CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No: 1203702-U)
(Incorporated In Malaysia)

Risk-Weighted Capital Adequacy Framework (Basel II)
Pillar 3 Disclosure as at 30 June 2017

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1.0 Introduction

In pursuant to the requirements of the Bank Negara Malaysia's ("BNM") Risk-Weighted Capital Adequacy Framework ("RWCAF"), the banking institutions are required to make available Pillar 3 disclosure for financial reporting twice a year (i.e. semi-annual and annual), which is equivalent to the Basel II issued by the Basel Committee on Banking.

China Construction Bank (Malaysia) Berhad ("CCBMY" or "The Bank") adopts the Standardised Approach ("SA") in computing the capital requirement for credit risk and market risk while adopting Basic Indicator Approach ("BIA") in computing the operational risk of the Pillar 1 under BNM's RWCAF.

Standard risk weights under SA are used to assess the capital requirements for credit risk and market risk exposures. The capital requirement for operational risk under BIA is computed based on the fixed percentage over average gross income.

2.0 Scope of Application

CCBMY is a wholly-owned subsidiary of China Construction Bank, Corporation., China ("CCB"). The Bank is mainly engaged in commercial banking and related financial services in Malaysia. The Bank does not offer Islamic financial services nor involved in Islamic banking operations.

The Bank's Pillar 3 Disclosures information have been reviewed by the independent party, i.e. internal auditors and certified by the Bank's Chief Executive Officer.

3.0 Capital

A revised guidelines on the Capital Adequacy Framework (Capital Components) was issued by the BNM on 13 October 2015 and CCBMY's capital management is guided by the guidelines which sets out the minimum policies and procedures that the Bank is required to put in place.

The Bank adopts a practical and more forward-looking capital management approach, aims to ensure that the Bank has adequate capital to support their operations at all times. In order to further strengthen the capital position of CCBMY though a progressive and systematic building up of the reserve fund, CCBMY has established an Internal Capital Target ("ICT") and Management Action Trigger ("MAT") that is above the BNM CAR requirements. A Capital Management Policy has been put in place where actions to be taken have been specified to address the capital adequacy issue in case the capital ratio falls below the ICT and MAT ratios.

The Management is responsible to monitor closely the Bank's capital adequacy and regulatory capital at all times.

3.1 Capital Adequacy

The Bank's capital adequacy ratio is computed in accordance with the BNM's Capital Adequacy Framework. The following information shows the capital adequacy ratio of the Bank and the breakdown of RWA as of 30 June 2017.

Before/after payment of dividends	30 June 2017
CET1 Ratio	139.595%
Tier 1 Capital Ratio	139.595%
Total Capital Ratio	140.197%

The risk-weighted asset ("RWA") by exposures break down based on the following major risk category:

Risk Type	**30 June 2017**			
	Gross exposure/ EAD before CRM (RM'000)	**Net exposures/ EAD after CRM (RM'000)**	**Risk-weighted Assets (RM'000)**	**Capital requirement at 8% (RM'000)**
Credit Risk				
On-balance sheet exposure				
Sovereigns & central banks	134,092	134,092	-	-
Banks, development financial institutions & MDBs[1]	718,354	718,354	143,671	11,494
Corporates	294,112	272,664	271,058	21,685
Other assets	9,631	9,631	9,631	770
Total on-balance sheet exposure	**1,156,189**	**1,134,741**	**424,360**	**33,949**
Off-balance sheet exposures				
OTC derivatives	10,245	6,795	1,359	109
Credit-related off-balance sheet exposure	31,319	13,046	12,402	992
Total off-balance sheet exposure	**41,564**	**19,841**	**13,761**	**1,101**
Total credit risk	**1,197,753**	**1,154,582**		

[1] Multilateral Development Banks

	Gross exposure/ EAD before CRM (RM'000)			Risk-weighted Assets (RM'000)	Capital requirement at 8% (RM'000)
Market Risk	*long position*	*short position*			
Interest rate risk	1,129,416	749,699		6,087	487
Foreign currency risk	10,576	93,790		93,790	7,503
Operational Risk		-	-	48,505	3880
Total RWA and capital requirement				586,503	46,920

3.2 Capital Structure

The bank's total capital according to BNM's Capital Adequacy Framework (Capital Components) are as follows:

