CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Incorporated in Malaysia)
Company No. 201601032761 (1203702-U)

Risk-Weighted Capital Adequacy Framework (Basel II)

Pillar 3 Disclosure

30 June 2023

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

PILLAR 3 DISCLOSURE
30 June 2023

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1.0 Introduction

China Construction Bank (Malaysia) Berhad ("CCBM" or "the Bank") computes capital adequacy ratios pursuant to the requirements of the Bank Negara Malaysia's ("BNM") Risk Weighted Capital Adequacy Framework ("RWCAF"), and presents the Pillar 3 disclosure twice a year (i.e. semi-annual and annual), which is consistent with the Basel II requirement issued by the Basel Committee on Banking Supervision ("BCBS"). The following information is provided in order to highlight CCBM's capital adequacy and details of risk exposures.

2.0 Scope of Application

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

BNM disclosure requirement ("Pillar 3") is applicable to all banking institutions licensed under the Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("IFSA"). The purpose of Pillar 3 disclosure requirements is to enhance the transparency of banks' risk management practices and capital adequacy.

CCBM adopts the Standardised Approach ("SA") in computing the capital requirement for credit risk and market risk while adopting the 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.

The following information have been reviewed by the independent party and certified by the Bank's Chief Executive Officer.

3.0 Capital

CCBM uses stress testing and scenario analysis to assess capital adequacy under a wide range of extreme but plausible scenarios. This exercise provides insight into potential vulnerabilities and allows CCBM to implement mitigation measures.

CCBM risk appetite is closely integrated with its strategy, business planning and capital assessment processes. CCBM risk appetite incorporates senior management's views on the level of capital required to support business activities.

The Bank conducts a bank-wide exercise to identify the material risks to the organisation. Each material risk is assessed to identify relevant mitigation actions and appropriate levels of capital determined.

The Bank has in place processes and controls to monitor and manage capital adequacy across the organisation.

In accordance to the BNM's Capital Adequacy Framework (Capital Components), CCBM has elected for the transitional arrangement of provision for expected credit loss (ECL) to be applied for three financial years beginning 1 January 2021. The first reporting period of the transitional arrangement was for 31 January 2021 reporting.

As at 30 June 2023, there are no difference in the capital ratios computed in accordance with or without the application of transitional arrangements.

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 risk-weighted asset ("RWA") as of 30 June 2023.

	30 June 2023	**31 December 2022**
CET I Capital Ratio	27.869%	33.633%
Tier I Capital Ratio	27.869%	33.633%
Total Capital Ratio	57.485%	68.186%

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3.1 Capital Adequacy (continued)

The RWA by exposures are breakdown based on the following major risk category:

30 June 2023 Risk Type	**Gross exposure/ EAD before CRM (RM'000)**	**Net exposure/ EAD after CRM (RM'000)**	**Risk-weighted Assets (RM'000)**	**Capital requirement at 8% (RM'000)**
Credit Risk				
On-balance sheet exposures				
Sovereign/Central Banks	1,167,075	1,167,075	-	-
Banks, development financial institutions & MDBs	1,972,629	1,972,629	394,526	31,562
Corporates	2,219,147	2,219,147	1,204,592	96,367
Other assets	-	-	-	-
Total on-balance sheet exposures	**5,358,851**	**5,358,851**	**1,599,118**	**127,929**
Off-balance sheet exposures				
OTC derivatives	483,522	483,522	280,256	22,420
Credit-related off-balance sheet exposures	823,218	823,218	814,919	65,193
Total off-balance sheet exposures	**1,306,740**	**1,306,740**	**1,095,175**	**87,613**
Total Credit Risk	**6,665,591**	**6,665,591**		

Market Risk	**Gross exposures/ EAD before CRM (RM'000)**		**Risk-weighted Assets (RM'000)**	**Capital requirement at 8% (RM'000)**
	Long position	Short position		
Interest rate risk	140,368	139,853	-	-
Foreign currency risk	26,886	202,977	202,977	16,238
Operational Risk			341,597	27,328
Total RWA and capital requirement			**3,238,867**	**259,108**

3.1 Capital Adequacy (continued)

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

31 December 2022 Risk Type	**Gross exposure/ EAD before CRM (RM'000)**	**Net exposure/ EAD after CRM (RM'000)**	**Risk-weighted Assets (RM'000)**	**Capital requirement at 8% (RM'000)**
Credit Risk				
On-balance sheet exposures				
Sovereign/Central Banks	1,361,206	1,361,206	-	-
Banks, development financial institutions & MDBs	2,221,035	2,221,035	474,259	37,941
Corporates	2,306,386	2,306,386	1,310,652	104,852
Other assets	-	-	-	-
Total on-balance sheet exposures	**5,888,627**	**5,888,627**	**1,784,911**	**142,793**
Off-balance sheet exposures				
OTC derivatives	467,339	467,339	264,908	21,193
Credit-related off-balance sheet exposures	249,011	249,011	225,549	18,044
Total off-balance sheet exposures	**716,350**	**716,350**	**490,457**	**39,237**
Total Credit Risk	**6,604,977**	**6,604,977**		

