquidity buffer. The Bank’s Common Equity Tier I capital ratio/Tier I capital ratio and Total capital ratio stood at 24.626% and 47.770% respectively as at the end of 2024, which remained above the minimum regulatory requirements.

## Outlook 2025

Despite slower fourth quarter (Q4 2024) growth of 4.80%, Malaysia economy is on solid recovery path with full year registering GDP growth rate of 5.10% compared to 3.60% in 2023.

The rousing economy performance was anchored by strong domestic demand driven by higher consumer spending supported by Employee Provident Fund ("EPF") Account 3 withdrawal facility which helped to sustain retail sales. The encouraging labour market continued its positive momentum to drive consumer confident where total employment grew along with increase business activities which help to keep unemployment rate low at circa 3.30%. The expectation of government salary adjustment and cash handout are likely to continue to spur spending momentum which contributed more than half of GDP growth component. Construction sector also showed a steady growth with value of work done driven by strong performance in civil engineering (25.2%) and residential buildings (19.7%) with higher economic multiplying factors. Strong services sector, advances in manufacturing sector especially electrical and electronic products riding on global tech upcycle, investment spending on machineries and equipment as well as progress on multi-years projects were the few additional major contributors to GDP growth figures in 2024.

Year end and festive tourists’ arrival along with increase consumer confident on the back of government salary adjustment and handouts are expected to further boost household spending and retail activities.

While official projection for 2025 GDP growth for Malaysia is set at 4.5% to 5.5% band, most analysts forecast skewed towards 4.7% to 5.0% amid uncertainty on Trump’s trade policies on tariff and foreign affairs related subject matters along with China economic recovery risk which may weigh on global demand appetite which lead to slow down of Malaysia export sector.

However, the four key main growth pillars of FDIs, domestic direct investment, infrastructure investment and structural reform are likely to anchor and continue contributing positively to overall economic growth momentum in year 2025.

BNM is likely to keep Overnight Policy Rate in 2025 with USD/MYR to remain volatile with sporadic reactions to U.S. tariff announcements and the retaliation responses by affected nations. Once the dust settle down, Ringgit should trade towards its fair value level of 4.2000 in second half of year 2025.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Outlook 2025 (cont'd.)**

Federal Reserve Bank finally pull trigger to start monetary easing cycle.

At the 17 to 18 September Federal Open Market Committee ("FOMC") meeting, Federal Fund rate was lowered by 50 bps to target range of 4.75%-5.0% amid cooling inflationary pressure, softening labour market outlook and as a pre-emptive move by FOMC to avoid hard landing of U.S. economy. It is widely expected that more rate cuts to come through 1H of 2026 with eventual Federal Fund target rate of 2.75% to 3.00%. The narrowing interest rate gap should give a lift to emerging market currencies, including that of Ringgit. However, the Trump presidential election victory effect has altered the monetary policy forecast made by most analysts as the uncertainty of policy under Trump administration, especially on the additional tariff implementation and its inflationary impact and potentially slowing growth, has changed the rate outlook for both interest and FX rates which saw both the Treasury yield and dollar index spiked with Treasury yield curve turn positive since late 2022. Resolution of American debt ceiling issue is not forthcoming which saw investors demand higher risk premium for U.S. Treasuries for fear of potential sovereign downgrade. Any possible solution to debt ceiling will put U.S. sovereign rating at risk, be it raising the limit, further postpone the limit period or abolish the limit completely which is another likely outcome under Trump administration.

In any case, the uncertainty of Trump policies will constantly create market volatility and may put U.S. GDP growth at risk which is currently projected at 2.10% pace in 2025 compared to first estimate of 2.80% growth in 2024.

China Government launched its biggest economic stimulus since the pandemic which is reverberating in stock and commodity markets, especially those housing and property development related companies. Likewise, global companies related to luxury goods also benefitted from the stimulus hype. While the stimulus packages are mostly via monetary measures as oppose to fiscal measures, it is with the ultimate aim to sustain and meet 2024 and 2025 growth target of 5.0% amid sluggish property sector downturn, rising local debt and weak consumer spending. It was also reported that China Government will issue additional bond of circa RMB 2 trillion to make up for the spending gap. This massive stimulus packages which include policy rate cuts, lowering bank's reserve requirement, lowering mortgage rate and required down payment, structural monetary policy facility of RMB 500 billion to provide liquidity to security houses, fund management firms and insurance companies to tap on when purchasing stocks and relending facility of RMB 300 billion at 1.75% for banks to support listed companies for stocks purchases and buy back are expected to boost consumers and investors confidence which is much needed to the ailing economy.

Renminbi has weakened against USD in respond to sporadic announcements made by Trump administration on tariff impose on some China exports. The easing monetary and accommodative stance to support economic growth will put further pressure to Renminbi level which is likely to trade between 7.15 to 7.45 range for now.

While China Government is determined to maintain 2025 growth target of 5.0%, market consensus has been between 4.5% to 4.7% range due to continuous tepid domestic consumption trend, potential headwinds on export sectors due to tariff and prolong property sector drag on the economy.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Outlook 2025 (cont'd.)**

China Construction Bank (Malaysia) Berhad (“CCBM or the Bank”) will continue to leverage on the experience and capabilities of our Parent Bank and CCB Group global presence and strength with extensive networking to support key growth areas from higher realization of approved foreign direct investments ("FDIs") from China, Belt and Road Initiatives within the RCEP region, offering of green credit to Environmental, Social and Governance related businesses such as solar panels manufacturer, waste and sewerage treatment companies, green building financing etc. The global tech up cycle and its related supporting industries along with local corporations’ growth momentum will be our desired sectors to leverage on to grow our balance sheet and profitability.

The recent renewal of a 5-year Economic and Trade Cooperation Programme between China and Malaysia, Single Window Cooperation in Cross Border Trade, Digital Economy MOU, Green Development MOU are expected to enhance bilateral business activities between Malaysia and China corporations which provide lending opportunities in related sectors.

CCBM will continue to embark on providing innovative financial products, competitive foreign exchange hedging solutions along with Renminbi ("RMB") settlement and clearings services capability to the abovementioned targeted customer segments to further improve our customer experience in achieving the desired key result areas including that of financial performance, market presence and improving our institution branding initiatives.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Rating by External Rating Agency**

Malaysian Rating Corporation Berhad ("MARC") has affirmed the Bank's long-term and short-term financial institution ratings of AA+ and MARC-1, respectively with stable outlook.

**Corporate Governance Statements**

The Board of Directors (“the Board”) of the Bank is committed to fostering a strong culture of corporate governance as the foundation of sustainable growth, accountability and value creation. The Board ensures ongoing compliance with Bank Negara Malaysia’s (“BNM”) Corporate Governance Policy Document and adopts other best practices to uphold transparency, integrity and the protection of stakeholders’ interests. Through continuous oversight and leadership, the Board strives to enhance the Bank’s governance framework in alignment with regulatory requirements and industry expectations.

**Board of Directors**

**Board Composition**

The Board currently consist of six (6) members, including one (1) Non-Independent Non-Executive Chairman, one (1) Executive Director and four (4) Independent Non-Executive Directors. Independent Directors account for 67% of the Board composition, ensuring strong emphasis on objective and impartial oversight, while female representation stands at 33%, promoting diversity and balanced perspectives within the decision-making process. The profile of each Director is set out in pages 3 to 9.

**Board Responsibilities**

The Board holds the ultimate responsibility for the governance and oversight of the Bank’s operations, ensuring alignment with the Bank’s strategic goals, values and stakeholders’ interests. The Board has established a clear governance framework, encapsulated in the Board Charter, which defines the roles and responsibilities of the Board (both individually and collectively), the Chairman, and Managing Director/Chief Executive Officer (“MD/CEO”) of the Bank, and outlines aspects include the board balance, tenure of Independent Directors, provisions for the appointment and re-appointment of Directors, board meeting conduct, board committees, board effectiveness evaluation, remuneration of Directors, training and development, code of ethics, limits on external commitment and conflict of interest. Other than the Board Charter, the Board also established a Terms of Reference (“TOR”) which serves as a guide to the Board in discharging its duties and responsibilities.

The Directors, individually or collectively, fully understand their obligations to the shareholder and stakeholder of the Bank. They carry out their duties with integrity, professionalism and transparency, ensuring decisions are made within the ambit of law and under the power granted by the Bank’s Constitution and shareholder mandate. Notwithstanding the day-to-day management of the Bank’s business operation is delegated to the MD/CEO who is assisted by the Senior Management team, the Board retains ultimate authority over significant decisions on matters pertaining to policies making, risk appetite setting, performance targets, among others, while at the same time, through the established Board Committees to provide effective oversight of the Bank’s business performance, risk and compliance management, and controls over the business operations, and compliance with regulatory requirements.

The Directors are entitled to seek independent advisor to provide advisory or consultation services when necessary to execute their responsibilities effectively at the expense of the Bank.

**Board of Directors (cont'd.)**

**Tenure and independence**

Currently, the Independent Directors account for 67% of the Board composition. The Board through the Board Nomination Committee ("BNC") assess the Independent Directors' independent annually. In the annual assessment of the Independent Directors of the Bank for financial year 2024, the Board was satisfied that each of the Independent Director of the Bank continues to be independent and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Bank.

The tenure of Independent Directors of the Bank is principally limited to a cumulative period of six (6) years as stipulated in the Board Charter. However, in exceptional circumstances where deemed appropriate, this term may be extended up to a maximum of nine (9) years, subject to the Board's justification and the requisite approval from both the Bank's shareholder and BNM. Any such extension is meticulously scrutinised to ensure that the Director's independence, objectivity and contribution to the Board remain uncompromised. As at the date of this report, Ms Chong Kwai Ying has served as independent director for a cumulative term of more than six (6) years.

**Appointment/Re-Appointment and Re-election of Directors**

***(i) Appointment/Re-Appointment of Directors***

The appointment and re-appointment of the Bank's Directors requires BNM's approval in accordance with the Financial Services Act 2013. The BNC is entrusted with the responsibility of evaluating and ensuring each Director possesses the requisite expertise, integrity and commitment in strict adherence to the Bank's Fit and Proper Policy.

The Bank has in place a Guideline on Appointment and Removal of Directors & Other Related Provisions, which sets out the process for the nomination of directors of the Bank, while at the same time, stipulates the circumstances that would result in the disqualification of a director pursuant to the Companies Act 2016 and the Financial Services Act 2013.

***(ii) Re-election of Directors***

Pursuant to the Bank's Constitution, all Directors shall retire from office at the first Annual General Meeting ("AGM") and at the AGM in every subsequent year, one-third (1/3) of the Directors, or the nearest number to one-third (1/3), shall retire from office and be eligible for re-election by the shareholder.

The Bank's Constitution also stipulated the appointment of director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following AGM, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting. It is also provided that the MD, while holding that office, shall not be subject to retirement by rotation or be considered in determining the rotation of retirement of Directors, but his appointment shall be automatically determined if he ceases from any cause to be a Director. For the financial year 2024 ("FY2024"), Mr Wang Qijie has been appointed as the Bank's MD effective 1 August 2024 while continue holding the CEO position.

**Board of Directors (cont'd.)**

## Board Performance Evaluation

The Bank conducts an annual performance evaluation of the Board, Board Committees and individual Directors to assess the effectiveness of the Board and Board Committees in discharging their duties. This evaluation was guided by the established Guidelines on Board Performance Evaluation which outlines the methodology and processes for the assessment to be carried out.

As part of the evaluation process, comprehensive questionnaires are distributed to the Board at the end of each financial year of the Bank to assess multiple dimensions, including the effectiveness of the Board and Board Committees, as well as individual Directors' contributions through self and peer evaluations. The evaluation also includes Management's assessment towards the overall performance of the Board and Board Committees. This structured evaluation approach is essential for the Board to identify areas for professional development and process enhancements, considering the dynamic need of the financial institution.

The outcomes of the evaluation are shared with all Directors, fostering transparency and accountability, while identifying opportunities for improvement and enhancing the overall effectiveness of the Board.

The Bank has distributed the evaluation questionnaire for FY2024 to the Directors and the assessment results had been compiled and subsequently presented to the BNC and the Board for review. Mr Liu Jiang, the newly appointed Chairman of the Bank on 10 December 2024, did not participate in the evaluation exercise for FY2024.

## Board and Board Committee Meetings

During the year under review, the Board and the Board Committee met regularly to discharge their respective duties and responsibilities. All Directors demonstrated their commitment by complying with BNM's requirement of achieving at least 75% attendance at Board meetings held during the financial year. The table below outlines the 2024 attendance record for all Board members: -

| Board Members | Designation | Meeting Attendance | | | | |
|---|---|---|---|---|---|---|
| | | Board | AC | BRMC | BNC | BRC |
| Liu Jiang * | Non-Independent Non-Executive Director/Chairman | 1/1 | 1/1 | 1/1 | | 1/1 |
| Wang Qijie # | MD/CEO | 3/3 | | | 2/2 | |
| Chong Kwai Ying | Independent Non-Executive Director | 6/7 | 5/6 | 6/7 | | |
| Lee Teck Seng | Independent Non-Executive Director | 7/7 | 6/6 | 7/7 | 6/6 | |
| Datin Ooi Swee Lian | Independent Non-Executive Director | 7/7 | | 7/7 | 6/6 | 4/4 |
| Dato' Lee Teck Hua | Independent Non-Executive Director | 7/7 | 6/6 | | | 4/4 |

* *Appointed on 10 December 2024*
\# *Appointed on 1 August 2024*

**Board of Directors (cont'd.)**

**<u>Training and Development of Directors</u>**

The Board places significant emphasis on ongoing education and development of the Directors, recognising that continuous learning is essential to maintaining their effectiveness and ensuring they remain well-informed about the latest trends, regulatory changes and developments in the industry. In today's rapidly evolving business environment, it is crucial that Directors possess the knowledge and skills required to provide strategic leadership, manage risk effectively and fulfill their governance responsibilities with competence.

To this end, the Board actively supports the Directors' participation in a variety of training programs, seminar and conference that cover a wide range of topics pertinent to their roles. These opportunities provided valuable insights into emerging industry practices, corporate governance and other areas critical to the Bank's operations and strategic goals. The details of the training and development activities attended by each Director are documented and reflected in their respective profiles, which can be found on pages 3 to 9.

**Board Committees**

The Board, in ensuring an effective discharge of its roles and responsibilities, has delegated specific authorities to the respective Board Committees, namely the Audit Committee ("AC"), Board Risk Management Committee ("BRMC"), BNC and Board Remuneration Committee ("BRC"), as explicitly outlined in their respective TOR. These Committees are integral to the governance structure of the Bank, playing a vital role in performing oversight functions, evaluating matters within their areas of responsibility and making recommendations to the Board for approval.

The TOR of each Board Committees are reviewed annually or as and when necessary, to ensure they remain relevant and aligned with the evolving regulatory landscape, corporate governance standards and best practices. This ongoing review process guarantees that the Committees continue to operate effectively, contributing to the Bank's efficient decision-making process and ensuring that all critical matters are addressed with due diligence and consideration.

The details of the duties and responsibilities of the respective Board Committees are set out in the TOR which are published on the Bank's website.

**Board Committees (cont'd.)**

***(i) Audit Committee***

The AC plays a pivotal role in supporting the Board by providing independent oversight over the Bank's financial reporting, internal control mechanism, risk management practices and governance processes. Its primary function is to ensure that the Bank's financial operations are transparent, compliant and well-controlled, while also fostering a sound framework for managing risks and ensuring the Bank's governance structure remain robust and effective.

The AC comprises entirely of Non-Executive Directors with majority being Independent Directors and is chaired by an Independent Non-Executive Director. The members of the AC are as follows: -

- Dato' Lee Teck Hua (Chairman)
- Liu Jiang
- Chong Kwai Ying
- Lee Teck Seng

During the financial year 2024, the AC has held six (6) meetings. Attendance as set out in the table on page 15.

***(ii) Board Risk Management Committee***

The BRMC provides independent oversight on the effectiveness of the Bank's risk management framework and policies in supporting the Bank's strategic objectives and addressing various risks. The BRMC ensure that risk-related decision making aligns with the Bank's risk appetite, strategic goals, capital adequacy and sound risk-taking practices. Additionally, the BRMC plays an important role in overseeing the Bank's ethical conduct and ensuring compliance with applicable laws, regulations and ethical standards.

In a broader scope, the BRMC oversees the Senior Management's activities in managing credit, market, liquidity, operational, information technology, cyber security, business continuity management, money laundering/terrorism financing/proliferation financing and targeted financial sanctions, compliance, legal, sustainability including environmental, social and governance (ESG), emerging and other risks, and ensuring the integrated risk management functions within the Bank are in place and effectively discharged.

The BRMC comprises entirely of Non-Executive Directors with majority being Independent Directors and is chaired by an Independent Non-Executive Director. The members of the BRMC are as follows:-

- Chong Kwai Ying (Chairman)
- Liu Jiang
- Lee Teck Seng
- Datin Ooi Swee Lian

During the financial year 2024, the BRMC has held seven (7) meetings. Attendance as set out in the table on page 15.

**Board Committees (cont'd.)**

***(iii) Board Nomination Committee***

The BNC supports the Board by establishing a formal, transparent and consistent framework for assessing the Board and its Committee and individual Directors. The BNC is responsible for conducting the fit and proper assessment and overseeing the appointment and re-appointment of Directors, the MD/CEO, Senior Management and control function heads, and the appointment and removal of Company Secretary. Its scope also includes reviewing the overall Board composition, assess performance evaluations, review training and development plan and oversee the succession plan for Directors, Senior Management and Senior Officers to strengthen governance practices.

The BNC comprises one (1) Executive Director and two (2) Independent Non-Executive Directors. The BNC is chaired by an Independent Non-Executive Director. The members of the BNC are as follows:-

- Lee Teck Seng (Chairman)
- Wang Qijie
- Datin Ooi Swee Lian

During the financial year 2024, BNC has held six (6) meetings. Attendance as set out in the table on page 15.

***(iv) Board Remuneration Committee***

The BRC is entrusted with the responsibility of shaping the Bank's remuneration policies and practices, ensuring they are aligned with the Bank's culture, objectives, strategy and risk appetite. The BRC is dedicated in fostering transparency, fairness and accountability in the development of remuneration framework for the Directors, Senior Management and employees of the Bank.

Central to its mandate, the BRC reviews and recommends policies, strategies and frameworks governing remuneration and human resources matters. This encompasses ensuring that compensation structure not only attract and retain talent but also drive performance, uphold prudent risk-taking behavior and promote a culture of ethical governance within the Bank.

The BRC comprises entirely of Non-Executive Directors with majority being Independent Directors and is chaired by an Independent Non-Executive Director. The members of the BRC are as follows:-

- Datin Ooi Swee Lian (Chairman)
- Liu Jiang
- Dato' Lee Teck Hua

During the financial year 2024, the BRC has held four (4) meetings. Attendance as set out in the table on page 15.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Corporate Governance Statements (cont'd.)**

**Risk Management, Compliance & Internal Controls and Internal Audit**

The Board has the overall responsibility for establishing and maintaining a sound risk management, compliance, internal control and internal audit framework ("Framework") to ensure compliance with the applicable laws and regulations as well as internal policies and guidelines. The Board is assisted by the BRMC and the AC, to ensure effective discharge of its responsibility.

