

**CHINA CONSTRUCTION BANK (MALAYSIA)  
BERHAD**

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

**Risk-Weighted Capital Adequacy Framework (Basel II)**

**Pillar 3 Disclosure**

**31 Dec 2018**

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### Table of Contents

1.0 Introduction.....	3
2.0 Scope of Application .....	3
3.0 Capital .....	3
3.1 Capital Adequacy .....	4
3.2 Capital Structure.....	6
4.0 Risk Management.....	7
5.0 Credit Risk.....	8
5.1 Geographical Analysis.....	10
5.2 Industry/Sector Analysis .....	11
5.3 Maturity Analysis (Residual Contractual Maturity).....	13
5.4 Impaired loans and impairment provision by economic sector .....	14
5.5 Impaired loans and impairment provision by geographical area.....	16
5.5 Impaired loans and impairment provision by geographical area (continued).....	17
5.6 Reconciliation of changes to loan impairment provisions .....	18
6.0 Credit Rating.....	19
6.1 Disclosure on Credit Risk: Disclosure on risk weights under Standardised Approach.....	21
6.2 Rated Exposures according to Ratings by ECAIs .....	23
7.0 Credit Risk Mitigation.....	29
7.1 Disclosure on Credit Risk Mitigation .....	30
8.0 Off-balance sheet exposures and counterparty credit risk (CCR) .....	33
9.0 Securitisation .....	36
10.0 Market Risk.....	37
10.0 Market Risk (continued) .....	38
11.0 Liquidity risk.....	38
11.0 Liquidity risk (continued).....	39
12.0 Operational Risk.....	39
12.0 Operational Risk (continued) .....	40
13.0 Interest Rate Risk in the Banking Book .....	40
13.0 Interest Rate Risk in the Banking Book (continued) .....	41
14.0 Internal Capital Adequacy Assessment Process (“ICAAP”) .....	41

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 1.0 Introduction

China Construction Bank (Malaysia) Berhad (“CCBM” or “the Bank”) computes capital adequacy ratios pursuant to the requirements of the Bank Negara Malaysia’s (“BNM”) Risk - Weighted Capital Adequacy Framework (“RWCAF”) , and provide Pillar 3 disclosure for financial reporting twice a year (i.e. semi-annual and annual), which is equivalent to the Basel II issued by the Basel Committee on Banking. The following information is provided in order to highlight CCBM capital adequacy and details of risk exposures.

### 2.0 Scope of Application

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

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

CCBM adopts the Standardised Approach (“SA”) in computing the capital requirement for credit risk and market risk while adopting Basic Indicator Approach (“BIA”) in computing the operational risk of the Pillar 1 under BNM’s RWCAF.

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

The following information have been reviewed by the independent party, i.e. internal auditors and certified by the Bank’s Chief Executive Officer.

### 3.0 Capital

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

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

The Bank uses a capital model to assess the capital requirements for each material risk. Each material risk is assessed to identify relevant mitigation actions and appropriate levels of capital determined.

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

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 3.1 Capital Adequacy

The Bank's capital adequacy ratio is computed in accordance with the BNM's Capital Adequacy Framework. The following information shows the capital adequacy ratio of the Bank and the breakdown of RWA as of 31 December 2018.

Before/after payment of dividends	31 December 2018	31 December 2017
CET1 Ratio	34.397%	51.598%
Tier 1 Capital Ratio	34.397%	51.598%
Total Capital Ratio	35.022%	52.013%

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

31 December 2018 Risk Type	Gross exposure/ EAD before CRM (RM'000)	Net exposures/ EAD after CRM (RM'000)	Risk- weighted Assets (RM'000)	Capital requirement at 8% (RM'000)
<b>Credit Risk</b>				
<u>On-balance sheet exposure</u>				
Sovereigns & central banks	658,807	658,807	-	-
Banks, development financial institutions & MDBs <sup>1</sup>	1,476,706	1,476,706	309,457	24,757
Corporates	2,210,882	1,777,993	1,686,139	134,891
Other assets	30,040	30,040	30,040	2,403
<b>Total on-balance sheet exposure</b>	<b>4,376,435</b>	<b>3,943,546</b>	<b>2,025,636</b>	<b>162,051</b>
<u>Off-balance sheet exposures</u>				
OTC derivatives	131,551	126,657	45,247	3,620
Credit-related off-balance sheet exposure	189,678	179,882	154,351	12,348
<b>Total off-balance sheet exposure</b>	<b>321,229</b>	<b>306,539</b>	<b>199,598</b>	<b>15,968</b>
<b>Total credit risk</b>	<b>4,697,664</b>	<b>4,250,085</b>		

<sup>1</sup> Multilateral Development Banks

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 3.1 Capital Adequacy (continued)

	<u>Gross exposure/ EAD before CRM</u> (RM'000)		<u>Risk-weighted Assets</u> (RM'000)	<u>Capital requirement at 8%</u> (RM'000)
	<i>long position</i>	<i>short position</i>		
<b>Market Risk</b>				
Interest rate risk	2,534,026	2,573,946	28,390	2,271
Foreign currency risk	7,807	6,711	7,807	625
<b>Operational Risk</b>		-	111,916	8,953
<b>Total RWA and capital requirement</b>			<b>2,373,347</b>	<b>189,868</b>

