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

Directors' Report and Audited Financial Statements
31 December 2023

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

Corporate information

Board of Directors

Lu Yang
Qian Lihong
Chong Kwai Ying
Lee Teck Seng
Datin Ooi Swee Lian
Dato' Lee Teck Hua

Company Secretary

Wong Bee Ping
SSM PC No. 201908001807
MAICSA 7025334

Registered Office

Level 20, Menara CCB, Quill 6
No 6. Leboh Ampang
50100 Kuala Lumpur
Malaysia

Auditors

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

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Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Bank for the financial year ended 31 December 2023.

Principal activities

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

Results

	RM'000
Profit before taxation	39,760
Taxation	(13,250)
Net profit for the financial year	26,510

Dividend

No dividend have been paid or declared by the Bank. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2023.

Reserves and Provisions

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

Directors

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

Lu Yang
Qian Lihong
Chong Kwai Ying
Lee Teck Seng
Datin Ooi Swee Lian
Dato' Lee Teck Hua

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Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 25 to the financial statements or from related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

Indemnification of directors

During the financial year, the amount of Director's and Officer's Liability Insurance premium paid for Directors and officers of the Bank are RM29,418 (2022: RM18,030). The directors and officers shall not be indemnified by the insurance for any negligence, fraud, intentional breach of law or breach of trust proven against them.

Directors' interests

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

Holding company

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

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Profile of Directors

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

Mr Lu Yang, aged 48, holds a Bachelor Degree in Economics (International Credit and Investment) from China Institute of Finance and Banking (1996), MBA Degree from Renmin University of China (2002) and a Doctoral Degree in Corporate Management from Capital University of Economics and Business, China (2009). He was appointed as Non-Independent Non-Executive Director and Chairman of China Construction Bank (Malaysia) Berhad on 30 October 2018. He is also a member of the Audit Committee, Board Risk Management Committee and Board Remuneration Committee of the Bank.

Mr Lu has more than 26 years of banking experience. He started his banking career with head office of Industrial and Commercial Bank of China Limited (July 1996 - January 2005), where he had assumed several positions in various departments covering Asset Risk Management Department, Banking Department and Executive Office. He joined China Construction Bank Corporation in January 2005 as Senior Manager of Secretarial Division 1 of the Executive Office until October 2007 before being appointed as Deputy Director of the Board of Supervisors Office (November 2007 - December 2010). Mr Lu was appointed Deputy CEO of CCB International (Holdings) Limited ("CCBI") in January 2011 until September 2018. During his tenure of appointment as Deputy CEO of CCBI, he was in-charged of Mainland China business including subsidiaries of CCBI in Beijing, Tianjin and Shanghai with business nature to cover financial advisory, wealth management, asset management and fund investment etc. Mr Lu, a licensed holder under the Securities and Futures Commission of Hong Kong, had previously assumed the positions as Responsible Officer of CCB International Asset Management Limited ("CCBIAM") and Manager-in-charge of CCBIAM, CCB International Capital Limited and CCB International Securities Limited, being the subsidiaries of CCBI. He was also a Non-Executive Director of China Construction Bank (London) Limited from March 2018 to March 2022.

Mr Lu had attended the following online training programmes/conference during the financial year 2023:

- Cyber Security Awareness Briefing (in-house)
- Budget 2023 Briefing (in-house)
- CCBM Recovery Planning Briefing (in-house)
- Anti-Money Laundering/Counter Financing of Terrorism and Sanctions Training For Board (in-house)

Mr Lu Yang does not have any shareholding in the Bank. He had attended all seven (7) Board meetings held in the financial year 2023.

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Profile of Directors (cont'd.)

Ms Qian Lihong
Non-Independent Executive Director

Ms Qian Lihong, aged 59, holds a Bachelor in Economics from Xinjiang University of Finance and Economics and a Master in Economics from Peking University, China. Ms Qian was appointed as Non-Independent Executive Director of China Construction Bank (Malaysia) Berhad on 20 January 2017. She is also a member of the Board Nomination Committee of the Bank.

Ms Qian carries with her more than 39 years of banking experience. She started her banking career with CCB Xinjiang Branch, International Business Department in August 1985 before moving on to CCB Beijing Branch in August 1994 whereby she has held various positions in the International Business Department of the branch ranging from Credit Manager, Deputy Manager and Manager of Credit Department (August 1994 – April 1999), Manager of Credit Sales Department (May 1999 – July 2000) and Credit Management Department (July 2000 – October 2001). She was appointed as Deputy General Manager of Assets Security and Management Department of CCB Beijing Branch in October 2001 before appointed as an Executive Assistant Director to Olympics Hosting Bank Application Leading Team Office (May 2003 - September 2004). Ms Qian was appointed as Deputy General Manager of CCB Beijing Branch Corporate Banking Department in September 2004 before assumed the position as Deputy General Manager of Strategic Clients Department in February 2007 and was promoted to General Manager of the same department in March 2008. She was assigned with greater responsibility in December 2009 following her appointment as a Member of CCB Beijing Branch's Company and Institute Business Committee, General Manager of Strategic Clients Business cum General Manager of Infrastructure Facility Sales Team. Ms Qian was subsequently appointed as Person-in-charge of International Business Department of CCB Beijing Branch in July 2011 prior to her appointment as General Manager of the same department in August 2011. Ms Qian was promoted to Deputy General Manager of CCB Head Office's International Business Department in January 2014 and subsequently appointed as Deputy General Manager of CCB Head Office's Strategic Clients Department in February 2015 before assuming the position of General Manager of Investment Banking Department of CCB Head Office in July 2017. She was appointed as the representative of the Vice-President Unit of China Investment Council in 2017 and assumed the position of Non-Executive Director in CCB Private Equity Investment Management Corporation on 6 December 2018. Ms Qian was appointed a member of the Advisory Council of Experts to the China National Venture Capital Guide Fund for Emerging Industries and a Director of the National Green Development Fund of China in February 2020 and December 2020, respectively. In 2021, she was appointed as a Director member of Asset Securitization and Structured Financing Professional Committee in National Association of Financial Market Institutional Investors (NAFMII).

Ms Qian had attended the following training programmes during the financial year 2023:

- Cyber Security Awareness Briefing (in-house)
- Budget 2023 Briefing (in-house)
- CCBM Recovery Planning Briefing (in-house)
- Anti-Money Laundering/Counter Financing of Terrorism and Sanctions Training For Board (in-house)
- CCB Group various training courses including leadership development, strategic management, green financing, marketing, etc

Ms Qian does not have any shareholding in the Bank. Ms Qian had attended all seven (7) Board meetings held in the financial year 2023.

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Profile of Directors (cont'd.)

Ms Chong Kwai Ying
Independent Non-Executive Director

Ms Chong Kwai Ying, aged 63, holds a Bachelor of Economics (Hons) majoring in Business Administration from University Malaya, Malaysia. She was appointed as an Independent Non-Executive Director of China Construction Bank (Malaysia) Berhad on 15 October 2018. She is the Chairman of Board Risk Management Committee and a member of the Audit Committee of the Bank.

Ms Chong joined Bank Negara Malaysia ("BNM") in April 1982 as an Administrative Officer. During her 35 years' tenure in BNM, she had served in various positions before being promoted to Deputy Director of Banking Supervision Department in May 1998 until her retirement in April 2017. She was responsible for the supervision of domestic banking groups and locally incorporated foreign banks. She has vast knowledge in banking products and operations, financial analysis, risk management and governance as well as policies, legal and regulatory requirements imposed on the banking institutions by BNM.

After her retirement from BNM, she has a short engagement with Perbadanan Insurans Deposit Malaysia ("PIDM") from June 2017 to January 2018 where she provided advisory and consultancy services on one of its resolution projects. Currently, Ms Chong is sitting on the boards of Generali Life Insurance Malaysia Berhad (previously known as AXA Affin Life Insurance Berhad) and Genting Malaysia Berhad as an Independent Non-Executive Director.

Ms Chong had attended the following online training programmes/conference during the financial year 2023:

- FIDE FORUM: Distinguished Board Leadership Series for 2023 on “Can America Stop China’s Rise? Will ASEAN be damaged?”
- Cyber Security Awareness Briefing (in-house)
- Malaysia Budget 2023 Briefing (in-house)
- Genting Group Tax Seminar on Budget 2023
- CCBM Recovery Planning Briefing (in-house)
- RMiT Awareness Session
- Metaverse Immersion
- AML/CFT Independent Validation
- Malaysian Financial Reporting Standards 17
- Advocacy Session for Directors & CEOs of Main Market Listed Issuers
- Conflict of Interest for Directors of Listed Issuers
- ESG, Climate and Trust – The Board’s Role
- Board Oversight of Climate Risk & Opportunities
- Anti-Bribery Anti-Corruption Awareness Session
- Annual Anti-Money Laundering/Counter Financing of Terrorism and Sanctions Training for Board (in-house)
- FIDE FORUM: Cloud Requirements in RMiT Policy Document and Artificial Intelligence & Machine Learning Adoption Landscape in the Industry
- 2024 Budget Seminar
- Climate Change & Carbon Footprint – Getting the Right Financial and Reporting Perspectives
- Climate Risk Management & Scenario Analysis

Ms Chong does not have any shareholding in the Bank. She had attended all seven (7) Board meetings held in the financial year 2023.

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Profile of Directors (cont'd.)

Mr Lee Teck Seng
Independent Non-Executive Director

Mr Lee Teck Seng, aged 66, holds a Bachelor of Science (Hons) from University Malaya, Malaysia. He was appointed as an Independent Non-Executive Director of China Construction Bank (Malaysia) Berhad on 20 January 2023. He is the Chairman of the Board Nomination Committee and a member of the Audit Committee and Board Risk Management Committee of the Bank.

Mr Lee has over 37 years of working experience in banking primarily in the area of treasury and investment banking since the beginning of his career in 1980. He has worked for Malayan Banking Berhad, Citibank Malaysia, Standard Chartered Bank (Malaysia and Thailand), United Overseas Bank Ltd (Singapore), ABN AMRO Bank Malaysia (The Royal Bank of Scotland Berhad), CIMB Thailand and CIMB Investment Bank Berhad before his last appointment as Sale Director and Country Head for Thomson Reuters Malaysia Sdn Bhd in June 2016 till March 2018. Over the years, Mr Lee has actively participated in the development of financial markets in Malaysia and provided training to Bank Negara Malaysia and the South East Asian Central Banks Research and Training Centre. Currently, Mr Lee is the Non-Executive Chairman of ALCO for MAHA Agriculture Microfinance, Myanmar and non-executive Advisor for 5X Capital Sdn Bhd effective 1 November 2023.

Mr Lee had attended the following training programmes/conference during the financial year 2023:

- FIDE Core Program (Module A & B)
- CCBM New Director’s Induction Program 2023 (in-house)
- Cyber Security Awareness Briefing (in-house)
- Budget 2023 Briefing (in-house)
- CCBM Recovery Planning Briefing (in-house)
- Annual Anti-Money Laundering/Counter Financing of Terrorism and Sanctions Training for Board (in-house)
- ICA: Understanding the Impact of Digital Transformation in the Financial Industry: What Board Members Need to Know
- FIDE FORUM: Engagement Session: Discussing the Future of Board Talent in Financial Services Industry
- FIDE FORUM: Distinguished Board Leadership Series 2023 – Empowering Change through Diversity Equity and Inclusion
- FIDE FORUM: AI and Financial Institutions: Friend or Foe?
- FIDE FORUM: Cloud Requirements in RMiT Policy Document and Artificial Intelligence & Machine Learning Adoption Landscape in the Industry

Mr Lee does not have any shareholding in the Bank. He had attended all seven (7) Board meetings held in the financial year 2023.

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Profile of Directors (cont'd.)

Datin Ooi Swee Lian
Independent Non-Executive Director

Datin Ooi Swee Lian, aged 63, holds a Bachelor of Economics (Hons) majoring in Business Administration from University Malaya, Malaysia. She was appointed as an Independent Non-Executive Director of China Construction Bank (Malaysia) Berhad on 20 January 2023. She is the Chairman of the Board Remuneration Committee and a member of the Board Risk Management Committee and Board Nomination Committee of the Bank.

Datin Ooi has over 30 years of working experience in the banking industry including seven years overseas. She began her banking career in the Lending Division of Malayan Banking Berhad in 1983. In 1986, she went abroad and furthered her banking exposure with Llyods Bank, Hong Kong and Indover Asia Limited, Hong Kong.

Datin Ooi joined RHB Bank Berhad in October 1994 and has held various senior positions in commercial/corporate and transaction banking since then. She was appointed as the Executive Vice President and Head of Group Business Banking and Transaction Banking in 2014 and held the position till December 2017. Datin Ooi was an Independent Non-Executive Director of Alliance Investment Bank Berhad from 1 November 2018 till 8 August 2022. She also serves as an Independent Non-Executive Director of Poh Kong Holdings Berhad since 2 June 2023.

Datin Ooi had attended the following training course/conference during the financial year 2023:

- CCBM New Director’s Induction Program 2023 (in-house)
- Cyber Security Awareness Briefing (in-house)
- Budget 2023 Briefing (in-house)
- CCBM Recovery Planning Briefing (in-house)
- Annual Anti-Money Laundering/Counter Financing of Terrorism and Sanctions Training for Board (in-house)
- ASB: Remaking Corporate Governance for an ESG World
- Bursa: Mandatory Accreditation Program Part I
- ASB: Managing Cyber Risk – Insights for Boards and Senior Management

Datin Ooi does not have any shareholding in the Bank. She had attended all seven (7) Board meetings held in the financial year 2023.

