China Construction Bank (Malaysia) Berhad

(201601032761 (1203702-U))

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2019

201601032761 (1203702-U)

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

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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 2019.

Principal activities

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

Results

	RM'000
Profit before taxation	22,789
Taxation	(6,368)
Net profit for the financial year	16,421

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

In the opinion of the Directors, the results of the operations of the Bank during the financial year was not substantially affected by any item, transaction or event of a material and unusual nature.

Issue of subordinated loan

On 29 August 2019, the Bank issued an USD200 million of subordinated loan as disclosed in Note 18 to the financial statements.

Dividend

No dividends have been paid or declared by the Bank. The Directors do not recommend the payment of any dividends for the financial year ended 31 December 2019.

Directors

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

Lu Yang
Qian Lihong
Datuk Tan Leh Kiah
Chong Kwai Ying
Ng Soon Lai @ Ng Siek Chuan
Lim Kheng Boon

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Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 25 to the financial statements or from related corporations) 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.

During the financial year, the total amount of indemnity coverage and insurance premium paid for Directors and officers of the Bank are RM21,210.

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.

Directors' interests

The interest and deemed interest in the ordinary shares of the ultimate holding company and of its related companies of those who were Directors at the end of the financial year as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	1.1.2019	**Acquired**	**Disposed**	**31.12.2019**
Ultimate holding company				
- China Construction Bank Corporation ("CCBC")				
Direct Interest				
Lim Kheng Boon	-	14,000	-	14,000
Deemed Interest^				
Lim Kheng Boon	-	10,000	-	10,000

^ *Deemed interest pursuant to Section 59(11)(c) of the Companies Act 2016 by virtue of his spouse's direct interest in CCBC.*

Save and except for disclosure above, none of the Directors who held office at the end of the financial year held any shares or debentures in the Bank or its related companies during the financial year.

Holding company

The ultimate holding company is CCBC, which is incorporated in China.

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Profile of Directors

Mr Lu Yang
Non-Independent Non-Executive Director/Chairman

Mr Lu Yang, aged 44, holds a Bachelor Degree in Economics (International Credit and Investment) from China Institute of Finance and Banking (1996), MBA Degree from Renmin University of China (2002) and a Doctoral Degree in Corporate Management from Capital University of Economics and Business, China (2009). He was appointed as Non-Independent Non-Executive Director and Chairman of China Construction Bank (Malaysia) Berhad on 30 October 2018. He is also a member of the Audit Committee, Board Risk Management Committee and Board Remuneration Committee of the Bank.

Mr Lu carries with him more than 22 years of banking experience. He started his banking career with Industrial and Commercial Bank of China Limited (July 1996 - January 2005), where he had assumed several positions in various departments covering Asset Risk Management Department, Banking Department and Executive Office. He joined China Construction Bank Corporation ("CCB") in January 2005 as Senior Manager of Secretarial Division 1 of the Executive Office until October 2007 before being appointed as Deputy Director of the Board of Supervisors Office (November 2007 - December 2010). Mr Lu was appointed Deputy CEO of CCB International (Holdings) Limited ("CCBI") in January 2011 until September 2018. During his tenure of appointment as Deputy CEO of CCBI, he was in-charged of Mainland China business including subsidiaries of CCBI in Beijing, Tianjin and Shanghai with business nature to cover financial advisory, wealth management, asset management and fund investment etc. Mr Lu, who is a licensed holder under the Securities and Futures Commission of Hong Kong, had previously assumed the positions as Responsible Officer of CCB International Asset Management Limited ("CCBIAM") and Manager-in-charge of CCBIAM, CCB International Capital Limited and CCB International Securities Limited, being the subsidiaries of CCBI. Currently, he also serves as a Non-Executive Director of China Construction Bank (London) Limited.

Mr Lu had attended the following trainings/briefing held in financial year 2019:

- ICLIF: FIDE Core Programme for banking institution (Module A and B)
- Cyber Risk Awareness Briefing
- Budget 2020 Briefing
- Updates on Anti-Money Laundering, Counter Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions & Fighting Corruption – Section 17A MACC Act 2009 (Amendment 2019)

Mr Lu Yang does not have any shareholding in the Bank. He had attended all six (6) Board meetings held in the financial year 2019.

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Profile of Directors (cont'd.)

Ms Qian Lihong
Non-Independent Executive Director

Ms Qian Lihong, aged 55, holds a Bachelor in Economics from Xinjiang University of Finance and Economics and a Master in Economics from Peking University, China. Ms Qian was appointed as Non-Independent Executive Director of China Construction Bank (Malaysia) Berhad on 20 January 2017. She is also a member of the Board Nomination Committee of the Bank.

Ms Qian carries with her more than 35 years of banking experience. She started her banking career with CCB Xinjiang Branch, International Business Department in August 1985 before moving on to CCB Beijing Branch in August 1994 whereby she has held various positions in the International Business Department of the branch ranging from Credit Manager, Deputy Manager and Manager of Credit Department (August 1994 – April 1999), Manager of Credit Sales Department (May 1999 – July 2000) and Credit Management Department (July 2000 – October 2001). She was appointed as Deputy General Manager of Assets Security and Management Department of CCB Beijing Branch in October 2001 before appointed as an Executive Assistant Director to Olympics Hosting Bank Application Leading Team Office (May 2003 - September 2004). Ms Qian was appointed as Deputy General Manager of CCB Beijing Branch Corporate Banking Department in September 2004 before assumed the position as Deputy General Manager of Strategic Clients Department in February 2007 and was promoted to General Manager of the same department in March 2008. She was assigned with greater responsibility in December 2009 following her appointment as a Member of CCB Beijing Branch's Company and Institute Business Committee, General Manager of Strategic Clients Business cum General Manager of Infrastructure Facility Sales Team. Ms Qian was subsequently appointed as Person-in-charge of International Business Department of CCB Beijing Branch in July 2011 prior to her appointment as General Manager of the same department in August 2011. Ms Qian was promoted to Deputy General Manager of CCB Head Office's International Business Department in January 2014 and subsequently appointed as Deputy General Manager of CCB Head Office's Strategic Clients Department in February 2015 before assuming the position of General Manager of Investment Banking Department of CCB Head Office in July 2017. Ms Qian was appointed as Non-Executive Director of CCB Private Equity Investment Management Corporation on 6 December 2018.

Ms Qian had attended the following trainings/briefing held in financial year 2019:

- Cyber Risk Awareness Briefing
- Budget 2020 Briefing
- Updates on Anti-Money Laundering, Counter Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions & Fighting Corruption – Section 17A MACC Act 2009 (Amendment 2019)

Ms Qian does not have any shareholding in the Bank. Ms Qian had attended all six (6) Board meetings held in the financial year 2019.

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Profile of Directors (cont'd.)

Datuk Tan Leh Kiah
Independent Non-Executive Director

Datuk Francis Tan Leh Kiah, aged 68, was appointed as an Independent Non-Executive Director of China Construction Bank (Malaysia) Berhad on 20 January 2017. He is the Chairman of the Board Nomination Committee and a member of the Audit Committee and Board Remuneration Committee of the Bank.

Datuk Tan graduated with an LLB degree from the University of London and was called to the Malaysian Bar in 1986. He is a Fellow of the Institute of Chartered Secretaries and Administrators, United Kingdom and also an Associate of the Chartered Tax Institute of Malaysia. He is on the rolls of Advocates & Solicitors of Brunei and the Supreme Court of England and Wales.

He has over 30 years' working experience with the government and the private sector. He served with the Registry of Companies from 1972 to 1976. After leaving government service, he served as the Group Company Secretary of the Inchcape Group from 1977 to 1985. In 1985, he joined Azman, Davidson & Co., Advocates & Solicitors and was subsequently made Managing Partner. He becomes a full time Consultant since January 2009.

Datuk Tan was an Independent Non-Executive Director of EXIM Bank Berhad (2001-2006) and Boustead Holdings Berhad (2012–2019). He also served the Securities Commission as a Commissioner for nineteen (19) years from 1999 to 2018. Currently, he is an Independent Non-Executive Director of MPI Generali Insurans Berhad and a trustee of Yayasan Chow Kit, a charity organisation.

Datuk Tan had attended various internal and external trainings/seminars in financial year 2019, as follows:

- Malaysian Institute of Corporate Governance ("MICG") Seminar – "How to Develop Integrated Reports"
- MAICSA Annual Conference 2019 - Next Dimension In Governance
- LHDN: National Tax Conference 2019 - Economic Prosperity & Taxation
- MICG Seminar on Board Evaluation & Effectiveness Assessment
- Cyber Risk Awareness
- Budget 2020 Briefing
- Updates on Anti-Money Laundering, Counter Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions & Fighting Corruption – Section 17A MACC Act 2009 (Amendment 2019)
- Bar Council Malaysia: Civil Claims Involving Illegality

Datuk Tan does not have any shareholding in the Bank. He had attended all six (6) Board meetings held in the financial year 2019.

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Profile of Directors (cont'd.)

Ms Chong Kwai Ying
Independent Non-Executive Director

Ms Chong Kwai Ying, aged 59, 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 Audit Committee and a member of the Board Risk Management 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, Ms Chong is also an Independent Non-Executive Director of AXA Affin Life Insurance Berhad since January 2018 and Genting Malaysia Berhad since 3 December 2018.

Ms Chong had attended various internal and external trainings/seminars/workshops held in financial year 2019, among others:

- FIDE Programme for banking institution (FIDE Core Module A)
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- Cryptocurrency: The Impact of Crypto on Capital Markets
- 2nd PIDM-FIDE Forum Dialogue
- Briefing on MFRS 16 (Leases) & MFRS 17 (Insurance Contracts)
- FIDE: Artificial Intelligence and Its Roles in FIs
- Workshop on Digital Disruption and Innovation
- BNM-FIDE Forum Dialogue: Key Aspects of Fintech and Regulation
- Bursa Malaysia Thought Leadership Series: Sustainability-Inspired Innovations Enablers of the 21st Century
- Conference: Leading Through Challenging Times
- Cyber Security/Risk Awareness
- Budget 2020 Briefing
- Updates on Anti-Money Laundering, Counter Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions & Fighting Corruption – Section 17A MACC Act 2009 (Amendment 2019)

Ms Chong does not have any shareholding in the Bank. She had attended all six (6) Board meetings held in the financial year 2019.

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Profile of Directors (cont'd.)

Mr Ng Soon Lai @ Ng Siek Chuan
Independent Non-Executive Director

Mr Ng Siek Chuan, aged 65, is a fellow member of the Institute of Chartered Accountants in England and Wales. He was appointed as an Independent Non-Executive Director of China Construction Bank (Malaysia) Berhad on 20 January 2017. Mr Ng is the Chairman of Board Risk Management Committee and a member of the Board Nomination Committee of the Bank.

Mr Ng has had several years of experience in the accounting profession with Coopers & Lybrand in London and Kuala Lumpur before embarking on his career path in financial sector in 1980. He then served in various positions in a leading local merchant bank and a finance company. He joined Alliance Bank Malaysia Berhad in July 1991 as General Manager of Credit and was subsequently appointed Chief Executive Director in January 1994. During his tenure of office with Alliance Bank Malaysia Berhad, he also assumed the position of Group Chief Executive of the Alliance Bank Group in January 2001 till his retirement in August 2005.

Mr Ng was an Independent Non-Executive Director of Deutsche Bank (M) Berhad (February 2006 - December 2016). Currently, he also serves as an Independent Non-Executive Director and Chairman of Tune Protect Group Berhad as well as an Independent Non-Executive Director of ELK-Desa Resources Berhad and WCT Holdings Berhad, respectively.

