

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD
(Company Registration No. 201601032761 (1203702-U))
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2022

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

MANAGEMENT'S CERTIFICATION

I hereby certify that the unaudited condensed interim financial statements for the period from 1 January 2022 to 30 September 2022 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of Malaysian Financial Reporting Standard ("MASB") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the Guidelines on Financial Reporting issued by Bank Negara Malaysia.

On behalf of

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

Wang Qijie

Chief Executive Officer

Date:

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022**

	Note	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
Assets			
Cash and short-term funds	A8	819,829	1,491,662
Deposits and placements with banks and other financial institutions	A9	751,706	-
Debt instruments at fair value through other comprehensive income ("FVOCI")	A10	2,792,773	1,711,307
Other assets	A11	32,478	52,825
Derivative financial assets	A12	371,399	46,623
Loans and advances	A13	1,236,250	1,604,869
Tax recoverable		34,104	20,853
Right-of-use assets		40,062	43,449
Property and equipment		3,423	3,425
Intangible assets		9,012	9,256
Deferred tax assets		17,800	14,872
Total assets		<u>6,108,836</u>	<u>4,999,141</u>
Liabilities			
Deposits from customers	A14	3,339,049	2,964,641
Deposits and placements of banks and other financial institutions	A15	177,749	56,631
Other liabilities	A16	452,500	121,451
Derivative financial liabilities	A12	264,355	62,057
Lease liabilities		40,069	42,933
Subordinated loan	A17	929,560	834,513
Total liabilities		<u>5,203,282</u>	<u>4,082,226</u>
Equity attributable to equity holder of the Bank			
Share capital		822,600	822,600
Reserves		82,954	94,315
Total equity		<u>905,554</u>	<u>916,915</u>
Total liabilities and equity		<u>6,108,836</u>	<u>4,999,141</u>
Commitments and contingencies	A23	<u>15,896,406</u>	<u>15,275,794</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2021.

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(Company Registration No. 201601032761 (1203702-U))

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022**

	Note	Current quarter ended		Year-to-date ended	
		30 September	30 September	30 September	30 September
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Interest income	A18	54,021	34,306	122,567	105,897
Interest expense	A19	(31,141)	(14,354)	(62,559)	(43,563)
Net interest income		22,880	19,952	60,008	62,334
Other operating income/(loss)	A20	4,834	15,141	(3,879)	24,605
Net income		27,714	35,093	56,129	86,939
Other operating expenses	A21	(15,831)	(13,934)	(46,746)	(43,895)
Operating profit before allowances		11,883	21,159	9,383	43,044
Writeback of expected credit losses ("ECL")	A22	8,995	874	7,883	17,209
Profit before taxation		20,878	22,033	17,266	60,253
Taxation		(6,324)	(5,935)	(6,639)	(16,560)
Net profit for the financial period		14,554	16,098	10,627	43,693
Other comprehensive income in respect of:					
Items that will be reclassified subsequently to profit or loss:					
<u>Debt instruments at FVOCI</u>					
Net fair value change in debt instruments at FVOCI		(4,588)	13,946	(24,358)	(19,277)
Net (gain)/loss on debt instruments measured at FVOCI reclassified to profit or loss on disposal		204	(5,393)	-	(5,393)
Income tax effect		1,241	(6,546)	5,838	1,523
		(3,143)	2,007	(18,520)	(23,147)
<u>Cash flow hedge</u>					
Net change in cash flow hedge		185	(2,258)	(3,811)	(3,261)
Net change in cost of hedging		(4,777)	(2,333)	(752)	(4,324)
Income tax effect		1,102	1,102	1,095	1,820
		(3,490)	(3,489)	(3,468)	(5,765)
Total other comprehensive income/(loss), net of tax, for the financial period		(6,633)	(1,482)	(21,988)	(28,912)
Total comprehensive income/(loss) for the financial period		7,921	14,616	(11,361)	14,781

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2021.