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Profile of Directors (cont'd.)

Dato' Lee Teck Hua
Independent Non-Executive Director

Dato’ Lee Teck Hua, aged 50, holds a Bachelor of Arts in Accounting and Finance from University of Strathclyde, Glasgow, United Kingdom (1984) and completed his Association of Chartered Certified Accountants (ACCA) examination in 1996. He is a Fellow of the ACCA and Member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants (MICPA) as well as a Certified Member of Financial Planning Association of Malaysia (CFP). He was appointed as an Independent Non-Executive Director of China Construction Bank (Malaysia) Berhad on 20 January 2023. He is the Chairman of the Audit Committee and a member of Board Remuneration Committee of the Bank.

Dato’ Lee has over 27 years of working experience in professional accounting firms specialising in financial and audit consulting for listed companies. He was attached with PricewaterhouseCoopers from 1997 to 2000 in both taxation and business assurance (audit) divisions. He worked as a Principal for a local chartered accounting firm since 2001 before becoming the Senior Partner for LTTH PLT, an accounting firm with comprehensive business consultation services for both listed and unlisted clients from 2007 till present. He is currently the Vice Chairman of the Malaysian Xiang Lian Charity Foundation, Central Committee Member cum Vice Chairman of Economics Council of The Federation of Chinese Associations of Malaysia (Huazong), Deputy Secretary General of the Associated Eng Choon Societies of Malaysia, Committee Member of Club Licensing Committee of the Football Association of Malaysia (FAM) and China Fujian Federation of Overseas Chinese and Executive Committee Member of China Jilin Province Overseas Friendship Association. Currently, he is an Independent Non-Executive Director of Globaltec Formation Berhad.

Dato’ Lee had attended the following training programmes/conference during the financial year 2023:

- FIDE Core Program (Module A & B)
- CCBM New Director’s Induction Program 2023 (in-house)
- Cyber Security Awareness Briefing (in-house)
- Budget 2023 Briefing (in-house)
- CCBM Recovery Planning Briefing (in-house)
- Annual Anti-Money Laundering/Counter Financing of Terrorism and Sanctions Training for Board (in-house)

Dato' Lee does not have any shareholding in the Bank. He had attended all seven (7) Board meetings held in the financial year 2023.

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Financial Performance and Business Outlook

The Bank's total assets stood at RM7.69 billion as at 31 December 2023, an increase of RM1.54 billion or 25.00% as compared to the previous financial year. This was mainly attributable to the higher loans and advances of RM1.88 billion, a growth of 153.60%. Gross impaired loans ratio remained at 0% as at the end of 2023. Deposit from customers remained stable at RM3.21 billion as at 31 December 2023.

For the financial year ended 31 December 2023, the Bank registered profit before tax (“PBT”) of RM39.76 million, a increase of RM20.48 million or 106.27% as compared to the previous financial year. Higher PBT mainly attributable to higher other operating income of RM88.56 million. The Bank recorded a profit after tax (“PAT”) for the financial year of RM26.51 million.

The Bank maintained healthy capital position and ample liquidity buffer. The Bank’s Common Equity Tier I capital ratio/Tier I capital ratio and Total capital ratio stood at 26.72% and 54.14% respectively as at the end of 2023, which remained above the minimum regulatory requirements.

Outlook 2024

Malaysia’s economic growth momentum remain cautiously optimistic supported by strong domestic demand and favorable labor market dynamic of 70% participation rate. Restructuring the economy to boost growth, building on the National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030 (NIMP 2030) along with 12th Malaysia Plan (12 MP) which among others aimed to raise Rakyat's standard of living to boost consumption likely to see 2024 Gross Domestic Product (GDP) to grow by 4.0%-5.0% range from an estimated 3.80% growth in 2023. Both IMF and World Bank has projected 2024 Malaysia GDP to grow at 4.30%.

Resilient domestic demand amid improving employment and income levels as well as implementation of multi-year projects under accommodative monetary policy backdrop should propel growth momentum to achieve the GDP growth target.

Malaysia Tourists arrivals and spending are expected to improve further, especially from China and India with the free visa privilege arrangement until 31 December 2024. In 2024, Malaysia aims to welcome 27.3 million tourists, generating RM 102.7 billion in revenue. The forthcoming Visit Malaysia Year 2026 has set an ambitious target of 35.6 million foreign tourist arrivals.

On the other hand, investment activities would be supported by continued progress of multi-year projects in both the private and public sectors with implementation of catalytic initiatives under the national master plans with roll out of several big-ticket projects like Penang Light Rail Transit (LRT), East Coast Highway 3, West Coast Expressway, flood mitigating projects, Central Spine Roads, Johore -Singapore Rapid Transit System and the remaining of East Coast Rail Link and Pan Borneo Highway projects etc. While on the corporate sectors, projects like Penang chip packaging facility, The AirTrunk JHB1 Hyperscale Data Centre in Johore, Lithium Battery Production factory in Kedah, Serendah Solar Photovoltaic manufacturing plant etc should provide continuous employment opportunities at large.

However, the above growth outlook prospect is subject to downside risks stemming from weaker-than-expected external demand, particularly that of China who is our biggest trading partner, and larger declines in commodity production and prices along with intensifying of trade and geopolitical tension.

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Outlook 2024 (cont'd.)

China’s economy is expected to continue show modest signs of improvement despite the weakness in the property market. The announcement of RMB 1 trillion stimulus bond issuances to fund projects related to food, energy, supply chains, and urbanization and the prospect of 100 bps reserve requirement ratio cut, which is circa RMB 2 trillion liquidity being release into the system, will intensify efforts for shoring up the world’s second-largest economy. While IMF and World Bank both projected slower 2024 growth outlook of 4.60% and 4.30% respectively for China, we still believe that the announced stimulus packages along with Beijing’s continuous efforts to revive investor confidence should see the growth to remain at 5.0% region.

On the global front, the tightening cycle has peaked for most central banks with market calling for Federal Reserve Bank and European Central Bank to start cutting rate as early as March with higher odds by May 2024 with quantum ranging from 75 bps to 125 bps. IMF and World Banks has forecasted slower GDP growth for the U.S. with 1.50% and 0.80% respectively, likewise year on year global growth outlook was also projected to be lower by both institutions.

Despite the uneven global growth prospect, China Construction Bank (Malaysia) Berhad (“CCBM or the bank”), with strong customer base cutting across several key sectors of the economy, both from Malaysia and China, will be able to seize the new opportunities from both private and public sector multi-year project implementation to further grow and diversify its businesses by providing excellent customer experience financial products and services. Renminbi ("RMB") settlements and clearings services and provision of financing to infrastructure developments aligned with the Belt and Road Initiatives and in Environmental, Social and Governance ("ESG") theme will continue to be the bank’s core focus in achieving the desired key result areas.

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.

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Corporate Governance Statements

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

Board of Directors

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

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

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

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

Currently, the Board consists of six (6) members, comprising one (1) Non-Independent Non-Executive Chairman, one (1) Non-Independent Executive Director and four (4) Independent Non-Executive Directors. Female Directors account for 50% of the Board. Overall, Independent Directors account for 67% of the Board. Their presence ensures effective check and balance on the functioning of the Board. A brief profile of each Director is set out on pages 3 to 8.

Tenure of Directors

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

In accordance with the Bank's Constitution, all Directors shall retire from office at the first annual general meeting ("AGM") and at the AGM in every subsequent year, one-third (1/3) of the Directors for the time being or the number nearest to one-third (1/3) shall retire from office and be eligible for re-election.

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

Board Performance Assessment

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

Board and Committee Meetings

The Board and its Committees met regularly to carry out their respective duties and responsibilities during the year under review. All Directors have complied with BNM's requirement of at least 75% attendance at Board meetings held in the financial year. The table below illustrates 2023 meeting attendance record for all Board members of the Bank:

Board Members	Designation	Meeting Attendance				
		Board	AC	BRMC	BNC	BRC
Lu Yang	Non-Independent Non-Executive Director/Chairman	7/7	7/7	7/7		4/4
Qian Lihong	Non-Independent Executive Director	7/7			5/5	
Chong Kwai Ying	Independent Non-Executive Director	7/7	7/7	7/7		
Lee Teck Seng	Independent Non-Executive Director	7/7	7/7	7/7	5/5	
Datin Ooi Swee Lian	Independent Non-Executive Director	7/7		7/7	5/5	4/4
Dato' Lee Teck Hua	Independent Non-Executive Director	7/7	7/7			4/4

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Corporate Governance Statements (cont'd.)

Directors' Emoluments

The Board is mindful that a fair remuneration is essential to attract, retain and motivate Directors with relevant experience and expertise to lead the Bank. The BRC has been entrusted to review the emoluments of Independent Directors of the Bank. Non-Independent Directors of the Bank are drawing their emoluments from the parent bank. Details of the emoluments of the Directors for 2023 from the Bank are shown in Note 25 to the financial statements.

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

Directors' Training and Development

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

Board Committees

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

(i) Audit Committee

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

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

- Dato' Lee Teck Hua (Chairman)
- Lu Yang
- Chong Kwai Ying
- Lee Teck Seng

During the financial year 2023, the AC has held seven (7) meetings. Attendance as set out in the table on page 12.

Board Committees (cont'd.)

(ii) Board Risk Management Committee

BRMC provides oversight on the effectiveness of the risk management framework and policies in supporting the Bank's strategies and risks, and risk related decision-making activities to ensure the management of bank-wide entity specific risks and alignment to the Bank's risk appetite, strategies and capital, and prudent practices in risk taking activities. It also provides oversight on the Bank's ethical behaviors and ensures it operates at all times within applicable laws, regulations and with due regard to ethical standards. BRMC oversees the Senior Management's activities in managing credit, market, liquidity, operational, information technology ("IT"), cyber security, business continuity management, money laundering/terrorism financing & targeted financial sanctions ("ML/TF & Sanction"), compliance, legal, environmental, social and governance ("ESG") and other risks and ensuring the integrated risk management functions within the Bank are in place and effectively discharged.

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

- Chong Kwai Ying (Chairman)
- Lu Yang
- Lee Teck Seng
- Datin Ooi Swee Lian

During the financial year 2023, BRMC has held seven (7) meetings. Attendance as set out in the table on page 12.

(iii) Board Nomination Committee

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

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

- Lee Teck Seng (Chairman)
- Qian Lihong
- Datin Ooi Swee Lian

During the financial year 2023, BNC has held five (5) meetings. Attendance as set out in the table on page 12.

Board Committees (cont'd.)

(iv) Board Remuneration Committee

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

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

- Datin Ooi Swee Lian (Chairman)
- Lu Yang
- Dato' Lee Teck Hua

During the financial year 2023, BRC has held four (4) meeting. Attendance as set out in the table on page 12.

Internal Controls

The Board has the overall responsibility for establishing and maintaining a sound risk management and internal control system to ensure compliance with the applicable laws and regulations as well as internal policies and guidelines. Regular reviews and updates are performed on internal policies, guidelines and procedures to ensure they continue to operate adequately and effectively, taking into consideration the changes in the Bank's risk profile and business conditions and regulatory requirements.

During the year 2023, the Board had approved the formulation and revision of various governance documents including policies or guidelines as a continuous measure to enhance good governance practice in strengthening the internal control, compliance and risk management of the Bank, covering aspects involving internal corporate governance, credit risk, market risk, operational risk, business continuity management, regulatory compliance framework, anti-money laundering and counter financing of terrorism, information technology security, cyber security, ethics wall and etc. The Board also placed great emphasis on setting a clear business direction through the comprehensive business plan, risk appetite setting, among others.

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

Internal Controls (cont'd.)

Internal audit, as third line of defense with direct reporting to AC, assists the Committee to discharge its duties and responsibilities by providing independent and objective assurance on the adequacy and effectiveness of the Bank's risk management, internal control system and governance processes. The scope of audit covers key businesses, operations and support functions of the Bank. In managing the audit activities, the Bank's internal audit division ("IA") has formulated annual audit plan by adopting a risk-based methodology. Various IA reports have been generated based on the audits conducted in year 2023 comprised of findings, recommendation and management action plan for submission to the AC for deliberations, endorsement and approval. Follow-up process is in place to track the actions plan to addressing audit findings.

Conflicts of Interest

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

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

The Directors and employees of the Bank abide to "No Gift Policy" to avoid conflict of interest or the appearance of conflict of interest for either party in the on-going or potential business dealings between the Bank and external parties.

Anti-Corruption Policy

The Bank is committed to conducting its business activities in accordance with all applicable laws and regulations that prohibit bribery and corruption. This prohibition against bribery and corruption is a cornerstone of CCBM's commitment to conducting business in an ethical manner, which is one of CCBM's core values. In support of its commitment to conducting business with integrity, CCBM expects all its employees and business partners to abide by the anti-bribery and anti-corruption practices and standards that CCBM has put in place since the enforcement of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 and MACC Act (Amendment) 2018 came into effect on 1 June 2020. Senior Management of the Bank has been entrusted in spearheading the initiatives of combating bribery and corruption acts.

Whistleblowing Policy

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

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

Total Reward Policy

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

Sustainability

The Bank is committed to comply with BNM's requirements on the "Climate Change and Principle-based Taxonomy" and strives towards alignment with national roadmaps on sustainability initiatives.