	30 June 2017 (RM'000)
CET1 capital	
Paid-up ordinary share capital	822,600
Retained profits (interim unaudited profits)	6,047
Minority interests in subsidiaries	
Innovative instruments	
Non-innovative instruments	
Other reserves	
Regulatory reserves	
Unrealised gains and losses on 'available-for-sale' financial instruments	103
Less: Regulatory adjustments applied in the CET1 capital	
- Total gross value of other intangibles	(1,992)
- 55% of cumulative gains of AFS financial instruments (other than loans/financing and receivables)	(57)
- Regulatory reserve attributable to loans, advances and financing	(1,923)
Total CET1 Capital	**818,731**
Total Tier 1 Capital	**818,731**

<u>Tier 2 Capital</u>	
Collective impairment allowance and regulatory reserve	3,529
Total Tier 2 Capital	**3,529**
Total Capital	**822,260**

4.0 Risk Management

Risk management policies were established to understand the nature of the Bank's risk profile and the risk drivers, aligned with the Bank's business strategies and risk appetites.

The Board of Directors ("BOD") is the principal board committee that oversees the Bank's risk management, in line with the Bank's risk appetite. The BOD is supported by the Board Risk Management Committee ("BRMC") who is responsible for evaluating and assessing the adequacy of strategies to manage the risk management associated with CCBMY's activities.

The Senior Management is responsible for reviewing the risk management framework and provide input to assist the BOD in discharging its oversight responsibilities. Management Committees i.e. Assets and Liabilities Committee ("ALCO") and the Risk Management Committee ("RMC") play a significant role in reviewing the development of risk management policies, defining the strategies and ensuring the risk management results are align with the Bank's business strategies.

The Internal Audit Department provides an independent review on Risk Management Framework and to evaluate the reliability and adequacy of risk management process and internal control of the Bank. The Risk Management Division ("RMD") provides support to the BOD and RMC on implementing and coordinating the risk management policies. RMD is also responsible on continuously monitoring and reviewing the risk management reporting to ensure the Bank's objectives are aligned to the current business operating environment.

The Bank's current capital structure is being developed to include other risks which align with the BNM's Internal Capital Adequacy Assessment Process ("ICAAP") Pillar 2 requirement. The Pillar 2 aims to ensure the Bank has adequate capital to support its banking operations at all times. The Bank has identified the key risks and preventive controls have been put in place to mitigate those risks. The Bank is exposed to the following risks:

- Credit risk
- Market risk
- Operational risk
- Credit concentration risk ("CCR")
- Interest rate risk in banking book ("IRRBB")

5.0 Credit Risk

Credit risk is the risk of financial loss to the Bank arising from customers' or counterparties' failure to fulfill their financial and contractual obligations in accordance with the agreed terms. It stems mainly from the Bank's lending or financing, trade finance and its funding, investment and trading activities from both on and off balance sheet transactions.

A loan is considered to be past due when the counterparty has failed to make a principal or interest payment when contractually due, where Individual loan of more than 90 days past due is classified as impaired and any other events occurred as per the policies. The classification of impaired loans/financing and provision of the Bank for loans/financing impairment is consistent with the standard under Malaysian Financial Reporting Standards.

Where individual loans are impaired, the individual impairment provision is set aside where the estimated recoverable amount is lower than the net book value of the loan. Additionally, the Bank has applied the Collective Impairment Provision (CIP) based on individual assessment. CIP is computed based on customers' probability of default (PD), Loss-given-default (LGD) and eligible collateral provided.

The BOD plays a crucial role in ensuring the proper oversight of the credit risk management in CCBMY, in line with the Bank's capital strength, management expertise, risk appetite, business strategies and lending strategies. The BRMC assists the BOD in evaluating and assessing the adequacy of strategies to manage the risk management associated with CCBMY's activities. The BRMC is also responsible to review and evaluate the credit products engaged by CCBMY to ensure that it is conducted within the standards and policies set by the BOD.

The RMC is responsible in reviewing the development of credit risk management policies, defining the strategies and ensuring the results are aligned with the Bank's business strategies. The RMD constantly monitor the credit limit and assess the risks within credit proposals, as well as preparing credit risk management related reporting to BODs/management, Head Office and BNM as required.