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

Note	← Non-Distributable →					Distributable	Total Equity RM'000
	Share Capital RM'000	Regulatory Reserves RM'000	FVOCI Reserves RM'000	Cash flow hedge Reserves RM'000	Cost of hedging Reserves RM'000	Retained Profits RM'000	
Balance as at 1 January 2022	822,600	-	(17,686)	2,425	4,090	105,486	916,915
Net profit for the financial period	-	-	-	-	-	10,627	10,627
Other comprehensive income/(loss), net of tax, for the financial period	-	-	(18,520)	(2,896)	(572)	-	(21,988)
Total comprehensive income/(loss) for financial period	-	-	(18,520)	(2,896)	(572)	10,627	(11,361)
Transfer to regulatory reserves	-	2,600	-	-	-	(2,600)	-
Balance as at 30 September 2022	822,600	2,600	(36,206)	(471)	3,518	113,513	905,554
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 income/(loss), net of tax, for the financial year	-	-	(31,809)	(1,066)	(3,227)	-	(36,102)
Total comprehensive income/(loss) 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

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2021.

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022**

	30 September 2022	30 September 2021
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	17,266	60,253
Adjustments for:		
Written-back for expected credit losses	(7,883)	(17,209)
Net unrealised fair value (gain)/loss on derivatives	(41,240)	36,468
Depreciation of property and equipment:	1,010	3,096
Depreciation of right-of-use assets	3,387	2,044
Amortisation of intangible assets	1,308	835
Interest income from debt instruments at FVOCI	(37,423)	(34,381)
Net loss/(gain) from sale of debt instruments at FVOCI	-	(5,393)
Interest expense on subordinated loan	17,350	10,406
Net foreign exchange loss/(gain) on subordinated loan	81,104	(10,576)
Interest expense on lease liabilities	1,063	73
Operating profit before working capital changes	35,942	45,616
Change in derivative financial assets and financial liabilities	(122,478)	10,053
Change in loans and advances	378,125	427,740
Change in other assets	20,347	76,592
Change in deposits from customers	374,408	68,157
Change in deposits and placements of banks and other financial institutions	121,118	(376,910)
Change in other liabilities	329,173	(121,946)
	<u>1,100,693</u>	<u>83,686</u>
Cash generated from operations	1,136,635	129,302
Net tax paid	(15,885)	(22,260)
Net cash generated from operating activities	<u>1,120,750</u>	<u>107,042</u>
Cash flows from investing activities		
Purchase of debt investments at FVOCI	(3,002,494)	(1,538,478)
Proceeds from redemption and disposal of debt investments at FVOCI	1,889,145	1,562,575
Interest received from debt investments at FVOCI	81,546	47,731
Purchase of property and equipment	(1,008)	(703)
Purchase of intangible assets	(1,064)	(1,142)
Net cash generated from/(used in) investing activities	<u>(1,033,875)</u>	<u>69,983</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2021.

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022**

	30 September 2022	30 September 2021
	RM'000	RM'000
Cash flows from financing activities		
Interest payment of subordinated loan	(3,407)	(2,536)
Lease payments	(3,927)	(2,029)
Net cash used in financing activities	<u>(7,334)</u>	<u>(4,565)</u>
Net increase in cash and cash equivalents	79,541	172,460
Cash and cash equivalents, at gross:		
- at the beginning of the financial period	1,492,018	1,041,897
- at the end of the financial period	<u>1,571,559</u>	<u>1,214,357</u>
Cash and cash equivalents comprise:		
Cash and short-term funds	819,853	1,214,357
Deposits and placements with banks and other financial institutions	751,706	-
	<u>1,571,559</u>	<u>1,214,357</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2021.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB") and the Guidelines on Financial Reporting issued by Bank Negara Malaysia ("BNM").

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2021. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2021.

All the significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2021. The following are the accounting standards, interpretations and amendments that have been issued by the MASB but have not been adopted by the Bank:

Effective for financial periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts;

Amendments MFRS 17 Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information;

Amendments to MFRS 101 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current and Disclosures of Accounting Policies;

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition 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 Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The Bank plans to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Bank upon their initial application.