31 December 2017 Risk Type	<u>Gross exposure/ EAD before CRM</u> (RM'000)	<u>Net exposures/ EAD</u> (RM'000)	<u>Risk-weighted Assets</u> (RM'000)	<u>Capital requirement at 8%</u> (RM'000)
<b>Credit Risk</b>				
<u>On-balance sheet exposure</u>				
Sovereigns & central banks	467,419	467,419	-	-
Banks, development financial institutions & MDBs <sup>2</sup>	994,523	994,523	227,101	18,168
Corporates	1,203,814	1,134,911	1,049,603	83,968
Other assets	26,368	26,368	26,368	2,109
<b>Total on-balance sheet exposure</b>	<b>2,692,124</b>	<b>2,623,221</b>	<b>1,303,072</b>	<b>104,245</b>
<u>Off-balance sheet exposures</u>				
OTC derivatives	27,073	22,409	6,694	535
Credit-related off-balance sheet exposure	183,597	170,580	147,592	11,807
<b>Total off-balance sheet exposure</b>	<b>210,670</b>	<b>192,989</b>	<b>154,286</b>	<b>12,342</b>
<b>Total credit risk</b>	<b>2,902,795</b>	<b>2,816,210</b>		

<sup>2</sup> Multilateral Development Banks

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 3.1 Capital Adequacy (continued)

	<u>Gross exposure/ EAD before CRM</u> (RM'000)		<u>Risk-weighted Assets</u> (RM'000)	<u>Capital requirement at 8%</u> (RM'000)
	<i>long position</i>	<i>short position</i>		
<b>Market Risk</b>				
Interest rate risk	1,709,093	1,719,277	16,954	1,356
Foreign currency risk	4,862	-	4,862	389
<b>Operational Risk</b>		-	91,672	7,334
<b>Total RWA and capital requirement</b>			<b>1,570,846</b>	<b>125,666</b>

### 3.2 Capital Structure

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

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

	<b>31 December 2018</b> (RM'000)	<b>31 December 2017</b> (RM'000)
<b><u>CET1 capital</u></b>		
Paid-up ordinary share capital	822,600	822,600
Accumulated profit/(losses)	4,701	(4,535)
FVOCI/AFS reserves	688	840
Less:		
- Intangible assets	(5,957)	(5,013)
- Deferred tax assets	(5,293)	(2,911)
- 55% of cumulative gains of financial instruments FVOCI/AFS	(378)	(462)
<b>Total CET I Capital</b>	<b>816,361</b>	<b>810,519</b>
<b>Total Tier I Capital</b>	<b>816,361</b>	<b>810,519</b>
<b><u>Tier 2 Capital</u></b>		
Collective impairment allowance and regulatory reserve	14,829	6,520
<b>Total Tier II Capital</b>	<b>14,829</b>	<b>6,520</b>
<b>Total Capital</b>	<b>831,190</b>	<b>817,039</b>

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 4.0 Risk Management

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

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

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

The Bank is exposed to the following risks:

Credit risk

Market risk

Operational risk

Credit concentration risk ("CCR")

Interest rate risk in banking book ("IRRBB")

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

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

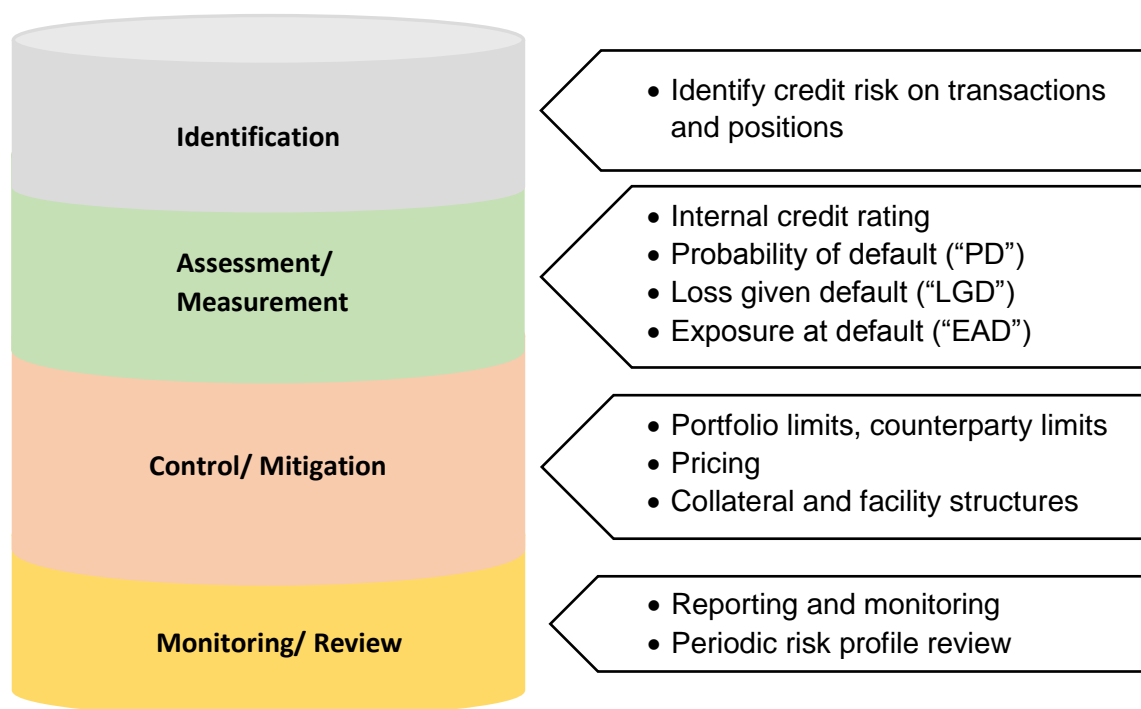
(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 5.0 Credit Risk