The Bank's risk management, compliance & internal controls and internal audit framework requires it to identify, prevent, handle, monitor and report the risk incident. In this regard, the Bank adopts the "three lines of defence" management model where:

(a) Each business/support division is the first line of defence and responsible for risk management, compliance and internal control under its purview;

(b) Risk Management Division ("RMD") is the second line of defence and reports directly to the BRMC. The Bank has put in place a robust Risk Management Framework to govern the overall risk management approach of CCBM including identifying, assessing, measuring, monitoring and managing risks faced by CCBM. The Risk Management Framework and culture of CCBM also impose expectations on business lines and operational functions to also support the risk management functions.

    Chief Risk Officer has been appointed with distinct responsibility of the risk management function undertaken by RMD. The risk management function is responsible for the identification, measurement, monitoring and reporting as well as controlling of the Bank's risk profile and exposures. The risk management function is independent of the business units and are equipped with staff with sufficient experience, expert knowledge and qualifications covering credit risks, market risks, liquidity risks, operational risks, cyber security risks as well as emerging climate risks.

(c) Internal Control and Compliance Division ("ICCD") is the second line of defence and reports directly to BRMC. The Bank has put in place the below internal measures (including but not limited) for effective internal control and compliance risk management:

    (i) Chief Compliance Officer has been appointed and assisted by ICCD for effective internal control and compliance risk management (including AML/CFT risk management), including keeping abreast of the latest development of legal and regulatory requirement and assess their impact on the Bank's management and business;

    (ii) compliance programme has been established comprises of the planned activities for internal control and compliance risk management (including AML/CFT risk management) such as (i) review of policies and procedures; (ii) conduct of compliance testing and assessment of internal control and compliance risk (including AML/CFT risk) to identify the areas to be improved and to carry out follow-ups and rectification accordingly; and

    (iii) periodic reporting as well as timely escalation to the Board on internal control and compliance (including AML/CFT) matters;

**Risk Management, Compliance & Internal Controls and Internal Audit (cont'd.)**

(d) Internal Audit Division (“IA”) as third line of defence, assists the AC to discharge its duties and responsibilities by providing independent and objective assurance on the adequacy and effectiveness of the Bank's risk management, internal control system and governance processes. The Chief Internal Auditor leads the internal audit function and has direct reporting line to the AC. The scope of audit covers key businesses, operations and support functions of the Bank. In managing the audit activities, the Bank's IA has formulated annual audit plan by adopting a risk-based methodology. The frequency of the audit is determined based on the risk assessment. Various IA reports have been generated based on the audits conducted in year 2024 comprised of findings, recommendation and management action plan for submission to the AC for deliberations, endorsement and approval. Follow-up process is in place to track the actions plan to addressing audit findings.

Periodic review and assessment have been conducted on the Bank’s Risk Management, Compliance & Internal Controls and Internal Audit.

Regular reviews and updates have been performed on internal policies, guidelines and procedures to ensure they continue to operate adequately and effectively, taking into consideration the changes in the Bank's risk profile and business conditions and regulatory requirements.

During the year 2024, the Board had approved the formulation and revision of various governance documents including policies or guidelines as a continuous measure to enhance good governance practice in strengthening the internal control, compliance and risk management of the Bank, covering aspects such as internal corporate governance, credit risk, market risk, operational risk, business continuity management, regulatory compliance framework, anti-money laundering and counter financing of terrorism/proliferation financing and targeted sanctions, information technology security, cyber security, ethics wall, sustainability including ESG and etc. The Board also placed great emphasis on setting a clear business direction through the comprehensive business plan, risk appetite setting, among others.

**Code of Ethics for Non-Executive Directors**

The Bank has adopted a Code of Ethics for Non-Executive Directors to enhance corporate governance and promote ethical behaviour. Anchored in the principles of competence, integrity, fairness, confidentiality and objectivity, the Code provides a framework for Non-Executive Directors to uphold the highest standards of accountability and trustworthiness. The Code ensures that all decisions and actions align with the Bank’s values and comply with governing laws, regulations and guidelines, fostering stakeholder confidence and responsible governance. A similar Code of Ethics for employees has also been put in place to ensure consistent ethical standard across the Bank.

**Conflicts of Interest**

The Bank has put in place a Conflicts of Interest Policy to guide the Directors in identifying, disclosing and managing actual or potential conflicts on interest in the process of discharging their duties and responsibilities. The policy ensures the Directors act in the best interests of the Bank, preventing personal interests from interfering with professional responsibilities. By proactively addressing such conflicts, the Bank reinforces its commitment to maintaining ethical practices and protecting its reputation.

## Conflicts of Interest (cont'd.)

As part of this framework, the Directors and employees of the Bank abide to "No Gift Policy" to avoid conflict of interest or the appearance of conflict of interest for either party in the on-going or potential business dealings between the Bank and external parties.

## Corporate Governance Policy

The Corporate Governance Policy is established to cultivate good corporate governance culture within the Bank based on the fundamental concepts of transparency, accountability and responsibility. Besides, it provides clear separation of authorities and responsibilities of the Board and Senior Management. The same also aligns the Bank's corporate culture, activities and behaviors with the expectations that it will operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations, including the Bank's internal policies and procedures.

## Anti-Bribery & Corruption Policy

The Bank is committed to conducting its business activities in accordance with all applicable laws and regulations that prohibiting bribery and corruption. This prohibition forms a cornerstone of CCBM's commitment to conducting business in an ethical manner, which is one of its core values. In line with its commitment to conducting business with integrity, the Bank expects all its employees and business partners to adhere to the anti-bribery & corruption practices and standards that the Bank has put in place. The Bank has also published its Anti-Bribery & Corruption Statement in its website. To further its efforts in combating bribery and corruption, Senior Management has appointed a Chief Integrity & Governance Officer, supported by a functional team, who has been entrusted with spearheading the initiatives.

## Whistleblowing Policy

The Bank has put in place a Whistleblowing Policy and Procedure which provides an avenue for employee and third party to report and disclose any illegal, unethical, questionable practices or improper conduct committed or about to commit within the Bank. The policy encourages the reporting of such matters in good faith with confidentiality of the person making such reporting to be protected from reprisal in best possible manner.

## Remuneration Framework

(a) Directors' Emoluments

The Board is fully aware that a robust and equitable framework is paramount in attracting and retaining Directors with the requisite expertise and leadership to navigate the Bank's strategic direction and drive its sustained success. The BRC has been entrusted with the responsibility of reviewing the emoluments of Independent Directors and Executive Director, while Non-Independent Director received his emoluments from the parent bank. Disclosure of the Directors' Emoluments for financial year 2024 is outlined in Note 25 of the financial statements.

**Remuneration Framework (cont'd.)**

(a) Directors' Emoluments (cont'd.)

The Board further recognises that the remuneration system is an essential pillar within the Bank's broader governance and performance incentive structure. It is instrumental not only in motivating performance but also in fostering responsible risk-taking behaviors and ensuring that the Bank's values and risk culture is consistently upheld. The Board remains committed to reviewing the remuneration framework to ensure its alignment with the Bank's strategic priorities and prudent risk management principles.

(b) Remuneration Policy of the Bank

The Bank's remuneration framework is designed to align with its size, operational scope, and strategic objectives. The disclosure practices are regularly reviewed to ensure transparency and adherence to regulatory requirements, with continuous enhancements to its framework.

In general, the Bank has established a Total Reward Policy, which has been reviewed by Management and approved by the Board annually. This policy adopted a total rewards model which demonstrates a dynamic relationship between the Bank and its employees. It is designed to attract, motivate and retain talents in a competitive and evolving financial landscape, enhance employee engagement by offering a balanced mix of financial and non-financial rewards, and lastly, align employee interests with the Bank's long-term strategic goals through performance-based remuneration.

The key components of the Bank's Remuneration Framework consists of the following elements:

(i) Compensation: Fixed pay (base salary) is provided to employees for services rendered in their position, based on the professional experience, qualification, skill etc. Variable Pay is the discretionary performance bonus which is subject to the Bank's overall achievement and individual performance.

(ii) Benefits: Programs the Bank uses to supplement the cash compensation employees receive.

(iii) Work-Life Effectiveness: The Bank via its Employee Engagement activities, actively supports and helps its employees achieve success at both work and home.

(iv) Recognition: The Bank provides recognition via either formal or informal programs that acknowledge or give special attention to employee actions, efforts, behaviour or performance and support business strategy by reinforcing behaviours, for example, extraordinary accomplishments, that contribute to organisational success.

(v) Performance Management: The alignment of organisational, team and individual efforts toward the achievement of business goals and organisational success. CCBM advocates this via performance management includes establishing expectations (KPIs), skill demonstration, assessment, feedback and continuous improvement.

**Remuneration Framework (cont'd.)**

(b) Remuneration Policy of the Bank (cont'd.)

(vi) Talent Development: The Bank provides the opportunity and tools for employees to advance their skills and competencies in both their short- and long-term careers.

The Bank’s Remuneration Framework incorporates risk and compliance indicators as key factors in performance assessment and compensation decisions. These indicators ensure that employee remuneration aligns with the Bank’s risk management and compliance standards while supporting business objectives.

The Bank’s employee performance is tracked through a set of KPIs which include financials and non-financial targets, risk and compliance control elements, and key competencies. Throughout the year, supervisors and staff engage in periodic performance discussion. The annual performance appraisal assesses individual achievements against predefined KPIs and the Bank’s overall objectives.

According to the Bank’s Performance Management and Appraisal Policy, the performance of the CEO and Senior Management will be assessed by the directors and the result thereat will be tabled to the BNC for deliberation and necessary endorsement of the Board. The effectiveness of control functions is evaluated by the respective Board Committees, i.e. the AC will evaluate the Internal Audit function while the BRMC will evaluate the Internal Control, Compliance and Risk Management functions.

The allocation of annual performance bonus pool is linked to the Bank’s performance and subject to the Board’s approval, taking into consideration key performance measures while ensuring that CCBM does not allocate variable remuneration at a level that could negatively impact the shareholder’s interests. The bonus payments are also governed by a deferment payment scheme.

Annual salary reviews are conducted after the performance review period or when there is a realignment of the employee’s roles and responsibilities. Individual variable remuneration is determined based on performance assessments and the availability of funds in the allocated bonus pool. Adjustments to individual bonuses may be made based on audit and compliance findings or disciplinary actions.

In order to ensure remuneration remains aligning to performance, all or part of any unvested retained portion of any deferral remuneration is subject to “Claw-back” provision, if it is later established that:

(i) a performance measurement was based on data which is later proven to be mis-stated; or
(ii) there has been fraud or other malfeasance on the part of the relevant employee(s) or violations by the employee(s) of any regulatory requirements or the Bank’s policy and procedures; or
(iii) in the event of bad performance of the business unit or the Bank attributable to the individual.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Corporate Governance Statements (cont'd.)**

**Remuneration Framework (cont'd.)**

(b) Remuneration Policy of the Bank (cont'd.)

The remuneration of the Senior Management for year 2024 is shown as table below:

RM'000

| Total value of remuneration awards for year 2024 | Senior Management (4 Headcounts) | |
|---|---|---|
| | Unrestricted | Deferred |
| **Fixed Remuneration** | **4,876** | **-** |
| Cash-based | 4,868 | - |
| Other | 8 | - |
| **Variable Remuneration** | **650** | **300** |
| Cash-based | 650 | 300 |
| Other | - | - |

## Sustainability

The Bank is committed to sustainable practices in line with the requirements in BNM's Policy Documents on Climate Change and Principle Based Taxonomy as well as Climate Risk Management and Scenario Analysis (CRMSA). During the financial year 2024, the Bank has approved a Climate Risk Management Policy. The purpose of the Policy is to establish clear governance and risk management responsibilities, as well as in ensuring a transparent and accountable process for managing climate-related risks. This structured approach is crucial for maintaining a sustainable business model while addressing environmental challenges.

A key component of the Bank's sustainability efforts is the identification, assessment, measurement and monitoring of all climate-related risks that may impact its operations. Through this process, the Bank ensures that potential climate-related risks are recognised and understood, considering the Bank's risk profile and strategic objectives. This allows the Bank to manage and mitigate risks effectively while staying aligned with its broader business strategy.

In addition, the Bank prioritises the integration of climate-related risks into its business decision making. This includes the identification and monitoring of internal climate-related targets that supports its strategic goals. By doing so, the Bank not only manages climate risks but also encourages long-term sustainability and align its practices with global trends on sustainability.

## Accountability and Audit

### (i) Financial Reporting

It is the Board's commitment to present a balanced and meaningful assessment of the Bank's financial performance and prospects at the end of the financial year, primarily through the annual financial statements to BNM. The Board is assisted by the AC to oversee the Bank's financial reporting process and the quality of its financial reporting.

**Accountability and Audit (cont'd.)**

**(ii) Statement on Directors' Responsibility**

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Bank as at the end of the accounting period and of its financial performance and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that the preparation and fair presentation of these financial statements are in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia in all material respects and other legal requirements.

The Statement on Directors' Responsibility in respect of the preparation of audited financial statements of the Bank is set out on page 27.

**(iii) Relationship with External Auditors**

The Bank, through the AC, has established a formal and transparent relationship with the external auditors. The AC is fundamentally overseeing the integrity and reliability of financial reporting and the external auditors play a key role in helping the AC to discharge this responsibility. The external auditors are also invited to attend the AC meetings to present their audit plan, audit findings and any other matter that warrant the attention of the Board. In accordance with the requirements of the Bank Negara Malaysia (BNM) Corporate Governance Policy, the AC ensure private sessions with the external auditors conducted at least once annually, without the presence of Management.

During the financial year 2024, the AC conducted the required session on 26 March 2024 and 24 October 2024, respectively, and no significant concerns were raised by external auditors.

The AC undertakes the assessment of the performance, suitability and independence of the external auditors and recommends to the Board and shareholder for their re-appointment on annual basis. On the other hand, the Bank governs its engagement of external auditors to perform non-audit services through the Non-Audit Services Policy. The policy stipulates the permissible non-audit services, as part of the governance process to preserve the independence and objectivity of the external auditors.

**Other statutory information**

(a) Before the statement of comprehensive income and statement of financial position of the Bank were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Other statutory information (cont'd.)**

(b) At the date of this report, the Directors are not aware of any circumstances which would render:
   (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Bank inadequate to any substantial extent; and
   (ii) the values attributed to current assets in the financial statements of the Bank misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Bank which would render any amount stated in the respective financial statements misleading.

(e) At the date of this report, there does not exist:

   (i) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Bank.

(f) In the opinion of the Directors:

   (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which will or may affect the ability of the Bank to meet its obligations when they fall due; and

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Bank for the financial year in which this report is made.

**Auditors and auditors' remuneration**

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The auditors' remuneration is as follows:

| | **RM'000** |
|---|---|
| Ernst & Young PLT | 378 |

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 April 2025.

Dato' Lee Teck Hua
Director

Chong Kwai Ying
Director

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## Statement by Directors
## Pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Lee Teck Hua and Chong Kwai Ying, being two of the Directors of China Construction Bank (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 32 to 113 are drawn up in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 December 2024 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 April 2025.

| | |
|---|---|
| Dato' Lee Teck Hua | Chong Kwai Ying |
| Director | Director |

## Statutory declaration
## Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Wang Qijie, being the Director primarily responsible for the financial management of China Construction Bank (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 32 to 113 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Wang Qijie
at Kuala Lumpur in the Federal Territory
on 24 April 2025 Wang Qijie

Before me,

**201601032761 (1203702-U)**

**Independent auditors' report to the Member of China Construction Bank (Malaysia) Berhad (Incorporated in Malaysia)**

## Report on the audit of the financial statements

*Opinion*

We have audited the financial statements of China Construction Bank (Malaysia) Berhad, which comprise the statement of financial position as at 31 December 2024, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 32 to 113.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

*Basis for opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence and other ethical responsibilities*

We are independent of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

*Information other than the financial statements and auditors’ report thereon*

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Bank and our auditors’ report thereon.