Mr Ng had attended various internal and external trainings/seminars held in financial year 2019, as follows:

- MIA: Audit Committee Conference 2019
- FIDE Breakfast Talk – Let's Get Real on Anti-Bribery
- Training on Definition of "Provision of Financial Assistance" & "What Constitute Related Party Transaction"
- FIDE: Artificial Intelligence and Its Roles in FIs
- Bursa Malaysia: Demystifying the Diversity Conundrum
- Refresher on MFRS 9, 15, 16 and 123
- Cyber Risk Awareness Briefing
- Budget 2020 Briefing
- Updates on Anti-Money Laundering, Counter Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions & Fighting Corruption – Section 17A MACC Act 2009 (Amendment 2019)

Mr Ng does not have any shareholding in the Bank. He had attended all the six (6) Board meetings held in the financial year 2019.

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Profile of Directors (cont'd.)

Mr Lim Kheng Boon
Independent Non-Executive Director

Mr Lim Kheng Boon, aged 68, is a fellow member of The Chartered Institute of Bankers London and The Institute of Chartered Secretaries Australia. He also graduated from The Chartered Institute of Marketing London. Mr Lim was appointed as an Independent Non-Executive Director of China Construction Bank (Malaysia) Berhad on 20 January 2017. He is also the Chairman of Board Remuneration Committee and a member of the Audit Committee and Board Risk Management Committee of the Bank.

Mr Lim is a seasoned banker with 40 years of treasury and financial banking experience working overseas in New York and other major Asian financial cities. Before returning to Malaysia in 2000, Mr Lim has been working overseas in Hong Kong, Taipei, New York, Jakarta and Singapore for various banks including Citic Ka Wah Bank Hong Kong (1979 – 1983) and New York (1983 – 1986), Security Pacific National Bank, Hong Kong (1986 – 1988), Standard Chartered Bank, Taipei (1988 – 1994), Jakarta (1994 – 1999) and Singapore (1999 -2000) and Bank Niaga, Jakarta (January 2000 – March 2000). Mr Lim was appointed Senior Vice President/Treasurer of OCBC Bank (M) Berhad in May 2000 before joining RHB Banking Group in October 2002. During his office of employment with RHB Banking Group, Mr Lim has held various positions ranging from Executive Vice President/Treasurer (October 2002 – November 2007), Chief Operating Officer (November 2007 – December 2009), Director of Global Financial Banking (January 2010 – July 2010), Director of Global Market & Transaction Services (June 2011 – January 2012), Director of Treasury (January 2012 – February 2014) and Director of Group Transaction Banking (July 2010 – December 2014) before his retirement from RHB Banking Group end of December 2014. Mr Lim was a former President of the Financial Markets Association Malaysia (2006 – 2010) and Director for International Chamber of Commerce Malaysia (2011 – 2014).

Mr Lim had attended the following internal and external trainings/seminars held in financial year 2019:

- Deloitte's Breakfast Talk – Disclosure Requirements: MFRS 7, 15 and 16
- Cyber Risk Awareness Briefing
- Budget 2020 Briefing
- Updates on Anti-Money Laundering, Counter Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions & Fighting Corruption – Section 17A MACC Act 2009 (Amendment 2019)

Mr Lim does not have any shareholding in the Bank. His interest in the Bank's ultimate holding company is as disclosed in the Directors' Report on page 2. He had attended all the six (6) Board meetings held in the financial year 2019.

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Financial Performance and Business Outlook

China Construction Bank (Malaysia) Berhad's total assets stood at RM6.4 billion (2018: RM4.4 billion) with stable execution progress. The main assets components are loans and advances RM2.7 billion (2018: RM2.3 billion), cash and short-term fund RM628.0 million (2018: RM758.5 million), deposits and placements with banks and other financial institutions RM263.0 million (2018: RM461.9 million) and debt instruments at fair value through other comprehensive income RM2.6 billion (2018: RM801.5 million). Whilst total liabilities of the Bank are RM5.5 billion (2018: RM3.6 billion) and mainly consists of deposits and placements of banks and other financial institutions RM2.4 billion (2018: RM2.1 billion) and deposits from customers RM2.1 billion (2018: RM1.4 billion).

As of the end of the financial year 31 December 2019, the Bank recorded a profit before taxation of RM22.8 million (2018: RM14.9 million).

Outlook 2020

Following the global epidemic outbreak of Coronavirus (COVID-19) since the beginning of year 2020, the drop in international crude oil prices and global financial market turmoil, year 2020 is expected to be a challenging year with anticipated slowdown trend. In line with the global monetary trend, the rate cutting policy is expected to cushion the national economy as well as to boost overall economic growth. China Construction Bank (Malaysia) Berhad (“CCBM”) will continue to leverage on our parent bank and CCB Group’s regional strength, supporting local as well as international business growth and requirement, maintain partnership in bilateral trade between Malaysia and China. CCBM remains optimistic that CCBM is well positioned and continue to capture business opportunities in trade and investment across ASEAN.

Rating by External Rating Agency

Malaysian Rating Corporation Berhad ("MARC") has assigned long and short-term Financial Institution's Rating of AA+ and MARC-1 to CCBM in May 2019, with stable outlook.

Corporate Governance Statements

The Board of Directors ("the Board") of China Construction Bank (Malaysia) Berhad ("CCBM" or "the Bank") views corporate governance as a fundamental process to promote a long-term sustainability of the Bank, safeguarding the stakeholders' interest and enhancing the shareholder value. The Board will continue to ensure the Bank's on-going compliance with BNM's Corporate Governance Policy Document and other best practices on corporate governance.

Board of Directors

The Board is responsible for overseeing the overall management of the Bank's business strategic plans and key policies. The Board has in place a Board Charter that provides clear outline on the roles and responsibilities for the Board and each member of the Board, board balance, tenure of Independent Directors, provisions for the appointment and re-appointment of Directors, board meeting, board committees, board effective evaluation, remuneration of Directors, training and development and code of ethics. Apart from the Board Charter, a terms of reference for the Board has also been formulated to provide guidance to the Board in discharging its duties.

The Directors, individually and collectively, are aware of their responsibilities to shareholder/stakeholders and the manner in which the Bank's affairs are managed. They discharge their roles and duties with integrity, honesty and professionalism within the ambit of law and also under the powers conferred by the Bank's Constitution and shareholder's mandate. Notwithstanding the delegation of day-to-day management of the Bank's business and strategy implementation to the Chief Executive Officer ("CEO"), who is assisted by a group of senior personnel, matters pertaining to policies making, risk appetite setting, performance target, among others, are reserved for the Board's approval. The Directors have the right to seek independent professional advice at the Bank's expense, should need arise in discharging their duties.

In supplementing the Board's effort to govern the Bank, the following Board Committees have been established:

- Audit Committee ("AC")
- Board Risk Management Committee ("BRMC")
- Board Nomination Committee ("BNC")
- Board Remuneration Committee ("BRC")

Currently, the Board consists of six (6) members, comprising one (1) Non-Independent Non-Executive Chairman, one (1) Non-Independent Executive Director and four (4) Independent Non-Executive Directors. Female Directors account for 33% of the Board. Overall, Independent Directors account for 67% of the Board. Their presence ensures effective check and balance on the functioning of the Board. A brief profile of each Director is set out on pages 3 to 8.

Tenure of Directors

The tenure for Independent Directors of the Bank should not exceed a cumulative term of six (6) years in principal, save and except for certain circumstances where the tenure could be further extended up to a maximum term of nine (9) years on cumulative basis. Any re-appointment of such nature would require further approval by the Bank's shareholder and BNM.

In accordance with 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 for the time being or the number nearest to one-third (1/3) shall retire from office and be eligible for re-election.

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Corporate Governance Statements (cont'd.)

Tenure of Directors (cont'd.)

All appointment and re-appointment of Directors of the Bank would require the approval from BNM in accordance with the Financial Services Act 2013. Any appointment or re-appointment of the Bank's Director would be assessed by BNC which aims to ensure competencies, appropriate skill set, integrity and time commitment in discharging the role as a Director pursuant to the Bank's Fit and Proper Policy.

Board Performance Assessment

In assessing the performance of the Directors, the Bank has in place a Guideline on Board Performance Evaluation and developed a transparent process to assess the effectiveness of the Board/Board Committee and individual Director. A set of questionnaires will be rolled out to the Directors at the end of each financial year of the Bank to cover various aspects, such as effectiveness in carrying out the board responsibilities, composition, board conduct, performance of chairman, board interaction and communication with Management, etc. All Directors will have access to the final evaluation results.

Board and Committee Meetings

The Board and its Committees met regularly to carry out their respective duties and responsibilities during the year under review. All Directors have complied with BNM's requirement of at least 75% attendance at Board meetings held in the financial year. The table below illustrates 2019 meeting attendance record for all Board members of the Bank:

Board members	Designation	Meeting Attendance				
		Board	AC	BRMC	BNC	BRC
Lu Yang	Non-Independent Non-Executive Director/Chairman	6/6	6/6	6/6		3/3
Qian Lihong	Non-Independent Executive Director	6/6			3/3	
Datuk Tan Leh Kiah	Independent Non-Executive Director	6/6	6/6		3/3	3/3
Chong Kwai Ying	Independent Non-Executive Director	6/6	6/6	6/6		
Ng Soon Lai @ Ng Siek Chuan	Independent Non-Executive Director	6/6		6/6	3/3	
Lim Kheng Boon	Independent Non-Executive Director	6/6	6/6	6/6		3/3

Directors' Emoluments

The Board is mindful that a fair remuneration is essential to attract, retain and motivate Directors with relevant experience and expertise to lead the Bank. The BRC has been entrusted to review the emoluments of Independent Directors of the Bank. Non-Independent Directors of the Bank are drawing their emoluments from the parent bank. Details of the emoluments of the Directors for 2019 from the Bank are shown in Note 25 to the financial statements.

The Board also acknowledges that a remuneration system forms a key component of the governance and incentive structure through which the Board and Senior Management drive performance, convey acceptable risk-taking behavior and reinforce the Bank's corporate and risk culture. The Board will review the overall remuneration system of the Bank from time to time in ensuring the same is prudent risk-taking and is in line with its corporate culture.

Directors' Training and Development

The Board emphasises on the importance of continuous education and training for the Directors to ensure they keep abreast with the latest developments in the marketplace. Various trainings, seminars, conferences as attended by the Directors are reflected in their respective profile as set out on pages 3 to 8.

Board Committees

In ensuring an effective discharge of its roles and responsibilities, the Board has delegated specific authorities to the respective Board Committees, namely AC, BRMC, BNC and BRC as expressly stipulated in the terms of reference of the respective Board Committees. The Board Committees play their oversight functions, evaluate and recommend matters under their purview for recommendation to the Board for approval. The respective Board Committee's terms of reference are reviewed periodically to ensure their relevancy in line with regulatory requirement and governance practices to achieve an effective and efficient decision-making process.

(i) Audit Committee

The AC supports the Board in providing an independent oversight on the financial reporting, internal control system i.e. ensuring checks and balances within the Bank, risk management functions and governance processes of the Bank.

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

- Chong Kwai Ying (Chairman)
- Lu Yang
- Datuk Tan Leh Kiah
- Lim Kheng Boon

During the financial year 2019, the AC has held six (6) meetings. Attendance as set out in the table on page 11.

