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

## Directors' Report and Audited Financial Statements
**31 December 2021**

**201601032761 (1203702-U)**

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

## Corporate information

### Board of Directors

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

### Company Secretary

Wong Bee Ping
SSM PC No. 201908001807
MAICSA 7025334

### Registered office

Ground Floor, South Block
Wisma Golden Eagle Realty
142A Jalan Ampang
50450 Kuala Lumpur
Malaysia

### Auditors

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

201601032761 (1203702-U)

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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 2021.

### Principal activities

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

### Results

| | RM'000 |
|---|---|
| Profit before taxation | 73,932 |
| Taxation | (19,102) |
| Net profit for the financial year | 54,830 |

### Dividend

No dividend have been paid or declared by the Bank. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2021.

### Reserves and Provisions

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

### Directors

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

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 22 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.

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

## Indemnification of directors

During the financial year, the amount of Director's and Officer's Liability Insurance paid for Directors and officers of the Bank are RM18,030 (2020: RM18,030). The directors and officers shall not be indemnified by the insurance for any negligence, fraud, intentional breach of law or breach of trust proven against them.

## Directors' interests

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

## Holding company

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

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**Profile of Directors**

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

Mr Lu Yang, aged 46, 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 24 years of banking experience. He started his banking career with head office of 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 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 online training programmes/conference during the financial year 2021:

- BNM-FIDE FORUM Dialogue on The Role of Independent Director in Embracing Present and Future Challenges
- BNM-FIDE FORUM Dialogue on The Future of Malaysia's Financial Sector
- A Three-day Event on JC3 Flagship Conference 2021: Finance For Change
- Digital Banking – Opportunity and Risk of Compliance
- BURSA-FIDE FORUM Dialogue on Sustainability
- Anti-Money Laundering/Counter Financing of Terrorism and Anti-Corruption
- Cyber Security Awareness for Directors

Mr Lu Yang does not have any shareholding in the Bank. He had attended all six (6) Board meetings held in the financial year 2021.

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

**Ms Qian Lihong**
**Non-Independent Executive Director**

Ms Qian Lihong, aged 57, 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 37 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 and Director member of Asset Securitization and Structured Financing Professional Committee in NAFMII in 2021.

Ms Qian had attended the following training programmes during the financial year 2021:

- Anti-Money Laundering/Counter Financing of Terrorism and Anti-Corruption
- Cyber Security Awareness for Directors
- CCB Group various training courses including leadership development, strategic management, green financing, marketing etc

Ms Qian does not have any shareholding in the Bank. Ms Qian had attended all six (6) Board meetings held in the financial year 2021.

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

**Datuk Tan Leh Kiah**
**Independent Non-Executive Director**

Datuk Francis Tan Leh Kiah, aged 70, 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.

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 40 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 19 years from 1999 to 2018 and a trustee of Yayasan Chow Kit, a charity organisation from 2011 till 15 February 2022. He is also an Independent Non-Executive Director of MPI Generali Insurans Berhad since 7 May 2015 as well as Malaysian Genomics Resource Centre Berhad since 3 August 2021.

He attended the following online training programmes/conference during the financial year 2021:

- 'Sesi Dialog Isu-isu Bajet 2021 dan Rang Undang-Undang Kewangan 2020'
- ASB: Understanding Board Decision Making Process
- FIDE FORUM: Rethinking Our Approach to Cyber Defence in FIs
- BNM-FIDE FORUM Dialogue on RMiT Implementation
- CTIM: National Tax Conference 2021
- FIDE FORUM: The Board's Role and Responsibilities in Crisis Communications
- Dawn Raid - Don't Be Caught Unprepared
- SSM: Guidelines For Reporting Framework For Beneficial Ownership of Legal Person in Malaysia
- Competition Law Training
- ASB: Mandatory Accreditation Programme
- BDO Tax Budget 2021
- FIDE FORUM: The 2050 Net Zero Carbon Emissions Target: Finance’s Role
- Anti-Money Laundering/Counter Financing of Terrorism and Anti-Corruption
- Cyber Security Awareness for Directors

Datuk Tan does not have any shareholding in the Bank. He had attended all six (6) Board meetings held in the financial year 2021.

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

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

Ms Chong Kwai Ying, aged 61, 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 sitting on the boards of AXA Affin Life Insurance Berhad and Genting Malaysia Berhad as an Independent Non-Executive Director.

Ms Chong had attended the following online training programmes/conference during the financial year 2021:

- Crowdstrike: Security Wellness Series: Cloud Security and Hygiene: Achieving Security in the Cloud
- AICB's Empowering Bankers Webinar Series: Building the Right Board to Respond to the Climate Challenge
- ASB: Understanding Board Decision Making Process
- FIDE FORUM: Rethinking Our Approach to Cyber Defence in FIs
- BNM-FIDE FORUM-MASB Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know
- ASB: Implementing Amendments in the Malaysian Code On Corporate Governance
- BNM-FIDE FORUM Dialogue on The Role of Independent Director in Embracing Present and Future Challenges
- BNM-FIDE FORUM Dialogue on The Future of Malaysia's Financial Sector
- A Three-day Event on JC3 Flagship Conference 2021: Finance For Change
- IT Security - Phishing, Social Engineering and Encryption Training
- BNM-FIDE FORUM Dialogue on RMiT Implementation
- Deloitte Recovery Planning Sharing Session
- FIDE FORUM: The Board's Role and Responsibilities in Crisis Communications
- BNM-FIDE FORUM Dialogue with Senior Leaders: "Risk-Based Capital Framework for Insurers and Takaful Operators"
- Institute of Enterprise Risk Practitioner (IERP) Webinar:
  - Series 12: Cybersecurity Oversight in the Boardroom by Institute of Enterprise Risk Practitioners
- BURSA-FIDE FORUM Dialogue on Sustainability
- FIDE FORUM: The 2050 Net Zero Carbon Emissions Target: Finance’s Role
- SC-FIDE FORUM Dialogue on Capital Market Masterplan 3
- BNM-FIDE FORUM Dialogue with Tan Sri Nor Shamsiah binti Mohd Yunus, Governor of Bank Negara Malaysia
- ESG in the Leisure and Hospitality Industry
- IT Security - Data Leakage Prevention Violation Awareness Training
- Anti-Money Laundering/Counter Financing of Terrorism and Anti-Corruption
- Cyber Security Awareness for Directors

Ms Chong does not have any shareholding in the Bank. She had attended all six (6) Board meetings held in the financial year 2021.

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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 67, 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 is the appointed Non-Independent Non-Executive Director of Tune Protect Group Berhad and also serves as an Independent Non-Executive Director of ELK-Desa Resources Berhad and WCT Holdings Berhad, respectively.

Mr Ng had attended the following online training programmes/conferences during the financial year 2021:

- AICB's Empowering Bankers Webinar Series: Building the Right Board to Respond to the Climate Challenge
- ASB: Implementing Amendments in the Malaysian Code On Corporate Governance
- BNM-FIDE FORUM Dialogue on The Role of Independent Director in Embracing Present and Future Challenges
- BNM-FIDE FORUM Dialogue on The Future of Malaysia's Financial Sector
- A Three-day Event on JC3 Flagship Conference 2021: Finance For Change
- BNM-FIDE FORUM Dialogue on RMiT Implementation
- Deloitte: Recovery Planning Sharing Session
- Anti-Money Laundering/Counter Financing of Terrorism and Anti-Corruption
- Cyber Security Awareness for Directors

Mr Ng does not have any shareholding in the Bank. He had attended all the six (6) Board meetings held in the financial year 2021.

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

**Mr Lim Kheng Boon**
**Independent Non-Executive Director**

Mr Lim Kheng Boon, aged 70, 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 online training programmes/conferences during the financial year 2021:

- AICB's Empowering Bankers Webinar Series: Building the Right Board to Respond to the Climate Challenge
- FIDE FORUM: Rethinking Our Approach to Cyber Defence in FIs
- FIDE: Nominating and Remuneration Committee: Beyond Box-Ticking And Enhancing Effectiveness
- A Three-day Events by MARC Malaysian Bond & Sukuk Conference (MMBS 2021)
- ASB: Implementing Amendments in the Malaysian Code On Corporate Governance
- BNM-FIDE FORUM Dialogue on The Role of Independent Director in Embracing Present and Future Challenges
- BNM-FIDE FORUM Dialogue on The Future of Malaysia's Financial Sector
- A Three-day Event on JC3 Flagship Conference 2021: Finance For Change
- BNM-FIDE FORUM Dialogue on RMiT Implementation
- Deloitte: Recovery Planning Sharing Session
- MACD: Corporate Directors Summit 2021: Governance 4.0
- FIDE FORUM: The Board's Role and Responsibilities in Crisis Communications
- BURSA-FIDE FORUM Dialogue on Sustainability
- SC-FIDE FORUM Dialogue on Capital Market Masterplan 3
- Labuan IBFC: Your Connection To The Global Digital Marketplace
- Anti-Money Laundering/Counter Financing of Terrorism and Anti-Corruption
- Cyber Security Awareness for Directors

Mr Lim does not have any shareholding in the Bank. He had attended all the six (6) Board meetings held in the financial year 2021.

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## Financial Performance and Business Outlook

For the financial year ended 31 December 2021, the Bank registered profit before tax ("PBT") of RM73.9 million, an increase of RM33.6 million or 83.3% as compared to the previous financial year. The Bank's profit after tax ("PAT") for the financial year was RM54.8 million. Higher PBT mainly attributable to the written-back of expected credit losses of RM20.5 million and higher net interest income of RM1.4 million, which partially offset by lower other operating income of RM8.9 million and higher operating expense of RM2.0 million.

Total assets stood at RM5.0 billion as at 31 December 2021, a decrease of RM0.4 billion or 7.0% as compared to the previous financial year, mainly attributable to the lower loans and advances of RM0.8 billion. Gross impaired loans ratio remained at 0% as at the end of 2021. Deposit from customers stood at RM3.0 billion as at 31 December 2021, an increase of RM0.7 billion or 30.3% as compared to previous financial year.

The Bank maintained healthy capital position and ample liquidity buffer. The Bank's Common Equity Tier I capital ratio/Tier I capital ratio and Total capital ratio stood at 34.596% and 68.369% respectively as at the end of 2021, which remained above the minimum regulatory requirements.

## Outlook 2022

Malaysia economy is expected to continue with its strong momentum of recovery, experienced following the re-opening of the economy since fourth quarter 2021, to record a stronger growth in 2022. Factors supporting this positive outlook include normalisation of the social and economic activities following a high rate of vaccination and better management of the Covid-19 related challenges, further easing of disruptions in global supply chain, and pent-up demand for consumption and investment, including foreign direct investment, which were put on hold in the past two years due to pandemic. Other impetus which will lend support to economy are the expansionary Budget 2022, stimulus measures and assistance packages by the Government arising from Covid-19 and progressive roll out of projects under the 12th Malaysia Plan. However, headwinds that may impact this favorable outlook are extent of impact from Omicron and other variants of Covid-19 and persistence inflationary pressures in the year.

Malaysia can also ride on the Regional Comprehensive Economic Partnership ("RCEP") agreement that will take effect from 1 January 2022 to expedite the recovery of its economy. The 10 participating countries that will join RCEP with effect from 1 January 2022 are Australia, Brunei, Cambodia, China, Japan, Laos, New Zealand, Singapore, Thailand, and Vietnam. Meanwhile, South Korea will participate in the agreement from 1 February 2022; to be following by Malaysia on 8 March 2022. The remaining 3 countries, i.e. Indonesia, Myanmar, and the Philippines, are expected to finalise its ratification for RCEP soon. The RCEP is paving the way for the creation of the world's largest free trade area as the 15 RCEP participating countries have an estimated gross domestic product ("GDP") of USD 25.8 trillion, accounting for about 30% of world GDP. The agreement is a manifestation of the region's resolve to keep market open, strengthen economic integration and support a free, fair, and rules-based multilateral trading system.

