

BANK OF CHINA (MALAYSIA) BERHAD (511251-V)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	Note	Group		Bank	
		31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
ASSETS					
Cash and short-term funds	9	3,708,655	4,463,675	3,706,803	4,461,023
Deposits and placements with banks and other financial institutions	10	2,294,781	1,347,112	2,294,781	1,347,112
Derivative assets	11	1,834	1,222	1,834	1,222
Held-to-maturity securities	12	251,767	252,459	251,767	252,459
Loans and advances	13	3,489,741	2,796,973	3,489,741	2,796,973
Other assets	14	13,196	13,926	12,315	13,109
Deferred tax assets		3,580	3,580	3,503	3,503
Statutory deposits with Bank Negara Malaysia		89,600	77,800	89,600	77,800
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		17,372	16,357	14,621	13,647
Intangible assets		82	108	79	106
TOTAL ASSETS		9,870,608	8,973,212	9,866,044	8,967,954
LIABILITIES					
Deposits from customers	15	4,071,892	3,205,471	4,084,149	3,213,514
Deposits and placements of banks and other financial institutions	16	5,182,814	5,073,592	5,182,814	5,073,592
Derivative liabilities	11	1,438	712	1,438	712
Other liabilities	17	68,173	175,624	65,635	173,139
Provision for taxation		1,434	1,434	961	961
TOTAL LIABILITIES		9,325,751	8,456,833	9,334,997	8,461,918
EQUITY					
Share capital		304,000	304,000	304,000	304,000
Reserves		240,857	212,379	227,047	202,036
TOTAL EQUITY		544,857	516,379	531,047	506,036
TOTAL LIABILITIES AND EQUITY		9,870,608	8,973,212	9,866,044	8,967,954
COMMITMENTS AND CONTINGENCIES	24	3,016,719	2,601,513	3,016,719	2,601,513

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2013

BANK OF CHINA (MALAYSIA) BERHAD (511251-V)
(Incorporated in Malaysia)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2014

Group	Note	1st Quarter Ended		Three Months Ended	
		31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Interest income	18	105,279	49,103	105,279	49,103
Interest expense	19	(64,808)	(30,295)	(64,808)	(30,295)
Net interest income		40,471	18,808	40,471	18,808
Other operating income	20	14,770	6,187	14,770	6,187
Other operating expenses	21	(14,634)	(12,987)	(14,634)	(12,987)
Operating profit		40,607	12,008	40,607	12,008
Allowance for impairment on loans and advances	22	(4,207)	-	(4,207)	-
Profit before taxation		36,400	12,008	36,400	12,008
Taxation		(7,922)	(4,698)	(7,922)	(4,698)
Profit for the financial period, representing total comprehensive income for the period		28,478	7,310	28,478	7,310

Bank		1st Quarter Ended		Three Months Ended	
		31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Interest income	18	105,279	49,103	105,279	49,103
Interest expense	19	(64,808)	(30,295)	(64,808)	(30,295)
Net interest income		40,471	18,808	40,471	18,808
Other operating income	20	9,227	3,850	9,227	3,850
Other operating expenses	21	(12,933)	(11,892)	(12,933)	(11,892)
Operating profit		36,765	10,766	36,765	10,766
Allowance for impairment on loans and advances	22	(4,207)	-	(4,207)	-
Profit before taxation		32,558	10,766	32,558	10,766
Taxation		(7,547)	(4,198)	(7,547)	(4,198)
Profit for the financial period, representing total comprehensive income for the period		25,011	6,568	25,011	6,568

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2013

BANK OF CHINA (MALAYSIA) BERHAD (511251-V)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2014

