

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019**

	Note	Group		Bank	
		31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
<b>ASSETS</b>					
Cash and short-term funds	9	3,056,689	3,558,550	3,046,627	3,553,075
Deposits and placements with banks and other financial institutions	10	1,939,440	1,700,081	1,939,440	1,700,081
Derivative financial assets	11	676	454	676	454
Debt instruments at fair value through other comprehensive income ("FVOCI")	12	490,263	467,541	490,263	467,541
Equity instruments at FVOCI	13	14,936	14,936	14,936	14,936
Debt instruments at amortised cost	14	1,056,232	655,390	1,056,232	655,390
Equity instrument at fair value through profit & loss ("FVTPL")	15	1,288	1,072	1,288	1,072
Loans and advances	16	6,975,348	6,693,130	6,975,348	6,693,130
Other assets	17	37,781	5,093	36,621	4,344
Tax recoverable		1,825	4,000	2,200	4,000
Deferred tax assets		20,805	17,233	20,747	16,959
Statutory deposits with Bank Negara Malaysia		104,400	98,000	104,400	98,000
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		89,681	59,977	84,457	58,956
Intangible assets		1,469	914	1,469	914
<b>TOTAL ASSETS</b>		<b>13,790,833</b>	<b>13,276,371</b>	<b>13,775,704</b>	<b>13,269,852</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	18	8,855,951	8,356,277	8,869,508	8,369,316
Deposits and placements of banks and other financial institutions	19	1,927,156	1,954,232	1,927,156	1,954,232
Derivative financial liabilities	11	1,098	227	1,098	227
Other liabilities	20	180,036	151,352	170,816	147,744
Provision for taxation		-	500	-	-
Subordinated loan	21	1,273,142	1,287,303	1,273,142	1,287,303
<b>TOTAL LIABILITIES</b>		<b>12,237,383</b>	<b>11,749,891</b>	<b>12,241,720</b>	<b>11,758,822</b>
Share capital		760,518	760,518	760,518	760,518
Reserves		792,932	765,962	773,466	750,512
<b>TOTAL EQUITY</b>		<b>1,553,450</b>	<b>1,526,480</b>	<b>1,533,984</b>	<b>1,511,030</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>13,790,833</b>	<b>13,276,371</b>	<b>13,775,704</b>	<b>13,269,852</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	28	<b>5,454,972</b>	<b>4,896,737</b>	<b>5,454,972</b>	<b>4,896,737</b>

*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 2018*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2019**

	Note	Three Months Ended		Three Months Ended	
		Group		Bank	
		31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Interest income	22	128,693	125,690	128,693	125,690
Interest expense	23	(72,806)	(61,862)	(72,756)	(61,862)
Net interest income		55,887	63,828	55,937	63,828
Other operating income	24	25,047	25,395	17,812	18,655
Other operating expenses	25	(36,034)	(33,201)	(34,171)	(31,240)
Operating profit before allowance for expected credit losses		44,900	56,022	39,578	51,243
Allowance for impairment on loans and advances and other financial assets	26	(8,059)	(5,888)	(8,059)	(5,888)
Profit before taxation		36,841	50,134	31,519	45,355
Taxation		(11,059)	(11,229)	(9,753)	(10,104)
<b>Profit for the financial period</b>		<b>25,782</b>	<b>38,905</b>	<b>21,766</b>	<b>35,251</b>
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified subsequently to profit or loss when specific conditions are met:</b>					
- Net fair value changes in debt instrument at FVOCI, net of tax		1,188	(846)	1,188	(846)
Other comprehensive income, net of tax		1,188	(846)	1,188	(846)
Total comprehensive income for the period, net of tax		26,970	38,059	22,954	34,405
Earnings per share					
- Basic/fully diluted (sen)		3.39	5.12		

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**BANK OF CHINA (MALAYSIA) BERHAD (511251-V)**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2019**

	← Non-distributable			Fair value through other		→ Distributable	
	Share capital	Statutory reserve	Revaluation reserve	comprehensive reserve	Regulatory reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>							
Balance as at 31 December 2018	<b>760,518</b>	-	-	<b>8,193</b>	<b>16,191</b>	<b>741,578</b>	<b>1,526,480</b>
Profit for the financial period	-	-	-	-	-	<b>25,782</b>	<b>25,782</b>
Other comprehensive income, net of tax	-	-	-	<b>1,188</b>	-	-	<b>1,188</b>
Total comprehensive income for the financial period, net of tax	-	-	-	<b>1,188</b>	-	<b>25,782</b>	<b>26,970</b>
Transfer from retained profits to regulatory reserve	-	-	-	-	<b>202</b>	<b>(202)</b>	-
<b>At 31 March 2019</b>	<b>760,518</b>	-	-	<b>9,381</b>	<b>16,393</b>	<b>767,158</b>	<b>1,553,450</b>
Balance as at 1 January 2018	760,518	-	1,163	-	30,067	621,693	1,413,441
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	-	(1,163)	1,163	-	(37,625)	(37,625)
Effect of adopting MFRS 9 <i>Financial Instruments - OCI</i>	-	-	-	584	-	-	584
1 January 2018, as restated	760,518	-	-	1,747	30,067	584,068	1,376,400
Profit for the financial period	-	-	-	-	-	38,905	38,905
Other comprehensive income, net of tax	-	-	-	(846)	-	-	(846)
Total comprehensive income for the financial period, net of tax	-	-	-	(846)	-	38,905	38,059
At 31 March 2018	760,518	-	-	901	30,067	622,973	1,414,459