The internal audit office is responsible to provide an ongoing focus on the internal control system and periodic reviews, i.e. regular review of the credit risk management processes, in compliance with approved policies.

The effective credit monitoring and review process is vital to ensure that CCBMY is current in its understanding of the condition of its credit exposures via-a-vis its approved appetite and to facilitate early identification of potential problem credits on a timely basis. All the credits will go through a review process at least once a year. The RMD may initiate an ad-hoc review on any existing borrower if the market conditions associated with the borrower change in a way that may affect the borrower's risk profile.

The main considerations in the credit assessment process are full credit risk evaluation on all credit proposals, assessing credit approval process and assessing credit proposals based primarily on the strength of the borrower's repayment capacity (e.g. the purpose of credit and source of repayment, the integrity and reputation of the borrower, the current risk profile, the borrower's repayment history etc.).

5.1 Geographical Analysis

The gross credit exposures of financial assets are broken down based on the geographical location where the credit risk resides, as follows:

30 June 2017

Credit Exposure	**Malaysia (RM'000)**	***UAE (RM'000)***	***Others (RM'000)***
Sovereigns/Central Banks	134,092	-	-
Banks, development financial institutions and MDBs	724,585	-	1,852
Corporates	250,276	77,317	-
Other assets	9,631	-	-
Total	**1,118,584**	**77,317**	**1,852**

5.2 Industry/Sector Analysis

Distribution of exposures by industry/sector, broken down by the following gross credit exposures:

30 June 2017

Credit Exposure		**Category**			**Total**
Sector	**Sovereigns & Central Banks (RM'000)**	**Banks, development financial institutions & MDBs (RM'000)**	**Corporates (RM'000)**	**Other assets (RM'000)**	**(RM'000)**
Finance, insurance, real estate and business activities	134,092	726,437	-	-	**860,529**
Manufacturing	-	-	15,670	-	**15,670**
Construction	-	-	20,217	-	**20,217**
Wholesale and retail trade, and restaurant and hotels	-	-	136,990	-	**136,990**
Government and government agencies	-	-	77,317	-	**77,317**
Education, health & others	-	-	77,399	-	**77,399**
Others	-	-	-	9,631	**9,631**
Total	**134,092**	**726,437**	**327,593**	**9,631**	**1,197,753**

5.3 Maturity Analysis (Residual Contractual Maturity)

Contractual maturity breakdown by the following types of gross credit exposures:

30 June 2017

Credit Exposure Category	**Up to one year (RM'000)**	**Maturity 1-5 years (RM'000)**	**> 5 years (RM'000)**	**Total (RM'000)**
Sovereigns/Central Banks	35,070	99,022	-	134,092
Banks, development financial institutions and MDBs	726,437	-	-	726,437
Corporates	116,322	180,911	30,360	327,593
Other assets	9,631	-	-	9,631
Total	**887,460**	**279,933**	**30,360**	**1,197,754**

5.4 Impaired loans and impairment provision by economic sector

a) Impaired loans by sector

	30 June 2017 (RM'000)
Finance, insurance, real estate and business activities	-
Manufacturing	-
Construction	-
Wholesale and retail trade, and restaurant and hotels	-
Government and government agencies	-
Education, health & others	-
Others	-
Total	-

b) Past due loans by sector

	30 June 2017 (RM'000)
Finance, insurance, real estate and business activities	-
Manufacturing	-
Construction	-
Wholesale and retail trade, and restaurant and hotels	-
Government and government agencies	-
Education, health & others	
Others	
Total	-

c) Individual impairment provisions by sector

	30 June 2017 (RM'000)
Finance, insurance, real estate and business activities	-
Manufacturing	-
Construction	-
Wholesale and retail trade, and restaurant and hotels	-
Government and government agencies	-
Education, health & others	
Others	
Total	-

d) Collective impairment provisions by sector

	30 June 2017 (RM'000)
Finance, insurance, real estate and business activities	-
Manufacturing	-
Construction	143
Wholesale and retail trade, and restaurant and hotels	418
Government and government agencies	313
Education, health & others	731
Others	-
Total	1,606