	<u>Share Capital</u> RM'000	Non- distributable statutory <u>reserves</u> RM'000	Distributable retained <u>profits</u> RM'000	<u>Total</u> RM'000
Group				
Balance as at 1 January 2014	304,000	119,561	92,818	516,379
Total comprehensive income for the period	-	-	28,478	28,478
At 31 MARCH 2014	304,000	119,561	121,296	544,857
Balance as at 1 January 2013	304,000	93,688	61,831	459,519
Total comprehensive income for the period	-	-	7,310	7,310
At 31 MARCH 2013	304,000	93,688	69,141	466,829
Bank				
Balance as at 1 January 2014	304,000	119,561	82,475	506,036
Total comprehensive income for the period	-	-	25,011	25,011
At 31 MARCH 2014	304,000	119,561	107,486	531,047
Balance as at 1 January 2013	304,000	93,688	56,602	454,290
Total comprehensive income for the period	-	-	6,568	6,568
At 31 MARCH 2013	304,000	93,688	63,170	460,858

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2013

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2014

	Group		Bank	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	36,400	12,008	32,558	10,766
<i>Adjustment for:</i>				
Depreciation of property and equipment	481	511	431	464
Amortisation of intangible assets	27	27	27	27
Amortisation of premium less accretion of discount	43	64	43	64
Allowance for losses on loans and advances	4,207	-	4,207	-
Interest income from held-to-maturity securities	(1,902)	(549)	(1,902)	(549)
Unrealised foreign exchange loss/(gain)	1,456	(2,197)	1,456	(2,197)
Net loss on revaluation of derivative	113	1,776	113	1,776
Operating profit before changes in operating assets and liabilities	40,825	11,640	36,933	10,351
(INCREASE)/DECREASE IN OPERATING ASSETS				
Deposits and placements with banks and other financial	(947,669)	(765,729)	(947,669)	(765,729)
Loans and advances	(696,975)	(49,294)	(696,975)	(49,294)
Other assets	(726)	10,618	(662)	10,902
Statutory deposits with Bank Negara Malaysia	(11,800)	(4,600)	(11,800)	(4,600)
INCREASE/(DECREASE) IN OPERATING LIABILITIES				
Deposits from customers	866,421	9,528	870,635	10,711
Deposits and placements of banks and other financial institutions	109,222	997,228	109,222	997,228
Other liabilities	(107,451)	(23,174)	(107,504)	(24,471)
Cash generated from operating activities	(748,153)	186,217	(747,820)	185,098
Taxation paid	(7,922)	(4,698)	(7,547)	(4,198)
Net cash generated from operating activities	(756,075)	181,519	(755,367)	180,900

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2014

	Group		Bank	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(1,496)	(1,306)	(1,404)	(1,281)
Purchase of intangible assets	-	(3)	-	-
Purchases of held-to-maturity securities	(90,000)	(40,000)	(90,000)	(40,000)
Proceeds from maturity of held-to-maturity securities	90,000	50,000	90,000	50,000
Interest received on held-to-maturity securities	2,551	912	2,551	912
Net cash generated from investing activities	1,055	9,603	1,147	9,631
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	(755,020)	191,122	(754,220)	190,531
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	4,463,675	1,929,445	4,461,023	1,929,298
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	3,708,655	2,120,567	3,706,803	2,119,829

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

1 Review of Performance and Commentary of Prospects

The Bank's profit before taxation for the three months ended 31 March 2014 was higher as compared with the corresponding period in 2013 mainly due to higher net interest income and higher other operating income. This was offset by higher other operating expenses and allowance made for impairment on loans and advances. The Bank continued to exercise prudence risk management. At the same time emphasis will be placed on the development of other conventional commercial banking products.

2 Group Accounting Policies

The unaudited condensed consolidated interim financial statements for the three months ended 31 March 2014 have been prepared in accordance with MFRS134 Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB"). The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2013.

The accounting policies adopted by the Bank for the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2013.

Since the previous annual audited financial statements as at 31 December 2013 were issued, the Group and the Bank has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2013. This MFRS framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board.

The following MFRS and amendments to MFRSs have been adopted by the Group and the Bank during the current period:

MFRS	132	Financial Instruments: Presentation
MFRS	10	Consolidated Financial Statements
MFRS	139	Financial Instruments: Recognition and Measurement
MFRS	7	Financial Instruments: Disclosures on transition from MFRS 139 to MFRS 9
MFRS	9	Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities

The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL").

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

IFRS 7 or MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Group and of the Bank in the year of initial application except for MFRS 9. The Group and the Bank will assess the impact when the full standard of IFRS 9 or MFRS 9 is ready.