Policies and strategies have been put in place to continuously strengthen, measure, mitigate and protect the Bank against climate risks. The Bank is focused on delivering its best in sustainable growth by working together with its customers and other stakeholders.

Accountability and Audit

(i) Financial Reporting

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

(ii) Statement on Directors' Responsibility

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Bank as at the end of the accounting period and of its financial performance and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that the preparation and fair presentation of these financial statements are in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia in all material respects and other legal requirements.

The Statement on Directors' Responsibility in respect of the preparation of audited financial statements of the Bank is set out on page 20.

(iii) Relationship with External Auditors

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

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

Accountability and Audit (cont'd.)

(iii) Relationship with External Auditors (cont'd.)

The AC undertakes the assessment of the performance, suitability and independence of the external auditors and recommends to the Board and shareholder for their re-appointment on annual basis. On the other hand, the Bank governs its engagement of external auditors to perform non-audit services through the Non-Audit Services Policy. The policy stipulates the permissible non-audit services, as part of the governance process to preserve the independence and objectivity of the external auditors.

Other statutory information

(a) Before the statement of comprehensive income and statement of financial position of the Bank were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Bank inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Bank misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Bank which would render any amount stated in the respective financial statements misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Bank.

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

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which will or may affect the ability of the Bank to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Bank for the financial year in which this report is made.

Auditors and auditors' remuneration

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The auditors' remuneration is as follows:

	RM'000
Ernst & Young PLT	484

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 April 2024.

Dato' Lee Teck Hua
Director

Chong Kwai Ying
Director

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

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

We, Dato' Lee Teck Hua and Chong Kwai Ying, being two of the Directors of China Construction Bank (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 25 to 109 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 December 2023 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 April 2024.

Dato' Lee Teck Hua Director	Chong Kwai Ying Director

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

I, Wang Qijie, being the Officer primarily responsible for the financial management of China Construction Bank (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 25 to 109 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Wang Qijie at Kuala Lumpur in the Federal Territory on 23 April 2024	Wang Qijie

Before me,

201601032761 (1203702-U)

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of China Construction Bank (Malaysia) Berhad, which comprise the statement of financial position as at 31 December 2023, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 25 to 109.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of the financial statements of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank, the directors are responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

201601032761 (1203702-U)

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

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- Conclude on the appropriateness of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Other matters

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Chan Hooi Lam
No. 02844/02/2026 J
Chartered Accountant

Kuala Lumpur, Malaysia
23 April 2024

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

Statement of financial position
As at 31 December 2023

	Note	2023 RM'000	2022 RM'000
Assets			
Cash and short-term funds	3	1,744,813	585,056
Deposits and placements with banks and other financial institutions	4	690,275	897,025
Debt instruments at fair value through other comprehensive income ("FVOCI")	5	1,916,122	3,071,739
Other assets	6	49,842	72,992
Derivative financial assets	7	97,624	150,725
Loans and advances	8	3,096,965	1,221,217
Tax recoverable		28,923	37,698
Statutory deposits with Bank Negara Malaysia	9	2,000	46,001
Right-of-use assets	10	35,093	38,937
Property and equipment	11	5,169	3,235
Intangible assets	12	7,604	8,808
Deferred tax assets	13	13,443	17,113
Total assets		7,687,873	6,150,546
Liabilities			
Deposits from customers	14	3,205,936	3,195,291
Deposits and placements of banks and other financial institutions	15	1,785,159	807,232
Other liabilities	16	191,986	132,049
Derivative financial liabilities	7	139,941	180,064
Lease liabilities	10	35,693	39,101
Borrowing	17	451,759	-
Subordinated loan	18	921,542	882,813
Total liabilities		6,732,016	5,236,550
Equity attributable to equity holder of the Bank			
Share capital	19	822,600	822,600
Reserves	20	133,257	91,396
Total equity		955,857	913,996
Total liabilities and equity		7,687,873	6,150,546
Commitments and contingencies	28	8,136,899	14,289,665

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

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

Statement of comprehensive income
For the financial year ended 31 December 2023

	Note	2023 RM'000	2022 RM'000
Operating revenue	2.4(k)	339,320	181,100
Interest income	21	251,495	172,369
Interest expense	22	(219,365)	(100,992)
Net interest income		32,130	71,377
Other operating income	23	88,555	8,926
Net income		120,685	80,303
Other operating expenses	24	(76,682)	(68,668)
Operating profit before allowances		44,003	11,635
(Allowances for)/ Writeback of expected credit losses ("ECL")	26	(4,243)	7,641
Profit before taxation		39,760	19,276
Taxation	27	(13,250)	(7,005)
Net profit for the financial year		26,510	12,271
Other comprehensive income/(loss) in respect of: Items that will be reclassified subsequently to profit or loss			
Debt instruments at FVOCI			
Net fair value change in debt instruments at FVOCI		20,760	(13,840)
Net (gain)/ loss on debt instruments measured at FVOCI reclassified to profit or loss on disposal	23	(270)	23
Income tax effect	13	(5,058)	3,481
		15,432	(10,336)
Cash flow hedge			
Net change in cash flow hedge	7	53	(3,327)
Net change in cost of hedging	7	(159)	(3,061)
Income tax effect	13	25	1,534
		(81)	(4,854)
Total other comprehensive income/(loss), net of tax, for the financial year		15,351	(15,190)
Total comprehensive income/(loss) for the financial year		41,861	(2,919)

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

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

Statement of changes in equity
For the financial year ended 31 December 2023

	← Non-distributable				→	Distributable	
	Share Capital	Regulatory Reserve	FVOCI Reserve	Cash flow hedge Reserve	Cost of hedging Reserve	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2023	822,600	2,800	(28,022)	(103)	1,764	114,957	913,996
Net profit for the financial year	-	-	-	-	-	26,510	26,510
Other comprehensive income/(loss), net of tax, for the financial year	-	-	15,432	40	(121)	-	15,351
Total comprehensive income/(loss) for the financial year	-	-	15,432	40	(121)	26,510	41,861
Transfer to regulatory reserve	-	1,900	-	-	-	(1,900)	-
Balance as at 31 December 2023	822,600	4,700	(12,590)	(63)	1,643	139,567	955,857
Balance as at 1 January 2022	822,600	-	(17,686)	2,425	4,090	105,486	916,915
Net profit for the financial year	-	-	-	-	-	12,271	12,271
Other comprehensive income/(loss), net of tax, for the financial year	-	-	(10,336)	(2,528)	(2,326)	-	(15,190)
Total comprehensive income/(loss) for the financial year	-	-	(10,336)	(2,528)	(2,326)	12,271	(2,919)
Transfer to regulatory reserve	-	2,800	-	-	-	(2,800)	-
Balance as at 31 December 2022	822,600	2,800	(28,022)	(103)	1,764	114,957	913,996

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

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

Statement of cash flows
For the financial year ended 31 December 2023

	Note	2023 RM'000	2022 RM'000
Cash flows from operating activities			
Profit before taxation		39,760	19,276
Adjustments for non cash items:			
Allowances for/(Writeback of) expected credit losses	26	4,243	(7,641)
Net unrealised fair value loss on derivatives	23	50,428	49,664
Depreciation of property and equipment	24	1,331	1,327
Depreciation of right-of-use assets	24	4,457	4,518
Amortisation of intangible assets	24	1,854	1,771
Interest income from debt instruments at FVOCI	21	(84,036)	(56,941)
Net (gain)/loss from sale of debt instruments at FVOCI	23	(270)	23
Interest expense from subordinated loan	22	62,793	29,204
Net foreign exchange loss on subordinated loan		37,700	44,500
Interest expense from lease liabilities	22	1,272	1,402
Modification of lease term	10	-	(3)
Operating profit before working capital changes		119,532	87,100
Change in derivative financial assets and liabilities		37,556	(42,147)
Change in loans and advances		(1,880,798)	393,100
Change in Statutory deposits with Bank Negara Malaysia		44,001	(46,001)
Change in other assets		23,150	(20,167)
Change in deposits from customers		10,645	230,650
Change in deposits and placements of banks and other financial institutions		977,927	750,601
Change in other liabilities		60,261	9,550
		(727,258)	1,275,586
Cash (used in)/generated from operations		(607,726)	1,362,686
Net tax paid		(5,824)	(21,076)
Net cash (used in)/generated from operating activities		(613,550)	1,341,610

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

Statement of cash flows
For the financial year ended 31 December 2023 (cont'd.)

	Note	2023 RM'000	2022 RM'000
Cash flows from investing activities			
Change in deposits and placements with banks and other financial institutions with original maturity of more than 3 months		(383,974)	(752,159)
Purchase of debt instruments at FVOCI		(4,665,757)	(4,489,537)
Proceeds from redemption and disposal of debt instruments at FVOCI		5,830,790	3,117,101
Interest received from debt instruments at FVOCI		20,687	54,218
Purchase of property and equipment	11	(3,265)	(1,137)
Purchase of intangible assets	12	(650)	(1,323)
Net cash generated from/(used in) investing activities		797,831	(2,072,837)
Cash flows from financing activities			
Interest payment of subordinated loan		(61,764)	(25,404)
Proceeds from borrowing	17	451,759	-
Lease payments	10	(5,173)	(5,237)
Net cash generated from/(used in) financing activities		384,822	(30,641)
Net increase/(decrease) in cash and cash equivalents		569,103	(761,868)
Cash and cash equivalents, at gross:			
- at the beginning of the financial year		730,150	1,492,018
- at the end of the financial year		1,299,253	730,150
Cash and cash equivalents comprise:			
Cash and short-term funds	3	1,745,111	585,284
Deposits and placements with banks and other financial institutions	4	690,275	897,025
		2,435,386	1,482,309
Less:			
Deposits and placements with banks and other financial institutions with original maturity of more than 3 months		(1,136,133)	(752,159)
		1,299,253	730,150

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

1. Corporate information

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

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

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

The address of the registered office of the Bank is Level 20, Menara CCB, Quill 6, No 6. Leboh Ampang, 50100 Kuala Lumpur, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 April 2024.

2. Material accounting policies

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Bank have been prepared under the historical cost convention, unless otherwise indicated in this summary of material accounting policies.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except where otherwise indicated.

2.2 Changes in accounting policies

Adoption of MFRS and amended MFRS issued

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

The Bank adopted the following MFRS and amended MFRS beginning on or after 1 January 2023

MFRS 17 Insurance Contracts;
Amendments to MFRS 4 Insurance Contracts - Extension of the Temporary Exemption from applying MFRS 9;
Amendments to MFRS 17 Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information;
Amendments to MFRS 101 Presentaion of Financial Statements - Disclosure of Accounting Policies;
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current;
Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction; and

2. Material accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

Adoption of MFRS and amended MFRS issued (cont'd)

Amendments to MFRS 112 Income Taxes - International Tax Reform - Pillar Two Model Rules.

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

2.3 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following amendments to MFRS have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Bank.

Effective for financial periods beginning on or after 1 January 2024
Amendments to MFRS 16 Leases - Lease Liability in a Sale and Leaseback;
Amendments to MFRS 101 Presentation of Financial Statements - Non-Current Liabilities with Covenants; and
Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Statements: Disclosures - Supplier Finance Arrangements.

Effective for financial periods beginning on or after 1 January 2025
Amendments to MFRS 121 The Effects if Changes in Foreign Exchange Rates - Lack of Exchangeability.

Effective for financial periods to be determined by the MASB
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments 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 material impact to the financial statements of the Bank upon their initial application.

2.4 Summary of material accounting policies

(a) Financial instruments

(i) Classification

Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the financial assets. The Bank classifies its financial assets under the following categories:

2. Material accounting policies (cont'd.)

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

(a) Financial instruments (cont'd.)

(i) Classification (cont'd.)

Financial assets (cont'd.)

(a) Amortised cost

Financial assets are measured at amortised cost if they are held within a business model which the objective is to hold the financial assets in order to collect contractual cash flows which represent solely payments of principal and interest.

(b) Debt instruments at FVOCI

FVOCI with recycling to profit or loss applies to debt instruments with contractual cash flows characteristics that are solely payments of principal and interest and business model objective is to both collecting contractual cash flows and selling off the financial assets.

(c) Financial instruments at fair value through profit or loss ("FVTPL")

Financial assets that qualify for neither held at amortised cost nor at FVOCI are measured at FVTPL.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

(a) Financial instruments at FVTPL

Financial liabilities are measured at FVTPL if they are held for trading and designated upon initial recognition as FVTPL.

(b) Amortised cost

Non-derivative financial liabilities that are not held for active trading or designated as FVTPL are classified as non-trading liabilities carried at amortised cost.

(ii) Measurement

Initial measurement

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

2. Material accounting policies (cont'd.)

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

(a) Financial instruments (cont'd.)

(ii) Measurement (cont'd.)

Subsequent measurement

(a) Amortised cost

Amortised cost financial instruments are measured at amortised cost using effective interest method. Gains/losses are recognised in profit or loss through the amortisation process and when the financial instruments are impaired or derecognised.

(b) Debt instruments at FVOCI

Debt instruments classified as FVOCI are measured at fair value. Any gains or losses arising from the changes in fair value of these financial instruments are recognised in other comprehensive income, except for impairment loss, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is classified from equity to profit or loss as a reclassification adjustment when the financial instrument is derecognised.