(ii) Board Risk Management Committee

BRMC provides oversight on the effectiveness of the risk management framework and policies in supporting the Bank's strategies and risks, and risk related decision-making activities to ensure the management of bank-wide entity specific risks and alignment to the Bank's risk appetite, strategies and capital, and to promote ethical behaviors and prudent practices in risk-taking activities. BRMC also oversees the Senior Management's activities in managing credit, market, liquidity, operational, compliance, legal and other risks and ensuring the integrated risk management functions within the Bank are in place and effectively discharged.

(ii) Board Risk Management Committee (cont'd.)

BRMC comprises entirely of Non-Executive Directors with majority being Independent Directors and is chaired by an Independent Non-Executive Director, as follows:

- Ng Soon Lai @ Ng Siek Chuan (Chairman)
- Lu Yang
- Chong Kwai Ying
- Lim Kheng Boon

During the financial year 2019, BRMC has held six (6) meetings. Attendance as set out in the table on page 11.

(iii) Board Nomination Committee

BNC assists the Board in providing a formal, transparent and consistent procedure to assess the Board and Committees, take charge of fit and proper assessment, appointment or re-appointment or removal of Directors, CEO and other Senior Management, performance appraisal of Directors, CEO and other Senior Management as well as control functions heads of the Bank in promoting the Bank's governance practices.

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

- Datuk Tan Leh Kiah (Chairman)
- Qian Lihong
- Ng Soon Lai @ Ng Siek Chuan

During the financial year 2019, BNC has held three (3) meetings. Attendance as set out in the table on page 11.

(iv) Board Remuneration Committee

BRC assists the Board in providing a formal, transparent and consistent procedure for developing remuneration policies for Directors, CEO and other Senior Management; ensuring the remuneration policies are consistent with the Bank's culture, objectives, strategy and risk appetite, and appropriate to promote good corporate governance practices as well as to comply with legal and regulatory requirement.

BRC comprises entirely of Non-Executive Directors with majority being Independent Directors and is chaired by an Independent Non-Executive Director, as follows:

- Lim Kheng Boon (Chairman)
- Lu Yang
- Datuk Tan Leh Kiah

During the financial year 2019, BRC has held three (3) meetings. Attendance as set out in the table on page 11.

Internal Controls

The Board has the overall responsibility for establishing and maintaining a sound risk management and internal control system to ensure compliance with the applicable laws and regulations as well as internal policies and guidelines. Regular reviews and updates are 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 2019, the Board had approved the formulation and revision of various policies or guidelines as a continuous measure to strengthen the internal control, compliance and risk management of the Bank, encompassing aspects such as credit risk strategy, lending, country risk limit, regulatory compliance framework, anti-money laundering and counter financing of terrorism, data protection and secrecy, information technology security, etc. The Board also placed great emphasis on setting a clear business direction through the comprehensive business plan, risk appetite setting and the supervision of the implementation of the pre-determined value propositions for the next few years, among others.

Internal audit as an independent function with direct reporting to AC, assists the Committee to discharge its duties and responsibilities by performing independent review on the adequacy and effectiveness of the Bank's risk management, internal control system and governance processes. The scope of audit covers all key businesses, operations and support functions of the Bank. In managing the audit activities, the Bank's internal audit division ("IA") has formulated annual audit plan by adopting a risk-based methodology. Various IA reports have been generated based on the audits conducted in year 2019 comprised of audit observations, recommendations and management action plans for submission to the AC for deliberations. Follow-up process is in place to track the actions in addressing the issues highlighted from the audits.

Conflicts of Interest

The Board has in place a Conflict of Interest Policy to assist the Board members in identifying, disclosing and managing any actual or potential conflicts of interest in the process of discharging their duties and responsibilities as a Director of the Bank.

The Board also committed to inculcate a corporate culture which promotes ethical conduct of the Directors within the Bank by adopting a Code of Ethics for Directors. The code adopts five (5) ethical principles – competence, integrity, fairness, confidentiality and objectivity to promote a high standard of professionalism and ethics within the Bank. A similar code for employees has also been put in place by the Bank.

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.

Whistleblowing Policy

The Bank has put in place a Whistleblowing Policy and Procedures which provides an avenue for employee and third party to 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.

Total Reward Policy

In general, the Bank has adopted a total rewards model which demonstrates a dynamic relationship between employer and employees. It depicts the strategic elements of the employer-employee exchange as well as to reflect how external influences and an increasingly global business environment affect attraction, motivation, retention and engagement. The policy has incorporated the 'deferment of payment of a portion of variable remuneration and the claw backs' to reflect the time horizon of risks and take account of the potential for financial risks to crystalise over a longer period of time.

Accountability and Audit

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.

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 Malaysian Financial Reporting Standards, International Financial Reporting 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 18 of the financial statements.

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 of financial reporting. External auditors play a key role in helping the AC to discharge this responsibility. The external auditors are invited to discuss the annual financial statements, their audit plan, audit findings and any other matter that requires the attention of the Board. The AC meets with the external auditors at least once a year without the presence of the Management.

China Construction Bank (Malaysia) Berhad
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Corporate Governance Statements (cont'd.)

Relationship with External Auditors (cont'd.)

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 a Policy on Non-Audit Services Provided by External Auditors. The policy stipulates the permissible non-audit services, approving matrix, etc. for adherence of the Management of the Bank, as part of the governance process to preserve the independency 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.

(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.

China Construction Bank (Malaysia) Berhad
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Other statutory information (cont'd.)

(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 disclosed in Note 24 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 15 May 2020.

Chong Kwai Ying

Datuk Tan Leh Kiah

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

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

We, Chong Kwai Ying and Datuk Tan Leh Kiah, 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 23 to 99 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting 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 2019 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 15 May 2020.

Chong Kwai Ying

Datuk Tan Leh Kiah

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

I, Feng Qi, being the Officer 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 23 to 99 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 Feng Qi
at Kuala Lumpur in the Federal Territory
on 15 May 2020

Feng Qi

Before me,

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 2019, 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 a summary of significant accounting policies, as set out on pages 23 to 99.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting 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 Directors' Report and the Annual 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.

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 on the other information obtained prior to the date of this auditors' report, 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 on the Directors' Report.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Bank and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting 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.

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 judgement 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 the 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.

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	Chan Hooi Lam
202006000003 (LLP0022760-LCA) & AF 0039	No. 02844/02/2022 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
15 May 2020

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

Statement of financial position
As at 31 December 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Cash and short-term funds	3	627,997	758,544
Deposits and placements with banks and other financial institutions	4	263,027	461,943
Debt instruments at fair value through other comprehensive income ("FVOCI")	5	2,642,279	801,465
Other assets	6	57,955	7,305
Derivative financial assets	7	60,574	27,682
Loans and advances	8	2,673,668	2,310,287
Statutory deposits with Bank Negara Malaysia	9	-	300
Tax recoverable		-	778
Right-of-use assets	10	6,121	-
Property and equipment	11	9,338	11,651
Intangible assets	12	4,620	4,930
Deferred tax assets	13	8,181	5,293
Total assets		6,353,760	4,390,178
Liabilities			
Deposits from customers	14	2,070,852	1,445,126
Deposits and placements of banks and other financial institutions	15	2,399,006	2,053,433
Obligations on securities sold under repurchase agreements ("Repos")	16	50,069	-
Other liabilities	17	64,405	45,039
Derivative financial liabilities	7	90,061	18,591
Tax payable		1,638	-
Lease liabilities	10	5,814	-
Subordinated loan	18	820,764	-
Total liabilities		5,502,609	3,562,189
Equity attributable to equity holder of the Bank			
Share capital	19	822,600	822,600
Reserves	20	28,551	5,389
Total equity		851,151	827,989
Total liabilities and equity		6,353,760	4,390,178
Commitments and contingencies	28	9,129,875	6,068,980

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 2019

	Note	2019 RM'000	2018 RM'000
Operating revenue		209,159	153,101
Interest income	21	189,497	140,494
Interest expense	22	(118,320)	(82,713)
Net interest income		71,177	57,781
Other operating income	23	20,236	12,705
Net income		91,413	70,486
Other operating expenses	24	(58,238)	(49,501)
Operating profit before allowances		33,175	20,985
Allowances for expected credit losses ("ECL")	26	(10,386)	(6,089)
Profit before taxation		22,789	14,896
Taxation	27	(6,368)	(3,440)
Net profit for the financial year		16,421	11,456
Other comprehensive income/(loss) in respect of:			
Items that will be reclassified subsequently to profit or loss:			
Net fair value change in debt instruments at FVOCI		9,131	(179)
Reclassification in debt instruments at FVOCI to the profit or loss	23	(355)	-
		8,776	(179)
Income tax effect	13	(2,035)	27
Total other comprehensive income/(loss), net of tax, for the financial year		6,741	(152)
Total comprehensive income for the financial year		23,162	11,304

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 2019

	← Non-distributable →			Distributable:	
	Share capital RM'000	**Regulatory reserve RM'000**	**FVOCI reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
Balance as at 1 January 2019	822,600	-	688	4,701	827,989
Net profit for the financial year	-	-	-	16,421	16,421
Other comprehensive income, net of tax, for the financial year	-	-	6,741	-	6,741
Total comprehensive income for the financial year	-	-	6,741	16,421	23,162
Balance as at 31 December 2019	822,600	-	7,429	21,122	851,151
Balance as at 1 January 2018	822,600	-	840	(6,755)	816,685
Net profit for the financial year	-	-	-	11,456	11,456
Other comprehensive loss, net of tax, for the financial year	-	-	(152)	-	(152)
Total comprehensive income for the financial year	-	-	(152)	11,456	11,304
Balance as at 31 December 2018	822,600	-	688	4,701	827,989

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

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

Statement of cash flows
For the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Cash flows from operating activities			
Profit before taxation		22,789	14,896
Adjustments for non cash items:			
Allowances for expected credit losses	26	10,386	6,089
Net unrealised fair value loss/(gain) on derivatives	23	38,579	(19,826)
Depreciation of property and equipment	24	3,509	3,147
Depreciation of right-of-use assets	24	2,957	-
Amortisation of intangible assets	24	710	549
Interest income from debt instruments at FVOCI	21	(50,100)	(14,617)
Gain from sale of debt instruments at FVOCI	23	(355)	-
Interest expense from subordinated loan	22	10,265	-
Modification on lease	10	6	-
Interest expense from lease liabilities	22	322	-
Operating profit/(loss) before working capital changes		39,068	(9,762)
(Increase)/Decrease in operating assets:			
Deposits and placements with banks and other financial institutions		68,653	(331,683)
Statutory deposits with Bank Negara Malaysia		300	(300)
Derivatives financial assets		(46,503)	6,353
Loans and advances		(372,020)	(1,025,978)
Other assets		(50,650)	200
		(400,220)	(1,351,408)
Increase/(Decrease) in operating liabilities:			
Deposits from customers		625,726	989,919
Deposits and placements of banks and other financial institutions		345,573	673,768
Derivative financial liabilities		46,502	(6,353)
Other liabilities		17,037	27,399
Obligations on securities sold under Repos	16	50,069	-
		1,084,907	1,684,733
Cash generated from operations		723,755	323,563
Net tax paid		(8,875)	(10,927)
Net cash generated from operating activities		714,880	312,636

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

Statement of cash flows
For the financial year ended 31 December 2019 (cont'd.)