Market Risk	**Gross exposures/ EAD before CRM (RM'000)**		**Risk-weighted Assets (RM'000)**	**Capital requirement at 8% (RM'000)**
	Long position	Short position		
Interest rate risk	275,130	272,791	2,387	191
Foreign currency risk	40,016	124,984	124,984	9,999
Operational Risk			203,581	16,286
Total RWA and capital requirement			**2,606,320**	**208,506**

3.2 Capital Structure

Paid-up ordinary share capital is the capital issued by an entity to an investor, which is fully paid-up where the proceeds of the issue are available and received immediately by the entity. The entity has no obligation to pay a coupon or dividend to the equity holder of ordinary shares. The capital is available for unrestricted and immediate use to cover risks and losses, and enables the entity to continue the operation as usual.

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

	30 June 2023 (RM'000)	**31 December 2022 (RM'000)**
CET I Capital		
Paid-up ordinary share capital	822,600	822,600
Retained profits	126,920	114,957
Regulatory reserves	4,300	2,800
Other reserves	(15,571)	(26,361)
Regulatory adjustments applied in the calculation of CET I Capital	(35,611)	(37,401)
Total CET I/Tier I Capital	**902,638**	**876,595**
Tier II Capital		
Tier II capital instruments meeting all relevant criteria	933,900	878,000
Loss provisions	21,028	19,763
Regulatory reserves	4,300	2,800
Total Tier II Capital	**959,228**	**900,563**
Total Capital	**1,861,866**	**1,777,158**

4.0 Risk Management

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 bank-wide 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 continuous existence and enables it to achieve its long term corporate goals.

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of the Bank's risk management framework. The BOD has established the Board Risk Management Committee ("BRMC") 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.

The Senior Management is responsible for establishing the risk management framework and provides 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 outcomes are aligned with the Bank's business strategies.

The main risks the Bank is exposed to are:
Credit risk
Market risk
Operational risk
Liquidity risk
Credit concentration risk ("CCR")
Interest rate risk in the banking book ("IRRBB")

Internal Audit Division provides assurance on adequacy and effectiveness of the governance process, risk management and internal control systems. The Risk Management Division ("RMD") provides support to the BOD and RMC by monitoring, reviewing, reporting associated risks, implementing and coordinating the risk management policies. RMD is also responsible in ensuring that the Bank's risk management objectives are aligned with the current business operating environment.

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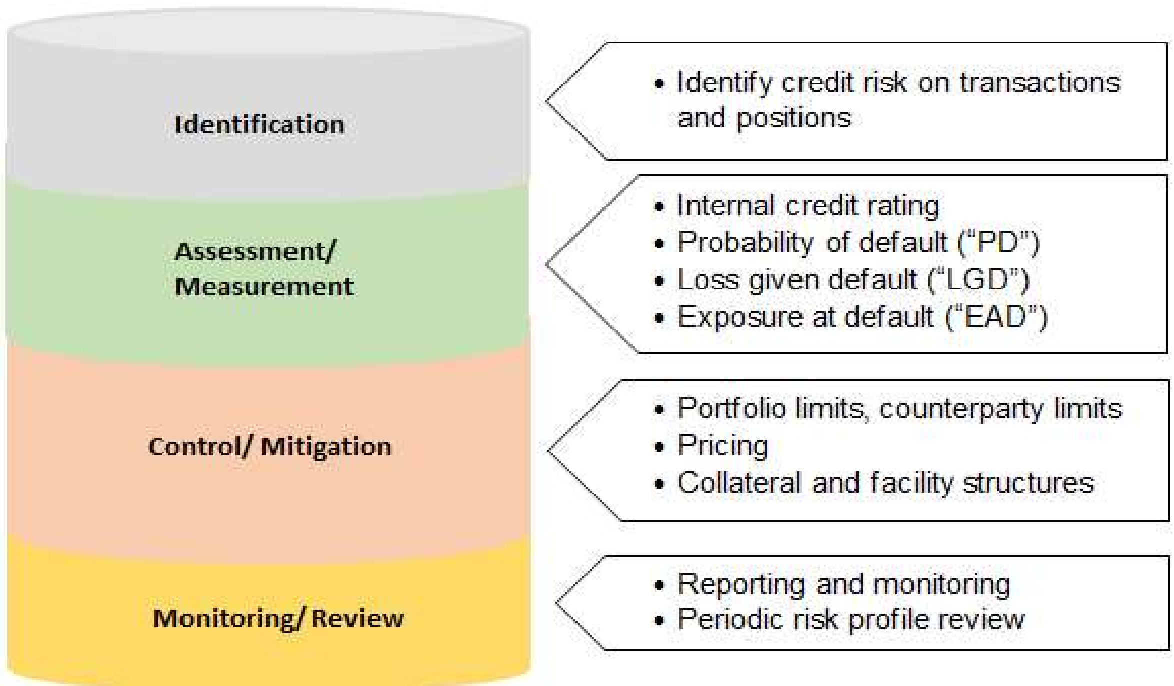
5.0 Credit Risk

The credit risk management process is depicted as follows:



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 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 borrowers' credit ratings based on internal rating criteria and the suitability of credit risk mitigation such as specific types of collaterals. Pre-emptive risk management tools such as collateral management, watch list and management-action-triggers have been put in place to proactively monitor for signs of possible credit deterioration.