China Construction Bank (Malaysia) Berhad ("CCBM or the Bank"), leveraging on its strong financial fundamentals, with customer base which cut across several key sectors of the economy, as well as the parent bank and CCB Group's regional strength, will be able to ride on this anticipated rebounding of the economy and business in Malaysia and across the world, particularly the ASEAN, to further grow its business and expand the provision of financing and financial services. The Bank remains optimistic that it is well position to seize the opportunities from strengthening of trade and investment, including bilateral transactions between Malaysia and China, given its strong ties with the corporations in both countries and the region, and its ability to provide a total financing solution to customers.

**Rating by External Rating Agency**

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

**Corporate Governance Statements**

The Board of Directors ("the Board") of the Bank 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 put 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.

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

## 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.

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 put 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 2021 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 | 5/5 | 5/5 | | 2/2 |
| Qian Lihong | Non-Independent Executive Director | 6/6 | | | 5/5 | |
| Datuk Tan Leh Kiah | Independent Non-Executive Director | 6/6 | 5/5 | | 5/5 | 2/2 |
| Chong Kwai Ying | Independent Non-Executive Director | 6/6 | 5/5 | 5/5 | | |
| Ng Soon Lai @ Ng Siek Chuan | Independent Non-Executive Director | 6/6 | | 5/5 | 5/5 | |
| Lim Kheng Boon | Independent Non-Executive Director | 6/6 | 5/5 | 5/5 | | 2/2 |

**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 2021 from the Bank are shown in Note 22 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 2021, the AC has held five (5) meetings. Attendance as set out in the table on page 11.

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

***(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 prudent practices in risk taking activities. It also provides oversight on the Bank's ethical behaviors and ensures it operates at all times within applicable laws, regulations and with due regard to ethical standards. BRMC oversees the Senior Management's activities in managing credit, market, liquidity, operational, information technology ("IT"), money laundering/terrorism financing & targeted financial sanctions ("ML/TF & Sanction"), compliance, legal and other risks and ensuring the integrated risk management functions within the Bank are in place and effectively discharged.

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 2021, BRMC has held five (5) 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/re-appointment or removal and performance evaluation of the Directors, CEO and other Senior Management as well as control function 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 2021, BNC has held five (5) meetings. Attendance as set out in the table on page 11.

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

***(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 and 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 2021, BRC has held two (2) 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 2021, the Board had approved the formulation and revision of various governance documents including policies or guidelines as a continuous measure to enhance good governance practice in strengthening the internal control, compliance and risk management of the Bank, covering the aspects on credit risk, market risk, operational risk, business continuity management, regulatory compliance framework, anti-money laundering and counter financing of terrorism, information technology security and etc. The Board also placed great emphasis on setting a clear business direction through the comprehensive business plan, risk appetite setting and the supervision on the implementation of the pre-determined value propositions for the Bank, among others.

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

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

**Internal Controls (cont'd.)**

Internal audit, as third line of defense with direct reporting to AC, assists the Committee to discharge its duties and responsibilities by providing independent and objective assurance on the adequacy and effectiveness of the Bank's risk management, internal control system and governance processes. The 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 2021 comprised of observation, recommendation and management action plan for submission to the AC for deliberations, endorsement and approval. Follow-up process is in place to track the actions in addressing the issues highlighted by internal audit, external audit and regulators.

**Conflicts of Interest**

The Board has put 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.

**Anti-Corruption Policy**

The Bank has since the enforcement of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 on 1 June 2020, implemented the Anti-Corruption practices in upholding its commitment in countering bribery and corruption. Senior Management of the Bank has been entrusted in spearheading the initiatives of combating bribery and corruption acts.

**Whistleblowing Policy**

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

## 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.

## Sustainability

The Bank is committed to comply with BNM's requirements on the "Climate Change and Principle-based Taxonomy" and also strive to deliver its best in sustainable growth by working together with the existing customers and employees.

## Accountability and Audit

### (i) Financial Reporting

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

### (ii) Statement on Directors' Responsibility

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Bank as at the end of the accounting period and of its financial performance and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that the preparation and fair presentation of these financial statements are in accordance with 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 19.

### (iii) Relationship with External Auditors

The Bank, through the AC, has established a formal and transparent relationship with the external auditors. The AC is fundamentally overseeing the integrity and reliability of financial reporting and the external auditors play a key role in helping the AC to discharge this responsibility. The external auditors are also invited to attend the AC meetings to present their audit plan, audit findings and any other matter that warrant the attention of the Board. The AC meets with the external auditors at least once a year without the presence of the Management.

**(iii) 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 the Non-Audit Services Policy. The policy stipulates the permissible non-audit services, as part of the governance process to preserve the independence 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**
**(Incorporated in Malaysia)**

**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 21 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated _______.

| | |
|---|---|
| Chong Kwai Ying<br>Director | Datuk Tan Leh Kiah<br>Director |

**China Construction Bank (Malaysia) Berhad**
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**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 24 to 108 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 2021 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 _______.

| | |
|---|---|
| Chong Kwai Ying<br>Director | Datuk Tan Leh Kiah<br>Director |

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

I, Wang Qijie, 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 24 to 108 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Wang Qijie
at Kuala Lumpur in the Federal Territory
on 21 April 2022

Wang Qijie

Before me,

**201601032761 (1203702-U)**

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

## Report on the audit of the financial statements

*Opinion*

We have audited the financial statements of China Construction Bank (Malaysia) Berhad, which comprise the statement of financial position as at 31 December 2021 of the Bank, and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 24 to 108.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, 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. The Annual Report is expected to be provided to us after the date of this auditors' report.

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.

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

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

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

If, based on the work we have performed 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.

201601032761 (1203702-U)

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

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional 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.

201601032761 (1203702-U)

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

**Other matters**

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

| | |
|---|---|
| Ernst & Young PLT | Chan Hooi Lam |
| 202006000003 (LLP0022760-LCA) & AF 0039 | No. 02844/02/2024 J |
| Chartered Accountants | Chartered Accountant |

Kuala Lumpur, Malaysia
21 April 2022

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

**Statement of financial position**
**As at 31 December 2021**

| | Note | 2021 RM'000 | 2020 RM'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and short-term funds | 3 | 1,491,662 | 1,041,855 |
| Debt instruments at fair value through other comprehensive income ("FVOCI") | 4 | 1,711,307 | 1,668,132 |
| Other assets | 5 | 52,825 | 113,633 |
| Derivative financial assets | 6 | 46,623 | 132,954 |
| Loans and advances | 7 | 1,604,869 | 2,384,792 |
| Tax recoverable | | 20,853 | 9,529 |
| Right-of-use assets | 8 | 43,449 | 3,194 |
| Property and equipment | 9 | 3,425 | 6,886 |
| Intangible assets | 10 | 9,256 | 4,879 |
| Deferred tax assets | 11 | 14,872 | 7,282 |
| **Total assets** | | 4,999,141 | 5,373,136 |
| **Liabilities** | | | |
| Deposits from customers | 12 | 2,964,641 | 2,275,454 |
| Deposits and placements of banks and other financial institutions | 13 | 56,631 | 1,021,513 |
| Other liabilities | 14 | 121,451 | 248,053 |
| Derivative financial liabilities | 6 | 62,057 | 122,302 |
| Lease liabilities | 8 | 42,933 | 3,103 |
| Subordinated loan | 15 | 834,513 | 804,524 |
| **Total liabilities** | | 4,082,226 | 4,474,949 |
| **Equity attributable to equity holder of the Bank** | | | |
| Share capital | 16 | 822,600 | 822,600 |
| Reserves | 17 | 94,315 | 75,587 |
| **Total equity** | | 916,915 | 898,187 |
| **Total liabilities and equity** | | 4,999,141 | 5,373,136 |
| **Commitments and contingencies** | 25 | 15,275,794 | 13,211,182 |

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 2021**

| | Note | 2021 RM'000 | 2020 RM'000 |
|---|---|---|---|
| Operating revenue | 2.4(l) | 173,061 | 212,962 |
| Interest income | 18 | 140,261 | 172,499 |
| Interest expense | 19 | (57,495) | (91,141) |
| Net interest income | | 82,766 | 81,358 |
| Other operating income | 20 | 33,380 | 42,332 |
| Net income | | 116,146 | 123,690 |
| Other operating expenses | 21 | (62,710) | (60,666) |
| Operating profit before allowances | | 53,436 | 63,024 |
| Written-back/(Allowances) for expected credit losses ("ECL") | 23 | 20,496 | (22,684) |
| **Profit before taxation** | | 73,932 | 40,340 |
| Taxation | 24 | (19,102) | (10,806) |
| **Net profit for the financial year** | | 54,830 | 29,534 |
| Other comprehensive income in respect of: Items that will be reclassified subsequently to profit or loss | | | |
| Debt instruments at FVOCI | | | |
| Net fair value change in debt instruments at FVOCI | | (36,509) | 15,336 |
| Net gain on debt instruments measured at FVOCI reclassified to profit or loss on disposal | 20 | (5,393) | (6,578) |
| Income tax effect | 11 | 10,093 | (2,064) |
| | | (31,809) | 6,694 |
| Cash flow hedge | | | |
| Net change in cash flow hedge | 6 | (1,402) | 4,594 |
| Net change in cost of hedging | 6 | (4,246) | 9,626 |
| Income tax effect | 11 | 1,355 | (3,412) |
| | | (4,293) | 10,808 |
| Total other comprehensive (loss)/income, net of tax, for the financial year | | (36,102) | 17,502 |
| Total comprehensive income for the financial year | | 18,728 | 47,036 |

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 2021**

| | ← Non-distributable | | | → | Distributable: | |
|---|---|---|---|---|---|---|
| | **Share capital** | **FVOCI reserves** | **Cash flow hedge reserve** | **Cost of hedging reserve** | **Retained profits** | **Total equity** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Balance as at 1 January 2021** | 822,600 | 14,123 | 3,491 | 7,317 | 50,656 | 898,187 |
| Net profit for the financial year | - | - | - | - | 54,830 | 54,830 |
| Other comprehensive loss, net of tax, for the financial year | - | (31,809) | (1,066) | (3,227) | - | (36,102) |
| Total comprehensive (loss)/income for the financial year | - | (31,809) | (1,066) | (3,227) | 54,830 | 18,728 |
| **Balance as at 31 December 2021** | 822,600 | (17,686) | 2,425 | 4,090 | 105,486 | 916,915 |
| **Balance as at 1 January 2020** | 822,600 | 7,429 | - | - | 21,122 | 851,151 |
| Net profit for the financial year | - | - | - | - | 29,534 | 29,534 |
| Other comprehensive income, net of tax, for the financial year | - | 6,694 | 3,491 | 7,317 | - | 17,502 |
| Total comprehensive income for the financial year | - | 6,694 | 3,491 | 7,317 | 29,534 | 47,036 |
| **Balance as at 31 December 2020** | 822,600 | 14,123 | 3,491 | 7,317 | 50,656 | 898,187 |

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 2021

| | Note | 2021 RM'000 | 2020 RM'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | 73,932 | 40,340 |
| Adjustments for non cash items: | | | |
| (Written-back)/Allowances for expected credit losses | 23 | (20,496) | 22,684 |
| Net unrealised fair value loss/(gain) on derivatives | 20 | 53,339 | (63,730) |
| Depreciation of property and equipment | 21 | 4,344 | 3,739 |
| Depreciation of right-of-use assets | 21 | 2,860 | 2,961 |
| Amortisation of intangible assets | 21 | 1,168 | 829 |
| Interest income from debt instruments at FVOCI | 18 | (44,456) | (56,662) |
| Net gain from sale of debt instruments at FVOCI | 20 | (5,393) | (6,578) |
| Interest expense from subordinated loan | 19 | 13,884 | 20,269 |
| Net foreign exchange loss/(gain) on subordinated loan | | 29,900 | (15,000) |
| Interest expense from lease liabilities | 19 | 322 | 199 |
| Operating profit/(loss) before working capital changes | | 109,404 | (50,949) |
| Change in deposits and placements with banks and other financial institutions with original maturity of more than 3 months | | - | 263,030 |
| Change in derivatives financial assets and liabilities | | (32,901) | 37,811 |
| Change in loans and advances | | 793,614 | 272,543 |
| Change in other assets | | 60,808 | (55,678) |
| Change in deposits from customers | | 689,187 | 204,602 |
| Change in deposits and placements of banks and other financial institutions | | (964,882) | (1,377,493) |
| Change in other liabilities | | (120,166) | 177,439 |
| Change in oligations on securities sold under Repos | | - | (50,069) |
| | | 425,660 | (527,815) |
| Cash generated from/(used in) operations | | 535,064 | (578,764) |
| Net tax paid | | (26,568) | (26,550) |
| Net cash generated from/(used in) operating activities | | 508,496 | (605,314) |