5.5 Impaired loans and impairment provision by geographical area

	30 June 2017 (RM'000)
Malaysia	1,293
UAE	313
Others	-
Total	1,606

5.6 Reconciliation of changes to loan impairment provisions

	30 June 2017 (RM'000)
Impaired loans and advances	
At the beginning of the financial year	-
Classified as impaired during the financial year	-
Amount recovered	-
Amount written-off	-
Amount reclassified as performing	-
At end of the financial year	-
Individual impairment allowance	-
Net impaired loans and advances	-
Individual impairment allowance	
At the beginning of the financial year	-
Allowance made during the financial year	-
Allowance written back during the financial year	-
At the end of the financial year	-
Collective impairment allowance	
At the beginning of the financial year	-
Allowance made during the financial year	1,606
Allowance written back during the financial year	-
At the end of the financial year	1,606

6.0 Credit Rating

CCBMY uses the credit ratings assigned by the External Credit Assessment Institutions ("ECAIs"), i.e. Standard & Poor's Rating Services (S&P) and Moody's Investors Service (Moody's), that are recognized by BNM in its calculation of credit risk weighted assets for capital adequacy purposes in calculating the credit risk-weighted assets. The Bank applies the use of external ratings for capital adequacy purposes on a consistent basis as stipulate in BNM's Capital Adequacy Framework (Basel II – Risk-weighted Assets).

In addition, CCBMY uses internal rating model which is the Credit Risk Rating system to assist with the credit decisioning process. The Credit Risk Rating system has been developed by the China Construction Bank Head Office (CCB HO) and is used across its global operation. It uses a combination of quantitative and qualitative measures to determine the applicant's credit rating.

6.1 Disclosure on Credit Risk: Disclosure on risk weights under Standardised Approach

30 June 2017

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, development financial institutions & MDBs	Corporates	Regulatory Retails	Residential mortgages	Other assets		
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
0%	134,092	-	43,170	-	-	-	177,262	-
20%	-	725,150	-	-	-	-	725,150	145,030
35%	-	-	-	-	-	-	-	-
50%	-	1,288	-	-	-	-	1,288	644
75%	-	-	-	-	-	-	-	-
100%	-	-	282,816	-	-	9,631	292,447	292,447
150%	-	-	-	-	-	-	-	-
Average Risk Weights							**1,196,147**	**438,121**
Deduction from Capital Base	**-**	**-**	**-**	**-**	**-**	**-**		

6.2 Rated Exposures according to Ratings by ECAIs

30 June 2017

Exposure Class	Ratings of Sovereigns and Central Banks by approved ECAIs						
	Moodys	**Aaa to Aaa3**	**A1 to A3**	**Baa1 to Baa3**	**Ba1 to B3**	**Caa1 to C**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
On and Off Balance Sheet Exposures							
Sovereigns/Central Banks	-	-	134,092	-	-	-	-
Total	-	-	134,092	-	-	-	-

Exposure Class	Ratings of Banking Institutions and Corporate by approved ECAIs						
	Moodys	**Aaa to Aaa3**	**A1 to A3**	**Baa1 to Baa3**	**Ba1 to B3**	**Caa1 to C**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
	RAM	**AAA to AA3**	**A to A3**	**BBB+ to BBB-**	**BB1 to B3**	**C1 to D**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**C+ to D**	**Unrated**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
On and Off Balance Sheet Exposures							
Banks, MDBs and FDIs	-	609,015	117,422	-	-	-	-
Total	-	609,015	117,422	-	-	-	-

Exposure Class	Ratings of Banking Institutions and Corporate by approved ECAIs						
	Moodys	Aaa to Aaa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB+ to BBB-	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
On and Off Balance Sheet Exposures							
Credit Exposure (using Corporate Risk Weights)							
Corporates	-	-	-	-	-	-	327,593
Total	-	-	-	-	-	-	327,593

7.0 Credit Risk Mitigation

Credit risk identified during the risk identification process must be adequately mitigated to control the risk of loss. CCBMY established a few methods in order to mitigate the credit risks, such as lending criteria, collateral acceptance criteria, limits setting and loan covenants.

CCBMY adopts Simple Approach within the banking book on a consistent basis in granting credit facilities to customers. As at the reporting date, the main types of collateral obtained to mitigate credit risks are in the form of cash deposit and property.