*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 2018*

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**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2019**

	←	Non-distributable			→	Distributable		
	Share capital	Statutory reserve	Revaluation reserve	Fair value through other comprehensive reserve	Regulatory reserve	Retained profits	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>								
Balance as at 31 December 2018	<b>760,518</b>	-	-	<b>8,193</b>	<b>16,191</b>	<b>726,128</b>	<b>1,511,030</b>	
Profit for the financial period	-	-	-	-	-	<b>21,766</b>	<b>21,766</b>	
Other comprehensive income, net of tax	-	-	-	<b>1,188</b>	-	-	<b>1,188</b>	
Total comprehensive income for the financial period, net of tax	-	-	-	<b>1,188</b>	-	<b>21,766</b>	<b>22,954</b>	
Transfer from retained profits to regulatory reserve	-	-	-	-	<b>202</b>	<b>(202)</b>	-	
<b>At 31 March 2019</b>	<b>760,518</b>	-	-	<b>9,381</b>	<b>16,393</b>	<b>747,692</b>	<b>1,533,984</b>	
Balance as at 1 January 2018	760,518	-	1,163	-	30,067	607,180	1,398,928	
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	-	(1,163)	1,163	-	(37,623)	(37,623)	
Effect of adopting MFRS 9 <i>Financial Instruments</i> - <i>OCI</i>	-	-	-	584	-	-	584	
1 January 2018, as restated	760,518	-	-	1,747	30,067	569,557	1,361,889	
Profit for the financial period	-	-	-	-	-	35,251	35,251	
Other comprehensive income, net of tax	-	-	-	(846)	-	-	(846)	
Total comprehensive income for the financial period, net of tax	-	-	-	(846)	-	35,251	34,405	
At 31 March 2018	760,518	-	-	901	30,067	604,808	1,396,294	

*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 2018*

**BANK OF CHINA (MALAYSIA) BERHAD (511251-V)**  
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**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

	Group		Bank	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Note				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	<b>36,841</b>	50,134	<b>31,519</b>	45,355
<i>Adjustment for:</i>				
Depreciation of property and equipment	<b>3,968</b>	1,689	<b>3,452</b>	1,518
Amortisation of intangible assets	<b>144</b>	105	<b>144</b>	105
Amortisation of premium less accretion of discount	<b>408</b>	343	<b>408</b>	343
Allowance for impairment on loans and advances and other financial assets	<b>8,059</b>	5,888	<b>8,059</b>	5,888
Interest income from debt instruments at FVOCI	<b>(4,635)</b>	(3,666)	<b>(4,635)</b>	(3,666)
Interest income from debt instruments at amortised cost	<b>(6,846)</b>	(9,661)	<b>(6,846)</b>	(9,661)
Interest expense on subordinated loan	<b>9,474</b>	5,915	<b>9,474</b>	5,915
Interest expense on lease liabilities	<b>353</b>	-	<b>303</b>	-
Unrealised foreign exchange loss/(gain)	<b>228</b>	(1,996)	<b>228</b>	(1,996)
Net loss on revaluation of derivatives	<b>649</b>	3,661	<b>649</b>	3,661
Unrealised gain on equity instrument at FVTPL	<b>(178)</b>	-	<b>(178)</b>	-
Property and equipment written off	<b>1</b>	12	<b>1</b>	11
Operating profit before changes in operating activities	<b>48,466</b>	52,424	<b>42,578</b>	47,473
<b>(INCREASE)/ DECREASE IN OPERATING ASSETS</b>				
Deposits and placements with banks and other financial institutions	<b>(239,363)</b>	(1,077,838)	<b>(239,363)</b>	(1,077,838)
Loans and advances	<b>(290,270)</b>	(599,405)	<b>(290,270)</b>	(599,405)
Other assets	<b>(30,182)</b>	11,184	<b>(30,104)</b>	2,823
Statutory deposits with Bank Negara Malaysia	<b>(6,400)</b>	1,100	<b>(6,400)</b>	1,100
<b>INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>				
Deposits from customers	<b>499,674</b>	1,132,426	<b>500,192</b>	1,142,346
Deposits and placements of banks and other financial institutions	<b>(27,076)</b>	472,864	<b>(27,076)</b>	472,864
Other liabilities	<b>(5,043)</b>	(49,487)	<b>(5,926)</b>	(51,096)
Subordinated loan	<b>11,625</b>	(57,136)	<b>11,625</b>	(57,136)
Cash used in operating activities	<b>(38,569)</b>	(113,868)	<b>(44,744)</b>	(118,869)
Taxes paid	<b>(13,318)</b>	(10,914)	<b>(12,102)</b>	(9,788)
Net cash used in operating activities	<b>(51,887)</b>	(124,782)	<b>(56,846)</b>	(128,657)