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

**Statement of cash flows**
**For the financial year ended 31 December 2021 (cont'd.)**

| | Note | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchase of debt instruments at FVOCI | | (1,873,478) | (4,623,736) |
| Proceeds from redemption and disposal of debt instruments at FVOCI | | 1,777,575 | 5,621,761 |
| Interest received from debt instruments at FVOCI | | 60,723 | 48,006 |
| Purchase of property and equipment | 9 | (883) | (1,287) |
| Purchase of intangible assets | 10 | (5,545) | (1,088) |
| Net cash (used in)/generated from investing activities | | (41,608) | 1,043,656 |
| **Cash flows from financing activities** | | | |
| Interest payment of subordinated loan | | (13,795) | (21,509) |
| Lease payments | 8 | (2,972) | (2,944) |
| Net cash used in financing activities | | (16,767) | (24,453) |
| **Net increase in cash and cash equivalents** | | 450,121 | 413,889 |
| Cash and cash equivalents, at gross: | | | |
| - at the beginning of the financial year | | 1,041,897 | 628,008 |
| - at the end of the financial year | | 1,492,018 | 1,041,897 |
| **Cash and cash equivalents comprise:** | | | |
| Cash and short-term funds | 3 | 1,492,018 | 1,041,897 |

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

## 1. Corporate information

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

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

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

The address of the registered office of the Bank is 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 21 April 2022.

## 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.

### 2.2 Changes in accounting policies

***Adoption of amended MFRS issued***

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

***The Bank adopted the following amended MFRS beginning on or after 1 January 2021***

*Amendments to MFRS 112 Income Taxes*
*Amendment to MFRS 16 Leases Covid-19-Related Rent Concessions beyond 30 June 2021*
*Amendment to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 Interest Rate Benchmark Reform - Phase 2.*

**2. Significant accounting policies (cont'd.)**

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

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

***Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)***

The discontinuation of Interbank Offered Rates ("IBORs") in particular London Interbank Offered Rate ("LIBOR") and the transition to alternative Risk Free Rates ("RFRs") is expected to bring about legal, valuation, risk management and system implications to the Bank. The Bank's exposures to interest rate benchmarks subject to IBOR reform are mainly USD LIBOR through its loans and advances, deposit from customers, deposit and placements of banks and other financial institutions, interest rate swaps derivative contracts for both trading and hedging purpose and subordinated loan with contractual maturity dates falls mainly before the planned IBOR cessation date. For those financial instruments with contractual maturity dates fall beyond the planned IBOR cessation date, a supplementary agreement with fallback provisions will be executed.

### 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 2022***
*Annual Improvements to MFRS Standards 2018 - 2020;*
*Amendments to MFRS 3 Reference to the Conceptual Framework;*
*Amendments to MFRS 116 Property, Plant and Equipment Proceeds before Intended Use; and*
*Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract.*

***Effective for financial periods beginning on or after 1 January 2023***
*MFRS 17 Insurance Contracts;*
*Amendments to MFRS 101 Classification of Liabilities as Current or Non-current;*
*Amendments to MFRS 108 Defination of accounting estimates; and*
*Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

**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 or with internal credit rating deteriorated to Rating 17 or below.

**(b) Qualitative criteria**

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

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

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

##### (iv) Impairment

The impairment requirements apply to financial assets measured at amortised cost and debt instruments at FVOCI and certain loan commitments as well as financial guarantee contracts. The allowances for impairment are based on the expected credit loss ("ECL") associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowances are based on the probability of default over the expected remaining life of the assets. The impairment can be assessed either individually or collectively. Further details are as disclosed in Note 29.1(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.

##### (viii) Modification of terms and conditions of loans and advances

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate, the Bank records a modification gain or loss to the extent that an impairment has not already been recorded.

## 2. Significant accounting policies (cont'd.)

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

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

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

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

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

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

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

## 2. Significant accounting policies (cont'd.)

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

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

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

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

**Cash flow hedge**

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

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

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

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

## 2. Significant accounting policies (cont'd.)

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

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

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

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

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

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

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

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

## 2. Significant accounting policies (cont'd.)

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

#### (d) Property, equipment and depreciation (cont'd.)

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.

##### (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.

## 2. Significant accounting policies (cont'd.)

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

#### (e) Intangible assets (cont'd.)

##### (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.

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.

## 2. Significant accounting policies (cont'd.)

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

#### (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 with 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. Service charges and other fee income are recognised as income when the services are rendered. Management fees are recognised when services are rendered.

Commitment fees for loans and advances are likely to be drawn down and deferred (together with direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is regarded as an adjustment to the effective interest rate of the financial instrument.

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

## 2. Significant accounting policies (cont'd.)

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

#### (l) Operating revenue

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

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

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

#### (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.

**Bank as a lessee**

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

## 2. Significant accounting policies (cont'd.)

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

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

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

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

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 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.)

#### (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.

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

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

## 2. Significant accounting policies (cont'd.)

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

#### (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 ("RM"), which is the Bank's functional and presentation currency.

##### (ii) Transactions and balances

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

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

#### (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.

## 2. Significant accounting policies (cont'd.)

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

#### (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 29.1(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 macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It is the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The Bank has set out its credit risk management as disclosed in Note 29.1(a).

The amount of allowances for ECL on financial assets and off-balance sheet credit exposures recognised by the Bank are as disclosed in Note 3, Note 4, Note 7, Note 14 and Note 23 respectively.

## 3. Cash and short-term funds

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| Cash and balances with banks and other financial institutions | 262,875 | 115,836 |
| Money at call and deposit placements maturing within one month | 1,229,143 | 926,061 |
| | 1,492,018 | 1,041,897 |
| Less: ECL allowances | (356) | (42) |
| | 1,491,662 | 1,041,855 |

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

| 2021 | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| At 1 January | 1,041,897 | - | - | 1,041,897 |
| Financial assets derecognised during the financial year | (782,816) | - | - | (782,816) |
| New financial assets acquired | 1,232,937 | - | - | 1,232,937 |
| At 31 December | 1,492,018 | - | - | 1,492,018 |
| **2020** | | | | |
| At 1 January | 628,008 | - | - | 628,008 |
| Financial assets derecognised during the financial year | (524,527) | - | - | (524,527) |
| New financial assets acquired | 938,416 | - | - | 938,416 |
| At 31 December | 1,041,897 | - | - | 1,041,897 |

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

| | Stage 1 | Stage 2 | Stage 3 | |
|---|---|---|---|---|
| 2021 | 12-month ECL<br>RM'000 | Lifetime ECL non credit-impaired<br>RM'000 | Lifetime ECL credit-impaired<br>RM'000 | Total ECL<br>RM'000 |
| At 1 January | 42 | - | - | 42 |
| Financial assets derecognised during the financial year | (623) | - | - | (623) |
| New financial assets acquired | 937 | - | - | 937 |
| Net total (Note 23) | 314 | - | - | 314 |
| At 31 December | 356 | - | - | 356 |

**China Construction Bank (Malaysia) Berhad**
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## 3. Cash and short-term funds (cont'd.)

| 2020 | Stage 1<br>12-month ECL<br>RM'000 | Stage 2<br>Lifetime ECL non credit-impaired<br>RM'000 | Stage 3<br>Lifetime ECL credit-impaired<br>RM'000 | Total ECL<br>RM'000 |
|---|---|---|---|---|
| At 1 January | 11 | - | - | 11 |
| Financial assets derecognised during the financial year | (64) | - | - | (64) |
| New financial assets acquired | 95 | - | - | 95 |
| Net total (Note 23) | 31 | - | - | 31 |
| At 31 December | 42 | - | - | 42 |

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

| At fair value | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| **Money market instruments** | | |
| Malaysian Government Securities | 278,752 | 97,075 |
| Malaysian Government Investment Issues | 434,363 | 781,035 |
| Government treasury bills | 368,650 | - |
| Negotiable Instruments of Deposits | - | 300,240 |
| | 1,081,765 | 1,178,350 |
| **Unquoted securities** | | |
| Corporate bonds within Malaysia | 332,287 | 377,738 |
| Cagamas debt securities | 297,255 | 112,044 |
| | 629,542 | 489,782 |
| | 1,711,307 | 1,668,132 |

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

| 2021 | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| At 1 January | 1,668,132 | - | - | 1,668,132 |
| Financial assets derecognised during the financial year | (869,941) | - | - | (869,941) |
| New financial assets purchased | 913,116 | - | - | 913,116 |
| At 31 December | 1,711,307 | - | - | 1,711,307 |

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

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

| 2020 | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January | 2,642,279 | - | - | 2,642,279 |
| Financial assets derecognised during the financial year | (2,211,934) | - | - | (2,211,934) |
| New financial assets purchased | 1,237,787 | - | - | 1,237,787 |
| At 31 December | 1,668,132 | - | - | 1,668,132 |

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

| | Stage 1 | Stage 2 | Stage 3 | |
|---|---|---|---|---|
| 2021 | 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 | 673 | - | - | 673 |
| Financial assets derecognised during the financial year | (772) | - | - | (772) |
| New financial assets purchased | 724 | - | - | 724 |
| Net total (Note 23) | (48) | - | - | (48) |
| At 31 December | 625 | - | - | 625 |
| **2020** | | | | |
| At 1 January | 559 | - | - | 559 |
| Financial assets derecognised during the financial year | (523) | - | - | (523) |
| New financial assets purchased | 637 | - | - | 637 |
| Net total (Note 23) | 114 | - | - | 114 |
| At 31 December | 673 | - | - | 673 |

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## 5. Other assets

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Deposits | 3,143 | 1,025 |
| Prepayments | 2,007 | 2,188 |
| Cash collateral pledged for derivative transactions | 34,938 | 99,101 |
| Amount due from ultimate holding company (Note i) | 6,209 | 7,318 |
| Other receivables | 6,528 | 4,001 |
| | 52,825 | 113,633 |

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

## 6. Derivative financial assets/(liabilities)

The Bank's derivative financial instruments are measured at their fair values together with their corresponding contract/notional amounts as at reporting date. The notional amounts of these derivative financial instruments refer to the underlying contract value on which changes in the value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end but are not indicative of either the market risk or credit risk inherent in the derivative contracts. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 29 to the financial statements.

| 2021 | Contract/Notional Amount RM'000 | <------ Fair Value ------> Assets RM'000 | Liabilities RM'000 |
|---|---|---|---|
| **Trading derivatives** | | | |
| Foreign exchange related contracts: | | | |
| - Currency forwards/spot | 4,584 | 7 | 5 |
| - Currency swaps | 11,955,276 | 43,254 | 53,835 |
| Interest rate related contracts: | | | |
| - Interest rate swaps | 1,356,450 | 255 | 1,366 |
| **Hedging derivatives - cash flow hedge** | | | |
| Foreign exchange related contracts: | | | |
| - Cross currency interest rate swaps | 833,500 | 3,107 | 6,851 |
| | 14,149,810 | 46,623 | 62,057 |

## 6. Derivative financial assets/(liabilities) (cont'd.)

| 2020 | Contract/Notional Amount RM'000 | <------ Fair Value ------> Assets RM'000 | Liabilities RM'000 |
|---|---|---|---|
| **Trading derivatives** | | | |
| Foreign exchange related contracts: | | | |
| - Currency forwards/spot | 113,508 | 61,611 | 77,791 |
| - Currency swaps | 7,842,044 | 68,327 | 2,979 |
| Interest rate related contracts: | | | |
| - Interest rate swaps | 3,203,440 | 3,016 | 9,165 |
| **Hedging derivatives - cash flow hedge** | | | |
| Foreign exchange related contracts: | | | |
| - Cross currency interest rate swaps | 803,600 | - | 32,367 |
| | 11,962,592 | 132,954 | 122,302 |

**Cash flow hedge**

The Bank applied cash flow hedge accounting to the foreign currency and interest rate element of its floating rate USD denominated subordinated loan (Note 15) and associated cross currency interest rate swaps ("CCIRS") by converting the subordinated loan into fixed rate MYR exposures with the floating rate and principal of the hedged item matched by those of the hedging instrument. The amount and timing of future cash flows, representing both principal and interest payments, are projected on the basis of their contractual terms and other relevant factors.