3 Audit Report

The audit report for the financial period ended 31 December 2013 was not subject to any qualification.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

4 Seasonal or Cyclical Factors

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

5 Exceptional or Extraordinary Items

There were no exceptional or extraordinary items in the three months ended 31 March 2014.

6 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the three months ended 31 March 2014.

7 Changes in Debt and Equity Securities

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

8 Dividend paid

No dividend was paid during the three months ended 31 March 2014.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

9 Cash and short-term funds

	Group		Bank	
	31 March	31 December	31 March	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	475,040	573,565	473,188	570,913
Money at call and deposit placements maturing within 1 month	3,233,615	3,890,110	3,233,615	3,890,110
	3,708,655	4,463,675	3,706,803	4,461,023

10 Deposits and placements with banks and other financial institutions

	Group and Bank	
	31 March	31 December
	2014	2013
	RM'000	RM'000
Bank Negara Malaysia	140,157	-
Other financial institutions	2,154,624	1,347,112
	2,294,781	1,347,112

11 Derivative Assets/(Liabilities)

	Group and Bank	
	31 March	31 December
	2014	2013
	RM'000	RM'000
Derivative assets	1,834	1,222
Derivative liabilities	(1,438)	(712)
	396	510

12 Held-to-maturity securities

	Group and Bank	
	31 March	31 December
	2014	2013
	RM'000	RM'000
At amortised cost		
Money market instrument:		
Malaysian Government Securities	206,729	207,435
Negotiable instruments of deposits	45,038	45,024
	251,767	252,459

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

13 Loans and advances

At amortised cost

(i) By type

	Group and Bank	
	31 March	31 December
	2014	2013
	RM'000	RM'000
Overdrafts	517,311	343,045
Terms loans		
- Housing loans	129,293	89,179
- Syndicated term loans	337,623	338,493
- Other term loans	993,912	1,025,562
Bills receivables	609,405	384,888
Trust receipts	8,202	2,322
Claims on customers under acceptance credits	252,129	181,220
Revolving credits	669,639	455,735
Staff loans	2,399	2,494
Total gross loans and advances	<u>3,519,913</u>	<u>2,822,938</u>
Less: Allowance for impaired loans and advances		
- Collective assessment allowance	(29,273)	(25,066)
- Individual assessment allowance	(899)	(899)
Total net loans and advances	<u>3,489,741</u>	<u>2,796,973</u>

(ii) By geographical distribution

	Group and Bank	
	31 March	31 December
	2014	2013
	RM'000	RM'000
Malaysia	2,874,724	2,377,536
Other countries	645,189	445,402
	<u>3,519,913</u>	<u>2,822,938</u>

(iii) By interest rate sensitivity

	Group and Bank	
	31 March	31 December
	2014	2013
	RM'000	RM'000
Fixed rate		
- Other fixed rate loan	581,989	356,935
Variable rate		
- BLR plus	1,658,249	1,466,242
- Cost plus	1,089,480	542,644
- Other variable rates	190,195	457,117
	<u>3,519,913</u>	<u>2,822,938</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED
31 MARCH 2014**

13 Loans and advances (continued)

(iv) By purpose

	Group and Bank	
	31 March 2014 RM'000	31 December 2013 RM'000
Purchase of securities	103,557	116,156
Purchase of transport vehicles	14	21
Purchase of landed property :		
- Residential	145,017	103,715
- Non-residential	540,133	552,755
Purchase of fixed assets other than land and building	6,048	6,416
Personal use	204,222	87,151
Construction	94,770	70,669
Working capital	2,394,934	1,833,903
Other purpose	31,218	52,152
	3,519,913	2,822,938

(v) By residual contractual maturity

	Group and Bank	
	31 March 2014 RM'000	31 December 2013 RM'000
Up to one month	662,012	436,719
More than one month to three months	169,979	516,867
More than three months to six months	493,210	52,388
More than six months to twelve months	111,228	37,723
More than twelve months	2,083,484	1,779,241
	3,519,913	2,822,938

The loans and advances were based on the remaining length of time that will be carried and from the report date to the expiry date of the contract created.