A2. Auditors' Report on Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2021 was not subject to any qualification.

A3. Seasonal or Cyclical Factors

The business operations of the Bank have not been affected by any material seasonal or cyclical factors.

A4. Exceptional or Unusual Items

There were no exceptional or unusual items for the period from 1 January 2022 to 30 September 2022.

A5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial year that have a material effect in the current financial period.

A6. Changes In Debt and Equity Securities

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the period under review.

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022****A7. Dividend Paid**

No dividend was paid during the period from 1 January 2022 to 30 September 2022.

A8. Cash and Short-Term Funds

	As at 30 September 2022	As at 31 December 2021
	RM'000	RM'000
Cash and balances with banks and other financial institutions	303,277	262,875
Money at call and deposit placements maturing within one month	516,576	1,229,143
	<u>819,853</u>	<u>1,492,018</u>
Less: ECL allowances	(24)	(356)
	<u>819,829</u>	<u>1,491,662</u>

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	Total ECL RM'000
ECL Allowances				
At 1 January 2022	356	-	-	356
Financial assets derecognised during the financial period	(597)	-	-	(597)
New financial assets acquired	265	-	-	265
Net total	<u>(332)</u>	<u>-</u>	<u>-</u>	<u>(332)</u>
At 30 September 2022	<u>24</u>	<u>-</u>	<u>-</u>	<u>24</u>
At 1 January 2021	42	-	-	42
Financial assets derecognised during the financial year	(623)	-	-	(623)
New financial assets purchased	937	-	-	937
Net total	<u>314</u>	<u>-</u>	<u>-</u>	<u>314</u>
At 31 December 2021	<u>356</u>	<u>-</u>	<u>-</u>	<u>356</u>

A9. Deposits and Placements with Banks and Other Financial Institutions

	As at 30 September 2022	As at 31 December 2021
	RM'000	RM'000
Licensed banks	<u>751,706</u>	<u>-</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022****A10. Debt Instruments at Fair Value Through Other Comprehensive Income ("FVOCI")**

	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
At fair value		
<u>Money market instruments</u>		
Malaysian Government Securities	479,822	278,752
Malaysian Government Investment Issues	570,103	434,363
Government treasury bills	172,821	368,650
Negotiable instruments of deposits	450,287	-
	<u>1,673,033</u>	<u>1,081,765</u>
<u>Unquoted securities</u>		
Corporate bonds within Malaysia	755,817	332,287
Cagamas debt securities	363,923	297,255
	<u>1,119,740</u>	<u>629,542</u>
	<u>2,792,773</u>	<u>1,711,307</u>

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:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	Total ECL RM'000
ECL Allowances				
At 1 January 2022	625	-	-	625
Financial assets derecognised during the financial period	(290)	-	-	(290)
New financial assets purchased	369	-	-	369
Net total	79	-	-	79
At 30 September 2022	<u>704</u>	<u>-</u>	<u>-</u>	<u>704</u>
At 1 January 2021	673	-	-	673
Financial assets derecognised during the financial year	(772)	-	-	(772)
New financial assets purchased	724	-	-	724
Net total	(48)	-	-	(48)
At 31 December 2021	<u>625</u>	<u>-</u>	<u>-</u>	<u>625</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022****A11. Other Assets**

	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
Deposits	2,793	3,143
Prepayments	1,565	2,007
Cash collateral pledged for derivative transactions	4,540	34,938
Amount due from ultimate holding company	9,000	6,209
Other receivables	14,580	6,528
	<u>32,478</u>	<u>52,825</u>

A12. 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 financial period but are not indicative of either the market risk or credit risk inherent in the derivative contracts.