The credit risk management process is depicted as follows,



Credit risk is the risk of loss that arises from the failure of a debtor or 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 Management Risk Management Committee ("MRMC") to monitor on credit risk exposure trends, asset quality, portfolio concentration analysis and credit related limits controls. The MRMC ensures that the Bank practices prudent underwriting standards that are consistent with the Bank's risk appetite and lending strategies.

The Bank has also established the Credit Committee to review and evaluate the borrowers' credit ratings based on internal rating criteria and the suitability of credit risk mitigation such as specific types of collaterals. Pre-emptive risk management 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.

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



# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 5.0 Credit Risk (continued)

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 borrower as well as group-wide borrowing limits and capped by the regulatory ceiling.

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

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

Where individual loans are impaired, the individual impairment provision is set aside where the estimated recoverable amount is lower than the net book value of the loan. Additionally, the Bank has applied the Collective Impairment Provision based on local regulatory requirements.

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

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

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

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

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 5.1 Geographical Analysis

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

#### 31 December 2018

Credit Exposure	Malaysia (RM'000)	Hong Kong (RM'000)	PR China (RM'000)	Philippines (RM'000)	UAE (RM'000)	Indonesia (RM'000)	Singapore (RM'000)	Others (RM'000)
Sovereigns/Central Banks	658,807	-	-	-	-	-	-	-
Banks, development financial institutions and MDBs	1,190,090	-	331,479	-	-	-	124,312	766
Corporates	1,235,760	230,707	533,333	157,229	59,704	145,437	-	-
Other assets	30,040	-	-	-	-	-	-	-
<b>Total</b>	<b>3,114,697</b>	<b>230,707</b>	<b>864,812</b>	<b>157,229</b>	<b>59,704</b>	<b>145,437</b>	<b>124,312</b>	<b>766</b>

#### 31 December 2017

Credit Exposure	Malaysia (RM'000)	Hong Kong (RM'000)	PR China (RM'000)	Philippines (RM'000)	UAE (RM'000)	Indonesia (RM'000)	Singapore (RM'000)	Others (RM'000)
Sovereigns/Central Banks	467,419	-	-	-	-	-	-	-
Banks, development financial institutions and MDBs	761,657	-	300,644	-	-	-	-	1
Corporates	640,823	330,533	79,388	162,155	64,248	69,559	-	-
Other assets	26,368	-	-	-	-	-	-	-
<b>Total</b>	<b>1,896,267</b>	<b>330,533</b>	<b>380,032</b>	<b>162,155</b>	<b>64,248</b>	<b>69,559</b>	<b>-</b>	<b>1</b>

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 5.2 Industry/Sector Analysis

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

31 December 2018

Credit Exposure		Category			Total
Sector	Sovereigns & Central Banks	Banks, development financial institutions & MDBs	Corporates	Other assets	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Agriculture, hunting, forestry and fishing	-	-	103,451	-	103,451
Construction	-	-	185,460	-	185,460
Education, health and others	-	-	75,075	-	75,075
Electricity, gas and water	-	-	71,107	-	71,107
Finance, insurance and business services	658,807	1,646,647	620,139	-	2,925,593
Government	-	-	59,704	-	59,704
Manufacturing	-	-	327,509	-	327,509
Sector N.E.C	-	-	32,909	30,040	62,949
Real estate	-	-	248,426	-	248,426
Wholesale & retail trade and restaurant & hotel	-	-	638,390	-	638,390
Other business activities	-	-	-	-	-
<b>Total</b>	<b>658,807</b>	<b>1,646,647</b>	<b>2,362,170</b>	<b>30,040</b>	<b>4,697,664</b>

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 5.2 Industry/Sector Analysis (continued)

31 December 2017

Credit Exposure		Category			Total
Sector	Sovereigns & Central Banks	Banks, development financial institutions & MDBs	Corporates	Other assets	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Agriculture, hunting, forestry and fishing	-	-	79,388	-	79,388
Construction	-	-	160,263	-	160,263
Education, health and others	-	-	75,162	-	75,162
Electricity, gas and water	-	-	69,559	-	69,559
Finance, insurance and business services	467,419	1,062,302	330,533	-	1,860,254
Government	-	-	64,248	-	64,248
Manufacturing	-	-	7,926	-	7,926
Sector N.E.C	-	-	-	-	-
Real estate	-	-	123,895	-	123,895
Wholesale & retail trade and restaurant & hotel	-	-	435,732	-	435,732
Other business activities	-	-	-	26,368	26,368
<b>Total</b>	<b>467,419</b>	<b>1,062,302</b>	<b>1,346,706</b>	<b>26,368</b>	<b>2,902,795</b>