5.0 Credit Risk (continued)

The Bank's credit risk management process is independent of the business to protect the 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.

In addition, the Bank has established limits to mitigate concentration risk within different industry sectors so that the Bank's exposures are evenly spread over various sectors with refrainment from undesirable sectors.

A loan is considered past due when the counterparty has failed to make a principal or interest payment when it is contractually due, whilst 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 when the estimated recoverable amount is lower than the net book value of the loan. Additionally, the Bank has applied the Expected Credit Loss based on local regulatory requirements.

BOD plays a crucial role in ensuring the proper oversight of the credit risk management in CCBM, in line with the Bank's capital strength, management expertise, risk appetite, business strategies and lending strategies. The BRMC assists BOD in evaluating and assessing the adequacy of strategies to manage the risks associated with CCBM's activities. The BRMC is also responsible with reviewing and evaluating the credit products engaged by CCBM 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 outcomes 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 BOD/management, Parent Bank and BNM as required.

5.0 Credit Risk (continued)

The effective credit monitoring and review process is vital to ensure that CCBM is aware of the condition of its credit exposures vis-à-vis its approved risk appetite and to facilitate early identification of potential problem credits on a timely basis. All credit exposures will go through a review process at least once a year. The Credit Management Division (“CMD”) may initiate an ad-hoc review on any existing borrower if the market conditions associated with the borrower has changed in a way that may affect the borrower’s risk profile.

5.1 Geographical Analysis

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

30 June 2023 Credit Exposure	**Malaysia (RM'000)**	**Hong Kong (RM'000)**	**China (RM'000)**	**Philippines (RM'000)**	**UAE (RM'000)**	**USA (RM'000)**	**Others (RM'000)**
Sovereigns/Central Banks	1,167,075	-	-	-	-	-	-
Banks, development financial institutions and MDBs	2,028,795	100	249,163	-	-	20,679	115
Corporates	3,074,859	-	124,805	-	-	-	-
Other assets	-	-	-	-	-	-	-
Total	**6,270,729**	**100**	**373,968**	**-**	**-**	**20,679**	**115**

31 December 2022 Credit Exposure	**Malaysia (RM'000)**	**Hong Kong (RM'000)**	**China (RM'000)**	**Philippines (RM'000)**	**UAE (RM'000)**	**USA (RM'000)**	**Others (RM'000)**
Sovereigns/Central Banks	1,361,206	-	-	-	-	-	-
Banks, development financial institutions and MDBs	2,221,819	95	326,293	-	-	31,893	38
Corporates	2,466,097	197,536	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
Total	**6,049,122**	**197,631**	**326,293**	**-**	**-**	**31,893**	**38**

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5.2 Industry/Sector Analysis

The table below shows the breakdown of gross credit exposures by industry/sectors:

30 June 2023

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)**
Agriculture, hunting, forestry and fishing	-	-	45,123	-	45,123
Administrative and support service activities	-	-	-	-	-
Construction	-	-	40,869	-	40,869
Education, health and others	-	-	181,697	-	181,697
Electricity, gas and water	-	-	-	-	-
Finance, insurance and business services	1,167,075	2,298,852	521,817	-	3,987,744
Information and Communication	-	-	8,864		8,864
Manufacturing	-	-	919,911	-	919,911
Professional, Scientific and Technical Activities	-	-	2,500	-	2,500
Real estate	-	-	44,376	-	44,376
Transport, and Storage	-	-	1,307,956	-	1,307,956
Wholesale & retail trade					
Water Supply; Sewerage, Waste Management and Remediation Activities	-	-	124,805	-	124,805
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	-	-	1,746	-	1,746
Other business activities	-	-	-	-	-
Total	**1,167,075**	**2,298,852**	**3,199,664**	**-**	**6,665,591**

5.2 Industry/Sector Analysis (continued)

The table below shows the breakdown of gross credit exposures by industry/sectors:

31 December 2022

Credit Exposure Sector	Category				Total
	Sovereigns & Central Banks (RM'000)	Banks, development financial institutions & MDBs (RM'000)	Corporates (RM'000)	Other assets (RM'000)	(RM'000)
Agriculture, hunting, forestry and fishing	-	-	40,350	-	40,350
Administrative and support service activities	-	-	3,000	-	3,000
Construction	-	-	682,424	-	682,424
Education, health and others	-	-	126,780	-	126,780
Electricity, gas and water	-	-	131,929	-	131,929
Finance, insurance and business services	1,361,206	2,580,138	535,245	-	4,476,589
Government	-	-	-	-	-
Manufacturing	-	-	717,857	-	717,857
Real estate	-	-	194,202	-	194,202
Sector N.E.C	-	-	-	-	-
Telecommunications	-	-	-	-	-
Transport, storage and communication	-	-	231,572	-	231,572
Wholesale & retail trade and restaurant & hotel	-	-	274	-	274
Other business activities	-	-	-	-	-
Total	**1,361,206**	**2,580,138**	**2,663,633**	**-**	**6,604,977**