	<u>30 September 2022</u>		
	<u>Contract/ Notional Amount RM'000</u>	<u>Fair Value</u>	
		<u>Assets RM'000</u>	<u>Liabilities RM'000</u>
<u>Trading derivatives</u>			
Foreign exchange related contracts:			
- Currency forwards/spot	178,477	270	2,597
- Currency swaps	11,536,161	275,905	256,658
Interest rate related contracts:			
- Interest rate swaps	1,203,200	9,081	5,100
<u>Hedging derivatives - cash flow hedge</u>			
Foreign exchange related contracts:			
- Cross currency interest rate swaps	929,560	86,143	-
Total	<u>13,847,398</u>	<u>371,399</u>	<u>264,355</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022**

A12. Derivative Financial Assets/(Liabilities) (cont'd)

	31 December 2021		
	Contract/ Notional Amount	Fair Value	
		Assets	Liabilities
	RM'000	RM'000	RM'000
<u>Trading derivatives</u>			
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
<u>Hedging derivatives - cash flow hedge</u>			
Foreign exchange related contracts:			
- Cross currency interest rate swaps	833,500	3,107	6,851
Total	<u>14,149,810</u>	<u>46,623</u>	<u>62,057</u>

	30 September 2022		
	Contract/ Notional Amount	Fair Value	
		Assets	Liabilities
	RM'000	RM'000	RM'000
By remaining period to maturity/next re-pricing date			
<u>Trading derivatives</u>			
Foreign exchange related contracts			
- Less than one year	10,924,878	156,781	29,362
- More than one year	1,719,320	205,537	229,893
Interest rate related contracts:			
- Less than one year	1,128,200	355	-
- More than one year	75,000	8,726	5,100
	<u>13,847,398</u>	<u>371,399</u>	<u>264,355</u>

	31 December 2021		
	Contract/ Notional Amount	Fair Value	
		Assets	Liabilities
	RM'000	RM'000	RM'000
By remaining period to maturity/next re-pricing date			
<u>Trading derivatives</u>			
Foreign exchange related contracts			
- Less than one year	10,618,901	26,509	32,818
- More than one year	2,174,459	19,859	27,873
Interest rate related contracts:			
- Less than one year	623,000	-	-
- More than one year	733,450	255	1,366
	<u>14,149,810</u>	<u>46,623</u>	<u>62,057</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022****A13. Loans and Advances**

	As at 30 September 2022	As at 31 December 2021
	RM'000	RM'000
At amortised cost		
Overdrafts	5,107	4,938
Term loans:		
- Syndicated term loans	482,601	538,360
- Other term loans	369,527	544,702
Bill receivables	-	140,702
Revolving credits	394,228	400,886
Gross loans and advances	<u>1,251,463</u>	<u>1,629,588</u>
Less: ECL allowances		
- Stage 1	(15,213)	(24,719)
Net loans and advances	<u>1,236,250</u>	<u>1,604,869</u>
 (i) Gross loans and advances by type of customers:		
Business enterprises	1,251,463	1,572,937
Government and statutory bodies	-	56,651
	<u>1,251,463</u>	<u>1,629,588</u>
 (ii) Gross loans and advances by geographical distribution:		
Malaysia	1,031,333	1,235,976
Hong Kong	79,439	78,531
United Arab Emirates	-	56,651
China	140,691	258,430
	<u>1,251,463</u>	<u>1,629,588</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022****A13. Loans and Advances (cont'd)**

	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
(iii) Gross loans and advances by interest rate sensitivity:		
Fixed rate loans	46,343	71,026
Variable rate (cost-plus) loans	1,205,120	1,558,562
	<u>1,251,463</u>	<u>1,629,588</u>
(iv) Gross loans and advances by economic purpose:		
Working capital	398,902	917,525
Merger and acquisition	79,439	78,531
Purchase of land	-	33,421
Construction	374,465	371,397
Trade finance related	197,351	-
Lending to related entities	156,049	162,330
Investments in related entities	-	9,732
Other purposes	45,257	56,652
	<u>1,251,463</u>	<u>1,629,588</u>
(v) Gross loans and advances by remaining contractual maturity:		
Maturity within one year	295,384	746,263
One year to three years	74,567	249,191
Three years to five years	254,523	46,342
Over five years	626,989	587,792
	<u>1,251,463</u>	<u>1,629,588</u>
(vi) Gross loans and advances by industry:		
Manufacturing	649,604	522,296
Electricity, gas and water	140,691	125,092
Construction	29,140	339,254
Real estate	156,049	172,062
Wholesale, retail trade, restaurants and hotels	-	2,084
Transport, storage and communication	240,354	387,464
Finance, insurance and business services	36	56,652
Others	35,589	24,684
	<u>1,251,463</u>	<u>1,629,588</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022****A13. Loans and Advances (cont'd)****(vii) Movements in the gross carrying amount of loans and advances that contributed to changes in the ECL allowances:**