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

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

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

## 6. Derivative financial assets/(liabilities) (cont'd.)

There was no cash flow hedge that was discontinued as a result of the hedged cash flows no longer expected to occur.

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

| 2021 | Up to 1 year RM'000 | 2-3 years RM'000 | 4-5 years RM'000 | Total RM'000 |
|---|---|---|---|---|
| CCIRS | - | 833,500 | - | 833,500 |
| **2020** | | | | |
| CCIRS | - | - | 803,600 | 803,600 |

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

| 2021 | CCIRS RM'000 | Subordinated loan RM'000 |
|---|---|---|
| Changes in fair value used for measuring ineffectiveness | (31,498) | (32,900) |
| **2020** | | |
| Changes in fair value used for measuring ineffectiveness | 33,216 | 37,810 |

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

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Net change in cash flow hedge | (1,402) | 4,594 |
| Net change in cost of hedging | (4,246) | 9,626 |
| Ineffectiveness recognised in profit or loss (Note 20) | 7,405 | 8,777 |

## 7. Loans and advances

| At amortised cost | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Overdrafts | 4,938 | 5,243 |
| Term loans: | | |
| - Syndicated term loans | 538,360 | 793,173 |
| - Other term loans | 544,702 | 765,634 |
| Bill receivables | 140,702 | 396,125 |
| Trust receipts | - | 25,316 |
| Revolving credits | 400,886 | 437,711 |
| Gross loans and advances | 1,629,588 | 2,423,202 |
| | | |
| Less: ECL allowances | | |
| - Stage 1 | (24,719) | (38,410) |
| Net loans and advances | 1,604,869 | 2,384,792 |

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

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Business enterprises | 1,572,937 | 2,368,585 |
| Government and statutory bodies | 56,651 | 54,617 |
| | 1,629,588 | 2,423,202 |

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

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Malaysia | 1,235,976 | 1,683,251 |
| Hong Kong | 78,531 | 127,529 |
| Philippines | - | 45,858 |
| United Arab Emirates | 56,651 | 54,617 |
| China | 258,430 | 511,947 |
| | 1,629,588 | 2,423,202 |

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

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Fixed rate loans | 71,026 | 89,017 |
| Variable rate (cost-plus) loans | 1,558,562 | 2,334,185 |
| | 1,629,588 | 2,423,202 |

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

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| **(iv) Gross loans and advances by economic purpose:** | | |
| Working capital | 917,525 | 1,159,266 |
| Merger and acquisition | 78,531 | 79,293 |
| Purchase of transport vehicle | - | 10,081 |
| Purchase of land | 33,421 | 33,423 |
| Construction | 371,397 | 566,415 |
| Trade finance related | - | 218,334 |
| Lending to related entities | 162,330 | 170,454 |
| Investments in related entities | 9,732 | 29,422 |
| Other purposes | 56,652 | 156,514 |
| | 1,629,588 | 2,423,202 |
| **(v) Gross loans and advances by remaining contractual maturity:** | | |
| Maturity within one year | 746,263 | 1,231,651 |
| One year to three years | 249,191 | 505,318 |
| Three years to five years | 46,342 | 6,254 |
| Over five years | 587,792 | 679,979 |
| | 1,629,588 | 2,423,202 |
| **(vi) Gross loans and advances by industry:** | | |
| Manufacturing | 522,296 | 619,187 |
| Electricity, gas and water | 125,092 | 137,540 |
| Construction | 339,254 | 430,362 |
| Real estate | 172,062 | 100,339 |
| Wholesale, retail trade, restaurants and hotels | 2,084 | 2,009 |
| Transport, storage and communication | 387,464 | 443,619 |
| Finance, insurance and business services | 56,652 | 493,543 |
| Others | 24,684 | 196,603 |
| | 1,629,588 | 2,423,202 |

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

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

| 2021 | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January | 2,423,202 | - | - | 2,423,202 |
| Financial assets derecognised during the financial year | (3,687,646) | - | - | (3,687,646) |
| New financial assets originated | 2,894,032 | - | - | 2,894,032 |
| At 31 December | 1,629,588 | - | - | 1,629,588 |
| **2020** | | | | |
| At 1 January | 2,631,380 | 64,365 | - | 2,695,745 |
| Financial assets derecognised during the financial year | (2,138,819) | (64,365) | - | (2,203,184) |
| New financial assets originated | 1,930,641 | - | - | 1,930,641 |
| At 31 December | 2,423,202 | - | - | 2,423,202 |

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

| 2021 | 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 | 38,410 | - | - | 38,410 |
| Financial assets derecognised during the financial year | (39,583) | - | - | (39,583) |
| New financial assets originated | 25,892 | - | - | 25,892 |
| Net total (Note 23) | (13,691) | - | - | (13,691) |
| At 31 December | 24,719 | - | - | 24,719 |

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

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

| 2020 | Stage 1<br>12-month ECL<br>RM'000 | Stage 2<br>Lifetime ECL non credit-impaired<br>RM'000 | Stage 3<br>Lifetime ECL credit-impaired<br>RM'000 | Total ECL<br>RM'000 |
|---|---|---|---|---|
| At 1 January | 15,663 | 6,414 | - | 22,077 |
| Financial assets derecognised during the financial year | (27,450) | (6,414) | - | (33,864) |
| New financial assets originated | 50,197 | - | - | 50,197 |
| Net total (Note 23) | 22,747 | (6,414) | - | 16,333 |
| At 31 December | 38,410 | - | - | 38,410 |

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

### Bank as lessee

The Bank has lease contracts for properties, data centre server and office equipment. All the leases generally have lease term ranging from 3 to 10 years (2020: 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:

| 2021 | Properties<br>RM'000 | Data centre server<br>RM'000 | Office equipment and car park<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **Right-of-use assets** | | | | |
| At 1 January | 2,858 | 280 | 56 | 3,194 |
| New lease recognised | 43,752 | 309 | 175 | 44,236 |
| Termination of lease contracts | (993) | (128) | - | (1,121) |
| Depreciation charge for the financial year (Note 21) | (2,594) | (230) | (36) | (2,860) |
| At 31 December | 43,023 | 231 | 195 | 43,449 |

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

| | Properties RM'000 | Data centre server RM'000 | Office equipment and car park RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Lease liabilities** | | | | |
| At 1 January | 2,753 | 294 | 56 | 3,103 |
| New lease recognised | 43,107 | 309 | 175 | 43,591 |
| Termination of lease contracts | (975) | (136) | - | (1,111) |
| Accretion of interest (Note 19) | 308 | 11 | 3 | 322 |
| Lease payments | (2,689) | (245) | (38) | (2,972) |
| At 31 December | 42,504 | 233 | 196 | 42,933 |
| **2020** | | | | |
| **Right-of-use assets** | | | | |
| At 1 January | 5,532 | 535 | 54 | 6,121 |
| New lease recognised | - | - | 34 | 34 |
| Depreciation charge for the financial year (Note 21) | (2,674) | (255) | (32) | (2,961) |
| At 31 December | 2,858 | 280 | 56 | 3,194 |
| **Lease liabilities** | | | | |
| At 1 January | 5,208 | 552 | 54 | 5,814 |
| New lease recognised | - | - | 34 | 34 |
| Accretion of interest (Note 19) | 179 | 18 | 2 | 199 |
| Lease payments | (2,634) | (276) | (34) | (2,944) |
| At 31 December | 2,753 | 294 | 56 | 3,103 |

## 9. Property and equipment

| 2021 | 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 | 6,334 | 11,027 | 1,909 | 930 | 20,200 |
| Additions | - | 796 | 87 | - | 883 |
| Write-off | (2,571) | - | - | - | (2,571) |
| At 31 December | 3,763 | 11,823 | 1,996 | 930 | 18,512 |
| **Accumulated depreciation** | | | | | |
| At 1 January | (4,425) | (7,416) | (1,012) | (461) | (13,314) |
| Charge for the financial year (Note 21) | (1,909) | (1,979) | (343) | (113) | (4,344) |
| Write-off | 2,571 | - | - | - | 2,571 |
| At 31 December | (3,763) | (9,395) | (1,355) | (574) | (15,087) |
| **Net book value** | | | | | |
| At 31 December | - | 2,428 | 641 | 356 | 3,425 |
| **2020** | | | | | |
| **Cost** | | | | | |
| At 1 January | 5,948 | 10,155 | 1,880 | 930 | 18,913 |
| Additions | 386 | 872 | 29 | - | 1,287 |
| At 31 December | 6,334 | 11,027 | 1,909 | 930 | 20,200 |
| **Accumulated depreciation** | | | | | |
| At 1 January | (3,134) | (5,444) | (649) | (348) | (9,575) |
| Charge for the financial year (Note 21) | (1,291) | (1,972) | (363) | (113) | (3,739) |
| At 31 December | (4,425) | (7,416) | (1,012) | (461) | (13,314) |
| **Net book value** | | | | | |
| At 31 December | 1,909 | 3,611 | 897 | 469 | 6,886 |

## 10. Intangible assets

| 2021 | Computer software RM'000 | Membership RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January | 4,846 | 2,600 | 7,446 |
| Additions | 5,545 | - | 5,545 |
| At 31 December | 10,391 | 2,600 | 12,991 |
| **Accumulated amortisation** | | | |
| At 1 January | (2,567) | - | (2,567) |
| Charge for the financial year (Note 21) | (1,168) | - | (1,168) |
| At 31 December | (3,735) | - | (3,735) |
| **Net book value** | | | |
| At 31 December | 6,656 | 2,600 | 9,256 |
| **2020** | | | |
| **Cost** | | | |
| At 1 January | 3,758 | 2,600 | 6,358 |
| Additions | 1,088 | - | 1,088 |
| At 31 December | 4,846 | 2,600 | 7,446 |
| **Accumulated amortisation** | | | |
| At 1 January | (1,738) | - | (1,738) |
| Charge for the financial year (Note 21) | (829) | - | (829) |
| At 31 December | (2,567) | - | (2,567) |
| **Net book value** | | | |
| At 31 December | 2,279 | 2,600 | 4,879 |

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## 11. Deferred tax assets

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| At 1 January | 7,282 | 8,181 |
| Charged to profit or loss (Note 24) | | |
| - Relating to origination and reversal of temporary differences | (3,992) | 4,512 |
| - Underprovision of net deferred tax assets | 134 | 65 |
| Recognised in other comprehensive income | 11,448 | (5,476) |
| At 31 December | 14,872 | 7,282 |

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:

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Deferred tax assets, net | 14,872 | 7,282 |

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

| | | |
|---|---|---|
| Deferred tax assets | 21,939 | 16,448 |
| Deferred tax liabilities | (7,067) | (9,166) |
| | 14,872 | 7,282 |