(vi) Impaired loans and advances

(a) Movements in impaired loans and advances

	Group and Bank	
	31 March 2014 RM'000	31 December 2013 RM'000
At beginning of financial period/year	12,341	14,072
Classified as impaired during the period/year	1,708	59
Amount recovered	(407)	(1,790)
At end of financial period/year	13,642	12,341
Individual assesment allowance	(899)	(899)
Net impaired loans and advances	12,743	11,442

Ratio of net impaired loans and advances to gross loans and advances less	0.362%	0.405%
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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

13 Loans and advances (continued)

(b) By geographical

	Group and Bank	
	31 March	31 December
	2014	2013
	RM'000	RM'000
Malaysia	13,642	12,341

(c) By purposes

	Group and Bank	
	31 March	31 December
	2014	2013
	RM'000	RM'000
Purchase of residential property	139	133
Working capital	13,503	12,208
	13,642	12,341

(vii) Allowance for impairment on loans and advances
Movements in allowance for impairment for loans and advances

	Group and Bank	
	31 March	31 December
	2014	2013
	RM'000	RM'000
Collective assessment allowance		
At beginning of the financial period/year	25,066	20,809
Allowance made during the financial period/year	4,207	4,257
Write back during the financial period/year	-	-
At end of the financial period/year	29,273	25,066
Individual assessment allowance		
At beginning of the financial period/year	899	11
Allowance made during the financial period/year	-	888
At end of the financial period/year	899	899

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

14 Other Assets

	Group		Bank	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Other receivables	11,137	11,740	10,917	11,497
Sundry deposits	1,979	1,947	1,398	1,373
Prepayment	80	239	-	239
	13,196	13,926	12,315	13,109

15 Deposits from Customers

(i) By type of deposits

	Group		Bank	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Demand deposits	313,827	333,458	326,084	341,501
Savings deposits	78,211	77,822	78,211	77,822
Fixed deposits	3,679,854	2,794,191	3,679,854	2,794,191
	4,071,892	3,205,471	4,084,149	3,213,514

(ii) Maturity structure of fixed deposits

	Group and Bank	
	31 March 2014	31 December 2013
	RM'000	RM'000
Due within six months	3,012,603	2,168,754
Six months to one year	665,842	624,936
More than one year	1,409	501
	3,679,854	2,794,191

(iii) By type of customer

	Group		Bank	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	4,025	-	4,025	-
Business enterprises	1,362,197	1,078,557	1,362,197	1,078,557
Individuals	1,402,570	1,197,219	1,402,570	1,197,219
Others	1,303,100	929,695	1,315,357	937,738
	4,071,892	3,205,471	4,084,149	3,213,514

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

16 Deposits and placements of banks and other financial institutions

	Group and Bank	
	31 March	31 December
	2014	<u>2013</u>
	RM'000	RM'000
Bank Negara Malaysia	894,193	912,552
Licensed banks	4,202,219	4,064,666
Licensed investment banks	86,402	92,700
Licensed islamic banks	-	3,670
Other financial institutions	-	4
	<u>5,182,814</u>	<u>5,073,592</u>

17 Other liabilities

	Group		Bank	
	31 March	31 December	31 March	31 December
	2014	<u>2013</u>	2014	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	19,411	18,872	18,473	17,319
Margin deposits	10,778	10,243	10,778	10,243
Other liabilities	37,984	146,509	36,384	145,577
	<u>68,173</u>	<u>175,624</u>	<u>65,635</u>	<u>173,139</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED
31 MARCH 2014**

18 Interest income

	1st Quarter Ended		Three Months Ended	
	Group and Bank		Group and Bank	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income on non-impaired loans	40,803	24,876	40,803	24,876
- Interest income on impaired loans	213	242	213	242
Money at call and deposit placement with financial institutions	62,404	23,501	62,404	23,501
Securities				
- Held-to-maturity investments	1,902	548	1,902	548
	105,322	49,167	105,322	49,167
Amortisation of premium less accretion of discount	(43)	(64)	(43)	(64)
Total interest income	105,279	49,103	105,279	49,103