	<u>Stage 1</u> <u>RM'000</u>	<u>Stage 2</u> <u>RM'000</u>	<u>Stage 3</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
At 1 January 2022	1,629,588	-	-	1,629,588
Financial assets derecognised during the financial period	(2,491,155)	-	-	(2,491,155)
New financial assets originated	2,113,030	-	-	2,113,030
At 30 September 2022	<u>1,251,463</u>	<u>-</u>	<u>-</u>	<u>1,251,463</u>
At 1 January 2021	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 2021	<u>1,629,588</u>	<u>-</u>	<u>-</u>	<u>1,629,588</u>

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

	<u>Stage 1</u> <u>12-month</u> <u>ECL</u> <u>RM'000</u>	<u>Stage 2</u> <u>Lifetime</u> <u>ECL non</u> <u>credit-</u> <u>impaired</u> <u>RM'000</u>	<u>Stage 3</u> <u>Lifetime</u> <u>ECL</u> <u>credit-</u> <u>impaired</u> <u>RM'000</u>	<u>Total</u> <u>ECL</u> <u>RM'000</u>
At 1 January 2022	24,719	-	-	24,719
Financial assets derecognised during the financial period	(18,862)	-	-	(18,862)
New financial assets originated	9,356	-	-	9,356
Net total	<u>(9,506)</u>	<u>-</u>	<u>-</u>	<u>(9,506)</u>
At 30 September 2022	<u>15,213</u>	<u>-</u>	<u>-</u>	<u>15,213</u>
At 1 January 2021	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	<u>(13,691)</u>	<u>-</u>	<u>-</u>	<u>(13,691)</u>
At 31 December 2021	<u>24,719</u>	<u>-</u>	<u>-</u>	<u>24,719</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022**

	As at 30 September 2022 <u>RM'000</u>	As at 31 December 2021 <u>RM'000</u>
A14. Deposits from Customers		
(a) By type of deposits:		
Demand deposits	1,165,525	1,105,160
Saving deposits	16,365	14,139
Fixed/investment deposits	2,157,159	1,845,342
	<u>3,339,049</u>	<u>2,964,641</u>
(b) By type of customer:		
Business enterprises	2,775,873	2,052,679
Domestic non-banking financial institutions	374,101	481,236
Local government and statutory authorities	172,710	416,587
Individuals	16,365	14,139
	<u>3,339,049</u>	<u>2,964,641</u>
(c) By maturity structure of fixed deposits:		
Due within six months	2,146,287	1,811,877
Six months to one year	10,872	33,465
	<u>2,157,159</u>	<u>1,845,342</u>
A15. Deposits and Placements of Banks and Other Financial Institutions		
Licensed banks in Malaysia	177,616	56,580
Other financial institutions	133	51
	<u>177,749</u>	<u>56,631</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022**

	As at 30 September 2022	As at 31 December 2021
	RM'000	RM'000

A16. Other Liabilities

Other payables and accruals	58,238	22,391
Deferred Income	6,249	12,426
Cash collateral received for derivative transactions	368,109	12,071
Cash collateral from corporate customers	16,325	72,860
ECL allowances for loan commitments and financial guarantees	3,579	1,703
	<u>452,500</u>	<u>121,451</u>