Our opinion on the financial statements of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

**201601032761 (1203702-U)**

**Independent auditors' report to the Member of**
**China Construction Bank (Malaysia) Berhad (cont'd.)**
**(Incorporated in Malaysia)**

*Information other than the financial statements and auditors' report thereon (cont'd.)*

In connection with our audit of the financial statements of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial statements*

The directors of the Bank are responsible for the preparation of the financial statements of the Bank that give a true and fair view in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**201601032761 (1203702-U)**

**Independent auditors' report to the Member of China Construction Bank (Malaysia) Berhad (cont'd.) (Incorporated in Malaysia)**

*Auditors' responsibilities for the audit of the financial statements (cont'd.)*

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- Conclude on the appropriateness of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**201601032761 (1203702-U)**

**Independent auditors' report to the Member of**
**China Construction Bank (Malaysia) Berhad (cont'd.)**
**(Incorporated in Malaysia)**

*Other matters*

This report is made solely to the Member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

| | |
|---|---|
| Ernst & Young PLT<br>202006000003 (LLP0022760-LCA) & AF 0039<br>Chartered Accountants | Yap Kah Foo<br>No. 03574/05/2025 J<br>Chartered Accountant |

Kuala Lumpur, Malaysia
24 April 2025

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Statement of financial position**
**As at 31 December 2024**

| | Note | 2024 RM'000 | 2023 RM'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and short-term funds | 3 | 541,400 | 1,744,813 |
| Deposits and placements with banks and other financial institutions | 4 | 1,689,877 | 690,275 |
| Debt instruments at fair value through other comprehensive income ("FVOCI") | 5 | 3,640,891 | 1,916,122 |
| Other assets | 6 | 68,371 | 49,842 |
| Derivative financial assets | 7 | 138,592 | 97,624 |
| Loans and advances | 8 | 2,682,255 | 3,096,965 |
| Tax recoverable | | 24,899 | 28,923 |
| Statutory deposits with Bank Negara Malaysia | 9 | 500 | 2,000 |
| Right-of-use assets | 10 | 30,598 | 35,093 |
| Property and equipment | 11 | 5,567 | 5,169 |
| Intangible assets | 12 | 6,735 | 7,604 |
| Deferred tax assets | 13 | 13,545 | 13,443 |
| **Total assets** | | 8,843,230 | 7,687,873 |
| **Liabilities** | | | |
| Deposits from customers | 14 | 2,495,295 | 3,205,936 |
| Deposits and placements of banks and other financial institutions | 15 | 2,865,846 | 1,785,159 |
| Other liabilities | 16 | 182,361 | 191,986 |
| Derivative financial liabilities | 7 | 121,720 | 139,941 |
| Lease liabilities | 10 | 31,640 | 35,693 |
| Borrowing | 17 | 1,284,843 | 451,759 |
| Subordinated loan | 18 | 878,657 | 921,542 |
| **Total liabilities** | | 7,860,362 | 6,732,016 |
| **Equity attributable to equity holder of the Bank** | | | |
| Share capital | 19 | 822,600 | 822,600 |
| Reserves | 20 | 160,268 | 133,257 |
| **Total equity** | | 982,868 | 955,857 |
| **Total liabilities and equity** | | 8,843,230 | 7,687,873 |
| **Commitments and contingencies** | 28 | 12,578,392 | 8,136,899 |

The accompanying accounting policies and notes form an integral part of these financial statements.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Statement of comprehensive income**
**For the financial year ended 31 December 2024**

| | Note | 2024<br>RM'000 | 2023<br>RM'000 |
|---|---|---|---|
| Operating revenue | 2.4(k) | 427,174 | 339,320 |
| | | | |
| Interest income | 21 | 329,299 | 251,495 |
| Interest expense | 22 | (298,309) | (219,365) |
| Net interest income | | 30,990 | 32,130 |
| Other operating income | 23 | 100,948 | 88,555 |
| Net income | | 131,938 | 120,685 |
| Other operating expenses | 24 | (85,096) | (76,682) |
| Operating profit before allowances | | 46,842 | 44,003 |
| Allowances for expected credit losses ("ECL") | 26 | (1,385) | (4,243) |
| **Profit before taxation** | | 45,457 | 39,760 |
| Taxation | 27 | (19,650) | (13,250) |
| **Net profit for the financial year** | | 25,807 | 26,510 |
| | | | |
| Other comprehensive income in respect of:<br>Items that will be reclassified subsequently to profit or loss | | | |
| | | | |
| Debt instruments at FVOCI | | | |
| Net fair value change in debt instruments at FVOCI | | 3,878 | 20,760 |
| Net gain on debt instruments measured at FVOCI reclassified to profit or loss on disposal | 23 | - | (270) |
| Income tax effect | 13 | (1,094) | (5,058) |
| | | 2,784 | 15,432 |
| | | | |
| Cash flow hedge | | | |
| Net change in cash flow hedge | 7 | 81 | 53 |
| Net change in cost of hedging | 7 | (2,159) | (159) |
| Income tax effect | 13 | 498 | 25 |
| | | (1,580) | (81) |
| | | | |
| Total other comprehensive income, net of tax, for the financial year | | 1,204 | 15,351 |
| | | | |
| Total comprehensive income for the financial year | | 27,011 | 41,861 |

The accompanying accounting policies and notes form an integral part of these financial statements.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Statement of changes in equity**
**For the financial year ended 31 December 2024**

| | ← | Non-distributable | | | → | Distributable | |
|---|---|---|---|---|---|---|---|
| | **Share Capital RM'000** | **Regulatory Reserve RM'000** | **FVOCI Reserve RM'000** | **Cash flow hedge Reserve RM'000** | **Cost of hedging Reserve RM'000** | **Retained profits RM'000** | **Total equity RM'000** |
| **Balance as at 1 January 2024** | 822,600 | 4,700 | (12,590) | (63) | 1,643 | 139,567 | 955,857 |
| Net profit for the financial year | - | - | - | - | - | 25,807 | 25,807 |
| Other comprehensive income/(loss), net of tax, for the financial year | - | - | 2,784 | 63 | (1,643) | - | 1,204 |
| Total comprehensive income/(loss) for the financial year | - | - | 2,784 | 63 | (1,643) | 25,807 | 27,011 |
| Transfer to retained profits | - | (4,700) | - | - | - | 4,700 | - |
| **Balance as at 31 December 2024** | 822,600 | - | (9,806) | - | - | 170,074 | 982,868 |
| **Balance as at 1 January 2023** | 822,600 | 2,800 | (28,022) | (103) | 1,764 | 114,957 | 913,996 |
| Net profit for the financial year | - | - | - | - | - | 26,510 | 26,510 |
| Other comprehensive income/(loss), net of tax, for the financial year | - | - | 15,432 | 40 | (121) | - | 15,351 |
| Total comprehensive income/(loss) for the financial year | - | - | 15,432 | 40 | (121) | 26,510 | 41,861 |
| Transfer to regulatory reserve | - | 1,900 | - | - | - | (1,900) | - |
| **Balance as at 31 December 2023** | 822,600 | 4,700 | (12,590) | (63) | 1,643 | 139,567 | 955,857 |

The accompanying accounting policies and notes form an integral part of these financial statements.

201601032761 (1203702-U)

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Statement of cash flows**
**For the financial year ended 31 December 2024**

| | Note | 2024 RM'000 | 2023 RM'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | 45,457 | 39,760 |
| Adjustments for non cash items: | | | |
| Allowances for expected credit losses | 26 | 1,385 | 4,243 |
| Net unrealised fair value (loss)/ gain on derivatives | 23 | (135,557) | 50,428 |
| Depreciation of property and equipment | 24 | 1,809 | 1,331 |
| Depreciation of right-of-use assets | 24 | 4,495 | 4,457 |
| Amortisation of intangible assets | 24 | 1,800 | 1,854 |
| Interest income from debt instruments at FVOCI | 21 | (114,125) | (84,036) |
| Net gain from sale of debt instruments at FVOCI | 23 | - | (270) |
| Interest expense from subordinated loan | 22 | 52,855 | 62,793 |
| Net foreign exchange loss on subordinated loan | | - | 37,700 |
| Interest expense from lease liabilities | 22 | 1,156 | 1,272 |
| Net loss on from disposal of property and equipment | | 18 | - |
| Net loss on from written off of property and equipment | | 80 | - |
| Operating (loss)/ profit before working capital changes | | (140,627) | 119,532 |
| | | | |
| Change in derivative financial assets and liabilities | | 74,290 | 37,556 |
| Change in loans and advances | | 413,824 | (1,880,798) |
| Change in Statutory deposits with Bank Negara Malaysia | | 1,500 | 44,001 |
| Change in other assets | | (18,529) | 23,150 |
| Change in deposits from customers | | (710,641) | 10,645 |
| Change in deposits and placements of banks and other financial institutions | | 1,080,687 | 977,927 |
| Change in other liabilities | | (10,216) | 60,261 |
| | | 830,915 | (727,258) |
| | | | |
| Cash generated/ (used in) from operations | | 690,288 | (607,726) |
| Net tax paid | | (16,324) | (5,824) |
| Net cash generated/ (used in) from operating activities | | 673,964 | (613,550) |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**Statement of cash flows**
**For the financial year ended 31 December 2024 (cont'd.)**

| | Note | 2024 RM'000 | 2023 RM'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Change in deposits and placements with banks and other financial institutions with original maturity of more than 3 months | | (614,635) | (383,974) |
| Purchase of debt instruments at FVOCI | | (7,915,226) | (4,665,757) |
| Proceeds from redemption and disposal of debt instruments at FVOCI | | 6,205,290 | 5,830,790 |
| Interest received from debt instruments at FVOCI | | 103,224 | 20,687 |
| Purchase of property and equipment | 11 | (2,325) | (3,265) |
| Disposal of property and equipment | 11 | 18 | - |
| Purchase of intangible assets | 12 | (931) | (650) |
| Net cash (used in)/ generated from investing activities | | (2,224,585) | 797,831 |
| **Cash flows from financing activities** | | | |
| Interest payment of subordinated loan | | (95,740) | (61,764) |
| Proceeds from borrowing | 17 | 833,084 | 451,759 |
| Lease payments | 10 | (5,209) | (5,173) |
| Net cash generated from financing activities | | 732,135 | 384,822 |
| **Net (decrease)/ increase in cash and cash equivalents** | | (818,486) | 569,103 |
| Cash and cash equivalents, at gross: | | | |
| - at the beginning of the financial year | | 1,299,253 | 730,150 |
| - at the end of the financial year | | 480,767 | 1,299,253 |
| **Cash and cash equivalents comprise:** | | | |
| Cash and short-term funds | 3 | 541,658 | 1,745,111 |
| Deposits and placements with banks and other financial institutions | 4 | 1,689,877 | 690,275 |
| | | 2,231,535 | 2,435,386 |
| Less: | | | |
| Deposits and placements with banks and other financial institutions with original maturity of more than 3 months | | (1,750,768) | (1,136,133) |
| | | 480,767 | 1,299,253 |

The accompanying accounting policies and notes form an integral part of these financial statements.

## 1. Corporate information

China Construction Bank (Malaysia) Berhad has on 1 October 2016, received its company incorporation approval from Companies Commission of Malaysia and Ministry of Domestic Trade, Co-operatives and Consumerism, being the first subsidiary of CCB in Malaysia.

The holding and ultimate holding company of the Bank is CCB, headquatered in Beijing, a large-scale joint stock commercial bank in China.

The principal activities of the Bank are commercial banking and related financial services.

The address of the registered office of the Bank is Level 20, Menara CCB, Quill 6, No 6. Leboh Ampang, 50100 Kuala Lumpur, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 April 2025.

## 2. Material accounting policy information

### 2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with the MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Bank have been prepared under the historical cost convention, unless otherwise indicated in this summary of material accounting policies.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except where otherwise indicated.

### 2.2 Changes in accounting policies

***Adoption of amended MFRS issued***

The accounting policies as set out in Note 2.4 adopted by the Bank are consistent with those adopted in previous years, except as follows:

***The Bank adopted the following amended MFRS beginning on or after 1 January 2024***

*Amendments to MFRS 16 Leases - Lease Liability in a Sale and Leaseback;*
*Amendments to MFRS 101 Presentation of Financial Statements - Non-Current Liabilities with Covenants;*
*Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Statements: Disclosures - Supplier Finance Arrangements; and*

## 2. Material accounting policy information (cont'd.)

### 2.2 Changes in accounting policies (cont'd.)

***The Bank adopted the following amended MFRS beginning on or after 1 January 2024 (cont'd.)***

*Amendments to MFRS 112 Income Taxes - International Tax Reform - Pillar Two Model Rules.*

The adoption of the above amended MFRS did not have any material impact on the financial statements of the Bank.

### 2.3 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following MFRS and amendments to MFRS have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Bank.

***Effective for financial periods beginning on or after 1 January 2025***
*Amendments to MFRS 121 The Effects if Changes in Foreign Exchange Rates - Lack of Exchangeability.*

***Effective for financial periods beginning on or after 1 January 2026***
*Amendments to MFRS 9 Financial Instruments and MFRS 7 Financial Statements: Disclosures - Classification and Measurement of Financial Instruments*
*Amendments to MFRS Accounting Standard contained in the document entitled "Annual Improvements to MFRS Accounting Standards - Volume 11"*
*Amendments to MFRS 9 Financial Instruments and MFRS 7 Financial Statements: Disclosures - Contracts Referencing Nature-dependent Electricity*

***Effective for financial periods beginning on or after 1 January 2027***
*Amendments to MFRS 18 - Presentation and Disclosure in Financial Statements*
*Amendments to MFRS 19 - Subsidiaries without Public Accountability: Disclosures*

***Effective for financial periods to be determined by the MASB***
*Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

The Bank plans to adopt the above pronouncements when they become effective in the respective financial periods. Except for MFRS 18, these pronouncements are expected to have no material impact to the financial statements of the Bank upon their initial application. The Bank is currently assessing the impact to the financial statements, if any, upon the initial application of MFRS 18.

## 2. Material accounting policy information (cont'd.)

### 2.4 Summary of material accounting policies

#### (a) Financial instruments

##### (i) Classification

***Financial assets***

Financial assets are recognised in the statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the financial assets. The Bank classifies its financial assets under the following categories:

**(a) Amortised cost**

Financial assets are measured at amortised cost if they are held within a business model which the objective is to hold the financial assets in order to collect contractual cash flows which represent solely payments of principal and

**(b) Debt instruments at FVOCI**

FVOCI with recycling to profit or loss applies to debt instruments with contractual cash flows characteristics that are solely payments of principal and interest and business model objective is to both collecting contractual cash flows and selling off the financial assets.

**(c) Financial instruments at fair value through profit or loss ("FVTPL")**

Financial assets that qualify for neither held at amortised cost nor at FVOCI are measured at FVTPL.

***Financial liabilities***

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

**(a) Financial instruments at FVTPL**

Financial liabilities are measured at FVTPL if they are held for trading and designated upon initial recognition as FVTPL.

**(b) Amortised cost**

Non-derivative financial liabilities that are not held for active trading or designated as FVTPL are classified as non-trading liabilities carried at

##### (ii) Measurement

**Initial measurement**

At initial recognition, the Bank measures a financial instruments at its fair value plus transaction costs that are directly attributable to the acquisition of the financial instruments in the case of a financial instruments not at FVTPL. Transaction costs of financial instruments carried at FVTPL are expensed in profit or loss.

## 2. Material accounting policy information (cont'd.)

### 2.4 Summary of material accounting policies (cont'd.)

#### (a) Financial instruments (cont'd.)

##### (ii) Measurement (cont'd.)

**Subsequent measurement**

**(a) Amortised cost**

Amortised cost financial instruments are measured at amortised cost using effective interest method. Gains/losses are recognised in profit or loss through the amortisation process and when the financial instruments are impaired or derecognised.

**(b) Debt instruments at FVOCI**

Debt instruments classified as FVOCI are measured at fair value. Any gains or losses arising from the changes in fair value of these financial instruments are recognised in other comprehensive income, except for impairment loss, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is classified from equity to profit or loss as a reclassification adjustment when the financial instrument is derecognised.

**(c) Financial instruments at FVTPL**

All other financial instruments which are classified as FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial instruments at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial instruments at FVTPL are recognised separately in profit or loss as part of income or losses.

##### (iii) Classification of credit-impaired financial instruments

The Bank defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

**(a) Quantitative criteria**

The Bank defines a financial instrument as default, when the counterparty fails to make contractual payments within 90 days of when they fall due or with internal credit rating deteriorated to Rating 17 or below.

## 2. Material accounting policy information (cont'd.)

### 2.4 Summary of material accounting policies (cont'd.)

#### (a) Financial instruments (cont'd.)

##### (iii) Classification of credit-impaired financial instruments (cont'd.)

**(b) Qualitative criteria**

The counterparty meets unlikeliness-to-pay criteria, which indicates the counterparty is in significant financial difficulty. The Bank considers the following instances for this purpose:

- the counterparty exhibits significant financial difficulty;
- a breach of contract, such as unable to pay interest or principal;
- it is possible that the borrower will enter into bankruptcy or other financial reorganisation; or
- borrower granted for economics or legal reasons relating to its financial difficulty, a concession that lender would not otherwise.

Upgrading or de-classification of a credit-impaired account shall be supported by a credit assessment of the repayment capability, cash flows and financial position of the counterparty. The Bank must also be satisfied that once the account is de-classified, the account is unlikely to be classified again in the near future.

##### (iv) Impairment

The impairment requirements apply to financial assets measured at amortised cost and debt instruments at FVOCI and certain loan commitments as well as financial guarantee contracts. The allowances for impairment are based on the expected credit loss ("ECL") associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowances are based on the probability of default over the expected remaining life of the assets. The impairment can be assessed either individually or collectively. Further details are as disclosed in Note 32.1(a).

##### (v) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

## 2. Material accounting policy information (cont'd.)

### 2.4 Summary of material accounting policies (cont'd.)

#### (a) Financial instruments (cont'd.)

##### (vi) Recognition and derecognition

Financial instruments are recognised when the Bank becomes a party to the contractual provision of the instruments. All regular purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised on the settlement date.

Financial instruments are derecognised when the risks and rewards associated with the instruments are substantially transferred/disclosed, cancelled or expired. On derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the cumulative gain or loss that has been recognised in the equity are taken to profit or loss.

##### (vii) Write off policy

A credit-impaired account that is not secured by any realisable collateral will be written off either when the prospect of a recovery is considered poor or when all feasible avenues of recovery have been exhausted.

#### (b) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which derivative contracts are entered into and are subsequently re-measured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. Cash collaterals held or pledged in relation to derivative transactions are carried at amortised cost.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for as FVTPL. Changes in the fair value are recognised immediately in profit or loss and are included in other operating income.

## 2. Material accounting policy information (cont'd.)

### 2.4 Summary of material accounting policies (cont'd.)

#### (b) Derivative financial instruments and hedge accounting (cont'd.)

The Bank use derivative instruments to manage exposures to interest rates and foreign currencies risks. In order to manage particular risks, the Bank apply hedge accounting for hedging relationships that meets all of the following effectiveness requirements:

- there is an economic relationship between hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of hedged

At the inception of a hedging relationship, the Bank formally designates and documents the hedge relationship to which it wishes to apply hedge accounting including identification of the hedging instrument, the hedged item, the nature of the risk being hedged, the risk management objective and strategy for undertaking the hedge and the method used in assessing whether the hedging relationship meets the hedge effectiveness requirements (including analysis of sources of hedge ineffectiveness and how hedge ratio is determined).

The Bank will discontinue the hedge accounting if the hedging instrument expires, is sold, terminated or exercised or of the hedge no longer meets the criteria for hedge accounting or is revoked.

**Cash flow hedge**

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged forecast cash flows affect the profit or loss. If the hedged forecast transaction results in the recognition of a non-financial asset or liability, the gains or losses previously recognised in other comprehensive income is adjusted to the initial cost of the asset or liability.

When a hedging instrument expires, or is sold, terminated, exercised or where the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs and is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gains or losses that was reported in other comprehensive income is immediately transferred to profit or loss as hedge ineffectiveness.

## 2. Material accounting policy information (cont'd.)

### 2.4 Summary of material accounting policies (cont'd.)

#### (c) Loan commitments and financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of the amount determined in accordance with the ECL model under MFRS 9 and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers* ("MFRS 15") where appropriate.

Loan commitments provided by the Bank are measured as the amount of the loss allowances. The Bank has not provided any commitment to provide loans at a below market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowances are recognised as provision. However, for contracts that include both a loan and undrawn commitment and the Bank cannot separately identify the ECL on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowances for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

#### (d) Property, equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Property and equipment are depreciated on a straight-line basis to write down their costs to their residual values over their estimated useful lives, summarised as follows:

| | |
|---|---|
| Renovations and improvements | Amortised over the period of the lease |
| Computer equipment | 5 years |
| Furniture, fittings and equipment | 5 years |
| Motor vehicles | 8 years |

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. There are no material adjustments arising from the review that would require disclosure in the financial statements.

Gains or losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit or loss.

## 2. Material accounting policy information (cont'd.)

### 2.4 Summary of material accounting policies (cont'd.)

#### (e) Intangible assets

Intangible assets comprise separately identifiable intangible items arising from computer software and membership. Intangible assets are recognised at cost. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. At each date of the statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exists, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired.

#### (f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash and short-term funds and deposits and placements with banks and other financial institutions that are readily convertible to known amounts of cash and which are subject to an immaterial risk of changes in value.

#### (g) Recognition of interest income/expense

Interest income/expense is calculated by applying effective interest rate to the gross carrying amount of a financial assets/liabilities.
For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowances).