In applying the CRM, CCBMY adopts clear and robust procedures for timely liquidation of collateral to ensure it meets minimum conditions for the Recognition of Credit Risk Mitigation Techniques, as guided by the BNM's guideline "Capital Adequacy Framework (Basel II – Risk-Weighted Assets)".

7.1 Disclosure on Credit Risk Mitigation

30 June 2017

Exposure Class	Gross Exposure before CRM (RM'000)	Exposures covered by guarantees/ credit derivatives (RM'000)	Exposures covered by eligible financial collateral (RM'000)	Exposures covered by other eligible collateral (RM'000)
Credit Risk				
On-Balance Sheet Exposure				
Sovereigns/Central Banks	134,092	-	-	-
Banks, development financial institutions and MDBs	718,354	-	-	-
Corporates	293,520		21,448	
Regulatory retails	-	-	-	-
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	9,631	-	-	-
Specialised Financing/Investment	-	-	-	-
Equity exposures	-	-	-	-
Securitisation exposures	-	-	-	-
Defaulted exposures	-	-	-	-
Total On-Balance Sheet exposure	1,155,598	-	21,448	-

Exposure Class	Gross Exposure before CRM (RM'000)	Exposures covered by guarantees/ credit derivatives (RM'000)	Exposures covered by eligible financial collateral (RM'000)	Exposures covered by other eligible collateral (RM'000)
Off-Balance sheet exposure				
OTC derivatives	10,245	-	3,450	-
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	31,319	-	18,273	-
Defaulted exposures	-	-	-	-
Total Off-Balance Sheet exposure	41,564	-	-	-
Total On and Off balance sheet exposure	1,197,162	-	43,170	-

8.0 Off-balance sheet exposures and counterparty credit risk (CCR)

Off-Balance Sheet exposures of the Bank are mainly composed of the following:

- Bank Guarantee and Standby Letter of Credit
- Documentary Letter of Credit
- Commitments to extend credit including the unutilized or undrawn portion of credit facilities
- Derivative financial instruments e.g. FX contracts

To mitigate the CCR, the creditworthiness of the counterparty is thoroughly assessed, coupled with the establishment and monitoring of credit limits for counterparty credit exposure that are in line and consistent with CCBMY's overall credit risk strategy and appetite.

However, the Bank does levy on collateral (cash only) from counterparty and establish credit reserve for off balance sheet transactions.

Off-balance sheet and CCR – 30 June 2017

Description	Principal Amount (RM'000)	Gross Positive Fair Value of Contracts (RM'000)	Credit Equivalent Amount (RM'000)	Risk Weighted Assets (RM'000)
Direct credit substitutes	-		-	-
Transaction related contingent items	-		-	-
Short term self-liquidating trade related contingencies	69,251		13,850	1,598
Foreign exchange related contracts				
One year or less	776,118	3,185	10,245	1,359
Over one year to five years	-		-	-
Over five years	-		-	-
Interest/Profit rate related contracts	-		-	-
One year or less	-		-	-
Over one year to five years	-		-	-
Over five years	-		-	-
Equity related contracts	-		-	-
One year or less	-		-	-
Over one year to five years	-		-	-
Over five years	-		-	-
Credit Derivatives contracts	-		-	-
One year or less	-		-	-
Over one year to five years	-		-	-
Over five years	-	-	-	-

Description	Principal Amount (RM'000)	Gross Positive Fair Value of Contracts (RM'000)	Credit Equivalent Amount (RM'000)	Risk Weighted Assets (RM'000)
OTC derivative transactions and credit derivatives contracts subject to valid bilateral netting agreements	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	6,542	-	1,308	664
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over to one year	32,322	-	16,161	10,140
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-	-	-	-
Unutilised credit card lines	-	-	-	-
Off-balance sheet items for securitisation exposures	-	-	-	-
Off-balance sheet exposures due to early amortization provisions	-	-	-	-
Total	884,233		41,564	13,761

9.0 Market Risk

Market risk is the risk of losses in on and off balance sheet positions arising from movement in market prices. The Bank adopts Standardised Approach for market risk capital requirement and the current market risk capital charge arises mainly from the Bank's exposures to the foreign exchange risk. Currently, CCBMY does not take any proprietary trading in trading book.

The BOD has the ultimate responsibility to ensure that market risks are properly governed and managed within CCBMY, as well as deciding on the overall framework for management and controlling market risks. The ALCO and RMC are responsible in reviewing the development of market risk management policies, defining the strategies and ensuring the results are align with the Bank's business strategies.