	Note	2019 RM'000	2018 RM'000
Cash flows from investing activities			
Purchase of debt instruments at FVOCI		(4,615,889)	(795,432)
Proceeds from redemption and disposal of debt instruments at FVOCI		2,790,819	150,000
Interest received from debt instruments at FVOCI		43,180	14,458
Purchase of property and equipment	11	(1,196)	(4,316)
Purchase of intangible assets	12	(400)	(945)
Net cash used in investing activities		(1,783,486)	(636,235)
Cash flows from financing activities			
Proceeds from issuance of subordinated loan		818,191	-
Interest payment of subordinated loan		(7,692)	-
Lease payments	10	(2,940)	-
Net cash generated from financing activities		807,559	-
Net decrease in cash and cash equivalents		(261,047)	(323,599)
Cash and cash equivalents, at gross:			
- at the beginning of the financial year		889,055	1,212,654
- at the end of the financial year		628,008	889,055
Cash and cash equivalents comprise the following:			
Cash and short-term funds	3	628,008	758,795
Deposits and placements with banks and other financial institutions	4	263,030	461,943
		891,038	1,220,738
Less:			
Deposits and placements with banks and other financial institutions with original maturity of more than 3 months		(263,030)	(331,683)
		628,008	889,055

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 China Construction Bank Corporation ("CCBC") in Malaysia.

The ultimate holding company of the Bank is CCBC, 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 Ground Floor, South Block, Wisma Golden Eagle Realty, 142A Jalan Ampang, 50450 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15 May 2020.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") 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 significant 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. Significant accounting policies (cont'd.)

2.2 Changes in accounting policies

Adoption of new, amended MFRS and Interpretation Committee ("IC") Interpretations 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 new, amended MFRS and IC Interpretations beginning on or after 1 January 2019

MFRS 16 Leases;
Amendments to MFRS 9 Prepayment Features with Negative Compensation;
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures;
IC Interpretation 23 Uncertainty over Income Tax Treatments;
Annual Improvements to MFRS Standards 2015-2017 Cycle; and
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement.

The adoption of the above new, amended MFRS and IC Interpretations did not have any material impact on the financial statements of the Bank, except as described below:

MFRS 16 *Leases* ("MFRS 16")

MFRS 16 supersedes MFRS 117 *Leases* ("MFRS 17"), IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases on the balance sheet.

The Bank adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Bank elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC 4 at the date of initial application.

2. Significant accounting policies

2.2 Changes in accounting policies (cont'd.)

Adoption of new, amended MFRS and IC Interpretations issued **(cont'd.)**

MFRS 16 *Leases* (cont'd.)

The effect of adoption of MFRS 16 as at 1 January 2019 is as follows:

	Bank RM'000
Assets	
Right-of-use assets (Note 10)	9,155
Liabilities	
Other liabilities - Provision for recovery cost	652
Lease liabilities (Note 10)	8,503
	9,155

The Bank has lease contracts for properties, car park, data centre server and equipment. Before the adoption of MFRS 16, the Bank classified each of its leases as operating lease. Refer Note 2.4(n) Leases for the accounting policy prior to 1 January 2019.

Upon adoption of MFRS 16, the Bank applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer Note 2.4(n) Leases for the accounting policy prior to 1 January 2019.

The Bank has also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relies on its assessment of whether leases are onerous immediately before the data of initiate application;
- Excludes direct costs from the measurement of the right-of-use asset at the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

2. Significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

Adoption of new, amended MFRS and IC Interpretations issued **(cont'd.)**

MFRS 16 *Leases* (cont'd.)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	RM'000
Operating lease commitments as at 31 December 2018	6,750
Weighted average cost of fund rate as at 1 January 2019	4.70%
Discounted operating lease commitments as at 1 January 2019	6,388
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	2,115
Lease liabilities as at 1 January 2019	8,503

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 2020
Amendments to MFRS 3 Definition of a Business;
Amendments to MFRS 101 and MFRS 108 Definition of Material;
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform; and
The Conceptual Framework for Financial Reporting.

Effective for financial periods beginning on or after 1 January 2021
MFRS 17 Insurance Contracts

Effective for financial periods to be determined by the MASB
Amendments to MFRS 10 and MFRS 128 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. These pronouncements are expected to have no significant impact to the financial statements of the Bank upon their initial application.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant 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 interest.

(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 amortised cost.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Financial instruments (cont'd.)

(ii) Measurement

Initial measurement

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

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.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Financial instruments (cont'd.)

(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.

(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; or
- it is possible that the borrower will enter into bankruptcy or other financial reorganisation.

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 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).

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Financial instruments (cont'd.)

(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.

(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

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.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(b) Derivative financial instruments (cont'd.)

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.

As at reporting date, the Bank has not designated any derivative as hedging instrument. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for at FVTPL. Changes in the fair value are recognised immediately in profit or loss and are included in other income.

(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.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(d) Property, equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised as expenses in profit or loss during the financial period in which they are incurred.

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.

(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.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(e) Intangible assets (cont'd.)

(i) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is subsequently carried at cost less accumulated amortisation and impairment losses. Computer software licenses recognised as intangible assets with a definite useful life are amortised using the straight-line method over their useful lives, not exceeding a period of 5 years.

(ii) Membership

Membership consists of admission fees paid to payments network company in Malaysia. Membership does not have a definite useful life and annual assessment of impairment is performed.

(f) Impairment of non-financial assets

The carrying amount of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

(g) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(g) Provisions (cont'd.)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. When an outflow of resources to settle the obligation is no longer probable, the provision is reversed.

(h) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities. Ordinary shares are classified as equity.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(i) 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 within banks and other financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) 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).

(k) 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. Services 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.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(k) Recognition of fees and other income (cont'd.)

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.

(l) Operating revenue

Operating revenue of the Bank comprise interest income, fee income, investment income/(loss) and other income derived from banking operations.

(m) 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) 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.

(n) 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.

For the financial year ended 31 December 2019

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 asets representing the right to use the underlying assets.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(n) Leases (cont'd.)

For the financial year ended 31 December 2019 (cont'd.)

Bank as a lessee (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.

The right-of-use assets are also subject to impairment as disclosed in note 2.4(f).

(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 for 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. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(n) Leases (cont'd.)

For the financial year ended 31 December 2018

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the lease period.

Initial direct costs incurred by the Bank in negotiating and arranging operating leases are recognised in profit or loss when incurred.

(o) 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.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(o) Current and deferred income taxes (cont'd.)

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of statements 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.

(p) 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, 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.

(q) Subordinated loan

Subordinated loan 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 holders of the subordinated loan and that the Bank is contractually obligated to settle the financial instrument in cash.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(r) Obligations on securities sold under repurchase agreements ("Repos")

Obligations on securities sold under repurchase agreements are collateralised borrowings whereby the borrower (i.e. the Bank) sells securities or money market instruments (representing the collateral) to the lender and simultaneously agrees to buy them back from the lender at a specified price and date. The commitment to repurchase the securities is reflected as a financial liability at amortised cost on the statement of financial position.

(s) Fair value measurement

Fair value of financial assets and financial liabilities with active markets is determined based on the market bid and ask prices respectively at the reporting date. For financial instruments with no active markets, fair value is established using valuation techniques such as making reference to recent transactions or other comparable financial instruments, discounted cash flow method and option pricing models.

2.5 Significant 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. Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have a significant effect on the amount recognised in the financial statements include the following:

(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.

2. Significant accounting policies (cont'd.)

2.5 Significant accounting estimates and judgements (cont'd.)

(a) ECL allowances on financial assets (cont'd.)

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 macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been 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.

The amounts of allowances for ECL on loans and advances and off-balance sheet credit exposures recognised by the Bank are as disclosed in Note 8 and Note 17.

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3. Cash and short-term funds

	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	21,767	18,763
Money at call and deposit placements maturing within one month	606,241	740,032
	628,008	758,795
Less: ECL allowances	(11)	(251)
	627,997	758,544

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

2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	758,795	-	-	758,795
Financial assets derecognised during the financial year	(737,105)	-	-	(737,105)
New financial assets purchased	606,318	-	-	606,318
At 31 December 2019	628,008	-	-	628,008
2018				
At 1 January 2018	819,618	-	-	819,618
Financial assets derecognised during the financial year	(809,397)	-	-	(809,397)
New financial assets purchased	748,574	-	-	748,574
At 31 December 2018	758,795	-	-	758,795

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

	Stage 1	Stage 2	Stage 3	
2019	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 2019	251	-	-	251
Financial assets derecognised during the financial year	(853)	-	-	(853)
New financial assets purchased	613	-	-	613
Net total (Note 26)	(240)	-	-	(240)
At 31 December 2019	11	-	-	11

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

2018	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 2018	174	-	-	174
Financial assets derecognised during the financial year	(628)	-	-	(628)
New financial assets purchased	705	-	-	705
Net total (Note 26)	77	-	-	77
At 31 December 2018	251	-	-	251

4. Deposits and placements with banks and other financial institutions

	2019 RM'000	2018 RM'000
Licensed banks	263,030	461,943
Less: ECL allowances	(3)	-
	263,027	461,943

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

2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	461,943	-	-	461,943
Financial assets derecognised during the financial year	(461,943)	-	-	(461,943)
New financial assets purchased	263,030	-	-	263,030
At 31 December 2019	263,030	-	-	263,030
2018				
At 1 January 2018	393,036	-	-	393,036
Financial assets derecognised during the financial year	(393,036)	-	-	(393,036)
New financial assets purchased	461,943	-	-	461,943
At 31 December 2018	461,943	-	-	461,943

4. Deposits and placements with banks and other financial institutions (cont'd.)

Movements in ECL allowances for deposit and placements with banks and other financial institutions are as follows:

2019	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 2019	-	-	-	-
Financial assets derecognised during the financial year	(674)	-	-	(674)
New financial assets purchased	677	-	-	677
Net total (Note 26)	3	-	-	3
At 31 December 2019	3	-	-	3

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

At fair value	2019 RM'000	2018 RM'000
Money market instruments		
Malaysian Government Securities	71,192	153,386
Malaysian Government Investment Issues	753,206	305,624
Negotiable Instruments of Deposits	1,776,462	301,276
	2,600,860	760,286
Quoted securities		
Corporate bonds within Malaysia	41,419	41,179
	2,642,279	801,465

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

2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	801,465	-	-	801,465
Financial assets derecognised during the financial year	(451,455)	-	-	(451,455)
New financial assets purchased	2,292,269	-	-	2,292,269
At 31 December 2019	2,642,279	-	-	2,642,279

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

2018	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2018	156,305	-	-	156,305
Financial assets derecognised during the financial year	(4,419)	-	-	(4,419)
New financial assets purchased	649,579	-	-	649,579
At 31 December 2018	801,465	-	-	801,465

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

	Stage 1	Stage 2	Stage 3	
2019	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 2019	251	-	-	251
Remeasurement of financial assets (Note 26)	308	-	-	308
At 31 December 2019	559	-	-	559
2018				
At 1 January 2018	-	-	-	-
Financial assets derecognised during the financial year	(6)	-	-	(6)
New financial assets purchased	257	-	-	257
Net total (Note 26)	251	-	-	251
At 31 December 2018	251	-	-	251

6. Other assets

	2019 RM'000	2018 RM'000
Deposits	817	782
Prepayments	1,748	1,230
Cash collateral pledged for derivative transactions	34,263	1,220
Amount due from ultimate holding company (Note i)	8,229	1,121
Other receivables	12,898	2,952
	57,955	7,305

(i) Amount due from ultimate holding company are unsecured, interest free and repayable on demand.