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 5.3 Maturity Analysis (Residual Contractual Maturity)

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

31 December 2018

<b>Credit Exposure Category</b>	<b>Up to one year (RM'000)</b>	<b>Maturity 1-5 years (RM'000)</b>	<b>&gt; 5 years (RM'000)</b>	<b>Total (RM'000)</b>
Sovereigns/Central Banks	353,728	305,079	-	658,807
Banks, development financial institutions and MDBs	1,604,312	42,335	-	1,646,647
Corporates	975,113	1,021,725	365,332	2,362,170
Other assets	30,040	-	-	30,040
<b>Total</b>	<b>2,963,193</b>	<b>1,369,139</b>	<b>365,332</b>	<b>4,697,664</b>

31 December 2017

<b>Credit Exposure Category</b>	<b>Up to one year (RM'000)</b>	<b>Maturity 1-5 years (RM'000)</b>	<b>&gt; 5 years (RM'000)</b>	<b>Total (RM'000)</b>
Sovereigns/Central Banks	312,120	155,300	-	467,420
Banks, development financial institutions and MDBs	1,016,982	45,321	-	1,062,303
Corporates	491,984	604,168	250,552	1,346,704
Other assets	26,368	-	-	26,368
<b>Total</b>	<b>1,847,454</b>	<b>804,789</b>	<b>250,552</b>	<b>2,905,795</b>

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 5.4 Impaired loans and impairment provision by economic sector

The tables below breakdown impairment and provision industry/sector,

#### a) Impaired loans by sector

	31 December 2018 (RM'000)
Finance, insurance, real estate and business activities	-
Manufacturing	-
Construction	-
Wholesale and retail trade, and restaurant and hotels	-
Government and government agencies	-
Education, health & others	-
Others	-
Total	-

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

#### b) Past due loans by sector

	31 December 2018 (RM'000)
Finance, insurance, real estate and business activities	-
Manufacturing	-
Construction	-
Wholesale and retail trade, and restaurant and hotels	-
Government and government agencies	-
Education, health & others	-
Others	-
Total	-

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

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

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

#### c) Individual impairment provisions by sector

	31 December 2018 (RM'000)
Finance, insurance, real estate and business activities	-
Manufacturing	-
Construction	-
Wholesale and retail trade, and restaurant and hotels	-
Government and government agencies	-
Education, health & others	-
Others	-
Total	-

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

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

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

d) Collective impairment provisions by sector

	31 December 2018 <sup>3</sup> (RM'000)
Agriculture, hunting, forestry and fishing	1,122
Real estate	3,082
Finance, insurance and business services	5,214
Government	277
Wholesale & retail trade and restaurant & hotel	736
Electricity, gas and water	330
Construction	1,142
Manufacturing	1,331
Education, health and others	811
Sector NEC	783
Total	<u>14,828</u>

	31 December 2017 (RM'000)
Agriculture, hunting, forestry and fishing	547
Real estate	1,353
Finance, insurance and business services	1,777
Government	262
Wholesale & retail trade and restaurant & hotel	1,377
Electricity, gas and water	71
Construction	434
Manufacturing	-
Education, health and others	699
Sector NEC	-
Total	<u>6,520</u>

### 5.5 Impaired loans and impairment provision by geographical area

a) Impaired loans by geographical area

	31 December 2018 (RM'000)
Malaysia	-
Hong Kong	-
PR China	-
The Philippines	-
UAE	-
Indonesia	-
Others	-
Total	<u>-</u>

<sup>3</sup> Effective Jan 2018, CCBM adopted Malaysia Financial Reporting Standard 9 ("MFRS9") in measuring impairment provisions.



# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

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

	31 December 2017 (RM'000)
Malaysia	-
UAE	-
Others	-
Total	-

#### b) Past due loans by geographical area

	31 December 2018 (RM'000)
Malaysia	-
Hong Kong	-
PR China	-
The Philippines	-
UAE	-
Indonesia	-
Others	-
Total	-

	31 December 2017 (RM'000)
Malaysia	-
UAE	-
Others	-
Total	-

#### c) Individual provision by geographical area

	31 December 2018 (RM'000)
Malaysia	-
Hong Kong	-
PR China	-
The Philippines	-
UAE	-
Indonesia	-
Others	-
Total	-

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

31 December 2017  
(RM'000)

Malaysia	-
UAE	-
Others	-
Total	-

d) The table breakdown the collective impairment provision by geographic location

31 December 2018  
(RM'000)

Malaysia	7,911
Hong Kong	2,100
PR China	3,181
The Philippines	316
UAE	277
Indonesia	898
Others	145
Total	14,828

31 December 2017  
(RM'000)

Malaysia	3,576
Hong Kong	1,649
PR China	675
The Philippines	287
UAE	262
Indonesia	71
Others	-
Total	6,520