5.3 Maturity Analysis (Residual Contractual Maturity)

The table below shows the breakdown of residual contractual maturity by different types of gross credit exposures:

30 June 2023

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	779,283	387,792	-	1,167,075
Banks, development financial institutions and MDBs	2,231,607	67,245	-	2,298,852
Corporates	615,459	1,626,366	957,839	3,199,664
Other assets	-	-	-	-
Total	**3,626,349**	**2,081,403**	**957,839**	**6,665,591**

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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	1,269,854	91,352	-	1,361,206
Banks, development financial institutions and MDBs	2,481,139	98,999	-	2,580,138
Corporates	791,941	786,748	1,084,944	2,663,633
Other assets	-	-	-	-
Total	**4,542,934**	**977,099**	**1,084,944**	**6,604,977**

5.4 Impaired loans and impairment provision by economic sector

The tables below show the breakdown of impaired loans and impairment provision by economic sector:

a) Impaired loans by sector

	30 June 2023 (RM'000)	31 December 2022 (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 and others	-	-
Others	-	-
Total	-	-

b) Past due loans by sector

	30 June 2023 (RM'000)	31 December 2022 (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 and others	-	-
Others	-	-
Total	-	-

c) Individual impairment provisions by sector

	30 June 2023 (RM'000)	31 December 2022 (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 and others	-	-
Others	-	-
Total	-	-

5.4 Impaired loans and impairment provision by economic sector (continued)

The tables below show the breakdown of impaired loans and impairment provision by economic sector:

d) Expected Credit Loss by sector

	30 June 2023 (RM'000)	31 December 2022 (RM'000)
Agriculture, hunting, forestry and fishing	443	396
Administrative and support service activities	-	8
Construction	486	660
Education, health and others	-	-
Electricity, gas and water	-	1,296
Finance, insurance and business services	3,541	3,470
Information and Communication	102	-
Manufacturing	6,466	7,601
Real Estate	-	2,729
Sector N.E.C	-	-
Telecommunications	-	-
Transportation, storage and communication	8,563	3,603
Water Supply; Sewerage, Waste Management and Remediation Activities	1,427	-
Others	-	-
Total	**21,028**	**19,763**

5.5 Impaired loans and impairment provision by geographical area

The tables below show the breakdown of impaired loans and impairment provision by geographical area:

a) Impaired loans by geographical area

	30 June 2023 (RM'000)	31 December 2022 (RM'000)
Malaysia	-	-
Hong Kong	-	-
China	-	-
Philippines	-	-
UAE	-	-
USA	-	-
Others	-	-
Total	-	-

5.5 Impaired loans and impairment provision by geographical area (continued)

The tables below show the breakdown of impaired loans and impairment provision by geographical area:

b) Past due loans by geographical area

	30 June 2023 (RM'000)	31 December 2022 (RM'000)
Malaysia	-	-
Hong Kong	-	-
China	-	-
Philippines	-	-
UAE	-	-
USA	-	-
Others	-	-
Total	-	-

c) Individual provision by geographical area

	30 June 2023 (RM'000)	31 December 2022 (RM'000)
Malaysia	-	-
Hong Kong	-	-
China	-	-
Philippines	-	-
UAE	-	-
USA	-	-
Others	-	-
Total	-	-

d) Expected Credit Loss by geographic area

	30 June 2023 (RM'000)	31 December 2022 (RM'000)
Malaysia	19,473	17,234
Hong Kong	-	2,271
China	1,538	233
Philippines	-	-
UAE	-	-
USA	17	25
Others	-	-
Total	**21,028**	**19,763**

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5.6 Reconciliation of changes to loan impairment provisions

	30 June 2023 (RM'000)	31 December 2022 (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 the 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	-	-
Expected Credit Loss*		
At the beginning of the financial year	19,763	27,403
Allowance made during the financial year	12,578	16,179
Allowance written back during the financial year	(11,313)	(23,819)
At the end of the financial year / period	21,028	19,763

6.0 Credit Rating

CCBM applies the credit ratings assigned by the External Credit Assessment Institutions ("ECAIs"), e.g. Standard & Poor's Rating Services (S&P) and Moody's Investors Service (Moody's), that are recognised by BNM in its calculation of credit risk weighted assets for capital adequacy purposes. The Bank applies 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, CCBM uses an internal rating model which is the Credit Risk Rating system to assist with the credit decision process. The Credit Risk Rating system has been developed by CCB Parent Bank and is used across its global operations. It uses a combination of quantitative and qualitative measures to determine the applicant's credit rating.