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

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

**Deferred tax assets**

| | Lease liabilities RM'000 | Provisions and deferred income RM'000 | ECL allowances RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January 2021 | 747 | 4,205 | 11,496 | 16,448 |
| Charge to profit or loss | | | | |
| - Relating to origination and reversal of temporary differences | 9,557 | 647 | (4,919) | 5,285 |
| - Underprovision in prior financial year | - | 206 | - | 206 |
| At 31 December 2021 | 10,304 | 5,058 | 6,577 | 21,939 |
| At 1 January 2020 | 1,395 | 6,170 | 5,031 | 12,596 |
| Charge to profit or loss | | | | |
| - Relating to origination and reversal of temporary differences | (804) | (1,820) | 6,465 | 3,841 |
| - Under/(Over)provision in prior financial year | 156 | (145) | - | 11 |
| At 31 December 2020 | 747 | 4,205 | 11,496 | 16,448 |

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

### Deferred tax liabilities

| | Right-of-use assets RM'000 | Property and equipment and intangible assets RM'000 | Debt instruments at FVOCI RM'000 | Cash flow hedge reserve RM'000 | Cost of hedging reserve RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| At 1 January 2021 | (767) | (750) | (4,237) | (1,103) | (2,309) | (9,166) |
| Charge to profit or loss | | | | | | |
| - Relating to origination and reversal of temporary differences | (9,660) | 383 | - | - | - | (9,277) |
| - Overprovision in prior financial year | - | (72) | - | - | - | (72) |
| Recognised in OCI | - | - | 10,093 | 336 | 1,019 | 11,448 |
| At 31 December 2021 | (10,427) | (439) | 5,856 | (767) | (1,290) | (7,067) |
| At 1 January 2020 | (1,469) | (773) | (2,173) | - | - | (4,415) |
| Charge to profit or loss | | | | | | |
| - Relating to origination and reversal of temporary differences | 702 | (31) | - | - | - | 671 |
| - Underprovision in prior financial year | - | 54 | - | - | - | 54 |
| Recognised in OCI | - | - | (2,064) | (1,103) | (2,309) | (5,476) |
| At 31 December 2020 | (767) | (750) | (4,237) | (1,103) | (2,309) | (9,166) |

## 12. Deposits from customers

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| **(a) By type of deposit:** | | |
| Demand deposits | 1,105,160 | 1,212,477 |
| Saving deposits | 14,139 | - |
| Fixed deposits | 1,845,342 | 1,062,977 |
| | 2,964,641 | 2,275,454 |
| **(b) By type of customer:** | | |
| Business enterprises | 2,533,915 | 2,275,454 |
| Local government and statutory authorities | 416,587 | - |
| Individuals | 14,139 | - |
| | 2,964,641 | 2,275,454 |
| **(c) By maturity structure of fixed deposits:** | | |
| Due within six months | 1,811,877 | 1,042,136 |
| Six months to one year | 33,465 | 20,841 |
| | 1,845,342 | 1,062,977 |

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

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Licensed banks in Malaysia | 56,580 | 810,507 |
| Other financial institutions | 51 | 211,006 |
| | 56,631 | 1,021,513 |

Included in the deposits and placement of banks and other financial institutions are the deposit placements from ultimate holding company amounting to RM52,154,000 (2020: RM216,025,000).

## 14. Other liabilities

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Other creditors and accruals | 22,391 | 21,756 |
| Deferred income | 12,426 | 7,204 |
| Cash collateral received for derivative transactions | 12,071 | 121,966 |
| Cash collateral from corporate customers | 72,860 | 88,353 |
| ECL allowances for loan commitments and financial guarantees | 1,703 | 8,774 |
| | 121,451 | 248,053 |

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

| 2021 | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January | 1,248,589 | - | - | 1,248,589 |
| Credit exposures relinquished | (408,322) | - | - | (408,322) |
| Credit exposures assumed | 285,717 | - | - | 285,717 |
| At 31 December | 1,125,984 | - | - | 1,125,984 |
| **2020** | | | | |
| At 1 January | 724,921 | 23,944 | - | 748,865 |
| Credit exposures relinquished | (219,008) | (23,944) | - | (242,952) |
| Credit exposures assumed | 742,676 | - | - | 742,676 |
| At 31 December | 1,248,589 | - | - | 1,248,589 |

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

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

| 2021 | Stage 1<br>12-month ECL<br>RM'000 | Stage 2<br>Lifetime ECL non credit-impaired<br>RM'000 | Stage 3<br>Lifetime ECL credit-impaired<br>RM'000 | Total ECL<br>RM'000 |
|---|---|---|---|---|
| At 1 January | 8,774 | - | - | 8,774 |
| Credit exposures relinquished | (8,029) | - | - | (8,029) |
| Credit exposures assumed | 958 | - | - | 958 |
| Net total (Note 23) | (7,071) | - | - | (7,071) |
| At 31 December | 1,703 | - | - | 1,703 |
| **2020** | | | | |
| At 1 January | 470 | 2,095 | - | 2,565 |
| Credit exposures relinquished | (1,402) | (2,095) | - | (3,497) |
| Credit exposures assumed | 9,706 | - | - | 9,706 |
| Net total (Note 23) | 8,304 | (2,095) | - | 6,209 |
| At 31 December | 8,774 | - | - | 8,774 |

## 15. Subordinated loan

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| ***At amortised cost*** | | |
| USD200 million subordinated loan 2019/2029, at par | 834,513 | 804,524 |

On 29 August 2019, the Bank has issued an USD200 million Tier II 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 adoption of IBOR reform is disclosed in Note 2.2.

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

## 16. Share capital

| | 2021 Number of shares 000 | 2021 Amount RM'000 | 2020 Number of shares 000 | 2020 Amount RM'000 |
|---|---|---|---|---|
| **Issued and fully paid ordinary shares** | | | | |
| At 1 January/31 December | 822,600 | 822,600 | 822,600 | 822,600 |

## 17. Reserves

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| FVOCI reserves (a) | (17,686) | 14,123 |
| Cash flow hedge reserve (b) | 2,425 | 3,491 |
| Cost of hedging reserve (c) | 4,090 | 7,317 |
| Regulatory reserve (d) | - | - |
| Retained profits | 105,486 | 50,656 |
| | 94,315 | 75,587 |

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

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

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

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

## 18. Interest income

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| Loans and advances* | 61,496 | 83,563 |
| Deposits and placements with banks and other financial institutions | 22,376 | 32,274 |
| Debt instruments at FVOCI | 44,456 | 56,662 |
| Derivative financial instruments | 11,933 | - |
| | 140,261 | 172,499 |

* Included in interest income in the previous financial year is the day 1 modification loss of RM165,871 relating to COVID-19 relief measures. There is no modification loss in the current financial year.

## 19. Interest expense

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| Deposits and placements of banks and other financial institutions | 7,534 | 32,898 |
| Deposits from customers | 35,097 | 36,520 |
| Obligations on securities sold under repurchase agreements ("Repos") | 658 | 253 |
| Subordinated loan | 13,884 | 20,269 |
| Lease liabilities (Note 8) | 322 | 199 |
| Derivative financial instruments | - | 1,002 |
| | 57,495 | 91,141 |

## 20. Other operating income

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| **Fee income:** | | |
| Service charges and fees | 627 | 237 |
| Less: Fees expense | (311) | (221) |
| | 316 | 16 |
| Guarantee fees | 1,733 | 1,306 |
| Commitment fees | 1,166 | 2,443 |
| Syndication fees | 16,516 | 13,955 |
| Management fees | 11,614 | 5,581 |
| | 31,345 | 23,301 |
| **Trading and investment income:** | | |
| Net realised gain on derivatives | 82,752 | 114,899 |
| Net unrealised fair value (loss)/gain on derivatives* | (53,339) | 63,730 |
| Net gain from sale of debt instruments at FVOCI | 5,393 | 6,578 |
| Less: Brokerage charges | (496) | (714) |
| | 34,310 | 184,493 |

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

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| **Other income:** | | |
| Net foreign exchange loss | (32,855) | (167,331) |
| Other non-operating income | 580 | 1,869 |
| | (32,275) | (165,462) |
| | 33,380 | 42,332 |

* Included in net unrealised fair value (loss)/gain on derivatives is loss of RM7,405,000 (2020: loss of RM8,777,000) (Note 6) relating to the ineffective portion of the cash flow hedge.

## 21. Other operating expenses

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| **Personnel expenses** | | |
| Salaries, bonuses, wages and allowances | 35,927 | 37,574 |
| Defined contribution plan | 2,868 | 2,928 |
| Other staff related costs | 3,434 | 3,941 |
| | 42,229 | 44,443 |
| **Establishment expenses** | | |
| Depreciation of property and equipment (Note 9) | 4,344 | 3,739 |
| Depreciation of right-of-use assets (Note 8) | 2,860 | 2,961 |
| Amortisation of intangible assets (Note 10) | 1,168 | 829 |
| Repair and maintenance | 3,841 | 2,981 |
| Short-term leases expenses | 1,594 | 117 |
| Others | 296 | 316 |
| | 14,103 | 10,943 |
| **Promotion and marketing expenses** | | |
| Advertisement and publicity | 935 | 967 |
| **Administration and general expenses** | | |
| Communication expenses | 957 | 859 |
| Auditors' remuneration | 461 | 363 |
| - Audit related fees | 360 | 363 |
| - Non-audit fee | 101 | - |
| Legal and professional fees | 928 | 818 |
| Travelling and accommodation expenses | 484 | 147 |
| Employee recruitment costs | 207 | 341 |
| Subscription fees | 692 | 470 |
| Directors’ fees and allowances | 620 | 620 |
| Insurance premium | 183 | 37 |
| Printing, stationery and postage | 243 | 145 |
| Others | 668 | 513 |
| | 5,443 | 4,313 |
| | 62,710 | 60,666 |

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## 22. 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 |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| **Managing Director / CEO** | | | | | | |
| Feng Qi | 1,550 | 164 | - | 449 | 37 | 2,200 |
| **Non-executive Directors** | | | | | | |
| Datuk Tan Leh Kiah | - | - | 150 | 5 | - | 155 |
| Chong Kwai Ying | - | - | 150 | 5 | - | 155 |
| Ng Soon Lai @ Ng Siek Chuan | - | - | 150 | 5 | 2 | 157 |
| Lim Kheng Boon | - | - | 150 | 5 | - | 155 |
| | 1,550 | 164 | 600 | 469 | 39 | 2,822 |
| **2020** | | | | | | |
| **Managing Director / CEO** | | | | | | |
| Feng Qi | 1,490 | 253 | - | 1 | 57 | 1,801 |
| **Non-executive Directors** | | | | | | |
| Datuk Tan Leh Kiah | - | - | 150 | 5 | - | 155 |
| Chong Kwai Ying | - | - | 150 | 5 | - | 155 |
| Ng Soon Lai @ Ng Siek Chuan | - | - | 150 | 5 | 3 | 158 |
| Lim Kheng Boon | - | - | 150 | 5 | - | 155 |
| | 1,490 | 253 | 600 | 21 | 60 | 2,424 |

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

## 23. (Written-back)/Allowances for expected credit losses ("ECL")

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| ECL allowances made/(written-back) on: | | |
| Stage 1: | | |
| - Cash and short-term funds (Note 3) | 314 | 31 |
| - Deposits and placements with banks and other financial institutions | - | (3) |
| - Debt instruments at FVOCI (Note 4) | (48) | 114 |
| - Loans and advances (Note 7(viii)) | (13,691) | 22,747 |
| - Loan commitments and financial guarantees (Note 14) | (7,071) | 8,304 |
| | (20,496) | 31,193 |
| Stage 2: | | |
| - Loans and advances (Note 7(viii)) | - | (6,414) |
| - Loan commitments and financial guarantees (Note 14) | - | (2,095) |
| | - | (8,509) |
| Total | (20,496) | 22,684 |

## 24. Taxation

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| Income tax | | |
| - Malaysian income tax in respect of current financial year | 15,042 | 15,054 |
| - Underprovision in prior financial year | 202 | 329 |
| | 15,244 | 15,383 |
| Deferred tax (Note 11) | | |
| - Relating to origination and reversal of temporary differences | 3,992 | (4,512) |
| - Overprovision in prior financial year | (134) | (65) |
| | 3,858 | (4,577) |
| | 19,102 | 10,806 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of the estimated assessable profit for the year.