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

	Stage 1	Stage 2	Stage 3	Total
	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 2022	1,703	-	-	1,703
Credit exposures relinquished	(312)	-	-	(312)
Credit exposures assumed	2,188	-	-	2,188
Net total	1,876	-	-	1,876
At 30 September 2022	<u>3,579</u>	<u>-</u>	<u>-</u>	<u>3,579</u>
At 1 January 2021	8,774	-	-	8,774
Credit exposures relinquished	(8,029)	-	-	(8,029)
Credit exposures assumed	958	-	-	958
Net total	(7,071)	-	-	(7,071)
At 31 December 2021	<u>1,703</u>	<u>-</u>	<u>-</u>	<u>1,703</u>

	As at 30 September 2022	As at 31 December 2021
	RM'000	RM'000

A17. Subordinated Loan

At amortised cost

USD200 million subordinated loan 2019/2029, at par	<u>929,560</u>	<u>834,513</u>
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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 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).

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022**

	Current quarter ended		Year-to-date ended	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	RM'000	RM'000	RM'000	RM'000
A18. Interest Income				
Loans and advances	25,902	15,240	51,823	47,320
Deposits and placements with banks and other financial institutions	12,603	5,138	30,831	16,604
Debt instruments at FVOCI	16,150	11,240	37,423	34,381
Derivative financial instruments	(634)	2,688	2,490	7,592
	<u>54,021</u>	<u>34,306</u>	<u>122,567</u>	<u>105,897</u>
A19. Interest Expense				
Deposits and placements of banks and other financial institutions	5,042	1,864	8,367	7,169
Deposits from customers	17,398	9,001	35,779	25,257
Obligations on securities sold under repurchase agreements ("Repos")	-	-	-	658
Subordinated loan	8,355	3,471	17,350	10,406
Lease liabilities	346	18	1,063	73
	<u>31,141</u>	<u>14,354</u>	<u>62,559</u>	<u>43,563</u>
A20. Other Operating Income/(Loss)				
Fee income:				
Service charges and fees	14	18	51	52
Less: Fees expense	(71)	(73)	(203)	(187)
	(57)	(55)	(152)	(135)
Guarantee fees	434	469	1,056	1,354
Commitment fees	(1,640)	2	1,303	723
Syndication fees	(1,770)	4,769	5,431	11,763
Management fees	2,300	6,061	9,290	9,188
	<u>(733)</u>	<u>11,246</u>	<u>16,928</u>	<u>22,893</u>
Trading and investment income:				
Net realised gain on derivatives	(7,927)	(500)	62,305	56,808
Net unrealised fair value gain/(loss) on derivatives	52,589	7,163	41,240	(36,468)
Net gain/(loss) from sale of debt instruments at FVOCI	(205)	5,393	-	5,393
Less: Brokerage charges	(111)	(101)	(255)	(431)
	<u>44,346</u>	<u>11,955</u>	<u>103,290</u>	<u>25,302</u>
Other income:				
Net foreign exchange gain/(loss)	(39,012)	(8,137)	(124,433)	(24,092)
Rental income	178	-	178	-
Other non-operating income	55	77	158	502
	<u>(38,779)</u>	<u>(8,060)</u>	<u>(124,097)</u>	<u>(23,590)</u>
	<u>4,834</u>	<u>15,141</u>	<u>(3,879)</u>	<u>24,605</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022**