(c) Financial instruments at FVTPL

All other financial instruments which are classified as FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial instruments at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial instruments at FVTPL are recognised separately in profit or loss as part of income or losses.

(iii) Classification of credit-impaired financial instruments

The Bank defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

(a) Quantitative criteria

The Bank defines a financial instrument as default, when the counterparty fails to make contractual payments within 90 days of when they fall due or with internal credit rating deteriorated to Rating 17 or below.

2. Material accounting policies (cont'd.)

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

(a) Financial instruments (cont'd.)

(iii) Classification of credit-impaired financial instruments (cont'd.)

(b) Qualitative criteria

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

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

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

(iv) Impairment

The impairment requirements apply to financial assets measured at amortised cost and debt instruments at FVOCI and certain loan commitments as well as financial guarantee contracts. The allowances for impairment are based on the expected credit loss ("ECL") associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowances are based on the probability of default over the expected remaining life of the assets. The impairment can be assessed either individually or collectively. Further details are as disclosed in Note 32.1(a).

(v) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2. Material accounting policies (cont'd.)

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

(a) Financial instruments (cont'd.)

(vi) Recognition and derecognition

Financial instruments are recognised when the Bank becomes a party to the contractual provision of the instruments. All regular purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised on the settlement date.

Financial instruments are derecognised when the risks and rewards associated with the instruments are substantially transferred/disclosed, cancelled or expired. On derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the cumulative gain or loss that has been recognised in the equity are taken to profit or loss.

(vii) Write off policy

A credit-impaired account that is not secured by any realisable collateral will be written off either when the prospect of a recovery is considered poor or when all feasible avenues of recovery have been exhausted.

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

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

(ix) Interest Rate Benchmark Reform

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

2. Material accounting policies (cont'd.)

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

(b) Derivative financial instruments and hedge accounting

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

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

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

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

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

2. Material accounting policies (cont'd.)

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

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

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

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

Cash flow hedge

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

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

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

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

2. Material accounting policies (cont'd.)

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

(c) Loan commitments and financial guarantee contracts

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

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

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

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

(d) Property, equipment and depreciation

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

2. Material accounting policies (cont'd.)

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

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

Property and equipment are depreciated on a straight-line basis to write down their costs to their residual values over their estimated useful lives, summarised as follows:

Renovations and improvements	Amortised over the period of the lease
Computer equipment	5 years
Furniture, fittings and equipment	5 years
Motor vehicles	8 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. There are no material adjustments arising from the review that would require disclosure in the financial statements.

Gains or losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit or loss.

(e) Intangible assets

Intangible assets comprise separately identifiable intangible items arising from computer software and membership. Intangible assets are recognised at cost. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. At each date of the statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exists, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired.

(i) Computer software

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

2. Material accounting policies (cont'd.)

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

(e) Intangible assets (cont'd.)

(ii) Membership

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

(f) Impairment of non-financial assets

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

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

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

(g) Share capital and share issuance expenses

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

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

2. Material accounting policies (cont'd.)

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

(h) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash and short-term funds and deposits and placements with banks and other financial institutions that are readily convertible to known amounts of cash and which are subject to an immaterial risk of changes in value.

(i) Recognition of interest income/expense

Interest income/expense is calculated by applying effective interest rate to the gross carrying amount of a financial assets/liabilities.

For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowances).

(j) Recognition of fees and other income

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Guarantee fees which are material are recognised as income based on time apportionment. Service charges and other fee income are recognised as income when the services are rendered. Management fees are recognised when services are rendered.

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

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

(k) Operating revenue

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

2. Material accounting policies (cont'd.)

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

(l) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Post-employment benefits - defined contribution plans

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

(m) Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

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

2. Material accounting policies (cont'd.)

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

(m) Leases (cont'd.)

(i) Right-of-use assets

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

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

(ii) Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivables, variable lease payments that depend on an index or a rate, and amount expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Bank uses its cost of fund at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Bank also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense.

2. Material accounting policies (cont'd.)

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

(n) Current and deferred income taxes

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Bank operates and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

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

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

2. Material accounting policies (cont'd.)

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

(o) Currency conversion and translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional and presentation currency.

(ii) Transactions and balances

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

(p) Subordinated loan and borrowing

Subordinated loan and borrowing is classified as financial liability in the statement of financial position as there is a contractual obligation to make cash payment of either principal or interest to the holders and lenders of the subordinated loan and borrowing.The Bank is contractually obligated to settle the financial instrument in cash.

(q) Fair value measurement

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

2.5 Material accounting estimates and judgements

In the preparation of the financial statements, management was required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected. material areas of estimation, uncertainty and critical judgements used in applying accounting policies that have a material effect on the amount recognised in the financial statements include the following:

2. Material accounting policies (cont'd.)

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

(a) ECL allowances on financial assets

The measurement of ECL under MFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors as disclosed in Note 32.1(a), changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns probability of default ("PD") to each individual grade;

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;

- The segmentation of financial assets when their ECL is assessed on a collective basis;

- Development of ECL models, including the various formulas and the choice of inputs;

- Determination of associations between macro-economic variables and, economic inputs, and the effect on PD, exposure at default ("EAD") and loss given default ("LGD"); and

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It is the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The Bank has set out its credit risk management as disclosed in Note 32.1(a).

The amount of allowances for ECL on financial assets and off-balance sheet credit exposures recognised by the Bank are as disclosed in Note 3, Note 4, Note 5, Note 8, Note 16 and Note 26 respectively.

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3. Cash and short-term funds

	2023 RM'000	2022 RM'000
Cash and balances with banks and other financial institutions	319,364	258,510
Money at call and deposit placements maturing within one month	1,425,747	326,774
	1,745,111	585,284
Less: ECL allowances	(298)	(228)
	1,744,813	585,056

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

2023	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January	585,284	-	-	585,284
Financial assets derecognised during the financial year	(265,920)	-	-	(265,920)
New financial assets acquired	1,425,747	-	-	1,425,747
At 31 December	1,745,111	-	-	1,745,111
2022				
At 1 January	1,492,018	-	-	1,492,018
Financial assets derecognised during the financial year	(1,233,509)	-	-	(1,233,509)
New financial assets acquired	326,775	-	-	326,775
At 31 December	585,284	-	-	585,284

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

	Stage 1	Stage 2	Stage 3	
2023	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	228	-	-	228
Financial assets derecognised during the financial year	(552)	-	-	(552)
New financial assets acquired	622	-	-	622
Net total (Note 26)	70	-	-	70
At 31 December	298	-	-	298

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

2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	356	-	-	356
Financial assets derecognised during the financial year	(597)	-	-	(597)
New financial assets acquired	469	-	-	469
Net total (Note 26)	(128)	-	-	(128)
At 31 December	228	-	-	228

4. Deposits and placements with banks and other financial institutions

	2023 RM'000	2022 RM'000
Licensed banks	690,275	897,025

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

2023	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January	897,025	-	-	897,025
Financial assets derecognised during the financial year	(897,025)	-	-	(897,025)
New financial assets acquired	690,275	-	-	690,275
At 31 December	690,275	-	-	690,275
2022				
At 1 January	-	-	-	-
New financial assets acquired	897,025	-	-	897,025
At 31 December	897,025	-	-	897,025

There is no ECL allowance for deposits and placements with banks and other financial institutions.

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

At fair value	2023 RM'000	2022 RM'000
Money market instruments		
Malaysian Government Securities	101,438	579,886
Malaysian Government Investment Issues	376,175	446,927
Government Treasury Bills	-	174,186
Negotiable Instruments of Deposits	600,689	800,842
	1,078,302	2,001,841
Unquoted securities		
Corporate bonds within Malaysia	585,151	670,363
Cagamas debt securities	252,669	399,535
	837,820	1,069,898
	1,916,122	3,071,739

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

2023	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January	3,071,739	-	-	3,071,739
Financial assets derecognised during the financial year	(2,267,369)	-	-	(2,267,369)
New financial assets purchased	1,111,752	-	-	1,111,752
At 31 December	1,916,122	-	-	1,916,122
2022				
At 1 January	1,711,307	-	-	1,711,307
Financial assets derecognised during the financial year	(855,862)	-	-	(855,862)
New financial assets purchased	2,216,294	-	-	2,216,294
At 31 December	3,071,739	-	-	3,071,739

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

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

	Stage 1	Stage 2	Stage 3	
		Lifetime ECL	Lifetime ECL	
	12-month ECL	non credit-impaired	credit-impaired	Total ECL
2023	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January	1,515	-	-	1,515
Financial assets derecognised during the financial year	(839)	-	-	(839)
New financial assets purchased	286	-	-	286
Net total (Note 26)	(553)	-	-	(553)
At 31 December	962	-	-	962
2022				
At 1 January	627	-	-	627
Financial assets derecognised during the financial year	(290)	-	-	(290)
New financial assets purchased	1,178	-	-	1,178
Net total (Note 26)	888	-	-	888
At 31 December	1,515	-	-	1,515

6. Other assets

	2023 RM'000	2022 RM'000
Deposits	2,776	2,794
Prepayments	1,855	1,234
Cash collateral pledged for derivative transactions	11,194	52,090
Amount due from ultimate holding company (Note i)	18,293	7,525
Other receivables	15,724	9,349
	49,842	72,992

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

7. Derivative financial assets/(liabilities)

The Bank's derivative financial instruments are measured at their fair values together with their corresponding contract/notional amounts as at reporting date. The notional amounts of these derivative financial instruments refer to the underlying contract value on which changes in the value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end but are not indicative of either the market risk or credit risk inherent in the derivative contracts. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 32 to the financial statements.

	Contract/Notional	<------ Fair Value ------>	
	Amount	Assets	Liabilities
2023	RM'000	RM'000	RM'000
Trading derivatives			
Foreign exchange related contracts:			
- Currency forwards/spot	212,068	1,350	132
- Currency swaps	4,805,125	22,781	139,809
Interest rate related contracts:			
- Interest rate swaps	75,000	755	-
Hedging derivatives - cash flow hedge			
Foreign exchange related contracts:			
- Cross currency interest rate swaps	915,700	72,738	-
	6,007,893	97,624	139,941
2022			
Trading derivatives			
Foreign exchange related contracts:			
- Currency forwards/spot	213,995	2,422	189
- Currency swaps	10,401,782	102,876	177,232
Interest rate related contracts:			
- Interest rate swaps	1,139,600	5,554	2,643
Hedging derivatives - cash flow hedge			
Foreign exchange related contracts:			
- Cross currency interest rate swaps	878,000	39,873	-
	12,633,377	150,725	180,064

7. Derivative financial assets/(liabilities) (cont'd.)

Cash flow hedge

The Bank applied cash flow hedge accounting to the foreign currency and interest rate element of its floating rate USD denominated subordinated loan (Note 18) and associated cross currency interest rate swaps ("CCIRS") by converting the subordinated loan into fixed rate MYR exposures with the floating rate and principal of the hedged item matched by those of the hedging instrument. The amount and timing of future cash flows, representing both principal and interest payments, are projected on the basis of their contractual terms and other relevant factors.

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

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

The hedge ineffectiveness can arise from:

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

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

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7. Derivative financial assets/(liabilities) (cont'd.)

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

	Up to 1 year	2-3 years	4-5 years	Total
2023	**RM'000**	**RM'000**	**RM'000**	**RM'000**
CCIRS	-	915,700	-	915,700
2022				
CCIRS	-	878,000	-	878,000

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

	CCIRS	Subordinated loan
2023	**RM'000**	**RM'000**
Changes in fair value used for measuring ineffectiveness	37,363	37,310
2022		
Changes in fair value used for measuring ineffectiveness	(38,563)	(41,890)

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

	2023 RM'000	2022 RM'000
Net change in cash flow hedge	53	(3,327)
Net change in cost of hedging	(159)	(3,061)
Ineffectiveness recognised in profit or loss (Note 23)	(3,631)	561

8. Loans and advances

At amortised cost	2023 RM'000	2022 RM'000
Overdrafts	5,150	5,171
Term loans:		
- Syndicated term loans	390,159	609,586
- Other term loans	766,311	363,161
- Factoring receivables	544,899	-
Trust receipts	359,762	-
Revolving credits	1,051,005	258,570
Gross loans and advances	3,117,286	1,236,488
Less: ECL allowances		
- Stage 1	(15,554)	(15,271)
- Stage 2	(4,767)	-
Net loans and advances	3,096,965	1,221,217

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

	2023 RM'000	2022 RM'000
Business enterprises	3,117,286	1,236,488
	3,117,286	1,236,488

(ii) Gross loans and advances by geographical distribution:

	2023 RM'000	2022 RM'000
Malaysia	3,038,912	1,038,952
China	78,374	131,929
Singapore	-	65,607
	3,117,286	1,236,488

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

	2023 RM'000	2022 RM'000
Fixed rate loans	341,679	142,157
Variable rate (cost-plus) loans	2,775,607	1,094,331
	3,117,286	1,236,488

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8. Loans and advances (cont'd.)