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6.1 Credit Risk : Disclosure on risk weights under Standardised Approach

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Risk Weights	Exposures after Netting and Credit Risk Mitigation						``` 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%	1,167,075	-	740,603	-	-	-	1,907,678	-
20%	-	2,150,304	346,662	-	-	-	2,496,966	499,393
35%	-	-	-	-	-	-	-	-
50%	-	132,096	-	-	-	-	132,096	66,049
75%	-	-	-	-	-	-	-	-
100%	-	16,452	2,112,399	-	-	-	2,128,851	2,128,851
150%	-	-	-	-	-	-	-	-
Average Risk Weights							**6,665,591**	**2,694,293**
Deduction from Capital Base	-	-	-	-	-	-		

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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%	1,361,206	-	684,705	-	-	-	2,045,911	-
20%	-	2,246,669	399,535	-	-	-	2,646,204	529,241
35%	-	-	-	-	-	-	-	-
50%	-	333,469	-	-	-	-	333,469	166,734
75%	-	-	-	-	-	-	-	-
100%	-	-	1,579,393	-	-	-	1,579,393	1,579,393
150%	-	-	-	-	-	-	-	-
Average Risk Weights							**6,604,977**	**2,275,368**
Deduction from Capital Base	-	-	-	-	-	-		

6.2 Rated Exposures according to Ratings by ECAIs

30 June 2023

Exposure Class	Moody's S& P Fitch	Aaa to Aaa3 AAA to AA- AAA to AA- (RM'000)	A1 to A3 A+ to A- A+ to A- (RM'000)	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- (RM'000)	Ba1 to B3 BB+ to B- BB+ to B- (RM'000)	Caa1 to C CCC to D CCC to D (RM'000)	Unrated Unrated Unrated (RM'000)
On and Off Balance Sheet Exposures							
Sovereign/Central Banks	-	-	1,167,075	-	-	-	-
Total	**-**	**-**	**1,167,075**	**-**	**-**	**-**	**-**

30 June 2023

Exposure Class	Moody's S& P Fitch RAM MARC	Aaa to Aaa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- (RM'000)	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- (RM'000)	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB+ to BBB- BBB+ to BBB- (RM'000)	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- (RM'000)	Caa1 to C CCC to D CCC to D C1 to D C+ to D (RM'000)	Unrated Unrated Unrated Unrated Unrated (RM'000)
On and Off Balance Sheet Exposures							
Banks, MDBs and DFIs	-	703,422	1,520,895	47,947	16,452	-	10,136
Corporates	-	346,663	-	-	-	-	2,853,001
Total	**-**	**1,050,085**	**1,520,895**	**47,947**	**16,452**	**-**	**2,863,137**

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6.2 Rated Exposures according to Ratings by ECAIs (continued)

31 December 2022

Exposure Class	Moody's S& P Fitch	Aaa to Aaa3 AAA to AA- AAA to AA- (RM'000)	A1 to A3 A+ to A- A+ to A- (RM'000)	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- (RM'000)	Ba1 to B3 BB+ to B- BB+ to B- (RM'000)	Caa1 to C CCC to D CCC to D (RM'000)	Unrated Unrated Unrated (RM'000)
On and Off Balance Sheet Exposures							
Sovereign/Central Banks	-	-	1,361,206	-	-	-	-
Total	**-**	**-**	**1,361,206**	**-**	**-**	**-**	**-**

31 December 2022

Exposure Class	Moody's S& P Fitch RAM MARC	Aaa to Aaa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- (RM'000)	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- (RM'000)	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB+ to BBB- BBB+ to BBB- (RM'000)	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- (RM'000)	Caa1 to C CCC to D CCC to D C1 to D C+ to D (RM'000)	Unrated Unrated Unrated Unrated Unrated (RM'000)
On and Off Balance Sheet Exposures							
Banks, MDBs and DFIs	-	1,161,416	1,307,333	44,563	-	-	66,826
Corporates	-	399,535	-	-	-	-	2,264,098
Total	**-**	**1,560,951**	**1,307,333**	**44,563**	**-**	**-**	**2,330,924**

7.0 Credit Risk Mitigation

The Bank has established sound internal processes and procedures that support reliable valuation, adequate monitoring of the collateral's allocation and utilization, timely liquidation, marketability as well as identifying any potential encumbrances in securing control over the collateral. All processes and procedures are reviewed at least annually.

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

The repayment ability of the borrower is of paramount importance. The acceptance of acceptable collateral/securities must never be regarded as a substitute for repayment ability and collaterals are taken as secondary source of repayment in case the counterparty cannot meet its contractual obligations.

The acceptable collaterals/securities for CCBM are, but not limited to,
- Cash security
- Freely tradeable Malaysia Quoted Shares
- Freely tradeable Malaysia Government Securities
- Freely tradeable Corporate Bonds
- Residential, Commercial or Industrial Property
- Plant and machineries
- Motor vehicles, planes and vessels

Financing or loan may also be granted by the Bank on clean basis if the customer's risk profile is acceptable within the risk appetite of the Bank.