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**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March</b>	31 March	<b>31 March</b>	31 March
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Note	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	<b>(597)</b>	(1,276)	<b>(595)</b>	(1,263)
Purchase of intangible assets	<b>(699)</b>	(397)	<b>(699)</b>	(397)
Purchases of debt instruments at FVOCI	<b>(90,060)</b>	-	<b>(90,060)</b>	-
Proceeds from maturity of debt instruments at FVOCI	<b>70,000</b>	-	<b>70,000</b>	-
Purchases of debt instruments at amortised cost	<b>(1,100,000)</b>	(1,240,000)	<b>(1,100,000)</b>	(1,240,000)
Proceeds from maturity of debt instruments at amortised cost	<b>700,000</b>	1,665,000	<b>700,000</b>	1,665,000
Interest received on debt instruments at FVOCI	<b>2,942</b>	4,000	<b>2,942</b>	4,000
Interest received on debts instruments at amortised cost	<b>6,004</b>	12,910	<b>6,004</b>	12,910
Net cash (used in)/generated from investing activities	<b>(412,410)</b>	440,237	<b>(412,408)</b>	440,250
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of lease liabilities	<b>(2,311)</b>	-	<b>(1,941)</b>	-
Interest paid on subordinated loan	<b>(35,260)</b>	(5,126)	<b>(35,260)</b>	(5,126)
Net cash used in financing activity	<b>(37,571)</b>	(5,126)	<b>(37,201)</b>	(5,126)
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD</b>				
	<b>(501,868)</b>	310,329	<b>(506,455)</b>	306,467
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>				
	<b>3,558,557</b>	3,078,355	<b>3,553,082</b>	3,077,280
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>				
9	<b>3,056,689</b>	3,388,684	<b>3,046,627</b>	3,383,747

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**1 Review of Performance and Commentary of Prospects**

For the three months ended 31 March 2019, the Group recorded profit before taxation of RM36.8 million, a decrease compared to the corresponding period of 2018. Lower profit was mainly due to higher interest expense subordinated loans. Cost of operation has also increased compared to March 2018.

The Group's total assets grew RM13.8 billion mainly due to higher debt instruments at amortised cost and loans and advances.

The growth performance of the global economy is expected to remain volatile following increased concerns over uncertain trade developments between US and China. In Malaysia, the economy slowdown affecting demand dynamics resulted drop in output, new orders and stagnating job creation.

With sound fundamentals, the banking sector is expected to remain resilient despite challenging economic conditions with growth expected to driven by consumer and business segment. The Bank continued to focuses on both Corporate banking and Personal banking business as its core business, leveraging on the advantages of the Group international network and diversification businesses, which enables to promote "Domestic and International Integration" of its business operation, at the same time maintain healthy liquidity position, adequate coverage for loan losses while closely monitoring asset quality.

**2 Group Accounting Policies**

The unaudited condensed consolidated interim financial statements for the three months ended 31 March 2019 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 2018.

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 2018.

The Group and the Bank will apply the following standards from financial years beginning on or after 1 January 2019:

- IC Int 23: Uncertainty over Income Tax Treatments
- MFRS 16 : Leases
- Amendments to MFRS 9 Financial Instruments - Prepayment Features with Negative Compensation
- Annual Improvement to MFRS 2015-2017 Cycle

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**2 Group Accounting Policies (Continued)**

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Group and the Bank have performed an impact assessment and will apply the modified retrospective approach as permitted by the standard. Under this approach, the Group and the Bank do not restate its comparative figures and no adjustment made on adoption for this standards.

Standards issued but not yet effective

The Group and the Bank have not adopt the following standards that have been issued by the MASB as they are not yet effective :

- Amendments to MFRS 3 Business Combination ("MFRS 3") - Definition of a Business
- Amendments to MFRS 101 - Presentation of Financial Statements ("MFRS 101") and 108 Accounting Policies, Changes in Accounting Estimates and Error ("MFRS 108") - Definition of Material
- Revised Conceptual Framework for Financial Reporting (the Conceptual Framework)

**3 Audit Report**

The audit report for the financial year ended 31 December 2018 was not subject to any qualification.

**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 2019.

**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 2019.

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**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 2019.

**9 Cash and Short-term Funds**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	<b>125,712</b>	170,031	<b>115,650</b>	164,556
Money at call and deposit placements maturing within one month	<b>2,930,994</b>	3,388,543	<b>2,930,994</b>	3,388,543
	<b>3,056,706</b>	3,558,574	<b>3,046,644</b>	3,553,099
Less: allowance for ECL	<b>(17)</b>	(24)	<b>(17)</b>	(24)
	<b>3,056,689</b>	3,558,550	<b>3,046,627</b>	3,553,075

**Movements in allowance for impairment on cash and short-term funds**

	<b>Group/Bank</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 31 December 2017	-	-
Effect of adopting MFRS 9	-	27
1 January 2018, as restated	-	27
Beginning 1 January 2019	<b>24</b>	-
ECL allowance written-back during the period (Note 26)	<b>(7)</b>	(3)
Allowance for ECL as at 31 March 2019	<b>17</b>	24

**10 Deposits and Placements with Banks and Other Financial Institutions**

	<b>Group and Bank</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<b>1,939,456</b>	1,700,093
	<b>1,939,456</b>	1,700,093
Less: allowance for ECL	<b>(16)</b>	(12)
	<b>1,939,440</b>	1,700,081