	2023 RM'000	2022 RM'000
(iv) Gross loans and advances by economic purpose:		
Working capital	2,018,173	170,775
Merger and acquisition	-	149,786
Purchase of land	126,488	29,241
Construction	378,785	476,844
Lending to related entities	135,837	150,672
Purchase of machinery and equipments	229,376	91,642
Other purposes	228,627	167,528
	3,117,286	1,236,488
(v) Gross loans and advances by remaining contractual maturity:		
Maturity within one year	1,971,435	320,535
One year to three years	78,949	74,745
Three years to five years	478,123	245,325
Over five years	588,779	595,883
	3,117,286	1,236,488
(vi) Gross loans and advances by industry:		
Agriculture, hunting, forestry and fishing	45,134	35,600
Mining and quarrying	202,945	-
Manufacturing	633,093	531,241
Electricity, gas and water	228,802	180,448
Construction	464,765	29,241
Wholesale, retail trade, restaurants and hotels	78,854	-
Transport, storage and communication	1,141,892	159,501
Real estate	115,869	-
Finance, insurance and business services	150,846	234,850
Others	55,086	65,607
	3,117,286	1,236,488

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8. Loans and advances (cont'd.)

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

2023	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January	1,236,488	-	-	1,236,488
Financial assets derecognised during the financial year	(4,426,073)	-	-	(4,426,073)
New financial assets originated	6,306,871	-	-	6,306,871
Transferred to Stage 2	(63,971)	63,971	-	-
At 31 December	3,053,315	63,971	-	3,117,286
2022				
At 1 January	1,629,588	-	-	1,629,588
Financial assets derecognised during the financial year	(3,080,240)	-	-	(3,080,240)
New financial assets originated	2,687,140	-	-	2,687,140
At 31 December	1,236,488	-	-	1,236,488

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

2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	15,271	-	-	15,271
Financial assets derecognised during the financial year	(16,301)	-	-	(16,301)
New financial assets originated	17,619	-	-	17,619
Transferred to Stage 2	(1,035)	4,767	-	3,732
Net total (Note 26)	283	4,767	-	5,050
At 31 December	15,554	4,767	-	20,321

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8. Loans and advances (cont'd.)

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

2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	24,719	-	-	24,719
Financial assets derecognised during the financial year	(21,682)	-	-	(21,682)
New financial assets originated	12,234	-	-	12,234
Net total (Note 26)	(9,448)	-	-	(9,448)
At 31 December	15,271	-	-	15,271

9. Statutory deposits with Bank Negara Malaysia

A non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009. The amount of Statutory Reserve Requirement is determined based on a set percentage of total eligible liabilities.

10. Right-of-use assets and lease liabilities

Bank as lessee

The Bank has lease contracts for properties, data centre server and office equipment. All the leases generally have lease term ranging from 3 to 10 years (2022: 3 to 10 years).

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

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

2023	Properties RM'000	Data centre server RM'000	Office equipment RM'000	Total RM'000
Right-of-use assets				
At 1 January	38,742	132	62	38,936
New lease recognised	711	-	-	711
Disposal	-	(97)	-	(97)
Depreciation charge for the financial year (Note 24)	(4,401)	(35)	(21)	(4,457)
At 31 December	35,052	-	41	35,093
Lease liabilities				
At 1 January	38,904	133	64	39,101
New lease recognised	591	-	-	591
Disposal	-	(98)	-	(98)
Accretion of interest (Note 22)	1,270	1	1	1,272
Lease payments	(5,115)	(36)	(22)	(5,173)
At 31 December	35,650	-	43	35,693
2022				
Right-of-use assets				
At 1 January	43,128	231	89	43,448
Modification of lease	-	6	-	6
Depreciation charge for the financial year (Note 24)	(4,386)	(105)	(27)	(4,518)
At 31 December	38,742	132	62	38,936
Lease liabilities				
At 1 January	42,609	233	91	42,933
Modification of lease	-	3	-	3
Accretion of interest (Note 22)	1,395	5	2	1,402
Lease payments	(5,100)	(108)	(29)	(5,237)
At 31 December	38,904	133	64	39,101

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11. Property and equipment

2023	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 January	3,763	12,895	2,061	930	19,649
Additions	439	2,795	31	-	3,265
Written off	(3,763)	-	-	-	(3,763)
At 31 December	439	15,690	2,092	930	19,151
Accumulated depreciation					
At 1 January	(3,763)	(10,349)	(1,615)	(687)	(16,414)
Charge for the financial year (Note 24)	(9)	(1,002)	(207)	(113)	(1,331)
Written off	3,763	-	-	-	3,763
At 31 December	(9)	(11,351)	(1,822)	(800)	(13,982)
Net book value					
At 31 December	430	4,339	270	130	5,169
2022					
Cost					
At 1 January	3,763	11,823	1,996	930	18,512
Additions	-	1,072	65	-	1,137
At 31 December	3,763	12,895	2,061	930	19,649
Accumulated depreciation					
At 1 January	(3,763)	(9,395)	(1,355)	(574)	(15,087)
Charge for the financial year (Note 24)	-	(954)	(260)	(113)	(1,327)
At 31 December	(3,763)	(10,349)	(1,615)	(687)	(16,414)
Net book value					
At 31 December	-	2,546	446	243	3,235

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12. Intangible assets

2023	Computer software RM'000	Member-ship RM'000	Total RM'000
Cost			
At 1 January	11,714	2,600	14,314
Additions	650	-	650
At 31 December	12,364	2,600	14,964
Accumulated amortisation			
At 1 January	(5,506)	-	(5,506)
Charge for the financial year (Note 24)	(1,854)	-	(1,854)
At 31 December	(7,360)	-	(7,360)
Net book value			
At 31 December	5,004	2,600	7,604

2022	Computer software RM'000	Member-ship RM'000	Total RM'000
Cost			
At 1 January	10,391	2,600	12,991
Additions	1,323	-	1,323
At 31 December	11,714	2,600	14,314
Accumulated amortisation			
At 1 January	(3,735)	-	(3,735)
Charge for the financial year (Note 24)	(1,771)	-	(1,771)
At 31 December	(5,506)	-	(5,506)
Net book value			
At 31 December	6,208	2,600	8,808

13. Deferred tax assets

	2023 RM'000	2022 RM'000
At 1 January	17,113	14,872
Charged to profit or loss (Note 27)		
- Relating to origination and reversal of temporary differences	1,444	(2,663)
- Under-provision of deferred tax liabilities	(81)	(111)
Recognised in other comprehensive income	(5,033)	5,015
At 31 December	13,443	17,113

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority. The following amounts determined after appropriate set off, are shown in the statement of financial position:

	2023 RM'000	2022 RM'000
Deferred tax assets, net	13,443	17,113

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

	2023 RM'000	2022 RM'000
Deferred tax assets	23,038	27,489
Deferred tax liabilities	(9,595)	(10,376)
	13,443	17,113

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13. Deferred tax assets (cont'd.)

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

Deferred tax assets

	Debt instruments at FVOCI RM'000	Lease liabilities RM'000	Provisions and deferred income RM'000	ECL allowances RM'000	Total RM'000
At 1 January 2023	9,337	9,384	4,025	4,743	27,489
Charge to profit or loss					
- Relating to origination and reversal of temporary differences	-	(818)	978	447	607
Recognised in OCI	(5,058)	-	-	-	(5,058)
At 31 December 2023	4,279	8,566	5,003	5,190	23,038
At 1 January 2022	5,856	10,304	5,058	6,577	27,795
Charge to profit or loss					
- Relating to origination and reversal of temporary differences	-	(920)	(1,033)	(1,834)	(3,787)
Recognised in OCI	3,481	-	-	-	3,481
At 31 December 2022	9,337	9,384	4,025	4,743	27,489

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13. Deferred tax assets (cont'd.)

Deferred tax liabilities

	Right-of-use assets RM'000	Property and equipment and intangible assets RM'000	Cash flow hedge reserve RM'000	Cost of hedging reserve RM'000	Total RM'000
At 1 January 2023	(9,345)	(508)	32	(555)	(10,376)
Charge to profit or loss					
- Relating to origination and reversal of temporary differences	923	(86)	-	-	837
- Under-provision in prior financial year	-	(81)	-	-	(81)
Recognised in OCI	-	-	(13)	38	25
At 31 December 2023	(8,422)	(675)	19	(517)	(9,595)
At 1 January 2022	(10,427)	(439)	(767)	(1,290)	(12,923)
Charge to profit or loss					
- Relating to origination and reversal of temporary differences	1,082	42	-	-	1,124
- Under-provision in prior financial year	-	(111)	-	-	(111)
Recognised in OCI	-	-	799	735	1,534
At 31 December 2022	(9,345)	(508)	32	(555)	(10,376)

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14. Deposits from customers

	2023 RM'000	2022 RM'000
(a) By type of deposit:		
Demand deposits	1,741,041	1,628,297
Saving deposits	19,490	17,917
Fixed deposits	1,445,405	1,549,077
	3,205,936	3,195,291
(b) By type of customer:		
Business enterprises	2,955,453	2,719,830
Domestic non-banking financial institutions	227,786	369,831
Local government and statutory authorities	485	73,705
Individuals	22,212	31,925
	3,205,936	3,195,291
(c) By maturity structure of fixed deposits:		
Due within six months	1,444,127	1,548,967
Six months to one year	502	110
One year to three years	776	-
	1,445,405	1,549,077

15. Deposits and placements of banks and other financial institutions

	2023 RM'000	2022 RM'000
Licensed banks in Malaysia	1,785,065	807,215
Other financial institutions	94	17
	1,785,159	807,232

Included in the deposits and placement of banks and other financial institutions are the deposit placements from ultimate holding company amounting to RM631,068,000 (2022: RM104,818,000).

16. Other liabilities

	2023 RM'000	2022 RM'000
Other payables and accruals	79,678	20,260
Deferred income	9,429	6,940
Cash collateral received for derivative transactions	77,812	85,525
Cash collateral from corporate customers	22,641	16,574
ECL allowances for loan commitments and financial guarantees	2,426	2,750
	191,986	132,049

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

2023	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January	1,656,135	153	-	1,656,288
Credit exposures relinquished	(220,333)	-	-	(220,333)
Credit exposures assumed	693,051	-	-	693,051
Transferred to Stage 1	153	(153)	-	-
At 31 December	2,129,006	-	-	2,129,006
2022				
At 1 January	1,125,984	-	-	1,125,984
Credit exposures relinquished	(293,551)	-	-	(293,551)
Credit exposures assumed	823,855	-	-	823,855
Transferred to Stage 2	(153)	153	-	-
At 31 December	1,656,135	153	-	1,656,288

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16. Other liabilities (cont'd.)

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

	Stage 1	Stage 2	Stage 3	
		Lifetime ECL	Lifetime ECL	
	12-month ECL	non credit-impaired	credit-impaired	Total ECL
2023	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January	2,750	-	-	2,750
Credit exposures relinquished	(7,905)	-	-	(7,905)
Credit exposures assumed	7,581	-	-	7,581
Net total (Note 26)	(324)	-	-	(324)
At 31 December	2,426	-	-	2,426
2022				
At 1 January	1,703	-	-	1,703
Credit exposures relinquished	(1,251)	-	-	(1,251)
Credit exposures assumed	2,298	-	-	2,298
Net total (Note 26)	1,047	-	-	1,047
At 31 December	2,750	-	-	2,750

17. Borrowing

	2023 RM'000	2022 RM'000
Unsecured:		
Term loan	451,759	-

The term loan is denominated in Chinese Yuan bearing a fixed interest rate with remaining maturity of 2 years.

18. Subordinated loan

	2023 RM'000	2022 RM'000
At amortised cost		
USD200 million subordinated loan 2019/2029, at par	921,542	882,813

On 29 August 2019, the Bank has issued an USD200 million Tier II subordinated loan with 10 years maturity, non-callable 5 years and the interest payable 3 months throughout the tenure. The USD 200 million subordinated loan bear an interest rate at SOFR plus 1.75%. (2022: LIBOR plus 1.49%)

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

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19. Share capital

	2023 Number of shares 000	2023 Amount RM'000	2022 Number of shares 000	2022 Amount RM'000
Issued and fully paid ordinary shares				
At 1 January/31 December	822,600	822,600	822,600	822,600

20. Reserves

	2023 RM'000	2022 RM'000
Regulatory reserve (a)	4,700	2,800
FVOCI reserve (b)	(12,590)	(28,022)
Cash flow hedge reserve (c)	(63)	(103)
Cost of hedging reserve (d)	1,643	1,764
Retained profits	139,567	114,957
	133,257	91,396

(a) In accordance with BNM's Financial Reporting Policy Document, banking subsidiaries shall maintain, in aggregate, loss allowance for non-credit-impaired exposure and regulatory reserve of no less than 1% of all credit exposures (on and off-balance sheet that are subject to MFRS 9 impairment requirement, excluding exposures to and with an explicit guarantee from Malaysian Government), net of Stage 3 provision. As at the reporting date, the Bank maintains the loss allowance for non-credit impaired exposure and regulatory reserve at the minimum of 1% with a transfer of RM1.9 million during the financial year from retained profits to regulatory reserve.