### 5.6 Reconciliation of changes to loan impairment provisions

31 December 2018  
(RM'000)

<u>Impaired loans and advances</u>	
At the beginning of the financial year	-
Classified as impaired during the financial year	-
Amount recovered	-
Amount written-off	-
Amount reclassified as performing	-
At end of the financial year	-
Individual impairment allowance	-
Net impaired loans and advances	-

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### Individual impairment allowance

At the beginning of the financial year	-
Allowance made during the financial year	-
Allowance written back during the financial year	-
At the end of the financial year	-

### Collective impairment allowance<sup>4</sup>

At the beginning of the financial year	8,740
Allowance made during the financial year	6,080
Allowance written back during the financial year	-
At the end of the financial year	<u>14,828</u>

31 December 2017  
(RM'000)

### Impaired loans and advances

At the beginning of the financial year	-
Classified as impaired during the financial year	-
Amount recovered	-
Amount written-off	-
Amount reclassified as performing	-

At end of the financial year	-
Individual impairment allowance	-

Net impaired loans and advances	<u>-</u>
---------------------------------	----------

### Individual impairment allowance

At the beginning of the financial year	-
Allowance made during the financial year	-
Allowance written back during the financial year	-
At the end of the financial year	<u>-</u>

### Collective impairment allowance

At the beginning of the financial year	-
Allowance made during the financial year	6,520
Allowance written back during the financial year	-
At the end of the financial year	<u>6,520</u>

## 6.0 Credit Rating

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

<sup>4</sup> Effective Jan 2018, CCBM adopted MFRS9 in measuring impairment provisions.

# **CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD**

(Company No. 1203702-U)

(Incorporated in Malaysia)

## **PILLAR 3 DISCLOSURE**

**31 DECEMBER 2018**

In addition, CCBM uses internal rating model which is the Credit Risk Rating system to assist with the credit decision process. The Credit Risk Rating system has been developed by CCB Parent Bank and is used across its global operations. It uses a combination of quantitative and qualitative measures to determine the applicant's credit rating.

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

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

31 December 2018

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting & Credit Risk Mitigation (RM'000)	Total Risk Weighted Assets (RM'000)
	Sovereigns & Central Banks (RM'000)	Banks, development financial institutions & MDBs (RM'000)	Corporates (RM'000)	Regulatory Retails (RM'000)	Residential mortgages (RM'000)	Other assets (RM'000)		
0%	658,807	-	447,580	-	-	-	1,106,387	-
20%	-	1,501,449	41,179	-	-	-	1,542,628	308,526
35%	-	-	-	-	-	-	-	-
50%	-	145,198	118,684	-	-	-	263,882	131,941
75%	-	-	-	-	-	-	-	-
100%	-	-	1,754,727	-	-	30,040	1,784,767	1,784,767
150%	-	-	-	-	-	-	-	-
<b>Average Risk Weights</b>							<b>4,697,664</b>	<b>2,225,234</b>
<b>Deduction from Capital Base</b>	-	-	-	-	-	-		

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 6.1 Disclosure on Credit Risk: Disclosure on risk weights under Standardised Approach (continued)

31 December 2017

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, development financial institutions & MDBs	Corporates	Regulatory Retails	Residential mortgages	Other assets		
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
0%	467,419	-	86,585	-	-	-	554,004	-
20%	-	916,580	-	-	-	-	916,580	183,316
35%	-	-	-	-	-	-	-	-
50%	-	145,722	170,617	-	-	-	316,339	158,170
75%	-	-	-	-	-	-	-	-
100%	-	-	1,089,504	-	-	26,368	1,115,872	1,115,872
150%	-	-	-	-	-	-	-	-
<b>Average Risk Weights</b>							<b>2,902,795</b>	<b>1,457,358</b>
<b>Deduction from Capital Base</b>	-	-	-	-	-	-		

## CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

### PILLAR 3 DISCLOSURE

31 DECEMBER 2018

#### 6.2 Rated Exposures according to Ratings by ECAs

31 December 2018

Exposure Class	Ratings of Sovereigns and Central Banks by approved ECAs						
	Moody's	Aaa to Aaa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>On and Off Balance Sheet Exposures</u>							
Sovereigns/Central Banks		-	658,807	-	-	-	-
<b>Total</b>		-	658,807	-	-	-	-

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 6.2 Rated Exposures according to Ratings by ECAs (continued)

31 December 2018

Exposure Class	Ratings of Banking Institutions and Corporate by approved ECAs						
	Moody's	Aaa to Aaa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB+ to BBB-	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>On and Off Balance Sheet Exposures</u>							
Banks, MDBs and FDIs		1,186,368	303,856	156,424	-	-	-
<b>Total</b>		1,186,368	303,856	156,424	-	-	-



# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 6.2 Rated Exposures according to Ratings by ECAs (continued)

31 December 2018

Exposure Class	Ratings of Banking Institutions and Corporate by approved ECAs						
	Moody's	Aaa to Aaa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB+ to BBB-	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA- (RM'000)	A+ to A- (RM'000)	BBB+ to BBB- (RM'000)	BB+ to B- (RM'000)	C+ to D (RM'000)	Unrated (RM'000)
<u>On and Off Balance Sheet Exposures</u>							
Corporates		41,179	-	-	-	-	2,351,030
<b>Total</b>		41,179	-	-	-	-	2,351,030