#### (h) Recognition of fees and other income

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Guarantee fees which are material are recognised as income based on time apportionment. Service charges and other fee income are recognised as income when the services are rendered. Management fees are recognised when services are rendered.
Commitment fees for loans and advances are likely to be drawn down and deferred (together with direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is regarded as an adjustment to the effective interest rate of the financial instrument.

Net gain/loss from debt instruments at FVOCI are recognised upon disposal of the securities which consist of the cumulative gain or loss previously recognised in other comprehensive income and the difference between net disposal proceeds and the carrying amount of the securities.

#### (i) Operating revenue

Operating revenue of the Bank comprises interest income, fee income, trading and investment income or losses and other income derived from banking operations.

## 2. Material accounting policy information (cont'd.)

### 2.4 Summary of material accounting policies (cont'd.)

#### (j) Employee benefits

##### (i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

##### (ii) Post-employment benefits - defined contribution plans

The defined contribution plan is a pension plan under which the Bank pays fixed contributions to the national pension scheme, the Employees' Provident Fund ("EPF") and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Bank's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (k) Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Bank as a lessee**

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## 2. Material accounting policy information (cont'd.)

### 2.4 Summary of material accounting policies (cont'd.)

#### (k) Leases (cont'd.)

##### (i) Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentive received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

##### (ii) Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivables, variable lease payments that depend on an index or a rate, and amount expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Bank uses its cost of fund at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

##### (iii) Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Bank also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense.

## 2. Material accounting policy information (cont'd.)

### 2.4 Summary of material accounting policies (cont'd.)

#### (l) Current and deferred income taxes

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Bank operates and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2. Material accounting policy information (cont'd.)

### 2.4 Summary of material accounting policies (cont'd.)

#### (m) Currency conversion and translation

##### (i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional and presentation currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. Foreign exchange gains and losses are presented in profit or loss on a net basis within other operating income.

#### (n) Subordinated loan and borrowing

Subordinated loan and borrowing is classified as financial liability in the statement of financial position as there is a contractual obligation to make cash payment of either principal or interest to the holders and lenders of the subordinated loan and borrowing.The Bank is contractually obligated to settle the financial instrument in cash.

### 2.5 Material accounting estimates and judgements

In the preparation of the financial statements, management was required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected. material areas of estimation, uncertainty and critical judgements used in applying accounting policies that have a material effect on the amount recognised in the financial statements include the following:

## 2. Material accounting policy information (cont'd.)

### 2.5 Material accounting estimates and judgements (cont'd.)

#### (a) ECL allowances on financial assets

The measurement of ECL under MFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors as disclosed in Note 32.1(a), changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns probability of default ("PD") to each individual grade;

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;

- The segmentation of financial assets when their ECL is assessed on a collective basis;

- Development of ECL models, including the various formulas and the choice of inputs;

- Determination of associations between macro-economic variables and, economic inputs, and the effect on PD, exposure at default ("EAD") and loss given default ("LGD"); and

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It is the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The Bank has set out its credit risk management as disclosed in Note 32.1(a).

The amount of allowances for ECL on financial assets and off-balance sheet credit exposures recognised by the Bank are as disclosed in Note 3, Note 4, Note 5, Note 8, Note 16 and Note 26 respectively.

## 3. Cash and short-term funds

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Cash and balances with banks and other financial institutions | 21,341 | 319,364 |
| Money at call and deposit placements maturing within one month | 520,317 | 1,425,747 |
| | 541,658 | 1,745,111 |
| Less: ECL allowances | (258) | (298) |
| | 541,400 | 1,744,813 |

Movements in the gross carrying amount for cash and short-term funds that contributed to changes in ECL allowances are as follows:

| 2024 | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January | 1,745,111 | - | - | 1,745,111 |
| Financial assets derecognised during the financial year | (1,723,519) | - | - | (1,723,519) |
| New financial assets acquired | 520,066 | - | - | 520,066 |
| At 31 December | 541,658 | - | - | 541,658 |
| **2023** | | | | |
| At 1 January | 585,284 | - | - | 585,284 |
| Financial assets derecognised during the financial year | (265,920) | - | - | (265,920) |
| New financial assets acquired | 1,425,747 | - | - | 1,425,747 |
| At 31 December | 1,745,111 | - | - | 1,745,111 |

Movements in ECL allowances for cash and short-term funds are as follows:

| 2024 | Stage 1 12-month ECL RM'000 | Stage 2 Lifetime ECL non credit-impaired RM'000 | Stage 3 Lifetime ECL credit-impaired RM'000 | Total ECL RM'000 |
|---|---|---|---|---|
| At 1 January | 298 | - | - | 298 |
| Financial assets derecognised during the financial year | (185) | - | - | (185) |
| New financial assets acquired | 145 | - | - | 145 |
| Net total (Note 26) | (40) | - | - | (40) |
| At 31 December | 258 | - | - | 258 |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 3. Cash and short-term funds (cont'd.)

| 2023 | Stage 1<br>12-month ECL<br>RM'000 | Stage 2<br>Lifetime ECL non credit-impaired<br>RM'000 | Stage 3<br>Lifetime ECL credit-impaired<br>RM'000 | Total ECL<br>RM'000 |
|---|---|---|---|---|
| At 1 January | 228 | - | - | 228 |
| Financial assets derecognised during the financial year | (552) | - | - | (552) |
| New financial assets acquired | 622 | - | - | 622 |
| Net total (Note 26) | 70 | - | - | 70 |
| At 31 December | 298 | - | - | 298 |

## 4. Deposits and placements with banks and other financial institutions

| | 2024<br>RM'000 | 2023<br>RM'000 |
|---|---|---|
| Licensed banks | 1,689,877 | 690,275 |

Movements in the gross carrying amount for deposits and placements with banks and other financial institutions that contributed to changes in ECL allowances are as follows:

| 2024 | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| At 1 January | 690,275 | - | - | 690,275 |
| Financial assets derecognised during the financial year | (690,275) | - | - | (690,275) |
| New financial assets acquired | 1,689,877 | - | - | 1,689,877 |
| At 31 December | 1,689,877 | - | - | 1,689,877 |
| **2023** | | | | |
| At 1 January | 897,025 | - | - | 897,025 |
| Financial assets derecognised during the financial year | (897,025) | - | - | (897,025) |
| New financial assets acquired | 690,275 | - | - | 690,275 |
| At 31 December | 690,275 | - | - | 690,275 |

There is no ECL allowance for deposits and placements with banks and other financial institutions.

## 5. Debt instruments at fair value through other comprehensive income ("FVOCI")

| At fair value | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Money market instruments** | | |
| Malaysian Government Securities | 563,888 | 101,438 |
| Malaysian Government Investment Issues | 1,331,178 | 376,175 |
| Negotiable Instruments of Deposits | 801,636 | 600,689 |
| | 2,696,702 | 1,078,302 |
| **Unquoted securities** | | |
| Corporate bonds within Malaysia | 589,256 | 585,151 |
| Cagamas debt securities | 354,933 | 252,669 |
| | 944,189 | 837,820 |
| | 3,640,891 | 1,916,122 |

Movements in the gross carrying amount for debt instruments at FVOCI that contributed to changes in ECL allowances are as follows:

| 2024 | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January | 1,916,122 | - | - | 1,916,122 |
| Financial assets derecognised during the financial year | (1,199,665) | - | - | (1,199,665) |
| New financial assets purchased | 2,924,434 | - | - | 2,924,434 |
| At 31 December | 3,640,891 | - | - | 3,640,891 |
| **2023** | | | | |
| At 1 January | 3,071,739 | - | - | 3,071,739 |
| Financial assets derecognised during the financial year | (2,267,369) | - | - | (2,267,369) |
| New financial assets purchased | 1,111,752 | - | - | 1,111,752 |
| At 31 December | 1,916,122 | - | - | 1,916,122 |

## 5. Debt instruments at fair value through other comprehensive income ("FVOCI") (cont'd.)

The following ECL for debt instruments are not recognised in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value:

| | Stage 1 | Stage 2 | Stage 3 | |
|---|---|---|---|---|
| | | Lifetime ECL | Lifetime ECL | |
| | 12-month ECL | non credit-impaired | credit-impaired | Total ECL |
| **2024** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At 1 January | 962 | - | - | 962 |
| Financial assets derecognised during the financial year | (1,011) | - | - | (1,011) |
| New financial assets purchased | 959 | - | - | 959 |
| Net total (Note 26) | (52) | - | - | (52) |
| At 31 December | 910 | - | - | 910 |
| **2023** | | | | |
| At 1 January | 1,515 | - | - | 1,515 |
| Financial assets derecognised during the financial year | (839) | - | - | (839) |
| New financial assets purchased | 286 | - | - | 286 |
| Net total (Note 26) | (553) | - | - | (553) |
| At 31 December | 962 | - | - | 962 |

## 6. Other assets

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Deposits | 2,171 | 2,776 |
| Prepayments | 1,306 | 1,855 |
| Cash collateral pledged for derivative transactions | 25,186 | 11,194 |
| Amount due from ultimate holding company (Note i) | 17,602 | 18,293 |
| Other receivables | 22,106 | 15,724 |
| | 68,371 | 49,842 |

(i) The amount due from ultimate holding company is unsecured, interest free and repayable on demand.

## 7. Derivative financial assets/(liabilities)

The Bank's derivative financial instruments are measured at their fair values together with their corresponding contract/notional amounts as at reporting date. The notional amounts of these derivative financial instruments refer to the underlying contract value on which changes in the value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end but are not indicative of either the market risk or credit risk inherent in the derivative contracts. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 32 to the financial statements.

| | Contract/Notional | <------ Fair Value ------> | |
|---|---|---|---|
| | Amount | Assets | Liabilities |
| **2024** | RM'000 | RM'000 | RM'000 |
| **Trading derivatives** | | | |
| Foreign exchange related contracts: | | | |
| - Currency forwards/spot | 412,905 | 1,318 | 970 |
| - Currency swaps | 9,715,949 | 136,415 | 120,522 |
| Interest rate related contracts: | | | |
| - Interest rate swaps | 375,000 | 859 | 228 |
| | 10,503,854 | 138,592 | 121,720 |
| **2023** | | | |
| **Trading derivatives** | | | |
| Foreign exchange related contracts: | | | |
| - Currency forwards/spot | 212,068 | 1,350 | 132 |
| - Currency swaps | 4,805,125 | 22,781 | 139,809 |
| Interest rate related contracts: | | | |
| - Interest rate swaps | 75,000 | 755 | - |
| **Hedging derivatives - cash flow hedge** | | | |
| Foreign exchange related contracts: | | | |
| - Cross currency interest rate swaps | 915,700 | 72,738 | - |
| | 6,007,893 | 97,624 | 139,941 |

**7. Derivative financial assets/(liabilities) (cont'd.)**

**Cash flow hedge**

In previous financial year, the Bank applied cash flow hedge accounting to the foreign currency and interest rate element of its floating rate USD denominated subordinated loan (Note 18) and associated cross currency interest rate swaps ("CCIRS") by converting the subordinated loan into fixed rate MYR exposures with the floating rate and principal of the hedged item matched by those of the hedging instrument. The amount and timing of future cash flows, representing both principal and interest payments, are projected on the basis of their contractual terms and other relevant factors.

The Bank considers the hedge as a hedge of more than one risk and does not split the interest rate from the principal for hedge accounting purposes. However, the Bank designates only the spot element of the CCIRS as hedging instrument. The forward element of the CCIRS is recognised in other comprehensive income ("OCI") and accumulated in a separate component of equity under cost of hedging reserve.

There is an economic relationship between the hedged item and hedging instrument as the terms of the CCIRS match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Bank has established a hedge ratio of 1:1 for the hedging relationship as the underlying risk of the CCIRS are identical to the hedged risk components. To test the hedge effectiveness, the Bank uses the dollar offset method and compares the changes in the fair value of hedging instrument against the changes in fair value of the hedged item attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Hedge accounting was adopted subsequent to the trade date of the CCIRS;
- Different occurrence or settlement dates of the hedged item and hedging instrument;
- Hypothetical derivative used to calculate the change in fair value of the hedged risk might be fair valued using different curves; and
- A change in the credit risk of the Bank or the Bank's counterparty to the CCIRS.

**7. Derivative financial assets/(liabilities) (cont'd.)**

The following tables show the notional amount of derivatives designated in cash flow hedge relationships in time bands based on the maturity of the derivatives:

| | Up to 1 year RM'000 | 2-3 years RM'000 | 4-5 years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2023** | | | | |
| CCIRS | - | 915,700 | - | 915,700 |

The impact of the hedged item and hedging instrument on the statement of financial position are as follows:

| | CCIRS RM'000 | Subordinated loan RM'000 |
|---|---|---|
| **2023** | | |
| Changes in fair value used for measuring ineffectiveness | 37,363 | 37,310 |

The effect of the cash flow hedge in the statement of comprehensive income is as follows:

| | 2023 RM'000 |
|---|---|
| Net change in cash flow hedge | 53 |
| Net change in cost of hedging | (159) |
| Ineffectiveness recognised in profit or loss (Note 23) | (3,631) |

## 8. Loans and advances

| At amortised cost | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Overdrafts | 5,173 | 5,150 |
| Term loans: | | |
| - Syndicated term loans | 278,508 | 390,159 |
| - Other term loans | 625,414 | 766,311 |
| - Factoring receivables | 381,684 | 544,899 |
| Trust receipts | 179,418 | 359,762 |
| Revolving credits | 1,233,265 | 1,051,005 |
| Gross loans and advances | 2,703,462 | 3,117,286 |
| | | |
| Less: ECL allowances | | |
| - Stage 1 | (17,942) | (15,554) |
| - Stage 2 | (3,265) | (4,767) |
| Net loans and advances | 2,682,255 | 3,096,965 |

### (i) Gross loans and advances by type of customers:

| | | |
|---|---|---|
| Business enterprises | 2,703,462 | 3,117,286 |
| | 2,703,462 | 3,117,286 |

### (ii) Gross loans and advances by geographical distribution:

| | | |
|---|---|---|
| Malaysia | 2,656,410 | 3,038,912 |
| China | 47,052 | 78,374 |
| | 2,703,462 | 3,117,286 |

### (iii) Gross loans and advances by interest rate sensitivity:

| | | |
|---|---|---|
| Fixed rate loans | 14,963 | 341,679 |
| Variable rate (cost-plus) loans | 2,688,499 | 2,775,607 |
| | 2,703,462 | 3,117,286 |

## 8. Loans and advances (cont'd.)

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **(iv) Gross loans and advances by economic purpose:** | | |
| Working capital | 1,887,589 | 2,018,173 |
| Purchase of land | 75,784 | 126,488 |
| Construction | 298,586 | 378,785 |
| Lending to related entities | 119,818 | 135,837 |
| Purchase of machinery and equipments | 174,768 | 229,376 |
| Other purposes | 146,917 | 228,627 |
| | 2,703,462 | 3,117,286 |
| **(v) Gross loans and advances by remaining contractual maturity:** | | |
| Maturity within one year | 1,816,537 | 1,971,435 |
| One year to three years | 265,190 | 78,949 |
| Three years to five years | 204,412 | 478,123 |
| Over five years | 417,323 | 588,779 |
| | 2,703,462 | 3,117,286 |
| **(vi) Gross loans and advances by industry:** | | |
| Agriculture, hunting, forestry and fishing | 45,132 | 45,134 |
| Mining and quarrying | - | 202,945 |
| Manufacturing | 436,748 | 633,093 |
| Electricity, gas and water | 179,392 | 228,802 |
| Construction | 300,898 | 464,765 |
| Wholesale, retail trade, restaurants and hotels | 213,918 | 78,854 |
| Transport, storage and communication | 1,143,393 | 1,141,892 |
| Real estate | 40,641 | 115,869 |
| Finance, insurance and business services | 200,229 | 150,846 |
| Information and Communication | 143,111 | - |
| Others | - | 55,086 |
| | 2,703,462 | 3,117,286 |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 8. Loans and advances (cont'd.)

### (vii) Movements in the gross carrying amount of loans and advances that contributed to changes in the ECL allowances:

| 2024 | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January | 3,053,315 | 63,971 | - | 3,117,286 |
| Financial assets derecognised during the financial year | (16,873,646) | (3,441) | - | (16,877,087) |
| New financial assets originated | 16,463,263 | - | - | 16,463,263 |
| At 31 December | 2,642,932 | 60,530 | - | 2,703,462 |
| **2023** | | | | |
| At 1 January | 1,236,488 | - | - | 1,236,488 |
| Financial assets derecognised during the financial year | (4,426,073) | - | - | (4,426,073) |
| New financial assets originated | 6,306,871 | - | - | 6,306,871 |
| Transferred to Stage 2 | (63,971) | 63,971 | - | - |
| At 31 December | 3,053,315 | 63,971 | - | 3,117,286 |

### (viii) Movements in ECL allowances for loans and advances:

| | Stage 1 | Stage 2 | Stage 3 | |
|---|---|---|---|---|
| 2024 | 12-month ECL RM'000 | Lifetime ECL non credit-impaired RM'000 | Lifetime ECL credit-impaired RM'000 | Total ECL RM'000 |
| At 1 January | 15,554 | 4,767 | - | 20,321 |
| Financial assets derecognised during the financial year | (13,786) | (1,846) | - | (15,632) |
| New financial assets originated | 16,174 | 344 | - | 16,518 |
| Net total (Note 26) | 2,388 | (1,502) | - | 886 |
| At 31 December | 17,942 | 3,265 | - | 21,207 |

## 8. Loans and advances (cont'd.)

### (viii) Movements in ECL allowances for loans and advances (cont'd.):

| 2023 | Stage 1<br>12-month ECL<br>RM'000 | Stage 2<br>Lifetime ECL non credit-impaired<br>RM'000 | Stage 3<br>Lifetime ECL credit-impaired<br>RM'000 | Total ECL<br>RM'000 |
|---|---|---|---|---|
| At 1 January | 15,271 | - | - | 15,271 |
| Financial assets derecognised during the financial year | (16,301) | - | - | (16,301) |
| New financial assets originated | 17,619 | - | - | 17,619 |
| Transferred to Stage 2 | (1,035) | 4,767 | - | 3,732 |
| Net total (Note 26) | 283 | 4,767 | - | 5,050 |
| At 31 December | 15,554 | 4,767 | - | 20,321 |

## 9. Statutory deposits with Bank Negara Malaysia

A non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009. The amount of Statutory Reserve Requirement is determined based on a set percentage of total eligible liabilities.

## 10. Right-of-use assets and lease liabilities

### Bank as lessee

The Bank has lease contracts for properties, data centre server and office equipment. All the leases generally have lease term ranging from 5 to 10 years (2023: 3 to 10 years).