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

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

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

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21. Interest income

	2023 RM'000	2022 RM'000
Loans and advances	91,188	65,664
Deposits and placements with banks and other financial institutions	71,811	46,234
Debt instruments at FVOCI	84,036	56,941
Derivative financial instruments	4,460	3,530
	251,495	172,369

22. Interest expense

	2023 RM'000	2022 RM'000
Deposits and placements of banks and other financial institutions	66,335	17,169
Deposits from customers	88,965	53,217
Subordinated loan	62,793	29,204
Lease liabilities (Note 10)	1,272	1,402
	219,365	100,992

23. Other operating income

	2023 RM'000	2022 RM'000
Fee income:		
Service charges and fees	199	85
Guarantee fees	1,874	1,315
Commitment fees	565	2,141
Syndication fees	1,388	6,360
Management fees	25,332	13,740
	29,358	23,641
Less: Fees expense	(430)	(816)
Net fee income	28,928	22,825
Trading and investment income:		
Net realised gain on derivatives	176,514	196,007
Net unrealised fair value loss on derivatives*	(50,428)	(49,664)
Net foreign exchange loss	(67,815)	(160,239)
Net gain/(loss) from sale of debt instruments at FVOCI	270	(23)
Less: Brokerage charges	(492)	(564)
	58,049	(14,483)

23. Other operating income (cont'd.)

	2023 RM'000	2022 RM'000
Other income:		
Rental income	848	389
Other non-operating income	730	195
	1,578	584
	88,555	8,926

* Included in net unrealised fair value gain on derivatives is RM3,630,595 (2022: net unrealised fair value loss on derivatives is RM561,000) (Note 7) relating to the ineffective portion of the cash flow hedge.

24. Other operating expenses

	2023 RM'000	2022 RM'000
Personnel expenses		
Salaries, bonuses, wages and allowances	47,359	40,368
Defined contribution plan	3,515	3,175
Other staff related costs	4,391	4,182
	55,265	47,725
Establishment expenses		
Depreciation of property and equipment (Note 11)	1,331	1,327
Depreciation of right-of-use assets (Note 10)	4,457	4,518
Amortisation of intangible assets (Note 12)	1,854	1,771
Repair and maintenance	4,751	4,299
Short-term leases expenses	1,669	2,327
Others	401	382
	14,463	14,624
Promotion and marketing expenses		
Advertisement and publicity	1,730	861
Administration and general expenses		
Communication expenses	1,057	911
Auditors' remuneration	484	657
- Audit related fees	379	372
- Regulatory audit fees	105	-
- Non-audit fee	-	285
Legal and professional fees	446	770
Travelling and accommodation expenses	960	405
Employee recruitment costs	-	-
Subscription fees	814	931
Directors’ fees and allowances	603	620
Insurance premium	180	182
Printing, stationery and postage	228	194
Others	452	788
	5,224	5,458
	76,682	68,668

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25. Chief Executive Officer and Directors' remuneration

	Salaries RM'000	Bonuses RM'000	Director's fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
2023						
Chief Executive Officer						
Wang Qijie	1,675	-	-	-	57	1,732
Non-executive Directors						
Chong Kwai Ying	-	-	150	7	-	157
Lee Teck Seng	-	-	142	7	5	154
Datin Ooi Swee Lian	-	-	142	7	0	149
Dato' Lee Teck Hua	-	-	142	7	6	155
	1,675	-	576	28	68	2,347
2022						
Chief Executive Officer						
Wang Qijie	1,671	-	-	-	97	1,768
Non-executive Directors						
Datuk Tan Leh Kiah	-	-	150	5	-	155
Chong Kwai Ying	-	-	150	5	-	155
Ng Soon Lai @ Ng Siek Chuan	-	-	150	5	2	157
Lim Kheng Boon	-	-	150	5	-	155
	1,671	-	600	20	99	2,390

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

26. Allowances for/ (Writeback of) ECL

	2023 RM'000	2022 RM'000
Stage 1:		
- Cash and short-term funds (Note 3)	70	(128)
- Debt instruments at FVOCI (Note 5)	(553)	888
- Loans and advances (Note 8(viii))	283	(9,448)
- Loan commitments and financial guarantees (Note 16)	(324)	1,047
Total	(524)	(7,641)
Stage 2:		
- Loans and advances (Note 8(viii))	4,767	-
	4,767	-
Total	4,243	(7,641)

27. Taxation

	2023 RM'000	2022 RM'000
Income tax		
- Malaysian income tax in respect of current financial year	14,271	3,361
- Underprovision in prior financial year	342	870
	14,613	4,231
Deferred tax (Note 13)		
- Relating to origination and reversal of temporary differences	(1,444)	2,663
- Underprovision in prior financial year	81	111
	(1,363)	2,774
	13,250	7,005

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the year.

27. Taxation (cont'd.)

The numerical reconciliation between the applicable statutory income tax rate and the effective income tax rate of the Bank are as follows:

	2023 RM'000	2022 RM'000
Profit before taxation	39,760	19,276
Taxation at Malaysian statutory tax rate of 24% (2022: 24%)	9,542	4,626
Effects of expenses not deductible for tax purposes	3,285	1,398
Underprovision of tax expense in prior financial year	342	870
Underprovision of deferred tax in prior financial year	81	111
Tax expense for the financial year	13,250	7,005

28. Commitments and contingencies

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. Apart from the allowances for commitments and contingencies already made in the financial statements, no material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:

	2023 RM'000	2022 RM'000
Short-term self-liquidating trade-related contingencies	99,481	18,819
Transaction-related contingent items	207,045	185,970
Undrawn credit facilities:		
- Less than one year	101,854	244,229
- More than one year	1,720,626	1,207,270
Foreign exchange related contracts: #		
- Less than one year	5,158,454	9,822,457
- More than one year	774,439	1,671,320
Interest rate related contracts: #		
- Less than one year	-	1,064,600
- More than one year	75,000	75,000
	8,136,899	14,289,665

The fair value of these derivatives have been recognised as "derivative financial assets" and "derivative financial liabilities" in the statement of financial position and disclosed in Note 7.

29. Capital commitments

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

	2023 RM'000	2022 RM'000
Capital expenditure for property and equipment:		
- Authorised and contracted for	247	634

30. Related party transactions

(a) Related parties and relationships

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

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

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

30. Related party transactions (cont'd.)

(b) Significant related party balances and transactions

Set out below are significant related party transactions and balances:

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2023			
Income			
Interest on cash and short-term funds and deposits and placements with banks and other financial institutions	7,958	-	-
Rental and other income	908	-	-
Fee income	20	-	-
Management fees	25,332	-	-
	34,218	-	-
Expenses			
Interest on deposits from customers	-	-	64
Interest on deposits and placements of banks and other financial institutions	36,205	-	-
Interest on derivative financial instruments	2,575	-	-
Interest on subordinated loan	62,793	-	-
Net loss arising from financial derivatives	9,274	-	-
	110,847	-	64
Assets			
Cash and short-term funds	291,658	58	-
Deposits and placements with banks and other financial institutions	169,374	-	-
Derivative financial assets	20,784	-	-
Other assets	18,293	-	-
	500,109	58	-
Liabilities			
Deposits from customers	-	-	1,699
Deposits and placements of banks and other financial institutions	631,068	-	-
Other liabilities	4	-	-
Subordinated loan	921,542	-	-
	1,552,614	-	1,699
Commitment and contingencies			
Derivatives financial instruments	822,600	-	-
Contingent liabilities	3,410	-	-
	826,010	-	-

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30. Related party transactions (cont'd.)

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

2022	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Interest on cash and short-term funds and deposits and placements with banks and other financial institutions	2,194	-	-
Rental income	389	-	-
Fee income	247	-	-
Management fees	13,740	-	-
	16,570	-	-
Expenses			
Interest on deposits from customers	-	-	134
Interest on deposits and placements of banks and other financial institutions	7,947	-	-
Interest on derivative financial instruments	3,977	-	-
Interest on subordinated loan	29,204	-	-
Net loss arising from financial derivatives	7,749	-	-
	48,877	-	134
Assets			
Cash and short-term funds	221,007	95	-
Derivative financial assets	56,533	-	-
Other assets	8,153	-	-
	285,693	95	-
Liabilities			
Deposits from customers	-	-	3,990
Deposits and placements of banks and other financial institutions	104,818	-	-
Derivative financial liabilities	6,292	-	-
Other liabilities	22	-	-
Subordinated loan	882,813	-	-
	993,945	-	3,990
Commitment and contingencies			
Derivatives financial instruments	3,072,954	-	-
Contingent liabilities	12,948	-	-
	3,085,902	-	-

30. Related party transactions (cont'd.)

(c) Key management personnel

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

	2023 RM'000	2022 RM'000
Short-term employee benefits		
- Fees	577	600
- Salary and other remuneration	5,538	6,170
- Contribution to EPF and Social Security Organisation	158	157
- Benefits-in-kind	176	170
	6,449	7,097

(d) Credit exposures arising from transactions with connected parties

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

	2023 RM'000	2022 RM'000
Outstanding credit exposure with connected parties	510,715	326,387
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	9.66	7.82
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	-	-

31. Capital management and capital adequacy

The total capital and capital adequacy ratios of the Bank is computed in accordance with BNM's Capital Adequacy Framework (Capital Components). The Bank is currently adopting the Standardised Approach for Credit Risk and Market Risk 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.

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

The Bank's objectives when managing capital are:

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

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

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

	2023 RM'000	2022 RM'000
CET I/Tier I Capital		
Paid-up ordinary share capital	822,600	822,600
Retained profits	139,567	114,957
Regulatory reserves	4,700	2,800
Other reserves	(11,010)	(26,361)
Regulatory adjustments applied in the calculation of CET I Capital	(35,650)	(37,401)
Total CET I/Tier I Capital	920,207	876,595
Tier II Capital		
Tier II capital instruments meeting all relevant criteria	915,700	878,000
Loss provisions	24,008	19,763
Regulatory reserves	4,700	2,800
Total Tier II Capital	944,408	900,563
Total Capital	1,864,615	1,777,158
Capital adequacy ratios (before proposed dividend)		
CET I Capital Ratio	26.719%	33.633%
Tier I Capital Ratio	26.719%	33.633%
Total Capital Ratio	54.141%	68.186%
Capital adequacy ratios (after proposed dividend)		
CET I Capital Ratio	26.719%	33.633%
Tier I Capital Ratio	26.719%	33.633%
Total Capital Ratio	54.141%	68.186%
Analysis of risk-weighted assets		
Credit risk	2,859,751	2,275,368
Market risk	227,250	127,371
Operational risk	357,018	203,581
Total risk-weighted assets	3,444,019	2,606,320

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32. Financial risk management

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

32.1 Risk management framework

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

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

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

(a) Credit risk

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

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

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

32. Financial risk management (cont'd.)

32.1 Risk management framework (cont'd.)

(a) Credit risk (cont'd.)

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

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

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

In addition, macroeconomic factors and their impacts are regularly monitored as part of the normal process of the Bank in tracking credit risk and measuring ECL.

(i) ECL measurement

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

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

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

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

32. Financial risk management (cont'd.)

32.1 Risk management framework (cont'd.)

(a) Credit risk (cont'd.)

(i) ECL measurement (cont'd.)

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

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

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

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

As at 31 December 2023, no MO has been provided (2022: RM2.71 million).

32. Financial risk management (cont'd.)

32.1 Risk management framework (cont'd.)

(a) Credit risk (cont'd.)

(i) ECL measurement (cont'd.)

Information incorporated in the ECL models

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

The MEV used by the Bank in the current financial year are unemployment and real gross domestic product (GDP). The Bank has reviewed and adjusted the MEV used in the current financial year following the update of non-performing loans rate.

(ii) SICR

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

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

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

(b) Market risk

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

32. Financial risk management (cont'd.)

32.1 Risk management framework (cont'd.)

(b) Market risk (cont'd.)

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

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

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

(c) Liquidity risk

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

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

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

(d) Operational risk

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

32. Financial risk management (cont'd.)

32.1 Risk management framework (cont'd.)

(d) Operational risk (cont'd.)

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

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

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

32.2 Credit risk

(i) Maximum exposure to credit risk

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

	2023 RM'000	2022 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Cash and short-term funds	1,744,813	585,056
Deposits and placements with banks and other financial institutions	690,275	897,025
Debt instruments at FVOCI	1,916,122	3,071,739
Loans and advances	3,096,965	1,221,217
Other financial assets	47,987	71,758
Derivative financial assets	97,624	150,725
	7,593,786	5,997,520
Credit risk exposure relating to off-balance sheet items:		
- Commitments and contingencies	2,129,006	1,656,288
Total maximum credit risk exposure	9,722,792	7,653,808

32. Financial risk management (cont'd.)

32.2 Credit risk (cont'd.)

(ii) Collaterals

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

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

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

(iii) Credit quality

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

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32. Financial risk management (cont'd.)

32.2 Credit risk (cont'd.)

(iii) Credit quality (cont'd.)

Credit quality description is summarised as follows:

Credit Quality	Description
Pass (Rating: 1 to 14)	This indicates that timely repayment of the outstanding asset is not in doubt. Repayment is prompt and the asset does not exhibit potential weakness in repayment capability, business, cash flows or financial position of the counterparty.
Special mention (Rating:15 to16)	This indicates that the asset exhibits potential weaknesses that, if not corrected in a timely manner, may adversely affect repayment by the counterparty at a future date, and warrant close attention or special monitoring. The counterparty shall be classified as "SPECIAL MENTION" if the past due status (of interest/coupon payment) or excess of overdraft facility has been over 30 days but not more than 90 days.
Sub-Standard (Rating:17)	This indicates that the asset exhibits definable weaknesses, either in respect of the business, cash flow or financial position of the counterparty that may jeopardise repayment on existing terms. The counterparty, with obvious problems in solvency, is unable to pay principal and interest in full amount by totally relying on normal operating income. Certain loss may occur even if guarantee is executed. The counterparty is justified to be classified as "SUBSTANDARD" if the past due status (of interest/coupon payment) or excess of overdraft facility has been over 90 days.
Doubtful (Rating:18)	This indicates that the outstanding asset exhibits more severe weaknesses than those in a "SUBSTANDARD" credit facility, such that the prospect of full recovery of the outstanding asset is questionable and the prospect of a loss is high, but the exact amount remains undeterminable as yet. The counterparty shall be classified as "DOUBTFUL" if the past due status (of interest/coupon payment) or excess of overdraft facility has been over 180 days.
Loss (Rating:19)	The principal and interest of credit assets cannot be recovered or only a small part can be recovered after taking all possible measures or going through all necessary legal proceedings. This should be viewed as a transitional category for facilities which have been identified as requiring write off during the current reporting period.