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 6.2 Rated Exposures according to Ratings by ECAs (continued)

31 December 2017

Exposure Class	Ratings of Sovereigns and Central Banks by approved ECAs						
	Moody's	Aaa Aaa3	to A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>On and Off Balance Sheet Exposures</u>							
Sovereigns/Central Banks		-	467,419	-	-	-	-
<b>Total</b>		-	467,419	-	-	-	-

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 6.2 Rated Exposures according to Ratings by ECAs (continued)

31 December 2017

Exposure Class	Ratings of Banking Institutions and Corporate by approved ECAs						
	Moody's	Aaa to Aaa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB+ to BBB-	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>On and Off Balance Sheet Exposures</u>							
Banks, MDBs and FDIs		256,011	570,096	236,195	-	-	-
<b>Total</b>		256,011	570,096	236,195	-	-	-

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 6.2 Rated Exposures according to Ratings by ECAs (continued)

31 December 2017

Exposure Class	Ratings of Banking Institutions and Corporate by approved ECAs						
	Moody's	Aaa to Aaa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB+ to BBB-	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>On and Off Balance Sheet Exposures</u>							
Corporates		-	-	-	-	-	1,346,705
<b>Total</b>		-	-	-	-	-	1,346,705

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 7.0 Credit Risk Mitigation

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

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

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

The acceptable collaterals/securities for CCBM are, but not limited to,

- Cash security
- Freely tradable Malaysia Quoted Shares
- Freely tradeable Malaysia Government Securities
- Freely tradeable Corporate Bonds
- Residential, Commercial or Industrial Property
- Plant and machineries
- Motor vehicles, planes and vessel

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

#### **Guarantee support**

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

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

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 7.0 Credit Risk Mitigation (continued)

#### Loan structuring techniques to mitigate identified credit risks

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

#### Simple Approach

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

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

### 7.1 Disclosure on Credit Risk Mitigation

The tables below illustrates the credit mitigation condition,

31 December 2018

Exposure Class	Gross Exposure before CRM (RM'000)	Exposures covered by guarantees/ credit derivatives (RM'000)	Exposures covered by eligible financial collateral (RM'000)	Exposures covered by other eligible collateral (RM'000)
<b>Credit Risk</b>				
<i>On-Balance Sheet Exposure</i>				
Sovereigns/Central Banks	658,807	-	-	-
Banks, development financial institutions and MDBs	1,476,706	-	-	-
Corporates	2,210,882	117,822	432,890	-

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 7.0 Credit Risk Mitigation (continued)

Exposure Class	Gross Exposure before CRM (RM'000)	Exposures covered by guarantees/ credit derivatives (RM'000)	Exposures covered by eligible financial collateral (RM'000)	Exposures covered by other eligible collateral (RM'000)
<b>Credit Risk</b>				
Regulatory retails	-	-	-	-
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	30,040	-	-	-
Specialised Financing/Investment	-	-	-	-
Equity exposures	-	-	-	-
Securitisation exposures	-	-	-	-
Defaulted exposures	-	-	-	-
<b>Total On-Balance Sheet exposure</b>	<b>4,376,435</b>	<b>117,822</b>	<b>432,890</b>	<b>-</b>
<i>Off-Balance sheet exposure</i>				
OTC derivatives	131,551	863	4,894	-
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	189,678	-	9,796	-
Defaulted exposures	-	-	-	-
<b>Total Off-Balance Sheet exposure</b>	<b>321,229</b>	<b>863</b>	<b>14,690</b>	<b>-</b>
<b>Total On and Off balance sheet exposure</b>	<b>4,697,664</b>	<b>118,685</b>	<b>447,580</b>	<b>-</b>

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 7.0 Credit Risk Mitigation (continued)

31 December 2017

Exposure Class	Gross Exposure before CRM	Exposures covered by guarantees/ credit derivatives	Exposures covered by eligible financial collateral	Exposures covered by other eligible collateral
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b>Credit Risk</b>				
<i>On-Balance Sheet Exposure</i>				
Sovereigns/Central Banks	467,419	-	-	-
Banks, development financial institutions and MDBs	994,523	-	-	-
Corporates	1,203,815	170,617	68,903	-
Regulatory retails	-	-	-	-
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	26,368	-	-	-
Specialised Financing/Investment	-	-	-	-
Equity exposures	-	-	-	-
Securitisation exposures	-	-	-	-
Defaulted exposures	-	-	-	-
<b>Total On-Balance Sheet exposure</b>	<b>2,692,125</b>	<b>170,617</b>	<b>68,903</b>	<b>-</b>
<i>Off-Balance sheet exposure</i>				
OTC derivatives	27,073	-	4,664	-
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	183,597	-	13,017	-
Defaulted exposures	-	-	-	-
<b>Total Off-Balance Sheet exposure</b>	<b>210,670</b>	<b>-</b>	<b>17,681</b>	<b>-</b>
<b>Total On and Off balance sheet exposure</b>	<b>2,902,795</b>	<b>170,617</b>	<b>86,584</b>	<b>-</b>



# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

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

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

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

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

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

However, the Bank engages in netting and margining agreements with major trading counterparties to mitigate CCR. Under these agreements CCMB levies on collateral (cash only) from counterparty whenever the exposures exceed the threshold.