The RMD plays a key role in supporting and guiding the business units in the implementation of CCBMY's market risk management policy and tools, particularly in promoting and inculcating market risk awareness culture across the Bank.

Financial Markets is responsible for daily management of interest rate, foreign currency position of CCBMY within the predetermined limits and is responsible for initiating all required hedging transactions. The internal audit office is responsible to provide an ongoing focus on the internal control system and periodic reviews, i.e. regular review of the market risk management processes, in compliance with approved policies.

Among the methods adopted in the monitoring and management of market risk is portfolio analysis, limits setting, open positions monitoring and stress testing. Any anomalies observed will be discussed with the front office and where relevant escalated to Senior Management for exception management.

For capital requirement, the Bank has adopted the Standardised Approach.

	30 June 2017
Capital Charge Requirement for:	(RM'000)
Interest rate risk	487
Equity position risk	-
Foreign exchange risk	7,503
Commodity risk	-
Others	-
Total RWA for Market Risk	7,990

10.0 Operational Risk

Operational risk is defined as the risk of incurring losses arising from inadequate or failed internal processes, people and systems or from external events. Operational risk is inherent in all activities, products and services of CCBMY, and can transverse across multiple activities and business lines within CCBMY.

The BOD is responsible for the management of all risks of CCBMY including any operational risk that arises, and ensure that operational risks are properly governed and managed within CCMY. The BRMC is responsible for, and provides the overall direction and supervision for the daily operational risk management of CCBMY. Senior Management is responsible to ensure that all necessary risk management tools, methodologies, policies, operational manuals and technology infrastructure are in place and applied through the combination of top-down and bottom-up approach in risk identification and assessment methodologies.

The RMD plays a key role in supporting and guiding the business/ support units in the implementation of CCBMY's operational risk management policy and tools, particularly in promoting and inculcating operational risk awareness culture across the Bank.

The internal audit office is responsible to provide an ongoing focus on the internal control system and periodic reviews, i.e. regular review of the operational risk management processes, in compliance with approved policies, applicable laws and regulation. The review by internal audit must include an assessment of the effectiveness of risk management activities undertaken by business and functional lines and bank wide operational risk management function.

Operational risk is managed using key risk management tools and methodologies, such as incident management and loss data collection, risk control self-assessment, key risk indicators and scenario analysis to address identified major operational risks (e.g. internal fraud, external fraud, employment practices and workplace safety, damage to physical assets, business disruptions and system failures etc.) as stipulated by Bank of International Settlement ("BIS"). Adequate documentation on Business Continuity Management are in place to ensure the sustainability of CCBMY in the event of disaster.

The Bank currently adopts Basic Indicator Approach (BIA) for the computation of Operational Risk and is in line with BNM's guidelines. Given the Bank's operational model i.e. a single branch of operations, the Bank has relatively less significant operational risk exposure; which is adequately managed with the existing robust risk management framework and protected with the operation risk capital buffer under Pillar 1.

11.0 Interest Rate Risk in the Banking Book

The projection made with the assumption that interest rate moves up and down parallel by 100 basis points ("bps") across all maturities buckets for all the interest bearing assets and liabilities. The loan profile was projected based on earliest of its repricing or final maturity date.

Currency	**Increase/ (Decrease) in Economic Value**		**Increase/ (Decrease) in Earnings**	
	+100 bps	**-100 bps**	**+100 bps**	**-100 bps**
	RM '000	RM '000	RM '000	RM '000
MYR	2,769	(2,769)	6,769	(6,769)
USD	(701)	701	1,513	(1,513)
CNY	(1,053)	1,053	(337)	337
Total	**1,015**	**(1,015)**	**7,944**	**(7,944)**

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No: 1203702-U)
(Incorporated In Malaysia)

Risk-Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure as at 30 June 2017

CHIEF EXECUTIVE OFFICER ATTESTATION

I hereby attest that, in my opinion, China Construction Bank (Malaysia) Berhad's Pillar 3 disclosure report for the financial period ended 30 June 2017 have been prepared in accordance with the Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) and are consistent with the manner the Bank assesses its risk, accurate and complete.

Feng Qi
Chief Executive Officer