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32. Financial risk management (cont'd.)

32.2 Credit risk (cont'd.)

(iii) Credit quality (cont'd.)

	Gross carrying amount					
2023	**Pass RM'000**	**Special mention RM'000**	**Sub-standard RM'000**	**Doubtful RM'000**	**Loss RM'000**	**Total RM'000**
Stage 1						
- Loans and advances	3,053,315	-	-	-	-	3,053,315
- Cash and short-term funds	1,745,111	-	-	-	-	1,745,111
- Deposits and placements with banks and other financial institutions	690,275	-	-	-	-	690,275
- Debt instruments at FVOCI	1,916,122	-	-	-	-	1,916,122
- Other financial assets	47,987	-	-	-	-	47,987
- Derivative financial assets	97,624	-	-	-	-	97,624
- Commitments and contingencies	2,129,006	-	-	-	-	2,129,006
Stage 2						
- Loans and advances	63,971	-	-	-	-	63,971
	9,743,411	-	-	-	-	9,743,411

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32. Financial risk management (cont'd.)

32.2 Credit risk (cont'd.)

(iii) Credit quality (cont'd.)

	Gross carrying amount					
2022	**Pass RM'000**	**Special mention RM'000**	**Sub-standard RM'000**	**Doubtful RM'000**	**Loss RM'000**	**Total RM'000**
Stage 1						
- Loans and advances	1,236,488	-	-	-	-	1,236,488
- Cash and short-term funds	585,284	-	-	-	-	585,284
- Deposits and placements with banks and other financial institutions	897,025	-	-	-	-	897,025
- Debt instruments at FVOCI	3,071,739	-	-	-	-	3,071,739
- Other financial assets	71,758	-	-	-	-	71,758
- Derivative financial assets	150,725	-	-	-	-	150,725
- Commitments and contingencies	1,656,288	-	-	-	-	1,656,288
	7,669,307	-	-	-	-	7,669,307

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32. Financial risk management (cont'd.)

32.2 Credit risk (cont'd.)

(iv) Credit risk exposure analysed by industry:

2023	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Debt instruments at FVOCI RM'000	Loans and advances RM'000	Other financial assets RM'000	Derivative financial assets RM'000	Commitments and contingencies RM'000	Total RM'000
Manufacturing	-	-	-	588,690	-	680	930,757	1,520,127
Construction	-	-	540,578	464,145	-	-	200,000	1,204,723
Real estate	-	-	44,574	115,388	-	-	192,004	351,966
Wholesale and retail trade	-	-	-	77,941	-	618	36,076	114,635
Finance and insurance/ Takaful activities	1,744,813	690,275	1,330,970	144,485	16,544	96,326	436,751	4,460,164
Others	-	-	-	1,706,316	31,443	-	333,418	2,071,177
	1,744,813	690,275	1,916,122	3,096,965	47,987	97,624	2,129,006	9,722,792

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32. Financial risk management (cont'd.)

32.2 Credit risk (cont'd.)

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

2022	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Debt instruments at FVOCI RM'000	Loans and advances RM'000	Other financial assets RM'000	Derivative financial assets RM'000	Commitments and contingencies RM'000	Total RM'000
Manufacturing	-	-	-	525,286	418	3,002	566,780	1,095,486
Construction	-	-	626,832	28,972	-	-	310,000	965,804
Real estate	-	-	43,531	-	-	-	-	43,531
Wholesale and retail trade	-	-	-	-	-	-	62,008	62,008
Finance and insurance/ Takaful activities	585,056	897,025	2,401,376	231,295	61,103	147,723	327,197	4,650,775
Administrative and support service activities	-	-	-	-	-	-	6,000	6,000
Others	-	-	-	435,664	10,238	-	384,303	830,205
	585,056	897,025	3,071,739	1,221,217	71,759	150,725	1,656,288	7,653,809

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32. Financial risk management (cont'd.)

32.2 Credit risk (cont'd.)

(v) Credit risk exposure analysed by geography:

2023	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	1,270,352	474,461	1,744,813
Deposits and placements with banks and other financial institutions	690,275	-	690,275
Debt instruments at FVOCI	1,916,122	-	1,916,122
Loans and advances	3,019,371	77,594	3,096,965
Other financial assets	46,393	1,594	47,987
Derivative financial assets	76,840	20,784	97,624
	7,019,353	574,433	7,593,786
Commitments and contingencies	2,084,253	44,753	2,129,006
2022			
Cash and short-term funds	333,188	251,868	585,056
Deposits and placements with banks and other financial institutions	897,025	-	897,025
Debt instruments at FVOCI	3,071,739	-	3,071,739
Loans and advances	1,025,951	195,266	1,221,217
Other financial assets	71,758	-	71,758
Derivative financial assets	94,192	56,533	150,725
	5,493,853	503,667	5,997,520
Commitments and contingencies	1,639,183	17,105	1,656,288

32.3 Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Bank.

32. Financial risk management (cont'd.)

32.3 Market risk (cont'd.)

(a) Foreign currency sensitivity analysis

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

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

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

The sensitivity analysis with 5% (2022: 5%) impact on profit before tax is based on the weighted average of fluctuations of exchange rates throughout the financial year.

	Impact on profit before tax RM'000	Impact on equity RM'000
2023		
+5%	26,563	20,184
-5%	(26,563)	(20,184)
2022		
+5%	56,463	42,669
-5%	(56,463)	(42,669)

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

(b) Foreign exchange risk

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

2023	USD RM'000	CNY RM'000	Others RM'000	Total RM'000
Assets				
Cash and short-term funds	183,256	289,851	1,459	474,566
Loans and advances	597,006	522,884	-	1,119,890
Other financial assets	6,880	129	-	7,009
	787,142	812,864	1,459	1,601,465

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32. Financial risk management (cont'd.)

32.3 Market risk (cont'd.)

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

	USD RM'000	CNY RM'000	Others RM'000	Total RM'000
2023 (cont'd.)				
Liabilities				
Deposits from customers	572,717	65,468	3,030	641,215
Deposits and placements of banks and other financial institutions	820,699	633,865	-	1,454,564
Borrowing	-	451,759	-	451,759
Subordinated loan	921,542	-	-	921,542
Other financial liabilities	76,325	-	-	76,325
	2,391,283	1,151,092	3,030	3,545,405
Net on-balance sheet financial position	(1,604,141)	(338,228)	(1,571)	(1,943,940)
Off-balance sheet commitments	1,008,178	400,866	-	1,409,044
2022				
Assets				
Cash and short-term funds	32,307	286,315	1,373	319,995
Loans and advances	654,797	114,843	-	769,640
Other financial assets	7,444	-	-	7,444
	694,548	401,158	1,373	1,097,079
Liabilities				
Deposits from customers	837,817	232,374	38,805	1,108,996
Deposits and placements of banks and other financial institutions	776,305	7,814	-	784,119
Subordinated loan	882,813	-	-	882,813
Other financial liabilities	27,902	-	126	28,028
	2,524,837	240,188	38,931	2,803,956
Net on-balance sheet financial position	(1,830,289)	160,970	(37,558)	(1,706,877)
Off-balance sheet commitments	578,180	-	-	578,180

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32. Financial risk management (cont'd.)

32.3 Market risk (cont'd.)

(c) Interest rate sensitivity analysis

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

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

	Impact on earnings RM'000	Impact on EVE RM'000
2023		
+100 basis points	14,384	(5,635)
-100 basis points	(14,384)	5,635
2022		
+100 basis points	384	(27,652)
-100 basis points	(384)	27,652

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

(i) Impact on earnings is relating to the earnings sensitivity in response to 100 basis points parallel rate movement across all maturities applied on the Bank's interest rate sensitivity gap as at 31 December 2023. The methodology is to follow BNM's Policy on Reporting Requirements for IRRBB to use pre-defined time weight and allocation assumption in each time bucket to stimulate 100 basis points interest rate change impact including those indeterminate maturity balance sheet items such as Demand Deposit.

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

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32. Financial risk management (cont'd.)

32.3 Market risk (cont'd.)

(d) Interest rate risk

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates as at reporting date:

2023	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive* RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	1,419,605	-	-	-	-	-	325,208	-	1,744,813
Deposits and placements with bank and other financial financial institution	-	690,000	-	-	-	-	275	-	690,275
Debt instruments at FVOCI	354,967	384,968	90,240	366,308	170,027	534,050	15,562	-	1,916,122
Other assets	11,195	-	-	-	-	-	38,647	-	49,842
Derivative financial assets	-	-	-	-	-	-	-	97,624	97,624
Loans and advances	1,935,982	486,487	659,857	-	23,086	-	(8,447)	-	3,096,965
Tax recoverable	-	-	-	-	-	-	28,923	-	28,923
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	2,000	-	2,000
Right-of-use assets	-	-	-	-	-	-	35,093	-	35,093
Property and equipment	-	-	-	-	-	-	5,169	-	5,169
Intangible assets	-	-	-	-	-	-	7,604	-	7,604
Deferred tax assets	-	-	-	-	-	-	13,443	-	13,443
Total assets	3,721,749	1,561,455	750,097	366,308	193,113	534,050	463,477	97,624	7,687,873

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32. Financial risk management (cont'd.)

32.3 Market risk (cont'd.)

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

2023 (cont'd.)	Non-trading book								
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years	Non-interest sensitive*	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities									
Deposits from customers	2,329,564	600,210	495	495	774	-	274,398	-	3,205,936
Deposits and placements of banks and other financial institutions	850,194	618,482	197,903	109,662	-	-	8,918	-	1,785,159
Other liabilities	66,632	2,201	8	56	-	1,673	121,416	-	191,986
Derivative financial liabilities	-	-	-	-	-	-	-	139,941	139,941
Lease liabilities	-	-	-	-	-	-	35,693	-	35,693
Borrowing	-	-	-	-	451,549	-	210	-	451,759
Subordinated loan	-	915,593	-	-	-	-	5,949	-	921,542
Total liabilities	3,246,390	2,136,486	198,406	110,213	452,323	1,673	446,584	139,941	6,732,016
Total equity	-	-	-	-	-	-	955,857	-	955,857
Total liabilities and equity	3,246,390	2,136,486	198,406	110,213	452,323	1,673	1,402,441	139,941	7,687,873
Total interest sensitivity gap	475,359	(575,031)	551,691	256,095	(259,210)	532,377			

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

The weighted average interest rate of interest-bearing financial liabilities during the year is 4.07% (2022: 2.10%)

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32. Financial risk management (cont'd.)

32.3 Market risk (cont'd.)

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

2022	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive* RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	325,806	-	-	-	-	-	259,250	-	585,056
Deposits and placements with bank and other financial financial institution	-	495,000	400,000	-	-	-	2,025	-	897,025
Debt instruments at FVOCI	400,035	698,945	124,866	1,046,317	256,680	521,027	23,869	-	3,071,739
Other assets	52,090	-	-	-	-	-	20,902	-	72,992
Derivative financial assets	-	-	-	-	-	-	-	150,725	150,725
Loans and advances	307,425	422,261	454,704	-	-	46,160	(9,333)	-	1,221,217
Tax recoverable	-	-	-	-	-	-	37,698	-	37,698
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	46,001	-	46,001
Right-of-use assets	-	-	-	-	-	-	38,937	-	38,937
Property and equipment	-	-	-	-	-	-	3,235	-	3,235
Intangible assets	-	-	-	-	-	-	8,808	-	8,808
Deferred tax assets	-	-	-	-	-	-	17,113	-	17,113
Total assets	1,085,356	1,616,206	979,570	1,046,317	256,680	567,187	448,505	150,725	6,150,546

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32. Financial risk management (cont'd.)

32.3 Market risk (cont'd.)

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

2022 (cont'd.)	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive* RM'000	Trading book RM'000	Total RM'000
Liabilities									
Deposits from customers	2,362,189	544,076	4,102	110	-	-	284,814	-	3,195,291
Deposits and placements of banks and other financial institutions	805,847	-	-	-	-	-	1,385	-	807,232
Other liabilities	16,575	1,820	16	-	-	-	113,638	-	132,049
Derivative financial liabilities	-	-	-	-	-	-	-	180,064	180,064
Lease liabilities	-	-	-	-	-	-	39,101	-	39,101
Subordinated loan	-	878,000	-	-	-	-	4,813	-	882,813
Total liabilities	3,184,611	1,423,896	4,118	110	-	-	443,751	180,064	5,236,550
Total equity	-	-	-	-	-	-	913,996	-	913,996
Total liabilities and equity	3,184,611	1,423,896	4,118	110	-	-	1,357,747	180,064	6,150,546
Total interest sensitivity gap	(2,099,255)	192,310	975,452	1,046,207	256,680	567,187			

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

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32. Financial risk management (cont'd.)