Off-balance sheet and CCR – 31 December 2018

Description	Principal Amount	Gross Positive Fair Value of Contracts	Credit Equivalent Amount	Risk Weighted Assets
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b>Direct credit substitutes</b>	-	-	-	-
<b>Transaction related contingent items</b>	124,945	-	62,473	36,942
<b>Short term self-liquidating trade related contingencies</b>	-	-	-	-
<b>Foreign exchange related contracts</b>				
One year or less	6,130,058	32,300	131,551	50,572
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>Interest/Profit rate related contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>Equity related contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

Description	Principal Amount	Gross Positive Fair Value of Contracts	Credit Equivalent Amount	Risk Weighted Assets
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Over five years	-	-	-	-
<b>Credit Derivatives contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>OTC derivative transactions and credit derivatives contracts subject to valid bilateral netting agreements</b>	-	-	-	-
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year</b>	9,942	-	1,988	1,988
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year</b>	250,433	-	125,217	125,217
<b>Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness</b>	126,203	-	-	-
<b>Unutilised credit card lines</b>	-	-	-	-
<b>Off-balance sheet items for securitisation exposures</b>	-	-	-	-
<b>Off-balance sheet exposures due to early amortization provisions</b>	-	-	-	-
<b>Total</b>	<b>6,641,581</b>	<b>32,300</b>	<b>321,229</b>	<b>214,719</b>

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

Off-balance sheet and CCR – 31 December 2017

Description	Principal Amount	Gross Positive Fair Value of Contracts	Credit Equivalent Amount	Risk Weighted Assets
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b>Direct credit substitutes</b>				
<b>Transaction related contingent items</b>				
<b>Short term self-liquidating trade related contingencies</b>	61,390	-	12,278	1,590
<b>Foreign exchange related contracts</b>				
One year or less	1,728,996	14,222	27,073	6,694
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>Interest/Profit rate related contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>Equity related contracts</b>				
One year or less				
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>Credit Derivatives contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>OTC derivative transactions and credit derivatives contracts subject to valid bilateral netting agreements</b>	-	-	-	-

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

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

Off-balance sheet and CCR – 31 December 2017

Description	Principal Amount	Gross Positive Fair Value of Contracts	Credit Equivalent Amount	Risk Weighted Assets
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	39,534	-	7,907	5,494
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	326,825	-	163,412	140,507
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	152,694	-	-	-
Unutilised credit card lines	-	-	-	-
Off-balance sheet items for securitisation exposures	-	-	-	-
Off-balance sheet exposures due to early amortization provisions	-	-	-	-
<b>Total</b>	<b>2,309,439</b>	<b>14,222</b>	<b>210,670</b>	<b>154,285</b>

### 9.0 Securitisation

The Bank does not engage in securitisation activities.

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

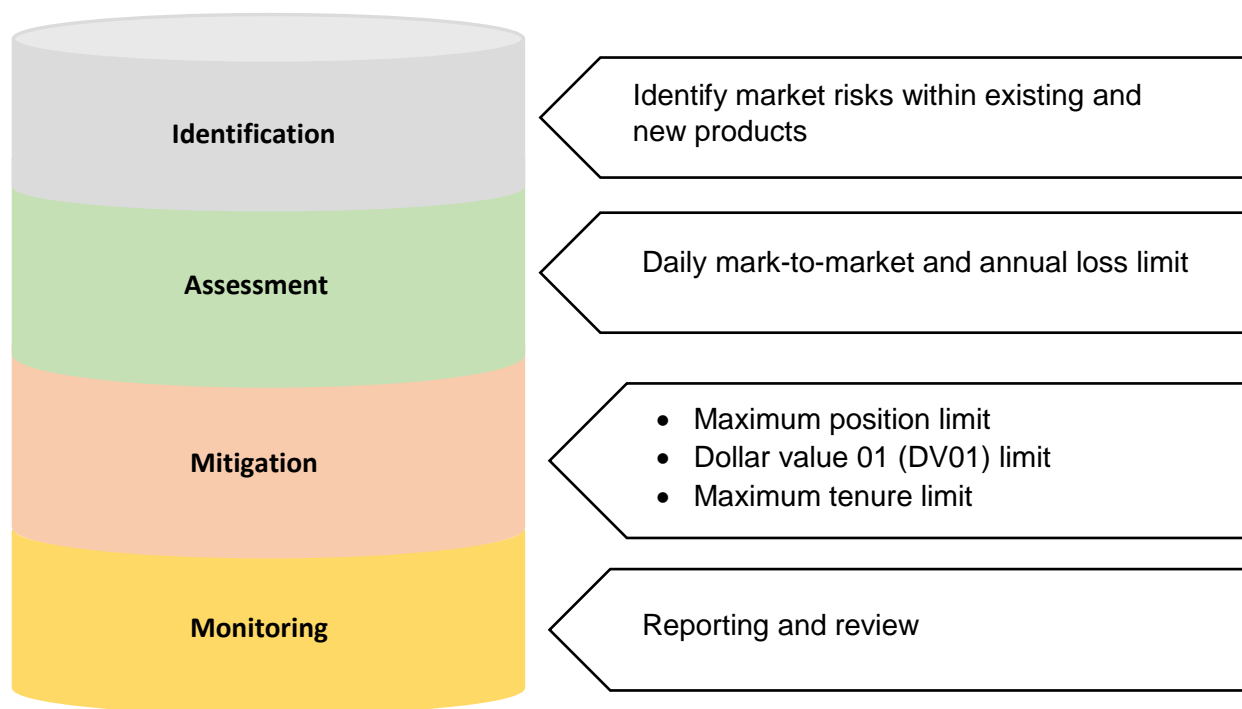
(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 10.0 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, foreign exchange rates, commodity prices and stock prices. Market risk arises from both trading and non-trading business.