## 10. Right-of-use assets and lease liabilities (cont'd.)

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognised and the movements during the year:

| 2024 | Properties RM'000 | Data centre server RM'000 | Office equipment RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Right-of-use assets** | | | | |
| At 1 January | 35,052 | - | 41 | 35,093 |
| Depreciation charge for the financial year (Note 24) | (4,475) | - | (20) | (4,495) |
| At 31 December | 30,577 | - | 21 | 30,598 |
| **Lease liabilities** | | | | |
| At 1 January | 35,650 | - | 43 | 35,693 |
| Accretion of interest (Note 22) | 1,155 | - | 1 | 1,156 |
| Lease payments | (5,187) | - | (22) | (5,209) |
| At 31 December | 31,618 | - | 22 | 31,640 |
| **2023** | | | | |
| **Right-of-use assets** | | | | |
| At 1 January | 38,742 | 132 | 62 | 38,936 |
| New lease recognised | 711 | - | - | 711 |
| Disposal | - | (97) | - | (97) |
| Depreciation charge for the financial year (Note 24) | (4,401) | (35) | (21) | (4,457) |
| At 31 December | 35,052 | - | 41 | 35,093 |
| **Lease liabilities** | | | | |
| At 1 January | 38,904 | 133 | 64 | 39,101 |
| New lease recognised | 591 | - | - | 591 |
| Disposal | - | (98) | - | (98) |
| Accretion of interest (Note 22) | 1,270 | 1 | 1 | 1,272 |
| Lease payments | (5,115) | (36) | (22) | (5,173) |
| At 31 December | 35,650 | - | 43 | 35,693 |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 11. Property and equipment

| 2024 | Renovations and improvements RM'000 | Computer equipment RM'000 | Furniture, fittings and equipment RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January | 439 | 15,690 | 2,092 | 930 | 19,151 |
| Additions | 21 | 2,061 | 241 | - | 2,323 |
| Disposal | - | (480) | (754) | - | (1,234) |
| Written off | - | (2,366) | (35) | - | (2,401) |
| At 31 December | 460 | 14,905 | 1,544 | 930 | 17,839 |
| **Accumulated depreciation** | | | | | |
| At 1 January | (9) | (11,351) | (1,822) | (800) | (13,982) |
| Charge for the financial year (Note 24) | (57) | (1,483) | (156) | (113) | (1,809) |
| Disposal | - | 464 | 734 | - | 1,198 |
| Written off | - | 2,289 | 32 | - | 2,321 |
| At 31 December | (66) | (10,081) | (1,212) | (913) | (12,272) |
| **Net book value** | | | | | |
| At 31 December | 394 | 4,824 | 332 | 17 | 5,567 |
| **2023** | | | | | |
| **Cost** | | | | | |
| At 1 January | 3,763 | 12,895 | 2,061 | 930 | 19,649 |
| Additions | 439 | 2,795 | 31 | - | 3,265 |
| Written off | (3,763) | - | - | - | (3,763) |
| At 31 December | 439 | 15,690 | 2,092 | 930 | 19,151 |
| **Accumulated depreciation** | | | | | |
| At 1 January | (3,763) | (10,349) | (1,615) | (687) | (16,414) |
| Charge for the financial year (Note 24) | (9) | (1,002) | (207) | (113) | (1,331) |
| Write-off | 3,763 | - | - | - | 3,763 |
| At 31 December | (9) | (11,351) | (1,822) | (800) | (13,982) |
| **Net book value** | | | | | |
| At 31 December | 430 | 4,339 | 270 | 130 | 5,169 |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 12. Intangible assets

| 2024 | Computer software RM'000 | Member-ship RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January | 12,364 | 2,600 | 14,964 |
| Additions | 931 | - | 931 |
| At 31 December | 13,295 | 2,600 | 15,895 |
| **Accumulated amortisation** | | | |
| At 1 January | (7,360) | - | (7,360) |
| Charge for the financial year (Note 24) | (1,800) | - | (1,800) |
| At 31 December | (9,160) | - | (9,160) |
| **Net book value** | | | |
| At 31 December | 4,135 | 2,600 | 6,735 |

| 2023 | Computer software RM'000 | Member-ship RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January | 11,714 | 2,600 | 14,314 |
| Additions | 650 | - | 650 |
| At 31 December | 12,364 | 2,600 | 14,964 |
| **Accumulated amortisation** | | | |
| At 1 January | (5,506) | - | (5,506) |
| Charge for the financial year (Note 24) | (1,854) | - | (1,854) |
| At 31 December | (7,360) | - | (7,360) |
| **Net book value** | | | |
| At 31 December | 5,004 | 2,600 | 7,604 |

## 13. Deferred tax assets

| | 2024<br>RM'000 | 2023<br>RM'000 |
|---|---|---|
| At 1 January | 13,443 | 17,113 |
| Charged to profit or loss (Note 27) | | |
| - Relating to origination and reversal of temporary differences | 698 | 1,444 |
| - Under-provision of deferred tax liabilities | - | (81) |
| Recognised in other comprehensive income | (596) | (5,033) |
| At 31 December | 13,545 | 13,443 |

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority. The following amounts determined after appropriate set off, are shown in the statement of financial position:

| | 2024<br>RM'000 | 2023<br>RM'000 |
|---|---|---|
| Deferred tax assets, net | 13,545 | 13,443 |

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

| | | |
|---|---|---|
| Deferred tax assets | 21,649 | 23,038 |
| Deferred tax liabilities | (8,104) | (9,595) |
| | 13,545 | 13,443 |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

**13. Deferred tax assets (cont'd.)**

The components and movements in deferred tax assets and liabilities of the Bank during the financial year prior to offsetting are as follows:

**Deferred tax assets**

| | Debt instruments at FVOCI RM'000 | Lease liabilities RM'000 | Provisions and deferred income RM'000 | ECL allowances RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| At 1 January 2024 | 4,279 | 8,566 | 5,003 | 5,190 | 23,038 |
| Charge to profit or loss | | | | | |
| - Relating to origination and reversal of temporary differences | - | (1,109) | 283 | 513 | (313) |
| - Overprovision in prior financial year | | - | 18 | - | 18 |
| Recognised in OCI | (1,094) | - | - | - | (1,094) |
| At 31 December 2024 | 3,185 | 7,457 | 5,304 | 5,703 | 21,649 |
| At 1 January 2023 | 9,337 | 9,384 | 4,025 | 4,743 | 27,489 |
| Charge to profit or loss | | | | | |
| - Relating to origination and reversal of temporary differences | - | (818) | 978 | 447 | 607 |
| Recognised in OCI | (5,058) | - | - | - | (5,058) |
| At 31 December 2023 | 4,279 | 8,566 | 5,003 | 5,190 | 23,038 |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 13. Deferred tax assets (cont'd.)

### Deferred tax liabilities

| | Right-of-use assets | Property and equipment and intangible assets | Cash flow hedge reserve | Cost of hedging reserve | Total |
|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2024 | (8,422) | (675) | 19 | (517) | (9,595) |
| Charge to profit or loss | | | | | |
| - Relating to origination and reversal of temporary differences | 1,079 | (68) | - | - | 1,011 |
| - Under-provision in prior financial year | - | (18) | - | - | (18) |
| Recognised in OCI | - | - | (19) | 517 | 498 |
| At 31 December 2024 | (7,343) | (761) | - | - | (8,104) |
| At 1 January 2023 | (9,345) | (508) | 32 | (555) | (10,376) |
| Charge to profit or loss | | | | | |
| - Relating to origination and reversal of temporary differences | 923 | (86) | - | - | 837 |
| - Under-provision in prior financial year | - | (81) | - | - | (81) |
| Recognised in OCI | - | - | (13) | 38 | 25 |
| At 31 December 2023 | (8,422) | (675) | 19 | (517) | (9,595) |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 14. Deposits from customers

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **(a) By type of deposit:** | | |
| Demand deposits | 1,149,340 | 1,741,041 |
| Saving deposits | 23,276 | 19,490 |
| Fixed deposits | 1,322,679 | 1,445,405 |
| | 2,495,295 | 3,205,936 |
| **(b) By type of customer:** | | |
| Business enterprises | 2,091,713 | 2,955,453 |
| Domestic non-banking financial institutions | 376,372 | 227,786 |
| Local government and statutory authorities | - | 485 |
| Individuals | 27,210 | 22,212 |
| | 2,495,295 | 3,205,936 |
| **(c) By maturity structure of fixed deposits:** | | |
| Due within six months | 1,173,093 | 1,444,127 |
| Six months to one year | 148,512 | 502 |
| One year to three years | 1,074 | 776 |
| | 1,322,679 | 1,445,405 |

## 15. Deposits and placements of banks and other financial institutions

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Licensed banks in Malaysia | 2,235,590 | 1,153,997 |
| Ultimate holding company | 611,821 | 631,068 |
| Other financial institutions | 18,435 | 94 |
| | 2,865,846 | 1,785,159 |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 16. Other liabilities

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Other payables and accruals | 30,115 | 79,518 |
| Deferred income | 9,302 | 9,589 |
| Cash collateral received for derivative transactions | 112,320 | 77,812 |
| Cash collateral from corporate customers | 27,607 | 22,641 |
| ECL allowances for loan commitments and financial guarantees | 3,017 | 2,426 |
| | 182,361 | 191,986 |

Movements in the gross carrying amount for loan commitments and financial guarantees that contributed to changes in ECL allowances are as follows:

| 2024 | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January | 2,129,006 | - | - | 2,129,006 |
| Credit exposures relinquished | (1,144,617) | - | - | (1,144,617) |
| Credit exposures assumed | 1,090,149 | - | - | 1,090,149 |
| At 31 December | 2,074,538 | - | - | 2,074,538 |

| 2023 | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January | 1,656,135 | 153 | - | 1,656,288 |
| Credit exposures relinquished | (220,333) | - | - | (220,333) |
| Credit exposures assumed | 693,051 | - | - | 693,051 |
| Transferred to Stage 2 | 153 | (153) | - | - |
| At 31 December | 2,129,006 | - | - | 2,129,006 |

## 16. Other liabilities (cont'd.)

Movements in ECL allowances for loan commitments and financial guarantees are as follows:

| | Stage 1 | Stage 2 | Stage 3 | |
|---|---|---|---|---|
| | | Lifetime ECL | Lifetime ECL | |
| | 12-month ECL | non credit-impaired | credit-impaired | Total ECL |
| **2024** | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 2,426 | - | - | 2,426 |
| Credit exposures relinquished | (2,927) | - | - | (2,927) |
| Credit exposures assumed | 3,518 | - | - | 3,518 |
| Net total (Note 26) | 591 | - | - | 591 |
| At 31 December | 3,017 | - | - | 3,017 |
| **2023** | | | | |
| At 1 January | 2,750 | - | - | 2,750 |
| Credit exposures relinquished | (7,905) | - | - | (7,905) |
| Credit exposures assumed | 7,581 | - | - | 7,581 |
| Net total (Note 26) | (324) | - | - | (324) |
| At 31 December | 2,426 | - | - | 2,426 |

## 17. Borrowing

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Unsecured:** | | |
| Term loan | 1,284,843 | 451,759 |

The term loans are denominated in Chinese Yuan bearing a fixed interest rate with remaining maturity of less than 1 year to 3 years.

## 18. Subordinated loan

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| ***At amortised cost*** | | |
| RMB 1.425 billion subordinated loan 2024/2034, at par | 878,657 | 921,542 |

On 29 August 2024, the Bank has issued a new RMB 1.425 billion Tier II subordinated loan equivalent to USD200 million and redeemed the existing USD200 million Tier II subordinated loan.

The RMB 1.425 billion Tier II subordinated loan has a 10 years maturity, non-callable 5 years, which bears interest rate at 1-year LPR minus 0.55% payable every 6 months throughout the tenure.

The issuance of the subordinated loan was approved by BNM as Basel III compliant Tier II subordinated loan, and is classified as Tier II capital of the Bank pursuant to BNM's Capital Adequacy Framework (Capital Components).

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 19. Share capital

| | 2024 Number of shares 000 | 2024 Amount RM'000 | 2023 Number of shares 000 | 2023 Amount RM'000 |
|---|---|---|---|---|
| **Issued and fully paid-up ordinary shares** | | | | |
| At 1 January/31 December | 822,600 | 822,600 | 822,600 | 822,600 |

## 20. Reserves

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Regulatory reserve (a) | - | 4,700 |
| FVOCI reserve (b) | (9,806) | (12,590) |
| Cash flow hedge reserve (c) | - | (63) |
| Cost of hedging reserve (d) | - | 1,643 |
| Retained profits | 170,074 | 139,567 |
| | 160,268 | 133,257 |

(a) In accordance with BNM's Financial Reporting Policy Document, banking subsidiaries shall maintain, in aggregate, loss allowance for non-credit-impaired exposure and regulatory reserve of no less than 1% of all credit exposures (on and off-balance sheet that are subject to MFRS 9 impairment requirement, excluding exposures to and with an explicit guarantee from Malaysian Government), net of Stage 3 provision. As at the reporting date, the Bank maintains the loss allowance for non-credit impaired exposure and regulatory reserve at the minimum of 1%, without transfer to regulatory reserve from retained profits.

(b) FVOCI reserve represents the unrealised gains or losses arising from the change in fair value of debt instruments at FVOCI, net of ECL allowances. The gains or losses are transferred to the profit or loss upon disposal net of impairment allowance recognised.

(c) Cash flow hedge reserve represents the effective portion of spot element of the hedging instrument, net of tax.

(d) Cost of hedging reserve represents the effective portion of the forward element of the hedging instrument, net of tax.

## 21. Interest income

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Loans and advances | 137,075 | 91,188 |
| Deposits and placements with banks and other financial institutions | 78,099 | 71,811 |
| Debt instruments at FVOCI | 114,125 | 84,036 |
| Derivative financial instruments | - | 4,460 |
| | 329,299 | 251,495 |

## 22. Interest expense

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Deposits and placements of banks and other financial institutions | 129,313 | 66,335 |
| Deposits from customers | 101,968 | 88,965 |
| Obligations on securities sold under repurchase agreements ("Repos") | 60 | - |
| Subordinated loan | 52,855 | 62,793 |
| Lease liabilities (Note 10) | 1,156 | 1,272 |
| Derivative financial instruments | 12,957 | - |
| | 298,309 | 219,365 |

## 23. Other operating income

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Fee income:** | | |
| Service charges and fees | 192 | 199 |
| Guarantee fees | 2,983 | 1,874 |
| Commitment fees | 144 | 565 |
| Syndication fees | 582 | 1,388 |
| Management fees | 31,209 | 25,332 |
| | 35,110 | 29,358 |
| Less: Fees expense | (672) | (430) |
| Net fee income | 34,438 | 28,928 |
| **Trading and investment income:** | | |
| Net realised (loss)/ gain on derivatives | (229,384) | 176,514 |
| Net unrealised fair value gain/ (loss) on derivatives* | 135,557 | (50,428) |
| Net foreign exchange gain/ (loss) | 157,008 | (67,815) |
| Net gain from sale of debt instruments at FVOCI | - | 270 |
| Less: Brokerage charges | (592) | (492) |
| | 62,589 | 58,049 |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 23. Other operating income (cont'd.)

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Other income:** | | |
| Rental income | 848 | 848 |
| Other non-operating income | 3,073 | 730 |
| | 3,921 | 1,578 |
| | 100,948 | 88,555 |

* In the previous financial year, included in net unrealised fair value gain on derivatives is RM3,630,595) (Note 7) relating to the ineffective portion of the cash flow hedge.

## 24. Other operating expenses

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Personnel expenses** | | |
| Salaries, bonuses, wages and allowances | 54,788 | 47,359 |
| Defined contribution plan | 4,384 | 3,515 |
| Other staff related costs | 5,119 | 4,391 |
| | 64,291 | 55,265 |
| **Establishment expenses** | | |
| Depreciation of property and equipment (Note 11) | 1,809 | 1,331 |
| Depreciation of right-of-use assets (Note 10) | 4,495 | 4,457 |
| Amortisation of intangible assets (Note 12) | 1,800 | 1,854 |
| Repair and maintenance | 3,517 | 4,751 |
| Short-term leases expenses | 261 | 1,669 |
| Others | 274 | 401 |
| | 12,156 | 14,463 |
| **Promotion and marketing expenses** | | |
| Advertisement and publicity | 1,304 | 1,730 |
| **Administration and general expenses** | | |
| Communication expenses | 1,333 | 1,057 |
| Auditors' remuneration | 378 | 484 |
| - Audit related fees | 378 | 379 |
| - Regulatory audit fees | - | 105 |
| Legal and professional fees | 771 | 446 |
| Travelling and accommodation expenses | 1,025 | 960 |
| Subscription fees | 506 | 814 |
| Directors' fees and allowances | 629 | 603 |
| Insurance premium | 155 | 180 |
| Printing, stationery and postage | 125 | 228 |
| Others | 2,423 | 452 |
| | 7,345 | 5,224 |
| | 85,096 | 76,682 |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 25. Chief Executive Officer and Directors' remuneration

| | Salaries RM'000 | Bonuses RM'000 | Director's fees RM'000 | Other emoluments RM'000 | Benefits-in-kind RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2024** | | | | | | |
| **Chief Executive Officer** | | | | | | |
| Wang Qijie | 1,687 | 247 | - | - | 46 | 1,980 |
| **Non-executive Directors** | | | | | | |
| Chong Kwai Ying | - | - | 150 | 7 | - | 157 |
| Lee Teck Seng | - | - | 150 | 8 | - | 158 |
| Datin Ooi Swee Lian | - | - | 150 | 8 | 3 | 161 |
| Dato' Lee Teck Hua | - | - | 150 | 8 | 4 | 162 |
| | 1,687 | 247 | 600 | 31 | 53 | 2,618 |
| **2023** | | | | | | |
| **Chief Executive Officer** | | | | | | |
| Wang Qijie | 1,675 | - | - | - | 57 | 1,732 |
| **Non-executive Directors** | | | | | | |
| Chong Kwai Ying | - | - | 150 | 7 | - | 157 |
| Lee Teck Seng | - | - | 142 | 7 | 5 | 154 |
| Datin Ooi Swee Lian | - | - | 142 | 7 | - | 149 |
| Dato' Lee Teck Hua | - | - | 142 | 7 | 6 | 155 |
| | 1,675 | - | 576 | 28 | 68 | 2,347 |

Directors' remuneration for other remaining Directors are borne by ultimate holding company.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 26. Allowances for/(Writeback of) ECL

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Stage 1: | | |
| - Cash and short-term funds (Note 3) | (40) | 70 |
| - Debt instruments at FVOCI (Note 5) | (52) | (553) |
| - Loans and advances (Note 8(viii)) | 2,388 | 283 |
| - Loan commitments and financial guarantees (Note 16) | 591 | (324) |
| Total | 2,887 | (524) |
| Stage 2: | | |
| - Loans and advances (Note 8(viii)) | (1,502) | 4,767 |
| | (1,502) | 4,767 |
| Total | 1,385 | 4,243 |

## 27. Taxation

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Income tax | | |
| - Malaysian income tax in respect of current financial year | 16,740 | 14,271 |
| - Underprovision in prior financial year | 3,608 | 342 |
| | 20,348 | 14,613 |
| Deferred tax (Note 13) | | |
| - Relating to origination and reversal of temporary differences | (698) | (1,444) |
| - Underprovision in prior financial year | - | 81 |
| | (698) | (1,363) |
| | 19,650 | 13,250 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2023: 24%) of the estimated assessable profit for the year.