7. Derivative financial assets/(liabilities)

2019	Contract/Notional Amount RM'000	<------ Fair Value ------> Assets RM'000	Liabilities RM'000
Foreign exchange related contracts:			
- Forwards/spot	108,528	60,359	84,433
- Swap	7,642,482	-	5,529
Interest rate related contracts:			
- Swap	630,000	215	99
	8,381,010	60,574	90,061
2018			
Foreign exchange related contracts:			
- Forwards/spot	5,557,457	27,682	18,591

8. Loans and advances

At amortised cost	2019 RM'000	2018 RM'000
Overdrafts	5,274	5,137
Term loans:		
- Syndicated term loans	1,025,321	980,928
- Other term loans	851,080	430,317
Trust receipts	-	427,753
Revolving credits	814,070	479,590
Gross loans and advances	2,695,745	2,323,725
Allowances for expected credit losses		
- Stage 1	(15,663)	(13,438)
- Stage 2	(6,414)	-
Net loans and advances	2,673,668	2,310,287

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

	2019 RM'000	2018 RM'000
Business enterprises	2,639,280	2,264,021
Government and statutory bodies	56,465	59,704
	2,695,745	2,323,725

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8. Loans and advances (cont'd.)

	2019 RM'000	2018 RM'000
(ii) Gross loans and advances by geographical distribution:		
Malaysia	1,579,303	1,295,023
Hong Kong	253,127	271,855
Philippines	107,153	157,229
United Arab Emirates	56,465	59,704
China	551,960	293,813
Indonesia	-	163,318
Singapore	147,737	82,783
	2,695,745	2,323,725
(iii) Gross loans and advances by interest rate sensitivity:		
Fixed rate loans	264,620	783,728
Variable rate (cost-plus) loans	2,431,125	1,539,997
	2,695,745	2,323,725
(iv) Gross loans and advances by economic purpose:		
Working capital	1,394,180	1,212,342
Merger and acquisition	81,158	81,526
Purchase of transport vehicle	122,810	286,075
Construction	221,179	86,492
Trade finance related	572,717	577,805
Other purposes	303,701	79,485
	2,695,745	2,323,725
(v) Gross loans and advances by maturity structure:		
Maturity within one year	1,853,561	1,103,261
One year to three years	265,049	393,628
Three years to five years	232,623	522,881
Over five years	344,512	303,955
	2,695,745	2,323,725
(vi) Gross loans and advances by industry:		
Agriculture, forestry and fishing	102,336	103,451
Manufacturing	729,396	298,962
Construction	340,899	209,530
Real estate	101,377	130,477
Wholesale and retail trade	187,081	614,782
Financial and insurance/Takaful activities	544,621	154,190
Administrative and support service activities	351,328	519,663
Others	338,707	292,670
	2,695,745	2,323,725

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:

2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	2,323,725	-	-	2,323,725
Financial assets derecognised during the financial year	(1,227,229)	-	-	(1,227,229)
New financial assets originated	1,599,249	-	-	1,599,249
Transferred to Stage 2	(64,365)	64,365	-	-
At 31 December 2019	2,631,380	64,365	-	2,695,745
2018				
At 1 January 2018	1,297,747	-	-	1,297,747
Financial assets derecognised during the financial year	(1,114,260)	-	-	(1,114,260)
New financial assets originated	2,140,238	-	-	2,140,238
At 31 December 2018	2,323,725	-	-	2,323,725

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

2019	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 2019	13,438	-	-	13,438
Financial assets derecognised during the financial year	(14,540)	-	-	(14,540)
New financial assets originated	17,698	-	-	17,698
Transferred to Stage 2	(933)	6,414	-	5,481
Net total (Note 26)	2,225	6,414	-	8,639
At 31 December 2019	15,663	6,414	-	22,077
2018				
At 1 January 2018	7,329	-	-	7,329
Financial assets derecognised during the financial year	(8,997)	-	-	(8,997)
New financial assets originated	15,106	-	-	15,106
Net total (Note 26)	6,109	-	-	6,109
At 31 December 2018	13,438	-	-	13,438

9. Statutory deposits with Bank Negara Malaysia

A non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with requirements of Section 26(2)(c) of the Central Bank of Malaysia Act 2009. The amount of which is determined at 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, car park, data centre server and office equipments. All the leases generally have lease term between 3 to 4 years.

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

	Properties RM'000	Data centre server RM'000	Office equipment and car park RM'000	Total RM'000
Right-of-use assets				
At 1 January 2019 (Note 2.2)	8,205	866	84	9,155
Lease modification	-	(77)	-	(77)
Depreciation expense (Note 24)	(2,673)	(254)	(30)	(2,957)
At 31 December 2019	5,532	535	54	6,121
Lease liabilities				
At 1 January 2019 (Note 2.2)	7,553	866	84	8,503
Lease modification	-	(71)	-	(71)
Accretion of interest (Note 22)	289	30	3	322
Lease payments	(2,634)	(273)	(33)	(2,940)
At 31 December 2019	5,208	552	54	5,814

The future cash outflows relating to leases that have not yet commenced are as follows (Prior to 1 January 2019):

	RM'000
Future minimum rental payments	
- Within one year	2,711
- After one year but not more than five years	4,039
	6,750

11. Property and equipment

2019	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 2019	5,872	9,766	1,149	930	17,717
Additions	76	389	731	-	1,196
At 31 December 2019	5,948	10,155	1,880	930	18,913
Accumulated depreciation					
At 1 January 2019	(1,962)	(3,509)	(360)	(235)	(6,066)
Charge for the financial year (Note 24)	(1,172)	(1,935)	(289)	(113)	(3,509)
At 31 December 2019	(3,134)	(5,444)	(649)	(348)	(9,575)
Net book value					
At 31 December 2019	2,814	4,711	1,231	582	9,338
2018					
Cost					
At 1 January 2018	3,662	8,134	675	930	13,401
Additions	2,210	1,632	474	-	4,316
At 31 December 2018	5,872	9,766	1,149	930	17,717
Accumulated depreciation					
At 1 January 2018	(913)	(1,720)	(164)	(122)	(2,919)
Charge for the financial year (Note 24)	(1,049)	(1,789)	(196)	(113)	(3,147)
At 31 December 2018	(1,962)	(3,509)	(360)	(235)	(6,066)
Net book value					
At 31 December 2018	3,910	6,257	789	695	11,651

12. Intangible assets

2019	Computer software RM'000	Membership RM'000	Total RM'000
Cost			
At 1 January 2019	3,358	2,600	5,958
Additions	400	-	400
At 31 December 2019	3,758	2,600	6,358
Accumulated amortisation			
At 1 January 2019	(1,028)	-	(1,028)
Charge for the financial year (Note 24)	(710)	-	(710)
At 31 December 2019	(1,738)	-	(1,738)
Net book value			
At 31 December 2019	2,020	2,600	4,620
2018			
Cost			
At 1 January 2018	2,413	2,600	5,013
Additions	945	-	945
At 31 December 2018	3,358	2,600	5,958
Accumulated amortisation			
At 1 January 2018	(479)	-	(479)
Charge for the financial year (Note 24)	(549)	-	(549)
At 31 December 2018	(1,028)	-	(1,028)
Net book value			
At 31 December 2018	2,330	2,600	4,930

13. Deferred tax assets

	2019 RM'000	2018 RM'000
At January	5,293	2,911
Charged to profit or loss (Note 27)	4,923	2,355
Recognised in other comprehensive income	(2,035)	27
At 31 December	8,181	5,293

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:

	2019 RM'000	2018 RM'000
Deferred tax assets, net	8,181	5,293

13. Deferred tax assets (cont'd.)

	2019 RM'000	2018 RM'000
Deferred tax assets and liabilities prior to offsetting are summarised as follows:		
Deferred tax assets	12,596	6,047
Deferred tax liabilities	(4,415)	(754)
	8,181	5,293

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

	Lease liabilities RM'000	Provisions and deferred income RM'000	ECL allowances RM'000	Total RM'000
At 1 January 2018	-	3,539	-	3,539
Charged to profit or loss	-	(1,051)	3,559	2,508
At 31 December 2018	-	2,488	3,559	6,047
Effect of adopting MFRS 16	2,040	157	-	2,197
At 1 January 2019, as restated	2,040	2,645	3,559	8,244
Charged to profit or loss	(645)	3,525	1,472	4,352
At 31 December 2019	1,395	6,170	5,031	12,596

Deferred tax liabilities

	Right-of-use assets RM'000	Property and equipment and intangible asset RM'000	Debt instruments at FVOCI RM'000	Total RM'000
At 1 January 2018	-	(463)	(165)	(628)
Charged to profit or loss	-	(153)	-	(153)
Recognised in other comprehensive income	-	-	27	27
At 31 December 2018	-	(616)	(138)	(754)
Effect of adopting MFRS 16	(2,197)	-	-	(2,197)
At 1 January 2019, as restated	(2,197)	(616)	(138)	(2,951)
Charged to profit or loss	728	(157)	-	571
Recognised in other comprehensive income	-	-	(2,035)	(2,035)
At 31 December 2019	(1,469)	(773)	(2,173)	(4,415)

14. Deposits from customers

	2019 RM'000	2018 RM'000
(a) By type of deposit:		
Demand deposits	920,060	279,684
Fixed deposits	1,150,792	1,165,442
	2,070,852	1,445,126
(b) By type of customer:		
Business enterprises	2,070,852	1,445,126
(c) By maturity structure of fixed deposits:		
Due within six months	1,140,245	1,157,654
Six months to one year	10,387	7,788
One year to three years	160	-
	1,150,792	1,165,442

15. Deposits and placements of banks and other financial institutions

	2019 RM'000	2018 RM'000
Licensed banks in Malaysia	1,119,151	591,028
Other financial institutions*	1,279,855	1,462,405
	2,399,006	2,053,433

* Included in the deposits from other financial institutions are the deposit placements from ultimate holding company amounting to RM1.1 billion (2018: RM1.3 billion).

16. Obligations on securities sold under repurchase agreements ("Repos")

Repos are treated as collateralised borrowings and the amounts borrowed are reported as liabilities.

	2019 RM'000	2018 RM'000
Assets sold for Repos transactions, at amortised cost	50,069	-

17. Other liabilities

	2019 RM'000	2018 RM'000
Other creditors and accruals	15,778	5,826
Deferred income	19,326	7,784
Cash collateral received for derivative transactions	1,970	10,627
Cash collateral from corporate customers	24,766	19,913
ECL allowances for irrevocable loan commitments and financial guarantees	2,565	889
	64,405	45,039

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

2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	511,523	-	-	511,523
Credit exposures relinquished	(320,476)	-	-	(320,476)
Credit exposures assumed	557,818	-	-	557,818
Transferred to Stage 2	(23,944)	23,944	-	-
At 31 December 2019	724,921	23,944	-	748,865
2018				
At 1 January 2018	580,443	-	-	580,443
Credit exposures relinquished	(241,861)	-	-	(241,861)
Credit exposures assumed	172,941	-	-	172,941
At 31 December 2018	511,523	-	-	511,523

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

	Stage 1	Stage 2	Stage 3	
2019	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 2019	889	-	-	889
Credit exposures relinquished	(373)	-	-	(373)
Credit exposures assumed	85	-	-	85
Transferred to Stage 2	(131)	2,095	-	1,964
Net total (Note 26)	(419)	2,095	-	1,676
At 31 December 2019	470	2,095	-	2,565

17. Other liabilities (cont'd.)

2018	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 2018	1,237	-	-	1,237
Credit exposures relinquished	(952)	-	-	(952)
Credit exposures assumed	604	-	-	604
Net total (Note 26)	(348)	-	-	(348)
At 31 December 2018	889	-	-	889

18. Subordinated loan

	2019 RM'000	2018 RM'000
At amortised cost		
USD200 million subordinated loan 2019/2029, at par	820,764	-

On 29 August 2019, the Bank has issued an USD200 million Tier 2 subordinated loan with 10 years maturity, non-callable 5 years which bears interest rate equal to 3-month USD LIBOR plus 1.49%, payable every 3 months throughout the tenure.