Guarantee support

Guarantee support is accepted as a risk mitigating measure to improve the risk profile of the borrower and to mitigate inherent risk. The Bank ensures proper assessment on the correlation between the value of collateral and the strength of the guarantor, vis-à-vis the creditworthiness of the original counterparty.

Guarantees that are recognised by the Bank include personal guarantee, corporate guarantee and bank guarantee. The strength of the guarantor is subject to the financial standing and internal credit rating model. The Bank has in place a sound and well-defined credit acceptance criteria for the guarantee support.

7.0 Credit Risk Mitigation (continued)

Loan structuring techniques to mitigate identified credit risks

Apart from the collateral requirement and guarantee support, the Bank emphasises sound structuring techniques to fulfil the financing requirements of the borrower while simultaneously attempting to protect the Bank against loss resulting from the failure of the borrower in repayment. These include but are not limited to loan/financing covenant, repayment schedule and preferred types of loans/facilities.

Simple Approach

CCBM 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 guarantee (bank and government).

In applying the credit risk mitigation, CCBM 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

The tables below illustrate the credit mitigation condition:

30 June 2023 **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)**
<u>Credit Risk</u>				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	1,167,075	-	-	-
Banks, development financial institutions and MDBs	1,972,629	-	-	-
Corporates	2,219,147	582,366	154,859	-
Regulatory retails	-	-	-	-
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	-	-	-	-
Specialised Financing/ Investment	-	-	-	-
Equity exposures	-	-	-	-
Securitisation exposures	-	-	-	-
Defaulted exposures	-	-	-	-
Total On-Balance Sheet Exposure	**5,358,851**	**582,366**	**154,859**	**-**
Off-Balance Sheet Exposures				
OTC derivatives	483,522	-	-	-
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	823,218	-	3,378	-
Defaulted exposures	-	-	-	-
Total Off-Balance Sheet Exposure	**1,306,740**	**-**	**3,378**	**-**
Total On and Off Balance Sheet Exposures	**6,665,591**	**582,366**	**158,237**	**-**

7.1 Disclosure on Credit Risk Mitigation (continued)

The tables below illustrate the credit mitigation condition:

31 December 2022 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 Exposures				
Sovereigns/Central Banks	1,361,206	-	-	-
Banks, development financial institutions and MDBs	2,221,035	-	-	-
Corporates	2,306,386	670,363	5,744	-
Regulatory retails	-	-	-	-
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	-	-	-	-
Specialised Financing/ Investment	-	-	-	-
Equity exposures	-	-	-	-
Securitisation exposures	-	-	-	-
Defaulted exposures	-	-	-	-
Total On-Balance Sheet Exposure	**5,888,627**	**670,363**	**5,744**	**-**
Off-Balance Sheet Exposures				
OTC derivatives	467,339	-	-	-
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	249,011	-	8,599	-
Defaulted exposures	-	-	-	-
Total Off-Balance Sheet Exposure	**716,350**	**-**	**8,599**	**-**
Total On and Off Balance Sheet Exposures	**6,604,977**	**670,363**	**14,343**	**-**

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

Off-Balance sheet exposures are measured according to counterparty credit limit granted. In the event where credit limit is insufficient or not granted, the Bank will require counterparty to provide collateral, typically cash.

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 unutilised or undrawn portion of credit facilities
• Derivative financial instruments e.g. FX contracts, interest rate swaps, cross currency swaps

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 CCBM's overall credit risk strategies and appetites.

However, the Bank engages in netting and margining agreements with major trading counterparties to mitigate CCR. Under these arrangements, CCBM levies on collateral (cash only) from counterparty whenever the exposures exceed the minimum transfer amount agreed with the specific counterparty.

Off-balance sheet and CCR 30 June 2023 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 subsitutes	5,024	-	5,024	5,024
Transaction related contingent items	201,451	-	100,725	92,426
Short term self-liquidating trade related contingencies	182,883	-	36,577	36,577
Foreign exchange related contracts				
One year or less	5,489,205	161,792	233,748	73,038
Over one year to five years	373,560	41,296	59,974	22,739
Over five years	793,320	-	100,081	100,081

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

Off-balance sheet and CCR 30 June 2023 Description	**Principal Amount (RM'000)**	**Gross Positive Fair Value of Contracts (RM'000)**	**Credit Equivalent Amount (RM'000)**	**Risk Weighted Assets (RM'000)**
Interest/Profit rate related contracts				
One year or less	591,006	-	1,432	591
Over one year to five years	448,560	1,287	7,272	2,791
Over five years	793,320	-	81,015	81,016
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	-	-	-	-
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	1,361,785	-	680,892	680,892
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	-	-	-	-

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

Off-balance sheet and CCR 30 June 2023 Description	Principal Amount (RM'000)	Gross Positive Fair Value of Contracts (RM'000)	Credit Equivalent Amount (RM'000)	Risk Weighted Assets (RM'000)
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	833,319	-	-	-
Unutilised credit card lines	-	-	-	-
Off-balance sheet items for securitisation exposures	-	-	-	-
Off-balance sheet exposures due to early amortization provisions	-	-	-	-
Total	**11,073,433**	**204,375**	**1,306,740**	**1,095,175**