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**10 Deposits and Placements with Banks and Other Financial Institutions (Continued)**

**Movements in allowance for impairment on deposits and placements with banks and other financial institutions**

	<b>Group/Bank</b>	
	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
As at 31 December 2017	-	-
Effect of adopting MFRS 9	-	121
1 January 2018, as restated	-	121
Beginning 1 January 2019	<b>12</b>	-
ECL allowance charge/(written-back) during the period (Note 26)	<b>4</b>	(109)
Allowance for ECL as at 31 March 2019	<b>16</b>	12

**11 Derivative Financial Assets/(Liabilities)**

	<b>Group and Bank</b>	
	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Derivative financial assets	<b>676</b>	454
Derivative financial liabilities	<b>(1,098)</b>	(227)
	<b>(422)</b>	227

**12 Debt instruments at Fair Value Through Other Comprehensive Income ("FVOCI")**

	<b>Group and Bank</b>	
	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Money market instrument:		
Malaysian Government Securities	<b>390,071</b>	457,402
Unquoted securities		
Corporate bond	<b>100,383</b>	10,158
Less: allowance for ECL	<b>(191)</b>	(19)
	<b>100,192</b>	10,139
	<b>490,263</b>	467,541

**Movements in allowance for impairment on corporate bond**

	<b>Group/Bank</b>	
	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Beginning 1 January 2019	<b>19</b>	-
ECL allowance charge during the period (Note 26)	<b>172</b>	19
Allowance for ECL as at 31 March 2019	<b>191</b>	19

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**13 Equity Instruments at FVOCI**

	<u>Group and Bank</u>	
	<u>31 March</u> <u>2019</u> RM'000	31 December <u>2018</u> RM'000
At fair value:		
Unquoted securities		
Shares of corporations in Malaysia	<u>14,936</u>	14,936
	<u><u>14,936</u></u>	<u><u>14,936</u></u>

**14 Debt Instruments at Amortised Cost**

	<u>Group and Bank</u>	
	<u>31 March</u> <u>2019</u> RM'000	31 December <u>2018</u> RM'000
At amortised cost:		
Money market instrument:		
Negotiable instruments of deposits	<u>1,056,232</u>	655,390
	<u><u>1,056,232</u></u>	<u><u>655,390</u></u>

**15 Equity Instrument at Fair Value Through Profit & Loss ("FVTPL")**

	<u>Group and Bank</u>	
	<u>31 March</u> <u>2019</u> RM'000	31 December <u>2018</u> RM'000
At fair value:		
Quoted securities		
Shares of corporations outside Malaysia	<u>1,288</u>	1,072
	<u><u>1,288</u></u>	<u><u>1,072</u></u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**16 Loans and Advances**

**At amortised cost**

**(i) By type**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	<b>479,294</b>	502,703
Terms loans		
- Housing loans	<b>343,614</b>	339,769
- Syndicated term loans	<b>2,447,810</b>	2,509,956
- Other term loans	<b>1,366,294</b>	1,457,758
Bills receivables	<b>339,597</b>	293,130
Trust receipts	<b>26,726</b>	17,201
Claims on customers under acceptance credits	<b>740,647</b>	511,745
Revolving credits	<b>1,339,642</b>	1,161,040
Staff loans	<b>1,979</b>	2,013
Gross loans and advances	<b><u>7,085,603</u></b>	<u>6,795,315</u>
Less: Loss allowance for ECL		
- Allowance for ECL	<b><u>(110,255)</u></b>	<u>(102,185)</u>
Total net loans and advances	<b><u><u>6,975,348</u></u></b>	<u><u>6,693,130</u></u>

**(ii) By geographical distribution**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	<b>5,238,470</b>	4,948,182
Other countries	<b>1,847,133</b>	1,847,133
Gross loans and advances	<b><u>7,085,603</u></b>	<u>6,795,315</u>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**16 Loans and Advances (Continued)**

**At amortised cost (continued)**

**(iii) By interest rate sensitivity**

	<b>Group and Bank</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- Other fixed rate loans	<b>1,483,095</b>	1,193,769
Variable rate		
- Base Rate/Base Lending Rate	<b>1,721,863</b>	1,772,455
- Cost of funds plus	<b>3,490,090</b>	3,465,332
- Other variable rates	<b>390,555</b>	363,759
Gross loans and advances	<b>7,085,603</b>	6,795,315

**(iv) By economic sector**

	<b>Group and Bank</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	<b>540,082</b>	534,893
Mining and quarrying	<b>648,529</b>	604,244
Manufacturing	<b>1,319,506</b>	1,029,828
Electricity, gas and water supply	<b>250,626</b>	132,734
Construction	<b>408,662</b>	405,338
Real estate	<b>1,539,053</b>	1,539,053
Wholesale and retail trade and restaurants and hotels	<b>222,396</b>	220,067
Transport, storage and communication	<b>116,710</b>	116,993
Finance, insurance and business services	<b>997,509</b>	1,137,859
Education, health and others	<b>264,997</b>	279,685
Household	<b>777,533</b>	794,621
	<b>7,085,603</b>	6,795,315

**(v) By residual contractual maturity**

	<b>Group and Bank</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Up to one month	<b>1,563,234</b>	1,462,601
More than one month to three months	<b>862,263</b>	1,141,951
More than three months to six months	<b>987,147</b>	362,361
More than six months to twelve months	<b>36,228</b>	133,066
More than twelve months	<b>3,636,731</b>	3,695,336
Gross loans and advances	<b>7,085,603</b>	6,795,315

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.