The issuance of the subordinated loan was approved by BNM as Basel III compliant Tier 2 subordinated loan, and to be classified as Tier 2 capital of the Bank pursuant to BNM's Capital Adequacy Framework (Capital Component).

19. Share capital

	2019		2018	
	Number of shares 000	Amount RM'000	Number of shares 000	Amount RM'000
Issued and fully paid ordinary shares				
At 1 January/31 December	822,600	822,600	822,600	822,600

20. Reserves

	2019 RM'000	2018 RM'000
FVOCI reserves (a)	7,429	688
Regulatory reserve (b)	-	-
Retained profits	21,122	4,701
	28,551	5,389

(a) FVOCI reserves represent the unrealised gains or losses arising from the change in fair value of debt instruments at FVOCI. The gains or losses are transferred to the profit or loss upon disposal net of impairment allowance recognised.

(b) Pursuant to BNM letter dated 1 November 2017, effective 1 January 2018, banking subsidiaries shall maintain, in aggregate, Stages 1 and 2 provisions 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.

The Bank has obtained an approval on the exemption from Regulatory Reserve Requirement up to financial year ended 2019 to comply with requirement under paragraph 10.5 of Bank Negara Malaysia's policy document on Financial Reporting, issued on 2 February 2018.

21. Interest income

	2019 RM'000	2018 RM'000
Loans and advances	98,054	78,902
Deposits and placements with banks and other financial institutions	41,343	46,975
Debt instruments at FVOCI	50,100	14,617
	189,497	140,494

22. Interest expense

	2019 RM'000	2018 RM'000
Deposits and placements of banks and other financial institutions	67,808	48,016
Deposits from customers	39,018	34,697
Repos	9	-
Subordinated loan	10,265	-
Lease liabilities (Note 10)	322	-
Derivative financial instruments	898	-
	118,320	82,713

23. Other operating income

	2019 RM'000	2018 RM'000
Fee income:		
Service charges and fees	663	308
Less: Fees expense	(120)	(60)
	543	248
Guarantee fees	127	31
Commitment fees	2,019	2,053
Syndication fees	5,337	1,740
Management fees	2,105	-
	10,131	4,072
Trading and investment income:		
Net realised gain/(loss) on derivatives	14,693	(15,008)
Net unrealised fair value (loss)/gain on derivatives	(38,579)	19,826
Gain from sale of debt instruments at FVOCI	355	-
Less: Brokerage charges	(819)	(372)
	(24,350)	4,446
Other income:		
Net foreign exchange gain	33,881	4,089
Other non-operating income	574	98
	34,455	4,187
	20,236	12,705

24. Other operating expenses

	2019 RM'000	2018 RM'000
Personnel expenses		
Salaries, bonuses, wages and allowances	31,855	26,332
Defined contribution plan	2,483	2,261
Other staff related costs	2,899	1,901
	37,237	30,494
Establishment expenses		
Depreciation of property and equipment (Note 11)	3,509	3,147
Depreciation of right-of-use assets (Note 10)	2,957	-
Amortisation of intangible assets (Note 12)	710	549
Rental	-	2,667
Repair and maintenance	4,968	4,269
Short-term leases expenses	221	-
Others	276	208
	12,641	10,840

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24. Other operating expenses (cont'd.)

	2019 RM'000	2018 RM'000
Promotion and marketing expenses		
Advertisement and publicity	1,898	1,381
Administration and general expenses		
Communication expenses	917	866
Auditors' remuneration (2019: Ernst & Young PLT; 2018: PwC PLT)	362	857
- Audit related fees	316	365
- Regulatory related fees	46	118
- Tax fees	-	188
- Non-audit fees	-	186
Legal and professional fees	555	602
Travelling and accommodation expenses	1,947	1,452
Employee recruitment costs	485	302
Others	2,196	2,707
	6,462	6,786
	58,238	49,501

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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
2019						
Managing Director / CEO						
Feng Qi	1,536	-	-	-	11	1,547
Non-executive Directors						
Lim Kheng Boon	-	-	150	8	-	158
Datuk Tan Leh Kiah	-	-	150	8	4	162
Ng Soon Lai @ Ng Siek Chuan	-	-	150	8	6	164
Chong Kwai Ying	-	-	150	8	-	158
	1,536	-	600	32	21	2,189
2018						
Managing Director / CEO						
Feng Qi	1,570	225	-	-	22	1,817
Non-executive Directors						
Lim Kheng Boon	-	-	150	-	-	150
Datuk Tan Leh Kiah	-	-	150	-	-	150
Ng Soon Lai @ Ng Siek Chuan	-	-	150	-	-	150
Chong Kwai Ying	-	-	32	-	-	32
	1,570	225	482	-	22	2,299

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

26. Allowances for expected credit losses ("ECL")

	2019 RM'000	2018 RM'000
ECL allowances made/(written-back) on:		
Stage 1:		
- Cash and short-term funds (Note 3)	(240)	77
- Deposits and placements with banks and other financial institutions (Note 4)	3	-
- Debt instruments at FVOCI (Note 5)	308	251
- Loans and advances (Note 8(vii))	2,225	6,109
- Irrevocable loan commitments and financial guarantees (Note 17)	(419)	(348)
	1,877	6,089
Stage 2:		
- Loans and advances (Note 8(vii))	6,414	-
- Irrevocable loan commitments and financial guarantees (Note 17)	2,095	-
	8,509	-
Total	10,386	6,089

27. Taxation

	2019 RM'000	2018 RM'000
Income tax		
- Malaysian income tax in respect of current financial year	11,049	6,448
- Under/(over) provision in prior financial years	242	(653)
	11,291	5,795
Deferred tax (Note 13)		
- Relating to origination and reversal of temporary differences	(4,923)	(2,355)
	6,368	3,440

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 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 below:

	2019 RM'000	2018 RM'000
Profit before taxation	22,789	14,896
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	5,469	3,575
Effects of income not subject to tax	-	(559)
Effects of expenses not deductible for tax purposes	657	1,077
Under/(over) provision in prior financial years	242	(653)
Tax expense for the financial year	6,368	3,440

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:

	2019 RM'000	2018 RM'000
Short-term self-liquidating trade-related contingencies	20,171	343
Transaction-related contingent items	193,324	124,945
Irrevocable commitments to extend credit		
- Less than one year	6,549	9,942
- More than one year	528,821	376,293
Foreign exchange related contracts: #		
- Less than one year	5,576,074	5,557,457
- More than one year	2,174,936	-
Interest rate related contracts: #		
- Less than one year	600,000	-
- More than one year	30,000	-
	9,129,875	6,068,980

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 Note 7 to the financial statements.

29. Capital commitments

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

	2019 RM'000	2018 RM'000
Capital expenditure for property and equipment:		
- Authorised and contracted for	552	401
- Authorised but not contracted for	-	652
	552	1,053

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	CCBC
Other related companies	Subsidiaries, associates and joint ventures of CCBC
Key management personnel	The key management personnel of the Bank consists of: - All Directors of the Bank; - Members of Senior Management of the Bank; and - Related parties of key management personnel such as: (i) Close family members and dependents on key management personnel; and (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.

30. Related party transactions (cont'd.)

(b) Significant related party balances and transactions

Set out below are significant related party transactions and balances:

	Key management personnel RM'000	Ultimate holding company RM'000	Other related companies RM'000
2019			
Income			
Interest on cash and short-term fund and deposits and placements with banks and other financial institutions	-	948	-
Interest on loans and advances	-	441	4,596
Fee income	-	46	-
Net gain arising from financial derivatives	-	24,230	-
Management fees	-	2,105	-
	-	27,770	4,596
Expenses			
Deposits and placements of banks and other financial institutions	-	42,556	-
Interest on subordinated loan	-	10,265	-
	-	52,821	-
Assets			
Cash and short-term fund	-	189,237	257
Deposits and placements with banks and other financial institutions	-	8,277	-
Derivative financial assets	-	23,075	-
Other assets	-	8,229	-
	-	228,818	257
Liabilities			
Deposits and placements of banks and other financial institutions	-	1,077,578	-
Derivative financial liabilities	-	251	-
Other liabilities	-	1,629	-
Subordinated loan	-	820,764	-
	-	1,900,222	-

30. Related party transactions (cont'd.)

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

2018	Key management personnel RM'000	Ultimate holding company RM'000	Other related companies RM'000
Income			
Interest on deposits and placements with banks and other financial institutions	-	71	-
Interest on loans and advances	-	221	-
Fee income	-	156	-
Net gain arising from financial derivatives	-	18,816	-
Net foreign exchange gain	-	105	-
	-	19,369	-
Expenses			
Deposits and placements of banks and other financial institutions	-	36,582	-
Assets			
Cash and short-term fund	-	7,727	46
Loans and advances	-	82,767	-
Derivative financial assets	-	8,219	-
Other assets	-	1,121	-
	-	99,834	46
Liabilities			
Deposits and placements of banks and other financial institutions	-	1,334,422	-
Derivative financial liabilities	-	168	-
Other liabilities	-	388	-
	-	1,334,978	-

(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:

	2019 RM'000	2018 RM'000
Short-term employee benefits		
- Fees	600	482
- Salary and other remuneration	5,376	4,924
- Contribution to EPF and Social Security Organisation	129	119
- Benefits-in-kind	76	42
	6,181	5,567

30. Related party transactions (cont'd.)

(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" which became effective on 1 January 2008 are as follows:

	2019 RM'000	2018 RM'000
Outstanding credit exposure with connected parties (RM'000)	416,669	293,739
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	6.66	6.29
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 and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the BNM Capital Adequacy Framework (Capital Components), the minimum capital adequacy and capital buffer requirement for Common Equity Tier 1 Capital Ratio ("CET 1"), Tier 1 Capital Ratio and Total Capital Ratio are 7.000%, 8.500% and 10.500% respectively.

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.

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

	2019 RM'000	2018 RM'000
CET I/Tier I Capital		
Paid-up ordinary share capital	822,600	822,600
Retained profits	21,122	4,701
Other reserves	7,429	688
Regulatory adjustments applied in the calculation of CET1 Capital	(18,877)	(11,628)
Total CET1/Tier 1 Capital	832,274	816,361
Tier II Capital		
Tier 2 capital instruments meeting all relevant criteria	818,600	-
Loss provisions	25,215	14,829
Total Tier II Capital	843,815	14,829
Total Capital	1,676,089	831,190
Capital adequacy ratios (before proposed dividend)		
CET I Capital Ratio	24.306%	34.397%
Tier I Capital Ratio	24.306%	34.397%
Total Capital Ratio	48.950%	35.022%
Analysis of risk-weighted assets		
Credit risk	3,261,554	2,225,234
Market risk	30,589	36,197
Operational risk	131,945	111,916
Total risk-weighted assets	3,424,088	2,373,347

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.

32. Financial risk management (cont'd.)

32.1 Risk management framework (cont'd.)

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 Management Risk Management Committee ("MRMC") to monitor on credit risk exposure trends, asset quality, portfolio concentration analysis and credit related limits controls. The MRMC 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.