## 24. 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:

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Profit before taxation | 73,932 | 40,340 |
| Taxation at Malaysian statutory tax rate of 24% (2020: 24%) | 17,744 | 9,682 |
| Effects of expenses not deductible for tax purposes | 1,290 | 860 |
| Underprovision of tax expense in prior financial year | 202 | 329 |
| Overprovision of deferred tax in prior financial year | (134) | (65) |
| Tax expense for the financial year | 19,102 | 10,806 |

## 25. 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:

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Short-term self-liquidating trade-related contingencies | 64,260 | 31,345 |
| Transaction-related contingent items | 232,520 | 276,973 |
| Irrevocable commitments to extend credit: | | |
| - Less than one year | - | 125,721 |
| - More than one year | 829,204 | 814,550 |
| Foreign exchange related contracts: # | | |
| - Less than one year | 10,618,901 | 7,075,611 |
| - More than one year | 2,174,459 | 1,683,542 |
| Interest rate related contracts: # | | |
| - Less than one year | 623,000 | 1,867,920 |
| - More than one year | 733,450 | 1,335,520 |
| | 15,275,794 | 13,211,182 |

# 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 6.

## 26. Capital commitments

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

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| Capital expenditure for property and equipment: | | |
| - Authorised and contracted for | 1,491 | 176 |

## 27. Related party transactions

### (a) Related parties and relationships

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

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

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

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

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

Set out below are significant related party transactions and balances:

| | Ultimate holding company RM'000 | Other related companies RM'000 | Key management personnel RM'000 |
|---|---|---|---|
| **2021** | | | |
| **Income** | | | |
| Interest on cash and short-term funds and deposits and placements with banks and other financial institutions | 251 | - | - |
| Interest on derivative financial instruments | 2,032 | - | - |
| Fee income | 374 | - | - |
| Net gain arising from financial derivatives | 55,945 | - | - |
| Management fees | 11,614 | - | - |
| | 70,216 | - | - |
| **Expenses** | | | |
| Interest on deposits from customers | - | - | 60 |
| Interest on deposits and placements of banks and other financial institutions | 4,818 | - | - |
| Interest on subordinated loan | 13,884 | - | - |
| | 18,702 | - | 60 |
| **Assets** | | | |
| Cash and short-term funds | 149,995 | 30 | - |
| Derivative financial assets | 10,153 | - | - |
| Other assets | 6,209 | - | - |
| | 166,357 | 30 | - |
| **Liabilities** | | | |
| Deposits from customers | - | - | 5,366 |
| Deposits and placements of banks and other financial institutions | 52,154 | - | - |
| Derivative financial liabilities | 623 | - | - |
| Other liabilities | 126 | - | - |
| Subordinated loan | 834,513 | - | - |
| | 887,416 | - | 5,366 |

In the financial year ended 31 December 2021, the Bank has entered into 3 funded participation agreements with the ultimate holding company amounting to RM282,128,000. These transactions are reflected as transfers of and reductions in loans and advances.

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

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

| | Ultimate holding company RM'000 | Other related companies RM'000 |
|---|---|---|
| **2020** | | |
| **Income** | | |
| Interest on cash and short-term funds and deposits and placements with banks and other financial institutions | 1,235 | - |
| Net gain arising from financial derivatives | 60,807 | - |
| Management fees | 5,581 | - |
| | 67,623 | - |
| **Expenses** | | |
| Interest on deposits and placements of banks and other financial institutions | 20,144 | - |
| Interest on subordinated loan | 20,269 | - |
| | 40,413 | - |
| **Assets** | | |
| Cash and short-term funds | 31,189 | 289 |
| Derivative financial assets | 54,714 | - |
| Other assets | 7,318 | - |
| | 93,221 | 289 |
| **Liabilities** | | |
| Deposits and placements of banks and other financial institutions | 216,014 | - |
| Derivative financial liabilities | 49 | - |
| Other liabilities | 119,094 | - |
| Subordinated loan | 804,524 | - |
| | 1,139,681 | - |

In the financial year ended 31 December 2020, the Bank has entered into 3 funded participation agreements with the ultimate holding company amounting to RM217,994,000. These transactions are reflected as transfers of and reductions in loans and advances.

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

### (c) Key management personnel

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

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| **Short-term employee benefits** | | |
| - Fees | 600 | 600 |
| - Salary and other remuneration | 6,222 | 6,075 |
| - Contribution to EPF and Social Security Organisation | 162 | 144 |
| - Benefits-in-kind | 215 | 169 |
| | 7,199 | 6,988 |

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

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

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Outstanding credit exposure with connected parties | 384,467 | 310,574 |
| Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%) | 12.74 | 8.16 |
| Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%) | - | - |

## 28. Capital management and capital adequacy

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

**28. Capital management and capital adequacy (cont'd.)**

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

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

As allowed under the BNM’s Capital Adequacy Frameworks (Capital Components), financial institutions which elect to apply the transitional arrangements for regulatory capital treatment of accounting provisions are allowed to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses to CET I capital over a four-year period from financial year beginning 2020, or a three-year period from financial year beginning 2021. As at the reporting date, the Bank has elected the said transitional arrangements over a three-years period.

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| **CET I/Tier I Capital** | | |
| Paid-up ordinary share capital | 822,600 | 822,600 |
| Retained profits | 105,486 | 50,656 |
| Other reserves | (11,171) | 24,931 |
| Regulatory adjustments applied in the calculation of CET I Capital | (35,004) | (33,606) |
| Total CET I/Tier I Capital | 881,911 | 864,581 |
| **Tier II Capital** | | |
| Tier II capital instruments meeting all relevant criteria | 833,500 | 803,600 |
| Loss provisions | 27,403 | 47,899 |
| Total Tier II Capital | 860,903 | 851,499 |
| **Total Capital** | 1,742,814 | 1,716,080 |
| **Capital adequacy ratios (before proposed dividend)** | | |
| CET I Capital Ratio | 34.596% | 28.497% |
| Tier I Capital Ratio | 34.596% | 28.497% |
| Total Capital Ratio | 68.369% | 56.563% |
| **Capital adequacy ratios (after proposed dividend)** | | |
| CET I Capital Ratio | 34.596% | 28.497% |
| Tier I Capital Ratio | 34.596% | 28.497% |
| Total Capital Ratio | 68.369% | 56.563% |
| **Analysis of risk-weighted assets** | | |
| Credit risk | 2,230,290 | 2,784,847 |
| Market risk | 115,364 | 70,987 |
| Operational risk | 203,485 | 178,116 |
| Total risk-weighted assets | 2,549,139 | 3,033,950 |

## 29. 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

### 29.1 Risk management framework

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

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

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

#### (a) Credit risk

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

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

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

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

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

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

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

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

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

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

**(i) ECL measurement**

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

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

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

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

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

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

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

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

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

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

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, MO and post-model adjustments have been applied to determine a sufficient overall level of ECL for the year ended and as at 31 December 2021.

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

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

The borrowers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status.

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19, the impact of these post-model adjustments, remain outside the core MFRS 9 process. As at 31 December 2021, the Bank has maintained MO of RM11.70 million (2020: RM17.14 million) on loans and advances, inclusive of irrevocable loan commitments and financial guarantees for borrowers with heightened risk.

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

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

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

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

Information incorporated in the ECL models

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

The MEV used by the Bank in the current financial year are Real Gross Domestic Product ("Real GDP") and FTSE Bursa Malaysia KLCI index. The Bank has reviewed and adjusted the MEV used in the current financial year following the update of non-performing loans rate.

##### (ii) SICR

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

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

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

#### (b) Market risk

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

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

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

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

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

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

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

#### (c) Liquidity risk

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

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

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

#### (d) Operational risk

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

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

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

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

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

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

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

### 29.2 Credit risk

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

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

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| Credit risk exposure relating to on-balance sheet assets: | | |
| Cash and short-term funds | 1,491,662 | 1,041,855 |
| Debt instruments at FVOCI | 1,711,307 | 1,668,132 |
| Loans and advances | 1,604,869 | 2,384,792 |
| Other financial assets | 50,818 | 111,445 |
| Derivative financial assets | 46,623 | 132,954 |
| | 4,905,279 | 5,339,178 |
| Credit risk exposure relating to off-balance sheet items: | | |
| - Commitments and contingencies | 1,125,984 | 1,248,589 |
| **Total maximum credit risk exposure** | 6,031,263 | 6,587,767 |

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

### 29.2 Credit risk (cont'd)

#### (ii) Collaterals

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

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

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

#### (iii) Credit quality

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

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

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

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

Credit quality description is summarised as follows:

| Credit Quality | Description |
|---|---|
| Pass (Rating: 1 to 14) | This indicates that timely repayment of the outstanding asset is not in doubt. Repayment is prompt and the asset does not exhibit potential weakness in repayment capability, business, cash flows or financial position of the counterparty. |
| Special mention (Rating:15 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. |

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

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

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

| | Gross carrying amount | | | | | |
|---|---|---|---|---|---|---|
| **2021** | **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 | 1,629,588 | - | - | - | - | 1,629,588 |
| - Cash and short-term funds | 1,492,018 | - | - | - | - | 1,492,018 |
| - Debt instruments at FVOCI | 1,711,307 | - | - | - | - | 1,711,307 |
| - Other financial assets | 50,818 | - | - | - | - | 50,818 |
| - Derivative financial assets | 46,623 | - | - | - | - | 46,623 |
| - Commitments and contingencies | 1,125,984 | - | - | - | - | 1,125,984 |
| | 6,056,338 | - | - | - | - | 6,056,338 |

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

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

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

| | Gross carrying amount | | | | | |
|---|---|---|---|---|---|---|
| **2020** | **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 | 2,423,202 | - | - | - | - | 2,423,202 |
| - Cash and short-term funds | 1,041,897 | - | - | - | - | 1,041,897 |
| - Debt instruments at FVOCI | 1,668,132 | - | - | - | - | 1,668,132 |
| - Other financial assets | 111,445 | - | - | - | - | 111,445 |
| - Derivative financial assets | 132,954 | - | - | - | - | 132,954 |
| - Commitments and contingencies | 1,248,589 | - | - | - | - | 1,248,589 |
| | 6,626,219 | - | - | - | - | 6,626,219 |

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

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

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

| 2021 | Cash and short-term funds RM'000 | Debt instruments at FVOCI RM'000 | Loans and advances RM'000 | Other financial assets RM'000 | Derivative financial assets RM'000 | Commitments and contingencies RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| Manufacturing | - | - | 519,114 | 658 | 6,630 | 431,518 | 957,920 |
| Construction | - | 283,890 | 330,944 | 4 | - | 85,984 | 700,822 |
| Real estate | - | 48,397 | 165,569 | - | - | - | 213,966 |
| Wholesale and retail trade | - | - | 2,070 | - | - | 56,900 | 58,970 |
| Finance and insurance/ Takaful activities | 1,491,662 | 1,379,020 | 56,273 | 45,530 | 35,940 | 164,922 | 3,173,347 |
| Administrative and support service activities | - | - | - | - | - | - | - |
| Others | - | - | 530,899 | 4,626 | 4,053 | 386,660 | 926,238 |
| | 1,491,662 | 1,711,307 | 1,604,869 | 50,818 | 46,623 | 1,125,984 | 6,031,263 |

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

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

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

| 2020 | Cash and short-term funds RM'000 | Debt instruments at FVOCI RM'000 | Loans and advances RM'000 | Other financial assets RM'000 | Derivative financial assets RM'000 | Commitments and contingencies RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| Manufacturing | - | - | 578,773 | 844 | 39,422 | 442,342 | 1,061,381 |
| Construction | - | 327,033 | 425,068 | 122 | 1,793 | 108,421 | 862,437 |
| Real estate | - | 50,705 | 98,702 | - | - | 70,000 | 219,407 |
| Wholesale and retail trade | - | - | 33,257 | - | - | 36,520 | 69,777 |
| Finance and insurance/ Takaful activities | 1,041,855 | 1,290,394 | 414,068 | 108,092 | 66,899 | 225,107 | 3,146,415 |
| Administrative and support service activities | - | - | 41,482 | 9 | - | 33,780 | 75,271 |
| Others | - | - | 793,442 | 2,378 | 24,840 | 332,419 | 1,153,079 |
| | 1,041,855 | 1,668,132 | 2,384,792 | 111,445 | 132,954 | 1,248,589 | 6,587,767 |