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**16 Loans and Advances (Continued)**

**(vi) Changes in gross loans and advances carrying amount**

**Group and Bank**

	12 months ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
Beginning 1 January 2019	5,691,278	1,035,981	68,056	6,795,315
Transferred to 12-month ECL (stage 1)	55,519	(55,519)	-	-
Transferred to lifetime ECL non-credit impaired (stage 2)	(153,238)	153,238	-	-
Transferred to lifetime ECL credit impaired (stage 3)	-	(3,032)	3,032	-
Changes due to change in credit risk	(1,023,704)	(144,352)	(2,704)	(1,170,760)
New loans originated or purchased	1,374,309	86,739	-	1,461,048
<b>Gross carrying amount as at 31 March 2019</b>	<b>5,944,164</b>	<b>1,073,055</b>	<b>68,384</b>	<b>7,085,603</b>

	12 months ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS 9	4,971,176	895,748	97,765	5,964,689
1 January 2018, as restated	4,971,176	895,748	97,765	5,964,689
Transferred to 12-month ECL (stage 1)	122,615	(122,615)	-	-
Transferred to lifetime ECL non-credit impaired (stage 2)	(426,330)	426,330	-	-
Transferred to lifetime ECL credit impaired (stage 3)	(6,681)	(4,439)	11,120	-
Changes due to change in credit risk	(1,693,728)	(340,764)	(15,127)	(2,049,619)
New loans originated or purchased	2,724,226	181,721	965	2,906,912
Bad debts written off	-	-	(26,667)	(26,667)
<b>Gross carrying amount as at 31 December 2018</b>	<b>5,691,278</b>	<b>1,035,981</b>	<b>68,056</b>	<b>6,795,315</b>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**16 Loans and Advances (Continued)**

**(ix) Movements in allowance for impairment on Loans and advances measured at amortised cost**

**Group and Bank**

	12 months ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
Beginning 1 January 2019	18,052	52,089	32,044	102,185
Transferred to 12 months ECL (stage 1)	2,241	(2,241)	-	-
Transferred to lifetime ECL non-credit impaired (stage 2)	(401)	401	-	-
Transferred to lifetime ECL credit impaired (stage 3)	-	(1,149)	1,149	-
New loans ECL	3,522	560	-	4,082
(Reversal)/provision during the period	(902)	6,029	496	5,623
Full settlement	(1,133)	(502)	-	(1,635)
<b>Allowance for ECL as at 31 March 2019</b>	<b>21,379</b>	<b>55,187</b>	<b>33,689</b>	<b>110,255</b>
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS 9	29,456	45,216	53,822	128,494
1 January 2018, as restated	29,456	45,216	53,822	128,494
Transferred to 12 months ECL (stage 1)	3,663	(3,663)	-	-
Transferred to lifetime ECL non-credit impaired (stage 2)	(4,176)	4,176	-	-
Transferred to lifetime ECL credit impaired (stage 3)	(23)	(216)	239	-
New loans ECL	5,595	1,886	-	7,481
(Reversal)/provision during the period	(11,188)	7,421	4,650	883
Full settlement	(5,275)	(2,731)	-	(8,006)
Amounts written-off	-	-	(26,667)	(26,667)
Allowance for ECL as at 31 December 2018	18,052	52,089	32,044	102,185

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**16 Loans and Advances (Continued)**

**(vii) Credit impaired/Impaired gross loans and advances**

**(a) By geographical distribution**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	<b>68,384</b>	<b>68,056</b>

**(b) By economic sector**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Manufacturing	<b>40,357</b>	40,887
Construction	<b>901</b>	3,255
Wholesale and retail trade and restaurants and hotels	<b>6,646</b>	6,667
Household	<b>18,186</b>	14,961
Real estate	<b>2,294</b>	2,286
	<b>68,384</b>	<b>68,056</b>

**17 Other Assets**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other receivables	<b>34,327</b>	1,249	<b>33,581</b>	905
Sundry deposits	<b>2,912</b>	2,909	<b>2,503</b>	2,500
Prepayment	<b>286</b>	487	<b>272</b>	482
Precious metal inventories, at fair value	<b>455</b>	576	<b>455</b>	576
	<b>37,980</b>	5,221	<b>36,811</b>	4,463
Less: allowance for ECL	<b>(199)</b>	(128)	<b>(190)</b>	(119)
	<b>37,781</b>	5,093	<b>36,621</b>	4,344

**Movements in allowance for impairment on other assets**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS 9	-	19	-	16
1 January 2018, as restated	-	19	-	16
Beginning 1 January 2019	<b>128</b>	-	<b>119</b>	-
ECL allowance made during the period (Note 26)	<b>71</b>	234	<b>71</b>	228
Amounts written-off	-	(125)	-	(125)
Allowance for ECL as at 31 March 2019	<b>199</b>	128	<b>190</b>	119