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, macro-economic factors and their impacts are regularly monitored as part of the normal process of the Bank in tracking credit risk and measuring ECL, including the on-going COVID-19 development and impacts.

32. Financial risk management (cont'd.)

32.1 Risk management framework (cont'd.)

(a) Credit risk (cont'd.)

(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 (as per definition of default above), 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.

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.

<u>Information incorporated in the ECL models</u>

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 macro-economic variables ("MEV") impacting credit risk and expected credit losses. 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 Real Gross Domestic Product ("Real GDP") and FTSE Bursa Malaysia KLCI index whereas MEV used in prior financial year were Real GDP and United States Dollar ("USD")/Ringgit Malaysia ("MYR") exchange rate. The Bank has reviewed and adjusted the MEV used in the current financial year following the update of non-performing loans rate.

32. Financial risk management (cont'd.)

32.1 Risk management framework (cont'd.)

(a) Credit risk (cont'd.)

(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.

The MRMC 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 manages this risk by entering into offsetting transactions with other banks and non-bank financial institutions.

32. Financial risk management (cont'd.)

32.1 Risk management framework (cont'd.)

(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. Operational risk is inherent in each of the Bank's business and operational activities.

The MRMC 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. Financial risk management (cont'd.)

32.2 Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statement of financial position 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:

	2019 RM'000	2018 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Cash and short-term funds	627,997	758,544
Deposits and placements with banks and other financial institutions	263,027	461,943
Debt instruments at FVOCI	2,642,279	801,465
Loans and advances	2,673,668	2,310,287
Other financial assets	56,207	6,075
Statutory deposits with Bank Negara Malaysia	-	300
Derivative financial assets	60,574	27,682
	6,323,752	4,366,296
Credit risk exposure relating to off-balance sheet items:		
- Commitments and contingencies	748,865	511,523
Total maximum credit risk exposure	7,072,617	4,877,819

(ii) Collaterals

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

(a) Corporate guarantee
(b) Fixed deposit pledged
(c) Aircraft
(d) Standby letter of credit

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.

32. Financial risk management (cont'd.)

32.2 Credit risk (cont'd.)

(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.

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 to16)	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.

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32 Financial risk management (cont'd.)

32.2 Credit risk (cont'd.)

(iii) Credit quality (cont'd.)

	Gross carrying amount					
2019	**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	2,631,380	-	-	-	-	2,631,380
- Short-term funds	628,008	-	-	-	-	628,008
- Deposits and placements with banks and other financial institutions	263,030	-	-	-	-	263,030
- Debt instruments at FVOCI	2,642,279	-	-	-	-	2,642,279
- Other financial assets	56,207	-	-	-	-	56,207
- Derivative financial assets	60,574	-	-	-	-	60,574
- Commitments and contingencies	724,921	-	-	-	-	724,921
Stage 2						
- Loans and advances	-	64,365	-	-	-	64,365
- Commitments and contingencies	-	23,944	-	-	-	23,944
	7,006,399	88,309	-	-	-	7,094,708

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32 Financial risk management (cont'd.)

32.2 Credit risk (cont'd.)

(iii) Credit quality (cont'd.)

	Gross carrying amount					
2018	**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	2,323,725	-	-	-	-	2,323,725
- Short-term funds	758,795	-	-	-	-	758,795
- Deposits and placements with banks and other financial institutions	461,943	-	-	-	-	461,943
- Debt instruments at FVOCI	801,465	-	-	-	-	801,465
- Other financial assets	6,075	-	-	-	-	6,075
- Derivative financial assets	27,682	-	-	-	-	27,682
- Commitments and contingencies	511,523	-	-	-	-	511,523
	4,891,208	-	-	-	-	4,891,208

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32 Financial risk management (cont'd.)

32.2 Credit risk (cont'd.)

(iv) Credit risk exposure analysed by industry:

2019	Cash and short-term fund 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
Agriculture, forestry and fishing	-	-	-	101,644	-	-	-	101,644
Manufacturing	-	-	-	725,335	-	-	10,458	735,793
Construction	-	-	-	337,873	-	1,681	29,421	368,975
Real estate	-	-	-	97,041	-	-	-	97,041
Wholesale and retail trade	-	-	-	184,102	23	-	436,795	620,920
Finance and insurance/ Takaful activities	627,997	263,027	2,600,860	542,950	34,813	58,893	187,576	4,316,116
Administrative and support service activities	-	-	-	349,475	-	-	49,116	398,591
Others	-	-	41,419	335,248	21,371	-	35,499	433,537
	627,997	263,027	2,642,279	2,673,668	56,207	60,574	748,865	7,072,617

32 Financial risk management (cont'd.)

32.2 Credit risk (cont'd.)

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

2018	Cash and short-term fund RM'000	Deposits and placements with banks and other financial institutions RM'000	Debt instruments at FVOCI RM'000	Loans and advances RM'000	Statutory deposits with Bank Negara Malaysia and other financial assets RM'000	Derivative financial assets RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture, forestry and fishing	-	-	-	102,329	-	-	-	102,329
Manufacturing	-	-	-	297,647	2	79	103,522	401,250
Construction	-	-	-	206,843	1	-	84,447	291,291
Real estate	-	-	-	129,506	-	-	-	129,506
Wholesale and retail trade	-	-	-	614,177	22	5,093	24,196	643,488
Finance and insurance/ Takaful activities	758,544	461,943	760,286	154,079	3,191	22,510	102,123	2,262,676
Administrative and support service activities	-	-	-	516,858	-	-	49,632	566,490
Others	-	-	41,179	288,848	3,159	-	147,603	480,789
	758,544	461,943	801,465	2,310,287	6,375	27,682	511,523	4,877,819

32. Financial risk management (cont'd.)

32.2 Credit risk (cont'd.)

(v) Credit risk exposure analysed by geography:

2019	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	613,130	14,867	627,997
Deposits and placements with banks and other financial institutions	263,027	-	263,027
Debt instruments at FVOCI	2,642,279	-	2,642,279
Loans and advances	1,561,599	1,112,069	2,673,668
Other financial assets	56,040	167	56,207
Derivative financial assets	37,846	22,728	60,574
	5,173,921	1,149,831	6,323,752
Commitments and contingencies	571,542	177,323	748,865
2018			
Cash and short-term funds	535,687	222,857	758,544
Deposits and placements with banks and other financial institutions	461,943	-	461,943
Debt instruments at FVOCI	801,465	-	801,465
Loans and advances	1,287,553	1,022,734	2,310,287
Other financial assets	4,814	1,261	6,075
Statutory deposits with Bank Negara Malaysia	300	-	300
Derivative financial assets	19,463	8,219	27,682
	3,111,225	1,255,071	4,366,296
Commitments and contingencies	253,020	258,503	511,523

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 after tax to changes in the exchange rates arises mainly from USD and CNY denominated financial instruments.

The sensitivity analysis with 5% (2018: 5%) impact on profit after year-on-year (y-o-y) tax is based on the weighted average of fluctuations of exchange rates throughout the financial year.

	Impact on profit after tax RM'000
2019	
+5%	(621)
-5%	621
2018	
+5%	55
-5%	(55)

Impact on the profit after 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:

2019	USD RM'000	CNY RM'000	Others RM'000	Total RM'000
Assets				
Cash and short-term funds	188,869	1,562	443	190,874
Loans and advances	1,848,741	23,826	-	1,872,567
Deposits and placements with banks and other financial institutions	-	8,277	-	8,277
Other financial assets	5,633	-	-	5,633
	2,043,243	33,665	443	2,077,351

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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
2019 (cont'd.)				
Liabilities				
Deposits from customers	368,927	40,245	19	409,191
Deposits and placements of banks and other financial institutions	2,203,993	44,906	-	2,248,899
Subordinated loan	820,764	-	-	820,764
Other financial liabilities	9,616	-	3	9,619
	3,403,300	85,151	22	3,488,473
Net on-balance sheet financial position	(1,360,057)	(51,486)	421	(1,411,122)
Off-balance sheet commitments	580,007	2,746	1,350	584,103
2018				
Asset				
Cash and short-term funds	129,163	93,244	701	223,108
Loans and advances	1,827,178	22,854	-	1,850,032
Other financial assets	41	-	-	41
	1,956,382	116,098	701	2,073,181
Liabilities				
Deposits from customers	134,888	7,479	21	142,388
Deposits and placements of banks and other financial institutions	1,879,201	14,163	-	1,893,364
Other financial liabilities	6,360	229	-	6,589
	2,020,449	21,871	21	2,042,341
Net on-balance sheet financial position	(64,067)	94,227	680	30,840
Off-balance sheet commitments	371,269	(40,239)	343	331,373

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 interest rate sensitivity results below shows the impact on profit after tax and equity of financial assets and financial liabilities bearing floating interest rates and fixed rate financial assets and financial liabilities:

	Impact on profit after tax RM'000	Impact on equity RM'000
2019		
+100 basis points	8,037	(7,311)
-100 basis points	(8,037)	7,311
2018		
+100 basis points	5,191	(4,667)
-100 basis points	(5,191)	4,667

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

(i) Impact on the profit after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and earnings movement for all short-term interest rate sensitive assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movement for the short-term interest rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 basis points interest rate change impact. For assets and liabilities with non-fixed maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest bearing assets and liabilities.

(ii) Impact on equity represents the changes in fair values of debt instrument held at FVOCI arising from the shift in the interest rate.

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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:

	Non-trading book								
2019	**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	620,877	-	-	-	-	-	7,120	-	627,997
Deposits and placements with banks and other financial institutions	-	2,350	255,875	-	-	-	4,802	-	263,027
Debt instruments at FVOCI	199,997	1,399,899	169,943	341,735	326,129	186,572	18,004	-	2,642,279
Other assets	34,263	-	-	-	-	-	23,692	-	57,955
Derivative financial assets	-	-	-	-	-	-	-	60,574	60,574
Loans and advances	1,313,692	533,456	599,742	215,748	24,000	1,400	(14,370)	-	2,673,668
Right-of-use assets	-	-	-	-	-	-	6,121	-	6,121
Property and equipment	-	-	-	-	-	-	9,338	-	9,338
Intangible assets	-	-	-	-	-	-	4,620	-	4,620
Deferred tax assets	-	-	-	-	-	-	8,181	-	8,181
Total assets	2,168,829	1,935,705	1,025,560	557,483	350,129	187,972	67,508	60,574	6,353,760

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32. Financial risk management (cont'd.)

32.3 Market risk (cont'd.)

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

	Non-trading book								
2019 (cont'd.)	**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	605,362	519,564	10,500	10,292	156	-	924,978	-	2,070,852
Deposits and placements of banks and other financial institutions	657,726	1,522,596	-	204,650	-	-	14,034	-	2,399,006
Obligations on securities sold under repurchase agreements	-	50,060	-	-	-	-	9	-	50,069
Other liabilities	26,736	-	-	-	-	-	37,669	-	64,405
Derivative financial liabilities	-	-	-	-	-	-	-	90,061	90,061
Tax payable	-	-	-	-	-	-	1,638	-	1,638
Lease liabilities	-	-	-	-	-	-	5,814	-	5,814
Subordinated loan	-	818,600	-	-	-	-	2,164	-	820,764
Total liabilities	1,289,824	2,910,820	10,500	214,942	156	-	986,306	90,061	5,502,609
Total equity	-	-	-	-	-	-	851,151	-	851,151
Total liabilities and equity	1,289,824	2,910,820	10,500	214,942	156	-	1,837,457	90,061	6,353,760
Total interest sensitivity gap	879,005	(975,115)	1,015,060	342,541	349,973	187,972			

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

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32. Financial risk management (cont'd.)