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

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

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

| 2021 | In Malaysia RM'000 | Outside Malaysia RM'000 | Total RM'000 |
|---|---|---|---|
| Cash and short-term funds | 1,233,893 | 257,769 | 1,491,662 |
| Debt instruments at FVOCI | 1,711,307 | - | 1,711,307 |
| Loans and advances | 1,214,558 | 390,311 | 1,604,869 |
| Other financial assets | 50,800 | 18 | 50,818 |
| Derivative financial assets | 46,124 | 499 | 46,623 |
| | 4,256,682 | 648,597 | 4,905,279 |
| Commitments and contingencies | 927,722 | 198,262 | 1,125,984 |
| **2020** | | | |
| Cash and short-term funds | 926,233 | 115,622 | 1,041,855 |
| Debt instruments at FVOCI | 1,668,132 | - | 1,668,132 |
| Loans and advances | 1,644,841 | 739,951 | 2,384,792 |
| Other financial assets | 110,807 | 638 | 111,445 |
| Derivative financial assets | 109,124 | 23,830 | 132,954 |
| | 4,459,137 | 880,041 | 5,339,178 |
| Commitments and contingencies | 1,028,733 | 219,856 | 1,248,589 |

### 29.3 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.

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

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

#### (a) Foreign currency sensitivity analysis

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

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

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

The sensitivity analysis with 5% (2020: 5%) impact on profit before tax is based on the weighted average of fluctuations of exchange rates throughout the financial year.

| | Impact on profit before tax RM'000 | Impact on equity RM'000 |
|---|---|---|
| **2021** | | |
| +5% | 23,149 | 17,808 |
| -5% | (23,149) | (17,808) |
| **2020** | | |
| +5% | 27,782 | 20,574 |
| -5% | (27,782) | (20,574) |

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

#### (b) Foreign exchange risk

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

| **2021** | **USD RM'000** | **CNY RM'000** | **Others RM'000** | **Total RM'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and short-term funds | 361,698 | 148,425 | 71,891 | 582,014 |
| Loans and advances | 561,651 | 133,338 | - | 694,989 |
| Other financial assets | 22,774 | - | - | 22,774 |
| | 946,123 | 281,763 | 71,891 | 1,299,777 |

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

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

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

| | USD RM'000 | CNY RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2021 (cont'd.)** | | | | |
| **Liabilities** | | | | |
| Deposits from customers | 809,309 | 407,540 | 3,986 | 1,220,835 |
| Deposits and placements of banks and other financial institutions | 50,941 | 4,474 | - | 55,415 |
| Subordinated loan | 834,513 | - | - | 834,513 |
| Other financial liabilities | 11,196 | - | 3 | 11,199 |
| | 1,705,959 | 412,014 | 3,989 | 2,121,962 |
| **Net on-balance sheet financial position** | (759,836) | (130,251) | 67,902 | (822,185) |
| **Off-balance sheet commitments** | 423,556 | 18,260 | 1,434 | 443,250 |
| **2020** | | | | |
| **Asset** | | | | |
| Cash and short-term funds | 92,295 | 22,906 | 505 | 115,706 |
| Loans and advances | 1,169,802 | 295,291 | - | 1,465,093 |
| Other financial assets | 36,705 | 620 | - | 37,325 |
| | 1,298,802 | 318,817 | 505 | 1,618,124 |
| **Liabilities** | | | | |
| Deposits from customers | 519,489 | 40,958 | 75 | 560,522 |
| Deposits and placements of banks and other financial institutions | 752,398 | 66,440 | - | 818,838 |
| Subordinated loan | 804,524 | - | - | 804,524 |
| Other financial liabilities | 132,014 | - | - | 132,014 |
| | 2,208,425 | 107,398 | 75 | 2,315,898 |
| **Net on-balance sheet financial position** | (909,623) | 211,419 | 430 | (697,774) |
| **Off-balance sheet commitments** | 378,087 | 62,020 | - | 440,107 |

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

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

#### (c) Interest rate sensitivity analysis

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

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

| | Impact on earnings RM'000 | Impact on EVE RM'000 |
|---|---|---|
| **2021** | | |
| +100 basis points | 4,795 | (25,050) |
| -100 basis points | (4,795) | 25,050 |
| **2020** | | |
| +100 basis points | 3,482 | (28,841) |
| -100 basis points | (3,482) | 28,841 |

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

(i) Impact on earnings is relating to the earnings sensitivity in response to 100 basis points parallel rate movement across all maturities applied on the Bank's interest rate sensitivity gap as at 31 December 2021. The methodology is to follow BNM's Policy on Reporting Requirements for IRRBB to use pre-defined time weight and allocation assumption in each time bucket to stimulate 100 basis points interest rate change impact including those indeterminate maturity balance sheet items such as Demand Deposit.

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

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

### 29.3 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:

| 2021 | Non-trading book | | | | | | | Trading book | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Up to 1 month | >1-3 months | >3-6 months | >6-12 months | >1-3 years | Over 3 years | Non-interest sensitive* | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Assets** | | | | | | | | | |
| Cash and short-term funds | 1,228,777 | - | - | - | - | - | 262,885 | - | 1,491,662 |
| Debt instruments at FVOCI | 99,961 | 241,955 | 173,947 | 309,923 | 451,353 | 419,686 | 14,482 | - | 1,711,307 |
| Other assets | 34,938 | - | - | - | - | - | 17,887 | - | 52,825 |
| Derivative financial assets | - | - | - | - | - | - | - | 46,623 | 46,623 |
| Loans and advances | 408,065 | 735,607 | 457,888 | - | 22,546 | - | (19,237) | - | 1,604,869 |
| Tax recoverable | - | - | - | - | - | - | 20,853 | - | 20,853 |
| Right-of-use assets | - | - | - | - | - | - | 43,449 | - | 43,449 |
| Property and equipment | - | - | - | - | - | - | 3,425 | - | 3,425 |
| Intangible assets | - | - | - | - | - | - | 9,256 | - | 9,256 |
| Deferred tax assets | - | - | - | - | - | - | 14,872 | - | 14,872 |
| **Total assets** | 1,771,741 | 977,562 | 631,835 | 309,923 | 473,899 | 419,686 | 367,872 | 46,623 | 4,999,141 |

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

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

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

| 2021 (cont'd.) | Non-trading book: Up to 1 month RM'000 | >1-3 months RM'000 | >3-6 months RM'000 | >6-12 months RM'000 | >1-3 years RM'000 | Over 3 years RM'000 | Non-interest sensitive* RM'000 | Trading book RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | | |
| Deposits from customers | 2,487,312 | 134,927 | 125,788 | 33,312 | - | - | 183,302 | - | 2,964,641 |
| Deposits and placements of banks and other financial institutions | 55,401 | - | - | - | - | - | 1,230 | - | 56,631 |
| Other liabilities | 74,568 | 1,540 | - | - | - | - | 45,343 | - | 121,451 |
| Derivative financial liabilities | - | - | - | - | - | - | - | 62,057 | 62,057 |
| Lease liabilities | - | - | - | - | - | - | 42,933 | - | 42,933 |
| Subordinated loan | - | 833,500 | - | - | - | - | 1,013 | - | 834,513 |
| **Total liabilities** | 2,617,281 | 969,967 | 125,788 | 33,312 | - | - | 273,821 | 62,057 | 4,082,226 |
| Total equity | - | - | - | - | - | - | 916,915 | - | 916,915 |
| **Total liabilities and equity** | 2,617,281 | 969,967 | 125,788 | 33,312 | - | - | 1,190,736 | 62,057 | 4,999,141 |
| **Total interest sensitivity gap** | (845,540) | 7,595 | 506,047 | 276,611 | 473,899 | 419,686 | | | |

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

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

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

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

| 2020 | Non-trading book: Up to 1 month | >1-3 months | >3-6 months | >6-12 months | >1-3 years | Over 3 years | Non-interest sensitive* | Trading book | Total |
|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Assets** | | | | | | | | | |
| Cash and short-term funds | 926,000 | - | - | - | - | - | 115,855 | - | 1,041,855 |
| Debt instruments at FVOCI | 199,999 | 99,998 | - | 91,037 | 778,658 | 481,049 | 17,391 | - | 1,668,132 |
| Other assets | 99,101 | - | - | - | - | - | 14,532 | - | 113,633 |
| Derivative financial assets | - | - | - | - | - | - | - | 132,954 | 132,954 |
| Loans and advances | 582,443 | 767,474 | 872,388 | 42,685 | 136,861 | 6,220 | (23,279) | - | 2,384,792 |
| Tax recoverable | - | - | - | - | - | - | 9,529 | - | 9,529 |
| Right-of-use assets | - | - | - | - | - | - | 3,194 | - | 3,194 |
| Property and equipment | - | - | - | - | - | - | 6,886 | - | 6,886 |
| Intangible assets | - | - | - | - | - | - | 4,879 | - | 4,879 |
| Deferred tax assets | - | - | - | - | - | - | 7,282 | - | 7,282 |
| **Total assets** | 1,807,543 | 867,472 | 872,388 | 133,722 | 915,519 | 487,269 | 156,269 | 132,954 | 5,373,136 |

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

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

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

| 2020 (cont'd.) | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Up to 1 month | >1-3 months | >3-6 months | >6-12 months | >1-3 years | Over 3 years | Non-interest sensitive* | Trading book | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Liabilities** | | | | | | | | | |
| Deposits from customers | 1,698,880 | 146,947 | 209,590 | 20,771 | - | - | 199,266 | - | 2,275,454 |
| Deposits and placements of banks and other financial institutions | 640,486 | 377,692 | - | - | - | - | 3,335 | - | 1,021,513 |
| Other liabilities | 88,476 | 1,505 | 118,531 | - | - | - | 39,541 | - | 248,053 |
| Derivative financial liabilities | - | - | - | - | - | - | - | 122,302 | 122,302 |
| Lease liabilities | - | - | - | - | - | - | 3,103 | - | 3,103 |
| Subordinated loan | - | 803,600 | - | - | - | - | 924 | - | 804,524 |
| **Total liabilities** | 2,427,842 | 1,329,744 | 328,121 | 20,771 | - | - | 246,169 | 122,302 | 4,474,949 |
| Total equity | - | - | - | - | - | - | 898,187 | - | 898,187 |
| **Total liabilities and equity** | 2,427,842 | 1,329,744 | 328,121 | 20,771 | - | - | 1,144,356 | 122,302 | 5,373,136 |
| **Total interest sensitivity gap** | (620,299) | (462,272) | 544,267 | 112,951 | 915,519 | 487,269 | | | |

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

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

### 29.4 Liquidity risk

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

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

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

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

| 2021 | 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 | 696,035 | 795,627 | - | - | - | - | - | 1,491,662 |
| Debt instruments at FVOCI | - | 99,961 | 243,104 | 173,979 | 313,199 | 881,064 | - | 1,711,307 |
| Other assets | 46,130 | 98 | - | - | 160 | 6,437 | - | 52,825 |
| Derivative financial assets | 4,384 | 20,995 | 5,993 | 950 | 6,919 | 7,382 | - | 46,623 |
| Loans and advances | 8,070 | 85,898 | 449,844 | 192,015 | - | 864,089 | 4,953 | 1,604,869 |
| Tax recoverable | - | - | - | - | - | - | 20,853 | 20,853 |
| Right-of-use assets | - | - | - | - | - | - | 43,449 | 43,449 |
| Property and equipment | - | - | - | - | - | - | 3,425 | 3,425 |
| Intangible assets | - | - | - | - | - | - | 9,256 | 9,256 |
| Deferred tax assets | - | - | - | - | - | - | 14,872 | 14,872 |
| **Total assets** | 754,619 | 1,002,579 | 698,941 | 366,944 | 320,278 | 1,758,972 | 96,808 | 4,999,141 |