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**18 Deposits From Customers**

**(i) By type of deposits**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	4,215,913	3,900,463	4,229,470	3,913,502
Savings deposits	230,837	220,092	230,837	220,092
Fixed deposits	4,108,714	4,033,289	4,108,714	4,033,289
Negotiable instruments of deposits	300,487	202,433	300,487	202,433
	<b>8,855,951</b>	<b>8,356,277</b>	<b>8,869,508</b>	<b>8,369,316</b>

**(ii) By type of customers**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Business enterprises	5,151,989	4,485,510	5,165,546	4,498,549
Individuals	2,866,143	2,794,119	2,866,143	2,794,119
Others	837,819	1,076,648	837,819	1,076,648
	<b>8,855,951</b>	<b>8,356,277</b>	<b>8,869,508</b>	<b>8,369,316</b>

**(iii) Maturity structure of fixed deposits and negotiable instruments of deposits are as follows:**

	<b>Group and Bank</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	2,886,488	3,318,315
Six months to one year	1,516,186	914,953
One year to three years	6,527	2,454
	<b>4,409,201</b>	<b>4,235,722</b>

**19 Deposits and Placements Of Banks and Other Financial Institutions**

	<b>Group and Bank</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	44,649	44,020
Licensed banks	1,882,257	1,909,810
Licensed investment banks	162	170
Licensed Islamic banks	87	229
Other financial institutions	1	3
	<b>1,927,156</b>	<b>1,954,232</b>

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**20 Other Liabilities**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Accrued expenses	42,822	39,292	41,409	38,064
Margin deposits	48,472	45,026	48,472	45,026
Lease liabilities	33,930	-	29,201	-
Other liabilities	48,965	60,984	45,887	58,604
Allowance for ECL on commitments and contingencies (Note 20 (i))	5,847	6,050	5,847	6,050
	<b>180,036</b>	<b>151,352</b>	<b>170,816</b>	<b>147,744</b>

**(i) Movements in allowance for impairment on commitment and contingencies:**

	<b>Group and Bank</b>			
	<b>31 March 2019</b>			
	<b>12 months ECL (Stage 1)</b>	<b>Lifetime ECL (non-credit impaired) (Stage 2)</b>	<b>Lifetime ECL (credit impaired) (Stage 3)</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Beginning 1 January 2019	4,446	1,601	3	6,050
Transferred to 12 months ECL	264	(264)	-	-
Transfer to lifetime ECL non-credit impaired	(200)	200	-	-
New loans ECL	1,144	59	-	1,203
(Reversal)/provision during the period	(2,975)	1,689	-	(1,286)
Full settlement	(74)	(46)	-	(120)
Allowance for ECL as at 31 March 2019	<b>2,605</b>	<b>3,239</b>	<b>3</b>	<b>5,847</b>

	<b>Group and Bank</b>			
	<b>31 December 2018</b>			
	<b>12 months ECL (Stage 1)</b>	<b>Lifetime ECL (non-credit impaired) (Stage 2)</b>	<b>Lifetime ECL (credit impaired) (Stage 3)</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS 9	3,720	441	1	4,162
1 January 2018, as restated	3,720	441	1	4,162
Transferred to 12 months ECL	40	(40)	-	-
Transfer to lifetime ECL non-credit impaired	(1,284)	1,284	-	-
New loans ECL	3,112	365	-	3,477
Reversal during the period	(143)	(334)	2	(475)
Full settlement	(999)	(115)	-	(1,114)
Allowance for ECL as at 31 December 2018	<b>4,446</b>	<b>1,601</b>	<b>3</b>	<b>6,050</b>

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**21 Subordinated Loan**

	<b>GROUP AND BANK</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
At cost	<b>1,254,725</b>	1,254,725
Interest accrued	<b>6,792</b>	6,693
Foreign exchange difference	<b>11,625</b>	25,885
	<b><u>1,273,142</u></b>	<b><u>1,287,303</u></b>

On 26 July 2017, the Bank has issued an USD310 million subordinated loan (ten (10) years maturity, non-callable five (5) years) which bears interest rate equal to 0.30% plus 3-month USD LIBOR, payable 3 months in arrears.

The subordinated loan was approved by BNM for inclusion as Tier-2 capital of the Bank under BNM's capital adequacy regulations.

The tenor of the Subordinated Loan facility is the 10 years (non-callable five (5) years) from the drawdown date with interest payable in arrears, and is prepayable after 5 years subject to BNM's approval and other conditions.

The subordinated loan constitutes a direct, unsecured and subordinated obligation of the Bank.