## 27. Taxation (cont'd.)

The numerical reconciliation between the applicable statutory income tax rate and the effective income tax rate of the Bank are as follows:

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Profit before taxation | 45,457 | 39,760 |
| Taxation at Malaysian statutory tax rate of 24% (2023: 24%) | 10,910 | 9,542 |
| Effects of expenses not deductible for tax purposes | 5,132 | 3,285 |
| Underprovision of tax expense in prior financial year | 3,608 | 342 |
| Underprovision of deferred tax in prior financial year | - | 81 |
| Tax expense for the financial year | 19,650 | 13,250 |

## 28. Commitments and contingencies

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. Apart from the allowances for commitments and contingencies already made in the financial statements, no material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Short-term self-liquidating trade-related contingencies | 166,814 | 99,481 |
| Transaction-related contingent items | 353,948 | 207,045 |
| Undrawn credit facilities: | | |
| - Less than one year | 8,811 | 101,854 |
| - More than one year | 1,544,965 | 1,720,626 |
| Foreign exchange related contracts: # | | |
| - Less than one year | 9,356,002 | 5,158,454 |
| - More than one year | 772,852 | 774,439 |
| Interest rate related contracts: # | | |
| - More than one year | 375,000 | 75,000 |
| | 12,578,392 | 8,136,899 |

# The fair value of these derivatives have been recognised as "derivative financial assets" and "derivative financial liabilities" in the statement of financial position and disclosed in

## 29. Capital commitments

Capital expenditure for property and equipment approved by the Directors but not provided for in the financial statements amounted to approximately:

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Capital expenditure for property and equipment: | | |
| - Authorised and contracted for | 1,057 | 247 |

## 30. Related party transactions

### (a) Related parties and relationships

The related parties of and their relationship with the Bank, are as follows:

| Relationship | Related parties |
|---|---|
| Ultimate holding company | CCB |
| Other related companies | Subsidiaries, associates and joint ventures of CCB |
| Key management personnel | The key management personnel of the Bank consists of:<br>- All Directors of the Bank;<br>- Members of Senior Management of the Bank; and<br>- Related parties of key management personnel such as:<br>(i) Close family members and dependents on key management personnel; and<br>(ii) Entities that are controlled, jointly controlled or significantly influenced, by or for which voting power in such entity resides with, directly or indirectly by key management personnel or its close family members. |

All related party transactions are entered in the normal course of business at agreed terms between the related parties.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 30. Related party transactions (cont'd.)

### (b) Significant related party balances and transactions

Set out below are significant related party transactions and balances:

| | Ultimate holding company RM'000 | Other related companies RM'000 | Key management personnel RM'000 |
|---|---|---|---|
| **2024** | | | |
| **Income** | | | |
| Interest on cash and short-term funds and deposits and placements with banks and other financial institutions | 8,343 | - | - |
| Rental and other income | 902 | - | - |
| Fee income | 75 | - | - |
| Management fees | 31,209 | - | - |
| Net gain arising from financial derivatives | 11,908 | - | - |
| | 52,437 | - | - |
| **Expenses** | | | |
| Interest on deposits from customers | 5,131 | - | 136 |
| Interest on deposits and placements of banks and other financial institutions | 48,196 | - | - |
| Interest on subordinated loan | 52,855 | - | - |
| | 106,182 | - | 136 |
| **Assets** | | | |
| Cash and short-term funds | 7,777 | 57 | - |
| Deposits and placements with banks and other financial institutions | 86 | - | - |
| Derivative financial assets | 305 | - | - |
| Other assets | 17,602 | - | - |
| | 25,770 | 57 | - |
| **Liabilities** | | | |
| Deposits from customers | 276,328 | - | 3,907 |
| Deposits and placements of banks and other financial institutions | 611,821 | - | - |
| Subordinated loan | 878,657 | - | - |
| | 1,766,806 | - | 3,907 |
| **Commitment and contingencies** | | | |
| Derivatives financial instruments | 822,600 | - | - |
| Contingent liabilities | 41,629 | - | - |
| | 864,229 | - | - |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 30. Related party transactions (cont'd.)

### (b) Significant related party balances and transactions (cont'd.)

| 2023 | Ultimate holding company RM'000 | Other related companies RM'000 | Key management personnel RM'000 |
|---|---|---|---|
| **Income** | | | |
| Interest on cash and short-term funds and deposits and placements with banks and other financial institutions | 7,958 | - | - |
| Rental income | 908 | - | - |
| Fee income | 20 | - | - |
| Management fees | 25,332 | - | - |
| | 34,218 | - | - |
| **Expenses** | | | |
| Interest on deposits from customers | - | - | 64 |
| Interest on deposits and placements of banks and other financial institutions | 36,205 | - | - |
| Interest on derivative financial instruments | 2,575 | - | - |
| Interest on subordinated loan | 62,793 | - | - |
| Net loss arising from financial derivatives | 9,274 | - | - |
| | 110,847 | - | 64 |
| **Assets** | | | |
| Cash and short-term funds | 291,658 | 58 | - |
| Deposits and placements with banks and other financial institutions | 169,374 | - | - |
| Derivative financial assets | 20,784 | - | - |
| Other assets | 18,293 | - | - |
| | 500,109 | 58 | - |
| **Liabilities** | | | |
| Deposits from customers | - | - | 1,699 |
| Deposits and placements of banks and other financial institutions | 631,068 | - | - |
| Other liabilities | 4 | - | - |
| Subordinated loan | 921,542 | - | - |
| | 1,552,614 | - | 1,699 |
| **Commitment and contingencies** | | | |
| Derivatives financial instruments | 822,600 | - | - |
| Contingent liabilities | 3,410 | - | - |
| | 826,010 | - | - |

## 30. Related party transactions (cont'd.)

### (c) Key management personnel

The remuneration of Directors and other members of key management personnel of the Bank during the financial year are as follows:

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Short-term employee benefits** | | |
| - Fees | 600 | 577 |
| - Salary and other remuneration | 6,199 | 5,538 |
| - Contribution to EPF and Social Security Organisation | 168 | 158 |
| - Benefits-in-kind | 132 | 176 |
| | 7,099 | 6,449 |

### (d) Credit exposures arising from transactions with connected parties

Credit exposures with connected parties as per BNM's revised "Guidelines on Credit Transactions and Exposures with Connected Parties" are as follows:

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Outstanding credit exposure with connected parties | 53,637 | 510,715 |
| Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%) | 2.94 | 9.66 |
| Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%) | - | - |

## 31. Capital management and capital adequacy

The total capital and capital adequacy ratios of the Bank is computed in accordance with BNM's Capital Adequacy Framework (Capital Components). The Bank is currently adopting the Standardised Approach for Credit Risk and Market Risk while adopting the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy and capital buffer requirement for Common Equity Tier I Capital Ratio ("CET I"), Tier I Capital Ratio and Total Capital Ratio are 7.000%, 8.500% and 10.500% respectively.

## 31. Capital management and capital adequacy (cont'd.)

The Bank's objectives when managing capital are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operates;
- To safeguard 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.

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the management.

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **CET I/Tier I Capital** | | |
| Paid-up ordinary share capital | 822,600 | 822,600 |
| Retained profits | 170,074 | 139,567 |
| Regulatory reserves | - | 4,700 |
| Other reserves | (9,806) | (11,010) |
| Regulatory adjustments applied in the calculation of CET I Capital | (29,802) | (35,650) |
| Total CET I/Tier I Capital | 953,066 | 920,207 |
| **Tier II Capital** | | |
| Tier II capital instruments meeting all relevant criteria | 870,282 | 915,700 |
| Loss provisions | 25,392 | 24,008 |
| Regulatory reserves | - | 4,700 |
| Total Tier II Capital | 895,674 | 944,408 |
| **Total Capital** | 1,848,740 | 1,864,615 |
| **Capital adequacy ratios (before proposed dividend)** | | |
| CET I Capital Ratio | 24.626% | 26.719% |
| Tier I Capital Ratio | 24.626% | 26.719% |
| Total Capital Ratio | 47.770% | 54.141% |
| **Capital adequacy ratios (after proposed dividend)** | | |
| CET I Capital Ratio | 24.626% | 26.719% |
| Tier I Capital Ratio | 24.626% | 26.719% |
| Total Capital Ratio | 47.770% | 54.141% |
| **Analysis of risk-weighted assets** | | |
| Credit risk | 2,982,865 | 2,859,751 |
| Market risk | 487,917 | 227,250 |
| Operational risk | 399,338 | 357,018 |
| Total risk-weighted assets | 3,870,120 | 3,444,019 |

## 32. Financial risk management

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

### 32.1 Risk management framework

The Bank's risk management framework sets the overarching principles to enable the identification, measurement, and continuous monitoring of all relevant and material risks on a bankwide basis, supported by robust management information systems that facilitate timely and reliable reporting of risks and the integration of information across the Bank.

The Bank's risk management framework emphasis on strong risk culture and a well developed risk appetite. Effective and efficient risk management safeguards the Bank's continued existence and enables it to achieve its long term corporate goals.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Board Risk Management Committee which is responsible for developing risk management strategies and policies, monitoring the implementation and evaluating the Bank's overall risk profile on a regular basis.

#### (a) Credit risk

Credit risk is the risk of loss that arises from the failure of a counterparty to discharge its contractual obligations or commitments to the Bank. The Bank's exposure to credit risk arises primarily from the Bank's lending, trade finance and its funding, investment and trading activities from both on and off balance sheet transactions.

The Bank has established the Risk Management Committee ("RMC") to monitor on credit risk exposure trends, asset quality, portfolio concentration analysis and credit related limits controls. The RMC ensures that the Bank practices prudent underwriting standards that are consistent with the Bank's risk appetite and lending strategies.

The Bank has also established the Credit Committee to review and evaluate the counterparties' credit ratings based on internal rating criteria and the suitability of credit risk mitigation such as specific types of collaterals. Pre-emptive risk management tool such as collateral management, watch list and management-action-triggers have been put in place to proactively monitor for signs of possible credit deterioration.

**32. Financial risk management (cont'd.)**

**32.1 Risk management framework (cont'd.)**

**(a) Credit risk (cont'd.)**

The Bank's credit risk management process is independent of the business so as to protect integrity of the risk assessment process and decision making. Credit risk in respect of exposures to corporate borrowers is measured and managed at both individual counterparty level as well as at a portfolio level.

The Bank controls its concentration risk by means of appropriate structural limits and borrower limits based on creditworthiness. The exposures to individual clients or group are based on the internal rating of the counterparty as well as group-wide borrowing limits and capped by the regulatory ceiling.

The Bank has also established limits to mitigate concentration risk within different industry sectors so that the Bank's exposures are evenly spread over various sectors with refrain to undesirable sectors.

In addition, macroeconomic factors and their impacts are regularly monitored as part of the normal process of the Bank in tracking credit risk and measuring ECL.

**(i) ECL measurement**

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk ("SICR") has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the PD, EAD and LGD, defined as follows:

- The PD represents the likelihood of a counterparty or obligor defaulting on its financial obligation (Note 2.4(a)(iii)), either over the next 12 months, or over the remaining lifetime of the obligation.

- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12-month or lifetime basis.

## 32. Financial risk management (cont'd.)

### 32.1 Risk management framework (cont'd.)

#### (a) Credit risk (cont'd.)

##### (i) ECL measurement (cont'd.)

The ECL is determined by projecting the PD, EAD and LGD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Bank has applied management overlay ("MO") in order to guard against the risk of under-provisioning when there is significant uncertainty in the ECL model parameters. The uncertainty may be arising from data availability, quality or obligor specific incidents.

These MO and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring.

The MO and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

## 32. Financial risk management (cont'd.)

### 32.1 Risk management framework (cont'd.)

#### (a) Credit risk (cont'd.)

##### (i) ECL measurement (cont'd.)

Information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank uses external and internal information to generate "best case", "base case" and "worst case" scenarios which consider forecasted economic variables, based on assigned probability weights determined by the Bank. The Bank has performed historical analysis and identified the key macroeconomic variables ("MEV") impacting credit risk and ECL. MEV are regressed against Malaysia's non-performing loans rate to obtain a statistical model between them.

The MEV used by the Bank in the current financial year are production index, unemployment, Comsumer Price Index ("CPI") and real gross domestic product ("GDP"). The Bank has reviewed and adjusted the MEV used in the current financial year following the update of non-performing loans rate.

##### (ii) SICR

The Bank continuously monitors all financial assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Bank assesses whether there has been a SICR since initial recognition. The Bank considers an exposure to have significantly increased in credit risk when an instrument triggered the quantitative, qualitative or backstop criteria.

##### (iii) Grouping of financial assets measured on a collective basis

When estimating ECL on a collective basis for a group of similar financial assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

#### (b) Market risk

Market risk is the risk of loss in respect of the Bank's on and off balance sheet activities arising from adverse movements in market rates including interest rates and foreign exchange rates. Market risk arises from both trading and non-trading business.

## 32. Financial risk management (cont'd.)

### 32.1 Risk management framework (cont'd.)

#### (b) Market risk (cont'd.)

The RMC is responsible for leading the establishment of market risk management policies and rules, developing market risk measurement tools, monitoring and reporting the market risk. In addition, the Assets and Liabilities Committee ("ALCO") is responsible for managing interest rate risk, exchange rate risk and the size and structure of the Bank's assets and liabilities.

The Bank's interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities. The Bank uses multiple tools such as repricing gap analysis, sensitivity analysis, scenario analysis and stress testing, etc. to monitor the interest rate risk on regular basis.

The Bank's foreign exchange exposure mainly comprises exposures from customers driven portfolios and the subordinated loan, and manages this risk by entering into offsetting transactions with other banks and non-bank financial institutions.

#### (c) Liquidity risk

Liquidity risk is the risk that occurs when the Bank cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfil other payment obligations, or meet the other funding needs in its regular business.

The Bank's objective for liquidity risk management is to ensure the Bank's payment and settlement security and maintain an optimal balance between liquidity position and profitability.

The Bank's ALCO takes the lead in managing the Bank's liquidity risks and works alongside primarily with Financial Market Department to ensure proper execution of liquidity risk management actions. ALCO is responsible to ensure the formulation of liquidity risk management guidelines including limit management and contingency planning. Stress testing are conducted periodically to gauge the Bank's risk tolerance in adverse situations including extreme scenarios. The Bank uses a variety of liquidity risk measurement tools including liquidity coverage ratio ("LCR"), cashflow analysis, remaining contractual maturities and deposits concentration analysis.

#### (d) Operational risk

Operational risk is the risk of loss due to inadequate or flawed internal processes, people, systems or external events. It includes a wide spectrum of heterogeneous risks such as fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches as well as employee health and safety hazards.

## 32. Financial risk management (cont'd.)

### 32.1 Risk management framework (cont'd.)

#### (d) Operational risk (cont'd.)

The RMC is responsible to develop the operational risk management policies, framework and methodologies, and put in place operational risk management tools such as Key Risk Indicators, and incident and loss event management. The Bank adopts the 3-lines of defense model for holistic oversight operational risk oversight.

The Bank carries out periodical risk and business impact analysis through its material risk assessment and has established its Business Continuity and Disaster Recovery plans which are subject to regular testing.

The Bank has established risk appetite to monitor and control operational risk lapses including those related to system availability.

### 32.2 Credit risk

#### (i) Maximum exposure to credit risk

The maximum exposure to credit risk is the amounts on the statement of financial position as well as off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For commitments and contingencies, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Bank:

| | **2024 RM'000** | **2023 RM'000** |
|---|---|---|
| Credit risk exposure relating to on-balance sheet assets: | | |
| Cash and short-term funds | 541,400 | 1,744,813 |
| Deposits and placements with banks and other financial institutions | 1,689,877 | 690,275 |
| Debt instruments at FVOCI | 3,640,891 | 1,916,122 |
| Loans and advances | 2,682,255 | 3,096,965 |
| Other financial assets | 67,065 | 47,987 |
| Derivative financial assets | 138,592 | 97,624 |
| | 8,760,080 | 7,593,786 |
| Credit risk exposure relating to off-balance sheet items: | | |
| - Commitments and contingencies | 2,074,538 | 2,129,006 |
| **Total maximum credit risk exposure** | 10,834,618 | 9,722,792 |

## 32. Financial risk management (cont'd.)

### 32.2 Credit risk (cont'd.)

#### (ii) Collaterals

The main types of collateral obtained by the Bank are as follows:

(a) Corporate guarantee
(b) Fixed deposit pledged
(c) Standby letter of credit
(d) Industrial plant
(e) Commercial/Industrial land
(f) Properties

The Bank also accept non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract proceeds, Endowment Life Policies with Cash Surrender Value, which are subject to internal guidelines on eligibility.

#### (iii) Credit quality

The Bank assesses credit quality of financial assets using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers' judgement.

## 32. Financial risk management (cont'd.)

### 32.2 Credit risk (cont'd.)

#### (iii) Credit quality (cont'd.)

Credit quality description is summarised as follows:

| Credit Quality | Description |
|---|---|
| Pass (Rating: 1 to 14) | This indicates that timely repayment of the outstanding asset is not in doubt. Repayment is prompt and the asset does not exhibit potential weakness in repayment capability, business, cash flows or financial position of the counterparty. |
| Special mention (Rating:15 to 16) | This indicates that the asset exhibits potential weaknesses that, if not corrected in a timely manner, may adversely affect repayment by the counterparty at a future date, and warrant close attention or special monitoring. The counterparty shall be classified as "SPECIAL MENTION" if the past due status (of interest/coupon payment) or excess of overdraft facility has been over 30 days but not more than 90 days. |
| Sub-Standard (Rating:17) | This indicates that the asset exhibits definable weaknesses, either in respect of the business, cash flow or financial position of the counterparty that may jeopardise repayment on existing terms. The counterparty, with obvious problems in solvency, is unable to pay principal and interest in full amount by totally relying on normal operating income. Certain loss may occur even if guarantee is executed. The counterparty is justified to be classified as "SUBSTANDARD" if the past due status (of interest/coupon payment) or excess of overdraft facility has been over 90 days. |
| Doubtful (Rating:18) | This indicates that the outstanding asset exhibits more severe weaknesses than those in a "SUBSTANDARD" credit facility, such that the prospect of full recovery of the outstanding asset is questionable and the prospect of a loss is high, but the exact amount remains undeterminable as yet. The counterparty shall be classified as "DOUBTFUL" if the past due status (of interest/coupon payment) or excess of overdraft facility has been over 180 days. |
| Loss (Rating:19) | The principal and interest of credit assets cannot be recovered or only a small part can be recovered after taking all possible measures or going through all necessary legal proceedings. This should be viewed as a transitional category for facilities which have been identified as requiring write off during the current reporting period. |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 32. Financial risk management (cont'd.)