	Current quarter ended		Year-to-date ended	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	RM'000	RM'000	RM'000	RM'000
A21. Other Operating Expenses				
Personnel costs				
Salaries, bonuses, wages and allowances	8,683	7,487	26,691	26,171
Defined contribution plan	748	(34)	2,167	2,004
Other staff related costs	1,030	1,687	2,886	2,401
	<u>10,461</u>	<u>9,140</u>	<u>31,744</u>	<u>30,576</u>
Establishment costs				
Depreciation of property and equipment	319	1,002	1,010	3,096
Depreciation of right-of-use assets	1,129	560	3,387	2,044
Amortisation of intangible assets	473	315	1,308	835
Repair and maintenance	1,040	1,040	3,009	2,592
Short-term leases expenses	581	462	1,745	960
Others	97	84	240	215
	<u>3,639</u>	<u>3,463</u>	<u>10,699</u>	<u>9,742</u>
Promotion and marketing expenses				
Advertisement and publicity	174	168	413	373
Administration and general expenses				
Communication expenses	222	264	640	644
Auditors' remuneration				
- Audit related fees	42	104	222	304
Legal and professional fees	556	138	631	335
Travelling and accommodation expenses	109	136	228	170
Employee recruitment costs	31	-	160	49
Subscription fees	156	123	680	518
Directors' fees and allowances	158	158	469	471
Insurance premium	14	53	107	135
Printing, stationery and postage	80	21	163	103
Others	189	166	590	475
	<u>1,557</u>	<u>1,163</u>	<u>3,890</u>	<u>3,204</u>
	<u>15,831</u>	<u>13,934</u>	<u>46,746</u>	<u>43,895</u>
A22. Allowance for/(Writeback of) Expected Credit Losses ("ECL")				
Stage 1:				
- Cash and short-term funds	11	(94)	(332)	230
- Debt instruments at FVOCI	91	(454)	79	(182)
- Loans and advances	(9,120)	(179)	(9,506)	(10,392)
- Loan commitments and financial guarantees	23	(147)	1,876	(6,865)
	<u>(8,995)</u>	<u>(874)</u>	<u>(7,883)</u>	<u>(17,209)</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022**

	As at 30 September 2022	As at 31 December 2021
	<u>RM'000</u>	<u>RM'000</u>

A23. Commitments and Contingencies

The notional amounts of the commitments and contingencies are as follows:

Short-term self-liquidating trade-related contingencies	64,885	64,260
Transaction-related contingent items	237,001	232,520
Irrevocable commitments to extend credit:		
- Less than one year	277,026	-
- More than one year	1,470,096	829,204
Foreign exchange related contracts:		
- Less than one year	10,924,878	10,618,901
- More than one year	1,719,320	2,174,459
Interest rate related contracts:		
- Less than one year	1,128,200	623,000
- More than one year	75,000	733,450
	<u>15,896,406</u>	<u>15,275,794</u>

A24. Capital Adequacy Ratio

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.

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. The Bank has elected the said transitional arrangements over a three-years period since 1 January 2021.

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022****A24. Capital Adequacy Ratio (cont'd)**

	As at 30 September 2022 <u>RM'000</u>	As at 31 December 2021 <u>RM'000</u>
CET I/Tier I Capital		
Paid-up ordinary share capital	822,600	822,600
Retained profits	102,886	105,486
Regulatory reserves	2,600	-
Other reserves	(33,159)	(11,171)
Regulatory adjustments applied in the calculation of CET I Capital	(38,207)	(35,004)
Total CET I/Tier I Capital	<u>856,720</u>	<u>881,911</u>
Tier II Capital		
Tier II capital instruments meeting all relevant criteria	926,000	833,500
Loss provisions	22,120	27,403
Total Tier II Capital	<u>948,120</u>	<u>860,903</u>
Total Capital	<u>1,804,840</u>	<u>1,742,814</u>
Analysis of risk-weighted assets		
Credit risk	2,353,576	2,230,290
Market risk	137,108	115,364
Operational risk	200,153	203,485
Total risk-weighted assets	<u>2,690,837</u>	<u>2,549,139</u>
With and without transitional arrangements:		
Capital adequacy ratio (before proposed dividends)		
CET I Capital Ratio	31.838%	34.596%
Tier I Capital Ratio	31.838%	34.596%
Total Capital Ratio	67.074%	68.369%
Capital adequacy ratio (after proposed dividends)		
CET I Capital Ratio	31.838%	34.596%
Tier I Capital Ratio	31.838%	34.596%
Total Capital Ratio	67.074%	68.369%

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

B1. Performance Review

As at 30 September 2022, China Construction Bank (Malaysia) Berhad's (the Bank) total assets grew by 22% to RM6.11 as compared to the previous financial year, which was contributed by growth in FVOCI debt instruments. The Bank's deposits from customers stood at RM3.34 billion, which grew by 13% or RM374.41 million as compared to previous financial year.