19 Interest Expense

	1st Quarter Ended		Three Months Ended	
	Group and Bank		Group and Bank	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial	37,203	14,611	37,203	14,611
Deposits from customers	27,594	15,671	27,594	15,671
Others	11	13	11	13
	64,808	30,295	64,808	30,295

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

20 Other operating income

	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2014	<u>2013</u>	2014	<u>2013</u>
Group	RM'000	RM'000	RM'000	RM'000
Fees income:				
- Fee on loans and advances	4,279	943	4,279	943
- Service charges and fees	9,473	5,138	9,473	5,138
- Guarantee fees	2,297	607	2,297	607
	16,049	6,688	16,049	6,688
Fees expense:				
- Commission related expenses	(2,333)	(1,569)	(2,333)	(1,569)
Net fee income	13,716	5,119	13,716	5,119
Foreign exchange income:				
- Realised	2,623	645	2,623	645
- Unrealised	(1,456)	2,197	(1,456)	2,197
Loss on revaluation of derivatives	(113)	(1,776)	(113)	(1,776)
Other income	-	2	-	2
	14,770	6,187	14,770	6,187

	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2014	<u>2013</u>	2014	<u>2013</u>
Bank	RM'000	RM'000	RM'000	RM'000
Fees income:				
- Fee on loans and advances	4,279	943	4,279	943
- Service charges and fees	1,567	1,202	1,567	1,202
- Guarantee fees	2,297	607	2,297	607
	8,143	2,752	8,143	2,752
Foreign exchange income:				
- Realised	2,623	645	2,623	645
- Unrealised	(1,456)	2,197	(1,456)	2,197
Loss on revaluation of derivatives	(113)	(1,776)	(113)	(1,776)
Other income	30	32	30	32
	9,227	3,850	9,227	3,850

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED
31 MARCH 2014**

**21 Other operating expenses
Group**

	1st Quarter Ended		Three Months Ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<u>Personnel expenses</u>				
Salaries & wages	5,563	4,809	5,563	4,809
Bonuses	2,532	1,926	2,532	1,926
Defined contribution plan ("EPF")	1,068	875	1,068	875
Staff welfare expenses	258	469	258	469
Other personnel costs	549	739	549	739
	9,970	8,818	9,970	8,818
<u>Marketing expenses</u>				
Entertainment	280	280	280	280
Other marketing	139	74	139	74
	419	354	419	354
<u>Establishment costs</u>				
Rental of premises	1,609	1,116	1,609	1,116
Depreciation	481	511	481	511
Amortisation	27	27	27	27
Repairs and maintenance	44	274	44	274
Information technology expenses	591	-	591	-
Other establishment costs	82	761	82	761
	2,834	2,689	2,834	2,689
<u>Administration and general expenses</u>				
Insurance premium	34	58	34	58
Auditors' remuneration - statutory audit fees	40	-	40	-
- other fees	20	-	20	-
Travelling and accommodation	272	295	272	295
Telecommunication and utilities	236	184	236	184
Printing, stationery and postage	127	189	127	189
Legal and professional fees	61	40	61	40
Other administration and general expenses	621	360	621	360
	1,411	1,126	1,411	1,126
	14,634	12,987	14,634	12,987

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21 Other operating expenses (continued)
Bank

	1st Quarter Ended		Three Months Ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<u>Personnel expenses</u>				
Salaries & wages	4,938	4,313	4,938	4,313
Bonuses	2,384	1,823	2,384	1,823
Defined contribution plan ("EPF")	977	823	977	823
Staff welfare expenses	218	431	218	431
Other personnel costs	527	693	527	693
	9,044	8,083	9,044	8,083
<u>Marketing expenses</u>				
Entertainment	278	252	278	252
Other marketing	137	67	137	67
	415	319	415	319
<u>Establishment costs</u>				
Rental of premises	1,115	931	1,115	931
Depreciation	431	464	431	464
Amortisation	27	27	27	27
Repairs and maintenance	42	271	42	271
Information technology expenses	591	-	591	-
Other establishment costs	59	740	59	740
	2,265	2,433	2,265	2,433
<u>Administration and general expenses</u>				
Insurance premium	28	55	28	55
Auditors' remuneration - statutory audit fees	31	-	31	-
- other fees	18	-	18	-
Travelling and accommodation	242	279	242	279
Telecommunication and utilities	208	169	208	169
Printing, stationery and postage	93	173	93	173
Legal and professional fees	36	39	36	39
Other administration and general expenses	553	342	553	342
	1,209	1,057	1,209	1,057
	12,933	11,892	12,933	11,892