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

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

| 2021 (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 | 1,889,463 | 780,203 | 135,265 | 126,245 | 33,465 | - | - | 2,964,641 |
| Deposits and placements of banks and other financial institutions | 56,631 | - | - | - | - | - | - | 56,631 |
| Other liabilities | 98,976 | 189 | 2,191 | 837 | 6,725 | 12,533 | - | 121,451 |
| Derivative financial liabilities | 3,643 | 21,132 | 13,175 | 2,485 | 10,281 | 11,341 | - | 62,057 |
| Lease liabilities | - | - | - | - | - | - | 42,933 | 42,933 |
| Subordinated loan | - | - | - | - | - | 834,513 | - | 834,513 |
| **Total liabilities** | 2,048,713 | 801,524 | 150,631 | 129,567 | 50,471 | 858,387 | 42,933 | 4,082,226 |
| **Net maturity mismatches** | **(1,294,094)** | **201,055** | **548,310** | **237,377** | **269,807** | **900,585** | **53,875** | **916,915** |

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

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

| 2020 | 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 | 341,805 | 700,050 | - | - | - | - | - | 1,041,855 |
| Debt instruments at FVOCI | - | 200,232 | 100,008 | - | 92,418 | 1,275,474 | - | 1,668,132 |
| Other assets | 106,111 | - | 3 | 3,341 | 267 | 3,911 | - | 113,633 |
| Derivative financial assets | 161 | 1,128 | 35,677 | 13,089 | 36,889 | 46,010 | - | 132,954 |
| Loans and advances | 7,801 | 85,114 | 364,239 | 726,328 | 41,453 | 1,154,614 | 5,243 | 2,384,792 |
| Tax recoverable | - | - | - | - | - | - | 9,529 | 9,529 |
| Right-of-use assets | - | - | - | - | - | - | 3,194 | 3,194 |
| Property and equipment | - | - | - | - | - | - | 6,886 | 6,886 |
| Intangible assets | - | - | - | - | - | - | 4,879 | 4,879 |
| Deferred tax assets | - | - | - | - | - | - | 7,282 | 7,282 |
| **Total assets** | 455,878 | 986,524 | 499,927 | 742,758 | 171,027 | 2,480,009 | 37,013 | 5,373,136 |

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

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

| 2020 (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 | 1,622,964 | 272,515 | 147,491 | 211,644 | 20,840 | - | - | 2,275,454 |
| Deposits and placements of banks other financial institutions | 543,264 | 100,458 | 168,812 | - | - | 208,979 | - | 1,021,513 |
| Other liabilities | 95,780 | 133 | 1,693 | 124,514 | 648 | 25,285 | - | 248,053 |
| Derivative financial liabilities | 13,459 | 4,039 | 42,690 | 7,073 | 14,553 | 40,488 | - | 122,302 |
| Lease liabilities | - | - | - | - | - | - | 3,103 | 3,103 |
| Subordinated loan | - | - | - | - | - | 804,524 | - | 804,524 |
| **Total liabilities** | 2,275,467 | 377,145 | 360,686 | 343,231 | 36,041 | 1,079,276 | 3,103 | 4,474,949 |
| **Net maturity mismatches** | (1,819,589) | 609,379 | 139,241 | 399,527 | 134,986 | 1,400,733 | 33,910 | 898,187 |

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

### 29.4 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 |
|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | |
| Deposits from customers | 2,670,337 | 262,768 | 34,030 | - | - | - | 2,967,135 |
| Deposits and placements of banks other financial institutions | 56,631 | - | - | - | - | - | 56,631 |
| Other financial liabilities | 99,754 | 5,346 | 8,256 | 3,296 | 2,019 | 2,956 | 121,627 |
| Derivative financial liabilities | 24,775 | 15,660 | 10,281 | 10,141 | - | 1,201 | 62,058 |
| Subordinated loan | - | 8,189 | 12,603 | 53,517 | - | 833,500 | 907,809 |
| **Total financial liabilities** | 2,851,497 | 291,963 | 65,170 | 66,954 | 2,019 | 837,657 | 4,115,260 |
| | | | | | | | |
| Short-term self-liquidating trade-related contingencies | 39,981 | 24,280 | - | - | - | - | 64,261 |
| Transaction-related contingent items | 6 | 94,071 | 49,582 | 83,360 | 500 | 5,000 | 232,519 |
| Irrevocable commitments to extend credit | 10,000 | 371,000 | 109,093 | 256,467 | 30,644 | 52,000 | 829,204 |
| **Total commitments and contingencies** | 49,987 | 489,351 | 158,675 | 339,827 | 31,144 | 57,000 | 1,125,984 |

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

### 29.4 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 |
|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | |
| Deposits from customers | 1,895,713 | 361,654 | 21,217 | - | - | - | 2,278,584 |
| Deposits and placements of banks other financial institutions | 643,812 | 170,165 | 1,330 | 131,461 | 3,472 | 83,104 | 1,033,344 |
| Other financial liabilities | 105,353 | 130,329 | 3,366 | 14,300 | 2,272 | 4,548 | 260,168 |
| Derivative financial liabilities | 17,498 | 49,763 | 14,553 | 8,229 | 32,258 | - | 122,301 |
| Subordinated loan | - | 6,725 | 7,199 | 29,034 | 14,075 | 803,600 | 860,633 |
| **Total financial liabilities** | 2,662,376 | 718,636 | 47,665 | 183,024 | 52,077 | 891,252 | 4,555,030 |
| | | | | | | | |
| Short-term self-liquidating trade-related contingencies | 9,392 | 21,953 | - | - | - | - | 31,345 |
| Transaction-related contingent items | 1,105 | 2,536 | 136,028 | 132,304 | - | 5,000 | 276,973 |
| Irrevocable commitments to extend credit | - | 135,993 | 39,670 | 420,971 | 240,727 | 102,910 | 940,271 |
| **Total commitments and contingencies** | 10,497 | 160,482 | 175,698 | 553,275 | 240,727 | 107,910 | 1,248,589 |

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

### 29.5 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<br>Cash collateral received/ pledged RM'000 | Net amount RM'000 |
|---|---|---|---|---|---|
| **2021** | | | | | |
| **Financial assets** | | | | | |
| Derivative financial assets | 46,623 | - | 46,623 | (12,071) | 34,552 |
| **Financial liabilities** | | | | | |
| Derivative financial liabilities | 62,057 | - | 62,057 | (34,938) | 27,119 |
| **2020** | | | | | |
| **Financial assets** | | | | | |
| Derivative financial assets | 132,954 | - | 132,954 | (121,966) | 10,988 |
| **Financial liabilities** | | | | | |
| Derivative financial liabilities | 122,302 | - | 122,302 | (99,101) | 23,201 |

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

### 29.6 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.

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

### 29.6 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:

| 2021 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Debt instruments at FVOCI | - | 1,711,307 | - | 1,711,307 |
| Derivative financial assets | - | 46,623 | - | 46,623 |
| | - | 1,757,930 | - | 1,757,930 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 62,057 | - | 62,057 |
| **2020** | | | | |
| **Financial assets** | | | | |
| Debt instruments at FVOCI | - | 1,668,132 | - | 1,668,132 |
| Derivative financial assets | - | 132,954 | - | 132,954 |
| | - | 1,801,086 | - | 1,801,086 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 122,302 | - | 122,302 |

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

The following table analyses within the fair value hierarchy of the Bank's assets and liabilities not measured at fair value as at 31 December 2021 but for which fair value is disclosed:

| | Carrying | <----------------- Fair Value -----------------> | | |
|---|---|---|---|---|
| **2021** | **amount RM'000** | **Level 1 RM'000** | **Level 2 RM'000** | **Level 3 RM'000** |
| **Financial assets** | | | | |
| Gross loans and advances | 1,629,588 | - | 1,630,418 | - |
| **Financial liabilities** | | | | |
| Deposits from customers | 2,964,641 | - | 2,964,641 | - |
| Deposits and placements of banks and other financial institutions | 56,631 | - | 56,631 | - |
| Subordinated loan | 834,513 | - | 834,513 | - |
| | 3,855,785 | - | 3,855,785 | - |

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

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

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

| 2020 | Carrying amount RM'000 | <---- Fair Value ----> Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Gross loans and advances | 2,423,202 | - | 2,430,234 | - |
| **Financial liabilities** | | | | |
| Deposits from customers | 2,275,454 | - | 2,275,454 | - |
| Deposits and placements of banks and other financial institutions | 1,021,513 | - | 1,021,513 | - |
| Subordinated loan | 804,524 | - | 804,524 | |
| | 4,101,491 | - | 4,101,491 | - |

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.

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

### 29.6 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, repos, 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.

## 30. 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:

| 2021 | Within 12 months RM'000 | After 12 months RM'000 | Total RM'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and short-term funds | 1,491,662 | - | 1,491,662 |
| Debt instruments at FVOCI | 830,243 | 881,064 | 1,711,307 |
| Other assets | 46,388 | 6,437 | 52,825 |
| Derivative financial assets | 39,241 | 7,382 | 46,623 |
| Loans and advances | 735,827 | 869,042 | 1,604,869 |
| Tax recoverable | - | 20,853 | 20,853 |
| Right-of-use assets | - | 43,449 | 43,449 |
| Property and equipment | - | 3,425 | 3,425 |
| Intangible assets | - | 9,256 | 9,256 |
| Deferred tax assets | - | 14,872 | 14,872 |
| **Total assets** | 3,143,361 | 1,855,780 | 4,999,141 |

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

| 2021 (cont'd.) | Within 12 months RM'000 | After 12 months RM'000 | Total RM'000 |
|---|---|---|---|
| **Liabilities** | | | |
| Deposits from customers | 2,964,641 | - | 2,964,641 |
| Deposits and placements of banks and other financial institutions | 56,631 | - | 56,631 |
| Other liabilities | 108,918 | 12,533 | 121,451 |
| Derivative financial liabilities | 50,716 | 11,341 | 62,057 |
| Lease liabilities | - | 42,933 | 42,933 |
| Subordinated loan | - | 834,513 | 834,513 |
| **Total liabilities** | 3,180,906 | 901,320 | 4,082,226 |
| **Net mismatch** | (37,545) | 954,460 | 916,915 |

| 2020 | Within 12 months RM'000 | After 12 months RM'000 | Total RM'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and short-term funds | 1,041,855 | - | 1,041,855 |
| Debt instruments at FVOCI | 392,658 | 1,275,474 | 1,668,132 |
| Other assets | 109,722 | 3,911 | 113,633 |
| Derivative financial assets | 86,944 | 46,010 | 132,954 |
| Loans and advances | 1,224,935 | 1,159,857 | 2,384,792 |
| Tax recoverable | - | 9,529 | 9,529 |
| Right-of-use assets | - | 3,194 | 3,194 |
| Property and equipment | - | 6,886 | 6,886 |
| Intangible assets | - | 4,879 | 4,879 |
| Deferred tax assets | - | 7,282 | 7,282 |
| **Total assets** | 2,856,114 | 2,517,022 | 5,373,136 |
| **Liabilities** | | | |
| Deposits from customers | 2,275,454 | - | 2,275,454 |
| Deposits and placements of banks and other financial institutions | 812,534 | 208,979 | 1,021,513 |
| Other liabilities | 222,768 | 25,285 | 248,053 |
| Derivative financial liabilities | 81,814 | 40,488 | 122,302 |
| Lease liabilities | - | 3,103 | 3,103 |
| Subordinated loan | - | 804,524 | 804,524 |
| **Total liabilities** | 3,392,570 | 1,082,379 | 4,474,949 |
| **Net mismatch** | (536,456) | 1,434,643 | 898,187 |