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**22 Interest Income**

	<b>Three Months Ended</b>	
	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans and advances		
- Interest income on non-credit impaired loans	<b>77,557</b>	68,202
- Interest income on credit impaired loans	<b>498</b>	1,963
Money at call and deposit placement with financial institutions	<b>39,565</b>	42,541
Debt instruments at FVOCI	<b>4,635</b>	3,666
Debt instruments at amortised cost	<b>6,846</b>	9,661
	<b>129,101</b>	126,033
Amortisation of premium less accretion of discount	<b>(408)</b>	(343)
Total interest income	<b>128,693</b>	125,690

**23 Interest Expense**

	<b>Three Months Ended</b>		<b>Three Months Ended</b>	
	<b>Group</b>		<b>Bank</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements of banks and other financial institutions	<b>5,251</b>	4,785	<b>5,251</b>	4,785
Deposits from customers	<b>57,600</b>	50,998	<b>57,600</b>	50,998
Subordinated loan	<b>9,474</b>	5,915	<b>9,474</b>	5,915
Lease liabilities	<b>353</b>	-	<b>303</b>	-
Others	<b>128</b>	164	<b>128</b>	164
	<b>72,806</b>	61,862	<b>72,756</b>	61,862

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**24 Other Operating Income**

	<b>Three Months Ended Group</b>		<b>Three Months Ended Bank</b>	
	<b>31 March 2019</b>	<b>31 March 2018</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fees income:				
- Fee on loans and advances	<b>4,423</b>	7,535	<b>4,423</b>	7,535
- Service charges and fees	<b>13,227</b>	12,117	<b>1,225</b>	919
- Guarantee fees	<b>3,860</b>	2,962	<b>3,860</b>	2,962
	<b>21,510</b>	22,614	<b>9,508</b>	11,416
Fees expense:				
- Commission related expenses	<b>(4,719)</b>	(4,406)	-	-
Net fee income	<b>16,791</b>	18,208	<b>9,508</b>	11,416
Foreign exchange income/(loss):				
- Realised	<b>8,662</b>	8,636	<b>8,662</b>	8,636
- Unrealised	<b>(228)</b>	1,996	<b>(228)</b>	1,996
Net loss on revaluation of derivatives	<b>(649)</b>	(3,661)	<b>(649)</b>	(3,661)
Unrealised gain on equity instrument at FVTPL	<b>178</b>	-	<b>178</b>	-
Sale of precious metal	<b>279</b>	203	<b>279</b>	203
Other income	<b>14</b>	13	<b>62</b>	65
	<b>25,047</b>	25,395	<b>17,812</b>	18,655

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**25 Other Operating Expenses**

	Three Months Ended Group		Three Months Ended Bank	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
<u>Personnel expenses</u>				
Salaries & wages	14,550	11,956	13,870	11,302
Bonuses	6,411	5,799	6,150	5,541
Defined contribution plan ("EPF")	2,627	2,231	2,532	2,145
Staff welfare expenses	698	495	647	444
Other personnel costs	2,264	2,564	2,223	2,511
	<b>26,550</b>	<b>23,045</b>	<b>25,422</b>	<b>21,943</b>
<u>Marketing expenses</u>				
Entertainment	359	250	353	242
Other marketing	705	694	705	694
	<b>1,064</b>	<b>944</b>	<b>1,058</b>	<b>936</b>
<u>Establishment costs</u>				
Rental of premises	20	2,244	20	1,873
Depreciation of property and equipment	3,968	1,689	3,452	1,518
Amortisation of intangible assets	144	105	144	105
Repairs and maintenance	252	175	252	174
Property and equipment written off	1	12	1	11
Information technology expenses	191	714	184	709
Other establishment costs	784	322	780	310
	<b>5,360</b>	<b>5,261</b>	<b>4,833</b>	<b>4,700</b>
<u>Administration and general expenses</u>				
Insurance premium	8	22	-	14
Auditors' remuneration				
- statutory audit fees	55	61	44	50
- regulatory related service	27	280	24	278
Travelling and accommodation	491	619	460	594
Telecommunication and utilities	350	295	319	255
Printing, stationery and postage	453	540	397	441
Legal and professional fees	140	132	140	132
Other administration and general expenses	1,288	1,834	1,226	1,729
	<b>2,812</b>	<b>3,783</b>	<b>2,610</b>	<b>3,493</b>
<u>Other expenses</u>				
Cost of sales of precious metal	248	168	248	168
	<b>248</b>	<b>168</b>	<b>248</b>	<b>168</b>
	<b>36,034</b>	<b>33,201</b>	<b>34,171</b>	<b>31,240</b>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**26 Allowance For Impairment On Loans and Advances and Other Financial Assets**

	Three Months Ended Group		Three Months Ended Bank	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
	Allowance for impairment on:			
Cash and short-term funds				
- Stage 1	(7)	(5)	(7)	(5)
Deposits and placements with banks and other financial institutions				
- Stage 1	4	(97)	4	(97)
Other assets				
- Stage 1	71	-	71	-
Loans and advances				
- Stage 1	1,487	(3,427)	1,487	(3,427)
- Stage 2	4,938	1,815	4,938	1,815
- Stage 3	1,645	6,039	1,645	6,039
Bad debt recover during the period	(48)	-	(48)	-
Debt instruments at FVOCI				
- Stage 1	172	-	172	-
Commitments and contingencies				
- Stage 1	(1,905)	1,563	(1,905)	1,563
- Stage 2	1,702	-	1,702	-
- Stage 3	-	-	-	-
	<b>8,059</b>	<b>5,888</b>	<b>8,059</b>	<b>5,888</b>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**27 Capital Adequacy**