The Bank reported a profit before taxation (PBT) of RM17.27 million for the financial period ended 30 September 2022, a lower PBT mainly due to lower net interest income and lower operating income.

The Bank's Common Equity Tier I capital ratio/Tier I capital ratio and Total capital ratio stood at a healthy level of 31.838% and 67.074% respectively. The Bank's liquidity position also remained stable and healthy with liquidity coverage ratio maintained at above the minimum regulatory requirements of 100% as at 30 September 2022.

B2. Prospects for 2022

The strong recovery of Malaysian economy in the first half of 2022 (1H2022) is expected to continue into the second half of 2022 (2H2022), supported mainly by further expansion in domestic activities and external trade. The developments in the first eight months of 2022, i.e. gross domestic product ("GDP") growth of 6.9% in 1H2022, strong expansion in exports (January-August 2022: +30.3%), sustained sizeable trade balances (January-August 2022: RM155.5 billion), as well as the improved tourism sector and distributive trade, indicates that economy is likely to perform better than the earlier forecast of 5.3-6.3% (latest forecast by Ministry of Finance ("MOF"): 6.5-7.0%). This optimistic outlook is also underpinned by the continued improvement in the employment conditions (Unemployment Rate August 2022: 3.8%; December 2021: 4.3%). In the coming quarter, gross export is expected to expand further, supported by global demand in electrical and electronics ("E&E") and high commodity prices. Meanwhile, domestic consumption, particularly travel and distributive trade, is expected to strengthen further in view of the year-end holidays/festive seasons and upcoming general election related activities.

Despite a favourable economic outlook in the 2H2022, the banking industry, including China Construction Bank (Malaysia) Berhad ("CCBM or the Bank"), will continue to encounter headwinds such as depreciation of ringgit against USD, inflationary pressure and aggressive interest rate hikes by the US (+300 b.p.s. since March 2022) and other advanced economies. Although the Malaysian economy is projected to grow by 4.0-5.0% in 2023 (forecast by MOF), the key downside risks that may impact this overall economic outlook, including CCBM's performance, are the sharp downturn in global economy following aggressive and synchronized rate hikes by most monetary authorities in the world; further disruptions in economic and financial markets due to escalation of geopolitical conflicts and worsening of supply shortages which impact business activities and costs, and labour market.

CCBM, with close relations and active financial cooperation with the CCB Group and the Chinese-based companies in Malaysia and region, needs to stay vigilant on the external challenges and potential risks that may impact the economy and Bank. The Bank needs to stay focus with its growth path, riding on stronger interest in Environmental, Social and Governance ("ESG") initiatives, especially Green financing, and further expand the provision of financing and financial services, including Renminbi ("RMB") settlements and clearings.

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022****B3. 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.

B4. Fair Value of Financial Instruments

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.

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

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 September 2022				
Financial assets				
Debt instruments at FVOCI	-	2,792,773	-	2,792,773
Derivative financial assets	-	371,399	-	371,399
	<u>-</u>	<u>3,164,172</u>	<u>-</u>	<u>3,164,172</u>
Financial liabilities				
Derivative financial liabilities	<u>-</u>	<u>264,355</u>	<u>-</u>	<u>264,355</u>
31 December 2021				
Financial assets				
Debt instruments at FVOCI	-	1,711,307	-	1,711,307
Derivative financial assets	-	46,623	-	46,623
	<u>-</u>	<u>1,757,930</u>	<u>-</u>	<u>1,757,930</u>
Financial liabilities				
Derivative financial liabilities	<u>-</u>	<u>62,057</u>	<u>-</u>	<u>62,057</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

B4. Fair Value of Financial Instruments (cont'd)

(i) 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.

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.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

B5. Valuation of Property and Equipment

The property and equipment are stated at cost less accumulated depreciation on straight line method.

B6. Significant Events

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the unaudited interim financial statements.

B7. Changes in the Composition

There were no significant change in the composition of the Bank in the current financial period.

B8. Dividends

No dividend has been proposed for the quarter under review.