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

Off-balance sheet and CCR 31 December 2022 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	4,996	-	4,996	4,996
Transaction related contingent items	185,970	-	92,984	69,523
Short term self-liquidating trade related contingencies	13,723	-	2,746	2,745
Foreign exchange related contracts				
One year or less	9,822,457	108,816	237,179	99,689
Over one year to five years	1,159,643	41,574	108,788	55,440
Over five years	511,678	-	56,020	56,020
Interest/Profit rate related contracts				
One year or less	1,394,500	3,592	4,982	1,642
Over one year to five years	1,234,643	1,745	22,757	14,504
Over five years	511,678	-	37,613	37,613
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	-	-	-	-
OTC derivative transactions and credit derivatives contracts subject to valid bilateral netting agreements	-	-	-	-

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

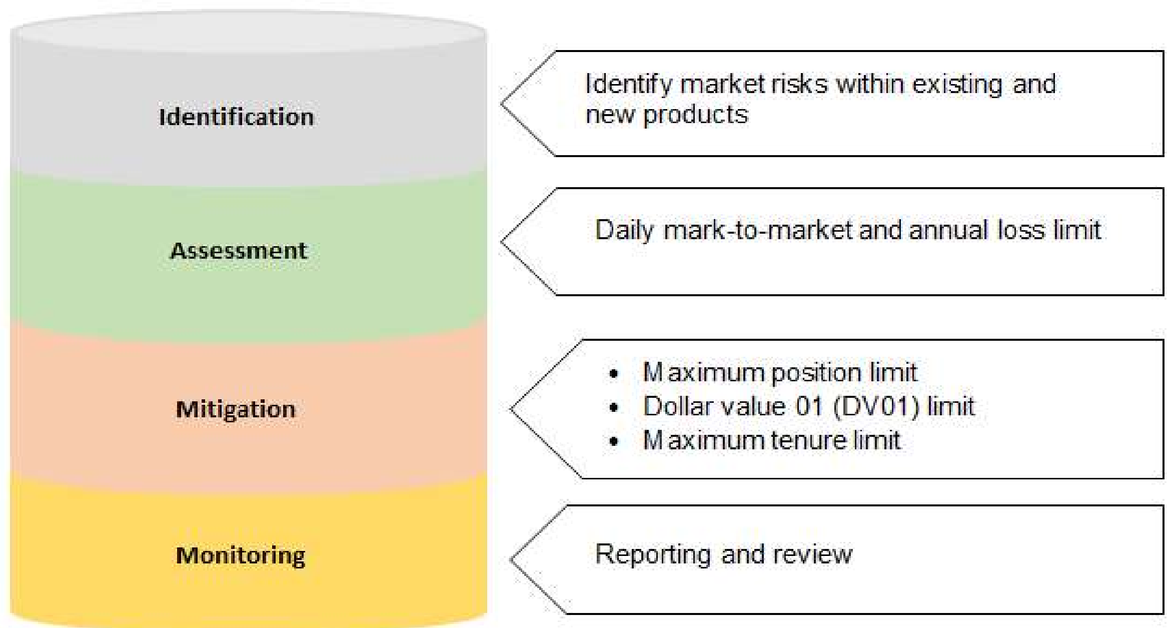
Off-balance sheet and CCR 31 December 2022 Description	Principal Amount (RM'000)	Gross Positive Fair Value of Contracts (RM'000)	Credit Equivalent Amount (RM'000)	Risk Weighted Assets (RM'000)
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	254,106	-	127,053	127,053
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	106,160	-	21,232	21,232
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	1,091,333	-	-	-
Unutilised credit card lines	-	-	-	-
Off-balance sheet items for securitisation exposures	-	-	-	-
Off-balance sheet exposures due to early amortization provisions	-	-	-	-
Total	**16,290,887**	**155,727**	**716,350**	**490,457**

9.0 Securitisation

CCBM does not engage in securitisation activities.

10.0 Market Risk

The market risk management process is depicted as follows:



Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices in the Trading book. Market risk is also applicable to the Investment book, where CCBM invests in bonds, money market instruments and derivatives.

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 in response to market conditions.

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.

10.0 Market Risk (continued)

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.

The BOD has the ultimate responsibility to ensure that market risks are properly governed and managed within CCBM, 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 outcomes are aligned with the Bank’s business strategies.

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

Financial Markets Division is responsible for daily management of the interest rate and foreign currency position of CCBM within the predetermined limits and is responsible for initiating all required hedging transactions. The internal audit division is responsible for providing 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 are portfolio analysis, limits setting, open position 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.