### 32.2 Credit risk (cont'd.)

#### (iii) Credit quality (cont'd.)

| | Gross carrying amount | | | | | |
|---|---|---|---|---|---|---|
| **2024** | **Pass RM'000** | **Special mention RM'000** | **Sub-standard RM'000** | **Doubtful RM'000** | **Loss RM'000** | **Total RM'000** |
| **Stage 1** | | | | | | |
| - Loans and advances | 2,642,932 | - | - | - | - | 2,642,932 |
| - Cash and short-term funds | 541,658 | - | - | - | - | 541,658 |
| - Deposits and placements with banks and other financial institutions | 1,689,877 | - | - | - | - | 1,689,877 |
| - Debt instruments at FVOCI | 3,640,891 | - | - | - | - | 3,640,891 |
| - Other financial assets | 67,065 | - | - | - | - | 67,065 |
| - Derivative financial assets | 138,592 | - | - | - | - | 138,592 |
| - Commitments and contingencies | 2,074,538 | - | - | - | - | 2,074,538 |
| **Stage 2** | | | | | | |
| - Loans and advances | 60,530 | - | - | - | - | 60,530 |
| | 10,856,083 | - | - | - | - | 10,856,083 |

## 32. Financial risk management (cont'd.)

### 32.2 Credit risk (cont'd.)

#### (iii) Credit quality (cont'd.)

| | Gross carrying amount | | | | | |
|---|---|---|---|---|---|---|
| **2023** | **Pass RM'000** | **Special mention RM'000** | **Sub-standard RM'000** | **Doubtful RM'000** | **Loss RM'000** | **Total RM'000** |
| **Stage 1** | | | | | | |
| - Loans and advances | 3,053,315 | - | - | - | - | 3,053,315 |
| - Cash and short-term funds | 1,745,111 | - | - | - | - | 1,745,111 |
| - Deposits and placements with banks and other financial institutions | 690,275 | - | - | - | - | 690,275 |
| - Debt instruments at FVOCI | 1,916,122 | - | - | - | - | 1,916,122 |
| - Other financial assets | 47,987 | - | - | - | - | 47,987 |
| - Derivative financial assets | 97,624 | - | - | - | - | 97,624 |
| - Commitments and contingencies | 2,129,006 | - | - | - | - | 2,129,006 |
| **Stage 2** | | | | | | |
| - Loans and advances | 63,971 | - | - | - | - | 63,971 |
| | 9,743,411 | - | - | - | - | 9,743,411 |

## 32. Financial risk management (cont'd.)

### 32.2 Credit risk (cont'd.)

#### (iv) Credit risk exposure analysed by industry:

| 2024 | Cash and short-term funds RM'000 | Deposits and placements with banks and other financial institutions RM'000 | Debt instruments at FVOCI RM'000 | Loans and advances RM'000 | Other financial assets RM'000 | Derivative financial assets RM'000 | Commitments and contingencies RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| Manufacturing | - | - | - | 560,402 | - | 660 | 858,162 | 1,419,224 |
| Construction | - | - | - | 300,589 | - | - | 181,557 | 482,146 |
| Real estate | - | - | 45,175 | 40,337 | - | - | 9,300 | 94,812 |
| Wholesale and retail trade | - | - | - | 212,030 | - | - | 172,047 | 384,077 |
| Finance and insurance/ | | | | | | | | |
| Takaful activities | 541,400 | 1,689,877 | 3,051,635 | 144,309 | 44,283 | 137,932 | 428,369 | 6,037,805 |
| Transport, storage and | - | - | | | | | | |
| communication | - | - | 544,081 | 1,141,848 | - | - | 302,780 | 1,988,709 |
| Others | - | - | - | 282,740 | 22,782 | - | 122,323 | 427,845 |
| | 541,400 | 1,689,877 | 3,640,891 | 2,682,255 | 67,065 | 138,592 | 2,074,538 | 10,834,618 |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 32. Financial risk management (cont'd.)

### 32.2 Credit risk (cont'd.)

#### (iv) Credit risk exposure analysed by industry: (cont'd.)

| 2023 | Cash and short-term funds RM'000 | Deposits and placements with banks and other financial institutions RM'000 | Debt instruments at FVOCI RM'000 | Loans and advances RM'000 | Other financial assets RM'000 | Derivative financial assets RM'000 | Commitments and contingencies RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| Manufacturing | - | - | - | 588,690 | - | 680 | 930,757 | 1,520,127 |
| Construction | - | - | - | 464,145 | - | - | 200,000 | 664,145 |
| Real estate | - | - | 44,574 | 115,388 | - | - | 192,004 | 351,966 |
| Wholesale and retail trade | - | - | - | 77,941 | - | 618 | 36,076 | 114,635 |
| Finance and insurance/ Takaful activities | 1,744,813 | 690,275 | 1,330,970 | 144,485 | 16,544 | 96,326 | 436,751 | 4,460,164 |
| Transport, storage and communication | - | - | 540,578 | 1,139,600 | - | - | 250,000 | 1,930,178 |
| Others | - | - | - | 566,716 | 31,443 | - | 83,418 | 681,577 |
| | 1,744,813 | 690,275 | 1,916,122 | 3,096,965 | 47,987 | 97,624 | 2,129,006 | 9,722,792 |

## 32. Financial risk management (cont'd.)

### 32.2 Credit risk (cont'd.)

#### (v) Credit risk exposure analysed by geography:

| 2024 | In Malaysia RM'000 | Outside Malaysia RM'000 | Total RM'000 |
|---|---|---|---|
| Cash and short-term funds | 524,207 | 17,193 | 541,400 |
| Deposits and placements with banks and other financial institutions | 1,689,877 | - | 1,689,877 |
| Debt instruments at FVOCI | 3,640,891 | - | 3,640,891 |
| Loans and advances | 2,635,554 | 46,701 | 2,682,255 |
| Other financial assets | 66,942 | 123 | 67,065 |
| Derivative financial assets | 138,287 | 305 | 138,592 |
| | 8,695,758 | 64,322 | 8,760,080 |
| Commitments and contingencies | 1,981,575 | 92,963 | 2,074,538 |
| **2023** | | | |
| Cash and short-term funds | 1,270,352 | 474,461 | 1,744,813 |
| Deposits and placements with banks and other financial institutions | 690,275 | - | 690,275 |
| Debt instruments at FVOCI | 1,916,122 | - | 1,916,122 |
| Loans and advances | 3,019,371 | 77,594 | 3,096,965 |
| Other financial assets | 46,393 | 1,594 | 47,987 |
| Derivative financial assets | 76,840 | 20,784 | 97,624 |
| | 7,019,353 | 574,433 | 7,593,786 |
| Commitments and contingencies | 2,084,253 | 44,753 | 2,129,006 |

### 32.3 Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Bank.

## 32. Financial risk management (cont'd.)

### 32.3 Market risk (cont'd.)

#### (a) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates on the consolidated currency position, while other variables remain constant.

The Bank is mainly exposed to USD and Chinese Yuan ("CNY") exchange rates. The sensitivity of profit before tax to changes in the exchange rates arises mainly from USD and CNY denominated financial instruments.

The impact on the Bank's equity is due to the changes in the fair value of cross currency interest rate swaps designated as cash flow hedges.

The sensitivity analysis with 5% (2023: 5%) impact on profit before tax is based on the weighted average of fluctuations of exchange rates throughout the financial year.

| | Impact on profit before tax RM'000 | Impact on equity RM'000 |
|---|---|---|
| **2024** | | |
| +5% | (157,235) | (119,420) |
| -5% | 157,235 | 119,420 |
| **2023** | | |
| +5% | 26,563 | 20,184 |
| -5% | (26,563) | (20,184) |

Impact on the profit before tax is estimated on the assumption that foreign exchange move by the same amount and all other variables are held constant and are based on a constant reporting date position.

#### (b) Foreign exchange risk

Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency:

| 2024 | USD RM'000 | CNY RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and short-term funds | 8,293 | 371,254 | 3,785 | 383,332 |
| Loans and advances | 313,612 | 158,862 | - | 472,474 |
| Other financial assets | 13,881 | 123 | - | 14,004 |
| | 335,786 | 530,239 | 3,785 | 869,810 |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 32. Financial risk management (cont'd.)

### 32.3 Market risk (cont'd.)

#### (b) Foreign exchange risk (cont'd.)

| | USD RM'000 | CNY RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2024 (cont'd.)** | | | | |
| **Liabilities** | | | | |
| Deposits from customers | 390,474 | 586,613 | 3,268 | 980,355 |
| Deposits and placements of banks and other financial institutions | 1,664,660 | 171,678 | 84,501 | 1,920,839 |
| Borrowings | - | 1,284,843 | - | 1,284,843 |
| Subordinated loan | (86) | 878,743 | - | 878,657 |
| Other financial liabilities | 19,645 | 613 | - | 20,258 |
| | 2,074,693 | 2,922,490 | 87,769 | 5,084,952 |
| **Net on-balance sheet financial position** | (1,738,907) | (2,392,251) | (83,984) | (4,215,142) |
| **Off-balance sheet commitments** | 760,511 | 309,921 | - | 1,070,432 |
| **2023** | | | | |
| **Assets** | | | | |
| Cash and short-term funds | 183,256 | 289,851 | 1,459 | 474,566 |
| Loans and advances | 597,006 | 522,884 | - | 1,119,890 |
| Other financial assets | 6,880 | 129 | - | 7,009 |
| | 787,142 | 812,864 | 1,459 | 1,601,465 |
| **Liabilities** | | | | |
| Deposits from customers | 572,717 | 65,468 | 3,030 | 641,215 |
| Deposits and placements of banks and other financial institutions | 820,699 | 633,865 | - | 1,454,564 |
| Borrowing | - | 451,759 | - | 451,759 |
| Subordinated loan | 921,542 | - | - | 921,542 |
| Other financial liabilities | 76,325 | - | - | 76,325 |
| | 2,391,283 | 1,151,092 | 3,030 | 3,545,405 |
| **Net on-balance sheet financial position** | (1,604,141) | (338,228) | (1,571) | (1,943,940) |
| **Off-balance sheet commitments** | 1,008,178 | 400,866 | - | 1,409,044 |

## 32. Financial risk management (cont'd.)

### 32.3 Market risk (cont'd.)

#### (c) Interest rate sensitivity analysis

The scenarios used are based on the assumption that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. The Bank seeks to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

The following demonstrates the sensitivity of the Bank's earnings and economic value of equity ("EVE") which is guided by BNM's Policy on Reporting Requirements for Interest Rate/Rate of Return Risk in the Banking Book ("IRRBB"):

| | Impact on earnings RM'000 | Impact on EVE RM'000 |
|---|---|---|
| **2024** | | |
| +100 basis points | 2,128 | (38,810) |
| -100 basis points | (2,128) | 38,810 |
| **2023** | | |
| +100 basis points | 14,384 | (5,635) |
| -100 basis points | (14,384) | 5,635 |

The results above represent financial assets and liabilities that have been prepared on the following basis:

(i) Impact on earnings is relating to the earnings sensitivity in response to 100 basis points parallel rate movement across all maturities applied on the Bank's interest rate sensitivity gap as at 31 December 2024. The methodology is to follow BNM's Policy on Reporting Requirements for IRRBB to use pre-defined time weight and allocation assumption in each time bucket to stimulate 100 basis points interest rate change impact including those indeterminate maturity balance sheet items such as Demand Deposit.

(ii) Impact on EVE takes a comprehensive view of potential long-term effects of 100 basis points parallel movement in interest rates on economic value of the Bank's balance sheet items. It requires assets, liabilities and off-balance sheet positions to be subjected to a set of duration weights computation in each time bucket to derive its present value.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 32. Financial risk management (cont'd.)

### 32.3 Market risk (cont'd.)

#### (d) Interest rate risk

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates as at reporting date:

| 2024 | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Up to 1 month | >1-3 months | >3-6 months | >6-12 months | >1-3 years | Over 3 years | Non-interest sensitive* | Trading book | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Assets** | | | | | | | | | |
| Cash and short-term funds | 520,317 | - | - | - | - | - | 21,083 | - | 541,400 |
| Deposits and placements with bank and other financial financial institution | - | 1,180,000 | 500,000 | - | - | - | 9,877 | - | 1,689,877 |
| Debt instruments at FVOCI | 559,932 | 250,006 | - | 109,987 | 1,403,845 | 1,287,919 | 29,202 | - | 3,640,891 |
| Other assets | 25,186 | - | - | - | - | - | 43,185 | - | 68,371 |
| Derivative financial assets | - | - | - | - | - | - | - | 138,592 | 138,592 |
| Loans and advances | 1,533,232 | 685,553 | 340,391 | - | 14,938 | 121,988 | (13,847) | - | 2,682,255 |
| Tax recoverable | - | - | - | - | - | - | 24,899 | - | 24,899 |
| Statutory deposit with Bank Negara Malaysia | - | - | - | - | - | - | 500 | - | 500 |
| Right-of-use assets | - | - | - | - | - | - | 30,598 | - | 30,598 |
| Property and equipment | - | - | - | - | - | - | 5,567 | - | 5,567 |
| Intangible assets | - | - | - | - | - | - | 6,735 | - | 6,735 |
| Deferred tax assets | - | - | - | - | - | - | 13,545 | - | 13,545 |
| **Total assets** | 2,638,667 | 2,115,559 | 840,391 | 109,987 | 1,418,783 | 1,409,907 | 171,344 | 138,592 | 8,843,230 |

## 32. Financial risk management (cont'd.)

### 32.3 Market risk (cont'd.)

#### (d) Interest rate risk (cont'd.)

| 2024 (cont'd.) | Non-trading book: Up to 1 month RM'000 | >1-3 months RM'000 | >3-6 months RM'000 | >6-12 months RM'000 | >1-3 years RM'000 | Over 3 years RM'000 | Non-interest sensitive* RM'000 | Trading book RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | | |
| Deposits from customers | 817,635 | 122,729 | 227,860 | 146,590 | 1,070 | - | 1,179,411 | - | 2,495,295 |
| Deposits and placements of banks and other financial institutions | 1,504,521 | 1,161,697 | 146,438 | - | - | - | 53,190 | - | 2,865,846 |
| Other liabilities | 25,842 | 2,048 | 176 | - | - | 1,408 | 152,887 | - | 182,361 |
| Derivative financial liabilities | - | - | - | - | - | - | - | 121,720 | 121,720 |
| Lease liabilities | - | - | - | - | - | - | 31,640 | - | 31,640 |
| Borrowing | - | 854,840 | - | 427,420 | - | - | 2,583 | - | 1,284,843 |
| Subordinated loan | - | 870,282 | - | - | - | - | 8,375 | - | 878,657 |
| **Total liabilities** | 2,347,998 | 3,011,596 | 374,474 | 574,010 | 1,070 | 1,408 | 1,428,086 | 121,720 | 7,860,362 |
| Total equity | - | - | - | - | - | - | 982,868 | - | 982,868 |
| **Total liabilities and equity** | 2,347,998 | 3,011,596 | 374,474 | 574,010 | 1,070 | 1,408 | 2,410,954 | 121,720 | 8,843,230 |
| **Total interest sensitivity gap** | 290,669 | (896,037) | 465,917 | (464,023) | 1,417,713 | 1,408,499 | | | |

* Accrued interest receivables and ECL allowances provided are included in non-interest sensitive.

The weighted average interest rate of interest-bearing financial liabilities during the year is 3.71%.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 32. Financial risk management (cont'd.)

### 32.3 Market risk (cont'd.)

#### (d) Interest rate risk (cont'd.)

| 2023 | Non-trading book<br>Up to 1 month<br>RM'000 | >1-3 months<br>RM'000 | >3-6 months<br>RM'000 | >6-12 months<br>RM'000 | >1-3 years<br>RM'000 | Over 3 years<br>RM'000 | Non-interest sensitive*<br>RM'000 | Trading book<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and short-term funds | 1,419,605 | - | - | - | - | - | 325,208 | - | 1,744,813 |
| Deposits and placements with bank and other financial financial institution | - | 690,000 | - | - | - | - | 275 | - | 690,275 |
| Debt instruments at FVOCI | 354,967 | 384,968 | 90,240 | 366,308 | 170,027 | 534,050 | 15,562 | - | 1,916,122 |
| Other assets | 11,195 | - | - | - | - | - | 38,647 | - | 49,842 |
| Derivative financial assets | - | - | - | - | - | - | - | 97,624 | 97,624 |
| Loans and advances | 1,935,982 | 486,487 | 659,857 | - | 23,086 | - | (8,447) | - | 3,096,965 |
| Tax recoverable | - | - | - | - | - | - | 28,923 | - | 28,923 |
| Statutory deposit with Bank Negara Malaysia | - | - | - | - | - | - | 2,000 | - | 2,000 |
| Right-of-use assets | - | - | - | - | - | - | 35,093 | - | 35,093 |
| Property and equipment | - | - | - | - | - | - | 5,169 | - | 5,169 |
| Intangible assets | - | - | - | - | - | - | 7,604 | - | 7,604 |
| Deferred tax assets | - | - | - | - | - | - | 13,443 | - | 13,443 |
| **Total assets** | 3,721,749 | 1,561,455 | 750,097 | 366,308 | 193,113 | 534,050 | 463,477 | 97,624 | 7,687,873 |

## 32. Financial risk management (cont'd.)

### 32.3 Market risk (cont'd.)

#### (d) Interest rate risk (cont'd.)

| 2023 (cont'd.) | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Up to 1 month RM'000 | >1-3 months RM'000 | >3-6 months RM'000 | >6-12 months RM'000 | >1-3 years RM'000 | Over 3 years RM'000 | Non-interest sensitive* RM'000 | Trading book RM'000 | Total RM'000 |
| **Liabilities** | | | | | | | | | |
| Deposits from customers | 2,329,564 | 600,210 | 495 | 495 | 774 | - | 274,398 | - | 3,205,936 |
| Deposits and placements of banks and other financial institutions | 850,194 | 618,482 | 197,903 | 109,662 | - | - | 8,918 | - | 1,785,159 |
| Other liabilities | 66,632 | 2,201 | 8 | 56 | - | 1,673 | 121,416 | - | 191,986 |
| Derivative financial liabilities | - | - | - | - | - | - | - | 139,941 | 139,941 |
| Lease liabilities | - | - | - | - | - | - | 35,693 | - | 35,693 |
| Borrowing | - | - | - | - | 451,549 | - | 210 | - | 451,759 |
| Subordinated loan | - | 915,593 | - | - | - | - | 5,949 | - | 921,542 |
| **Total liabilities** | 3,246,390 | 2,136,486 | 198,406 | 110,213 | 452,323 | 1,673 | 446,584 | 139,941 | 6,732,016 |
| Total equity | - | - | - | - | - | - | 955,857 | - | 955,857 |
| **Total liabilities and equity** | 3,246,390 | 2,136,486 | 198,406 | 110,213 | 452,323 | 1,673 | 1,402,441 | 139,941 | 7,687,873 |
| | | | | | | | | | |
| **Total interest sensitivity gap** | 475,359 | (575,031) | 551,691 | 256,095 | (259,210) | 532,377 | | | |

* Accrued interest receivables and ECL allowances provided are included in non-interest sensitive.

The weighted average interest rate of interest-bearing financial liabilities for year 2023 is 4.07%.