22 Allowance for impairment on loans and advances

	1st Quarter Ended		Three Months Ended	
	Group and Bank		Group and Bank	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Collective assessment allowance				
- Made during the financial period	4,207	-	4,207	-
	4,207	-	4,207	-

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

23 Capital adequacy

(a) The capital adequacy ratios of the Group and Bank are as follows:

	1st Quarter Ended		Three Months Ended	
	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<u>Common Equity Tier 1 (CET1) Capital</u>				
Paid-up ordinary share capital	304,000	304,000	304,000	304,000
Retained profits	92,818	92,818	82,475	82,475
Other reserves	119,561	119,561	119,561	119,561
	516,379	516,379	506,036	506,036
Less: Deferred tax assets	(3,580)	(3,580)	(3,503)	(3,503)
Total CET1 capital / Total Tier 1 capital	512,799	512,799	502,533	502,533
<u>Tier-2 capital</u>				
Collective assessment allowance	29,273	25,066	29,273	25,066
Total Tier-2 capital	29,273	25,066	29,273	25,066
Less: Investment in subsidiary	-	-	(1,000)	(1,000)
Total capital base	542,072	537,865	530,806	526,599
<u>Capital ratios</u>				
CET 1 capital ratio	12.548%	13.597%	12.378%	13.415%
Tier 1 capital ratio	12.548%	13.597%	12.378%	13.415%
Total capital ratio	13.264%	14.262%	13.075%	14.058%

(b) Breakdown of risk-weighted assets in the various categories of risk-weights are as follows :

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Credit risk	3,854,234	3,560,008	3,850,229	3,555,948
Market risk	15,096	17,576	15,096	17,576
Operational risk	217,412	193,733	194,411	172,464
Total risk-weighted assets	4,086,742	3,771,317	4,059,736	3,745,988

With effect from 1 January 2013, the capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) issued on 28 November 2012. The risk-weighted assets of the Group and the Bank has adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. In line with the transitional arrangements under Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for year 2014 for CET 1 capital ratio and Tier 1 capital ratio are 4.0% (2013 : 3.5%) and 5.5% (2013: 4.5%) respectively. The minimum regulatory capital adequacy requirement remain at 8.0% (2013 : 8.0%) for total capital ratio.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

24 Commitments and contingencies

	Group and Bank					
	31 March 2014			31 December 2013		
	Principal	Credit	Risk	Principal	Credit	Risk
	RM'000	equivalent	weighted	RM'000	equivalent	weighted
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	489,536	489,536	53,735	71,170	71,170	55,410
Transaction-related contingent items	1,046,774	523,387	188,276	1,107,380	553,690	212,149
Short-term self-liquidation trade related contingencies	10,376	2,075	2,075	4,289	858	858
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	139,478	69,739	54,312	926,666	185,333	172,243
- Maturity exceeding one year	1,088,723	217,745	166,087	147,312	73,656	65,970
Foreign exchange related contracts:						
- Less than one year	231,430	3,780	756	327,624	2,179	436
Others	10,402	-	-	17,072	-	-
Total	<u>3,016,719</u>	<u>1,306,262</u>	<u>465,241</u>	<u>2,601,513</u>	<u>886,886</u>	<u>507,066</u>

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25 Operations of Islamic Banking

No Islamic banking activities was involved for the financial period ended 31 March 2014.

26 Valuation of Property, Plant and Equipment

The Bank's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. There was no change in the valuation of property and equipment that were brought forward from the previous audited annual financial statements.

27 Events subsequent to Balance Sheet Date

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the interim statements.

28 Changes in the composition of the Group

There were no significant changes in the composition of the Group for the 1st quarter ended 31 March 2014.