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2019</b>	31 December 2018	<b>31 March 2019</b>	31 December 2018
	RM'000	RM'000	RM'000	RM'000
<b><u>Common Equity Tier 1 ("CET1") Capital</u></b>				
Paid-up ordinary share capital	<b>760,518</b>	760,518	<b>760,518</b>	760,518
Retained profits	<b>741,578</b>	741,578	<b>726,128</b>	726,128
Regulatory reserve	<b>16,393</b>	16,191	<b>16,393</b>	16,191
Fair value through other comprehensive reserve	<b>9,381</b>	8,193	<b>9,381</b>	8,193
	<b>1,527,870</b>	1,526,480	<b>1,512,420</b>	1,511,030
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	<b>(20,805)</b>	(17,233)	<b>(20,747)</b>	(16,959)
- 55% of cumulative unrealised gains of FVOCI financial instruments	<b>(5,160)</b>	(4,506)	<b>(5,160)</b>	(4,506)
- Regulatory reserve	<b>(16,393)</b>	(16,191)	<b>(16,393)</b>	(16,191)
	<b>(42,358)</b>	(37,930)	<b>(42,300)</b>	(37,656)
Total CET1 capital / Total Tier 1 capital	<b>1,485,512</b>	1,488,550	<b>1,470,120</b>	1,473,374
<b><u>Tier-2 capital</u></b>				
General provision*	<b>99,226</b>	92,562	<b>99,217</b>	92,553
Subordinated loan	<b>1,266,350</b>	1,280,610	<b>1,266,350</b>	1,280,610
Less: Investment in a subsidiary company	-	-	<b>(1,000)</b>	(1,000)
Total Tier-2 capital	<b>1,365,576</b>	1,373,172	<b>1,364,567</b>	1,372,163
Total capital base	<b>2,851,088</b>	2,861,722	<b>2,834,687</b>	2,845,537
<b><u>Capital ratios</u></b>				
CET 1 capital ratio	<b>16.725%</b>	17.722%	<b>16.660%</b>	17.648%
Tier 1 capital ratio	<b>16.725%</b>	17.722%	<b>16.660%</b>	17.648%
Total capital ratio	<b>32.099%</b>	34.070%	<b>32.123%</b>	34.084%

\*General provision is subject to a maximum of 1.25% of total credit risk-weighted assets determined under the Standardised Approach for credit risk.

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**27 Capital Adequacy (Continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 March</b>	31 December	<b>31 March</b>	31 December
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Credit risk	<b>8,312,866</b>	7,825,343	<b>8,304,486</b>	7,822,480
Market risk	<b>4,127</b>	16,273	<b>4,127</b>	16,273
Operational risk	<b>565,134</b>	557,978	<b>515,771</b>	509,932
Total risk-weighted assets	<b>8,882,127</b>	8,399,594	<b>8,824,384</b>	8,348,685

The total capital and capital adequacy ratios of the Bank is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 2 February 2018. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk.

On 2 February 2018, Bank Negara Malaysia issued Policy Document on Financial Reporting. Pursuant to paragraph 10.5 of the Policy Document, effective 1 January 2018 banking institution must maintain, in aggregate, loss allowances for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

The regulatory reserve is maintained in addition to the credit impairment losses that have been assessed in accordance with MFRS 9. It will be transferred from the retained profits to a separate reserve namely regulatory reserve within the equity.

General provision is qualified Tier 2 Capital, subject to maximum of 1.25% of total credit RWA determined under the Standardised Approach for credit risk.

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**28 Commitments and Contingencies**

	<b>Group and Bank</b>					
	<b>31 March 2019</b>			<b>31 December 2018</b>		
	<b>Principal</b>	<b>Credit</b>	<b>Risk</b>	<b>Principal</b>	<b>Credit</b>	<b>Risk</b>
	<b>RM'000</b>	<b>equivalent</b>	<b>weighted</b>	<b>RM'000</b>	<b>equivalent</b>	<b>weighted</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	<b>2,804</b>	<b>2,804</b>	<b>2,804</b>	2,136	2,136	2,136
Transaction-related contingent items	<b>2,543,726</b>	<b>1,271,863</b>	<b>676,062</b>	2,480,797	1,240,398	656,134
Short-term self-liquidation trade related contingencies	<b>141,864</b>	<b>28,373</b>	<b>26,153</b>	132,751	26,550	26,223
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	<b>1,582,494</b>	<b>316,499</b>	<b>288,008</b>	1,603,671	320,734	295,055
- Maturity exceeding one year	<b>374,433</b>	<b>187,216</b>	<b>169,157</b>	534,907	267,453	241,417
Foreign exchange related contracts:						
- Less than one year	<b>809,631</b>	<b>3,179</b>	<b>1,188</b>	142,455	1,508	973
Unutilised credit card lines	<b>20</b>	<b>4</b>	<b>3</b>	20	4	3
<b>Total</b>	<b>5,454,972</b>	<b>1,809,938</b>	<b>1,163,375</b>	<b>4,896,737</b>	<b>1,858,783</b>	<b>1,221,941</b>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**29 Operations of Islamic Banking**

No Islamic banking activities was involved for the financial period ended 31 March 2019.

**30 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.

**31 Events Subsequent to Reporting Date**

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

**32 Changes in the Composition of the Group**

There were no significant changes in the composition of the Group for the first quarter ended 31 March 2019.