32.3 Market risk (cont'd.)

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

2018	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
Assets									
Cash and short-term funds	747,533	-	-	-	-	-	11,011	-	758,544
Deposits and placements with banks and other financial institutions	-	180,000	280,000	-	-	-	1,943	-	461,943
Debt instruments at FVOCI	99,973	-	199,987	151,286	240,962	100,885	8,372	-	801,465
Other assets	1,220	-	-	-	-	-	6,085	-	7,305
Derivative financial assets	-	-	-	-	-	-	-	27,682	27,682
Loans and advances	687,678	998,868	560,824	-	22,084	45,603	(4,770)	-	2,310,287
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	300	-	300
Tax recoverable	-	-	-	-	-	-	778	-	778
Property and equipment	-	-	-	-	-	-	11,651	-	11,651
Intangible assets	-	-	-	-	-	-	4,930	-	4,930
Deferred tax assets	-	-	-	-	-	-	5,293	-	5,293
Total assets	1,536,404	1,178,868	1,040,811	151,286	263,046	146,488	45,593	27,682	4,390,178

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32. Financial risk management (cont'd.)

32.3 Market risk (cont'd.)

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

2018 (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	809,856	75,398	430,827	7,681	-	-	121,364	-	1,445,126
Deposits and placements of banks and other financial institutions	718,135	245,440	-	-	868,560	215,072	6,226	-	2,053,433
Other liabilities	19,974	231	-	-	-	-	24,834	-	45,039
Derivative financial liabilities	-	-	-	-	-	-	-	18,591	18,591
Total liabilities	1,547,965	321,069	430,827	7,681	868,560	215,072	152,424	18,591	3,562,189
Total equity	-	-	-	-	-	-	827,989	-	827,989
Total liabilities and equity	1,547,965	321,069	430,827	7,681	868,560	215,072	980,413	18,591	4,390,178
Total interest sensitivity gap	(11,561)	857,799	609,984	143,605	(605,514)	(68,584)			

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

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 observation reporting 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:

2019	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	227,765	400,232	-	-	-	-	-	627,997
Deposits and placements with banks and other financial institutions	-	-	2,366	260,661	-	-	-	263,027
Debt instruments at FVOCI	-	200,246	1,405,629	170,587	346,277	519,540	-	2,642,279
Other assets	52,541	-	-	2,307	2,114	993	-	57,955
Derivative financial assets	509	17,068	5,073	12,479	25,424	21	-	60,574
Loans and advances	29,087	518,150	462,832	377,879	455,788	824,636	5,296	2,673,668
Right-of-use assets	-	-	-	-	-	-	6,121	6,121
Property and equipment	-	-	-	-	-	-	9,338	9,338
Intangible assets	-	-	-	-	-	-	4,620	4,620
Deferred tax assets	-	-	-	-	-	-	8,181	8,181
Total assets	309,902	1,135,696	1,875,900	823,913	829,603	1,345,190	33,556	6,353,760

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32. Financial risk management (cont'd.)

32.4 Liquidity risk (cont'd.)

2019 (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	1,102,813	424,835	522,101	10,557	10,387	159	-	2,070,852
Deposits and placements of banks and other financial institutions	315,584	352,884	656,092	328,264	533,256	212,926	-	2,399,006
Obligations on securities sold under repurchase agreements	-	-	50,069	-	-	-	-	50,069
Other liabilities	36,998	351	310	2,729	16,581	7,436	-	64,405
Derivative financial liabilities	9,674	-	27,122	32,029	15,707	5,529	-	90,061
Tax payable	-	-	-	-	-	-	1,638	1,638
Lease liabilities	-	-	-	-	-	-	5,814	5,814
Subordinated loan	-	-	-	-	-	820,764	-	820,764
Total liabilities	1,465,069	778,070	1,255,694	373,579	575,931	1,046,814	7,452	5,502,609
Net maturity mismatches	**(1,155,167)**	**357,626**	**620,206**	**450,334**	**253,672**	**298,376**	**26,104**	**851,151**

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32. Financial risk management (cont'd.)

32.4 Liquidity risk (cont'd.)

2018	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	425,338	333,206	-	-	-	-	-	758,544
Deposits and placements with banks and other financial institutions	-	-	180,517	281,426	-	-	-	461,943
Debt instruments at FVOCI	-	100,336	-	200,940	153,376	346,813	-	801,465
Other assets	3,474	-	-	-	1,122	2,178	531	7,305
Derivative financial assets	7,912	3,298	5,827	6,314	4,331	-	-	27,682
Loans and advances	22,933	306,874	201,182	562,733	-	1,212,638	3,927	2,310,287
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	300	300
Tax recoverable	-	-	-	-	-	-	778	778
Property and equipment	-	-	-	-	-	-	11,651	11,651
Intangible assets	-	-	-	-	-	-	4,930	4,930
Deferred tax assets	-	-	-	-	-	-	5,293	5,293
Total assets	459,657	743,714	387,526	1,051,413	158,829	1,561,629	27,410	4,390,178
Liabilities								
Deposits from customers	316,051	613,664	74,975	432,648	7,788	-	-	1,445,126
Deposits and placements of banks and other financial institutions	511,801	289,440	166,005	-	-	1,086,187	-	2,053,433
Other liabilities	10,636	52	281	17	6,011	27,948	94	45,039
Derivative financial liabilities	2,414	3,560	2,186	4,351	6,080	-	-	18,591
Total liabilities	840,902	906,716	243,447	437,016	19,879	1,114,135	94	3,562,189
Net maturity mismatches	(381,245)	(163,002)	144,079	614,397	138,950	447,494	27,316	827,989

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
2019							
Deposits from customers	1,528,422	535,275	10,631	167	-	-	2,074,495
Deposits and placements of banks and other financial institutions	668,850	1,000,539	542,790	138,637	3,823	86,447	2,441,086
Obligations on securities sold under repurchase agreements	-	50,322	-	-	-	-	50,322
Other financial liabilities	4,896	4	33,647	51	38	28	38,664
Derivative financial liabilities	9,674	59,152	15,707	-	5,529	-	90,062
Subordinated loan	-	13,777	14,116	43,986	40,597	818,600	931,076
Total financial liabilities	2,211,842	1,659,069	616,891	182,841	49,987	905,075	5,625,705
Short-term self-liquidating trade-related contingencies	2,650	17,521	-	-	-	-	20,171
Transaction-related contingent items	-	6,980	86,635	96,494	3,215	-	193,324
Irrevocable commitments to extend credit	6,549	7,471	42,017	413,662	47,699	17,972	535,370
Total commitments and contingencies	9,199	31,972	128,652	510,156	50,914	17,972	748,865

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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
2018							
Deposits from customers	930,659	514,365	7,854	-	-	-	1,452,878
Deposits and placements of banks and other financial institutions	802,022	185,607	19,660	905,846	140,230	92,581	2,145,946
Other financial liabilities	10,637	25,739	-	-	-	-	36,376
Derivative financial liabilities	5,973	6,538	6,080	-	-	-	18,591
Total financial liabilities	1,749,291	732,249	33,594	905,846	140,230	92,581	3,653,791
Short-term self-liquidating trade-related contingencies	343	-	-	-	-	-	343
Transaction-related contingent items	1,695	18,868	16,186	79,591	8,605	-	124,945
Irrevocable commitments to extend credit	-	9,942	3,000	149,261	90,024	134,008	386,235
Total commitments and contingencies	2,038	28,810	19,186	228,852	98,629	134,008	511,523

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
2019					
Financial assets					
Derivative financial assets	60,574	-	60,574	(1,970)	58,604
Financial liabilities					
Derivative financial liabilities	90,061	-	90,061	(34,263)	55,798
2018					
Financial assets					
Derivative financial assets	27,682	-	27,682	(10,627)	17,055
Financial liabilities					
Derivative financial liabilities	18,591	-	18,591	(1,220)	17,371

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:

2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Debt instruments at FVOCI	-	2,642,279	-	2,642,279
Derivative financial assets	-	60,574	-	60,574
	-	2,702,853	-	2,702,853
Financial liabilities				
Derivative financial liabilities	-	90,061	-	90,061
2018				
Financial assets				
Debt instruments at FVOCI	-	801,465	-	801,465
Derivative financial assets	-	27,682	-	27,682
	-	829,147	-	829,147
Financial liabilities				
Derivative financial liabilities	-	18,591	-	18,591

(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 at 31 December 2019 but for which fair value is disclosed:

2019	Carrying amount RM'000	<----- Fair Value ----- Level 1 RM'000	Level 2 RM'000	-----> Level 3 RM'000
Financial assets				
Gross loans and advances	2,695,745	-	2,696,970	-
Financial liabilities				
Deposits from customers	2,070,852	-	2,070,852	-
Deposits and placements of banks and other financial institutions	2,399,006	-	2,399,006	-
Subordinated loan	820,764	-	820,764	-
	5,290,622	-	5,290,622	-

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.)

2018	Carrying amount RM'000	<---- Fair Value ----> Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial assets				
Gross loans and advances	2,323,725	-	2,321,933	-
Financial liabilities				
Deposits from customers	1,445,126	-	1,445,126	-
Deposits and placements of banks and other financial institutions	2,053,433	-	2,054,241	-
	3,498,559	-	3,499,367	-

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, obligations on securities sold under repurchase agreements, 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:

2019	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	627,997	-	627,997
Deposits and placements with banks and other financial institutions	263,027	-	263,027
Debt instruments at FVOCI	2,122,739	519,540	2,642,279
Other assets	56,962	993	57,955
Derivative financial assets	60,553	21	60,574
Loans and advances	1,843,736	829,932	2,673,668
Right-of-use assets	-	6,121	6,121
Property and equipment	-	9,338	9,338
Intangible assets	-	4,620	4,620
Deferred tax assets	-	8,181	8,181
Total assets	4,975,014	1,378,746	6,353,760

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

2019 (cont'd.)	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Liabilities			
Deposits from customers	2,070,693	159	2,070,852
Deposits and placements of banks and other financial institutions	2,186,080	212,926	2,399,006
Obligations on securities sold under repurchase agreements	50,069	-	50,069
Other liabilities	56,969	7,436	64,405
Derivative financial liabilities	84,532	5,529	90,061
Tax payable	-	1,638	1,638
Lease liabilities	-	5,814	5,814
Subordinated loan	-	820,764	820,764
Total liabilities	4,448,343	1,054,266	5,502,609
Net mismatch	526,671	324,480	851,151
2018			
Assets			
Cash and short-term funds	758,544	-	758,544
Deposits and placements with banks and other financial institutions	461,943	-	461,943
Debt instruments at FVOCI	454,652	346,813	801,465
Other assets	4,596	2,709	7,305
Derivative financial assets	27,682	-	27,682
Loans and advances	1,093,722	1,216,565	2,310,287
Statutory deposits with Bank Negara Malaysia	-	300	300
Tax recoverable	-	778	778
Property and equipment	-	11,651	11,651
Intangible assets	-	4,930	4,930
Deferred tax assets	-	5,293	5,293
Total assets	2,801,139	1,589,039	4,390,178
Liabilities			
Deposits from customers	1,445,126	-	1,445,126
Deposits and placements of banks and other financial institutions	967,246	1,086,187	2,053,433
Other liabilities	16,997	28,042	45,039
Derivative financial liabilities	18,591	-	18,591
Total liabilities	2,447,960	1,114,229	3,562,189
Net mismatch	353,179	474,810	827,989