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 32. Financial risk management (cont'd.)

### 32.4 Liquidity risk

Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds upon maturity, extensions of credit and working capital needs.

The Bank has adopted the BNM's liquidity standard on Liquidity Coverage Ratio, to ensure maintenance of adequate stock of unencumbered high-quality liquid assets to survive the liquidity needs for 30 calendar day under liquidity stress condition. The Bank continues to report Net Stable Funding Ratio under the Basel III reporting requirement to BNM.

The Bank seeks to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturities as at reporting date:

| 2024 | Up to 1 week RM'000 | 1 week to 1 month RM'000 | 1 to 3 months RM'000 | 3 to 6 months RM'000 | 6 to 12 months RM'000 | Over 1 year RM'000 | No specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and short-term funds | 440,479 | 100,921 | - | - | - | - | - | 541,400 |
| Deposits and placements of bank and other financial institutions | - | - | 1,186,690 | 503,187 | - | - | - | 1,689,877 |
| Debt instruments at FVOCI | - | 561,293 | 250,481 | - | 111,317 | 2,717,800 | - | 3,640,891 |
| Other assets | 56,553 | - | - | - | - | 11,818 | - | 68,371 |
| Derivative financial assets | 22 | 55,416 | 27,507 | 52,213 | 2,576 | 858 | - | 138,592 |
| Loans and advances | 36,201 | 1,186,908 | 144,283 | 439,312 | - | 870,378 | 5,173 | 2,682,255 |
| Tax recoverable | - | - | - | - | - | - | 24,899 | 24,899 |
| Statutory deposit with Bank Negara Malaysia | - | - | - | - | - | - | 500 | 500 |
| Right-of-use assets | - | - | - | - | - | - | 30,598 | 30,598 |
| Property and equipment | - | - | - | - | - | - | 5,567 | 5,567 |
| Intangible assets | - | - | - | - | - | - | 6,735 | 6,735 |
| Deferred tax assets | - | - | - | - | - | - | 13,545 | 13,545 |
| **Total assets** | 533,255 | 1,904,538 | 1,608,961 | 994,712 | 113,893 | 3,600,854 | 87,017 | 8,843,230 |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 32. Financial risk management (cont'd.)

### 32.4 Liquidity risk (cont'd.)

| 2024 (cont'd.) | Up to 1 week RM'000 | 1 week to 1 month RM'000 | 1 to 3 months RM'000 | 3 to 6 months RM'000 | 6 to 12 months RM'000 | Over 1 year RM'000 | No specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | |
| Deposits from customers | 1,416,286 | 577,578 | 123,423 | 228,422 | 148,512 | 1,074 | - | 2,495,295 |
| Deposits and placements of banks and other financial institutions | 1,284,866 | 245,733 | 1,188,557 | 146,690 | - | - | - | 2,865,846 |
| Other liabilities | 148,734 | 559 | 3,487 | 530 | 50 | 29,001 | - | 182,361 |
| Derivative financial liabilities | 1,490 | 31,052 | 22,938 | 206 | 462 | 65,572 | - | 121,720 |
| Lease liabilities | - | - | - | - | - | - | 31,640 | 31,640 |
| Borrowing | - | - | - | - | 432,926 | 851,917 | - | 1,284,843 |
| Subordinated loan | - | - | - | - | - | 878,657 | - | 878,657 |
| **Total liabilities** | 2,851,376 | 854,922 | 1,338,405 | 375,848 | 581,950 | 1,826,221 | 31,640 | 7,860,362 |
| **Net maturity mismatches** | **(2,318,121)** | **1,049,616** | **270,556** | **618,864** | **(468,057)** | **1,774,633** | **55,377** | **982,868** |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 32. Financial risk management (cont'd.)

### 32.4 Liquidity risk (cont'd.)

| 2023 | Up to 1 week RM'000 | 1 week to 1 month RM'000 | 1 to 3 months RM'000 | 3 to 6 months RM'000 | 6 to 12 months RM'000 | Over 1 year RM'000 | No specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and short-term funds | 1,008,875 | 735,938 | - | - | - | - | - | 1,744,813 |
| Deposits and placements of bank and other financial institutions | - | - | 690,275 | - | - | - | - | 690,275 |
| Debt instruments at FVOCI | - | 355,932 | 385,812 | 90,521 | 371,140 | 712,717 | - | 1,916,122 |
| Other assets | 34,211 | - | 2,259 | 549 | 2,524 | 10,299 | - | 49,842 |
| Derivative financial assets | 51 | 3,006 | 37,245 | 3,057 | 53,511 | 754 | - | 97,624 |
| Loans and advances | 389 | 1,595,118 | 285,847 | 79,422 | - | 1,131,039 | 5,150 | 3,096,965 |
| Tax recoverable | - | - | - | - | - | - | 28,923 | 28,923 |
| Statutory deposit with Bank Negara Malaysia | - | - | - | - | - | - | 2,000 | 2,000 |
| Right-of-use assets | - | - | - | - | - | - | 35,093 | 35,093 |
| Property and equipment | - | - | - | - | - | - | 5,169 | 5,169 |
| Intangible assets | - | - | - | - | - | - | 7,604 | 7,604 |
| Deferred tax assets | - | - | - | - | - | - | 13,443 | 13,443 |
| **Total assets** | 1,043,526 | 2,689,994 | 1,401,438 | 173,549 | 427,175 | 1,854,809 | 97,382 | 7,687,873 |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 32. Financial risk management (cont'd.)

### 32.4 Liquidity risk (cont'd.)

| 2023 (cont'd.) | Up to 1 week RM'000 | 1 week to 1 month RM'000 | 1 to 3 months RM'000 | 3 to 6 months RM'000 | 6 to 12 months RM'000 | Over 1 year RM'000 | No specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | |
| Deposits from customers | 1,999,995 | 601,870 | 602,288 | 504 | 502 | 777 | - | 3,205,936 |
| Deposits and placements of banks and other financial institutions | 714,104 | 138,300 | 623,487 | 199,420 | 109,848 | - | - | 1,785,159 |
| Other liabilities | 156,222 | 257 | 3,379 | 325 | 2,491 | 29,312 | - | 191,986 |
| Derivative financial liabilities | 139 | 23,516 | 6,652 | 3,186 | 18,550 | 87,898 | - | 139,941 |
| Lease liabilities | - | - | - | - | - | - | 35,693 | 35,693 |
| Borrowing | - | - | - | - | - | 451,759 | - | 451,759 |
| Subordinated loan | - | - | - | - | - | 921,542 | - | 921,542 |
| **Total liabilities** | 2,870,460 | 763,943 | 1,235,806 | 203,435 | 131,391 | 1,491,288 | 35,693 | 6,732,016 |
| **Net maturity mismatches** | **(1,826,934)** | **1,926,051** | **165,632** | **(29,886)** | **295,784** | **363,521** | **61,689** | **955,857** |

## 32. Financial risk management (cont'd.)

### 32.4 Liquidity risk (cont'd.)

The following table presents the cash outflows for the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments:

| | Up to 1 month RM'000 | 1 to 6 months RM'000 | 6 to 12 months RM'000 | 1 to 3 years RM'000 | 3 to 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2024** | | | | | | | |
| Deposits from customers | 1,995,421 | 354,343 | 152,542 | 1,169 | - | - | 2,503,475 |
| Deposits and placements of banks and other financial institutions | 1,531,778 | 1,347,130 | - | - | - | - | 2,878,908 |
| Other financial liabilities | 151,892 | 4,210 | 367 | 2,365 | 5,314 | 7,931 | 172,079 |
| Derivative financial liabilities | 32,542 | 23,145 | 463 | - | - | 65,570 | 121,720 |
| Borrowing | 17,594 | 53,789 | 427,420 | 854,840 | - | - | 1,353,643 |
| Subordinated loan | - | 13,086 | 13,086 | 52,059 | 52,059 | 870,283 | 1,000,573 |
| **Total financial liabilities** | 3,729,227 | 1,795,703 | 593,878 | 910,433 | 57,373 | 943,784 | 8,030,398 |
| | | | | | | | |
| Short-term self-liquidating trade-related contingencies | 25,069 | 141,745 | - | - | - | - | 166,814 |
| Transaction-related contingent items | 43,841 | 18,742 | 138,287 | 104,078 | 5,000 | 44,000 | 353,948 |
| Undrawn credit facilities | 62,059 | 143,501 | 420,247 | 309,284 | 618,685 | - | 1,553,776 |
| **Total commitments and contingencies** | 130,969 | 303,988 | 558,534 | 413,362 | 623,685 | 44,000 | 2,074,538 |

**China Construction Bank (Malaysia) Berhad**
**(Incorporated in Malaysia)**

## 32. Financial risk management (cont'd.)

### 32.4 Liquidity risk (cont'd.)

| | Up to 1 month RM'000 | 1 to 6 months RM'000 | 6 to 12 months RM'000 | 1 to 3 years RM'000 | 3 to 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| Deposits from customers | 2,602,682 | 605,812 | 520 | 878 | - | - | 3,209,892 |
| Deposits and placements of banks and other financial institutions | 852,913 | 831,277 | 112,937 | - | - | - | 1,797,127 |
| Other financial liabilities | 160,141 | 33,676 | 27,088 | 94,385 | 96,646 | 308,346 | 720,282 |
| Derivative financial liabilities | 23,654 | 9,838 | 18,550 | - | - | 87,898 | 139,940 |
| | 1,782 | 5,493 | 6,693 | 464,135 | - | - | 478,103 |
| Subordinated loan | - | 32,863 | 32,863 | 131,093 | 131,272 | 964,725 | 1,292,816 |
| **Total financial liabilities** | 3,641,172 | 1,518,959 | 198,651 | 690,491 | 227,918 | 1,360,969 | 7,638,160 |
| Short-term self-liquidating trade-related contingencies | 60,408 | 39,073 | - | - | - | - | 99,481 |
| Transaction-related contingent items | 44,570 | 10,976 | 81,850 | 20,649 | - | 49,000 | 207,045 |
| Undrawn credit facilities | 48,804 | 495,096 | 597,721 | 382,097 | 106,758 | 192,004 | 1,822,480 |
| **Total commitments and contingencies** | 153,782 | 545,145 | 679,571 | 402,746 | 106,758 | 241,004 | 2,129,006 |

## 32. Financial risk management (cont'd.)

### 32.5 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derivatives and repurchase agreements included in the amount not set-off in the statement of financial position relate to transactions where:

(i) the counterparty has an offsetting exposure with the Bank and a master netting or similar arrangements is in place with a right to set-off only in the event of default, insolvency or bankruptcy; and

(ii) cash and securities are received or cash pledged in respect of the transaction described above.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

| | Gross amount recognised as financial assets/ liabilities RM'000 | Gross amount offset in statement of financial position RM'000 | Amount presented in the statement of financial position RM'000 | Amount not set-off in the statement of financial position Cash collateral received/ pledged RM'000 | Net amount RM'000 |
|---|---|---|---|---|---|
| **2024** | | | | | |
| **Financial assets** | | | | | |
| Derivative financial assets | 138,592 | - | 138,592 | (112,320) | 26,272 |
| **Financial liabilities** | | | | | |
| Derivative financial liabilities | 121,720 | - | 121,720 | (25,186) | 96,534 |
| **2023** | | | | | |
| **Financial assets** | | | | | |
| Derivative financial assets | 97,624 | - | 97,624 | (77,812) | 19,812 |
| **Financial liabilities** | | | | | |
| Derivative financial liabilities | 139,941 | - | 139,941 | (11,194) | 128,747 |

## 32. Financial risk management (cont'd.)

### 32.6 Fair value of financial instruments

#### (a) Determination of fair value and fair value hierarchy

The Bank analyses its financial instruments measured at fair value into three categories as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

**Valuation techniques**

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include quoted securities and unit trusts.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank then determines fair value based upon valuation techniques that use market parameters including but not limited to yield curves, volatilities and foreign exchange rates as inputs. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Fair values for shares held for socio-economic reasons are based on the net tangible assets of the affected companies. For unquoted corporate loan stocks, discounted cash flow analysis has been performed to determine the recoverability of the instruments.

## 32. Financial risk management (cont'd.)

### 32.6 Fair value of financial instruments (cont'd.)

#### (b) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

| 2024 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Debt instruments at FVOCI | - | 3,640,891 | - | 3,640,891 |
| Derivative financial assets | - | 138,592 | - | 138,592 |
| | - | 3,779,483 | - | 3,779,483 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 121,720 | - | 121,720 |
| **2023** | | | | |
| **Financial assets** | | | | |
| Debt instruments at FVOCI | - | 1,916,122 | - | 1,916,122 |
| Derivative financial assets | - | 97,624 | - | 97,624 |
| | - | 2,013,746 | - | 2,013,746 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 139,941 | - | 139,941 |

#### (c) Financial instruments not measured at fair value

The following table analyses within the fair value hierarchy of the Bank's assets and liabilities not measured at fair value as at 31 December 2023 but for which fair value is disclosed:

| | Carrying | <----------------- Fair Value -----------------> | | |
|---|---|---|---|---|
| 2024 | amount RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 |
| **Financial assets** | | | | |
| Gross loans and advances | 2,703,462 | - | 2,702,546 | - |
| **Financial liabilities** | | | | |
| Deposits from customers | 2,495,295 | - | 2,495,295 | - |
| Deposits and placements of banks and other financial institutions | 2,865,846 | - | 2,865,846 | - |
| Borrowing | 1,284,843 | - | 1,284,843 | - |
| Subordinated loan | 878,657 | - | 878,657 | - |
| | 7,524,641 | - | 7,524,641 | - |

## 32. Financial risk management (cont'd.)

### 32.6 Fair value of financial instruments (cont'd.)

#### (c) Financial instruments not measured at fair value (cont'd.)

| 2023 | Carrying amount RM'000 | <---- Fair Value ----> Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Gross loans and advances | 3,117,286 | - | 3,117,569 | - |
| **Financial liabilities** | | | | |
| Deposits from customers | 3,205,936 | - | 3,205,936 | - |
| Deposits and placements of banks and other financial institutions | 1,785,159 | - | 1,785,159 | - |
| Borrowing | 451,759 | - | 451,759 | - |
| Subordinated loan | 921,542 | - | 921,542 | - |
| | 6,364,396 | - | 6,364,396 | - |

The fair values are based on the following methodologies and assumptions:

(i) Gross loans and advances

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans with maturities of twelve months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risk and maturities.

(ii) Deposits and placements of banks and other financial institutions

For floating rate deposits and placements of banks and other financial institutions, the carrying value is generally a reasonable estimate of fair value. For fixed rate deposits and placements of banks and other financial institutions with maturities of twelve months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

(iii) Subordinated loan

The fair value of the subordinated loan is estimated based on prevailing market rates of the subordinated loan of similar credit risks and maturity.

## 32. Financial risk management (cont'd.)

### 32.6 Fair value of financial instruments (cont'd.)

**(d) Fair value of financial instruments that are carried at cost and which the fair value could not be reliably measured**

The fair value of contingent liabilities and undrawn credit facilities is not readily ascertainable. These financial instruments are presently not sold or traded. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs. The Bank assesses that their respective fair value is unlikely to be significant given that the overall level of fees involved is not significant.

**(e) Fair values of financial instruments carried at cost or amortised cost**

For cash and short-term funds, deposits and placements with banks and other financial institutions, as well as interest and other short-term receivables and payables, fair value is expected to approximate the carrying amounts in the statements of financial position due to their short-term maturity.

## 33. Maturity analysis of assets and liabilities

The following table shows an analysis of when the Bank's assets and liabilities are expected to be recovered or settled:

| 2024 | Within 12 months RM'000 | After 12 months RM'000 | Total RM'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and short-term funds | 541,400 | - | 541,400 |
| Deposits and placements of bank and other financial institutions | 1,689,877 | - | 1,689,877 |
| Debt instruments at FVOCI | 923,091 | 2,717,800 | 3,640,891 |
| Other assets | 56,553 | 11,818 | 68,371 |
| Derivative financial assets | 137,734 | 858 | 138,592 |
| Loans and advances | 1,806,704 | 875,551 | 2,682,255 |
| Tax recoverable | - | 24,899 | 24,899 |
| Statutory deposit with Bank Negara Malaysia | - | 500 | 500 |
| Right-of-use assets | - | 30,598 | 30,598 |
| Property and equipment | - | 5,567 | 5,567 |
| Intangible assets | - | 6,735 | 6,735 |
| Deferred tax assets | - | 13,545 | 13,545 |
| **Total assets** | 5,155,359 | 3,687,871 | 8,843,230 |

**33. Maturity analysis of assets and liabilities (cont'd.)**

| 2024 (cont'd.) | Within 12 months RM'000 | After 12 months RM'000 | Total RM'000 |
|---|---|---|---|
| **Liabilities** | | | |
| Deposits from customers | 2,494,221 | 1,074 | 2,495,295 |
| Deposits and placements of banks and other financial institutions | 2,865,846 | - | 2,865,846 |
| Other liabilities | 153,360 | 29,001 | 182,361 |
| Derivative financial liabilities | 56,148 | 65,572 | 121,720 |
| Lease liabilities | - | 31,640 | 31,640 |
| Borrowing | 432,926 | 851,917 | 1,284,843 |
| Subordinated loan | - | 878,657 | 878,657 |
| **Total liabilities** | 6,002,501 | 1,857,861 | 7,860,362 |
| **Net mismatch** | (847,142) | 1,830,010 | 982,868 |
| **2023** | | | |
| **Assets** | | | |
| Cash and short-term funds | 1,744,813 | - | 1,744,813 |
| Deposits and placements of bank and other financial institutions | 690,275 | - | 690,275 |
| Debt instruments at FVOCI | 1,203,405 | 712,717 | 1,916,122 |
| Other assets | 39,543 | 10,299 | 49,842 |
| Derivative financial assets | 96,870 | 754 | 97,624 |
| Loans and advances | 1,960,776 | 1,136,189 | 3,096,965 |
| Tax recoverable | - | 28,923 | 28,923 |
| Statutory deposit with Bank Negara Malaysia | - | 2,000 | 2,000 |
| Right-of-use assets | - | 35,093 | 35,093 |
| Property and equipment | - | 5,169 | 5,169 |
| Intangible assets | - | 7,604 | 7,604 |
| Deferred tax assets | - | 13,443 | 13,443 |
| **Total assets** | 5,735,682 | 1,952,191 | 7,687,873 |
| **Liabilities** | | | |
| Deposits from customers | 3,205,159 | 777 | 3,205,936 |
| Deposits and placements of banks and other financial institutions | 1,785,159 | - | 1,785,159 |
| Other liabilities | 162,674 | 29,312 | 191,986 |
| Derivative financial liabilities | 52,043 | 87,898 | 139,941 |
| Lease liabilities | - | 35,693 | 35,693 |
| Borrowing | - | 451,759 | 451,759 |
| Subordinated loan | - | 921,542 | 921,542 |
| **Total liabilities** | 5,205,035 | 1,526,981 | 6,732,016 |
| **Net mismatch** | 530,647 | 425,210 | 955,857 |