32.4 Liquidity risk

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

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

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

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

2023	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	1,008,875	735,938	-	-	-	-	-	1,744,813
Deposits and placements of bank and other financial institutions	-	-	690,275	-	-	-	-	690,275
Debt instruments at FVOCI	-	355,932	385,812	90,521	371,140	712,717	-	1,916,122
Other assets	34,211	-	2,259	549	2,524	10,299	-	49,842
Derivative financial assets	51	3,006	37,245	3,057	53,511	754	-	97,624
Loans and advances	389	1,595,118	285,847	79,422	-	1,131,039	5,150	3,096,965
Tax recoverable	-	-	-	-	-	-	28,923	28,923
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	2,000	2,000
Right-of-use assets	-	-	-	-	-	-	35,093	35,093
Property and equipment	-	-	-	-	-	-	5,169	5,169
Intangible assets	-	-	-	-	-	-	7,604	7,604
Deferred tax assets	-	-	-	-	-	-	13,443	13,443
Total assets	1,043,526	2,689,994	1,401,438	173,549	427,175	1,854,809	97,382	7,687,873

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32. Financial risk management (cont'd.)

32.4 Liquidity risk (cont'd.)

2023 (cont'd.)	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	1,999,995	601,870	602,288	504	502	777	-	3,205,936
Deposits and placements of banks and other financial institutions	714,104	138,300	623,487	199,420	109,848	-	-	1,785,159
Other liabilities	156,222	257	3,379	325	2,491	29,312	-	191,986
Derivative financial liabilities	139	23,516	6,652	3,186	18,550	87,898	-	139,941
Lease liabilities	-	-	-	-	-	-	35,693	35,693
Borrowing	-	-	-	-	-	451,759	-	451,759
Subordinated loan	-	-	-	-	-	921,542	-	921,542
Total liabilities	2,870,460	763,943	1,235,806	203,435	131,391	1,491,288	35,693	6,732,016
Net maturity mismatches	**(1,826,934)**	**1,926,051**	**165,632**	**(29,886)**	**295,784**	**363,521**	**61,689**	**955,857**

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32. Financial risk management (cont'd.)

32.4 Liquidity risk (cont'd.)

2022	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	434,124	150,932	-	-	-	-	-	585,056
Deposits and placements of bank and other financial institutions	-	-	496,293	400,732	-	-	-	897,025
Debt instruments at FVOCI	-	400,340	699,445	125,398	1,058,843	787,713	-	3,071,739
Other assets	61,226	236	1,102	171	16	10,241	-	72,992
Derivative financial assets	15,712	5,619	17,768	14,466	55,771	41,389	-	150,725
Loans and advances	112,743	1,973	197,449	2	-	903,879	5,171	1,221,217
Tax recoverable	-	-	-	-	-	-	37,698	37,698
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	46,001	46,001
Right-of-use assets	-	-	-	-	-	-	38,937	38,937
Property and equipment	-	-	-	-	-	-	3,235	3,235
Intangible assets	-	-	-	-	-	-	8,808	8,808
Deferred tax assets	-	-	-	-	-	-	17,113	17,113
Total assets	623,805	559,100	1,412,057	540,769	1,114,630	1,743,222	156,963	6,150,546

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32. Financial risk management (cont'd.)

32.4 Liquidity risk (cont'd.)

2022 (cont'd.)	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	2,018,427	626,914	545,727	4,113	110	-	-	3,195,291
Deposits and placements of banks and other financial institutions	807,232	-	-	-	-	-	-	807,232
Other liabilities	106,251	422	3,390	133	523	21,330	-	132,049
Derivative financial liabilities	6,173	22,465	83,523	717	14,003	53,183	-	180,064
Lease liabilities	-	-	-	-	-	-	39,101	39,101
Subordinated loan	-	-	-	-	-	882,813	-	882,813
Total liabilities	2,938,083	649,801	632,640	4,963	14,636	957,326	39,101	5,236,550
Net maturity mismatches	**(2,314,278)**	**(90,701)**	**779,417**	**535,806**	**1,099,994**	**785,896**	**117,862**	**913,996**

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32. Financial risk management (cont'd.)

32.4 Liquidity risk (cont'd.)

The following table presents the cash outflows for the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments:

	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2023							
Deposits from customers	2,602,682	605,812	520	878	-	-	3,209,892
Deposits and placements of banks and other financial institutions	852,913	831,277	112,937	-	-	-	1,797,127
Other financial liabilities	160,141	33,676	27,088	94,385	96,646	308,346	720,282
Derivative financial liabilities	23,654	9,838	18,550	-	-	87,898	139,940
Borrowing	1,782	5,493	6,693	464,135	-	-	478,103
Subordinated loan	-	32,863	32,863	131,093	131,272	964,725	1,292,816
Total financial liabilities	3,641,172	1,518,959	198,651	690,491	227,918	1,360,969	7,638,160
Short-term self-liquidating trade-related contingencies	60,408	39,073	-	-	-	-	99,481
Transaction-related contingent items	44,570	10,976	81,850	20,649	-	49,000	207,045
Undrawn credit facilities	48,804	495,096	597,721	382,097	106,758	192,004	1,822,480
Total commitments and contingencies	153,782	545,145	679,571	402,746	106,758	241,004	2,129,006

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32. Financial risk management (cont'd.)

32.4 Liquidity risk (cont'd.)

	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2022							
Deposits from customers	2,646,596	552,758	114	-	-	-	3,199,468
Deposits and placements of banks and other financial institutions	807,446	-	-	-	-	-	807,446
Other financial liabilities	111,445	43,031	38,438	117,838	93,896	101,084	505,732
Derivative financial liabilities	28,638	84,241	14,003	-	15,879	37,303	180,064
Subordinated loan	-	28,090	30,885	114,979	119,642	982,728	1,276,324
Total financial liabilities	3,594,125	708,120	83,440	232,817	229,417	1,121,115	5,969,034
Short-term self-liquidating trade-related contingencies	13,723	4,996	-	100	-	-	18,819
Transaction-related contingent items	8,578	49,806	110,372	11,714	500	5,000	185,970
Undrawn credit facilities	-	690,873	30,177	485,891	24,376	220,182	1,451,499
Total commitments and contingencies	22,301	745,675	140,549	497,705	24,876	225,182	1,656,288

32. Financial risk management (cont'd.)

32.5 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derivatives and repurchase agreements included in the amount not set-off in the statement of financial position relate to transactions where:

(i) the counterparty has an offsetting exposure with the Bank and a master netting or similar arrangements is in place with a right to set-off only in the event of default, insolvency or bankruptcy; and

(ii) cash and securities are received or cash pledged in respect of the transaction described above.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amount recognised as financial assets/ liabilities RM'000	Gross amount offset in statement of financial position RM'000	Amount presented in the statement of financial position RM'000	Amount not set-off in the statement of financial position Cash collateral received/ pledged RM'000	Net amount RM'000
2023					
Financial assets					
Derivative financial assets	97,624	-	97,624	(77,812)	19,812
Financial liabilities					
Derivative financial liabilities	139,941	-	139,941	(11,194)	128,747
2022					
Financial assets					
Derivative financial assets	150,725	-	150,725	(85,525)	65,200
Financial liabilities					
Derivative financial liabilities	180,064	-	180,064	(52,090)	127,974

32. Financial risk management (cont'd.)

32.6 Fair value of financial instruments

(a) Determination of fair value and fair value hierarchy

The Bank analyses its financial instruments measured at fair value into three categories as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Valuation techniques

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include quoted securities and unit trusts.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank then determines fair value based upon valuation techniques that use market parameters including but not limited to yield curves, volatilities and foreign exchange rates as inputs. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Fair values for shares held for socio-economic reasons are based on the net tangible assets of the affected companies. For unquoted corporate loan stocks, discounted cash flow analysis has been performed to determine the recoverability of the instruments.

32. Financial risk management (cont'd.)

32.6 Fair value of financial instruments (cont'd.)

(b) Financial instruments carried at fair value

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

2023	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Debt instruments at FVOCI	-	1,916,122	-	1,916,122
Derivative financial assets	-	97,624	-	97,624
	-	2,013,746	-	2,013,746
Financial liabilities				
Derivative financial liabilities	-	139,941	-	139,941
2022				
Financial assets				
Debt instruments at FVOCI	-	3,071,739	-	3,071,739
Derivative financial assets	-	150,725	-	150,725
	-	3,222,464	-	3,222,464
Financial liabilities				
Derivative financial liabilities	-	180,064	-	180,064

(c) Financial instruments not measured at fair value

The following table analyses within the fair value hierarchy of the Bank's assets and liabilities not measured at fair value as at 31 December 2023 but for which fair value is disclosed:

	Carrying	<---------------- Fair Value ---------------->		
2023	**amount RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**
Financial assets				
Gross loans and advances	3,117,286	-	3,117,569	-
Financial liabilities				
Deposits from customers	3,205,936	-	3,205,936	-
Deposits and placements of banks and other financial institutions	1,785,159	-	1,785,159	-
Borrowing	451,759	-	451,759	-
Subordinated loan	921,542	-	921,542	-
	6,364,396	-	6,364,396	-

32. Financial risk management (cont'd.)

32.6 Fair value of financial instruments (cont'd.)

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

2022	Carrying amount RM'000	<----- Fair Value -----> Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial assets				
Gross loans and advances	1,236,488	-	1,236,972	-
Financial liabilities				
Deposits from customers	3,195,291	-	3,195,291	-
Deposits and placements of banks and other financial institutions	807,232	-	807,232	-
Subordinated loan	882,813	-	882,813	-
	4,885,336	-	4,885,336	-

The fair values are based on the following methodologies and assumptions:

(i) Gross loans and advances

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans with maturities of twelve months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risk and maturities.

(ii) Deposits and placements of banks and other financial institutions

For floating rate deposits and placements of banks and other financial institutions, the carrying value is generally a reasonable estimate of fair value. For fixed rate deposits and placements of banks and other financial institutions with maturities of twelve months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

(iii) Subordinated loan

The fair value of the subordinated loan is estimated based on prevailing market rates of the subordinated loan of similar credit risks and maturity.

32. Financial risk management (cont'd.)

32.6 Fair value of financial instruments (cont'd.)

(d) Fair value of financial instruments that are carried at cost and which the fair value could not be reliably measured

The fair value of contingent liabilities and undrawn credit facilities is not readily ascertainable. These financial instruments are presently not sold or traded. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs. The Bank assesses that their respective fair value is unlikely to be significant given that the overall level of fees involved is not significant.

(e) Fair values of financial instruments carried at cost or amortised cost

For cash and short-term funds, repos, deposits and placements with banks and other financial institutions, as well as interest and other short-term receivables and payables, fair value is expected to approximate the carrying amounts in the statements of financial position due to their short-term maturity.

33. Maturity analysis of assets and liabilities

The following table shows an analysis of when the Bank's assets and liabilities are expected to be recovered or settled:

2023	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	1,744,813	-	1,744,813
Deposits and placements of bank and other financial institutions	690,275	-	690,275
Debt instruments at FVOCI	1,203,405	712,717	1,916,122
Other assets	39,543	10,299	49,842
Derivative financial assets	96,870	754	97,624
Loans and advances	1,960,776	1,136,189	3,096,965
Tax recoverable	-	28,923	28,923
Statutory deposit with Bank Negara Malaysia	-	2,000	2,000
Right-of-use assets	-	35,093	35,093
Property and equipment	-	5,169	5,169
Intangible assets	-	7,604	7,604
Deferred tax assets	-	13,443	13,443
Total assets	5,735,682	1,952,191	7,687,873

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

2023 (cont'd.)	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Liabilities			
Deposits from customers	3,205,159	777	3,205,936
Deposits and placements of banks and other financial institutions	1,785,159	-	1,785,159
Other liabilities	162,674	29,312	191,986
Derivative financial liabilities	52,043	87,898	139,941
Lease liabilities	-	35,693	35,693
Borrowing	-	451,759	451,759
Subordinated loan	-	921,542	921,542
Total liabilities	5,205,035	1,526,981	6,732,016
Net mismatch	530,647	425,210	955,857
2022			
Assets			
Cash and short-term funds	585,056	-	585,056
Deposits and placements of bank and other financial institutions	897,025	-	897,025
Debt instruments at FVOCI	2,284,026	787,713	3,071,739
Other assets	62,751	10,241	72,992
Derivative financial assets	109,336	41,389	150,725
Loans and advances	312,167	909,050	1,221,217
Tax recoverable	-	37,698	37,698
Statutory deposit with Bank Negara Malaysia	-	46,001	46,001
Right-of-use assets	-	38,937	38,937
Property and equipment	-	3,235	3,235
Intangible assets	-	8,808	8,808
Deferred tax assets	-	17,113	17,113
Total assets	4,250,361	1,900,185	6,150,546
Liabilities			
Deposits from customers	3,195,291	-	3,195,291
Deposits and placements of banks and other financial institutions	807,232	-	807,232
Other liabilities	110,719	21,330	132,049
Derivative financial liabilities	126,881	53,183	180,064
Lease liabilities	-	39,101	39,101
Subordinated loan	-	882,813	882,813
Total liabilities	4,240,123	996,427	5,236,550
Net mismatch	10,238	903,758	913,996