Capital Charge Requirement	**30 June 2023 (RM'000)**	**31 December 2022 (RM'000)**
Interest rate risk	-	191
Equity position risk	-	-
Foreign exchange risk	16,238	9,999
Commodity risk	-	-
Others	-	-
Total capital charge requirement	16,238	10,190
Total RWA for Market Risk	**202,977**	**127,371**

11.0 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. Financial Markets Division will ensure proper execution of liquidity risk management actions based on management's decisions. ALCO is responsible for the formulation of liquidity risk management guidelines including limit management and contingency planning. Stress testing is 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"), net stable funding ratio ("NSFR"), cashflow analysis, remaining contractual maturities and deposits concentration analysis.

12.0 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. 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.

The RMC is responsible for developing 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 defence model for holistic oversight on operational risk management.

The Bank carries out periodical risk and business impact analysis through its material risk assessment and 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.

12.0 Operational Risk (continued)

The BOD is responsible for the oversee of all risks of CCBM including any operational risk that arises and ensure that operational risks are properly governed and managed within CCBM. The BRMC is responsible for, and provides the overall direction and supervision for the operational risk management of CCBM. 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 CCBM's operational risk management policy and tools, particularly in promoting and inculcating operational risk awareness culture across the Bank. Regular operational risk reporting is submitted to Senior Management and BOD on timely basis.

The Bank currently adopts Basic Indicator Approach (BIA) for the computation of Operational Risk is in line with BNM's guidelines.

13.0 Interest Rate Risk in the Banking Book

Interest rate risk in the Banking Book ("IRRBB") is the risk to earnings or capital arising from movement of interest rates. In order to maintain interest rate risk at prudent level, it is essential for CCBM to maintain an effective measurement system.

The Senior Management is responsible for establishing the interest rate risk framework and provides 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") are responsible for reviewing the development of risk management policies, defining the strategies and ensuring the risk management outcomes are aligned with the Bank's business strategies.

In monitoring the Bank's earnings based on interest rate risk framework, the Bank uses the re-pricing gap analysis as the primary tool. The rate sensitive assets and liabilities are profiled based on the re-pricing dates and the impact is derived accordingly. The monitoring is focused on the risk arising from interest rates settled on liabilities which differ from offsetting assets in the respective repricing/maturity periods.

In addition, the Bank is also monitoring the re-pricing risk arising from repricing/maturity in timing differences for floating-rate and fixed-rate bank assets, liabilities and off-balance-sheet positions.

The primary tool is also used to monitor the interest rate risk impact on the net assets value is the economic value of equity ("EVE") analysis.

13.0 Interest Rate Risk in the Banking Book (continued)

Interest rate risk in the banking book is computed based on 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 earlier of its repricing tenor or final maturity date.

30 June 2023 Currency	Increase/(Decrease) in Economic Value		Increase/(Decrease) in Earnings	
	+100 bps (RM'000)	-100 bps (RM'000)	+100 bps (RM'000)	-100 bps (RM'000)
MYR	(37,334)	37,334	(2,606)	2,606
USD	719	(719)	(1,831)	1,831
CNY	836	(836)	1,294	(1,294)
EUR	6	(6)	3	(3)
SGD	-	-	1	(1)
Others	1	(1)	-	-
Total	**(35,772)**	**35,772**	**(3,139)**	**3,139**

31 December 2022 Currency	Increase/(Decrease) in Economic Value		Increase/(Decrease) in Earnings	
	+100 bps (RM'000)	-100 bps (RM'000)	+100 bps (RM'000)	-100 bps (RM'000)
MYR	(39,711)	39,711	(9,553)	9,553
USD	9,195	(9,195)	6,325	(6,325)
CNY	2,857	(2,857)	3,604	(3,604)
EUR	6	(6)	4	(4)
SGD	-	-	1	(1)
Others	1	(1)	3	(3)
Total	**(27,652)**	**27,652**	**384**	**(384)**

Note:

The Movement of Economic Value and Earnings was mainly arising from the cessation of London Interbank Offered Rate ("LIBOR") and the transition to the new reference rates ("RFRs"). This is also in line with practice adopted by Bank Negara Malaysia ("BNM") via letter dated 14 April 2023 to require all financial institutions to be fully prepared for the adoption of the RFRs for affected USD denominated financial contracts upon the cessation of the LIBOR.

14.0 Internal Capital Adequacy Assessment Process (ICAAP)

ICAAP is a Pillar 2 process where CCBM conducts internal capital adequacy requirements under 3-years forward looking scenarios. The Bank's ICAAP is guided by the ICAAP manual detailing the roles and responsibilities, approaches, and methodologies for identifying and measuring risks. Stress testing, governance and capital planning are also part of the process. In addition, an independent party is appointed to review the process.

The stress testing scenarios are baseline, exceptional but plausible and worst case. These scenarios incorporate the Bank's 3 years business plan and forward looking macro-economic conditions. This exercise enables the Bank to have an insight into its risk profile and allows it to implement mitigation measures.

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CHIEF EXECUTIVE OFFICER ATTESTATION

In accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in China Construction Bank (Malaysia) Berhad Pillar 3 Disclosure report for the financial period ended 30 June 2023 are consistent with the manner the Bank assesses and manages its risk, accurate, complete and not misleading in any particular way.

Wang Qijie
Chief Executive Officer
Date : 26 July 2023