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

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 manages this risk by entering into back-to-back transactions with other banks and non-bank financial institutions.

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

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 10.0 Market Risk (continued)

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

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

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

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

<b>Capital Charge Requirement for:</b>	31 December 2018 (RM'000)
Interest rate risk	2,271
Equity position risk	-
Foreign exchange risk	625
Commodity risk	-
Others	-
<b>Total RWA for Market Risk</b>	<b>36,197</b>

<b>Capital Charge Requirement for:</b>	31 December 2017 (RM'000)
Interest rate risk	1,356
Equity position risk	-
Foreign exchange risk	389
Commodity risk	-
Others	-
<b>Total RWA for Market Risk</b>	<b>21,816</b>

### 11.0 Liquidity risk

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

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 11.0 Liquidity risk (continued)

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 Markets Division 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

### 12.0 Operational Risk

Operational risk is the risk of loss due to inadequate or flawed internal processes, people, systems or external events. Operational risk is inherent in each of the Bank's business and operational activities.

The MRMC 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 defence model for holistic oversight operational risk oversight.

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

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

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

The RMD plays a key role in supporting and guiding the business/ support units in the implementation of CCBM's operational risk management policy and tools, particularly in promoting and inculcating operational risk awareness culture across the Bank. Regular operational risk reporting is submitted to Senior Management and BOD on timely basis.

# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 12.0 Operational Risk (continued)

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

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

### 13.0 Interest Rate Risk in the Banking Book

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

The Bank's Interest Rate Risk is managed through the Board Risk Management Committee which is developing risk management strategies and policies, monitoring the implementation and evaluating the Bank's overall risk profile on a regular basis.

The Senior Management is responsible for establishing the Interest rate risk framework and provides input to assist the BOD in discharging its oversight responsibilities. Management Committees i.e. Assets and Liabilities Committee ("ALCO") and the Management Risk Management Committee ("MRMC") reviewed the development of risk management policies, defining the strategies and ensuring the risk management results are aligns with the Bank's business strategies.

In monitoring the Bank's earnings resulting from interest rate risk framework, the Bank's used the re-pricing gap analysis as the primary tool. The rate sensitive assets and liabilities are compared based on the re-price dates. The monitoring is focused on the risk arises if interest rates are settled on liabilities for periods which differ from those on offsetting assets.

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

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

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



# CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE

31 DECEMBER 2018

### 13.0 Interest Rate Risk in the Banking Book (continued)

31 December 2018

Currency	Increase/ (Decrease) in Economic Value		Increase/ (Decrease) in Earnings	
	+100 bps	-100 bps	+100 bps	-100 bps
	RM '000	RM '000	RM '000	RM '000
MYR	(6,062)	6,062	5,406	(5,406)
USD	1,324	(1,324)	(328)	328
CNY	71	(71)	106	(106)
EUR	-	-	1	(1)
SGD	-	-	5	(5)
HKD	-	-	1	(1)
<b>Total</b>	<b>(4,667)</b>	<b>4,667</b>	<b>5,191</b>	<b>(5,191)</b>

31 December 2017

Currency	Increase/ (Decrease) in Economic Value		Increase/ (Decrease) in Earnings	
	+100 bps	-100 bps	+100 bps	-100 bps
	RM '000	RM '000	RM '000	RM '000
MYR	(172)	172	7,878	(7,878)
USD	(246)	246	129	(129)
CNY	1,193	(1,193)	(143)	143
EUR	-	-	(5)	5
<b>Total</b>	<b>775</b>	<b>(775)</b>	<b>7,859</b>	<b>(7,859)</b>

### 14.0 Internal Capital Adequacy Assessment Process ("ICAAP")

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

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

# **CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD**

(Company No. 1203702-U)

(Incorporated in Malaysia)

## **PILLAR 3 DISCLOSURE**

**31 DECEMBER 2018**

### **CHIEF EXECUTIVE OFFICER ATTESTATION**

In accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in China Construction Bank (Malaysia) Berhad Pillar 3 Disclosure report for the financial period ended 31 December 2018 are consistent with the manner the Bank assesses and manages its risk, accurate, complete and not misleading in any particular way.

Felix Feng Qi  
Chief Executive Officer

Date: